STANDALONE
ANNUAL REPORT 2018

CPD S.A.

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ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

TRANSLATORS' EXPLANATORY NOTE

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

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

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

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

SUPERVISORY BOARD

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

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

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

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

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

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

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

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

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

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

Ms Gabriela Gryger was appointed to the Supervisory Board of the fourth term on 14 September 2018. The term of office of Mr Gabriela Gryger expires on 14 September 2021. Ms. Gabriela Gryger has education background in finance and economics having graduated from the following universities: - Cambridge University (St. John's College), UK - Huntsman Program in International Studies and Business (The Wharton School/CAS), the University of Pennsylvania, Philadelphia, USA. Mrs. Gryger has nearly 20 years of experience in real estate investing and consulting, both in Poland and in Europe.

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

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

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

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

AUDIT COMMITTEE

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

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

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

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

II. MANAGEMENT BOARD OF CPD S.A.

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

Ms Elżbieta Wiczkowska – President of the Management Board

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

Mr Colin Kingsnorth – Member of the Management Board

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

Ms Iwona Makarewicz – Member of the Management Board

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

Mr john Purcell - Member of the Management Board

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

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

III. INFORMATION ON THE PARTICIPATION OF 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 2017	1	4
31 December 2018	1	5

Board CPD S.A.

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

IV. MANAGEMENT BOARD 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 26 subsidiaries and two jointly controlled, focusing on activities in the office and residential segments. Current Group's plans focus on the residential development, mainly through the implementation of its leading project in the Warsaw's district of Ursus.

2. CPD S.A. AS THE PARENT COMPANY IN THE GROUP STRUCTURE

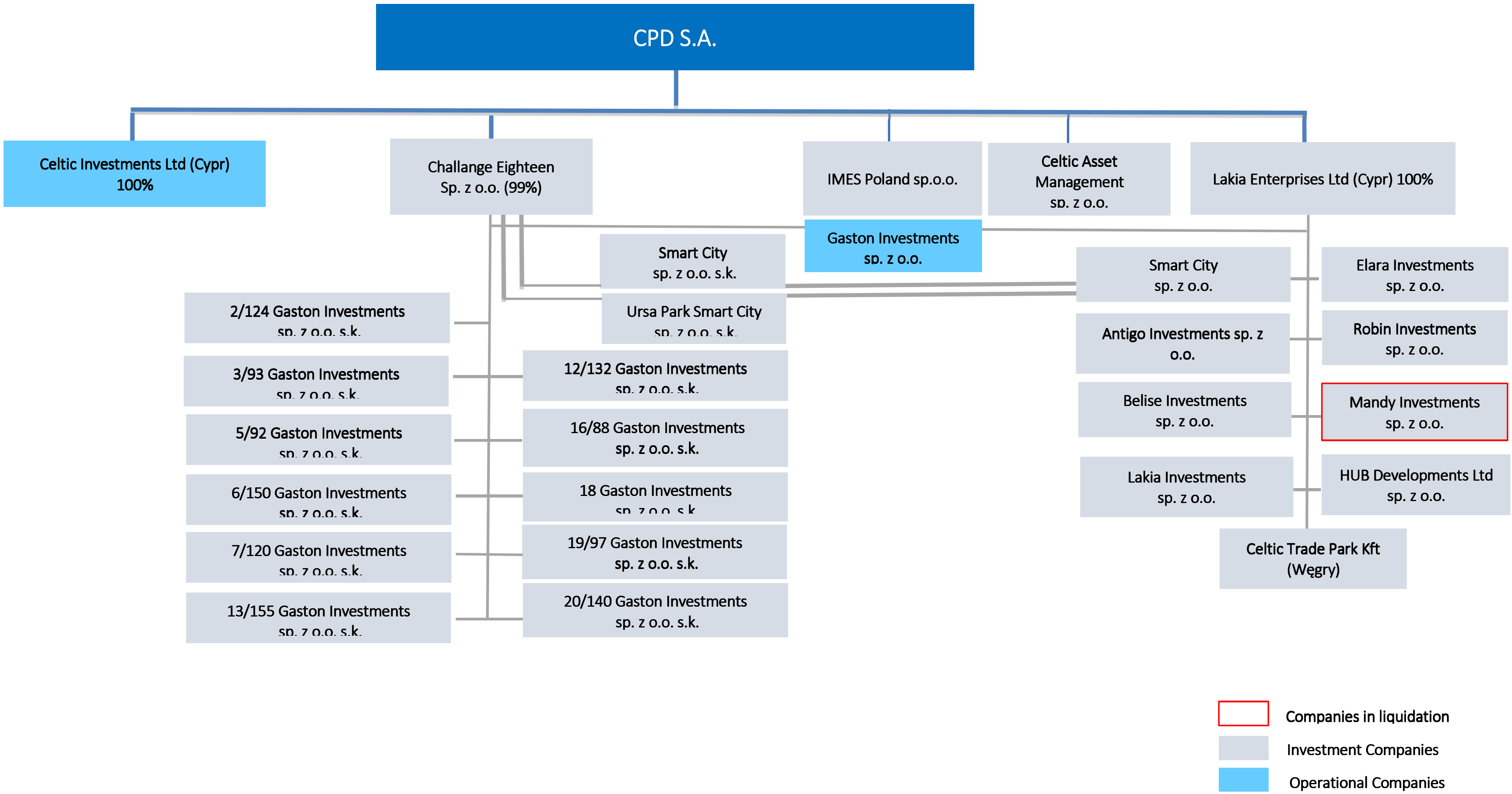
As of the report publication date, CPD S.A. (hereinafter referred to as 'the Company') directly or indirectly held shares and shareholdings in 26 subsidiaries and two jointly controlled. CPD S.A. directly controls 5 entities which are responsible for various areas of the Group's operations (hereinafter referred to as 'the CPD Group', 'the Group'):

- **Challenge Eighteen sp. z o.o.** - 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)**
- **IMES Poland sp. z o.o.;**
- **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 reconciled with the equity method.

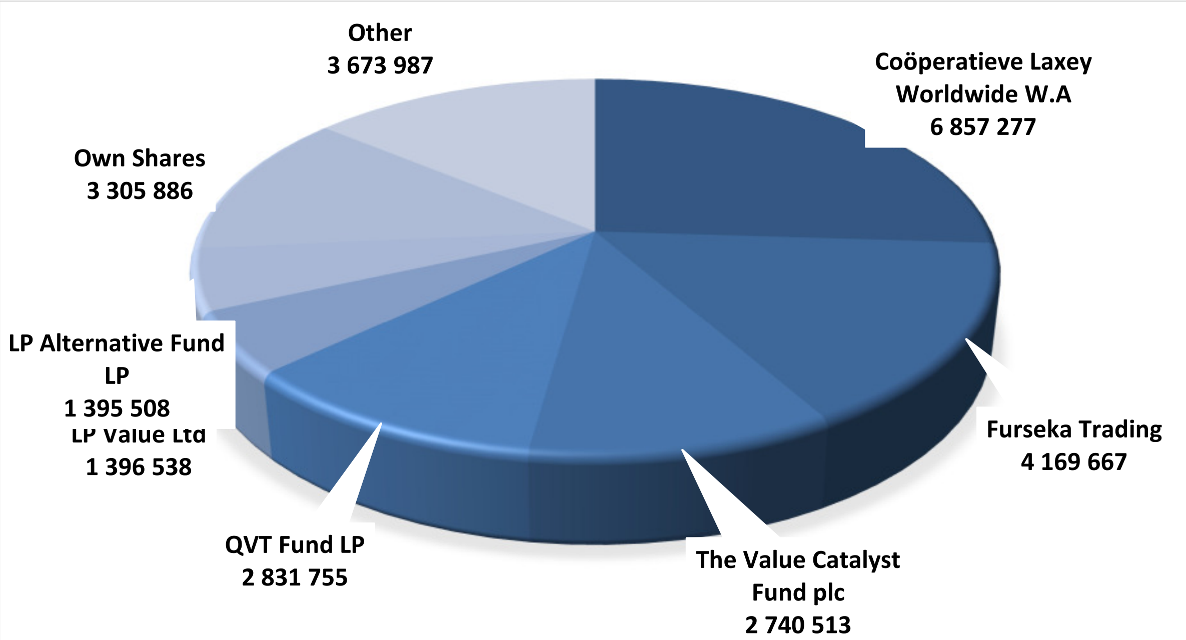
CPD Group structure on the 31 December 2018.



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	6 857 277	Bearer Shares	6 857 277	29.73 %	26,00 %
Furseka Trading	4 169 667	Bearer Shares	4 169 667	18.08 %	15.81 %
The Value Catalyst Fund plc	2 740 513	Bearer Shares	2 740 513	11.88 %	10.39 %
QVT Fund LP	2 831 755	Bearer Shares	2 831 755	12.28 %	10.74 %
LP Value Ltd	1 396 538	Bearer Shares	1 396 538	6.05 %	5.30 %
LP Alternative Fund LP	1 395 508	Bearer Shares	1 395 508	6.05 %	5.29 %
Other	3 673 987	Bearer Shares	3 673 987	15.93 %	13.93 %
Own Shares	3 305 886	Bearer Shares	0 %	0 %	12.54 %

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

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

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, 3 305 886 shares are own shares of the Company, in accordance with the applicable regulations, the Company is not entitled to exercise the voting right.

RESTRICTIONS REGARDING SHARES TRANSFER

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

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

4. CORPORATE GOVERNANCE

- ### RULES OF CORPORATE GOVERNANCE

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

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

- ### INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS

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

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

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

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

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

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

- **SHAREHOLDERS OWNING QUALIFYING SHARES AMOUNT**

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

Shareholder	Amount of owned shares	Type of shares	Amount of owned votes	Shareholder structure by owned votes	Shareholder structure by owned shares
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** 22 March 2019 the Company acquired 3,305,886 shares (representing 12.54% of the Company's share capital) as a result of the sale of the Company's shares.

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

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

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

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

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

Not applicable.

