



STANDALONE ANNUAL REPORT 2019



CPD S.A.
ANNUAL REPORT
FOR THE YEAR ENDED ON 31 DECEMBER 2019

TRANSLATORS' EXPLANATORY NOTE

The following document is a free translation of the Annual Report of CPD S.A. published on 28 April 2020.

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 balance sheet day, 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 for a 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 at the Chartered Institute of Marketing (United Kingdom) as well as the MBA (Finance) at the City University Business School (United Kingdom). Mr Andrew Pegge also holds qualifications of Chartered Financial Analyst (CFA) of the CFA Institute.

- **MR MICHAEL HAXBY – VICE PRESIDENT 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 for a fourth term on 14 September 2018. The term of office of Mr Michael Haxby expires on 14 September 2021. Mr. Michael Haxby began his cooperation with Laxey Partners in February 2001, where since December 2002 he has been the Managing Director. Mr. Michael Haxby has a degree in economics (BSc) in accounting and financial management.

- **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 for a 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 a licensed legal advisor.

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

Mr Mirosław Gronicki was appointed to the Supervisory Board for a 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 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 for a fourth term on 14 September 2018. The term of office of Mr Gabriela Gryger expires on 14 September 2021. Ms. Gabriela Gryger has a higher education degree in finance and economics having graduated from Cambridge University (St. John's College), UK, and Huntsman Program in International Studies and Business (The Wharton School/CAS), the University of Pennsylvania, Philadelphia, USA.

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

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

In comparison to the status at the end of 2018, the composition of Supervisory Board of CPD S.A. has not changed.

AUDIT COMMITTEE

As at the balance sheet day, 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**
- **MR MIROSŁAW GRONICKI - AUDIT COMMITTEE MEMBER MEETING THE REQUIREMENTS OF INDEPENDENT MEMBER**
- **MR ANDREW PEGGE - AUDIT COMMITTEE MEMBER**

In comparison to the status at the end of 2018, the composition of Audit Committee of CPD S.A. has not changed.

II. MANAGEMENT BOARD OF CPD S.A.

As at the balance sheet day, the Management Board of CPD S.A. included the following persons:

MR COLIN KINGSNORTH – PRESIDENT OF THE MANAGEMENT BOARD

Mr Colin Kingsnorth was appointed to the Management Board of the Company on 17 June 2015. On 23 September 2019 the Supervisory Board of the Company appointed him as the President of the Management Board. 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 also holds qualifications of Chartered Financial Analyst (CFA) of the CFA Institute.

MS ELŻBIETA WICKKOWSKA – MEMBER OF THE MANAGEMENT BOARD

Ms Elżbieta Wiczkowska was appointed to the Management Board for a third term on 17 June 2015. 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 the Physicians Faculty of the Medical Academy in Szczecin. Ms Elżbieta Wiczkowska has obtained an MBA diploma at the University of Illinois at Urbana-Champaign (USA) and has completed the Executive Advanced Management Program at IESE Barcelona Universidad de Navarra in Spain. Ms Elżbieta Wiczkowska also holds qualifications of the ACCA (The Association of Chartered Certified Accountants).

MS IWONA MAKAREWICZ – MEMBER OF THE MANAGEMENT BOARD

Ms Iwona Makarewicz was appointed to the Management Board for a 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 at Sheffield Hallam University (United Kingdom) 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 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 to 2007. 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.

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

- On 23rd of September 2019, Ms. Elżbieta Wiczkowska resigned from the position of the President of the Management Board. The resignation was effective as of the day of the next meeting of the Supervisory Board of CPD S.A., the agenda of which would include adopting a resolution on the election of the President of the Management Board of CPD S.A. i.e. 23rd of September 2019. At the same time, Ms. Wiczkowska remained in the Management Board and serves as a Member of the Company's Management Board.

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- On 23rd of September 2019, the Company's Supervisory Board adopted a resolution on appointment of Mr. Colin Kingsnorth, at the time a member of the Management Board of CPD S.A., as the President of the Company's Management Board.

**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 2018	1	5
31 December 2019	1	5

Board CPD S.A.

date	women	men
31 December 2018	2	2
31 December 2019	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's main market of activity was Poland. At the same time, the Group conducted and managed projects in Montenegro, Hungary, Italy, Belgium, the United Kingdom, the Netherlands, Germany and Spain. International experience and practical knowledge of experts and managers of CPD contributed to creation of a strong and stable Capital Group, which debuted on the Warsaw Stock Exchange on 23 December 2010. 17th of September 2010 the Company changed its name from Celtic Property Developments S.A. to CPD S.A.

Today, CPD S.A. is the holding company controlling a group of 26 subsidiaries and two jointly controlled companies, carrying on activities in the office and residential segments. The Group's current plans focus on continuation of residential development, mainly through the implementation of its leading project in the Warsaw district of Ursus as well as and monetization of the land bank project located in the Ursus district.

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 companies. 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.**

