STANDALONE ANNUAL REPORT 2017

CPD S.A.

CPD S.A.

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

TRANSLATORS' EXPLANATORY NOTE

The following document is a free translation of the Annual Report of CPD S.A. published on April 20, 2018.

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

SUPERVISORY BOARD

As at the day of December 31, 2017, 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 third term on 15 September 2015. The term of office of Mr Andrew Pegge expires on 15 September 2018. 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 third term on 15 September 2015. The term of office of Mr Michael Haxby expires on 15 September 2018. 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 MEETING THE REQUIREMENTS OF INDEPENDENT MEMBER OF THE SUPERVISORY BOARD)**

Mr Wiesław Oleś was appointed to the Supervisory Board of the third term on 15 September 2015. The term of office of Mr. Wiesław Oleś expires on 15 September 2018. 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 third term on 15 September 2015. The term of office of Mr Mirosław Gronicki expires on 15 September 2018. 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 third term on 24 November 2015. The term of office of Ms Gabriela Gryger expires on 15 September 2018. 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.

In comparison to the status at the end of 2016, the composition of Supervisory Board of CPD S.A. has not changed.

AUDIT COMMITTEE

As at the day of December 31, 2017, the Audit Committer of CPD S.A. included the following persons:

- **Mr Wiesław Oleś - Chairman of the Audit Committee meeting the requirements of qindependent 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**

II. MANAGEMENT BOARD OF CPD S.A.

As the day of December 31, 2017, 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 2016, the composition of the Management Board of CPD S.A. changed as follows:

- On December 22, 2017, Mr. Waldemar Majewski resigned from his position as Member of the Management Board with effect on 31st of December of 2017.

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

In keeping with the *Code of Best Practice for WSE-Listed Companies*, CPD S.A. presents information about the participation of women and men, respectively, in the Management Board and the Supervisory Board of the Company in the last two years.

Supervisory Board CPD S.A.

date	women	men
31 December 2016	1	4
31 December 2017	1	4

Board CPD S.A.

date	women	men
31 December 2016	2	3
31 December 2017	2	2

IV. MANAGEMENT BOARD REPORT

1. CPD S.A. – HISTORY AND BUSINESS PROFILE

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 33 subsidiaries and two half 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. CPD S.A. AS THE PARENT COMPANY IN THE GROUP STRUCTURE

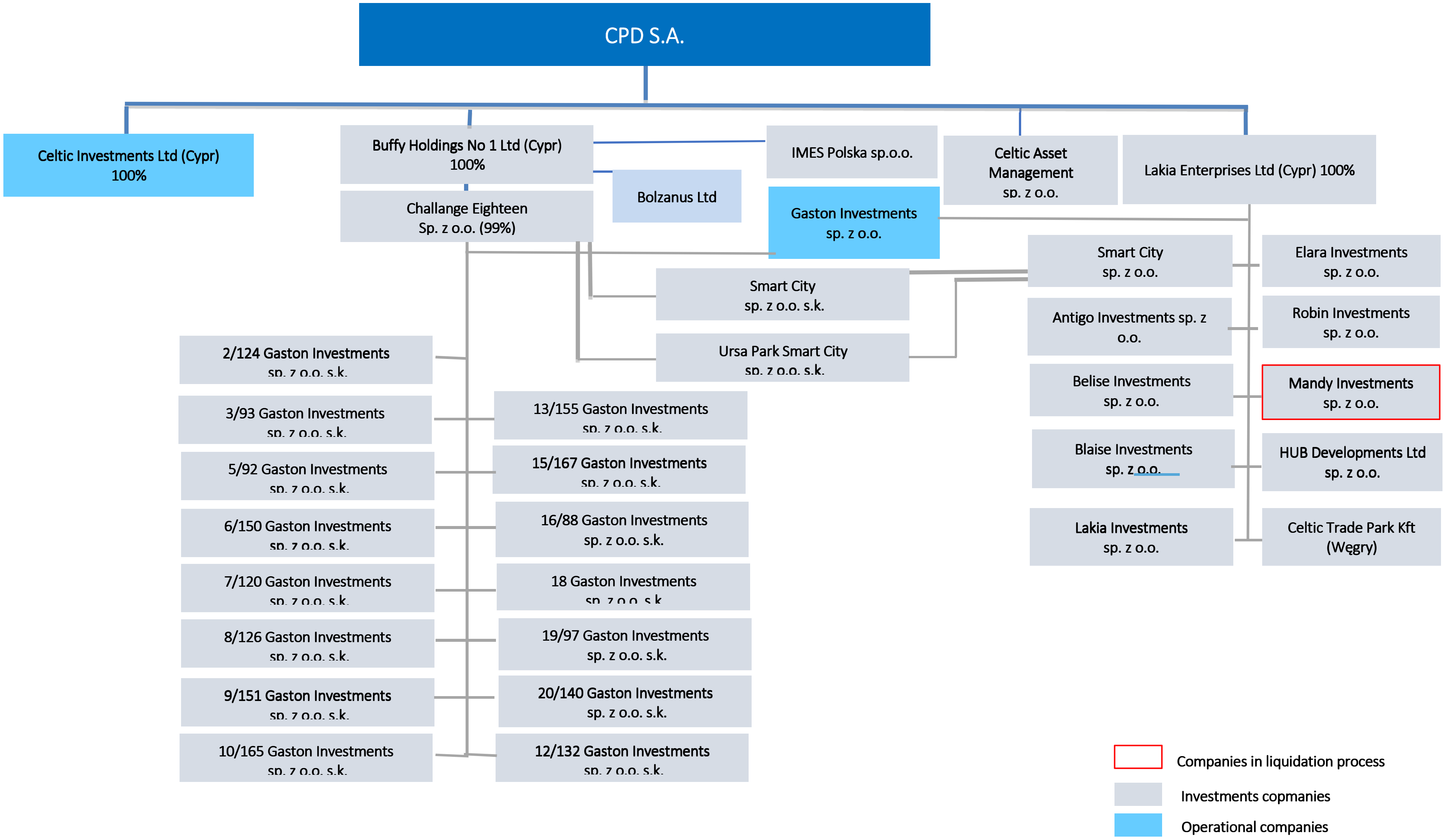
As of the report publication date, CPD S.A. (hereinafter referred to as 'the Company') directly or indirectly held shares and shareholdings in 33 subsidiaries and two half controlled. CPD S.A. directly controls 4 entities which are responsible for various areas of the Group's operations (hereinafter referred to as 'the CPD Group', 'the Group'):

- **Buffy Holdings No1 Ltd (Cyprus)** – this company holds shares in investment companies responsible for the Ursus investments;
- **Lakia Enterprises Ltd (Cyprus)** – this company holds shares in investment companies responsible for investment projects in Poland and Hungary;
- **Celtic Investments Ltd (Cyprus)**
- **Celtic Asset Management sp. z o.o.**

As the parent company, CPD S.A. co-ordinates and supervises activities of its subsidiaries, while being the centre where growth strategy decisions are taken. CPD S.A. undertakes initiatives focusing on optimisation of the Group's operational costs, it develops and co-ordinates Group's investment and marketing policies and activities.

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 are reeconciliated wit the equity method.

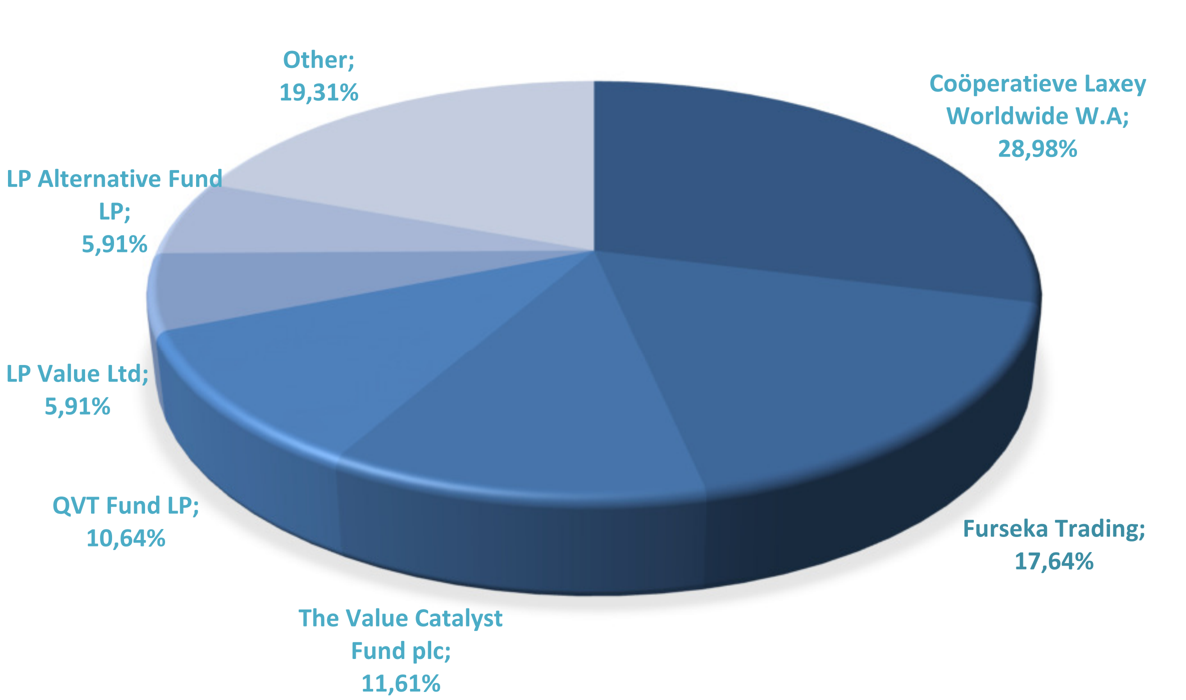
CPD Group structure on the December 31, 2017.



3. SHAREHOLDERS

CONTROLLING STAKES

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	11 406 759	Na okaziciela	11 406 759	28.98 %	28.98 %
Furseka Trading	6 942 424	Na okaziciela	6 942 424	17.64 %	17.64 %
The Value Catalyst Fund plc	4 567 681	Na okaziciela	4 567 681	11.61 %	11.61 %
QVT Fund LP	4 186 145	Na okaziciela	4 186 145	10.64 %	10.64 %
LP Value Ltd	2 327 645	Na okaziciela	2 327 645	5.91 %	5.91 %
LP Alternative Fund LP	2 325 927	Na okaziciela	2 325 927	5.91 %	5.91 %
Other	7 597 442	Na okaziciela	7 597 442	19.31 %	19.31 %

The above shareholding structure was presented in relation to the total number of shares, amounting to 39,354,023 shares and covering series B, C, D, E, F and G shares which constitute 100% of votes at the general meeting of the Company.

On 5 of August 2014, the Company adopted resolution on the issue of A series bonds convertible into series G shares, conditionally increasing the Company's share capital, depriving existing shareholders of the pre-emptive rights to series G shares, changing the Company's Articles of Association, dematerializing series G shares and applying for the admission and introduction of series G shares to trading on the regulated market. The buyback date for convertible bonds was 26 September 2017.

However, in connection with the receipt by the Company:

- on 20 of March 2017 statements on the conversion of the Bonds from bondholders of series A bonds convertible into series G shares, ie 90 bonds convertible into Series G shares of the Company, ie 5,292,720 series G shares of the Company, and
- on 13 of June 2017 statements on the exchange of Bonds, from two bondholders of A series bonds convertible into series G shares, ie 20 convertible bonds for G series shares of the Company, ie 1.198.100 series G shares of the Company

all bonds convertible into shares issued by the Company on 26 of September 2014 in accordance with the Resolution No. 3 of the Extraordinary General Meeting of the Company of August 5, 2014 were converted into shares.

SHAREHOLDERS WITH SPECIAL RIGHTS

All shares issued by the Company to date are ordinary bearer shares. The Company Articles do not grant any specific rights to shares in the Company, including preferential voting rights or the right to appoint members of the Company's governing bodies. The Company's shareholders do not own shares bearing 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, 1,497,792 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 TRANSFER OF OWNERSHIP RIGHTS

All hitherto issued B, C, D and F 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 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 19 February 2009 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
Coöperatieve Laxey Worldwide W.A	11 406 759	Na okaziciela	11 406 759	28.98 %	28.98 %
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Other	7 597 442	Na okaziciela	7 597 442	19.31 %	19.31 %

- ### 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 Wiesław Oleś,
- Mr Andrew Pegge
- Mr Mirosław Gronicki

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
- Mr Michael Haxby – Vicepresident of Supervisory Board
- Mr Wiesław Oleś – Secretary of Supervisory Board
- Mr Mirosław Gronicki – Member of Supervisory Board
- Ms Gabriela Gryger - Member of Supervisory Board

The composition of Supervisory Board of CPD S.A. has not changed.

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. changed as follows:

- On December 22, 2017, Mr Waldemar Majewski resigned from the position of Member of the Management Board;

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 Wiesław Oleś - Chairman of the Audit Committee (independent member)
- Mr Mirosław Gronicki - Member of the Audit Committee (independent member)
- Mr 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 par. 1.3.5 and 6 of the Act on statutory auditors, auditing companies and public supervision, i.e.:

Until now, the duties of the Audit Committee were performed by the Supervisory Board of CPD (regulation resulting from § 11 items 3 and 5 of the Articles of Association of the Company and from § 11 section 2 of the Regulations of the Supervisory Board) due to the five-person composition of the Supervisory Board.

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

- **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.1.11. INFORMATION ABOUT THE CONTENT OF THE COMPANY'S INTERNAL RULE OF CHANGING THE COMPANY AUTHORISED TO AUDIT FINANCIAL STATEMENTS OR INFORMATION ABOUT THE ABSENCE OF SUCH RULE;**

  The Company does not apply the principle.

  The Company has not posted information about the content of the company's internal rule of changing the company authorized to audit financial statements on it's website, as there is no such internal rules. The company applies to the content of art. 89 of the Act of 7 May 2009 on auditors and their self-government, entities authorized to audit financial statements and public oversight:

  "1. Key statutory auditor can not perform auditing activities in the same unit of public interest for a period longer than 5 years.

  2. Key auditor can again perform the financial audit in the entity referred to in paragraph. 1, after at least two years."

- **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. STRATEGY AND POLICY REGARDING FURTHER DEVELOPMENT OF THE GROUP

In the coming years, the Group is going to implement 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 will primarily focus on launching the Ursus project. In order to hasten the growth in the value of the Group's assets, the Group intends to divide the project in Ursus into smaller projects and implement them in cooperation with experienced housing developers. 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. Sale of carefully selected major areas of investment would be an important element influencing the acceleration of the development of investment areas. Simultaneous implementation of several smaller developer undertaking the Ursus project will enable the shortening of the entire project completion time, which will 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.

Regardless of the strategic assumptions adopted for the incoming years, the Group does not exclude that in the future it will be interested in sale of the part of the investment land to other potential developers or acquisitions of other entities of the development sector. Potential targets of acquisitions will be primarily companies holding lands in interesting locations and/or executing projects matching the Group's image.

The overall strategy, as defined above, executed in very demanding market conditions, determined by the overall economic slowdown, the decrease in demand for real estate and more difficult access to the capital, defines the guidelines for each of the areas of Group's activity during next few years and aims at increasing the Shareholders' assets and optimizing their return on investment.

6. CPD GROUP ACTIVITIES AND IMPORTANT EVENTS DURING THE REPORTING PERIOD

• CONCLUSION OF A CONDITIONAL CONTRACT BY CPD S.A. AND ITS SUBSIDIARIES

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

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

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

On the part of the Real Property with an area of approx. 1.36 ha, construction of a complex of multi-family buildings with services together with accompanying infrastructure will be implemented in two stages, the general contractor of which will be Unibep S.A. and Unidevelopment S.A. will provide services of investor's replacement for the Venture. As part of the venture, Unidevelopment S.A. he will join the limited partnership as a limited partner. The contract also includes activities consisting in marketing activities related to the sale of premises created as part of the Project, and then on the total sale of the usable floor space of the Project and the principles for the distribution of profit from the implementation of the Project.

Participation of companies from the CPD Capital Group in the implementation of the Project it relies, among others on:

a) implementation of a Real Estate Project belonging to a limited partnership,

b) providing Gaston Investments sp. o.o. financial and operational control services over undertaking and supervision over Unibep SA as a general contractor.

The contract was to enter into force under condition that all annexes to the Agreement were agreed (accepted) by March 31, 2017. In addition, as regards the accession of Unidevelopment S.A. to the limited partnership - the contract was to enter into force under the condition of obtaining the consent of the President of the Office of Competition and Consumer Protection for concentration of entrepreneurs or issuing a decision by the President of UOKiK on discontinuation due to the fact that the transaction is not subject to the obligation to report to the President of UOKiK or the statutory deadline to issue the aforementioned consent, if before the expiry of that period, the President of UOKiK does not issue any decision, or issue a ruling by the Antimonopoly Court regarding consent to concentration as a result of an appeal - whichever occurs first.

The above Agreement meets the criterion of considering it as a significant agreement, as its value exceeded the criterion for determining significant contracts used by the Issuer, i.e. 10% of the Issuer's equity, which as of the end of the third quarter of 2016 amounted to PLN 452 224 000.

- **FULFILLING THE CONDITION OF THE CONDITIONAL AGREEMENT CONCLUDED BY CPD S.A. AND SUBSIDIARIES**

On 1st od March 2017, all annexes to the Investment Agreement were agreed (accepted), which was a condition for entry into force of the Investment Agreement between CPD Spółka Akcyjna, Challange Eighteen limited liability company, 4/113 Gaston Investments sp. z o.o sp. k., Lakia Enterprise Ltd and Unibep SA., Unidevelopment SA.

The Agreement was to enter into force under the condition:

i) obtaining the consent of the President of the Office for Competition and Consumer Protection (President of UOKiK) for concentration of entrepreneurs or

ii) issuing a decision by the President of UOKiK on discontinuation due to the fact that the transaction is not subject to the obligation notification to the President of UOKiK or

iii) the expiration of the statutory deadline for issuing the above consent, if before the deadline the President of UOKiK does not issue any decision, or

iv) issuing a ruling by the Antimonopoly Court regarding consent to concentration as a result of appeal - depending on which of these events was to take place earlier.

The agreement entered into force on the basis of the Annex to the Investment Agreement signed by the Parties, signed on August 2, 2017, which is hereby disclosed in the further part of this report.

- **RECEIPT OF REPLACEMENT STATEMENTS OF SERIES A FOR SERIES G SERIES**

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

The conversion price (issue price) was determined in accordance with Resolution No. 3 of the Extraordinary General Meeting of the Company dated August 5, 2014 and the terms of issue of the Notes at the level indicated therein, in the amount of PLN 4.38 per Share.

Rights from Series G Shares will arise upon the entry of shares on the securities accounts of authorized persons.

The company submitted relevant applications to the National Depository for Securities S.A. and to the S.A. Warsaw Stock Exchange. in order to register Series G Shares and their introduction to trading on the regulated market.

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

Following the share capital increase, which was to take place when the shares were issued, i.e. the moment the shares were registered on the securities accounts of the entitled persons, the structure of the Company's share capital was as follows: after the Bonds were converted into shares, the share capital of the Company was to be PLN 3,815,292.30 and be divided into 38,155,923 shares with a nominal value of PLN 0.10 each, giving a total of 38,155,923 votes at the general meeting of the Company, including:

a) 32.335.858 ordinary series B bearer shares,

b) 163,214 ordinary bearer shares of the Company, C series,

c) 76,022 ordinary bearer shares of the D series,

d) 88,776 ordinary series E bearer shares,

e) 19.3333 ordinary series F bearer shares

f) 5,292,720 ordinary series G bearer shares.

Series G shares issued to persons entitled in exchange for the Bonds on which the right to convert them to shares were exercised, were to constitute 13.87% in the Company's share capital and were to entitle to 5,292,720 votes at the General Meeting of the Company, which would total 13, 87% of the total number of votes at the general meeting of the Company.