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

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

- Mr. Alfinso Kalinauskas,
- Mr. Andrew Pegge
- Mr. Mirosław Gronicki

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

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

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

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

- fixing the date and the agenda and convening General Meetings;
- submitting motions to the General Meeting, together with the opinion of the Supervisory Board, in matters covered by the agenda of these Meetings

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

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

- **AMENDMENTS TO THE COMPANY ARTICLES**

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

- **GENERAL MEETING**

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

- **COMPOSITION AND CHANGES TOOK PLACE DURING LAST FINANCIAL YEAR AND DESCRIPTION OF MANAGING, SUPERVISORY OR ADMINISTRATIVE AUTHORITY OF ISSUER AND ITS COMMITTEES**

SUPERVISORY BOARD

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

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

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

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

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

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

a) impartiality and independence of the audit company and the auditor;
b) analysis of works to be performed in the Company by the audit company and the auditor beyond the scope of audit of its financial statement, in order to avoid any conflict of interests (maintaining impartiality and independence);
c) services provided by the audit company and the auditor during the last five years before its selection;

d) highest quality of performed audit works;
e) professional qualifications and experience of persons directly engaged in the audit, including their knowledge of the industry of operation of the companies from the Capital Group of CPD S.A.;
f) the audit company's activity in majority of countries of operation of the companies from the Capital Group of CPD S.A.

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

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

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

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

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

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

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

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

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

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

MANAGEMENT BOARD

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

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

- Ms Elżbieta Wiczkowska – President of the Management Board
- Mr. Colin Kingsnorth – Member of the Management Board
- Ms Iwona Makarewicz – Member of the Management Board
- Mr. John Purcell - Member of the Management Board

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

AUDIT COMMITTEE

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

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

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

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

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

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

- The chairman of the audit committee is appointed by the members of the audit committee or the supervisory board, or another supervisory or control body of the public interest unit.

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

In 2018 Audit Committee met four times.

DEROGATIONS FROM CORPORATE GOVERNANCE RULES

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

DISCLOSURE POLICY, INVESTOR COMMUNICATIONS

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

  The Company does not apply the principle.

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

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

  The Company does not apply the principle.

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

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

  The Company does not apply the principle.

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

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

  The Company does not apply the principle.

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

MANAGEMENT BOARD, SUPERVISORY BOARD

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

  The Company does not apply the principle.

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

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

  The Company does not apply the principle.

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

GENERAL MEETING, SHAREHOLDER RELATIONS

- **PRINCIPLE IV.Z.2. IF JUSTIFIED BY THE STRUCTURE OF SHAREHOLDERS, COMPANIES SHOULD ENSURE PUBLICLY AVAILABLE REAL-TIME BROADCASTS OF GENERAL MEETINGS.**

  The Company does not apply the principle.

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

CONFLICT OF INTEREST, RELATED PARTY TRANSACTIONS

- **PRINCIPLE V.Z.5. BEFORE THE COMPANY CONCLUDES A SIGNIFICANT AGREEMENT WITH A SHAREHOLDER WHO HOLDS AT LEAST 5% OF THE TOTAL VOTE IN THE COMPANY OR WITH A RELATED PARTY, THE MANAGEMENT BOARD SHOULD REQUEST THE SUPERVISORY BOARD'S APPROVAL OF THE TRANSACTION. BEFORE GIVING ITS APPROVAL, THE SUPERVISORY BOARD SHOULD EVALUATE THE IMPACT OF THE TRANSACTION ON THE INTEREST OF THE COMPANY. THE FOREGOING DOES NOT APPLY TO TYPICAL TRANSACTIONS AND TRANSACTIONS AT ARM'S-LENGTH MADE AS PART OF THE COMPANY'S OPERATIONS BETWEEN THE COMPANY AND MEMBERS OF ITS GROUP. IF THE DECISION CONCERNING THE COMPANY'S SIGNIFICANT AGREEMENT WITH A RELATED PARTY IS MADE BY THE GENERAL MEETING, THE COMPANY SHOULD GIVE ALL SHAREHOLDERS ACCESS TO INFORMATION NECESSARY TO ASSESS THE IMPACT OF THE TRANSACTION ON THE INTEREST OF THE COMPANY BEFORE THE DECISION IS MADE.**

  The Company does not apply the principle.

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

- **PRINCIPLE V.Z.6. IN ITS INTERNAL REGULATIONS, THE COMPANY SHOULD DEFINE THE CRITERIA AND CIRCUMSTANCES UNDER WHICH A CONFLICT OF INTEREST MAY ARISE IN THE COMPANY, AS WELL AS THE RULES OF CONDUCT WHERE A CONFLICT OF INTEREST HAS ARISEN OR MAY ARISE. THE COMPANY'S INTERNAL REGULATIONS SHOULD AMONG OTHERS PROVIDE FOR WAYS TO PREVENT, IDENTIFY AND RESOLVE CONFLICTS OF INTEREST, AS WELL AS RULES OF EXCLUDING MEMBERS OF THE MANAGEMENT BOARD OR THE SUPERVISORY BOARD FROM PARTICIPATION IN REVIEWING MATTERS SUBJECT TO A CONFLICT OF INTEREST WHICH HAS ARISEN OR MAY ARISE.**

  The Company does not apply the principle.

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

REMUNERATION

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

  The Company does not apply the principle.

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

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

  The Company does not apply the principle.

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

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

  1) GENERAL INFORMATION ABOUT THE COMPANY'S REMUNERATION SYSTEM;
  2) INFORMATION ABOUT THE CONDITIONS AND AMOUNTS OF REMUNERATION OF EACH MANAGEMENT BOARD MEMBER BROKEN DOWN BY FIXED AND VARIABLE REMUNERATION COMPONENTS, INCLUDING THE KEY PARAMETERS OF SETTING THE VARIABLE REMUNERATION COMPONENTS AND THE TERMS OF PAYMENT OF SEVERANCE ALLOWANCES AND OTHER AMOUNTS DUE ON TERMINATION OF EMPLOYMENT, CONTRACT OR OTHER SIMILAR LEGAL RELATIONSHIP, SEPARATELY FOR THE COMPANY AND EACH MEMBER OF ITS GROUP;
  3) INFORMATION ABOUT NON-FINANCIAL REMUNERATION COMPONENTS DUE TO EACH MANAGEMENT BOARD MEMBER AND KEY MANAGER;
  4) SIGNIFICANT AMENDMENTS OF THE REMUNERATION POLICY IN THE LAST FINANCIAL YEAR OR INFORMATION ABOUT THEIR ABSENCE;
  5) ASSESSMENT OF THE IMPLEMENTATION OF THE REMUNERATION POLICY IN TERMS OF ACHIEVEMENT OF ITS GOALS, IN PARTICULAR LONG-TERM SHAREHOLDER VALUE CREATION AND THE COMPANY'S STABILITY.

  The Company does not apply the principle.

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

5. STRATEGY AND POLICY REGARDING FURTHER DEVELOPMENT OF THE GROUP

The Group’s strategy is to optimise the value of the Group’s assetssuccessively 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 divided the project in Ursus into smaller projects and implement them in cooperation with experienced housing developer. In addition, to accelerate the appreciation of the assets of the Group, Management Board decided that the most effective strategy is to accelerate the development of investment areas owned by the Group. Sale of carefully selected major areas of investment is 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.

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

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

CPD S.A. is a holding company controlling a group of companies operating in the residential and office segment. The main market for the CPD Capital Group is Poland, in particular the Warsaw agglomeration, where nearly 99% of the investments held by the Group are located in terms of their value.

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

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

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

➢ EVENTS AFFECTING THE ACTIVITY AND FINANCIAL RESULT

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- **ESTABLISHMENT OF WARRANTIES**

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

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

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

maximum amount of PLN 40,000,000.00 from the pledged assets to satisfy the cash liability due to the Bank under this Agreement as amended from time to time, ;

5) registered pledge with an ordinary pledge as a transitional security on all the rights and obligations of the Limited Partner: Challange Eighteen sp. z o.o. in connection with the contribution made in the nominal amount of PLN 73,109,888.62 to the Borrower's company.
6) statement of Challange Eighteen sp. z o.o. on submission to enforcement by the Bank in the manner defined in Article 777 §1.6 of the Civil Code directly under such deed up to the maximum amount of PLN 40,000,000.00 from the pledged assets to satisfy the cash liability due to the Bank under this Agreement as amended from time to time,
7) statement of CPD S.A. on submission to enforcement in the manner defined in Article 777 §1.5 of the Civil Code directly under such deed and from all their assets should they be in default with payment of any cash sums due to the Bank as liabilities under this Agreement as amended from time to time, up to the maximum amount of PLN 40,000,000.00;
8) debt accession by CPD S.A. with a power-of-attorney to manage the accounts held at the Bank.

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

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

- **DONATION FOR THE CITY OF WARSAW**

As part of social responsibility and building a sustainable urban fabric based on the local social identity, the CPD Group on 19 February 2018 gave to the Capital City of Warsaw site with an area of 1.7 hectares, which, according to the Local Spatial Development Plan, is planned for educational investments. As part of the planned agreement, the Capital City of Warsaw committed to implement a pre-school and school complex by 2021 on this site.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

and

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

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

- **INVITATION FOR MAKING A SALE OFFER**

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

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

- **INFORMATION ABOUT ACCEPTING SALES OFFER**

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

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

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

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

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

The purchase price per share was 12,34 zł.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

– Andrew Pegge – Member of the Audit Committee

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

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

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

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

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

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

The subject metter of the Amendment to the Agreement is the amend the Investment Agreement by revoking its wording in full and replacing it and extending the scope of the project implementation to the whole of the following property. The Amendment to the Agreement provides for the joint implementation of investment building on the property owned by the Group CPD S.A. ie. the company URSA PARK Smart City limited liability limited partnership, which is the perpetual usufructuary of plots No. 113/1, 113/2, 113/4, 113/6 and 113/7 no. rpm. reg. no. 2-09-09, with an area of 4,944 ha and is located at Traktorzystów Street in Warsaw (Warsaw district – Ursus).

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

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

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

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

The amended to the Agreement was effective on condition of fulfilment by Unidevelopment S.A. of the afore-mentioned obligation of capital engagement in the Limited Partnership within 14 days of execution thereof and on condition of agreement (acceptance) by the Parties to all schedules to the Agreement by 15 November 2018.