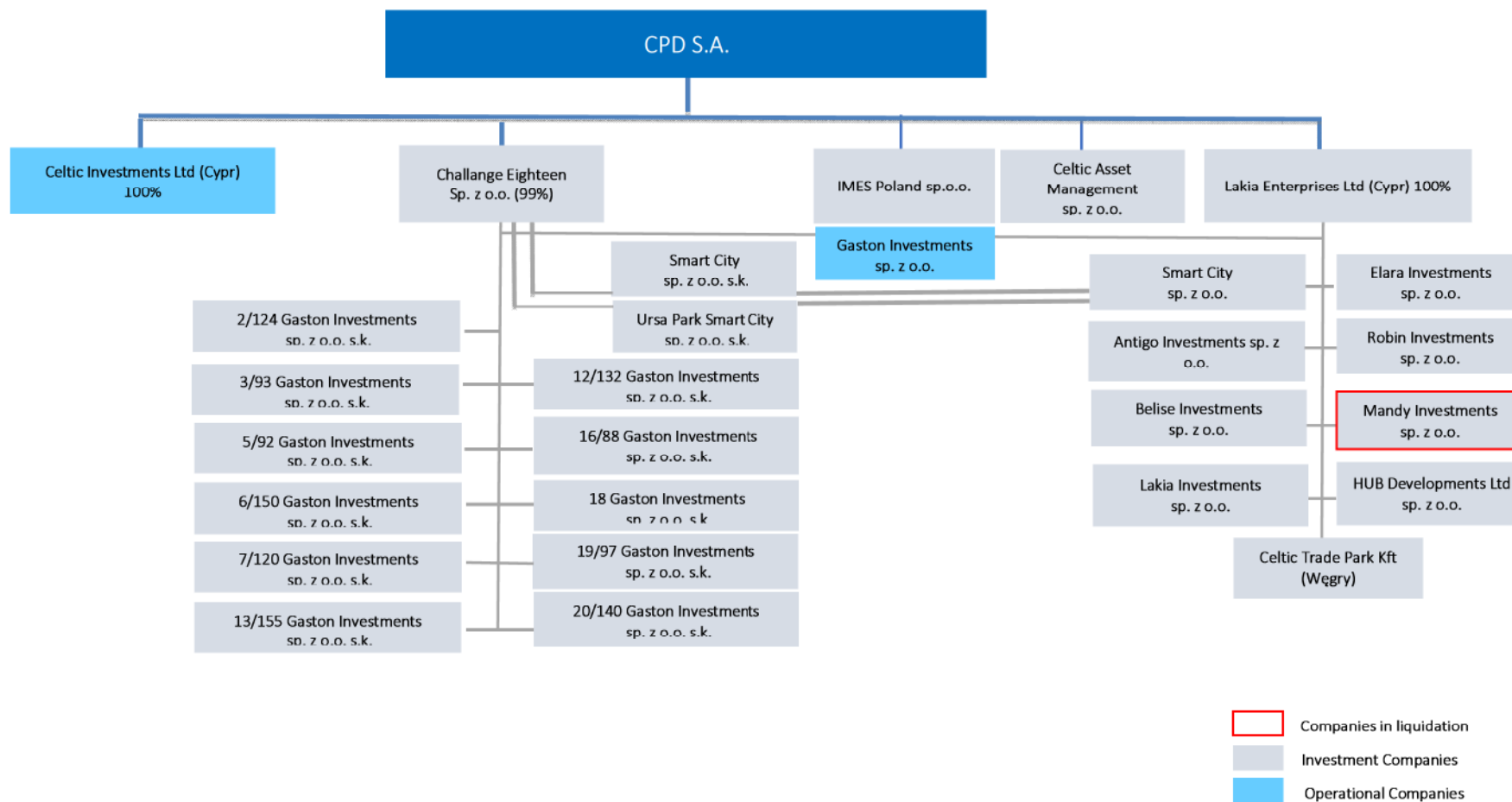
As the parent company, CPD S.A. co-ordinates and supervises activities of its subsidiaries, while being the centre where growth strategy decisions are taken. CPD S.A. undertakes initiatives focusing on optimisation of the Group's operational costs, it develops and co-ordinates Group's investment and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

All the Group companies are consolidated with 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 consolidated with the equity method, in accordance with the requirements of the International Financial Reporting Standards.

During the reporting period, CPD Group structure was not changed.

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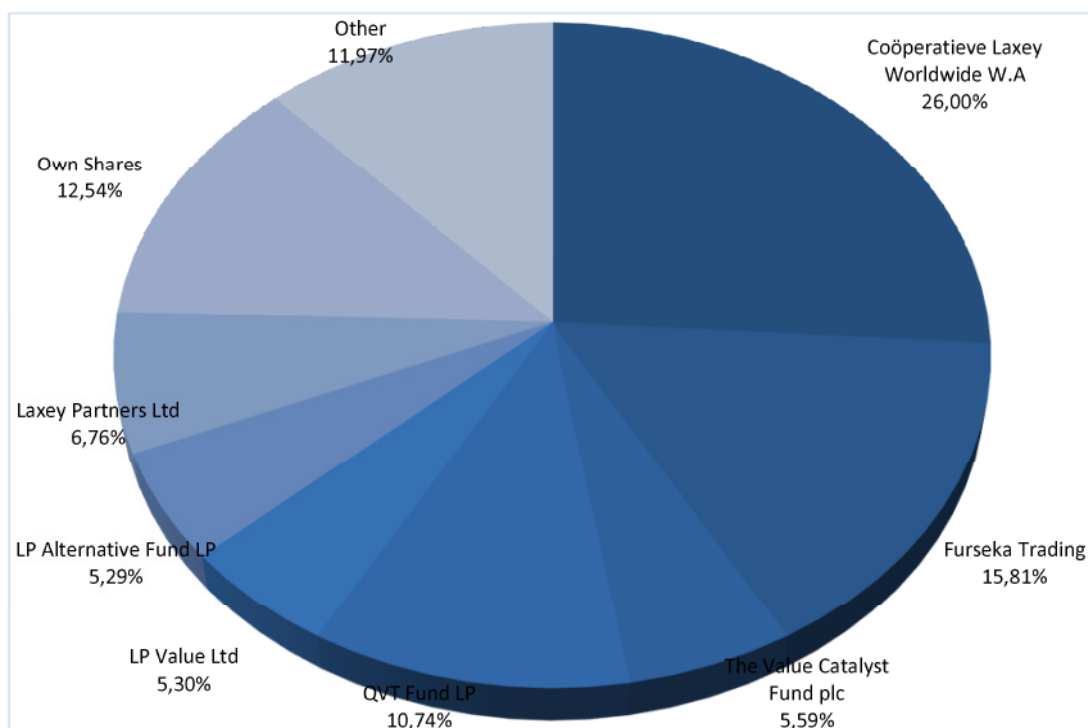
CPD S.A. Group structure on the 31 December 2019.