Out of all convertible bonds issued by the Company on 26 September 2014 in accordance with Resolution No. 3 of the Extraordinary General Meeting of the Company of August 5, 2014 - 20 bonds were not converted into shares.

- **INFORMATION ABOUT TRANSACTIONS ARE OBTAINED IN ARTICLE 19 MAR**

On March 21, 2017, the Company received from:

1. The Value Catalyst Fund Limited,
2. Laxey Universal Value Lp By Laxey Partners (Gp2) As General Partner,
3. Laxey Partners Limited,
4. LP Value Ltd,
5. LP Alternative Lp By Laxey Partners (Gp3) General Partner,

entities closely related to a person discharging managerial responsibilities at CPD S.A., ie Mr. Michael Haxby - Member of the Supervisory Board of CPD S.A., notifications about transactions regarding the conversion of bonds convertible into shares, concluded on 20 March 2017, referred to in Art. 19 para. 3 of the MAR Regulation.

- **CONDITIONAL REGISTRATION OF THE SHARES IN DEPOSITORY CONDUCTED BY KDPW S.A.**

March 22, 2017 CPD SA Management Board learned about the resolution adopted by the Management Board of the National Depository for Securities No. 290/17 of 28 April 2017, issued pursuant to § 2 sections 1 and 4 and § 40 subpara. 2.3a and 4a of the Regulations of the National Depository for Securities, after considering the Company's application regarding the registration of 5,292,720 (five million two hundred ninety two seven hundred twenty) series G ordinary bearer shares with a nominal value of PLN 0.10 each issued as part of the conditional capital increase based on Resolution No. 3 of the Extraordinary General Meeting of the Company dated August 5, 2014 and marked with the PLCELPD00013 code, provided that the company running the regulated market makes decisions on the introduction of these shares to trading on the same regulated market on which other shares of the Company were introduced. marked with the code PLCELPD00013.

Registration of ordinary bearer series G CPD S.A. was to take place within three days of receipt by KDPW of documents confirming the decision by the company operating the regulated market to introduce these shares to trading on the aforementioned regulated market, however, not earlier than on the date indicated in this decision as the day of introducing these shares to trading on this regulated market.

- **SUBMITTING A REQUEST FOR ENTERING G-SERIES SHARES TO TRADING ON THE WSE**

The company submitted an application for the introduction of series G shares to trading on the Warsaw Stock Exchange.

The total number of series G ordinary bearer shares with a nominal value of PLN 0.10 each covered by the application, which was to be introduced to trading on the stock exchange following registration, is: 5,292,720 (five million, two hundred and ninety-two thousand, seven hundred and twenty).

The total number of shares that will be traded on the stock exchange after the introduction of the shares covered by the application was to be: 38,155,923 (in words: thirty eight million one hundred fifty five thousand nine hundred and twenty three).

The shares were placed on the market in May 2017 what is fully described in the following sections of the report.

- **PERMISSION AND INTRODUCTION OF THE G SERIES G-SERIES SHARES**

CPD SA Management Board was informed that the Management Board of Warsaw Stock Exchange in Warsaw SA, on the basis of the motion, adopted resolution No. 464/2017 of 11 May 2017 regarding the admission and introduction to exchange trading on the WSE Main Market of 5,292,720 ordinary bearer shares of the G series CPD SA with a nominal value of PLN 0.10 each.

The Management Board of the Warsaw Stock Exchange decided to introduce, as of 15 May 2017, in the ordinary course of exchange trading on the parallel market, shares of the Company, provided that the National Depository for Securities S.A. on May 15, 2017, register these shares and mark them with the PLCELPD00013 code.

- **THE COMMUNICATION OF NATIONAL DEPOSITS ON SECURITIES ON THE REGISTRATION OF SERIES G SERIES**

CPD SA Management Board received the Statement of the Operational Department of the National Depository for Securities SA stating that in accordance with the resolution of the KDPW Management Board No. 290/17 of 28 April 2017, on 15 May 2017, 5,222,720 series G ordinary bearer shares were registered at the National Depository marked with the ISIN code: PLCELPD00013.

- **REGISTRATION OF G-SERIES SHARES ON SECURITIES ACCOUNTS AND INCREASE OF SHARE CAPITAL**

On 15th of May 2017, the Company's share capital was increased as a result of subscribing to the Company's G series shares on the accounts of authorized persons and the rights arising from these shares pursuant to art. 452 of the Code of Commercial Companies.

In connection with the above, the share capital of CPD S.A. was increased by PLN 311,682.40 to PLN 3,598.002.70 (in words: three million five hundred and ninety eight thousand two zlotys and seventy grosz). Increased share capital of CPD S.A. is divided into 35,808,027 (in words: thirty five million nine hundred and eighty thousand twenty seven) shares with a nominal value of PLN 0.10 (ten groszy) each, representing 100% of votes at the General Meeting of the Company.

Series G shares were issued as a result of the exercise of rights from series A convertible bonds issued on the basis of Resolution No. 3 of the Extraordinary General Meeting of CPD S.A. on August 5, 2014, as part of the conditional increase in the share capital of the Company, which was registered by the District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register as of 16 September 2014.

- **REGISTRATION OF G-SERIES SHARES ON SECURITIES ACCOUNTS AND INCREASE OF SHARE CAPITAL**

On 17th of May 2017, the share capital of the Company was increased as a result of the registration of a part of series G shares of the Company on the accounts of authorized persons and the creation of rights from these shares pursuant to art. 452 of the Code of Commercial Companies.

In connection with the above, the share capital of CPD S.A. was increased by PLN 170,543.20 to PLN 3,768,545.90 (in words: three million seven hundred sixty eight thousand five hundred and forty five zlotys ninety groszy). Increased share capital of CPD S.A. divided into 37,685,459 (in words: thirty seven million six hundred and eighty five thousand four hundred and fifty nine) shares with a nominal value of PLN 0.10 (ten groszy) each, representing 100% of votes at the General Meeting of the Company.

Series G shares were issued as a result of the exercise of rights from series A convertible bonds issued on the basis of Resolution No. 3 of the Extraordinary General Meeting of CPD S.A. on August 5, 2014, as part of the conditional increase in the share capital of the Company, which was registered by the District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register as of 16 September 2014.

- **REGISTRATION OF G-SERIES SHARES ON SECURITIES ACCOUNTS AND INCREASE OF SHARE CAPITAL**

On May 19, 2017, the share capital of the Company was increased as a result of the registration of a part of series G shares of the Company on the accounts of authorized persons and the creation of rights from these shares pursuant to art. 452 of the Code of Commercial Companies.

In connection with the above, the share capital of CPD S.A. was increased by PLN 41,155.60 to PLN 3,809,711.50 (say: three million, eight hundred and nine thousand, seven hundred and eleven, and fifty groszy). Increased share capital of CPD S.A. is divided into 38,077,115 (say: thirty eight million, ninety seven thousand, one hundred and fifteen) shares with a nominal value of PLN 0.10 (ten groszy) each, representing 100% of votes at the General Meeting of the Company.

Series G shares were issued as a result of the exercise of rights from series A convertible bonds issued on the basis of Resolution No. 3 of the Extraordinary General Meeting of CPD S.A. on August 5, 2014, as part of the conditional increase in the share capital of the Company, which was registered by the District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register as of 16 September 2014.

- **REGISTRATION OF G-SERIES SHARES ON SECURITIES ACCOUNTS AND INCREASE OF SHARE CAPITAL**

On May 25, 2017, the share capital of the Company was increased as a result of the registration of the last part of the G series of the Company on the accounts of authorized persons and the creation of rights from these shares pursuant to art. 452 of the Code of Commercial Companies.

In connection with the above, the share capital of CPD S.A. was increased by PLN 5,880.80 PLN to 3,815,929.30 (in words: three million, eight hundred and fifteen thousand, five hundred and ninety-two zlotys and thirty groszy). Increased share capital of CPD S.A. divided into 38,155,923 (in words: thirty eight million one hundred fifty five thousand nine hundred and twenty three) shares with a nominal value of PLN 0.10 (ten groszy) each, representing 100% of votes at the General Meeting of the Company.

Series G shares were issued as a result of the exercise of rights from series A convertible bonds issued on the basis of Resolution No. 3 of the Extraordinary General Meeting of CPD S.A. on August 5, 2014, as part of the conditional increase in the share capital of the Company, which was registered by the District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register as of 16 September 2014.

- **CHOICE OF THE CURRENT AUDITOR**

The Supervisory Board of the Company adopted a resolution regarding the selection of PricewaterhouseCoopers Sp. z o.o., Al. Armii Ludowej 14, entered into the list of entities authorized to audit financial statements under the number 144, for the certified auditor entitled to:

- examination of the consolidated financial statements of CPD S.A. for the financial year ended December 31, 2017,
- examination of the separate financial statements of CPD S.A. for the financial year ended December 31, 2017,
- review of the interim consolidated financial statements of CPD S.A. on June 30, 2017,
- review of the interim separate financial statements of CPD S.A. on June 30, 2017.

Agreement with PricewaterhouseCoopers Sp. z o.o. was concluded for the period necessary to perform the works indicated therein.

- **RECEIPT OF REPLACEMENT STATEMENTS OF SERIES A FOR SERIES G SERIES**

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

The conversion price (issue price) was determined in accordance with Resolution No. 3 of the Extraordinary General Meeting of the Company dated August 5, 2014 and the terms of issue of the Notes at the level indicated therein, in the amount of PLN 4.38 per Share.

Rights from series G shares arose upon the registration of shares on securities accounts of authorized persons.

The company was to submit relevant applications to the National Depository for Securities S.A. and to the S.A. Warsaw Stock Exchange. in order to register Series G Shares and their introduction to trading on the regulated market.

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

After the share capital increase, which took place at the moment of issue of the shares, i.e. upon the entry of shares on authorized persons' securities accounts, the structure of the Company's share capital will look as follows: after the conversion of the Bonds into shares, the share capital of the Company was to amount to PLN 3,935,402.30 and had be divided into 39,354,523 shares with a nominal value of PLN 0.10 each, giving a total of 39,354,023 votes at the general meeting of the Company, including:

a) 32.335.858 ordinary series B bearer shares,

b) 163,214 ordinary bearer shares of the Company, C series,

c) 76,022 ordinary bearer shares of the D series,

d) 88,776 ordinary series E bearer shares,

e) 19.3333 ordinary series F bearer shares

f) 6,490,820 ordinary series G bearer shares.

Series G shares issued to persons entitled in exchange for the Bonds on which the right to convert them to shares were exercised were to constitute a total of 16.49% in the Company's share capital and were to entitle to 6,490,820 votes at the General Meeting of the Company, which would total 16.49% of the total number of votes at the general meeting of the Company.

All bonds convertible into shares issued by the Company on 26 September 2014 in accordance with the resolution No. 3 of the Extraordinary General Meeting of the Company of August 5, 2014 were converted into shares.

- **NOTIFICATION OF PREVIOUS LIABILITY FOR B SERIES B CPD S.A.**

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

Pursuant to the Resolution, the Company redeemed all B series bearer bonds, i.e. 30,000 (thirty thousand) shares with a par value of PLN 1,000 (one thousand) each. Earlier Redemption was carried out in the mode and on the terms provided for in point 11.4 of the Terms of Issue of Series B Ordinary Bearer Notes.

The date of Early Redemption was determined in accordance with 11.5 of the Terms of Issue, ie on July 13, 2017.

In connection with the Early Redemption, the holders of the Bonds were entitled to the following benefits from each of the Bonds:

a) cash benefit consisting in payment of the Early Redemption Amount in accordance with the Issue Terms, ie the amount constituting the product of the number of Senior Obligated Bonds and their nominal value increased by due and unpaid interest on the Bonds;

b) cash benefit consisting in payment of a premium equal to 0.5% of the nominal value of the Bonds and each full half-year (calculated as 182 days) remaining until the original redemption date, i.e. until January 13, 2019.

The bonds are recorded in the records kept by Dom Maklerski Bank Ochrony Środowiska Spółka Akcyjna with its registered office in Warsaw. Earlier Buy-out was carried out through DM BOŚ.

Earlier Buyout was effected by transferring funds to the securities account of the Bond holder through DM BOŚ and the entity maintaining the account.

- **EARLIER EDEMPTION OF B SERIES BONDS**

On 13 July 2017, the Issuer through the intermediary of Bank Ochrony Środowiska S.A. with its registered office in Warsaw, made an earlier redemption of all series B bearer bonds, i.e. 30,000 (thirty thousand) shares with a par value of 1,000 (one thousand) zlotys each.

The bonds were bought (purchased) on the basis of item 11.4 of the terms of the Bond issue, for the purpose of redemption, which results from the realization of the right of early redemption on the Issuer's request under the relevant provisions of the Emission Terms.

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

- **CONDITIONAL REGISTRATION OF THE SHARES IN DEPOSITORY CONDUCTED BY KDPW S.A.**

July 28, 2017, the CPD SA Management Board obtained information about the resolution adopted by the Management Board of the National Depository for Securities No. 492/17 of 27 July 2017, issued on the basis of § 2 sections 1 and 4 and § 40 subpara. 2.3a and 4a of the Rules of the National Depository for Securities, after examining the Company's application regarding the registration of 1,188,100 (one million one hundred and ninety eight thousand one hundred) series G ordinary bearer shares with a nominal value of PLN 0.10 each, issued as part of the conditional capital increase based on resolution 3 of the Extraordinary General Meeting of the Company of August 5, 2014 and marking them with the PLCELPD00013 code, provided that the company running the regulated market makes the decision to introduce these shares to trading on the same regulated market, for which other shares of the Company have been entered. PLCELPD00013 code.

Registration of ordinary bearer series G CPD S.A. occurred within three days of receipt by KDPW of documents confirming the decision by the company operating the regulated market to introduce these shares to trading on the aforementioned regulated market, however, not earlier than on the date indicated in this decision as the day of introducing these shares to trading on this regulated market.

- **SUBMITTING A REQUEST FOR ENTERING G-SERIES SHARES TO TRADING ON THE WSE**

The company submitted an application for the introduction of series G shares to trading on the Warsaw Stock Exchange.

The total number of series G ordinary bearer shares with a nominal value of PLN 0.10 each covered by the application, which was to be introduced to exchange trading following registration, is: PLN 1,198,100 (one million one hundred and ninety eight thousand one hundred).

The total number of shares that is on the stock exchange after the introduction of the shares covered by the application is: 39,354,023 (in words: thirty-nine million, three hundred and fifty-four thousand and twenty-three).

The proposed date of placing on the market was 7 August 2017.

- **ANNEX TO THE CONDITIONAL AGREEMENT CONCLUDED BY CPD S.A. AND ITS SUBSIDIARIES**

The Annex to the Investment Agreement was signed.

Pursuant to the aforementioned Annex, it was confirmed that the consent of the President of the Office of Competition and Consumer Protection for the entry by Unidevelopment S.A. to 4/113 Gaston Investments spółka z ograniczoną odpowiedzialnością sp.k. and implementation of the joint venture with the capital group CPD S.A.

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

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

- **PERMISSION AND INTRODUCTION OF THE G SERIES G-SERIES SHARES**

The Management Board of the Warsaw Stock Exchange SA adopted resolution no. 905/2017 on August 3, 2017 regarding the admission and introduction to exchange trading on the WSE Main List of 1,198.100 ordinary bearer series G CPD S.A. with a nominal value of PLN 0.10 each.

The Management Board of the WSE decided to introduce, as of 7 August 2017, ordinary shares for public trading on the parallel market, provided that the National Depository for Securities SA. on August 7, 2017, register these shares and mark them with the code PLCELPD00013.

- **THE COMMUNICATION OF NATIONAL DEPOSITS ON SECURITIES ON THE REGISTRATION OF SERIES G SERIES**

On August 4, 2017, the Issuer's office received the Statement of the Operational Department of the National Depository for Securities stating that according to the resolution of the KDPW Management Board No. 492/17 of 27 July 2017, on August 7, 2017, the National Depository will register 1.198. 100 ordinary bearer shares of the G series of the Company marked with the ISIN code: PLCELPD00013.

- **REGISTRATION OF G-SERIES SHARES ON SECURITIES ACCOUNTS AND INCREASE OF SHARE CAPITAL**

On 8th of August 2017, the share capital of the Company was increased as a result of the registration of the last part of series G shares of the Company on the accounts of authorized persons and the creation of rights from these shares pursuant to art. 452 of the Code of Commercial Companies.

In connection with the above, the share capital of CPD S.A. was increased by PLN 119.810.00 up to PLN 3,935.402.30 (in words: three million nine hundred and thirty five thousand four hundred and two zlotys and thirty groszys). Increased share capital of CPD S.A. is divided into 39,354,023 (thirty-nine million, three hundred and fifty-four thousand, twenty-three) shares with a nominal value of PLN 0.10 (ten groszy) each, representing 100% of votes at the General Meeting of the Company.

Series G shares were issued as a result of the exercise of rights from series A convertible bonds issued on the basis of Resolution No. 3 of the Extraordinary General Meeting of CPD S.A. on August 5, 2014, as part of the conditional increase in the share capital of the Company, which was registered by the District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register as of 16 September 2014.

- **REGISTRATION OF INCREASE CAPITAL CAPITAL**

Management Board of CPD SA had received the decision of the District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register of 5 October 2017 on the entry of an increase in the share capital of the Company.

The share capital of the Company was increased from PLN 3,266,320.30 to PLN 3,935.402.30. The share capital was increased through the conversion of 110 series A bonds into 6,490,820 ordinary series G bearer shares with a nominal value of PLN 0.10 (ten groszy) each share.

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

- **PURCHASE OF OWN SHARES**

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

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

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

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

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

- **INFORMATION ABOUT TRANSACTIONS ARE OBTAINED IN ARTICLE 19 MAR**

CPD SA Management Board November 2, 2017 reported that the Company received from:

1. Laxey Investors_notification MAR ART. 19
2. Laxey Partners_notification MAR art. 19
3. LP Value_ notification MAR art. 19
4. LPALP_notification MAR Article 19
5. LUV_notification MAR art. 19
6. VCF_notification MAR Article 19

CPD notification MAR art. 19 ie entities closely related to persons discharging managerial responsibilities at CPD S.A., notifications of transactions regarding purchase of own shares for redemption, concluded on October 26, 2017, referred to in Art. 19 para. 3 of the MAR Regulation.

- **RECOMMENDATION OF THE AUDIT COMMITTEE**

November 23, 2017 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 Wiesław Oleś - Chairman of the Audit Committee (independent member)

Mr Mirosław Gronicki - member of the Audit Committee (independent member)

Mr Andrew Pegge - a member of the Audit Committee

Until now, the tasks of the Audit Committee, pursuant to art. 128 para. 4 point 4) of the Act on statutory auditors, auditing companies and public supervision, was fulfilled by the Supervisory Board.

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 .:

a) at least one member of the Audit Committee possesses knowledge and skills in the scope of accounting or auditing of financial statements,

b) at least one member of the Audit Committee possesses knowledge and skills in the field of the Company's industry,

c) the majority of the Audit Committee members, including its chairman, are independent of the Company.

According to the detailed rule II.Z.8 of the "Best Practices of Companies Listed on the Warsaw Stock Exchange 2016", the chairman of the Audit Committee meets the independence criteria.