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

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

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

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

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

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

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

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

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 jointly 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, 2018 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
	31.12.2018 (PLN ths.)	31.12.2017 (PLN ths.)	2018/2017 (%)
Administrative expenses	-2 235	-1 689	*32%*
Marketing costs	-5	-11	*-55%*
Gain on revaluation of loans	12 655	0	-
Impairment of investments in subsidiaries	0	6 712	*-100%*
Interest income on loans	0	12 561	*-100%*
Other operating income	1 829	0	-
Other operating expenses	-16	-43	*-63%*
Profit from operations	**12 228**	**17 530**	***-30%***
Finance income	2 173	1 615	*35%*
Finance costs	-392	-9 050	*-96%*
Profit before tax	**14 009**	**10 095**	***39%***
Income tax	6 736	-12 161	*-155%*
PROFIT/LOSS FOR THE YEAR	**20 745**	**-2 066**	***-1104%***

In 2018 CPD SA generated a net profit of PLN 20.7 mln, which means that the net result improved by PLN 22.8 mln in comparison with 2017.

A drop in deferred tax liability of PLN 6.7 mln had a major positive impact on the net result. In 2018 the company carried out a detailed analysis of deferred tax assets and liabilities.

A decrease in finance costs in the amount of PLN 8.7 mln also had a positive impact on the net result. The decline resulted from repayment and conversion of bonds in 2017.

A rise in other operating income of PLN 1.8 mln was another positive factor. The growth stemmed from a dissolution of provision for tax risks relating to Cyprus.

An increase in finance income of PLN 0.6 mln was another positive factor. The company guaranteed a repayment of debt by a jointly-controlled related party Ursa Park Smart City Sp. z o.o. sp.k.

On the other hand, the company did not manage to stabilize administrative costs. These costs went up by PLN 0.5 mln compared to 2017. The growth resulted from a rise in salaries and advisory costs.

In 2018 the company did not render any advisory services.

Selected items of the statement of financial position

	As at:		Change
	31.12.2018	31.12.2017	2018/2017
	(PLN ths.)	(PLN ths.)	(%)
Total assets	**185 196**	**504 215**	***-63%***
Non-current assets, including:	148 330	433 961	*-66%*
Long-term receivables	*120 239*	*433 961*	*-72%*
Shares in subsidiaries	*28 091*	*0*	-
Current assets, including:	36 866	70 254	*-48%*
Trade receivables and other receivables	*914*	*533*	*72%*
Cash and cash equivalents	*35 952*	*69 721*	*-48%*
Total equity and liabilities	**185 196**	**504 215**	***-63%***
Equity, including:	156 993	467 678	*-66%*
Share capital	*3 935*	*3 935*	*0%*
Repurchase of shares	*-160 110*	*-17 199*	*831%*
Reserve capital	*987*	*987*	*0%*
Fair value of capital element at inception date	*-27 909*	*-27 909*	*0%*
Share premium	*835 846*	*835 846*	*0%*
Retained earnings	*-495 756*	*-327 982*	*51%*
Non-current liabilities	22 152	34 381	*-36%*
Current liabilities	6 051	2 156	*181%*

The value of total assets dropped by 63% in comparison with 2017. Total assets were lower by PLN 319 mln as a result of a decline in long-term receivables and cash and cash equivalents.

The long-term receivables were lower by PLN 314 mln as a consequence of a merger between CPD SA and Buffy Holdings No. 1 Limited as well as a partial repayment of loans by subsidiaries.

The balance of loan between Buffy and CPD amounted to PLN 163.5 M as at 31 December 2017. The loan was terminated as a result of the merger.

In 2018 the partial repayment of loans by subsidiaries amounted to PLN 117.2 M.

What is more, the cash balance fell by PLN 34 mln as a result of share repurchase. In 2018 CPD SA repurchased its shares for a total of PLN 142.9 M.

On the other hand, the value of shares in subsidiaries grew by PLN 28.1 mln. However, this rise did not compensate for the fall in long-term receivables and cash and cash equivalents. The increase resulted from the merger between CPD and Buffy. CPD SA became the direct owner of 2 related entities. The value of shares in Challange Eighteen amounted to PLN 5 M, and the value of shares in IMES Poland amounted to PLN 23.1 M.

The long-term receivables accounted for 81% of non-current assets.

Equity amounted to PLN 157 mln, which accounted for 85% of total equity and liabilities. Total liabilities accounted for 15% of total equity and liabilities. These ratios changed in comparison with 2017, when they amounted to 93% and 7% respectively. The equity went down by 66% compared to 2017.

In 2018 the value of liabilities decreased by 23% as a result of a drop in deferred tax liability. The value of long-term liabilities amounted to PLN 22.2 mln. Deferred tax liability amounted to PLN 10.5 mln. The remainder in the amount of PLN 11.7 mln related to loans granted by Lakia Enterprises Ltd and Robin Investments Sp. z o.o.

Short-term liabilities in the amount of PLN 6 mln accounted for 3.3% of total equity and liabilities. A loan granted by Lakia Investments Sp. z o.o. formed a major part of short-term liabilities.

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

	31.12.2018	31.12.2017
Liabilities to total assets	**15,2%**	**7,2%**
Non-current liabilities to total assets	**12,0%**	**6,8%**
Borrowings including finance leases	6,3%	3,4%
Deferred tax liability	5,7%	3,4%
Current liabilities to total assets	**3,3%**	**0,4%**
Borrowings including finance leases	3,2%	0,0%
Trade and other payables	0,1%	0,4%

The structure of liabilities also changed substantially compared to 2017.

The share of non-current liabilities in total equity and liabilities went up from 7% to 12%. This change resulted from the fact that total equity and liabilities decreased by 63% in 2018.

Non-current liabilities accounted for 79% of total liabilities as at December 2018 compared to 94% as at December 2017.

The share of current liabilities in total equity and liabilities grew from 0.4% to 3.3%.

Current liabilities accounted for 21% of total liabilities as at December 2018 compared to 6% as at December 2017.

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

- **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

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

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

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

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

- Investment agreement for a joint venture between CPD Spółka Akcyjna, Challange Eighteen limited liability company, Ursa Park Smart City limited liability company, limited partnership and Lakia Enterprises Ltd and Unibep Spółka Akcyjna and Unidevelopment Spółka Akcyjna. The agreement is a significant contract due to its value on the date of its change, ie on

October 26, 2018, amounting to PLN 133.8 million, which exceeds the value of 10% of the equity capital of CPD S.A. as at 31 December 2018;

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

Loan commitments at 31 December 2018 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 2018 loan balances are as follows: Lakia Enterprises: 9 957 thousand. PLN (capital: 7 630 thousand PLN, interest 2 327 thousand PLN); Lakia Investments is 5 880 thousand PLN (capital 5 259 thousand PLN, interest 621 thousand PLN); Robin Investments 1 708 thousand PLN (capital: 1 600 thousand PLN, interest 108 thousand PLN).

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

Agreement with Santander

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

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

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

  1) The Investment Loan up to the amount of EUR 18,500,000.00 has been granted for refinancing debt by making Conversions;
  2) The deadline for the full repayment of the Credit together with interest and other costs has been agreed by the parties on a daily basis 31 May 2021;
  3) Conversion meant the use of funds made available under Tranche B through conversion of the Debt Amount EUR 17,000,000 in Tranche A into the Debt Amount in tranche B and the release of an additional tranche up to a maximum amount of EUR 1,500,000.

  Other significant provisions resulting from the Agreement remain unchanged.

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

Agreement with Bank Millennium SA

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

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

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

  - mortgage up to the amount of PLN 40,000,000.00 (with the highest priority) for the benefit of the Bank, on the real estate on which the investment is carried out, belonging to the Borrower, located in Warsaw, described in KW No. WA1M / 00283121/5, kept by the District Court for Warsaw-Mokotów in Warsaw, XIII Division of Land and Mortgage Registers, along with the assignment of rights under the insurance contract for buildings erected as part of a development project on fire and other random events (after construction on the insurance sum corresponding at least to the loan amount);
  - a Borrower's declaration on submission to enforcement in favor of the Bank in accordance with art. 777 § 1 point 5 k.p.c. from all property as to the obligation to pay to the Bank all sums of money under obligations under the Agreement, with amendments in force at the given time, up to a maximum amount of PLN 40,000,000.00;
  - registered pledge with ordinary pledge as a transitional collateral on the general rights and obligations of the General Partner: Smart City sp. z o.o. in connection with the contribution made with a nominal value of PLN 1,000.00 in the Borrower's company.
  - a statement by Smart City sp. z o.o. about submission to enforcement in favor of the Bank pursuant to art. 777 § 1 point 6 k.p.c. up to a maximum amount of PLN 40,000,000.00 from the property pledged with the pledge, to the Bank, in order to satisfy the monetary claim due to the Bank under the Agreement, with the changes in force at the given time;
  - registered pledge with ordinary pledge as a transitional security on the general rights and obligations of the limited partner: Challange Eighteen sp. z o.o. in connection with the contribution made with a nominal value of PLN 73,108,888.62 in the Borrower's company.

- statement by Challange Eighteen sp. z o.o. on submission to enforcement for the Bank in accordance with art. 777 § 1 point 6 k.p.c. up to a maximum amount of PLN 40,000,000.00 from the property pledged with the pledge, to the Bank, in order to satisfy the monetary claim due to the Bank under the Agreement, with the changes in force at the given time;
- statement by CPD S.A. on submission to enforcement for the Bank in accordance with art. 777 § 1 point 5 k.p.c. from all property as to the obligation to pay to the Bank all sums of money under obligations under the Agreement, with amendments in force at the given time, up to a maximum amount of PLN 40,000,000.00;
- accession to debt by CPD S.A. along with power of attorney to accounts maintained at the Bank.

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

- **PURCHASE OF OWN SHARES FOR REDEMPTION**

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

The shares were purchased in accordance with Resolution No. 18 of the Ordinary General Meeting of CPD S.A. of 10 May 2017 regarding the purchase of the Company's shares for redemption, which was amended by Resolution No. 3 of the Extraordinary General Meeting of CPD S.A. of 7 June 2017 amending the resolution No. 18 of the Ordinary General Meeting of 10 May 2017 regarding the purchase of the company's shares for the purpose of redemption and Resolution No. 5 of the Extraordinary General Meeting of CPD S.A. of 7 February 2018 regarding amendment to resolution No. 18 of the Ordinary General Meeting of 10 May 2017 regarding the purchase of shares of the company for redemption in accordance with art. 362 § 1 point 5) k.s.h.