3. SHAREHOLDERS

QUALIFYING SHARES

CPD S.A. – SHAREHOLDING STRUCTURE



According to the information held by the Company in the reporting period, the shareholders which 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 reported 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 held shares	Type of shares	Amount of held votes	Shareholding structure by held votes	Shareholding structure by held 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	1 475 434	bearer shares	1 475 434	6.40 %	5.59 %
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 %
Laxey Partners Ltd	1 782 969	bearer shares	1 782 969	7.73 %	6.76 %
Other	3 156 097	bearer shares	3 156 097	13.68 %	11.97 %
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.
- *** 30 July 2019, the Company received notifications pursuant to art. 69 of the Act on public offerings and conditions governing the introduction of financial instruments to organized trading, and on public companies of 29 July 2005 (Journal of Laws No. 184, item 1539, as amended) from The Value Catalyst Fund, Laxey Partners Limited and Laxey Group Limited.
- **** 3 March 2020 the company announced shares buyback, as a result, of which on 26 March 2020 the Company acquired 614 385 shares for the price of zł 5 each (representing 2.33 % of the Company's share capital).

The company aims to carry on further buybacks at a price related to the net asset value of the company.

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

SHAREHOLDERS WITH SPECIAL RIGHTS

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

RESTRICTIONS IN 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 the shares pledged on its behalf or given to it for use. In addition, 3 305 886 shares are own shares of the Company, under the applicable regulations the Company is not entitled to exercise the voting right.

RESTRICTIONS IN SHARES TRANSFER

All the 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 are not subject to any restrictions, except for those arising under the Company Articles, the Code of Commercial Companies, the Act on Trading in Financial Instruments, the Act on Public Offering, as well as other relevant provisions of the law.

In accordance with Article 4 (6) of the Company Statute, bearer shares are not convertible to registered shares. Conversion of registered shares into bearer shares is 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 the bearer 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 puts on the agenda of the forthcoming General Meeting the amendment of the Statute 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 Statute, the General Meeting By-laws, the Supervisory Board By-laws, the Audit Committee By-laws and the Management Board by-laws. All these documents are available on the Company website: www.cpdsa.pl.

In 2019 the Company applied the principles of corporate governance provided 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, and its effectiveness in the process of preparation of financial statements and periodic reports prepared and published in accordance with the principles of the Regulation of 29 March 2018 on 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 adequacy and accuracy of financial information contained in financial statements and periodic reports. The effective system of the Company's 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 results of the Company using 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.

Moreover, 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, an appropriate assessment of the potential development projects as well as the control of current ones is carried out on the basis of the investment models and decision-making procedures. 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 realisation of investments or that 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 external advisors.

• HOLDERS OF QUALIFYING SHARES

According to the information held by the Company in the reporting period, the shareholders which 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 reported on the basis of

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shareholders' notices pursuant to Article 69 of the Act on Public Offering or the data included in the prospectus) are:

Shareholder	Amount of held shares	Type of shares	Amount of held votes	Shareholding structure by held votes	Shareholding structure by held shares
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The company aims to carry on further buybacks at a price related to the net asset value of the company.

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

• **HOLDERS OF SECURITIES WITH SPECIAL CONTROL RIGHTS**

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

• **RESTRICTIONS IN EXERCISE OF VOTING RIGHTS**

The Company has not issued any securities, with restrictions in exercise of voting rights, such as restrictions in the voting rights of holders of specific percentage or number of votes, deadlines for exercising voting rights or any provisions, according to which, with the company's cooperation, the financial rights attached to securities they are separate from the ownership of securities.

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

Not applicable.

• **MANAGEMENT BOARD, SUPERVISORY BOARD, AUDIT COMMITTEE**

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

- Mr. Alfonso Kalinauskas,
- 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 composed of at least three members, at least one of which 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 must meet the 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 Statute). 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 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 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 all its activities, manages its business and represents the Company outside. The rights and obligations of the Management Board include in particular:

- fixing the date and the agenda and convening General Meetings;
- submitting motions to the General Meeting, together with the opinion of the Supervisory Board, on 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 compensation for losses, which documents are examined 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 procurement and granting powers of attorney;

- requesting the Supervisory Board to convene its meetings,
- requesting the Supervisory Board to approve the Management Board By-laws, the 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 that enables giving substantive answers to questions asked at the General Meeting.

• **AMENDMENTS TO THE COMPANY STATUTE**

The Code of Commercial Companies regulates in detail amending a statute 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 of Shareholders.

• **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, the Company Statute and the General Meeting's By-laws. The Statute and the General Meetings By-laws are presented on the Company's website: www.cpdsa.pl. General Meetings can be ordinary or extraordinary. The General Meetings are convened by competent governing bodies or persons entitled thereto under provisions of the law or the Statute. The General Meetings are held at the place and time to facilitate the participation to the widest circle of shareholders. Holders of having registered shares and temporary certificates as well as pledgees and users, having the right to vote are entitled to participate in the General Meeting if they are registered in the share register at least one week before the date of the General Meeting. The principal powers of the General Meeting include deciding on issuance of shares with pre-emptive rights, fixing the day of rights to dividends and the day of payment of dividends, appointing and dismissing members of the Supervisory Board, fixing their remuneration, as well as adopting resolutions on other matters indicated in CCC.

• **COMPOSITION AND CHANGES THAT TOOK PLACE DURING THE LAST FINANCIAL YEAR AND DESCRIPTION OF MANAGING, SUPERVISORY OR ADMINISTRATIVE BODIES OF ISSUER AND THEIR COMMITTEES**

SUPERVISORY BOARD

The Supervisory Board acts in accordance with provisions of the Code of Commercial Companies and the provisions of the Company Statute and the Supervisory Board By-laws available to the public and determining its organization, and proceeding methods, as well as in accordance with 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 is fixed by the General Meeting of Shareholders, under the preceding sentence.