- **BEGINNING THE CROSS-BORDER PROCEDURE**

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

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

I. The manner of the planned merger with an indication of its legal basis:

The merger will take place through the takeover of the company BUFFY by the taking-over company in the mode specified in art. 492 § 1 point 1) k.s.h. and the definition of the word "connection" in Section 201I (c) of the Cypriot Law Companies Act, Cap. 113 with later d., i.e. by transferring all assets of the Acquired Company to the Acquirer. Due to the fact that CPD is the only shareholder of BUFFY holding 100% of shares in the share capital of BUFFY, in accordance with art. 14 section 5 of Directive 2005/56 / EC of the European Parliament and of the Council of October 26, 2005 on cross-border mergers of limited liability companies ("the Directive"), art. 51614 KSH and art. 515 in conjunction from art. 5161 Commercial Companies Code and Section 201U (5) (a) of the Companies Act, Cap. 113 the merger will be carried out without increasing the share capital of CPD, and CPD will not be issued as the only shareholder of BUFFY. In connection with the above, the merger will be carried out in a simplified procedure referred to in art. 15 para. 1 of the Directive; Art. 51615 § 1 and 2 of the Code of Commercial Companies; section 201V (1) of the Companies Act, Cap. 113.

II. Basic characteristics of the activities of entities taking part in the merger:

The core business of the Acquiring Company is the activity of financial holdings, implementation of construction projects related to construction of buildings, demolition and demolition of construction works, preparation of land for construction, other financial service activities, not classified elsewhere, excluding insurance and pension funds; rental and management of own or leased real estate, real estate brokerage, other business and management consulting, architectural activities, other technical research and analysis.

The main business of the Acquired Company is holding activity.

III. Justification for the decision on the intention to merge and information on long-term objectives to be achieved as a result of the actions taken:

The merger is part of the strategy adopted in the CPD group aimed at creating a transparent and transparent group structure, clearly separating the various activities carried out within the group, as well as simplifying the entire structure by replacing a four-level structure with a two- or three-level structure. The above will also allow for significant reduction of management and service costs of individual entities within the group.

The optimization of the group structure will be carried out by simplifying it, which will allow the centralization of tasks and functions performed, thus leading to streamlining the management process within the group. It will also have a positive impact on the ability to control projects implemented by the company.

The merger will also lead to improvement of the economic and financial condition of the consolidated entity, impossible to achieve while maintaining the existing structure of companies. It will contribute to the elimination of additional costs of conducting separate financial audit reports and will eliminate the need to translate documents exchanged between companies. The reduction of costs related to the merger will create the possibility of using the funds raised in this way for further development of the Acquiring Company, significantly increasing its market potential.

The detailed terms and conditions of the merger will be determined as a result of work and analyzes undertaken in the course of talks conducted by the Management Boards of the Acquiring Company and the Acquired Company to agree on the merger plan, which the Company will inform in accordance with the law requirements through further current reports.

- **RESIGNATION OF THE BOARD MEMBER**

December 22, 2017 Management Board of CPD S.A. received the resignation of a Member of the Board from his function.

Mr Waldemar Majewski, who was previously a Member of the Management Board of the Company, resigned from the function, with effect as at the end of December 31, 2017.

Waldemar Majewski did not give reasons for resignation.

Following the above resignation, four persons remain in the composition of the Company's Management Board, which ensures proper representation and management of the Company's affairs, in accordance with the provisions of the Company's Articles of Association.

- **SIGNIFICATION AND SHARING OF THE CROSS-BORDER CABLING PLAN S.A. AND BUFFY HOLDINGS NO. 1 LIMITED**

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

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

7. ASSESSMENT OF FEASIBILITY OF THE COMPANY'S INVESTMENT PLANS

The Company does not conduct its own development projects. Previous projects were carried out by the Group's subsidiaries and were financed by using their own resources as well as bank loans. In future, the Group intends to implement projects through subsidiaries or co-controlled companies, and to finance such construction projects and investments (targeted loans) through funds raised directly by those companies or through CPD S.A.

8. FACTORS AND UNUSUAL EVENTS AFFECTING THE COMPANY'S FINANCIAL PERFORMANCE

In the Management Board's view, 2017 saw no unusual events which would have had an effect on the Company's performance.

9. FACTORS OF IMPORTANCE FOR THE COMPANY'S FURTHER GROWTH

Factors which might directly or indirectly affect the Company's and the Group's future operations include:

- The macroeconomic situation on the Polish market as it shapes the demand for real estate and the purchasing power of customers;
- The situation on financial markets, and, in particular, availability of sources of funding and the cost of capital raised;
- Banks' lending policies and availability of mortgage loans;
- The government's policy to support the construction sector;
- Administrative decisions regarding lands held by subsidiaries.

10. OVERVIEW OF ESSENTIAL ECONOMIC AND FINANCIAL DATA

Selected items of the statement of comprehensive income

	12 months ended		*Change*
	31.12.2017	**31.12.2016**	***2017/2016***
	(PLN ths.)	(PLN ths.)	*(%)*
Revenue	0	196	*-100%*
Administrative expenses	-1 689	-2 178	*-22,5%*
Marketing costs	-11	-18	*-38,9%*
Impairment of investments in subsidiaries	6 712	-11 808	*-156,8%*
Interest income on loans	12 561	15 065	*-16,6%*
Other operating income	0	69	*-100%*
Other operating expenses	-43	-41	*4,9%*
Profit from operations	**17 530**	**1 285**	***1263,7%***
Finance income	1 615	8 552	*-81,1%*
Finance costs	-9 050	-7 010	*29,1%*
Profit before tax	**10 095**	**2 827**	***257,1%***
Income tax	-12 161	-5 068	*140%*
LOSS FOR THE YEAR	**-2 066**	**-2 241**	***-7,8%***
Earnings per share (PLN)	-0,06	-0,07	*-21,1%*
Diluted earnings per share (PLN)	-0,05	-0,13	*-59,9%*

In 2017, CPD S.A. reported a net loss of PLN 2.1 million.

The factor that had the greatest impact on the final amount of the net loss in 2017 was the increase in deferred tax liability in the amount of PLN 7.1 million. In 2017, the Company performed a detailed analysis of deferred income tax assets and liabilities.

Also the negative valuation of convertible bonds for shares in the amount of PLN 5.4 million had a negative impact on the final value of the Company's net result.

Another factor that contributed to the Company's negative net result for 2017 was a decline in income from interest on loans in the amount of PLN 2.5 million caused by a decrease in the balance of debt of subsidiaries to CPD SA.

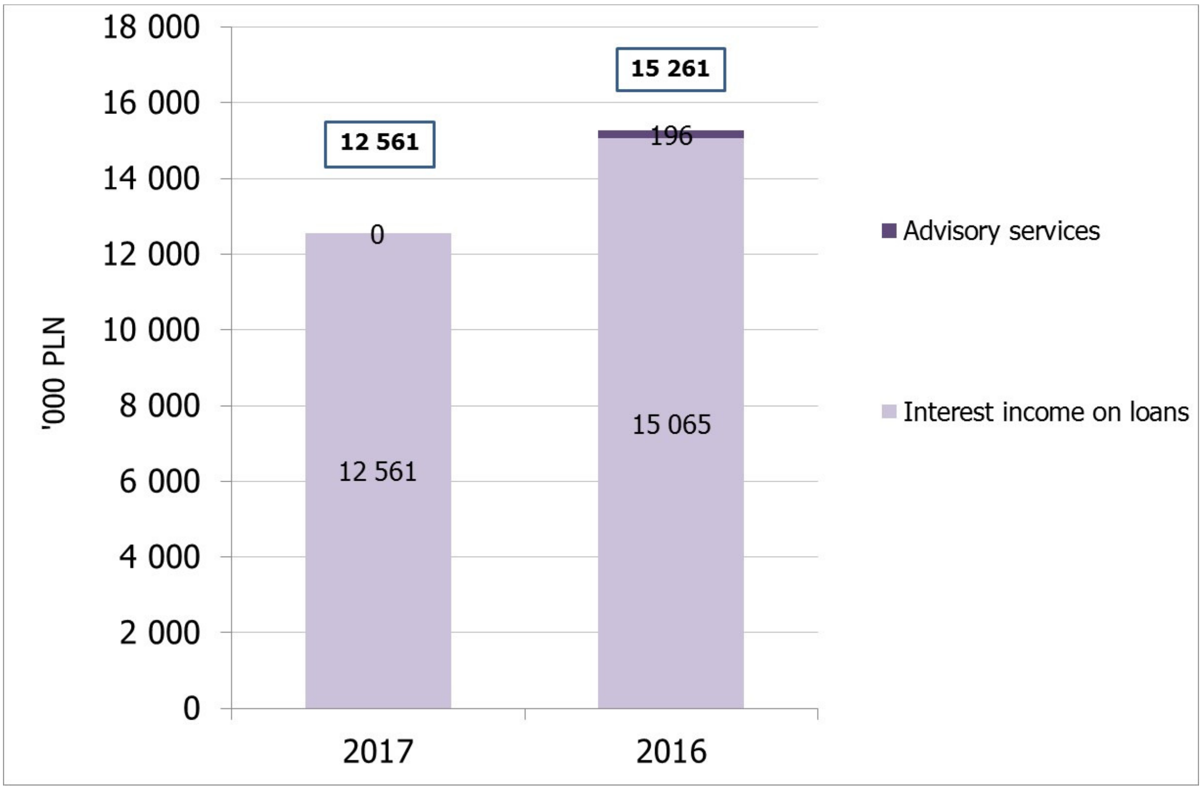
The factor which in turn had the greatest positive impact on the net result in 2017 was a positive change in the write-off due to impairment of investments in subsidiaries in the amount of PLN 6.7 million. The company analyzed the impairment of loans granted to subsidiaries. Details of write-offs are presented in Note 4 to the Company's Financial Statements.

In addition, the Company managed to reduce administrative costs by PLN 0.5 million in 2017. The costs of consultancy and remuneration were reduced.

The Company's revenues significantly decreased compared to 2016. The largest revenue item in the Company's income statement in the amount of PLN 12.6 million was interest income on loans granted to companies from the CPD SA Capital Group. These revenues decreased by PLN 2.5 million as compared to 2016 (-16.6%).

In 2017, the Company did not generate any revenues from the sale of services.

The chart below presents the structure of sales revenues in 2017 and 2016.



Selected items of the statement of financial position

	As at: 31.12.2017 (PLN ths.)	As at: 31.12.2016 (PLN ths.)	*Change 2017/2016 (%)*
Total assets	**504 215**	**536 296**	***-6%***
Non-current assets, including:	433 961	482 413	*-10%*
Property, plant and equipment	*0*	*1*	*-100%*

	Intangible assets, excluding goodwill	*0*	*1*	*-100%*
	Long-term receivables	*433 961*	*482 411*	*-10%*
Current assets, including:		70 254	53 883	*30,4%*
	Trade receivables and other receivables	*533*	*551*	*-3,3%*
	Bonds	*0*	*3 702*	*-100%*
	Cash and cash equivalents	*69 721*	*49 630*	*40,5%*
Total equity and liabilities		**504 215**	**536 296**	***-6%***
Equity, including:		467 678	447 091	*4,6%*
	Share capital	*3 935*	*3 286*	*19,8%*
	Repurchase of shares	*-17 199*	*0*	*-*
	Reserve capital	*987*	*987*	*0%*
	Fair value of capital element at inception date	*-27 909*	*-27 909*	*0%*
	Share premium	*835 846*	*796 643*	*4,9%*
	Retained earnings	*-327 982*	*-325 916*	*0,6%*
Non-current liabilities		34 381	51 568	*-33,3%*
Current liabilities		2 156	37 637	*-94,3%*

At the end of December 2017, the total assets of the Company decreased by 6% compared to the end of 2016 (assets were lower by PLN 32.1 million). First of all, the value of long-term receivables decreased (they were lower by PLN 48.5 million), which was the result of partial repayment of loans by subsidiaries.

On the other hand, the cash balance increased by PLN 20.1 million, but this increase did not compensate for the decrease in the balance of long-term receivables.

In respect of non-current assets, 100% of these assets were represented by long-term receivables from long-term loans granted to related entities.

At the end of December 2017, equity amounted to PLN 467.7 million, which accounted for 93% of the Company's total assets, while liabilities accounted for only 7% of total assets. These indicators have changed significantly compared to the end of 2016 (respectively 83% and 17%). The increase in equity amounted to 4.6% compared to the end of December 2016.

In 2017, the value of liabilities decreased (the decline was as much as 59%). This was due to the repayment of all series B bonds and the conversion of all euro-denominated convertible bonds (series A).

As at December 31, 2017, the Company had long-term liabilities of PLN 34.4 million. Liabilities due to deferred income tax amounted to PLN 17.2 million. The remaining PLN 17.2 million related to an obligation towards subsidiaries Lakia Enterprises Ltd, Lakia Investments Sp. z o.o. and Robin Investments Sp. z o.o. due to loans received.

Short-term liabilities in the amount of PLN 2.2 million accounted for 0.4% of the balance sheet total of the Company. The largest item among these liabilities was the provision for costs.

The table below presents the share of individual categories of liabilities in the balance sheet total.

	31.12.2017	31.12.2016
Liabilities to total assets	**7,2%**	**16,6%**
Non-current liabilities to total assets	**6,8%**	**9,6%**
Borrowings including finance leases	3,4%	3,1%
Bonds	0,0%	5,5%
Deferred tax liability	3,4%	0,9%
Current liabilities to total assets	**0,4%**	**7,0%**
Bonds	0,0%	5,8%
Built-in derivative instrument	0,0%	0,8%
Trade and other payables	0,4%	0,5%

A significant change compared to the end of 2016 was also the structure of liabilities.

The share of long-term debt in the balance sheet total fell from 9.6% at the end of December 2016 to 6.8% at the end of December 2017. This change was due to the fact that in 2017 all B series bonds were repaid.

At the end of 2017, long-term liabilities accounted for 94% of all liabilities, while a year earlier this share was only 58%.

The share of short-term debt in the balance sheet total decreased from 7% at the end of December 2016 to 0.4% at the end of December 2017. This change was due to the fact that in 2017 all A series bonds were converted.

At the end of 2017, short-term liabilities accounted for 6% of all liabilities, while a year earlier this share amounted to as much as 42%.

11. RISK FACTORS AND THREATS

The Company's operations are exposed to financial, operational and economic risks. The risk management policy adopted by the Company aims at minimizing the effects of adverse events. Occurrence of a specific risk, whether alone or in combination with other circumstances, may have a significant negative impact on the Company's business, its financial situation, growth prospects or financial performance and it may also have an impact on the evolution of the Company's share prices.

The risks described below do not represent a complete or exhaustive list and, as such, may not be viewed as the only risks to which the Company is exposed. Additional risks that are unknown to the Company at present or ones which are currently considered by the Company as irrelevant may also have a significant negative impact on the Company's operations, its financial situation, prospects or performance.

- ### RISK RELATED TO THE MACROECONOMIC SITUATION ON THE MARKETS ON WHICH THE COMPANY AND THE GROUP OPERATE

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 2017 amounted to 4.6% and was clearly faster than in 2016, when it amounted to 2.9%. Government forecasts for 2018 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.

- **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.

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

The land development business conducted by the Company and its Group is associated with the need to obtain numerous administrative decisions enabling them to implement construction projects, e.g. decisions on the location of investments, zoning and development decisions (if no master plan exists for the area), construction permits, occupancy certificates for newly erected structures, environmental decisions required under environmental legislation. The obligation to obtain the aforementioned administrative decisions triggers the risk of halting or delaying the completion of construction projects in case such decisions are not granted or if the relevant procedures are protracted.

Moreover, the Company cannot rule out the possibility that the decisions which have already been reached may be appealed against by parties to administrative proceedings, or that they might be repealed. This, in turn, would affect the ability to continue or complete the ongoing construction projects and, consequently, the Company's business operations, its financial position and performance.

Furthermore, there is also the risk of inability to implement construction projects in areas where master plans have not been adopted and where a zoning decision or a development decision cannot be obtained or is significantly constrained.

- **RISK RELATED TO COMPETITION**

While focusing on its development business in the residential and commercial sector, the Company faces strong competition from domestic and foreign developers. This may create obstacles for the Company in acquiring the right land plots for new investments at attractive prices. The increasing competition may also propel the supply of residential and commercial property and, consequently, lead to stagnation or decline of selling prices of flats/houses and rents. This kind of situation may negatively impact the Company's performance.

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

As the majority of real property, including the Ursus residential project, is concentrated in Warsaw, this fact exposes the Company to a greater risk of changes in the local market and business environment in comparison with other land development companies with a more diversified portfolio (in geographical terms).

The Company has a subsidiary in Hungary which owns property located near Alsonemedi in the vicinity of Budapest. As the Hungarian market is less stable politically and economically than the Polish market, it cannot be excluded that the negative perceptions of the Hungarian economy by investors may have a negative impact on the estimated value of the property held by the Group. However, considering the size of the project, its potential negative impact on the Group's performance is highly limited.

- **RISK RELATED TO FAILURE TO ATTAIN THE ADOPTED STRATEGIC GOALS**

The Company cannot guarantee that its strategic goals will be attained and, in particular, it cannot guarantee the expected significant expansion of the scale of its business. Successful implementation of the strategy depends on many factors beyond the Company's control, which nevertheless determine the situation on the real estate market. The Company endeavours to build its strategy on the basis of the current market situation. The Company cannot ensure, however, that its strategy is based on a complete and accurate analysis of current and future market trends. Moreover, one cannot exclude that the activities undertaken by the Company may turn out to be insufficient or missed from the perspective of its strategic goals. An erroneous assessment of market prospects and any erroneous decisions may have a significant adverse effect on the financial performance of the Company and the Group.

- **RISK RELATED TO MANAGERIAL STAFF**

The Company's operations and its further growth largely depend on knowledge, experience and qualifications of the managerial staff and key staff members. It is the competence of the managerial staff that determines the success of all milestones in implementation of land development projects. If key employees leave the Company, it might not be able to hire new, equally experienced and qualified experts who would be able to continue the implementation of the Company's strategy, and this might materially and adversely affect the Company's financial performance.

- **RISK RELATED TO FINANCING GROWTH WITH BANK LOANS AND OTHER DEBT INSTRUMENTS**

The standard practice in land development projects is to use debt financing at a significant level. Thus, the Company is exposed, on the one hand, to the risk of increasing interest rates and higher debt servicing costs and, on the other hand, the company might not be able to service its debt in an extreme situation, in case the demand for the Company's products falls. Thus, if loan agreements providing funds for construction projects are breached, there is a risk that the lender may take over the assets of the Company which are used as collateral for the loans. Likewise, the Company may not exclude the risk of more difficult access to debt financing or of material rise in the costs of debt due to a change in banks' lending policies. This may restrict the Company's opportunities to undertake new projects and, therefore, materially affect the financial results it may generated in future.

- **FOREIGN EXCHANGE RISK**

As at the balance sheet date, CPD did not have any debt denominated in foreign currencies. Due to the above, the Company is not exposed to the risk of depreciation of the zloty in relation to the currencies in which loans and borrowings are incurred.

- **LIQUIDITY RISK**

A liquidity risk arises when assets and liabilities do not overlap in terms of their payment deadlines. This situation potentially improves profitability but also increases the risk of loss. The Company applies procedures aimed at minimizing such losses by maintaining an adequate level of cash and other assets that are easy to sell, as well as by adequate access to credit lines. The Company's liquidity levels are controlled on an ongoing basis by the Management Board.

12. COURT LITIGATIONS, ADMINISTRATIVE PROCEEDINGS AND ARBITRAGE IN CASES EXCEEDING 10% OF THE COMPANY'S EQUITY

Neither CPD S.A. nor any of its subsidiaries is party to court litigation, proceedings before the authority competent for arbitration or a public body, where the total value would exceed 10% of the equity of CPD S.A.

13. COMPANY'S ORGANISATIONAL AND CAPITAL-RELATED RELATIONSHIPS

The organizational and capital relationships of CPD S.A. as well as the structure of the Group are presented in point *2. CPD S.A. AS THE PARENT COMPANY IN THE GROUP STRUCTURE* of this report.