The purchase price for one share was PLN 12.34.

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

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

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

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

8 February 2019 the Company received the decision of the District Court for the Capital City of Warsaw diin Warsaw, 13th Commercial Division of the National Court Register issued on 25 January 2019 on registration by the court of amendments to the Issuer's Articles of Association in connection with the contents of resolutions adopted by the Extraordinary General Meeting of the Company on 14 September 2018, including the following amendments to the Issuer's Articles of Association:

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

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

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

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

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

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

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

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

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

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

„3. The Supervisory Board shall appoint the Audit Committee if provisions of law impose such an obligation thereon.
4. If stocks of the Company are traded on a regulated market, the Supervisory Board may adopt a resolution on appointment of the Audit Committee even without such a statutory obligation."

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

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

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

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

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

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

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

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

20 February 2019 Management Board of National Securities Depository S.A. adopted Resolution no. 95/2019, as a result of considered application of Company, regarding the withdrawal of 12,982,892 shares of the Company, in connection with redemption of shares.

The redemption of 12,982,892 shares on the basis of Resolution No. 4 and 5 of the Extraordinary General Meeting of 14 September 2018, and amending the Issuer's Articles of Association was registered on 25 January 2019 by District Court for the Capital City of Warsaw, XIII Commercial Division of the National Court Register Court.

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

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

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

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

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

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

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

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

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

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

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

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

The purchase price per share was 13,01 zł.

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

18. DESCRIPTION OF DIFFERENCES IN FINANCIAL PERFORMANCE FORECASTS

The Company did not publish financial performance forecasts for 2018.

19. ASSESSMENT OF FINANCIAL RESOURCES MANAGEMENT

CPD SA finances its operations mainly based on equity. Equity capitals as at the balance sheet date constituted 85% of the total balance sheet total of the Group. In 2018, the Company's financial resources were used in accordance with the plans, intended use and current needs. The company has regularly met its obligations to counterparties, banks and obligatory charges to the State. Financial flows are monitored on an ongoing basis, which allows for safe management of the Company's finances. Liabilities constituting 15% of the total balance sheet total of the Company do not pose a threat to its financial condition.

20. CHANGES IN MANAGEMENT PRINCIPLES

In 2018, continuing the strategy of focusing the Group's activities on the Polish market, and in particular on the Ursus project, the structure of the Group continued to change.

Continuation is subject to the liquidation of a company not conducting investment or operational activity (Mandy Investments sp. z o.o.) in connection with the sale of its properties and the cessation of its operating activities. The reduction of the number of subsidiaries to 26 at the end of the settlement period contributed to the simplification of the Group's management rules.

In addition to changes in the Group's structure in 2018 (described in detail in point VI.2 CAPITAL GROUP STRUCTURE of this report) and further simplification of organizational procedures, there were no major changes in the Group's management policies.

21. REMUNERATION OF MANAGEMENT BOARD MEMBERS, AUDIT COMMITTEE AND SUPERVISORY BOARD MEMBERS

- ### Remuneration of Supervisory Board members

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

Name	Function	Currency	PLN	Period	Comments
Wiesław Oleś	Secretary	PLN	60 000	01.2018 - 12.2018	-
Andrew Pegge	President	PLN	132 419	01.2018 - 12.2018	-
Mirosław Gronicki	Member	PLN	60 000	01.2018 - 12.2018	-
Gabriela Gryger	Member	PLN	60 000	01.2018 - 12.2018	-
Michael Haxby	Vice-president	PLN	60 000	01.2018 - 12.2018	-
Alfonso Kalinauskas	Member	PLN	17 379	09.2018 - 12.2018	-
TOTAL		**PLN**	**389 798**		

- ### Audit Committee remuneration

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

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

- ### Remuneration of Management Board members

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

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

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 31 December 2018, according to the information held by the Company:

Name	Function	No. of owned shares	Worth of owned shares (PLN)	% of total no. of shares	% of total no. of votes
Elżbieta Wiczkowska	President	42 498	4250	0,13%	0,13%
Iwona Makarewicz	Member	4 734	473	0,01%	0,01%

Colin Kingsnorth	Member	0	0	0	0
John Purcell	Member	0	0	0	0
TOTAL		**47 232**	**4 723**	**0,14%**	**0,14%**

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

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

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% 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

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

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

and

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

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

The main assumptions of the policy of selecting an audit firm

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

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

The main assumptions of the Policy of providing by the auditing company

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

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

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

The total remuneration of auditor Grant Thornton for 2018 amounted to PLN 150,000 net, of which:

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

The remuneration of the audit firm for the examination and review of the financial statements for the previous financial year is described in note 30 on page 33 of the separate financial statements.

27. STRUCTURE OF ASSETS AND LIABILITIES – BY LIQUIDITY

	As at:				*Change*
	31.12.2018	**31.12.2017**	**% in total assets**	**% in total assets**	**2018/2017**
	(PLN ths.)	(PLN ths.)	**2018**	**2017**	*(%)*
Shares in subsidiaries	28 091	0	15%	0%	-
Long term receivables	120 239	433 961	65%	86%	*-72%*
Non-current assets	**148 330**	**433 961**	**80%**	**86%**	***-66%***
Trade and other receivables	914	533	0,5%	0%	*72%*
Cash and cash equivalents	35 952	69 721	19%	14%	*-48%*
Current assets	**36 866**	**70 254**	**20%**	**14%**	***-48%***

TOTAL ASSETS	**185 196**	**504 215**	**100%**	**100%**	***-63%***

	As at:				*Change*
	31.12.2018	31.12.2017	% in total assets	% in total assets	2018/2017
	(PLN ths.)	(PLN ths.)	2018	2017	*(%)*
Share capital	3 935	3 935	2%	0,8%	*0%*
Reserve capital	987	987	0,5%	0,2%	*0%*
Repurchase of shares	-160 110	-17 199	-86%	-3%	*831%*
Fair value of capital element at inception date	-27 909	-27 909	-15%	-6%	*0%*
Share premium	835 846	835 846	451%	166%	*0%*
Retained earnings	-495 756	-327 982	-268%	-65%	*51%*
Equity	**156 993**	**467 678**	**85%**	**93%**	***-66%***
Borrowings, including finance leases	11 665	17 153	6%	3%	*-32%*
Deferred tax liability	10 487	17 228	6%	3%	*-39%*
Non-current liabilities	**22 152**	**34 381**	**12%**	**7%**	***-36%***
Borrowings, including finance leases	5 880	0	3%	0%	-
Trade and other payables	171	2 156	0,1%	0%	*-92%*
Current liabilities	**6 051**	**2 156**	**3%**	**0%**	***181%***
TOTAL EQUITY AND LIABILITIES	**185 196**	**504 215**	**100%**	**100%**	***-63%***

28. GRANTED LOANS

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

Borrower	Currency	Book value (PLN thous.)	Cost of funds	Margin	Repayment date
2/124 Gaston Investments	PLN	3 932	3M WIBOR	1,55%	on demand
3/93 Gaston Investments	PLN	3 690	3M WIBOR	1,55%	on demand
5/92 Gaston Investments	PLN	6 073	3M WIBOR	1,55%	on demand
6/150 Gaston Investments	PLN	1 831	3M WIBOR	1,55%	on demand
7/120 Gaston Investments	PLN	1 925	3M WIBOR	1,55%	on demand
12/132 Gaston Investments	PLN	3 453	3M WIBOR	1,55%	on demand
13/155 Gaston Investments	PLN	4 322	3M WIBOR	1,55%	on demand
16/88 Gaston Investments	PLN	0	3M WIBOR	1,55%	on demand
18 Gaston Investments	PLN	0	3M WIBOR	1,55%	on demand
19/97 Gaston Investments	PLN	752	3M WIBOR	1,55%	on demand

20/140 Gaston Investments	PLN	899	3M WIBOR	1,55%	on demand
Antigo Investments	PLN	0	3M WIBOR	1,55%	on demand
Belise Investments	PLN	14 240	3M WIBOR	1,55%	on demand
Celtic Asset Management	PLN	630	3M WIBOR	1,55%	
Celtic Investments Ltd	EUR	0	3M LIBOR	0,75%	on demand
Challange Eighteen	PLN	51 164	3M WIBOR	1,55%	on demand
Elara Investments	PLN	635	3M WIBOR	1,55%	on demand
Gaston Investments	PLN	250	3M WIBOR	1,55%	on demand
HUB Developments	PLN	1 351	3M WIBOR	1,55%	on demand
Dobalin Trading	PLN	6	fixed at 8%		
Mandy Investments	PLN	0	3M WIBOR	1,55%	on demand
Lakia Enterprises Limited	PLN	24 846	3M WIBOR	1,55%	on demand
TOTAL		**120 002**			

MANAGEMENT AND SUPERVISORY BOARD STATEMENTS

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 2018 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 2018 the financial statements of CPD S.A. and of the Group were reviewed and audited by Grant Thornton Polska sp. z o.o. sk., an audit firm based in Warsaw.

ELŻBIETA WICZKOWSKA PRESIDENT OF THE MANAGEMENT BOARD	COLIN KINGSNORTH MEMBER OF THE MANAGEMENT BOARD

IWONA MAKAREWICZ MEMBER OF THE MANAGEMENT BOARD	JOHN PURCELL MEMBER OF THE MANAGEMENT BOARD

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Substantiation

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

VI. INDEPENDENT AUDITOR'S REPORT

Independent Auditor's Report on Annual Financial Statements

Grant Thornton Polska
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For the Shareholders of CPD S.A.

Report on the Annual Financial Statements

Opinion

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

In our opinion, the accompanying annual financial statements:

- give a true and fair view of the financial position of the Company as of December 31, 2018 and of its financial performance and of its cash flows for the financial year from January 1, 2018 to December 31, 2018 in accordance with the International Accounting Standards, International Financial Reporting Standards and related interpretations published in the form of European Commission regulations and adopted accounting principles (policy),
- were prepared on the basis of books of account maintained properly in accordance with section 2 of the Accounting Act of September 29, 1994 (uniform text: Journal of Laws of 2019, item 351) (the Accounting Act),
- comply with the laws affecting the content and form of the annual financial statements and the provisions of the Company's articles of association.