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

- Mr. Andrew Pegge – President of the Supervisory Board, has knowledge and skills in accounting and auditing of financial statements (obtained the title of CFA - Licensed Financial Analyst in the Association for Investment Management Research in the United States and completed MBA studies in Finance at City University Business School in the United Kingdom); has knowledge and skills in the Company's industry;

- Mr. Michael Haxby – Vice-president of the Supervisory Board, has knowledge and skills in accounting and auditing (higher education degree in accounting and financial management); has knowledge and skills in the Company's industry;
- Mr. Wiesław Oleś – Secretary of the Supervisory Board, has knowledge and skills in the Company's industry;
- Mr. Mirosław Gronicki – Member of the Supervisory Board, (independent member), has knowledge and skills in accounting and 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 the Supervisory Board, (independent member), has knowledge and skills in accounting and auditing of financial statements (higher education degree in economics and finance obtained 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 – Member of the Supervisory Board, (independent member), has knowledge and skills in accounting and 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 2018, the composition of Supervisory Board of CPD S.A. has not changed.

Under § 11.2.8) of 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 upon recommendation of the Audit Committee. In certain cases defined by the law, the Audit Committee's recommendations prepared after a 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 and the Audit Committee (at the stage of preparation of its recommendation) set 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 by the audit company and the auditor in the Company 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.

The Audit Committee is entitled to present to the Supervisory Board and the Management Board, at each stage of the procedure to appoint the audit company, its guidelines to be followed by the Supervisory Board in selection of the company entitled to audit the Company's financial statement.

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 does 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 entitled to audit from among a certain category or list of entities entitled to audit. Such clauses are null and void by virtue of law.

The first contract to audit the financial statement is concluded with the audit company for a period of at least two years with a possibility to extend it for subsequent periods of at least two years, with consideration of the legal principles 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, or the audit company's affiliate or any member of the network, to which the auditor or the audit company belongs, do not provide directly or indirectly to the Company or its affiliates any prohibited services that are not auditing of financial statements or financial auditing activities.

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

The services referred to in item 2 may be provided only to the extent not related to the Company's tax policy, after the Audit Committee has assessed any threats and safeguards of independence, and after the Audit Committee has given its consent.

Where appropriate, the Audit Committee issues service guidelines.

MANAGEMENT BOARD

The Management Board functions under provisions of the Code of Commercial Companies, provisions of the Company Statute and the 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:

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

In comparison to the last year, the composition of the Management Board of CPD S.A. has changed in following manner:

- On 23rd of September 2019, Ms. Elżbieta Wiczowska resigned from the position of the President of the Management Board. The resignation was effective as of the day of the next meeting of the Supervisory Board of CPD S.A., the agenda of which included adopting a resolution on the election of the President of the Management Board of CPD S.A. i.e. 23rd of September 2019. At the same time, Ms. Wiczowska remained on the Management Board and serves as a Member of the Company's Management Board.

- On 23rd of September 2019, the Company's Supervisory Board adopted a resolution to appoint Mr. Colin Kingsnorth, the current board member of CPD S.A., as the President of the Company's Management Board.

AUDIT COMMITTEE

The Supervisory Board of the Company, acting pursuant to art. 128 and 129 of the Act of 11 May 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 and 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 – Member of the Audit Committee (independent member), has knowledge and skills in accounting and auditing of financial statements (degree of 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 - Member of the Audit Committee, has knowledge and skills in accounting and auditing of financial statements (title of CFA - Licensed Financial Analyst, obtained in the Association for Investment Management Research in the United States and MBA in Finance at City University Business School in the United Kingdom); has knowledge and skills in the Company's industry;

In comparison to the status at the end of 2018, the composition of Audit Committee of CPD S.A. has not changed.

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 public interest entity in question;
- The members of the audit committee have knowledge and skills in the industry, in which the public interest entity operates. This condition is considered as fulfilled if at least one member

of the audit committee has knowledge and skills this industry or if particular members have knowledge and skills in certain aspects of 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 entity.

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

In 2019 Audit Committee met six 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 this principle.

On the Company's website the chart of division of tasks and responsibilities between the Board members is not displayed. Due to the lack of developed organizational structure in the Company the chart of division of tasks and responsibilities between members of the Board is not prepared 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 this principle.

The Company does not have a diversity policy in relation to the authorities of the Company and its key managers. In deciding about 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 this principle.

Costs of implementation of internet transmission, recording sessions, and publishing these transmissions, the need of broad legal analysis relating to, among others, publication of shareholders images and their expressions and organizational burden associated with these activities do not allow for implementation of these procedures in the Company. Currently

there are no applicable regulations in the Company Statute and the General Meeting By-laws.

- **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. In the Company's opinion that a form of documentation of the General Meetings allows for preservation of transparency and protection of shareholders' rights. Information on resolutions adopted by the General Meetings, is provided by the Company in the form of current reports and is published 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 this principle.

Under the provisions of the Commercial Companies Code, members of the Management Board are obliged to jointly manage the Company's affairs. Due to absence of any developed organizational structure in the Company and due to its activity in one specific area of real property there was no formalized division of responsibilities between the Management 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 this principle.

Corporate Documentation of Company does not include provisions relating to the principle in question and contracts with the members of the Management Board do not impose restrictions of this type. Yet, the Company observes applicable provisions of law (art. 380 of the Code of Commercial Companies), according to which the board member may not, without the consent of the Company, engage in any competitive business or participate in a competitive company; (i) under provisions of the Supervisory Board By-laws, no member of the Management Board may carry out activities competitive to the Company without consent of the Supervisory Board, (ii) under provisions of the Management Board By-laws, no member of the Board may engage in competitive business or participate in a competitive company as a partner or a member of its bodies, 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 this 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 expressions and organizational burden associated with these activities do not allow for implementation of these procedures in the Company. Currently there are no applicable regulations in the Company Statute and the General Meeting By-laws.