14. SIGNIFICANT AGREEMENTS

As of the day of publication this report, the Company was one of guarantors in agreements which are significant within the meaning of the Ordinance of the Minister of Finance of 19 February 2009 on current and periodic information provided by issuers of securities:

- Loan agreement of Belise Investments sp. z o.o. with Bank Zachodni WBK SA The contract is a significant contract due to its value as at December 31, 2017 of PLN 69 043 918 (according to the average EUR exchange rate published by the National Bank of Poland on December 31, 2017 amounting to PLN 4,1709 / EUR), which exceeds value of 10% of the equity of CPD SA on December 31, 2017;

- Loan agreement Lakia Investments sp. z o.o. with mBank. The agreement is a significant contract due to its value as at 31.12.2017 amounting to PLN 21 427 366 (according to the average EUR exchange rate published by the National Bank of Poland on December 31, 2017 amounting to PLN 4,1709 / EUR);
- Loan agreement of Robin Investments sp. z o.o. with mBank. The agreement is a significant contract due to its value as at 31/12/2017 amounting to PLN 16,592,770 (at the average EUR exchange rate published by the National Bank of Poland on December 31, 2017, amounting to PLN 4,1709 / EUR);

These agreements are described in section 16. CONTRACT LOANS, LOANS, GUARANTEES AND this report.

- Investment agreement for a joint venture between CPD Spółka Akcyjna, Challange Eighteen spółka z ograniczoną odpowiedzialnością, 4/113 Gaston Investments spółka z ograniczoną odpowiedzialnością spółka komandytowa and Lakia Enterprise Ltd and Unibep Spółka Akcyjna and Unidevelopment Spółka Akcyjna. The agreement is a significant contract due to its value at the date of signing, ie February 22, 2017, amounting to PLN 130.8 million, which exceeds the value of 10% of CPD SA's equity on December 31, 2017;

In addition, CPD S.A. granted loans to affiliates. The total amount of receivables from loans granted to related entities disclosed in the Company's books as at December 31, 2017 is PLN 433,955 thousand. PLN (principal amounts and interest, including write-downs). These agreements constitute a significant agreement due to their total value higher than 10% of the equity of CPD S.A. December 31, 2017.

In addition, the Company guarantees the repayment of the credit contracted by Belise Investments.

15. SIGNIFICANT DEALS BETWEEN RELATED PARTIES

During the reporting period, the Company did not conclude any transactions with related parties on terms other than the market terms. Transactions with related parties are described in Note 26 to the Company’s financial statements *Transactions with related parties.*

16. CREDIT AND LOAN AGREEMENTS, WARRANTIES AND GUARANTEES

In 2017, the liabilities under the following two most important credit agreements of the Group were being performed in a timely manner:

- **CHANGES TO THE BOND ISSUE**

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

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

1. abolished guarantee the Issuer's subsidiary, ie. Blaise Gaston Investments, a limited liability limited partnership with its registered office in Warsaw (hereinafter "Agreement Surety Blaise Gaston Investments") for the obligations of the Issuer under the Notes;

2. guarantee was introduced with the following subsidiaries of the Issuer: (i) 12/132 Gaston Investments, a limited liability limited partnership with its registered office in Warsaw, and (ii) 13/155 Gaston Investments, a limited liability limited partnership with its registered office in Warsaw, with whom Bondholder entered into appropriate agreements;

3. fired real estate situated in Warsaw, constituting plot of land with the registration number 111/2 of the total area of 6.0074 ha, for which the District Court for Warsaw - Mokotów in Warsaw, XIII Land Registry Division, maintains the Register no WA1M / 00212689 / 6 from under the burden mortgage on perpetual usufruct vested in the company Blaise Gaston Investments limited liability limited partnership;

4. Bonds as collateral for the mortgage was established for a total contractual amount of 45,000,000 PLN entered on the first mortgage, established by the Issuer's subsidiaries, ie. (i) 12/132 Gaston Investments, a limited liability limited partnership based in Warsaw, and (ii) 13/155 Gaston Investments, a limited liability limited partnership with its registered office in Warsaw at:

   a) the real property located in Warsaw's Ursus district, which includes cadastral parcel number 132/2, precinct 2-09-09, with a total area of 3.2544 ha, for which the District Court for Warsaw-Mokotów in Warsaw, XIII Commercial Division Land Registry, runs a perpetual book KW No. WA5M / 00477860/2, 12/132 exercise Gaston Investments, a limited liability limited partnership with its registered office in Warsaw,

   b) the real property located in Warsaw's Ursus district, which includes plot of land No. 155/2, precinct 2-09-09, with an area of 1.0998 ha and property law which are separate from the land objects of ownership of buildings, for which the District Court Warsaw-Mokotów in Warsaw, XIII Land Registry Division, maintains the Register no WA5M / 00477861 / 9 exercise 13/155 Gaston Investments, a limited liability limited partnership with its registered office in Warsaw,

   c) the real property located in Warsaw's Ursus district, covering an undeveloped plot of land No. 158/2, precinct 2-09-09, with an area of 0.2949 ha, for which the District Court for Warsaw-Mokotów in Warsaw, XIII Commercial Division Land Registry leads perpetual Paper No. WA5M / 00477864 / 0, exercising 13/155 Gaston Investments, a limited liability limited partnership with its registered office in Warsaw,

   d) the real property located in Warsaw's Ursus district, which includes a built plot of land No. 147 precinct 2-09-09, with an area of 0.5190 ha and property law which are separate from the land objects of ownership of buildings, for which the District Court for Warsaw-Mokotów in Warsaw, XIII Land Registry Division, maintains the Register no WA1M / 00338198 / 6, exercise 13/155 Gaston Investments, a limited liability limited partnership with its registered office in Warsaw,

   e) the real property located in Warsaw's Ursus district, which includes a built plot of land No. 134 precinct 2-09-09, with an area of 0.4722 ha and property law which are separate from the land buildings for which the District Court for Warsaw-Mokotów in Warsaw, XIII Land Registry Division, maintains the Register no WA1M / 00233102 / 1, entitlement 13/155 Gaston Investments, a limited liability limited partnership with its registered office in Warsaw;

5. as collateral for Bonds, the Issuer's subsidiaries, ie. 12/132 Gaston Investments limited liability limited partnership with its registered office in Warsaw and 13/155 Gaston Investments limited liability limited partnership with its registered office in Warsaw surrendered to the enforcement under Article . 777 § 1 point 5 of the Code of Civil Procedure, as to the obligation to pay a sum of money to the total amount of 45,000,000 PLN.

6. due to earlier redemption on 13 July 2017 by CPD S.A. all B series bearer bonds, ie 30,000, with a par value of PLN 1,000 each, by virtue of the resolution of the Company's Management Board of 29 June 2017 regarding earlier full redemption of Series B bonds at the request of the Issuer, all claims of the bondholder from series B bonds have expired.

7. consequently, by virtue of relevant documents (including, without limitation, the bondholder's consent to deleting a pledge from the register of pledges, an agreement on the termination of the surety, the bondholder's declaration of waiver of rights under the declaration of submission to execution), the bondholder confirmed the waiver of the rights all the aforementioned security measures.

- **CREDIT AGREEMENT WITH BANK ZACHODNI WBK SA**

On December 17, 2015, a loan agreement was signed between Smart City spółka z ograniczoną odpowiedzialnością spółka komandytowa, a half controlled by the Company, and Bank Zachodni WBK SA, based on which Smart City spółka z ograniczoną odpowiedzialnością sp.k. was granted a construction loan in the maximum amount of PLN 65,146,288, intended for financing the construction of a multi-family residential project Ursa Smart City Phase I, at the intersection of ul. Hennela and ul. Dyrekcyjna in Warsaw, in the Ursus district.

The repayment of the Bank's receivables under the Agreement due to loans granted are mortgage and registered pledges on the corporate rights of partners and shares in the share capital of the Borrower's general partner (Smart City sp. O.o.), which were established in 2016.

The loan was made available to the Borrower after the collateral was established and other typical terms of disclosure were met.

The liability under the loan was fully paid in 2017 and the contract expired.

- **CREDIT AGREEMENT MBANK**

On June 18, 2014, a loan agreement was signed between Robin Investments sp. 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, inter alia, through the total and irrevocable repayment of the existing debt of the company resulting from the loan agreement with HSBC Bank Polska S.A.,

Securing mortgage loan repayment consists of the following mortgages and pledges:

1) joint contractual mortgage up to 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 from LAKIA ENTERPRISES LIMITED based 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 receivables from 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 4,450,000 and refinances the existing HSBC loan granted to the Shareholder.

The final repayment of the Mortgage Loan will take place no later than on June 20, 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.

- **CREDIT AGREEMENT MBANK**

On June 18, 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, inter alia, through the total and irrevocable repayment of the existing debt of the company resulting from the loan agreement with HSBC Bank Polska S.A.,

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 from LAKIA ENTERPRISES LIMITED based 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 receivables from 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 June 20, 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 credit agreement. In order to improve the above-mentioned indicator, the Company is negotiating with several potential tenants. In case of failure of talks, one of the possible solutions considered will be partial repayment of the debt to the level guaranteeing compliance with the financial ratios agreed in the credit agreement. By the publication date bank did not send claim as above.

- **CREDIT AGREEMENT WITH BANK ZACHODNI WBK SA**

This contract was signed on August 12, 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 credit agreement, the following were granted:

1) the Investment Loan, up to the amount of EUR 20,077,458 granted to finance or refinance part of the project costs or costs 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 the day of 31 of 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.

- **CREDIT AGREEMENT WITH BANK MILLENNIUM S.A.**

The Issuer and its subsidiaries, after the balancing day and before the publication of this report, granted collateral in connection with the agreement of 26 February 2018 providing a renewable loan for financing a housing project between Ursa Park Smart City a limited liability company spółka komandytowa, a subsidiary of the Company (hereinafter "the Borrower") and Bank Millennium SA (hereinafter the "Bank"), based on which Ursa Park Smart City a limited liability company sp.k. a revolving loan in the amount of PLN 25,000,000 is to be 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 ul. Dyrekcyjna and 48 KD-D in Warsaw, in the Ursus district ("Renewable Loan Agreement"). The investment is created with the joint participation of CPD S.A. and Unidevelopment S.A.

Collateral for repayment of the Bank's receivables under the Renewable Loan Agreement under loans granted are:

- mortgage up to 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 WA1M/00283121/5, kept by the District Court for Warsaw-Mokotów in Warsaw, 13th Department 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) ;

- the Borrower's declaration on submission to enforcement proceedings for the Bank in accordance with art. 777 § 1 point 5 k.p.c. for whole 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.

- 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.

- Challenge Eighteen sp. z o.o. on submission to enforcement proceedings 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 proceedings for the Bank in accordance with art. 777 § 1 point 5 k.p.c. for whole 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.

17. ISSUES OF SECURITIES, BUY-BACK OF TREASURY SHARES FOR REDEMPTION

26th of October 2017 as a result of settlement of the acquisition of shares of CPD S.A. as a result of the invitation to submit offers for the sale of the Company's shares published on 2 October 2017 (hereinafter the "Invitation"), which was adjusted on October 3, 2017, the Company purchased through the brokerage house Pekao Investment Banking S.A. with its registered office in Warsaw, 1,417,792 shares of the Company. The total number of shares of CPD S.A. within the framework of Share Sale Offers, it amounted to 13,833,996. Since the sale offers were for a larger number of shares than the 1,400,792 shares proposed by the Company, each Share Sale Offer was partially implemented - the reduction of offers was carried out in accordance with the principles described in the Invitation.

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

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

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

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

18. DESCRIPTION OF DIFFERENCES IN FINANCIAL PERFORMANCE FORECASTS

The Company did not publish financial performance forecasts for 2017.

19. ASSESSMENT OF FINANCIAL RESOURCES MANAGEMENT

CPD SA finances its operations primarily from equity. In the financial year 2017, the Company's financial resources were used in accordance with the plans, purpose and current needs. The company has regularly met its obligations to counterparties, banks and obligatory charges to the State. Liabilities constituting 7% of the total balance sheet total of the Company do not pose a threat to its financial condition.

20. CHANGES IN MANAGEMENT PRINCIPLES

In 2017, 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. The liquidation procedure of the investment company Celtic Asset Management sp. z o. o, as well as 14/119 Gaston Investments sp. z o.o. sp. k. has been repealed.

Continuation is subject to the liquidation of a company not conducting investment or operational activity (Mandy Investments sp. o.o.) in connection with the sale of its properties and the cessation of its operating activities. The reduction of the number of subsidiaries from 44 at the end of 2011 to 33 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 2017 (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.

21. REMUNERATION OF MANAGEMENT BOARD MEMBERS AND SUPERVISORY BOARD MEMBERS

- ### Remuneration of Supervisory Board members

In 2017, 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	01.2017 - 12.2017	-
Andrew Pegge	President	PLN	60 000	01.2017 - 12.2017	-
Mirosław Gronicki	Member	PLN	60 000	01.2017 - 12.2017	-
Gabriela Gryger	Member	PLN	60 000	01.2017 - 12.2017	-
Michael Haxbey	Vice President	PLN	60 000	01.2017 - 12.2017	-
TOTAL		**PLN**	**300 000**		

- **REMUNERATION OF MANAGEMENT BOARD MEMBERS**

In 2017 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 of Board Member of CPD (PLN)	Remuneration of Board Member of the Group (PLN)	TOTAL (PLN)	Period	Comments
Elżbieta Wiczkowska	President	60 000	634 694	694 695	01.2017 - 12.2017	-
Iwona Makarewicz	Member	60 000	385 453	445 453	01.2017 - 12.2017	-
Colin Kingsnorth	Member	60 000	-	60 000	01.2017 - 12.2017	-
John Purcell	Member	60 000	-	60 000	01.2017 - 12.2017	-
Waldemar Majewski	Member	60 000	377 065	437 066	01.2017 - 12.2017	-
Total		**300 000**	**1 397 212**	**1 697 214**		

22. AGREEMENTS WITH MANAGING STAFF – INDEMNITIES

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.

23. COMPANY SHARES HELD BY MANAGING AND SUPERVISORY STAFF

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

Name	Function	No. of shares	Nominal value of shares (PLN)	As % of total no. of shares	As % 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%
TOTAL		**47 232**	**4 723**	**0,14%**	**0,14%**

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

24. AGREEMENTS CHANGING THE 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 5.0% of the shares of the Company.

25. CONTROL SCHEME FOR EMPLOYEE STOCK PROGRAMMES

During the reporting period the Company did not introduce any employee stock programmes.

26. AGREEMENT WITH THE COMPANY'S AUDITOR

The The financial statements of CPD SA and the consolidated financial statements of the Group for the years 2016 and 2017 were reviewed and audited by an auditing firm PricewaterhouseCoopers sp. z o.o. with its registered office in Warsaw.

The total remuneration of the auditor for the year 2016 amounted to PLN 190 000 net, of which:

- PLN 65,000 was the reward for a review of the financial statements of CPD SA and the consolidated financial statements of the Group for the period from 1 January 2016 to June 30, 2016 (agreement of 14 June 2016.);
- PLN 125,000 constituted remuneration for the audit of the financial statements of CPD SA and the consolidated financial statements of the Group for the period from 1 January 2016 to 31 December 2016 (agreement of 14 June 2016.);

The total remuneration of auditors for 2017 amounted to PLN 179,000 net, of which:

- PLN 67.000 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 January 1, 2017 to June 30, 2017 (contract dated June 18, 2017);
- PLN 112,000 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 January 1, 2017 to December 31, 2017 (contract dated June 18, 2017);

27. STRUCTURE OF ASSETS AND LIABILITIES – BY LIQUIDITY

	As at:				*Change*
	31.12.2017	31.12.2016	% in total assets	% in total assets	2017/2016
	(PLN ths.)	(PLN ths.)	2017	2016	*(%)*
Property, plant and equipment	0	1	0%	0,0002%	*-100%*
Intangible assets, excluding goodwill	0	1	0%	0,0002%	*-100%*
Long term receivables	433 961	482 411	86,1%	90%	*-10%*
Non-current assets	**433 961**	**482 413**	**86,1%**	**90%**	***-10%***
Trade and other receivables	533	551	0,11%	0,1%	*-3,3%*
Bonds	0	3 702	0%	0,7%	*-100%*
Cash and cash equivalents	69 721	49 630	13,8%	9,3%	*40,5%*
Current assets	**70 254**	**53 883**	**13,9%**	**10%**	***30,4%***
TOTAL ASSETS	**504 215**	**536 296**	**100%**	**100%**	***-6%***

	As at:				Change
	31.12.2017	31.12.2016	% in total assets	% in total assets	2017/2016
	(PLN ths.)	(PLN ths.)	2017	2016	*(%)*
Share capital	3 935	3 286	0,8%	0,6%	*19,8%*
Reserve capital	987	987	0,2%	0,2%	*0%*
Repurchase of shares	-17 199	0	-3,4%	0%	-
Fair value of capital element at inception date	-27 909	-27 909	-5,5%	-5,2%	*0%*
Share premium	835 846	796 643	165,8%	148,5%	*4,9%*
Retained earnings	-327 982	-325 916	-65,0%	-60,8%	*0,6%*
Equity	**467 678**	**447 091**	**92,8%**	**83,4%**	***4,6%***
Bonds	0	29 742	0%	5,5%	*-100%*
Borrowings, including finance leases	17 153	16 758	3,4%	3,1%	*2,4%*
Deferred tax liability	17 228	5 068	3,4%	0,9%	*239,9%*
Non-current liabilities	**34 381**	**51 568**	**6,8%**	**9,6%**	***-33,3%***
Bonds	0	31 131	0%	5,8%	*-100%*
Embedded derivative	0	4 023	0%	0,8%	*-100%*
Trade and other payables	2 156	2 483	0,4%	0,5%	*-13,2%*
Current liabilities	**2 156**	**37 637**	**0,4%**	**7%**	***-94,3%***
TOTAL EQUITY AND LIABILITIES	**504 215**	**536 296**	**100%**	**100%**	***-6%***

28. GRANTED LOANS

Data on loans granted to affiliates as at 31/12/2017						
Related entity	**Currency**	**Main amount in thousand PLN**	**Interest accrued in thous. PLN**	**Interest**	**Margin**	**The repayment date**
2/124 Gaston Investments	PLN	3 839	582	3M WIBOR	1,55%	on demand
3/93 Gaston Investments	PLN	3 531	506	3M WIBOR	1,55%	on demand
5/92 Gaston Investments	PLN	5 367	370	3M WIBOR	1,55%	on demand
6/150 Gaston Investments	PLN	1 535	343	3M WIBOR	1,55%	on demand
7/120 Gaston Investments	PLN	1 702	251	3M WIBOR	1,55%	on demand
8/126 Gaston Investments	PLN	4 759	784	3M WIBOR	1,55%	on demand
9/151 Gaston Investments	PLN	1 641	240	3M WIBOR	1,55%	on demand
10/165 Gaston Investments	PLN	2 580	309	3M WIBOR	1,55%	on demand
12/132 Gaston Investments	PLN	3 351	319	3M WIBOR	1,55%	on demand

13/155 Gaston Investments	PLN	4 042	486	3M WIBOR	1,55%	on demand
15/167 Gaston Investments	PLN	2 426	272	3M WIBOR	1,55%	on demand
16/88 Gaston Investments	PLN	652	113	3M WIBOR	1,55%	on demand
18 Gaston Investments	PLN	1 686	274	3M WIBOR	1,55%	on demand
Odpis na pożyczkę udzieloną 18 Gaston Investments		(557)	(274)			
19/97 Gaston Investments	PLN	726	119	3M WIBOR	1,55%	on demand
20/140 Gaston Investments	PLN	809	137	3M WIBOR	1,55%	on demand
Antigo Investments	PLN	4 580	352	3M WIBOR	1,55%	on demand
Odpis na pożyczkę udzieloną Antigo		(1 965)	(352)			
Belise Investments	PLN	12 960	5 571	3M WIBOR	1,55%	on demand
Buffy Holdings No 1 Ltd	PLN	156 829	40 773	3M WIBOR	0,75%	on demand
Odpis na pożyczkę udzieloną Buffy Holdings			(34 139)			
Celtic Asset Management	PLN	998	55	3M WIBOR	1,55%	
Odpis na pożyczkę udzieloną CAM		(284)	(55)			
Celtic Investments Ltd	EUR	1 899	62	3M LIBOR	0,75%	on demand
Odpis na pożyczkę udzieloną CIL		(1 899)	(62)			
Challange Eighteen	PLN	135 738	27 550	3M WIBOR	1,55%	on demand
Elara Investments	PLN	2 992	224	3M WIBOR	1,55%	on demand
Odpis na pożyczkę udzieloną Elara Investments		(1 659)	(224)			
Gaston Investments	PLN	8 790	272	3M WIBOR	1,55%	on demand
Odpis na pożyczkę udzieloną Gaston Investments		(4 913)	(272)			
HUB Developments	PLN	2 498	287	3M WIBOR	1,55%	on demand
Odpis na pożyczkę udzieloną HUB		(681)	(287)			
Dobalin Trading	PLN	0	6	stałe 8%		
Mandy Investments	PLN	16 107	5 514	3M WIBOR	1,55%	on demand
Odpis na pożyczkę udzieloną Mandy Investments		(16 107)	(5 514)			
Lakia Enterprises Limited	PLN	25 683	9 715	3M WIBOR	1,55%	on demand
TOTAL		**379 656**	**54 307**			

MANAGEMENT BOARD STATEMENT

V. MANAGEMENT BOARD STATEMENT

The Management Board of CPD S.A. ('the Company') hereby confirms that according to its best knowledge the Company's financial statements for the accounting year ended 31 December 2017 and all comparative data have been drawn up in accordance with the applicable accounting principles and give a true, fair and clear view of the Company's assets and financial situation and its financial results, and that the Management Board report provides a true picture of the Company's growth and achievements as well as the Company's situation, including threats and risks.