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

Basis for Opinion

We conducted our audit in accordance with

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

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

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

Key Audit Matters

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

Key matter	**How the matter was addressed in our audit**
Valuation of loans The value of loans is significant. The risk is this area is: • impairment loss on granted loans The Company included a disclosure concerning the IP in note No 4 and 6	Within the scope of the performed audit, we carried out the following procedures: • an analysis of the accounting policy in terms of the creating write-offs on loans • an analysis of recoverable value of the loans by each entity in the Group

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

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

In preparing the annual financial statements, the 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 the operations, or has no realistic alternative but to do so.

In accordance with the Accounting Act, the Management Board and the Supervisory Board of the Company are obliged to assure compliance of the annual financial statements with the requirements of the Accounting Act. The Supervisory Board is responsible for overseeing the Company's financial reporting process.

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

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

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

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

- Identify and assess the risks of material misstatement of the annual 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 Management Board.
- Conclude on the appropriateness of the 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 annual 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 annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From matters communicated with the Supervisory Board, 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 the matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Information including the Report on the Company's operations

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

Responsibilities of the Management Board and the Supervisory Board

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

Responsibilities of the Auditor

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

Opinion on the Report on the Company's operations

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

Opinion on the Corporate Governance Statement

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

Report on Other Legal and Regulatory Requirements

Statement on non-audit services

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

Appointment of the Audit Firm

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

Jan Letkiewicz

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

Poznań, April 25, 2019.

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

VII. FINANCIAL STATEMENTS FOR THE ACCOUNTING YEAR FROM 1 JANUARY TO 31 DECEMBER 2018

CPD S.A.

Financial statements

for the year ended 31 December 2018

CPD S.A.

(All amounts in PLN thousands unless otherwise stated)

Statement of comprehensive income

	Notes	12 months ended 31/12/2018	12 months ended 31/12/2017
Revenues	14	0	0
Administrative costs	15	(2 235)	(1 689)
Marketing costs		(5)	(11)
Result from revaluation to fair value "*"	18	12 655	0
Impairment of investments in subsidiaries "*"	18	0	6 712
Income from interest on loans "*"	18	0	12 561
Other operating income	16	1 829	0
Other operating cost	17	(16)	(43)
OPERATING RESULT		12 228	17 530
Financial income	19	2 173	1 615
Financial costs	19	(392)	(9 050)
PROFIT (LOSS) BEFORE INCOME TAX		14 009	10 095
Income tax	20	6 736	(12 161)
PROFIT (LOSS) FOR THE YEAR		20 745	(2 066)
TOTAL COMPREHENSIVE INCOME		20 745	(2 066)
BASIC EARNINGS PER SHARE (PLN)	25	0,58	-0,06
DILUTED EARNINGS PER SHARE (PLN)	25	0,58	-0,05

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

"*" Change of presentation in connection with the application of IFRS 9. The change described in note 4.

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)

Statement of financial position

ASSETS	Notes	For day 31/12/2018	31/12/2017
Non-current assets			
Long-term receivables	4	120 239	433 961
Shares in subsidiaries	5	28 091	0
		148 330	433 961
Current assets			
Trade receivables and other receivables	6	914	533
- trade receivables and loans		911	530
- prepaid expenses		3	3
Cash and cash equivalents	7	35 952	69 721
		36 866	70 254
Total assets		185 196	504 215
EQUITY			
Share capital	8	3 935	3 935
Own shares for redemption		(160 110)	(17 199)
Translation reserve		835 846	835 846
Fair value of capital element at inception date		(27 909)	(27 909)
Reserve capital	9	987	987
Retained earnings		(495 756)	(327 982)
Total equity		156 993	467 678
LIABILITIES			
Non-current liabilities			
Borrowings, including financial leasing	11	11 665	17 153
Deffered tax liability	13	10 487	17 228
		22 152	34 381
Current liabilities			
Borrowings, including financial leasing	11	5 880	0
Trade payables other liabilities	10	171	2 156
		6 051	2 156
Total equity and liabilities		185 196	504 215

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)

Statement of changes in equity

	Note	Share capital	Own shares for redemption	Embedded element at inception date	Translation reserve	Accumulated profit (loss)		Total
						Other Reserves	Accumulated profit (loss)	
Balance as at 01/01/2017		**3 286**	**0**	**(27 909)**	**796 643**	**987**	**(325 916)**	**447 091**
Own shares for redemption		0	(17 199)	0	0	0	0	(17 199)
Conversion of bonds		649	0	0	39 203	0	0	39 852
		649	**(17 199)**	**0**	**39 203**	**0**	**0**	**22 653**
Profit (loss) for the period		0	0	0	0		(2 066)	(2 066)
Total comprehensive income		**0**	**0**	**0**	**0**		**(2 066)**	**(2 066)**
Balance as at 31/12/2017		3 935	(17 199)	(27 909)	835 846		(1 079)	467 678
Balance as at 01/01/2018		**3 935**	**(17 199)**	**(27 909)**	**835 846**		**(1 079)**	**467 678**
		0	0	0	0		0	0
Own shares for redemption		0	(142 911)	0	0		0	(142 911)
Retained profits		0	0	0	0		(15 540)	(15 540)
Capital from the merger		0	0	0	0		(172 979)	(172 979)
Profit (loss) for the period		0	0	0	0		0	0
		0	(142 911)	0	0		(188 519)	(331 430)
Profit (loss) for the period		0	0	0	0		20 745	20 745
Total comprehensive income		**0**	**0**	**0**	**0**		**20 745**	**20 745**
Balance as at 31/12/2018		**3 935**	**(160 110)**	**(27 909)**	**835 846**		**(168 853)**	**156 993**

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)

Cash flow statement

	Note	12 months ended 31/12/2018	12 months ended 31/12/2017
Cash flow from operating activities			
Cash generated from operations	22	(1 239)	(2 507)
Inerest paid		0	(2 731)
Net cash generated from operating activities		(1 239)	(5 238)
Cash flows from investing activities			
Loans granted		(6 843)	(22 750)
Loan repayments received		114 880	85 994
Interest received		2 344	8 834
Net cash generated from investing activities		110 381	72 078
Cash flows from financing activities			
Own shares for redemption		(142 911)	(17 199)
Commission on early redemption		0	450
Bond redemption		0	(30 000)
Net cash generated from financing activities		(142 911)	(46 749)
Change in net cash and cash equivalents		(33 769)	20 091
Cash and cash equivalents at the beginning of year		69 721	49 630
Cash and cash equivalents at the end of the period		35 952	69 721

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

CPD 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 2018, 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 2018.

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, 2018 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 25 April 2019.

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
Alfonso Kalinauskas
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

There were significant changes in IFRS, eg IFRS 9, which resulted in changes in the accounting principles applied.

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 2018 and description of the impact of applying the amendments:

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 has applied IFRS 9 from January 1, 2018 in accordance with the relevant transitional provisions. IFRS 9 was recognized for the first time on 1 January 2018 in retained earnings.
In the 4th course of the financial year carried out by IFRS 9. Established correlation amounts, from the estimates made, that IFRS 9 will affect the financial statements.
• Loans granted - according to initial analyzes, the Company applied fair value measurement (including the change in valuation by the financial result). According to estimates for companies as at 31/12/2018, this results in a reduction in the balance of retained costs by PLN 15.5 million in correspondence with a decrease in the balance of long-term receivables in the amount of PLN 15.5 million.

Financial assets	Classification by:		Carrying amount as at 1 January 2018	
	IAS 39	IFRS 9	IAS 39	IFRS 9
Other long-term receivables	Loans and receivables valued at amortised cost	Liabilities designated at fair value through profit or loss	433 961	418 421
Trade receivables	Loans and receivables valued at amortised cost	Financial assets designated at fair value through profit or loss	527	527
Cash and cash equivalents	Loans and receivables valued at amortised cost	Financial assets designated at fair value through profit or loss	69 721	69 721

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

Financial Liabilities	Classification by:		Carrying amount as at 1 January 2018	
	IAS 39	IFRS 9	IAS 39	IFRS 9
Trade liabilities	Financial liabilities valued at amortized cost	Financial liabilities valued at amortized cost	14	14
Other financial liabilities	Financial liabilities valued at amortized cost	Financial liabilities valued at amortized cost	17 153	17 153

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 2018 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 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 apply IFRS from 1 January 2018.

The Company estimates that the application of IFRS 15 have not a material impact 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.

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

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

Amendments of IAS 40 Transfers of investment property

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

IFRIC 22: transactions in foreign currency and advance considersation

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

Published standards and interpretations of existing standards which are not effective yet and which were not 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 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.

The Company apply IFRS from 1 January 2019.

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

IFRS 17 Insurance Contracts

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

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

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

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

Amendments to IAS 28 Investments in Associates and Joint Ventures

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

Amendments to IFRS 9: prepayment features with negative compensation

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

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

IFRIC 23 Uncertainty over Income Tax Treatments

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

Annual improvements cycle IFRSs 2015-2017

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

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

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

The new standards and amendments do not relate to the Company activity, or related only remotely, as a consequence they are not expected to have significant impact on the financial statements.

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.

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 wbudowanym 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.

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 defined contribution system, 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.

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.
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 31.12.2018, 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 2018	31 December 2017
Loans in EUR	2 458	1 961
Assumed change in PLN/EUR exchange rate	+/-10%	+/-10%
The result of changes in interest income	246	196
Tax shield	47	37
Effect on net profit/(loss)	199	159
Impact on equity	199	159

	31 December 2018	31 December 2017
Liabilities in EUR	0	0
Assumed change in PLN/EUR exchange rate	+/-10%	+/-10%
The result of changes in interest income	0	0
Tax shield	0	0
Effect on net profit/(loss)	0	0
Impact on equity	0	0

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 2018	31 December 2017
Loans bear interest at variable interest rates	201 979	407 721
Assumed interest rate change	+/-1pp	+/-1pp
The result of changes in interest income	0	4 077
Tax shield	0	775
Effect on net profit/(loss)	+/-0	+/-3 302
Impact on equity	+/-0	+/-3 302

	31 December 2018	31 December 2017
Borrowings bear interest at floating rates	17 545	17 153
Assumed interest rate change	+/-1pp	+/-1pp
The result of changes in interest income	175	172
Tax shield	33	33
Effect on net profit/(loss)	+/-142	+/-139
Impact on equity	+/-142	+/-139

(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. 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 flow. The company has sufficient the amount of current assets to timly regulate any obligations. Liquidity of the company is controlled by the Management Board on a regular basis CPD.