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 applies this principle partially.

Company's corporate documentation (§ 13 paragraph 2 point 14 of the Company Statute) contains provisions concerning the need of the Supervisory Board to grant its consent for conclusion of any agreement by the Company with its related parties 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 2018, item. 757); consent is not required for typical transactions concluded on market terms within the operating business by the Company with its subsidiary, in which the Company holds a majority stake. However, the above definition does not qualify for the category of "related parties" a 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 this principle.

The Company has not adopted internal regulations defining situations that can result in a conflict of interest at the Company 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 for excluding any member of the Management Board or the Supervisory Board from participating in examination 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 LONG-TERM SHAREHOLDER VALUE CREATION AS WELL AS THE COMPANY'S STABILITY.**

The Company does not apply this principle.

The Company has no current incentive programs based on options or financial instruments (or for members of the Management Board or for key managers). Existing internal bonus programs for employees of the capital group of the Company (including members of the Management Board) are associated with net cash distributed to the shareholders and do not reflect long-term financial situation of the Company and long-term growth in shareholder value and stability of the Company.

However, due to the entry into force 30 November 2019 of the amendment to the Act on public offerings and conditions governing the introduction of financial instruments to organized trading, and on public companies, each public company is obliged to adopt a remuneration policy for members of the management board and the supervisory board, by means of a General Meeting resolution until 30 August 2020. The Company is working to ensure that the relevant remuneration policy is prepared, adopted and implemented within the prescribed period. The information contained in the remuneration policy will comply with the requirements of the Act.

The solutions adopted in the remuneration policy will contribute to the implementation of the business strategy, long-term interests and stability of the Company, as well as will indicate how this policy will contribute to the implementation of the Company's objectives.

- **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 this principle.

However, the Company is working to prepare, adopt and implement a remuneration policy for members of the management board and the supervisory board by 30 August 2020.

This policy will include a description of fixed and variable components of remuneration, as well as bonuses and other cash and non-cash benefits that may be granted to members of the management board and the supervisory board.

The solutions adopted in the remuneration policy will contribute to the implementation of the business strategy, long-term interests and stability of the Company, as well as will indicate how this policy will contribute to the implementation of the Company's objectives.

- **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 this principle.

However, due to the entry into force on 30 November 2019 of the amendment to the Act on public offering and conditions for introducing financial instruments to organized trading, and on public companies, each public company is required to adopt a remuneration policy for members of the management board and the supervisory board, by way of a resolution of the General Meeting until 30 August 2020. The Company is working to ensure that the relevant remuneration policy is prepared, adopted and implemented within the prescribed period. The information contained in the remuneration policy will comply with the requirements of the Act. The solutions adopted in the remuneration policy will contribute to the implementation of the business strategy, long-term interests and stability of the Company, as well as will indicate how this policy will contribute to the implementation of the Company's objectives.

Moreover, the Company's Supervisory Board will be required to prepare an annual remuneration report presenting a comprehensive review of remuneration, including all benefits, regardless of their form, received by individual members of the Management Board and the Supervisory Board or due to individual members of the Management Board and the Supervisory Board in the last financial year, in accordance with the remuneration policy.

It is also worth to point out that so far, the Company has included in the report on the Management Board's activity the information on amounts of the annual remuneration of each member of the Management Board, the Supervisory Board and the Audit Committee in the Management Board Statement.

5. STRATEGY AND POLICY REGARDING FURTHER DEVELOPMENT OF THE GROUP

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

In order to hasten the growth in the value of the Group's assets, the Group divided the project in Ursus into smaller projects and started to implement them in cooperation with experienced housing developers. In addition, to accelerate the appreciation of the assets of the Group, the Management Board decided that the most effective strategy is to accelerate the development of investment areas owned by the Group.

Simultaneous implementation of several smaller developer undertakings in one investment area of the Ursus project shortened duration of the entire project, which at the same time translated into a significant increase of the value of other assets of the Group in this region. Therefore, the Management Board of the Capital Group decided to monetize the Ursus project by selling selected investment areas to housing developers with an established reputation on the housing market. Such a strategy allowed to achieve the synergy effect and optimize the costs of promotion, sales and marketing related to the Ursa Smart City, Ursa Park, Ursa Home and Ursa Sky housing projects implemented by the Group in the area.

In addition, the Company plans to consider buying property for the investment in order to start a new venture, depending on the availability of land that will meet the criteria adopted by the Company to allow the transaction.

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 2019 reflected the strategy of concentration on the Polish market adopted by the Group. In 2019, 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, residential developers 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. Thus, 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 housing developers operating in Warsaw and also natural persons looking for a new flat. The characteristics of the target customers 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). In 2019 customers interested in

popular apartments for decent prices as well as developers looking for investment areas with the above potential are the main group of customers for the Company.

Due to the type of business, the main suppliers of 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 in the process of preparing and implementing the development process.

➤ **EVENTS AFFECTING THE ACTIVITY AND FINANCIAL RESULT**

• **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 in 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 Statute pursuant to the contents of the resolutions adopted by the Extraordinary General Meeting of the Company on 14 September 2018, including the following amendments to the Issuer's Statute:

1. Amendments pursuant to the content of resolution No. 5 of the Extraordinary General Meeting of the Company 14th of September 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 groszy) and shall be divided into 26,371,131 (twenty six million three hundred seventy one thousand one hundred thirty one zloty) stocks of AA series of nominal value zł 0.10 (ten groszy) each.”