The Management Board of CPD S.A. hereby confirms that the entity authorised to audit the annual financial statements which performs the reviewed of the annual financial statements was selected in compliance with the law, and that the entity and individual auditors who carry out the audit do meet the legal requirements to issue an unbiased and independent opinion on the annual financial statements under review, in accordance with applicable regulations and professional standards. In the years 2016 and 2017, the financial statements of CPD S.A. and of the Group were reviewed and audited by PricewaterhouseCoopers Sp. z o.o., 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

VI. INDEPENDENT AUDITOR'S REPORT

Independent Registered Auditor's Report

To the General Shareholders' Meeting and the Supervisory Board of CPD S.A.

Report on the audit of financial statements

Our opinion

In our opinion, the attached annual financial statements of the Company CPD S.A („the Company"):

- give a true and fair view of the financial position of the Company as at 31 December 2017 and its financial performance and its cash flows for the year then ended in accordance with the applicable International Financial Reporting Standards as adopted by the European Union and the adopted accounting policies;
- comply in terms of form and content with the laws applicable to the Company and the Company's Articles of Association;
- have been prepared on the basis of properly maintained books of account in accordance with the provisions of Chapter 2 of the Accounting Act of 29 September 1994 ("the Accounting Act" – Consolidated text: Journal of Laws of 2018, item 395, as amended).

Our opinion is consistent with our additional report to the Audit Committee issued on the date of this report.

What we have audited

We have audited the annual financial statements of CPD S.A. which comprise:

- the statement of financial position as at 31 December 2017;

and the following prepared for the financial year from 1 January to 31 December 2017:

- the statement of comprehensive income;
- the statement of changes in equity;
- the statement of cash flows, and
- the notes comprising a description of the adopted accounting policies and other explanations.

Basis for opinion

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing as adopted as National Standards on Auditing by the National Council of Statutory Auditors ("NSA") and pursuant to the Act of 11 May 2017 on Registered Auditors, Registered Audit Companies and Public Oversight ("the Act on Registered Auditors" – Journal of Laws of 2017, item 1089), and Regulation (EU) No. 537/2014 of 16 April 2014 on specific requirements regarding the statutory audit of public-interest entities ("the EU Regulation" – Journal of Laws EU L158).
Our responsibilities under those NSA are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence and ethics

We are independent of the Company in accordance with the International Federation of Accountants' *Code of Ethics for Professional Accountants* ("the IFAC Code") as adopted by resolutions of the National Council of Statutory Auditors and other ethical requirements that are relevant to our audit of the financial statements in Poland. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IFAC's Code. During the audit, the key registered auditor and the registered audit firm remained independent of the Company in accordance with the independence requirements set out in the Act on Registered Auditors and in the EU Regulation.

PricewaterhouseCoopers Sp. z o.o., ul. Lecha Kaczyńskiego 14, 00-638 Warsaw, Poland,
T: +48 (22) 746 4000, F: +48 (22) 742 4040, www.pwc.com

Our audit approach

Overview

- The overall materiality threshold adopted for the purposes of our audit was set at PLN 5 million, which represents 1% of total assets.

- We have audited the annual financial statements of the Company for the year ended 31 December 2017.

- Write-offs of receivables in respect of loans granted to subsidiaries and the value of investments in the subsidiaries.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the Company's Management Board made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by the adopted materiality level. Our audit was designed to obtain reasonable assurance that the financial statements as a whole are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole, as presented below. These thresholds, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

The concept of materiality is used by the registered auditor both in planning and conducting an audit, as well as in assessing the effect of the misstatements identified during the audit and the unadjusted misstatements (if any), on the financial statements, and also when forming the registered auditor's report. Therefore, all opinions, assertions and statements contained in the registered auditor's report have been made taking into consideration the quantitative and qualitative materiality levels determined in accordance with the audit standards and the registered auditor's professional judgement.

Overall materiality	PLN 5 million
Basis for determination	1% of total assets
Rationale for the materiality benchmark applied	We have adopted the value of assets as a basis for determining materiality, because the value of assets - mainly investments in subsidiaries - is, in our opinion, an indicator commonly used to assess the performance of a holding company by users of financial statements. It is also one of the generally accepted benchmarks. We assumed significance at the level of 1%, because based on our professional judgement it falls within the scope of acceptable quantitative thresholds for materiality.

We agreed with the Company's Audit Committee that we would report to them of misstatements identified during our audit of the financial statements above PLN 253 thousand, as well as any misstatements below that amount, that in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. They include the most significant identified risks of material misstatements, including the identified risks of material misstatement resulting from fraud. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We summarized our response to these risks and, when deemed appropriate, presented the most important observations relating to these risks. We do not provide a separate opinion on these matters.

Key audit matter	***How our audit addressed the key audit matter***
Write-offs of receivables in respect of loans granted to subsidiaries and the value of investments in the subsidiaries As at the balance sheet date, the Company showed receivables in respect of loans granted to its subsidiaries with a net value of PLN 433.9 million, i.e. less write-offs of PLN 69.2 million. The gross value of the shares in the subsidiaries amounted to PLN 337 million and was written down in full as at 31 December 2017. The disclosures relating to the receivables in respect of the loans to the subsidiaries and shares in the subsidiaries are described in Notes 2.3-2.4	Our audit procedures comprised, in particular: • gaining an understanding of and evaluating the process of the Management Board's identification of the evidence of impairment of the receivables in respect of the loans granted to the subsidiaries and the investments in the subsidiaries, as well as the method for determining and verifying the calculation of write-offs;

and 4-5 and 7 to the financial statements, whereas the methodology for recording write-offs is described in Note 3.3 to the financial statements on significant estimates.

The identification of the impairment triggers and the determination of the recoverable amount, including the correct determination of the write-offs of the loan receivables and the shares in the subsidiaries are an area which requires a significant judgement of the Management Board.

The recoverable amount of both the loan receivables and the shares is analysed by comparing the book values of the above assets to the net asset value of the subsidiaries (the net asset method). The main assets of these entities are investment properties measured at fair value, therefore, the Management Board considers such an approach reasonable.

Using different measurement techniques and making different assumptions in order to determine the recoverable amount may result in materially different estimates of the write-offs of the loans granted and the value of the investments in the subsidiaries.

Bearing in mid the inherent risk of uncertainty relating to the material estimates made by the Management Board and the materiality of the amounts of the loans and shares (prior to the recognition of write-offs), we have concluded that this is a key audit matter.

- making a critical assessment of the existence of the evidence identified by the Management Board for the material balances of the loan receivables and investments in the subsidiaries;
- if we identified the existence of evidence of impairment, we analysed the impairment tests carried out by the Management Board, including comparing the book value of the investments in the subsidiaries with their net asset values as at the balance sheet date; in particular, we use the results of our audit procedures performed for consolidation purposes, as part of which we verify property valuations;
- we consider and make a critical assessment as well as a verification of the arithmetical correctness of the effect of the other assets held by the subsidiaries on the determination of the fair value of the shares in the subsidiaries and the amount of the write-offs of these shares and the above receivables;
- evaluating the completeness and correctness of the disclosures for the write-offs of the loan receivables and the value of the investments in the subsidiaries.

Based on the procedures performed, we found the assumptions made by the Management Board to be rational and supported by the documentation obtained and the disclosures in the financial statements to be in compliance with the requirements of the standards.

Responsibility of the Management and Supervisory Board for the financial statements

The Management Board of the Company is responsible for the preparation, based on the properly maintained books of account, of annual financial statements that give a true and fair view of the Company's financial position and results of operations, in accordance with the International Financial Reporting Standards as adopted by the European Union, the adopted accounting policies, the applicable laws and the Company's Articles of Association, and for such internal control as the Management Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Company's Management Board is responsible for assessing the Company'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 either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Company's Management Board and members of its Supervisory Board are obliged to ensure that the financial statements comply with the requirements specified in the Accounting Act. Members of the Supervisory Board are responsible for overseeing the financial reporting process.

Auditor's responsibility for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 the NSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence economic decisions of users taken on the basis of these financial statements.

The scope of the audit does not cover an assurance on the Company's future profitability or the efficiency and effectiveness of the Company's Management Board conducting its affairs, now or in future.

As part of an audit in accordance with the NSA, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Company's Management Board.
- Conclude on the appropriateness of the Company's Management Board'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 Company'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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit Committee 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 Audit Committee 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 the matters communicated to the Audit Committee, we determine those matters that were of most significance in the audit of the 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 a 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 operations

Other information

Other information comprises a Report on the Company's operations for the financial year ended 31 December 2017 ("the Report on the operations") and the corporate governance statement which is a separate part of the Report on the operations.

Responsibility of the Management and Supervisory Board

The Management Board of the Company is responsible for preparing the Report on the operations in accordance with the law.

The Company's Management Board and the members of the Supervisory Board are obliged to ensure that the Report on the operations including its separate parts complies with the requirements of the Accounting Act.

Registered auditor's responsibility

Our opinion on the audit of the financial statements does not cover the Report on the operations.

In connection with our audit of the financial statements, our responsibility is to read the Report on the operations and, in doing so, consider whether it is materially consistent with the information in the financial statements, our knowledge obtained in our audit, or otherwise appears to be materially misstated. If, based on the work performed, we identified a material misstatement in the Report on the operations, we are obliged to inform about it in our audit report. In accordance with the requirements of the Act on the Registered Auditors, we are also obliged to issue an opinion on whether the Report on the operations has been prepared in accordance with the law and is consistent with information included in annual financial statements.

Moreover, we are obliged to issue an opinion on whether the Company provided the required information in its corporate governance statement. We obtained the Report on the operations before the date of this audit report.

Opinion on the Report on the operations

Based on the work we carried out during the audit, in our opinion, the Report on the operations:

- has been prepared in accordance with the requirements of Article 49 of the Accounting Act and para. 92 of the Regulation of the Minister of Finance dated 19 February 2009 on current and periodical information submitted by issuers of securities and conditions for considering as equivalent the information required under the legislation of a non-Member State ("Regulation on current information" – Journal of Laws 2014, item 133, as amended);
- is consistent with the information in the financial statements.

Moreover, based on the knowledge of the Company and its environment obtained during our audit, we have not identified any material misstatements in the Report on the operations.

Opinion on the corporate governance statement

In our opinion, in its corporate governance statement, the Company included information set out in paragraph 91(5)(4) (a), (b), (g), (j), (k) and (l) of the Regulation on current information. In addition, in our opinion, information specified in paragraph 91(5)(4)(c)–(f) and (i) of the said Regulation included in the corporate governance statement are consistent with the applicable provisions of the law and with information included in the financial statements.

Report on other legal and regulatory requirements

Statement on the provision of non-audit services

To the best of our knowledge and belief, we declare that the non-audit services we have provided to the Company and its subsidiaries are in accordance with the laws and regulations applicable in Poland and that we have not provided any non-audit services prohibited under Article 5(1) of the EU regulation and Article 136 of the Act on Registered Auditors.

During the audited period, we provided to the Company, and its controlled entities in the European Union, non-audit services which were disclosed in note 26 to the Report on the Company's operations.

Appointment

We have been appointed for the first time to audit the annual financial statements of the Company by resolution of the Supervisory Board dated 15 December 2010 and re-appointed by resolution dated 9 June 2017.We have been auditing the Company's financial statements without interruption since the financial year ended 31 December 2010, i.e. for 7 consecutive years.

The Key Registered Auditor responsible for the audit on behalf of PricewaterhouseCoopers Sp. z o.o., a company entered on the list of Registered Audit Companies with the number 144., is Piotr Wyszogrodzki.

Piotr Wyszogrodzki

Key Registered Auditor

No. 90091

Warsaw, 20 April 2018

TRANSLATORS' EXPLANATORY NOTE

The English content of this report is a free translation of the registered auditor's report of the below-mentioned Polish Company. In Poland statutory accounts as well as the auditor's report should be prepared and presented in Polish and in accordance with Polish legislation and the accounting principles and practices generally adopted in Poland.

The accompanying translation has not been reclassified or adjusted in any way to conform to the accounting principles generally accepted in countries other than Poland, but certain terminology current in Anglo-Saxon countries has been adopted to the extent practicable. In the event of any discrepancies in interpreting the terminology, the Polish language version is binding.

VII. FINANCIAL STATEMENTS FOR THE ACCOUNTING YEAR FROM 1 JANUARY TO 31 DECEMBER 2017

CPD S.A.

Financial statements

for the year ended 31 December 2017

(All amounts in PLN thousands unless otherwise stated)

Statement of comprehensive income

	Notes	12 months ended 31/12/2017	12 months ended 31/12/2016
Revenues	16	0	196
Administrative costs	17	(1 689)	(2 178)
Marketing costs		(11)	(18)
Impairment of investments in subsidiaries	4 , 5	6 712	(11 808)
Interest income on loans	20	12 561	15 065
Other operating income	18	0	69
Other operating cost	19	(43)	(41)
OPERATING RESULT		17 530	1 285
Financial income	21	1 615	8 552
Financial costs	21	(9 050)	(7 010)
PROFIT (LOSS) BEFORE INCOME TAX		**10 095**	**2 827**
Income tax	22	(12 161)	(5 068)
PROFIT (LOSS) FOR THE YEAR		**(2 066)**	**(2 241)**
TOTAL COMPREHENSIVE INCOME		**(2 066)**	**(2 241)**
BASIC EARNINGS PER SHARE (PLN)	**27**	**-0,06**	**-0,07**
DILUTED EARNINGS PER SHARE (PLN)	**27**	**-0,05**	**-0,13**

The notes are an integral part of these condensed interim consolidated financial statements

Elżbieta Donata Wiczkowska
Chairman of the Board

Colin Kingsnorth
Board Member

John Purcell
Board Member

Iwona Makarewicz
Board Member

Waldemar Majewski
Board Member

(All amounts in PLN thousands unless otherwise stated)

Statement of financial position

ASSETS	Nota	Na dzień 31/12/2017	31/12/2016
Non-current assets			
Property, plant and equipment		0	1
Intangible assets		0	1
Long-term receivables	4	433 961	482 411
Shares in subsidiaries	5	0	0
		433 961	482 413
Current assets			
Trade receivables and other receivables	7	533	551
- trade receivables and loans		530	547
- prepaid expenses		3	4
Bonds	6	0	3 702
Cash and cash equivalents	8	69 721	49 630
		70 254	53 883
Total assets		504 215	536 296
EQUITY			
Share capital	9	3 935	3 286
Own shares for redemption		(17 199)	0
Reserve capital	10	987	987
Fair value of capital element at inception date	14	(27 909)	(27 909)
Share premium		835 846	796 643
Retained earnings		(327 982)	(325 916)
Total equity		467 678	447 091
LIABILITIES			
Non-current liabilities			
Bonds issued	14	0	29 742
Borrowings, including financial leasing	12	17 153	16 758
Deffered tax liability	15	17 228	5 068
		34 381	51 568
Current liabilities			
Bonds issued	14	0	31 131
Derivative financial instruments		0	4 023
Borrowings, including financial leasing	11	2 156	2 483
		2 156	37 637
Total equity and liabilities		504 215	536 296

The notes are an integral part of these condensed interim consolidated financial statements

Elżbieta Donata Wiczkowska
Chairman of the Board

Colin Kingsnorth
Board Member

John Purcell
Board Member

Iwona Makarewicz
Board Member

Waldemar Majewski
Board Member

(All amounts in PLN thousands unless otherwise stated)

Statement of changes in equity

	Note	Share capital	Own shares for redemption	Other Reserves	Embedded element at inception date	Translation reserve	Accumulated profit (loss) Retained earnings	Total
Balance as at 01/01/2016		**3 286**	**0**	**987**	**(27 909)**	**796 643**	**(323 675)**	**449 332**
Profit (loss) for the period		0	0	0	0	0	(2 241)	(2 241)
Total comprehensive income		**0**	**0**	**0**	**0**	**0**	**(2 241)**	**(2 241)**
Balance as at 31/12/2016		3 286	0	987	(27 909)	796 643	(325 916)	447 091
Balance as at 01/01/2017		**3 286**	**0**	**987**	**(27 909)**	**796 643**	**(325 916)**	**447 091**
		0	0	0	0	0	0	0
Own shares for redemption		0	(17 199)	0	0	0	0	(17 199)
Bonds converted to share capital		649	0	0	0	39 203	0	39 852
		649	(17 199)	0	0	39 203	0	22 653
Profit (loss) for the period		0	0	0	0	0	(2 066)	(2 066)
Total comprehensive income		**0**	**0**	**0**	**0**	**0**	**(2 066)**	**(2 066)**
Balance as at 31/12/2017		**3 935**	**(17 199)**	**987**	**(27 909)**	**835 846**	**(327 982)**	**467 678**

The notes are an integral part of these condensed interim consolidated financial statements

Elżbieta Donata Wiczkowska

Chairman of the Board

Colin Kingsnorth

Board Member

John Purcell
Board Member

Iwona Makarewicz
Board Member

Waldemar Majewski
Board Member

(All amounts in PLN thousands unless otherwise stated)

Cash flow statement

	Note	12 months ended 31/12/2017	12 months ended 31/12/2016
Cash flow from operating activities			
Cash generated from operations	24	(2 507)	(1 609)
Inerest paid		(2 731)	(2 611)
Net cash generated from operating activities		(5 238)	(4 220)
Cash flows from investing activities			
Loans granted		(22 750)	(38 174)
Loan repayments received		85 994	72 147
Interest received		8 834	8 168
Net cash generated from investing activities		72 078	42 141
Cash flows from financing activities			
Own shares for redemption		(17 199)	0
Loans received		0	8 700
Loan repayments received		0	(5 106)
Commission on early redemption		450	0
Bond redemption		(30 000)	0
Net cash generated from financing activities		(46 749)	3 594
Change in net cash and cash equivalents		20 091	41 515
Cash and cash equivalents at the beginning of year		49 630	8 115
Cash and cash equivalents at the end of the period		69 721	49 630

The notes are an integral part of these condensed interim consolidated financial statements

Elżbieta Donata Wiczkowska

Chairman of the Board

Colin Kingsnorth

Board Member

John Purcell

Board Member

Iwona Makarewicz

Board Member

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

1 General information

Celtic Property Developments S.A. ("Company", "CPD") with its registered office in Warsaw (02-667), Cybernetyki 7B, was established on the basis of statute on 26 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 shares are listed on Warsaw Stock Exchange.