As at 31.12.2018	Within 1 year	1 - 5 years	More than 5 years
Loans and leasing	5 880	11 665	0
Trade payables and other payables	171	0	0
	6 051	11 665	0

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

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 2018	31 December 2017
Loans received	17 545	17 153
Trade liabilities and other	0	0
Less cash and equivalents	171	2 156
Net borrowing	-35 952	-69 721
Equity capital	**-18 236**	**-50 412**
Total	156 993	467 678
The financing structure factor	**138 757**	**417 266**
Capital structure ratio	**-13%**	**-12%**

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 117 million.

3.3 Significant estimates

(a) 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 2018. Net value of interests in subsidiaries 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 .2018 in individual companies was conducted in accordance with the above-described approach and it was the same as the approach adopted on 31.12.2017). Information on shares in subsidiaries are presented in note 5.The value of shares in subsidiaries Challange Eighteen and Imes Poland amounted to PLN 5 million and PLN 23,1 million, respectively. The company carries out the analysis of the net value of shares and has not made an allowance for the impairment of these shares.

(ii) At the same time as at the balance sheet date, the Company performs a valuation of receivables from loans granted to subsidiaries.

The fair value of loans was estimated as future cash flows from the interest and nominal assets discounted with the risk-free rate plus a credit risk margin.

Flows:

Each loan is repaid in a single payment and in full - at the maturity date.
Future cash flows include: repayment of the loan principal and interest amount.
The future value of interest comprises interest accrued until December 31, 2018 and interest that will be calculated from December 31, 2018 until the maturity date of the loan.

Interest after December 31, 2018 was estimated at the forward rates (based on the current structure of the forward interest rate curve).

The variable rate is assumed to be revalued on the first day of the calendar quarter (as recorded in the loan agreements received).

Discount rate:

The discount rate for a given loan consists of a risk-free rate and a credit margin (credit risk premium).

The risk-free rate was calculated on the basis of market quotations of the interbank market rates - WIBOR / FRA / IRS, valid as of the date of the valuation.

Due to the lack of other sources of external financing in the CPD group, it is necessary to expertly estimate the current credit margin.

The credit margin (credit risk premium) was estimated as an implied credit margin on interest on CPD SA bonds issued in 2015.

(b) 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.

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

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim financial statements

4 Long-term receivables	December 31, 2018	December 31, 2017
Long-term loans to related parties (nota 24), including:		
-loan	179 816	481 579
-result from revaluation to fair value	(59 820)	(47 624)
	119 996	**433 955**
Long-term loans to other parties, including:		
-loan	6	6
	6	**6**

Details of the loans granted to related parties 31.12.2018

Related party	Currency of the loan	Fair value of the loan	The Interest Rate	Margin	Maturity
2/124 Gaston Investments	PLN	3 932	3M WIBOR	1,55%	on demand
3/93 Gaston Investments	PLN	3 690	3M WIBOR	1,55%	on demand
5/92 Gaston Investments	PLN	6 073	3M WIBOR	1,55%	on demand
6/150 Gaston Investments	PLN	1 831	3M WIBOR	1,55%	on demand
7/120 Gaston Investments	PLN	1 925	3M WIBOR	1,55%	on demand
12/132 Gaston Investments	PLN	3 453	3M WIBOR	1,55%	on demand
13/155 Gaston Investments	PLN	4 322	3M WIBOR	1,55%	on demand
19/97 Gaston Investments	PLN	752	3M WIBOR	1,55%	on demand
20/140 Gaston Investments	PLN	899	3M WIBOR	1,55%	on demand
Belise Investments	PLN	14 241	3M WIBOR	1,55%	on demand
Celtic Asset Management	PLN	630	3M WIBOR	1,55%	on demand
Challange 18	PLN	51 165	3M WIBOR	1,55%	on demand
Elara Investments	PLN	635	3M WIBOR	1,55%	on demand
Gaston Investments	PLN	250	3M WIBOR	1,55%	on demand
HUB Developments	PLN	1 351	3M WIBOR	1,55%	on demand
Lakia Enterprises Limited	PLN	24 846	3M WIBOR	1,55%	on demand
		119 996			

Details of the loans granted to other parties 31.12.2018

Other party	Currency of the loan	Fair value of the loan	The Interest Rate	Margin	Maturity
Dobalin	PLN	6	3M WIBOR	1,55%	on demand
		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 2018 the company made an impairment on loans in the amount of (12 412) thousand PLN (see table below). The amount of PLN 15,540 thousand PLN was recognized in retained earnings, and the write-off of PLN 3 128 thousand PLN. After these transactions result from investments in subsidiaries disclosed in the statement of comprehensive income amounted to (3 354) thousand PLN.

During 2018, the subsidiaries repaid loans granted by CPD S.A. for the total amount of PLN 117 224 thousand PLN.

Change in the impairment of loans granted by the CPD classified as long-term loans and short-term loans in 2018:

Status of the impairment of loans at 31.12.2017	**69 245**
Impairment for 2018 (note 3.3)	12 412
Status of the impairment of loans at 31.12.2018	**81 657**

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

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim financial statements

5 Shares in subsidiaries

Name	Country	Share	December 31, 2018	December 31, 2017
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%	0	184 000
Impairment, the value of the shares Buffy Holdings			0	-184 000
Celtic Asset Management	Poland	100%	0	0
Impairment, the value of the shares Celtic Asset Management			0	0
Challange Eighteen sp. z o.o.	Poland	100%	5 032	0
Imes Poland sp. z o.o.	Poland	100%	23 059	0
			0	**0**

Status of the impairment of shares at 31.12.2017	**337 000**
Impairment for 2018 (note 3.3)	(184 000)
Status of the impairment of shares at 31.12.2018	**153 000**

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

On 22nd November 2018 merger of the Company with the Issuer's subsidiary was registered. Subsidiary is BUFFY HOLDINGS NO. 1 LIMITED with its registered office in Nicosia, Cyprus, a limited liability company established under Cypriot law, address: Kyriakou Matsi, 24, Palaichori, 2740, Nicosia, Cyprus, entered into the companies register kept by the Ministry of Energy, Trade, Industry and Tourism of the Republic of Cyprus under registration number HE 166076 ("BUFFY" or "Acquired Company").
The merger took place through the transfer of all assets of BUFFY to the Company, i.e. by way of the takeover of the company BUFFY in the mode specified in art. 492 § 1 point 1) of the Code of Commercial Companies and the definition of the word "merger" in Section 201I (c) of the Cypriot Law on Companies, Cap. 113 on the terms specified in the Merger Plan adopted on 22/12/2017. According to the content of art. 494 § 1 k.s.h. the Issuer entered into merger with all the rights and obligations of the Acquired Company. Due to the fact that the Company was the only shareholder of BUFFY, the merger was carried out without increasing the share capital of the Company.

6 Trade receivables and other receivables

	December 31, 2018	December 31, 2017
Trade receivables from related parties	0	0
Short-term loans (related party), including:	0	0
- loan	22 163	21 621
-result from revaluation to fair value	(22 163)	(21 621)
Input VAT surplus	0	3
Other receivables from related parties	801	429
Other receivables from other parties	110	98
Accrued costs	3	3
Short-term receivables	**914**	**533**

Details of the loans granted to related parties

Related party	Currency	Fair value of the loan	Interest Rate	Margin	Maturity
Mandy Investments	PLN	0	3M WIBOR	1,55%	on demand

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim financial statements

7 Cash and equivalents

	December 31, 2018	December 31, 2017
Cash in bank accounts (ING, PEKAO SA, mBank)	35 952	69 721
	35 952	**69 721**

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.

8 Share capital

	Number of shares		Value of shares	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Ordinary shares (in thousands)	39 354	39 354	3 935	0

As at 31 December 2018 Company's shareholders were*:

Party	Country	Number of shares	capital %	votning rights %
Cooperative Laxey Worldwide W.A.,	Netherlands	7 847 981	19,94%	21,77%
Furseka Trading and Investments Ltd	Cyprus	4 776 467	12,14%	13,25%
The Value Catalyst Fund plc	Cayman Islands	3 142 617	7,99%	8,72%
QVT Fund LP	Cayman Islands	4 719 516	11,99%	13,09%
LP Value Ltd	British Virgin Islands	2 417 419	6,14%	6,70%
LP Alternative Fund LP	USA	1 600 265	4.07%	4.44%
Shareholders below 5% of shares		11 543 872	29,33%	32,03%
		36 048 137	91,60%	100%
Own shares for redemption		3 305 886	8,40%	0%
Total number of shares		39 354 023	100%	100%

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

* 25 January 2019. Registry Court for the Capital City of Warsaw Of Warsaw in Warsaw, 13th Commercial Division registered the decrease in the share capital of the Company in connection with the redemption of own shares, made on the basis of the resolutions of the EGM of 14 September 2018.
** 22 March 2019, the Company acquired 3,305,886 shares (representing 12.54% of the Company's share capital) as a result of the sale of the Company's shares.

8 Share capital - cont.

The share capital as at 31 December 2018 includes 39 354 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 CPD SA from execution of the voting rights. Except of the above CPD SA does not hold any other own shares.

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.

On 29th of May 2018 as a result of the settlement on 20 June 2018, the Company announced, the Invitation to Submit Proposals for Sales of Shares of the Company, purchased through a brokerage house Pekao Investment Banking S.A. with its registered seat in Warsaw, 11,581,100 shares of the Company (own shares).
The purchase price per share is 12,34 zł.
All the purchased shares are ordinary shares with a nominal value of 0.10 zł each. The purchased own shares of CPD S.A. (number of the 11,581,100 shares) represent 29,43 % of the Company's share capital and represent 11,581,100 votes at the General Meeting of the Company (29,43 % of voting rights at the General Meeting of the Company).