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

2. Amendments pursuant to the content of resolution No. 6 of the Extraordinary General Meeting of the Company 14 of September 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 shareholder holding at least 5% of total number of votes in the Company or with any related party 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 was deleted, and par. 11.3, 11.4 were amended as follows:

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

4. If shares 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 were deleted and the existing par. 12.5 of the Company Statute shall was 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 25th January 2019.

The Management Board of the Company informs that pursuant to Resolution No. 4, of 14 September 2018 of the Extraordinary General Meeting of the Company on redemption of own shares, 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) was redeemed.

At the same time, further to the amendment of par. 4. 1 of the Company 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.

Therefore, 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 ten groszy) and is divided into 26,371,131 (twenty six million three hundred seventy one thousand one hundred and thirty one) shares of AA series of nominal value zł 0.10 (ten groszy) each, which entitle to 26,371,131 votes.

**• THE WITHDRAWAL OF REDEEMED SHARES FROM KDPW S.A.
(NATIONAL SECURITIES DEPOSITORY)**

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On 20 February 2019 the Management Board of the National Securities Depository adopted the Resolution no. 95/2019, after having considered the application of the Company on withdrawal of 12,982,892 shares of the Issuer following their redemption.

The redemption of 12,982,892 shares took place under the Resolutions No. 4 and 5 of the Extraordinary General Meeting of 14 September 2018 and related amendment of the Statute was registered on 25 January 2019 by District Court for the Capital City of Warsaw, XIII Commercial Division of the National Court Register Court.

- **RESOLUTION OF THE EXTRAORDINARY GENERAL MEETING ON THE PLANNED BUYBACK OF OWN SHARES FOR REDEMPTION**

On 28 February 2019, the Extraordinary General Meeting authorized the Management Board of the Company to purchase from the Company's Shareholders a total of not 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 the 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**

Pursuant to the Invitation to Submit Offers to Sell the Shares of the Company announced on 4 March 2019, in which the Company proposed to acquire up to 3 305 886 ordinary bearer shares marked with ISIN code PLCELPD00013, in the period for receipt of the Offers to Sell the Shares from 11 to 19 March 2019, 51 valid offers amounting to a total of 19 944 601 shares of the Company were submitted.

On 20 March 2019 the Company decided to accept all valid offers to sell the Shares and to reduce them in accordance with the principles set out in the Invitation. Because the Offers amounted to more than 3 305 886 shares proposed by the Company, each Offer to Sell the Shares was executed in part –was reduced in accordance with the principles described in the Invitation so the Offers were reduced on average by approximately 83,42%.

Acquisition of the Shares by the Company, took place at the time of the settlement i.e. on 22 March 2019.

- **BUYBACK OF THE COMPANY'S OWN SHARES FOR REDEMPTION**

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

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) of the Code of Commercial Companies.

The purchase price per share was 13.01 zł.

All the purchased shares were ordinary shares with a nominal value of 0.10 zł each. The purchased own shares of CPD S.A. (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 total number of votes at the General Meeting of the Company). The Company was not entitled to exercise the voting right with its own shares.

• **CHANGES IN THE MANAGEMENT BOARD**

Mrs. Elżbieta Wiczowska submitted her resignation from the function of the President of the Company's Management Board on 23 of September 2019. The resignation took effect on the day of the next meeting of the Supervisory Board of CPD S.A., the agenda of which included adoption of the resolution on appointment of the President of the Management Board i.e on 23 of September 2019. Furthermore, Mrs Wiczowska remains in the composition of the Management Board as a Member.

Moreover, on 23 September 2019, the Supervisory Board adopted the resolution on appointment of Mr. Colin Kingsnorth, member of the Management Board of CPD S.A. to act as the President of the Management Board.

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 with 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 RESULTS

In the Management Board's opinion, in the year 2019 there were no unusual events affecting the Group's results.

In 2019, the first cases of infection with SARS-CoV-2 coronavirus causing COVID-19 appeared in China. On 11 March 2020, the World Health Organization recognized the coronavirus epidemic as a pandemic. At present, the virus has spread around the world, and the Western Europe is one of the most infected areas. In the territory of the Republic of Poland, an epidemic emergency was introduced on 14 March 2020.

The Management Board of CPD S.A. considers such a situation as an event that does not result in adjustments to the financial statements for 2019, but as an event after the balance sheet date requiring additional disclosures.

Development business is characterized by a long production cycle, which means that the effects of negative events are felt in the long term. The Revenues of 2019 were generated by purchase transactions from about 2 years earlier with payment dates spread over instalments. And the events of 2020 will be visible in the income statement of subsequent years.

The areas in which the virus may affect the business of development companies are:

- the level and dynamics of sales of flats, in particular in the event of a decrease in demand for flats and a potential tightening of mortgage lending criteria by banks or other disruptions on the housing or banking market;
- decrease in revenues from office space rents,
- demand for office rent and investment demand for office buildings,
- timeliness of implementation of projects by companies from the CPD capital group and its related entities, i.e. resulting from the pace of issuing administrative decisions leading to obtaining building permits and admission of ready facilities for use,
- process of extracting and transferring ownership of premises to buyers and selling real estate,
- availability and terms of new financing if banks and other lenders are severely affected by the protracted economic downturn,
- level and deadline for meeting contractors' financial obligations

CPD S.A. and its subsidiaries have taken intensive measures to adapt their activities to the existing conditions, while maintaining common recommendations of sanitary services and WHO guidelines.

Considering the advancement of construction works on projects carried out this year and the level of sales on these projects, the Management Board of CPD S.A. expects the completion of construction projects in accordance with the schedule in 2021 and as of the date of publication of the report did not observe resignation from already signed development contracts.

The Company's Management Board regularly monitors and analyses the situation of the CPD capital group in connection with the spread of the SARS-CoV-2 virus and undertakes several actions to minimize the impact of the negative effects of a pandemic on the CPD group's activities.