On 2 September 2010 Extraordinary Shareholders Meeting passed a resolution about changing the company 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

The subject of the company's activities (in accordance with the Statute of the company) is the activity of financial holding companies, activities linked to the real estate market, central business support (head offices).

The company is the parent of the CPD S.A. Annual consolidated financial statements of the group have been prepared in accordance with the requirements of IFRS in the EU.

In order to fully understand the financial position and results of operations CPD SA As the parent company of the Group of these financial statements should be read in conjunction with the annual consolidated financial statements for the period ended 31 December 2017, the reports will be available on the Company's website at www.celtic.pl in time according to the current report on time the annual report of the Company and the consolidated annual report of the Group for the year 2017.

On 8 June 2010, according to Rep. Notarial Deed. A No. 7263/2010 the Extraordinary General Meeting at which a resolution was passed on the cross-border merger Poen SA and CPD Plc. Consequently, the share capital of SA Poen was increased from PLN 500,000 to PLN 3,983,329.50, ie the amount of PLN 3,483,329.50 by issuing new bearer shares of series B with a nominal value of PLN 0.10 and PLN 3,483,329.50 total.

August 23, 2010, in the National Court Register registered the previous cross-border merger of the parent company in the Group, ie Celtic Property Developments Plc (Target Company) and Poen SA (Acquiring company) by transferring all assets of the Acquired Company to the Acquirer, in exchange for newly issued shares of the Acquiring Company. The merger took place on the basis of the Plan of Merger, which assumed the acquisition of Celtic Property Developments Plc, the company Poen SA which is a 100% subsidiary of Celtic Property Developments Plc. Following the merger: (i) existing shareholders of Celtic Property Developments Plc became a 100% shareholder Poen SA, and (ii) Poen SA purchased by the general succession - to redeem, own shares of Celtic Property Developments Plc. The share exchange ratio of Celtic Property Developments Plc share Poen SA, was adopted at a level that did not cause any changes in the ownership structure Poen SA

The shares of the Company are listed on the Warsaw Stock Exchange.
Share capital on December 31, 2017 includes 39 354 thousand. of shares with a nominal value of PLN $ 0.10 each, including:

- 32.335.858 bearer ordinary shares of series B,
- 163.214 bearer ordinary shares of series C,
- 76.022 bearer ordinary shares of series D,
- 88.776 bearer ordinary shares of series E,
- 199.333 bearer ordinary shares of series F.
- 6.490.820 bearer ordinary shares of series G.

This financial statement has been adopted by the Management Board on 20 April 2018.

The Company uses following registration numbers:
REGON 120423087
NIP 677-22-86-258

The Board of Directors of the Company consists of:

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

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

The Supervisory Board of the company consists of:
Andrew Pegge
Wiesław Piotr Oleś
Gabriela Gryger
Mirosław Jerzy Gronicki
Michael Haxby

Statements have been prepared on a going business for the foreseeable future, bearing in mind that there are no circumstances indicating a threat to the continued activity.

2 The accounting principles

Accounting policies are in accordance with the principles applied in the annual financial statements for the year ended December 31, 2016. these principles have been applied consistently to all periods presented.

2.1 Basis of preparation

The company's financial statements have been drawn up in accordance with international financial reporting standards ("IFRS") adopted by the European Commission and applicable at the reporting date of this financial statements. IFRS standards and interpretations that were extant include approved by the international accounting standards Board ("IASB") and to the Commission. The Interpretation Of International Financial Reporting.

New and amended standards and interpretations which came into force in 2017 and description of the impact of applying the amendments:

Amendments to IAS 12 Recognition of Deferred Tax Assets for unrealised losses on debt instruments valuations (issued on 19 January 2016).

Amendments to IAS 7 **Disclosure Initiative** (issued on 29 January 2016).

Amendments to IFRS 12 being a part of **Annual Improvements to IFRSs 2014-2016 cycle** (issued on 8 December 2016).

Application of the above changes to the standards did not have any significant impact on these financial statements.

Published standards and interpretations of existing standards which are not effective yet and which were not adopted by the Company before:

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

IFRS 9 Financial Instruments: Classification and Measurement and hedging accounting replaces the IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling.

There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.
Contemporaneous documentation is still required but is different to that currently prepared under IAS 39.

The Company will apply IFRS 9 as of January 2018, without restating comparative data.

IFRS 14 "Regulatory Deferral Accounts"

The standard permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements. Regulatory deferral account balances, and movements in them, are presented separately in the statement of financial position and statement of profit or loss and other comprehensive income, and specific disclosures are required.

By decision of the European Union, IFRS 14 will not be approved.

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

IFRS 15 "Revenue from contracts with customers"

The standard was published by the International Accounting Standards Board in May 2014 and is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted, subject to EU adoption.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations.

The Company will apply IFRS from 1 January 2018.

The Company estimates that the application of IFRS 15 will have insignificant effect on the financial statements.

Clarifications to IFRS 15 Revenue from Contracts with Customers

Clarifications to IFRS 15 "Revenue from Contracts with Customers" were published April 12, 2016 and are effective for the annual reporting periods beginning on or after 1 January 2018.

Explanations provide additional information and clarification regarding the key assumptions used in IFRS 15, including on identity separate responsibilities, determining whether an entity acts as an intermediary (agent), or is the main supplier of goods and services (principal) and the method of recording revenue from licenses.

Apart from the additional clarifications also introduced exemptions and simplifications for entities applying the new standard for the first time.

The Company is going to adopt the amendments on 1 January 2018.

At the date of preparation of these financial statements, the amendments to IFRS were not yet approved by the European Union.

The Company analyses effect of the changes on the financial statements.

IFRS 16 „Leasing"

IFRS 16 "Leasing" was published by the International Accounting Standards Board on January 13, 2016 and are effective for annual periods beginning on or after January 1, 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 Company will apply IFRS 16 after its approval by the European Union.

The Company analyses effect of the changes on the financial statements.

At the date of preparation of these financial statements, the amendments to IFRS were not yet approved by the European Union.

Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses

The amendment has clarified the requirements on recognition of deferred tax assets for unrealised losses on debt instruments. The entity will have to recognise deferred tax asset for unrealised losses that arise as a result of discounting cash flows of debt instruments at market interest rates, even if it expects to hold the instrument to maturity and no tax will be payable upon collecting the principal amount. The economic benefit embodied in the deferred tax asset arises from the ability of the holder of the debt instrument to achieve future gains (unwinding of the effects of discounting) without paying taxes on those gains.

The amendments are effective for annual periods beginning on or after 1 January 2017.

The Company is going to adopt the amendments on 1 January 2017.

At the date of preparation of these financial statements, the amendments to IFRS were not yet approved by the European Union.

The Company analyses effect of the changes on the financial statements.

Notes to the financial statements

Amendments to IAS 7 Disclosure Initiative

The amended IAS 7 will require disclosure of a reconciliation of movements in liabilities arising from financing activities.

The Company is going to adopt the amendments on 1 January 2017.

The Company analyses effect of the changes on the financial statements.

At the date of preparation of these financial statements, the amendments to IFRS were not yet approved by the European Union.

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

Amendment to IFRS 2 is effective for annual periods beginning on or after January 1, 2018 or after that date. 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.

The Company is going to adopt the amendments on 1 January 2018.

At the date of preparation of these financial statements, the amendments to IFRS were not yet approved by the European Union.

The Company analyses effect of the changes on the financial statements.

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.

The Company is going to adopt the amendments on 1 January 2018.

The Company analyses effect of the changes on the financial statements.

At the date of preparation of these financial statements, the amendments to IFRS were not yet approved by the European Union.

Annual improvements cycle IFRSs 2014-2016

The Board finalised the Annual Improvements to IFRS Standards 2014–2016 Cycle in December 2016.

The issues included in this cycle are: IFRS 1 First-time Adoption of International Financial Reporting Standards, IAS 28 Investments in Associates and Joint Ventures, IFRS 12 Disclosure of Interests in Other Entities.

The improvements include calrifications and changes concerning the scope of the standards, recognition and measurement, as well as provide terminological changes and editing.

The Company will apply these changes to IFRS 12 starting from 1 January 2017, and the amendments to IFRS 1 and IAS 28 on 1 January 2018.

The Company analyses effect of the changes on the financial statements.

At the date of preparation of these financial statements, the annual improvements to IFRS were not yet approved by the European Union.

Amendments of IAS 40 "Transfers of investment property"

Changes to IAS 40, specify requirements for transfers of investment properties. The change is effective for annual periods beginning on January 1, 2018, or after that date.

The Company is going to adopt the amendments on 1 January 2018.

The Company analyses effect of the changes on the financial statements.

At the date of preparation of these financial statements, the amenments to IAS 40 have not yet been approved by the European Union.

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. IFRIC 22 is effective for annual reporting periods beginning on or after 1 January 2018.

The Company analyses effect of the changes on the financial statements.

At the date of preparation of these financial statements, the interpretation has not yet been approved by the European Union.

2.2 Tangible fixed assets

Tangible fixed assets are reported in historical value, which shall be reduced by the write-off. Historical cost includes expenditure directly related to the acquisition of data assets.

Subsequent expenditure included in the carrying amount of an asset or are recognised as a separate asset (where appropriate) only when it is probable that in respect of this item there will be inflow of economic benefits to the company and the cost of the item can be measured reliably. All other expenditure on repair and maintenance related to the profit or loss in the accounting period in which they are incurred.

The depreciation of fixed assets (or components, if any) shall be calculated on a straight-line basis in order to share their initial value, minus the residual value, the useful life of these assets. At each balance sheet date the verification is carried out (and any changes) the residual value and periods of service life of the asset. Fixed assets are depreciated over the period of their use (three to five years).

In the case when the carrying amount of an asset exceeds its estimated recoverable amount of its carrying amount seems immediately to the recoverable amount.

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

2.3 Shares in subsidiaries

Shares in subsidiaries are valued at cost, adjusted for subsequent write-down for impairment.

The Company at each reporting date analyzes of shares held in subsidiaries for impairment. An impairment loss is recognized for the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value of assets less costs to sell or value in use. Shares in respect of which previously assets were impaired are assessed at each reporting date for the occurrence of reasons for possible reversal of the impairment.

2.4 Financial assets

CPD include your financial assets loans and receivables category. The classification is based on the criterion for the acquisition of financial assets. The Board determines the classification of its financial assets at initial recognition, as well as reassess the classification at each balance sheet date.

Loans and receivables that are not counted for derivatives financial assets of agreed or possible to determine payments, not quoted in an active market, not intended for sale. Include them to current assets, in so far as the term of their maturity does not exceed 12 months from the balance sheet date. Assets with maturities over 12 months are classified as current assets. Loans and receivables are accounted for under the heading "trade Receivables and other receivables" in the report on the financial situation.

Financial assets are excluded from the accounts when the rights to cash flows from them have expired or have been transferred and the title Company made the CPD transfer substantially all the risks and all the proceeds from their property. Loans and receivables are recognised initially at fair value and then be valued by amortised cost using effective interest rate.

CPD evaluation carried out company at the end of each reporting period whether there is objective indications of impairment of the component or group of financial assets.

2.5 Cash and equivalents

Cash equivalents include cash on hand, bank deposits payable on demand, other short-term investments with a high degree of liquidity and with an original maturity of up to three months or less.

2.6 Share capital

Share capital is the nominal value of the issued shares.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.7 Trade liabilities

Trade payables are recognized initially at fair value and, after initial recognition, they are measured at amortized cost using the effective interest method.

In the case when the difference between the value of acc. amortized cost and the value of the amount due does not have a significant impact on the financial results of the Company, such liability is recognized in the balance sheet at cost.

2.8 Credits and loans

Loans and advances are recognised initially at fair value less transaction costs incurred. Mortgages and loans are then shown at amortised cost.

Loans and advances are classified as current liabilities, provided that the company does not have the unconditional right to postpone payments for at least 12 months after the balance sheet date.

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

2.9 Complex financial instruments

Compound financial instruments issued by the group comprise convertible bonds that can be converted into share capital at the discretion of the holder, the number of shares to be issued is not dependent on changes in their fair value.

With regards to financial instruments where the fair value is different from the price to pay and when that fair value is based on market data to the company recognizes the "day-one-loss" and recognized it depending on the specific transaction. In the case of issue of convertible bonds, which as a whole has been addressed to the shareholders of the Company's day-one-loss is recognized in equity.

A liability and a compound financial instrument is recognized initially at the fair value of a similar liability that is not related conversion option into shares. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any possible directly attributable transaction costs are taken into account in the valuation of liability and equity components in proportion to their initial carrying amounts.

Following initial recognition, the liability component compound financial instrument is recognized at amortized cost using the effective interest rate. Equity component of compound financial instrument is not subject to valuation after the first frame until conversion or expiry. The equity component is also wbudownym derivative that at the balance sheet is measured at fair value through profit or loss.

2.10 Embedded derivatives

In the case of the acquisition of a financial instrument that includes an embedded derivative, and the whole or part of the cash flows of the financial instrument vary in a way similar to that built-in derivative instrument itself, the embedded derivative is recognized separately from the host contract. This occurs when the fulfillment of the following conditions:

- A financial instrument is not classified as assets held for trading or available for sale, the revaluation results are recognized in the income or loss for the period,

- The nature of the embedded instrument and the related risks are not closely related to the nature of the host contract and the risks resulting from it,

- A separate instrument with the same characteristics as the embedded derivative would meet the definition of a derivative,

- It is possible to reliably determine the fair value of the embedded derivative.

Embedded derivatives are recognized in a similar way as other derivatives that are not designated as hedging instruments.

An embedded derivative are recognized as assets or liabilities at fair value through profit or loss.

2.11 Deferred income tax

Deferred tax recognized in full using the balance sheet liability method, due to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements and tax losses. However, if the deferred income tax was raised from the initial recognition of an asset or liability in a transaction other than a business combination and that affects neither the profit nor the taxable income (tax loss), do not recognize it. Deferred income tax is determined using enacted or substantively enacted at the balance sheet date rates (and laws), that are expected to apply when the related realization of deferred tax assets or settle such liabilities.

Deferred tax assets are recognised only when it is probable that taxable income will be achieved in the future, which will allow the use of temporary differences or tax losses.

Deferred tax assets and deferred tax liabilities are subject to compensation.

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

2.12 Employee benefits

a) Reserve Retirement
CPD Company pays contributions to the Polish pension system, according to current indicators odnoszonych the gross salary for the duration of employment (state pension scheme). National pension scheme is based on a pay-as-you-go, ie CPD Company is only required to pay fees at the time of the due date calculated in relation to the remuneration rate, and when the Company ceases to employ members of the state pension scheme, it is not required to payment of any additional benefits. National pension scheme is a defined contribution system. The cost of premiums is recognized in profit or loss in the same period in which the expense is recognized for its related remuneration.

In accordance with rule are not created on the reserve pension will be covering the admission fee in accordance with the code. Potential reserves would not have significant impact on the financial statements. In the event of their occurrence will be done on a cash basis.

b) Share-based remuneration
The company runs a program in the form of wages subscription warrants entitling to purchase shares at a preferential price. The program is certified as an equity-settled. The fair value of employee services received in exchange for the grant of warrants is recognized as an expense and amortized over the vesting period. At the same time, the Company recognizes a corresponding increase in reserves.
Unit at each balance sheet revises its estimates of the number of warrants that are przewydywane for implementation. Impact of the revision of original estimates, if it exists, is recognized in profit or loss with a corresponding adjustment to equity.

2.13 Provisions

Provisions are recognized when the Company has a legal CPD or constructive obligation as a result of a past event and it is probable that an outflow of resources will be required to comply with this obligation, and its size can be estimated reliably

If there are a number of similar obligations, the likelihood of an outflow of resources in order to meet with them shall be determined in respect of the category of obligations as a whole. A provision is recognised even if there is a low probability of an outflow of resources in relation to a position the category. The amount of the reserves shall be shown in the current value of inputs, which is expected to be required to settle the obligation.

2.14 Revenue recognition

Sales revenue is reported in the fair value of the consideration received or receivable from the sale of services in the ordinary course of business. Revenues are presented net of tax on goods and services. Proceeds from the sale are recognised in the period in which they were made.

2.15 Other income

Interest income in arrears are recognised using the effective interest rate if they get is not questionable. Dividend income is recognised when the right to receive payment is established shall be.

(a) Rental income

Rental income under operating leases are recognized straight-line basis over the lease term. Granted special offers are recognized as an integral part of the revenue from the lease. They are recognized in the income statement over the lease term straight-line basis as a reduction of revenue from the lease.

(b) Services related to the hiring and management services

Fees for services related to leasing and management services are recognized in the period in which the services were performed.

(c) Revenues from the sale of residential and office

Revenues from the sale of a residential and office are recognized when transferred to the buyer the significant risks and benefits (transfer of ownership) resulting from the Company's property, provided that the CPD Group has obtained a valid license to use.

Advances received related to pre-sale of real estate of a housing are deferred until you meet the criteria for revenue recognition.

(d) Cost of inventories sold

Cost of sales is recognized in the amount of the total capitalized cost of inventories sold.

Construction costs associated with unsold products are capitalized on inventories as work in progress or finished goods, depending on the severity. In a situation where it is expected that inventories produced CPD Group will realize a loss is recognized immediately as an expense. Inventories related to units sold are recognized as cost of sales in the same period in which the sale occurred.

(e) Interest income
Interest income is recognized using the effective interest rate.

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

2.16 Costs

Operating costs fully burden profit or loss of the company with the exception of those which relate to subsequent reporting periods and in accordance with the principle of preservation of the adequacy of the revenues and expenses, related to accrued expenses.

Operating expenses fully charged to financial result of the Company except for those which relate to subsequent periods and in accordance with the principle of conservation of matching revenues and expenses are recognized in accrued expenses.

Other operating expenses directly related to the property that do not include general and administrative costs, are expensed as incurred.

Revenues from services invoiced to tenants and the associated costs of providing these services are reported separately because the CPD Group does not act as agent.

2.17 Interest costs

The cost of funding from interest income is recognised in the item "financing costs" in the financial result, based on the effective interest method.

2.18 Foreign currencies

The financial statements are presented in Polish zloty (PLN), which is the functional currency and presentation currency of the Group CPD.
Transakcje w walutach obcych są przeliczane na PLN za pomocą kursów walutowych obowiązujących na dzień transakcji lub z dnia wyceny, jeżeli dane pozycje są wyceniane.

At the balance sheet date, assets and liabilities which are subject to valuation shall be converted into EUR at the exchange rate for the currency set medium on this day by the Polish National Bank.

Exchange differences arising from foreign currency transactions and the monetary valuation of assets and liabilities at the balance sheet date are presented as income persaldo or financial costs.

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating the interest income or expense from interest income during the period. The effective interest rate is the rate that precisely defines discounted to the present value of estimated future cash flows through the expected life of the financial instrument or a shorter period, 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. The possibility of pre-payment), but does not account for 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.

3 Financial risk management

3.1 Financial risk factors

The activities carried out by the company puts on her CPD many different types of financial risks: market risk (including: the risk of changes in exchange rates or cash flows as a result of changes in interest rates), credit risk and liquidity risk. Financial risks are associated with the following financial instruments: loans received and granted trade duties, the remaining claims, cash equivalents, Payables trade and other payables. The accounting policy relating to the above financial instruments is described in note 2. The General Programme Of CPD for risk management focuses on the unpredictability of financial markets, in an effort to minimize potential adverse effects on the financial results of the CPD Company.