Prior to the above mentioned purchase of 11,581,100 own shares, the Company already owned other than those indicated above, number of the 1,401,792 shares own shares representing 3,56 % of the Company's share capital and representing 1,401,792 votes at the General Meeting of the Company (3,56 % of voting rights at the General Meeting of the Company).
In connection with the above, the Company jointly holds 12,982,892 own shares, representing jointly 32.99% of the share capital of the Company, except that in accordance with applicable regulations, the Company is not allowed to exercise the voting rights attached to own shares.

CPD S.A. received the decision of the District Court for the Capital City of Warsaw diin Warsaw, 13th Commercial Division of the National Court Register issued on 25 January 2019 on registration by the court of amendments to the Issuer's Articles of Association in connection with the contents of resolutions adopted by the Extraordinary General Meeting of the Company on September 14, 2018 (disclosed by the Company to the public in current report No. 35/2018 of September 14, 2019), including the following amendments to the Issuer's Articles of Association: The Company's equity shall amount to zł 2,637,113.10 (two million six hundred thirty seven thousand one hundred thirteen zlotys ten groszys) and shall be divided into 26.371.131 (twenty six million three hundred seventy one thousand one hundred thirty one zlotys) stocks of AA series of nominal value zł 0,10 (ten groszys) each.

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim financial statements

9 Reserve capital

	December 31, 2018	December 31, 2017
as at 31.12.2018	987	987
	987	**987**

10 Trade payables and other payables

	December 31, 2018	December 31, 2017
Accrued expenses, including:	96	2 121
- reserve for tax for previous years	0	2 027
- reserve for auditing	96	94
Trade payables	32	14
Holiday provision	0	0
Public-legal payables	28	16
Other payables	15	5
	171	**2 156**

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.

11 Borrowings, including financial leasing

	December 31, 2018	December 31, 2017
Loans long-term from related parties	11 665	17 153
Loans short-term from related parties	5 880	0
	17 545	**17 153**

Loan commitments at 31 December 2018 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 2018 loan balances are as follows:Lakia Enterprises: 9 957 thousand. PLN (capital: 7 630 thousand PLN, interest 2 327 thousand PLN); Lakia Investments is 5 880 thousand PLN (capital 5 259 thousand PLN, interest 621 thousand PLN); Robin Investments: 1 708 thousand PLN (capital: 1 600 thousand PLN, interest 108 thousand PLN).

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

The loans are not secured.

12 Changes of indebtedness

	Loand	Bonds	Total
31 December 2017	**17 153**	**0**	**17 153**
Accrued interest	392		392
31 December 2018	**17 545**	**0**	**17 545**

	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**

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim financial statements

13 Deferred income tax

Deferred tax liabilities

As at January 1, 2017	**17 366**
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**
Accrued interest on loans	(6 953)
Accrued interest on bonds	0
Exchange differences	10
As at December 31, 2018 - before compensation	**11 124**
Compensation of the deferred tax asset	(637)
As at December 31, 2018 - after compensation	**10 487**

Deferred tax assets

As at January 1, 2017	**12 298**
Impairment on shares	(9 120)
Accrued interest on borrowings	75
Accrued interest on bonds	(1 292)
Tax loos	(138)
As at December 31, 2017 - before compensation	**839**
Compensation of deferred tax provision	(839)
As at December 31, 2017 - after compensation	**0**
Impairment on shares	0
Reserves for costs	0
Accrued interest on borrowings	75
Accrued interest on bonds	0
Tax loss	(268)
Exchange differences	(9)
As at December 31, 2018 - before compensation	**637**
Compensation of deferred tax provision	(637)
As at December 31, 2018 - after compensation	**0**

Tax losses for the years:				**201**	**201**
2015				201	201
Expiration of tax losses	**2019**	**2020**	**2021**	**2022**	**2023**
	0	0	201	0	0

14 Revenue from sales

	12 months ended December 31, 2018	12 months ended December 31, 2017
Proceeds from sales:		
-domestic sales	0	0
	0	**0**

CPD S.A.

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim financial statements

15 Administrative costs

	12 months ended December 31, 2018	12 months ended December 31, 2017
Consulting services and remuneration of the auditor	769	426
Remuneration, including:	894	650
- the cost of salaries	894	650
Non deductible VAT	156	178
Other costs, including:	416	435
- transport	4	17
- taxes	27	21
- office expenses	258	359
- other	127	38
	2 235	**1 689**

16 Other operating income

	12 months ended December 31, 2018	12 months ended December 31, 2017
Release of provisions	1 829	0
	1 829	**0**

17 Other operating costs

	12 months ended December 31, 2018	12 months ended December 31, 2017
Other	16	43
	16	**73**

18 Result from revaluation of loans to fair value

	12 months ended December 31, 2018	12 months ended December 31, 2017
Result from revaluation of loans to fair value	12 655	0
Impairment of investments in subsidiaries	0	6 712
Interest income from loans	0	12 561
	12 655	**19 273**

19 Financial income and expenses

	12 months ended December 31, 2018	12 months ended December 31, 2017
Interest income:	**854**	**773**
-Interest on deposits	656	773
- Interest on other entities	198	0
Other financial income	1 225	842
Net exchange differences	94	0
Financial income	**2 173**	**1 615**

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim financial statements

19 Financial income and expenses - cont.

Interest costs:		
-Interest from related parties (Note 26)	392	395
-Interest not related parties	0	1
-Interest on bonds	0	2 061
- Loan guarantee	0	353
- Valuation of bonds at amortised cost	0	109
- Derivative financial instruments	0	0
- Other costs	0	450
Net exchange differences	0	314
Financial costs	**392**	**9 050**

20 Income tax

	12 months ended December 31, 2018	12 months ended December 31, 2017
Current income tax	5	0
Deffered income tax	(6 741)	12 161
	(6 736)	**12 161**

21 The effective tax rate

	12 months ended December 31, 2018	12 months ended December 31, 2017
Profit (Loss) before taxes	**14 009**	**10 095**
Tax rate	19%	19%
Income tax rate 19%	**(2 662)**	**(1 918)**
Termination of the tax provision	348	0
Impairment value of loans receivable	637	1 275
Partial reversal of the asset on impairment losses in subsidiaries	0	(9 120)
Interest of bonds serie A	0	(1 049)
Change in valuation of the embedded derivative	0	(1 020)
Interest on merger for a subsidiary	8 400	0
Other	13	(329)
Tax	**6 736**	**(12 161)**

22 Cash flow from operating activities

	12 months ended December 31, 2018	12 months ended December 31, 2017
Profit/loss before tax	14 009	10 095
Adjustments for:		
– exchange differences	94	(74)
– depreciation	0	3
– change in valuation of the embedded derivative	0	5 367
– interest costs	392	2 457
– interest income	(10 155)	(13 334)
– impairment of loans	(3 354)	(6 712)
Changes in working capital:		
- changes in receivables	(381)	18
- change in trade liabilities and other	(1 965)	(327)
	(1 239)	**(2 507)**

CPD S.A.

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim financial statements

23 Commitments and guarantees secured by the assets of the unit

In the reporting year 2018 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 31.12.2018 amounted to 67 696 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.

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

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

- mortgage up to the amount of PLN 40,000,000.00 (with the highest priority) for the benefit of the Bank, on the real estate on which the investment is carried out, belonging to the Borrower, located in Warsaw, described in KW No. WA1M / 00283121/5, kept by the District Court for Warsaw-Mokotów in Warsaw, XIII Division of Land and Mortgage Registers, along with the assignment of rights under the insurance contract for buildings erected as part of a development project on fire and other random events (after construction on the insurance sum corresponding at least to the loan amount);
- a Borrower's declaration on submission to enforcement in favor of the Bank in accordance with art. 777 § 1 point 5 k.p.c. from all property as to the obligation to pay to the Bank all sums of money under obligations under the Agreement, with amendments in force at the given time, up to a maximum amount of PLN 40,000,000.00;

statement by CPD S.A. on submission to enforcement for the Bank in accordance with art. 777 § 1 point 5 k.p.c. from all property as to the obligation to pay to the Bank all sums of money under obligations under the Agreement, with amendments in force at the given time, up to a maximum amount of PLN 40,000,000.00;

- accession to debt by CPD S.A. along with power of attorney to accounts maintained at the Bank.

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

24 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, 2018	12 months ended December 31, 2017
Remuneration of members of the Board of Directors	240	300
Remuneration of members of the Supervisory Board	575	300

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim financial statements

24 Related party transactions - cont.

b) Transactions with subsidiaries	12 months ended December 31, 2018	12 months ended December 31, 2017
Revenues		
2/124 Gaston Investments	134	117
3/93 Gaston Investments	122	108
Ursa Park Smart City	359	161
5/92 Gaston Investments	196	131
6/150 Gaston Investments	56	48
7/120 Gaston Investments	61	53
8/126 Gaston Investments	20	155
9/151 Gaston Investments	7	50
10/165 Gaston Investments	11	79
11/162 Gaston Investments	0	34
12/132 Gaston Investments	122	105
13/155 Gaston Investments	144	125
15/167 Gaston Investments	10	73
16/88 Gaston Investments	25	20
18 Gaston Investments	43	55
19/97 Gaston Investments	25	22
20/140 Gaston Investments	30	24
Antigo Investments	84	149
Belise Investments	1 290	1 267
Bolzanus	0	7
Buffy Holdings No1 Ltd	3 435	3 881
Celtic Asset Management	34	33
Celtic Investments Ltd	8	7
Challange 18	2 542	4 668
Elara Investments	99	97
Gaston Investments	220	259
Hub Developments	82	81
Lakia Enterprises Ltd	843	1 050
Mandy investments	525	527
IMES	0	11
Costs		
Lakia Investments	171	172
Lakia Enterprises Ltd	169	170
Gaston Investments	6	29
7/120 Gaston Investments	0	118
12/132 Gaston Investments	0	118
13/155 Gaston Investments	0	118
Robin Investments	52	52