The governmental financial support program for enterprises "PFR Financial Shield for Small and Medium Enterprises" is the program referred to in art. 21a. paragraph. 1 of the Act of 4th of July 2019 on the system of development institutions (Journal of Laws of 2019, item 1572, of 21st of August 2019, as amended), amended by the Act of 31st of March 2020 amending the Act on the system of development institutions, according to which the Council of Ministers, in connection with the effects of COVID-19, may entrust PFR with the implementation of the governmental program to provide financial support to entrepreneurs, including in a non-returnable form.

„PFR Financial Shield for Small and Medium Enterprises“ assumes that the main instrument of financial support for enterprises will be financial subsidies.

After fulfilling the Conditions, the Program Beneficiary will have the right to apply for financial support from PFR under the conditions specified therein, provided that it submits an appropriate application for financial subsidy under the recruitment process, through the banks, the list of which will be published by PFR in near future.

According to the initial principles of assistance programs that will be implemented, there is one entity from the Company group currently meets the basic conditions for financial support in the form of PFR subsidies. However, the final assumptions may differ from those currently presented, given the dynamics of legal changes and the activities of the European Commission.

The deadlines for submitting applications and the detailed rules of the Program will be given after the European Commission consents to the Program implementation.

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

The factors that might directly or indirectly affect the Company's and the Group's future operations include:

- The macroeconomic situation on the Polish market that shapes the demand for real estate and the purchasing power of customers;
- The situation on financial markets, 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
	31.12.2019	31.12.2018	2019/2018
	(PLN ths.)	(PLN ths.)	(%)
Sales revenue	4	0	-
Administrative expenses	-3 577	-2 235	60%
Marketing costs	-13	-5	160%
Gain on revaluation of loans	10 406	12 655	-18%
Other operating income	0	1 829	-100%
Other operating expenses	-60	-16	275%
Profit from operations	6 760	12 228	-45%
Finance income	23 497	2 173	981%
Finance costs	-3 748	-392	856%
Profit before tax	26 509	14 009	89%
Income tax	-414	6 736	
PROFIT/LOSS FOR THE YEAR	26 095	20 745	26%

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In 2019 CPD SA generated a net profit of PLN 26.1 mln, which means that the net result improved by PLN 5.4 mln in comparison with 2018.

The rise in finance income of PLN 21.3 mln had a major positive impact on the net result for 2019. In 2019 the company received a dividend in the amount of PLN 22.4 mln from its subsidiary Challenge Eighteen Sp. z o.o.

On the other hand, the increase in administrative and finance costs had a considerable negative impact on the net result for 2019. The administrative expenses went up by PLN 1.3 mln compared to 2018. The increase resulted primarily from higher staff costs. The rise in finance costs stemmed from the writing down of shares in IMES Poland Sp. z o.o. (CPD's subsidiary) in the amount of PLN 3.3 mln.

In 2019 the company did not generate any substantial sales revenue.

Selected items of the statement of financial position

	As at:		Change
	31.12.2019	31.12.2018	2019/2018
	(PLN ths.)	(PLN ths.)	(%)
Total assets	168 213	185 196	-9%
Non-current assets, including:	136 283	148 330	-8%
<i>Long-term receivables</i>	<i>110 799</i>	<i>120 239</i>	<i>-8%</i>
<i>Shares in subsidiaries</i>	<i>25 484</i>	<i>28 091</i>	<i>-9%</i>
Current assets, including:	31 930	36 866	-13%
<i>Trade receivables and other receivables</i>	<i>1 696</i>	<i>914</i>	<i>86%</i>
<i>Cash and cash equivalents</i>	<i>30 234</i>	<i>35 952</i>	<i>-16%</i>
Total equity and liabilities	168 213	185 196	-9%
Equity, including:	140 078	156 993	-11%
<i>Share capital</i>	<i>2 637</i>	<i>3 935</i>	<i>-33%</i>
<i>Repurchase of shares</i>	<i>-43 010</i>	<i>-160 110</i>	<i>-73%</i>
<i>Reserve capital</i>	<i>987</i>	<i>987</i>	<i>0%</i>
<i>Fair value of capital element at inception date</i>	<i>-27 909</i>	<i>-27 909</i>	<i>0%</i>
<i>Share premium</i>	<i>677 034</i>	<i>835 846</i>	<i>-19%</i>
<i>Retained earnings</i>	<i>-469 661</i>	<i>-495 756</i>	<i>-5%</i>
Non-current liabilities	22 559	22 152	2%
Current liabilities	5 576	6 051	-8%

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The value of total assets dropped by 9% in comparison with 2018. Total assets were lower by PLN 17 mln.

The long-term receivables were lower by PLN 9.4 mln as a consequence of partial repayment of loans made by subsidiaries. In 2019 the partial repayment of loans amounted to PLN 21.6 mln.

Moreover, the cash balance fell by PLN 5.7 mln as a result of share buy-back. In 2019 CPD SA bought back its shares for a total of PLN 43 mln.

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

Equity amounted to PLN 140 mln, which accounted for 83% of total equity and liabilities. Total liabilities accounted for 17% of total equity and liabilities. These ratios changed slightly in comparison with 2018, when they amounted to 85% and 15% respectively. The equity went down by 11% compared to 2018.

The total value of liabilities did not change compared to the level as at 31 December 2018.

The value of long-term liabilities amounted to PLN 22.6 mln as at 31 December, 2019. Deferred tax liability amounted to PLN 10.9 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 5.6 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 2019 and 2018:

	31.12.2019	31.12.2018
Liabilities to total assets	16,7%	15,2%
Non-current liabilities to total assets	13,4%	12,0%
Borrowings	6,9%	6,3%
Deferred tax liability	6,5%	5,7%
Current liabilities to total assets	3,3%	3,3%
Borrowings	3,2%	3,2%
Trade and other payables	0,1%	0,1%

The structure of liabilities changed slightly compared to 2018.