(a) market risk

(i) the risk of exchange rate changes
The company is exposed to the risk of fluctuation due to changes in balances in currencies other than LCY of the parties involved. This risk applies to loans and debts and receivables that are denominated in euro. Exchange rate changes risk arises when future transactions relating to financing of the received/transferred or included assets and liabilities are denominated in a currency other than the functional currency of the entity.

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

As of 31.12.2017, the Company did not have any debts balances denominated in foreign currencies and as a result was not significantly exposed to currency exchange risk.

	31 December 2017	31 December 2016
Loans in EUR	1 961	1 985
Assumed change in PLN/EUR exchange rate	+/-1%	+/-1%
The result of changes in interest income	20	20
Tax shield	4	4
Effect on net profit/(loss)	16	16

	31 December 2017	31 December 2016
Liabilities in EUR	0	33 875
Assumed change in PLN/EUR exchange rate	+/-1%	+/-1%
The result of changes in interest income	0	339
Tax shield	0	64
Effect on net profit/(loss)	0	274

The CPD Board of Directors on a regular basis keeps track of currency fluctuations and acts according to the situation. Hedging activities shall be subject to regular assessment in order to adapt to the current situation, interest rates and a specific willingness of risk. Currently, the company is not involved in any transaction the CPD, however this can be changed if, on the basis of the judgment of the Board, this will be required.

(b) risk of changes in cash flows due to changes in interest rates

Interest rate risk is the risk to which it is exposed, resulting from changes in market interest rates. In the case of the risk of changes in interest rates associated with loans and those loans (Note 4 and note 11). Loans and variable-yield obtained at the risk of fluctuations in the Company compromise future cash flows. The company does not protect against changes in interest rates. The Board constantly monitors fluctuations in interest rates and running up to the situation.

Trade and other receivables and payables are interest-free with a maturity of up to 1 year

	31 December 2017	31 December 2016
Loans bear interest at variable interest rates	407 721	467 003
Assumed interest rate change	+/-1pp	+/-1pp
The result of changes in interest income	4 077	4 670
Tax shield	775	887
Effect on net profit/(loss)	+/-3 302	+/-3 786

	31 December 2017	31 December 2016
Borrowings bear interest at floating rates	17 153	16 758
Assumed interest rate change	+/-1pp	+/-1pp
The result of changes in interest income	172	168
Tax shield	33	32
Effect on net profit/(loss)	+/-139	+/-136

(All amounts in PLN thousands unless otherwise stated)

(c) credit risk

Credit risk arises in the case of cash, bank deposits and for loans, trade receivables and other receivables - which includes outstanding receivables.

Cash and cash equivalents are deposited with a bank that has a high credit rating (HSBC). With respect to receivables from loans, they are all granted to related parties. Related credit risk of loans is continuously analyzed by the Board by the current control operations and evaluation of investment projects of these companies., the Company analyzes the collectability of loans granted to related parties on the basis of the net asset value of the borrowers. according to the Board of loans shown on the balance sheet is fully recoverable.

With respect to trade receivables and other receivables in the Company applicable procedures to assess the creditworthiness of the Company's customers.

(d) liquidity risk

Liquidity risk is the risk that arises when assets and liabilities payment periods do not overlap. This condition raises the potential profitability, but also increases the risk of loss. The company shall apply to the procedure, the CPD minimizing such losses by keeping an adequate level of cash and ongoing monitoring and forecasting cash przepływow. The company has wystarczajacą the amount of current assets to terminowanego regulate any obligations. Liquidity of the company is controlled by the Management Board on a regular basis CPD.

As at 31.12.2017	Within 1 year	1 - 5 years	More than 5 years
Loans and leasing	0	17 153	0
Trade payables and other payables	2 156	0	0
	2 156	17 153	0

As at 31.12.2016	Within 1 year	1 - 5 years	More than 5 years
Loans and leasing	0	16 758	0
Bonds issued	35 154	29 742	0
Trade payables and other payables	2 483	0	0
	37 637	46 500	0

3.2 Capital management

The company's objective in managing capital is to safeguard the CPD Company's ability to continue, so that the activities of the CPD was the implementation of return for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost.

In order to maintain or adjust the capital structure, the company may change the amount of dividends declared CPD to be paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The financing structure factor reflecting the structure of the capital is calculated as net debt divided by total capital. Net debt is calculated as borrowings (including current and non-current borrowings as shown in the balance sheet), and other less cash and equivalents. Total capital is calculated as equity capital shown in the balance sheet with net debt.

Given the current global market situation of the Company's strategy is to maintain a low coefficient of financial structure so that the target does not exceed 20%

	31 December 2017	**31 December 2016**
Loans received	17 153	16 758
Trade liabilities and other	0	64 896
Less cash and equivalents	2 156	2 483
Net borrowing	-69 721	-49 630
Equity capital	**-50 412**	**34 507**
Total	467 678	447 091
The financing structure factor	**417 266**	**481 598**
Capital structure ratio	**-12%**	**7%**

The financial situation of the Company has improved. The financing structure ratio indicates a negative value, as the cash held by the CPD as at the balance sheet date exceeds the Company's liabilities. During the current financial year, the subsidiaries repaid loans in the amount of PLN 93 million.

Notes to the financial statements

3.3 Significant estimates

(a) Fair value of net assets at which they have been included in the books of CPD at the time of the acquisition on 23.08.2010.

In the event of the shares in subsidiaries Buffy Holdings 1 Ltd, Lakia Enterprises Ltd and East Europe Property Financing AB, their fair value was established on the basis of the adjusted net assets method, which is an approximation of the expected future cash flows available to shareholders in respect of shares held. The value of these cash flow has been estimated, among others. based on the fair value of real estate owned by their subsidiaries and about the value of discounted future operating costs related to the operation of companies.

(b) Balance sheet valuation of shares in subsidiaries and loans to subsidiaries

The company recognized impairment at the balance sheet date, shares in subsidiaries in relation to the values set at the moment of taking over and made a copy of the value impairment loss loans.

(i) In the case of shares in subsidiaries Buffy Holdings No 1 Ltd Lakia Enterprises Ltd and their fair value was estimated based on the net assets of these companies constituting an approximation of the expected future cash flows available to shareholders in respect of shares held. A key element having a decisive impact on the value of estimated cash flows is the fair value of real estate owned subsidiaries.

Investment properties held by subsidiaries in relation to the CPD are measured at fair value using the following valuation methods:
- Land undeveloped and built houses with residential premises - valued by comparative method;
- Investment properties in which there are significant revenues from rent (3 office buildings located in Warsaw) - are measured in the investment;
- Investment land located in Warsaw's Ursus district, which, according to the local spatial development plan is intended for realization of building residential - commercial - measured on a residual;
- Investment land located in Warsaw's Ursus district, which, according to the local spatial development plan is intended for development purposes and public investment land located in the village of Wolbórz - measured by the comparative method.

As at 31 December 2017. Net value of interests in subsidiaries Buffy Holdings No1 Ltd, Celtic Investments Limited and Lakia Enterpises was zero and has not changed compared to the same period of the previous year (to determine the level of impairment loss in value of the shares at 31.12 .2017 in individual companies was conducted in accordance with the above-described approach and it was the same as the approach adopted on 31.12.2016). Information on shares in subsidiaries are presented in note 5.

(ii) At the same time the balance sheet date, the Company analyzes the recoverability of receivables from loans granted to subsidiaries. Analysis of the evaluation of recoverability is based on the net assets of the individual subsidiaries, which are creditors in relation to the CPD. The level of net assets of subsidiaries owning property valued at fair value shows the possible to be generated by the company cash that could be used to pay off their debts on loans taken out from the CPD. CPD determine the level of impairment in relation to companies that exhibit at the balance sheet date, the negative net asset value. The Company believes that due to the negative net asset value of these subsidiaries there is a real risk that these companies will not be able to fully repay the borrowing.

Notes to the financial statements

As at 31 December 2017, the Company assessed the recoverability of loans granted to subsidiaries and, based on the analyses carried out, decided to release the impairment loss of PLN 6,7 million as compared to 31 December 2016. The decision to release the impairment loss was a consequence of positive changes in the net assets of the subsidiaries to which CPD grants the loan and was associated primarily with an increase in the fair value of the investment property held by the subsidiaries and the sale of the subsidiaries and the return on investment in the joint venture. Information on loans granted to related entities is presented in note 4.

(c) Determining the fair value of embedded derivatives

On September 26, 2014 r., the company issued bonds addressed to existing shareholders. Financial data relating to bonds issued, is presented in note 14 (inn sf one.) On September 26, 2014 r., the company issued bonds addressed to existing shareholders. Financial data relating to bonds issued, is presented in note 13 (inn sf one.) To the financial statements. Issued bonds have embedded derivative in the form of the possibility of conversion of bonds into shares at a fixed rate of 4.38 PLN per share, since the bond was issued in another currency (EUR) than the functional currency (PLN) of the company, built a derivative component, contained both CAP currency, in the form of converting the value of the shares received, the rate of conversion is not higher than 1 EUR = 4.1272 PLN.

The fair value of the embedded derivative component, was estimated within level 2, by a combination of two methods: binomial trees, in the part concerning the development of the share price, and the method monte carlo, on the analysis of exchange rate volatility.

The assumptions underlying the valuation model:
- Correction curve discounting the credit risk of the issuer - 8%
- Volatility of the issuer's shares - 58.9% - value was calculated based on historical market quotes CPD SA
- Fixed rate of conversion of bonds into shares - 4.38 PLN
- Reduction of the exchange rate 1 EUR = 4.1272 PLN
- The possibility of conversion of bonds into shares in the period from 2015-09-26 to 5 days prior to the redemption date, ie. on 22-09-2017.

In connection with the conversion of the bonds into equity during 2017, as at the balance sheet date the instrument does not exist.

(d) Income tax

CPD SA is an income tax payer in Poland. 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.

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim financial statements

4 Long-term receivables

	December 31, 2017	December 31, 2016
Long-term loans to related parties (nota 26), including:		
-loan	391 614	484 750
-interest	89 965	80 074
Impairment	(47 624)	(43 664)
	433 955	**521 160**
Long-term loans to other parties, including:		
-loan	0	0
-interest	6	0
	6	**0**

Details of the loans granted to related parties 31.12.2016

Related party	Currency of the loan	Principal amount in PLN	Accrued interest in PLN	The Interest Rate	Margin	Maturity
2/124 Gaston Investments	PLN	3 839	582	3M WIBOR	1,55%	on demand
3/93 Gaston Investments	PLN	3 531	506	3M WIBOR	1,55%	on demand
4/113 Gaston Investments	PLN	0	0	3M WIBOR	1,55%	on demand
5/92 Gaston Investments	PLN	5 367	370	3M WIBOR	1,55%	on demand
6/150 Gaston Investments	PLN	1 535	343	3M WIBOR	1,55%	on demand
7/120 Gaston Investments	PLN	1 702	251	3M WIBOR	1,55%	on demand
8/126 Gaston Investments	PLN	4 759	784	3M WIBOR	1,55%	on demand
9/151 Gaston Investments	PLN	1 641	240	3M WIBOR	1,55%	on demand
10/165 Gaston Investments	PLN	2 580	309	3M WIBOR	1,55%	on demand
11/162 Gaston Investments	PLN	0	0	3M WIBOR	1,55%	on demand
12/132 Gaston Investments	PLN	3 351	319	3M WIBOR	1,55%	on demand
13/155 Gaston Investments	PLN	4 042	486	3M WIBOR	1,55%	on demand
15/167 Gaston Investments	PLN	2 426	272	3M WIBOR	1,55%	on demand
16/88 Gaston Investments	PLN	652	113	3M WIBOR	1,55%	on demand
18 Gaston Investments	PLN	1 686	274	3M WIBOR	1,55%	on demand
Impairment on loan 18 Gaston		*(557)*	*(274)*			
19/97 Gaston Investments	PLN	726	119	3M WIBOR	1,55%	on demand
20/140 Gaston Investments	PLN	809	137	3M WIBOR	1,55%	on demand
Antigo Investments	PLN	4 580	352	3M WIBOR	1,55%	on demand
Impairment on loan Antigo		*(1 965)*	*(352)*			
Belise Investments	PLN	12 960	5 571	3M WIBOR	1,55%	on demand
Buffy Holdings No 1 Ltd	PLN	156 829	40 773	3M WIBOR	0,75%	on demand
Impairment on loan Buffy Holdings	PLN	*0*	*(34 141)*			
Celtic Asset Management	PLN	998	55	3M WIBOR	1,55%	on demand
Impairment on loan CAM	PLN	*(283)*	*(55)*			
Celtic Investments Ltd	PLN	1 899	62	3M LIBOR	0,75%	on demand
Impairment on loan CIL	PLN	*(1 899)*	*(62)*			
Challange 18	PLN	135 738	27 550	3M WIBOR	1,55%	on demand
Elara Investments	PLN	2 992	224	3M WIBOR	1,55%	on demand
Impairment on loan loan Elara Investments	PLN	*(1 658)*	*(224)*			
Gaston Investments	PLN	8 790	272	3M WIBOR	1,55%	on demand
Impairment on loan Gaston Investments	PLN	*(4 913)*	*(272)*			
HUB Developments	PLN	2 498	287	3M WIBOR	1,55%	on demand
Impairment on loan HUB		(681)	*(287)*			
Smart City	PLN	0	0	3M WIBOR	1,55%	on demand
Impairment on loan Smart City		*0*	*0*			
IMES		0	0	3M WIBOR	1,55%	on demand
Lakia Enterprises Limited	PLN	25 683	9 715	3M WIBOR	1,55%	on demand
		379 658	**54 297**			

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim financial statements

Details of the loans granted to other parties 31.12.2017

Other party	Currency of the loan	Principal amount in PLN	Accrued interest in PLN	The Interest Rate	Margin	Maturity
Dobalin	PLN	0	6	3M WIBOR	1,55%	on demand
		0	**6**			

In accordance with the intention of the Board the loans will be repaid over a period of from 3 to 5 years. the maximum value of the credit risk associated with the loans and trading duties is equal to their carrying amount. Loans are not secured.

In 2017 the company made an impairment on loans in the amount of (6 693) thousand PLN (see table below). After these transactions result from investments in subsidiaries disclosed in the statement of comprehensive income amounted to (6 712) thousand PLN.
During 2017, the subsidiaries repaid loans granted by CPD S.A. for the total amount of PLN 93 353 thousand PLN.

Change in the impairment of loans granted by the CPD classified as long-term loans and short-term loans in 2017:

Status of the impairment of loans at 31.12.2016	**75 938**
Impairment for 2017 (note 3.3)	-6 693
Status of the impairment of loans at 31.12.2017	**69 245**

Reasons for the permanent impairment charges on loans are described in note 3.3.

5 Shares in subsidiaries

Name	Country	Share	December 31, 2017	December 31, 2016
Lakia Enterprises Ltd	Cyprus	100%	105 000	105 000
Impairment, the value of the shares Lakia Enterprises Ltd			-105 000	-105 000
Celtic Investments Ltd	Cyprus	100%	48 000	48 000
Impairment, the value of the shares Celtic Investments Ltd			-48 000	-48 000
Buffy Holdings No1 Ltd	Cyprus	100%	184 000	184 000
Impairment, the value of the shares Buffy Holdings			-184 000	-184 000
Celtic Asset Management	Poland	100%	0	0
Impairment, the value of the shares Celtic Asset Management			0	0
			0	**0**

Status of the impairment of shares at 31.12.2016	**337 000**
Impairment for 2017 (note 3.3)	0
Status of the impairment of shares at 31.12.2017	**337 000**

Reasons for the permanent impairment on shares are described in note 3.3.

6 Bonds

On March 18, 2013. the company acquired bonds issued by the company Bolzanus Limited registered in in Cyprus (bonds- 3 thousand PLN, interest on December 31, 2016 - 702 thousand PLN). Bond interest rate is 8% per annum. Maturity date fell on 17 February 2016.

Shares were purchased by a subsidiary company of CPD S.A. Buffy Holdings. The debt resulting from the bonds was settled in accordance with the transfer agreement and deducted as part of the settlement of the entire share purchase transaction on July 26, 2017.

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim financial statements

7 Trade receivables and other receivables

	December 31, 2017	December 31, 2016
Trade receivables from related parties	0	61
Short-term loans (related party), including:	0	0
- loan	16 107	16 061
- interest	5 514	4 986
- Impairment	(21 621)	(21 047)
Input VAT surplus	3	3
Other receivables from related parties	429	466
Other receivables from other parties	98	17
Accrued costs	3	4
Short-term receivables	**533**	**551**

Details of the loans granted to related parties

Related party	Currency	Principal amount in PLN	Accrued interest in PLN	Interest Rate	Margin	Maturity
Mandy Investments	PLN	16 107	5 514	3M WIBOR	1,55%	on demand
Impairment on loan Mandy Investments		*(16 107)*	(5 514)			

8 Cash and equivalents

	December 31, 2017	December 31, 2016
Cash in bank accounts (ING, PEKAO SA, mBank)	69 721	8 115
	69 721	**8 115**

Cash equivalents for the purpose of the report include cash in bank accounts in ING bank, PEKAO SA bank and mBank.
The maximum value of the credit risk associated with cash equal to their carrying amount.

9 Share capital

	Number of shares		Value of shares	
	31/12/2017	**31/12/2016**	**31/12/2017**	**31/12/2016**
Ordinary shares (in thousands)	39 354	32 863	3 935	3 286

As at 31 December 2017 Company's shareholders were*:

Party	Country	Number of shares	capital %	votning rights %
Cooperative Laxey Worldwide W.A.,	Netherlands	11 406 759	28,89%	28,89%
Furseka Trading and Investments Ltd	Cyprus	6 942 424	17,64%	17,64%
The Value Catalyst Fund plc	Cayman Islands	4 567 681	11,61%	11,61%
QVT Fund LP	Cayman Islands	4 186 145	10,64%	10,64%
LP Value Ltd	British Virgin Islands	2 327 645	5,91%	5,91%
LP Alternative Fund LP	USA	2 325 927	5,91%	5,91%
Shareholders below 5% of shares		7 597 442	19,31%	19,31%
Total number of shares		39 354 023	100%	100%

* The above shareholder's structure is based on own data of CPD.

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim financial statements

9 Share capital - cd

The share capital as at 31 December 2016 includes 32 863 thousand shares with a nominal value of 0,10 PLN each, including:

- 32.335.858 bearer ordinary shares of series B,
- 163.214 bearer ordinary shares of series C,
- 76.022 bearer ordinary shares of series D,
- 88.776 bearer ordinary shares of series E,
- 199.333 bearer ordinary shares of series F.
- 6.490.820 bearer ordinary shares of series G.

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

As of the date of these consolidated financial statements share capital amounts to PLN 3.935 thousand. There have been no changes in share capital since the end of the year until the date of these consolidated financial statements.The shares issued are not priviledged. Each of the issued shares has a nominal value of PLN 0,10 and has been fully paid.

10 Reserve capital

	December 31, 2017	December 31, 2016
as at 31.12.2017	987	987
	987	**987**

11 Trade payables and other payables

	December 31, 2017	December 31, 2016
Accrued expenses, including:	2 121	2 154
- reserve for tax for previous years	2 027	2 027
- reserve for auditing	94	127
Trade payables	14	572
Holiday provision	0	66
Public-legal payables	16	26
Other payables	5	5
	2 156	**2 823**

Trade liabilities are non-interest-bearing, and their payment dates fall during the year.

The estimated fair value of trade payables and other liabilities are discounted amount of expected future outflows that CPD SA pay and approximately corresponds to their book value.