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim financial statements

24 Related party transactions - cont.

	12 months ended December 31, 2018	12 months ended December 31, 2017
Liabilities		
Lakia Enterprises Ltd	9 957	9 789
Lakia Investments	5 880	5 708
Robin Investments	1 708	1 656
Gaston Investments	2	2
Receivables		
2/124 Gaston Investments	3 932	4 421
3/93 Gaston Investments	3 690	4 037
Ursa Park Smart City	359	0
5/92 Gaston Investments	6 073	5 737
6/150 Gaston Investments	1 831	1 878
7/120 Gaston Investments	1 925	1 953
8/126 Gaston Investments	0	5 543
9/151 Gaston Investments	0	1 882
10/165 Gaston Investments	0	2 889
12/132 Gaston Investments	3 453	3 670
13/155 Gaston Investments	4 322	4 527
15/167 Gaston Investments	0	2 698
16/88 Gaston Investments	0	765
18 Gaston Investments	0	1 959
19/97 Gaston Investments	752	844
20/140 Gaston Investments	899	946
Antigo investments	0	2 614
Belise Investments	14 671	18 949
Buffy Holdings No1 Ltd	0	163 463
Celtic Asset Management	630	715
Challange 18	51 165	163 287
Elara Investments	635	1 333
Gaston Investments	250	3 878
Hub Developments	1 351	1 817
Lakia Enterprises Ltd	24 846	35 398

c)Transactions with other related party

Costs		
Kancelaria Radców Prawnych Oleś&Rodzynkiewicz sp. komandytowa	70	56

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim financial statements

24 Related party transactions - cont.

d) Transactions with shareholders

Laxey- loan	329	319
-result from revaluation to fair value	(92)	(319)
	237	**0**

25 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, 2018	**12 months ended December 31, 2017**
Profit attributable to the shareholders	20 745	(2 241)
Weighted average number of ordinary shares (in '000)	35 477	37 429
Earnings per share	**0,58**	**(0,06)**
Diluted profit attributable to shareholders	20 745	(5 615)
Weighted average number of ordinary shares (in '000)	35 477	39 100
Diluted earnings per share	**0,58**	**(0,14)**

For the purpose of calculating diluted earnings per share, the profit or loss attributable to ordinary shareholders of the parent entity and the weighted average number of shares outstanding is adjusted for the effect of all dilutive potential ordinary shares.

26 Legal connection enterprises

3rd of April 2018, Board of CPD SA, on the basis of art. 504 in connection with art. 4021 § 1 in connection with art. 5161 of the Commercial Companies' Code:
notifies for the first time the shareholders of CPD on the intention of merger between CPD as the Acquiring Company with BUFFY HOLDINGS NO. 1 LIMITEDwith its registered office in Nicosia in Cyprus, a limited liability company organized in accordance with the laws of Cyprus, address: Kyriakou Matsi, 24, Palaichori, 2740, Nicosia, Cyprus, entered to the register of companies maintained by the Ministry of Energy, Commerce, Industry and Tourism of the Republic of Cyprus under the registry number HE 166076 as the company being acquired.
Details of the merger have been specified in the Plan of Merger agreed on by the Management Boards of the Issuer and BUFFY on 22 December 2017 and were published in accordance with art. 5164 § 1 second sentence of CCC on the CPD's website, which therefore shall not be subject to announcement in court gazette Monitor Sądowy i Gospodarczy. In accordance with art. 516 § 4 in connection with art. 5161 of CCC. Plan of Merger is available to general public free of charge at the above specified website for the period of at least 1 month prior to the date of submission of the application to register the merger.
Documents referred to in art. 5167 § 1 of CCC (except for the expert's opinion on the examination of the Plan of Merger due to the fact that CPD is a sole shareholder in BUFFY, and therefore on the basis of art. 51615 § 1 of CCC and Section 201V (1) (a) of the Companies Law of Cyprus, Cap. 113, the Plan of Merger does not require the examination by an expert) shall be available for the review by the Shareholders for the period of at least one month starting from the date of publishing of report announcing it until the date of adoption of the resolution on the merger, in the registered office of the Company during business days.

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim financial statements

Management Board of CPD SA with its registered office in Warsaw on the basis of art. 504 in connection with art. 4021 § 1 in connection with art. 5161 of the Commercial Companies' Code:
notifies for the second time the shareholders of CPD on the intention of merger between CPD as the Acquiring Company with BUFFY HOLDINGS NO. 1 LIMITED with its registered office in Nicosia in Cyprus, a limited liability company organized in accordance with the laws of Cyprus, address: Kyriakou Matsi, 24, Palaichori, 2740, Nicosia, Cyprus, entered to the register of companies maintained by the Ministry of Energy, Commerce, Industry and Tourism of the Republic of Cyprus under the registry number HE 166076 (hereinafter: "BUFFY" or the "Company being acquired") as the company being acquired.
Details of the merger have been specified in the Plan of Merger agreed on by the Management Boards of the Issuer and BUFFY on 22 December 2017 and were published in accordance with art. 5164 § 1 second sentence of CCC on the CPD's website, which therefore shall not be subject to announcement in court gazette Monitor Sądowy i Gospodarczy. In accordance with art. 516 § 4 in connection with art. 5161 of CCC.. Plan of Merger is available to general public free of charge at the above specified website for the period of at least 1 month prior to the date of submission of the application to register the merger.
Documents referred to in art. 5167 § 1 of CCC (except for the expert's opinion on the examination of the Plan of Merger due to the fact that CPD is a sole shareholder in BUFFY, and therefore on the basis of art. 51615 § 1 of CCC and Section 201V (1) (a) of the Companies Law of Cyprus, Cap. 113, the Plan of Merger does not require the examination by an expert) shall be available for the review by the Shareholders for the period of at least one month starting from the date of publishing of the periodic report including the first notice to the shareholders of CPD on the intention of the merger, i.e. from 4 April 2018 until the date of adoption of the resolution on the merger, in the registered office of the Company during business days. Shareholders may request that the official copies of the above documents be made available to them free of charge in the offices of the Company.

On 22nd November 2018 merger of the Company with the Issuer's subsidiary was registered. Subsidiary is BUFFY HOLDINGS NO. 1 LIMITED with its registered office in Nicosia, Cyprus, a limited liability company established under Cypriot law, address: Kyriakou Matsi, 24, Palaichori, 2740, Nicosia, Cyprus, entered into the companies register kept by the Ministry of Energy, Trade, Industry and Tourism of the Republic of Cyprus under registration number HE 166076 ("BUFFY" or "Acquired Company").
The merger took place through the transfer of all assets of BUFFY to the Company, i.e. by way of the takeover of the company BUFFY in the mode specified in art. 492 § 1 point 1) of the Code of Commercial Companies and the definition of the word "merger" in Section 201I (c) of the Cypriot Law on Companies, Cap. 113 on the terms specified in the Merger Plan adopted on 22/12/2017. According to the content of art. 494 § 1 k.s.h. the Issuer entered into merger with all the rights and obligations of the Acquired Company. Due to the fact that the Company was the only shareholder of BUFFY, the merger was carried out without increasing the share capital of the Company.

As a result of the merger in the books of the acquiring entity (CPD S.A.), a decrease in equity was recorded by PLN 172,979 thousand.

Assets	
Shares of subsidiaries	28 091
Other receivables	12
Cash	121
Total assets	**28 224**
Equity and liabilities	
Liabilities	16
Received loans	201 188
Share capital	8
Retained earnings	(174 835)
Profit (loss) for the period	1 847
Total equity and liabilities	**28 224**
Profit (loss) account	
Administrative costs	(79)
Financial costs	(3 435)
Result on sale of subsidiaries	5 361
Profit (loss) for the period	**1 847**
Impact on accumulated profits (losses) in the books CPD	**(172 979)**

27 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.

28 Employment in professional groups in the financial year

As at 31 December 2018 the company employed no employees.

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

The company in 2018 did not grant the loans and did not include any other transactions with members of the Management Board and Supervisory Board.

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

	December 31, 2018	December 31, 2017
Remuneration paid or payable to the entity authorized to audit financial statements for the year	197	192

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim financial statements

31 Events after the balance sheet date

8th February 2019 the Company received the decision of the District Court for the Capital City of Warsaw diin Warsaw, 13th Commercial Division of the National Court Register issued on 25 January 2019 on registration by the court of amendments to the Issuer's Articles of Association in connection with the contents of resolutions adopted by the Extraordinary General Meeting of the Company on September 14, 2018At the same time, due to the change of par. 4. 1 of the Company's Statute, the definition of a series of shares in the Company was changed to simplify their naming in such a way that all shares of the Company received a uniform designation as the "AA" series.
In connection with the above, the Company's share capital amounts to PLN 2,637,113.10 (in words: two million six hundred and thirty seven thousand three hundred twenty zlotys and thirty groszys) and is divided into 26,371,131 (twenty six million three hundred seventy one thousand one hundred and thirty one) stocks of AA series of nominal value zł 0.10 (ten groszys) each, which entitle to 26.371.131 votes.

CPD S.A. with its registered office in Warsaw (the "Company") hereby announces, that in connection with Invitation to Submit Proposals for Sales of Shares of the Company announced on 1st March 2019, the pursuant to which the Company proposed to acquire up to 3 305 886 shares of ordinary bearer shares ISIN code PLCELPD00013 ("Shares"), for the period for receipt of Offers to Sell the Shares held from 11 to 19 March 2019, accepted 51 valid offers amounting to a total of 19 944 601 shares of the Company.

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

CPD S.A. with its registered office in Warsaw (the "Company") announces, that as a result of the settlement on 22nd March 2019, the Company, as a result announced by the Company on 4th March, 2019, the Invitation to Submit Proposals for Sales of Shares of the Company (the "Invitation"), purchased through a brokerage house Pekao Investment Banking S.A. with its registered seat in Warsaw, 3 305 886 shares of the Company (own shares).
The shares were acquired pursuant to Resolution No. 3 of the Extraordinary General Meeting of CPD of 28th February 2019 on acquisition of the shares of the Company for the purpose of redemption, pursuant to art. 362 § 1 point 5) Code of Commercial Companies.
The purchase price per share is 13,01 zł.
All the purchased shares are ordinary shares with a nominal value of 0.10 zł each. The purchased own shares of CPD S.A. (number of the 3 305 886 shares) represent 12,54 % of the Company's share capital and represent 3 305 886 votes at the General Meeting of the Company (12,54 % of voting rights at the General Meeting of the Company).
The Company does not have any shares other than those indicated above.

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

These financial statements have been approved by the Board on 25 April 2019 and signed on its behalf by:

Elżbieta Donata Wiczkowska
Chairman of the Board

Colin Kingsnorth
Board Member

John Purcell
Board Member

Iwona Makarewicz
Board Member

Ewa Gajek-Żurek

The person preparing the report