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim financial statements

12 Borrowings, including financial leasing

	December 31, 2017	December 31, 2016
Loans from related parties	17 153	12 909
	17 153	**12 909**

Loan commitments at 31 December 2017 relate to a loan from a subsidiary Lakia Enterprises (interest rate on the loan is 3M WIBOR + margin 0.50%), loan from a subsidiary Lakia Investments (interest rate on the loan is 3M WIBOR + margin 1.55%) and loan from the subsidiary Robin Investments (interest rate on the loan is 3M WIBOR + margin 1.55%). As at 31 December 2017 loan balances are as follows:Lakia Enterprises: 9 789 thousand. PLN (capital: 7 630 thousand PLN, interest 2 159 thousand PLN); Lakia Investments is 5 708 thousand PLN (capital 5 259 thousand PLN, interest 449 thousand PLN); Robin Investments: 1 656 thousand PLN (capital: 1 600 thousand PLN, interest 56 thousand PLN).

Loans from related parties will be repaid in the period from 1 to 3 years.

The loans are not secured.

13 Changes of indebtedness

	Loand	Bonds	Total
31 December 2016	16 758	64 896	81 654
Accrued interest	395	2 061	2 456
Debt payments, including:	0	(32 730)	(32 730)
- Principal repaid	0	(30 000)	(30 000)
- Interest repaid	0	(2 730)	(2 730)
Other decreases, including:	0	(34 227)	(34 227)
- conversion of bonds into shares	0	(39 852)	(39 852)
- derivative component	0	6 893	6 893
- other	0	(1 268)	(1 268)
31 December 2017	17 153	0	17 153

	Loand	Bonds	Total
31 December 2015	16 436	68 955	85 391
Accrued interest	322	5 291	5 613
Debt payments, including:	0	(2 738)	(2 738)
- Principal repaid	0	0	0
- Interest repaid	0	(2 738)	(2 738)
Other decreases, including:	0	(6 612)	(6 612)
- conversion of bonds into shares	0	0	0
- derivative component	0	(7 612)	(7 612)
- other	0	1 000	1 000
31 December 2016	16 758	64 896	81 654

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim financial statements

14 Bonds issued

a) Bonds A series	December 31, 2017	December 31, 2016
Value at the beginning of the period	**33 875**	**38 040**
Interest accrued	610	2 553
Valuation as at balance sheet date/conversion	(1 526)	894
Conversion of bonds and interest into shares	(39 852)	0
Valuation of the derivative component	6 893	(7 612)
Value as at 31 December 2017	**0**	**33 875**

Bondholder	December 31, 2017	December 31, 2016
The Weyerhaeuser Company Master Retirement Trust	0	1
LP Alternative LP by Laxey Partners (GP3) as General Partner	0	7
Laxey Partners Ltd	0	1
LP Value Ltd	0	7
Laxey Universal Value LP By Laxey Partners (GP2) as General Partner	0	1
The Value Catalyst Fund Limited	0	13
QVT Fund LP	0	17
Quintessence Fund LP	0	3
Lars E Bader	0	7
Co-op	0	33
Furseka	0	20

The Management Board adopted the resolution on allocation of Tranche I of A-series convertible bonds on 26 September 2014. The Company therefore issued Tranche I convertible bonds. The date of repurchase of Tranche I bonds falls on 26 September 2017. The issuance of Tranche I bonds was a non-public one as per Art. 9 (3) of the Act on Bonds pursuant to the resolution of Issuer's Management Board No. 3/IX/2014 on issuance of D-series bearer's bonds as a part of the bond issuance scheme.

The face value of one bond amounts to EUR 50,000 (say EUR fifty thousand). The issuance price of one bond amounts to EUR 50,000. The bonds bear interest at a fixed rate of 10% (ten per cent) per annum from the Bond Issuance Date. The Company will repurchase the bonds on the day falling 3 years after the issuance date, i.e. 27 September 2017, subject to early repurchase cases, if an Event of Breach of terms of issuance of bonds by the Issuer occurs.

As described further in note 9 the series A bonds has been converted into equity of CPD SA.

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim financial statements

	December 31, 2017	December 31, 2016
b) Bonds B series		
Value at the beginning of the period	31 021	30 915
Redemption	(30 000)	0
Interest accrued	1 451	2 738
Interest paid	(2 730)	(2 738)
Valuation of the embedded derivative	56	106
Unamortised part of bonds issuance costs	202	0
Value as at 31 December 2017	**0**	**31 021**

(*) The nominal value of bonds issued January 13, 2015 r. (30,000 thousand. PLN) was reduced by costs of the issue of bonds in the amount of 448 thousand. PLN. The costs of issuing bonds consist of the cost of handling the issue by the investment house in the amount of 425 thousand PLN and the cost of legal services.

On January 13, 2015, the Company issued a total of 30,000 covered bonds series B Bonds was carried out in the manner specified in Art. 9 Section 3 of the Act on Bonds, ie. Within the framework of a private placement.
The bonds were issued on the following conditions:
• The Issuer did not specify the purpose of issuing the meaning of the Act on Bonds, also did not specify the project to be financed from the issuance of the Bonds.
• The issued bonds are bearer bonds series B with a nominal value of PLN 1,000 each, protected, not having the form of a document.
• The total nominal value of all issued Bonds is not more than 30,000,000 PLN.
• The nominal value of one bond equals PLN 1,000. The issue price of one Bond is equal to its nominal value and amounts to PLN 1,000.
• Bonds will be redeemed by the Company on the date falling four years after the date of issue of the Bonds, ie. On January 13, 2019 years (the "Redemption Date") - except for cases of early early redemption of the Bonds in the event of breaches by the Issuer conditions under which The bonds were issued or at the request of the Issuer.
• The bonds bear interest at a fixed interest rate of 9.1% per annum.
• If the Issuer to redeem the bonds earlier in the event of infringement cases at the request of the Bondholder or at the request of the Issuer of the Bonds will be redeemed on the Redemption Date and will be made by payment of an amount equal to the nominal value of the Bonds, plus accrued and unpaid interest on the Bonds.

February 9, 2015 r. The agreement was concluded for the establishment of a registered pledge on shares of Blaise Investments Sp. z oo, between Lakia Enterprises Limited and Matczuk Wieczorek & Partners Law Firm Advocates and Legal Advisers Sp. J. Acting in his own name but on behalf of the bondholders holding bonds Series B.
Registered pledge was established on 100 shares in the capital of Blaise Investments sp. z o.o., with a nominal value of 50 zł each, representing 100% of the share capital of the company. The nominal value package of 1,000 shares is 50,000 zł.
Registered pledge was established up to the amount of 45,000,000 zł According to a valuation performed by an expert valuer on 26 January 2015.

On 13 July 2017 CPD SA executed early redemption of all the series B bearer bonds, i.e. 30.000 bonds od PLN 1 thousend par value each. The redemption price amounted to PLN 1.060,13, consisting of PLN 1.000 of par value, PLN 15,00 of premium and PLN 45,13 of bond interest.

Podział obligacji na zobowiązanie krótkoterminowe oraz długoterminowe	December 31, 2017	December 31, 2016
Longterm bonds		
Bonds issued	0	29 742
Derivative financial instruments	0	0
Shortterm bonds		
Bonds issued	0	29 852
Derivative financial instruments	0	4 023
Interest on issued bonds	0	1 279
	0	**64 896**

15 Deferred income tax

Deferred tax liabilities

As at January 1, 2016	**16 124**
Accrued interest on loans	1 093
Accrued interest on bonds	133
Exchange differences	16
As at December 31, 2016 - before compensation	**17 366**
Compensation of the deferred tax asset	(12 298)
As at December 31, 2016 - after compensation	**5 068**
Accrued interest on loans	855
Accrued interest on bonds	(133)
Exchange differences	(21)
As at December 31, 2017 - before compensation	**18 067**
Compensation of the deferred tax asset	(839)
As at December 31, 2017 - after compensation	**17 228**

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim financial statements

Deferred tax assets

As at January 1, 2016	**16 124**
Impairment on shares	(5 684)
Accrued interest on borrowings	48
Accrued interest on bonds	518
Tax loos	1 292
As at December 31, 2016 - before compensation	**12 298**
Compensation of deferred tax provision	(12 298)
As at December 31, 2016 - after compensation	**0**
Impairment on shares	(9 120)
Reserves for costs	2
Accrued interest on borrowings	75
Accrued interest on bonds	(1 292)
Tax loss	(986)
Exchange differences	(138)
As at December 31, 2017 - before compensation	**839**
Compensation of deferred tax provision	(839)
As at December 31, 2017 - after compensation	**0**

Tax losses for the years:	**1 611**	**6 801**
2015	665	929
2014	946	5 448
2013	0	341
2012	0	83

Expiration of tax losses	**2018**	**2019**	**2020**	**2021**	**2022**
	0	0	946	665	0

16 Revenue from sales

	12 months ended December 31, 2017	**12 months ended December 31, 2016**
Proceeds from sales:		
-domestic sales	0	196
	0	**196**

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim financial statements

17 Administrative costs

	12 months ended December 31, 2017	12 months ended December 31, 2016
Consulting services and remuneration of the auditor	426	574
Remuneration, including:	650	869
- the cost of salaries	650	869
Non deductible VAT	178	283
Other costs, including:	435	452
- transport	17	8
- taxes	21	28
- office expenses	359	374
- other	38	42
	1 689	**2 178**

18 Other operating income

	12 months ended December 31, 2017	12 months ended December 31, 2016
Release od provisions	0	69
	0	**69**

19 Other operating costs

	12 months ended December 31, 2017	12 months ended December 31, 2016
Other	43	41
	43	**71**

20 Interest income on loans

	12 months ended December 31, 2017	12 months ended December 31, 2016
Interest income from loans		
-Interest from related parties (Note 26)	12 555	15 065
-Interest not related parties	6	0
	12 561	**15 065**

21 Financial income and expenses

	12 months ended December 31, 2017	12 months ended December 31, 2016
Interest income:	**773**	**57**
-Interest on bonds	0	32
-Interest on deposits	773	25
Other financial income	842	888
Financial income from the valuation of the embedded derivative	0	7 607
Financial income	**1 615**	**8 552**

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim financial statements

21 Financial income and expenses - cd

Interest costs:		
-Interest from related parties (Note 26)	395	322
-Interest not related parties	1	0
-Interest on bonds	2 061	5 148
- Loan guarantee	353	194
- Valuation of bonds at amortised cost	109	0
- Derivative financial instruments	5 367	0
- Other costs	450	434
Net exchange differences	314	912
Financial costs	**9 050**	**7 010**

22 Income tax

	12 months ended December 31, 2017	12 months ended December 31, 2016
Deffered income tax	12 161	5 068
	12 161	**5 068**

23 The effective tax rate

	12 months ended December 31, 2017	12 months ended December 31, 2016
Profit (Loss) before taxes	**10 095**	**2 827**
Tax rate	19%	19%
Income tax rate 19%	**(1 918)**	**(537)**
Impairment value of loans receivable	1 275	(2 244)
Partial reversal of the asset on impairment losses in subsidiaries	(9 120)	(5 684)
Interest of bonds serie A	(1 049)	0
Change in valuation of the embedded derivative	(1 020)	1 360
Used tax losses	0	830
asset on tax losses from previous years	0	1 292
Other	(329)	(85)
Tax	**(12 161)**	**(5 068)**

24 Cash flow from operating activities

	12 months ended December 31, 2017	12 months ended December 31, 2016
Profit/loss before tax	10 095	2 827
Adjustments for:		
– exchange differences	(74)	913
– depreciation	3	5
– change in valuation of the embedded derivative	5 367	(7 612)
– interest costs	2 457	5 419
– interest income	(13 334)	(15 147)
– impairment of loans	(6 712)	11 808
Changes in working capital:		
- changes in receivables	18	517
- change in trade liabilities and other	(327)	(339)
	(2 507)	**(1 609)**

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim financial statements

25 Commitments and guarantees secured by the assets of the unit

In the reporting year 2017 the company with CPD Group - a subsidiary Belise Investments Sp. o.o. as the borrower and the CPD SA as a guarantor - were a party to the loan agreement with Bank Zachodni WBK SA The value of the debt obligation as of 31.12.2017 amounted to 69 363 thousand PLN.

Under the terms of the contract (including the signed annexes) the final repayment of the loan is 31 May 2021.

Company CPD SA is the guarantor of due and outstanding payments on the loan described above and submitted to execution as the obligation to pay the Bank Zachodni WBK and / or borrower of the following amounts:

Guarantee 1 to a maximum amount of EUR 20,666,000 related to amounts which are or may be required to cover any overruns of budgeted project costs and shortfalls of the borrower threatening the timely financing of the project and the timely completion of the project.

Guarantee 2 to a maximum amount of EUR 20,666,000 related to amounts which are or may be required to cover the debt service or any other due payments due for payment to the bank by the borrower.

26 Related party transactions

CPD S.A. does not have a direct parent or parent senior. Coöperatieve Laxey Worldwide W.A. is a major investor.

CPD also concludes transactions with key managers and other affiliates controlled by the key managers of the Group.

These financial statements include the following balances resulting from transactions with related parties:

a)Transactions with key management personnel	**12 months ended December 31, 2017**	**12 months ended December 31, 2016**
Remuneration of members of the Board of Directors	300	212
Remuneration of members of the Supervisory Board	300	308

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim financial statements

26 Related party transactions - cd

b) Transactions with subsidiaries	12 months ended December 31, 2017	12 months ended December 31, 2016
Revenues		
2/124 Gaston Investments	117	103
3/93 Gaston Investments	108	95
4/113 Gaston Investments	161	210
5/92 Gaston Investments	131	136
6/150 Gaston Investments	48	85
7/120 Gaston Investments	53	53
8/126 Gaston Investments	155	187
9/151 Gaston Investments	50	41
10/165 Gaston Investments	79	68
11/162 Gaston Investments	34	48
12/132 Gaston Investments	105	125
13/155 Gaston Investments	125	114
14/119 Gaston Investments	0	102
15/167 Gaston Investments	73	64
16/88 Gaston Investments	20	17
18 Gaston Investments	55	106
19/97 Gaston Investments	22	18
20/140 Gaston Investments	24	21
Antigo Investments	149	150
Blaise Gaston Investments	0	300
Blaise Investments	0	781
Belise Investments	1 267	1 306
Bolzanus	7	0
Buffy Holdings No1 Ltd	3 881	3 981
Celtic Asset Management	33	22
Celtic Investments Ltd	7	9
Challange 18	4 668	5 169
Elara Investments	97	93
Gaston Investments	259	140
Hub Developments	81	79
Lakia Enterprises Ltd	1 050	1 666
Mandy investments	527	523
IMES	11	127
Costs		
Lakia Investments	172	108
Lakia Enterprises Ltd	170	169
Gaston Investments	29	6
7/120 Gaston Investments	118	0
12/132 Gaston Investments	118	0
13/155 Gaston Investments	118	0
Robin Investments	52	3
Laxey NL	0	42

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim financial statements

26 Related party transactions - cd

	12 months ended December 31, 2017	12 months ended December 31, 2016
Liabilities		
Lakia Enterprises Ltd	9 789	9 619
Lakia Investments	5 708	5 536
Robin Investments	1 656	1 603
Gaston Investments	2	4
Receivables		
2/124 Gaston Investments	4 421	3 784
3/93 Gaston Investments	4 037	3 469
4/113 Gaston Investments	0	8 674
5/92 Gaston Investments	5 737	4 927
6/150 Gaston Investments	1 878	3 160
7/120 Gaston Investments	1 953	1 889
8/126 Gaston Investments	5 543	6 943
9/151 Gaston Investments	1 882	1 636
10/165 Gaston Investments	2 889	2 460
11/162 Gaston Investments	0	2 035
12/132 Gaston Investments	3 670	4 815
13/155 Gaston Investments	4 527	3 938
15/167 Gaston Investments	2 698	2 230
16/88 Gaston Investments	765	675
18 Gaston Investments	1 959	3 634
19/97 Gaston Investments	844	698
20/140 Gaston Investments	946	787
Antigo investments	4 931	4 608
Impairment on loan Antigo Investments	(2 317)	(1 615)
Blaise Gaston Investments	0	0
Blaise Investments	0	0
Belise Investments	18 949	18 989
Buffy Holdings No1 Ltd	197 604	198 797
Impairment on loan Buffy Holdings No1 Ltd	(34 141)	(42 267)
Celtic Asset Management	1 053	995
Impairment on loan Celtic Asset management	(338)	(236)
Celtic Investments Ltd	1 961	1 985
Impairment on loan Celtic Investments Ltd	(1 961)	(1 928)
Challange 18	163 287	185 288
Elara Investments	3 215	3 034
Impairment on loan Elara Investments	(1 882)	(2 202)
Gaston Investments	9 063	1 744
Impairment on loan Gaston Investments	(5 185)	(1 744)
Hub Developments	2 785	2 653
Impairment on loan HUB Developments	(968)	(734)
Smart City	0	4
Impairment on loan Smart City	(4)	(4)
IMES	0	4 240
Lakia Enterprises Ltd	35 398	59 727
Impairment on loan Lakia Enterprises Ltd	0	(4 165)
Mandy investments	21 621	21 047
Impairment on loan Mandy Investments	(21 621)	(21 047)

c)Transactions with other related party

Costs		
Kancelaria Radców Prawnych Oleś&Rodzynkiewicz sp. komandytowa	56	99

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim financial statements

26 Related party transactions - cd

d) Transactions with shareholders

Laxey- loan	319	338
Impairment on loan Laxey	(319)	(338)

On September 26, 2014 were issued bonds that were acquired by the shareholders of CPD. Details are presented in Note 14.

27 Earnings (loss) per share

Earnings per ordinary share is calculated by dividing the profit (loss) of the financial year by the weighted average number of ordinary shares outstanding during the year.

Data on profit (loss) and shares used to calculate earnings (loss) per share are presented below:

	12 months ended December 31, 2017	**12 months ended December 31, 2016**
Profit attributable to the shareholders	(2 066)	(2 241)
Weighted average number of ordinary shares (in '000)	37 429	32 863
Earnings per share	**(0,06)**	**(0,07)**
Diluted profit attributable to shareholders	(2 066)	(5 615)
Weighted average number of ordinary shares (in '000)	39 100	42 654
Diluted earnings per share	(0,05)	(0,13)

The dilution of the loss in previous years was influenced by the issuance of bonds by CPD, convertible into shares. In connection with the conversion of bonds convertible into shares, in the current year there is no loss dilution, and the weighted average number of ordinary shares reflects the distribution of individual stages of conversion in time and the purchase of own shares for redemption.

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim financial statements

28 Operating 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.

29 Employment in professional groups in the financial year

As at 31 December 2017 the company employed no employees.

30 Loans and other benefits granted to members of the Management Board and the supervisory bodies of

The company in 2017 did not grant the loans and did not include any other transactions with members of the Management Board and Supervisory Board.

31 Remuneration paid or payable to the entity authorized to audit financial statements for the year

	December 31, 2017	December 31, 2016
Remuneration paid or payable to the entity authorized to audit financial statements for the year	197	192

32 Events after the balance sheet date

On 26 February 2018 Ursa Park Smart City spółka z ograniczoną odpowiedzialnością s. k. agreed with Bank Millenium financing of second stage of the residencial project. At the same time as a collateral CPD SA joint the related debt, rights of Challange Eighteen sp. z o.o. and Smart City sp. z o.o. in Ursa Park Smart City spółka z ograniczoną odpowiedzialnością s. k. were pledged, CPD SA, Challange Eighteen sp. z o.o. and Smart City sp. z o.o. agreed for execution up to PLN 40million each.

On 3 April 2018 CPD issued the first shareholders announcement on intention to merge witha group subsidiary Buffy Holdings No 1 Ltd.

Apart from the above, there were no significant events after the balance sheet date.

These financial statements have been prepared and approved by the Board on 20 April 2018, signed on its behalf by:

Elżbieta Donata Wiczkowska
Chairman of the Board

Colin Kingsnorth
Board Member

John Purcell
Board Member

Iwona Makarewicz
Board Member