The share of non-current liabilities in total equity and liabilities went up from 12% to 13.4%. This change resulted from the fact that total equity and liabilities decreased by 9% in 2019 and the value of non-current liabilities slightly went up by 2%.

Non-current liabilities accounted for 80% of total liabilities as at December 2019 compared to 79% as at December 2018.

The share of current liabilities in total equity and liabilities did not change and amounted to 3.3%.

Current liabilities accounted for 20% of total liabilities as at December 2019 compared to 21% as at December 2018.

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 the ones that 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 DEVELOPMENT OF A WORLD PANDEMIC

At the end of 2019, China had the first cases of SARS-CoV-2 coronavirus infection that caused COVID-19. At present, the virus has spread to other countries, and Western Europe is one of the most infected areas.

The management board, in connection with the pandemic, identified economic and social risks that may have a negative impact on the activities of the CPD S.A. group. among others on the level and dynamics of apartment sales, a decrease in revenues from office space lease, demand for office rental and investment demand for office buildings, timely implementation of projects implemented by companies from the CPD capital group and its related entities, availability and terms of new financing,

The company analyses the situation of the CPD S.A. group on an ongoing basis. in connection with the spread of the SARS-CoV-2 virus and undertakes several actions to minimize the impact of the negative effects of the pandemic on the activities of the CPD Group, in particular on the implementation of development projects in accordance with their schedule.

In the opinion of the Management Board of CPD S.A. as at the date of approval of the financial statements, the liquidity position of the Group and the Company remains stable.

However, the ultimate impact of the pandemic and its extent is currently unknown and impossible to estimate, and depends on factors that are beyond the control or control of the Company.

• **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 2019 amounted to 4.0 % and was clearly slower than in 2018, when it amounted to 5.1%. Market forecasts for 2020 predict a decrease in Polish GDP. If the GDP 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.

At the beginning of March 2020, the market expected the GDP dynamics of Poland in 2020 to be 3.0 percent, but with the spread of the COVID-19 virus epidemic in Europe - including the growing number of confirmed cases in Poland - economists are reviewing down your estimates. To date (as of April 8, 2020), the lowest market forecast for Poland's GDP in 2020 has been published by mBank economists (4.4% decline in GDP in 2020).

However, the final impact of the pandemic effects and the degree of impact on the macro-anonymous situation is currently unknown and impossible to estimate and depends on factors that are beyond the influence or control of the Company.

• **RISK RELATED TO THE PROCESS OF OBTAINING ADMINISTRATIVE DECISIONS, THE POSSIBILITY OF APPEAL AND THE NON-EXISTENCE OF LOCAL 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 local zoning plan exists for the area), construction permits, occupancy certificates for newly erected structures, environmental decisions required under environmental legislation. The obligation to obtain the above administrative decisions entails the risk of inability to complete or significantly delay completion of the building project if the decisions are not obtained or 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 will 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 zoning plans have not been adopted and where a zoning decision or a development decision cannot be obtained or is significantly constrained.

It should be noted, however, that due to the pandemic state announced by the WHO and the government of the Republic of Poland on day 14 of the epidemic, the European Union Commission and the governments of individual countries, including Poland, are imposing restrictions on the gathering and movement of people. This results in significant limitation in the functioning of individual institutions, organizations and governmental and self-governmental offices. Such restrictions affect the pace of issuing decisions and certificates, which has an impact on the implementation of investments and business processes.

As at the date of publication of this report, due to the inability to predict the end of the pandemic as well as planned government actions to prevent the spread of the virus, it cannot be excluded that subsequent restrictions imposed by the government and the development of the pandemic will have a direct impact on subsequent balance sheet periods Company.

• **RISK RELATED TO COMPETITION**

The Company 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.

Such a situation may adversely translate into the results generated by CPD Group.

• **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.

It should be noted that in connection with the state of the pandemic announced by the WHO and the Polish government on the 14th day of the epidemic, the European Union Commission and the governments of individual countries, including Poland, are imposing restrictions on the gathering and movement of people. This results in significant limitation in the functioning of individual institutions, organizations, offices and business entities. Such restrictions affect the pace of conducting business processes, which may result in delays in achieving the intended business goals.

However, as at the date of publication of this report, due to the inability to predict the end of the pandemic as well as planned government actions to prevent the spread of the virus, it cannot be excluded that subsequent restrictions imposed by the government and the development of the pandemic will have a direct impact on subsequent periods Company's balance sheet.

• **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.

In addition, in connection with the state of the pandemic announced by the WHO and the Polish government on the 14th day of the epidemic, the European Union Commission and the governments of individual countries, including Poland, are imposing restrictions on the gathering and movement of people. Because of this, the Management Board of CPD SA decided to conduct work in a remote form. This results in a slight limitation in the functioning of the office and deceleration of some business processes.

As at the date of publication of this report, due to the inability to predict the end of the pandemic as well as planned government actions to prevent the spread of the virus, it cannot be excluded that subsequent restrictions imposed by the government and the development of the pandemic will have a direct impact on subsequent balance sheet periods Company.

• **RISK RELATED TO FINANCING DEVELOPMENT 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.

It should be noted that in connection with the state of the pandemic announced by the WHO and the Polish government on the 14th day of the epidemic, the European Union Commission and the governments of individual countries, including Poland, are imposing restrictions on the gathering and movement of people. This results in significant limitation in the functioning of individual business entities, which may contribute to limiting financial liquidity in selected industries. The resulting restrictions also result in restrictions in the functioning of financial institutions, which may result in limiting the availability of debt financing.

However, as at the date of publication of this report, due to the inability to predict the end of the pandemic as well as planned government actions to prevent the spread of the virus, it cannot be excluded that subsequent restrictions imposed by the government and the development of the pandemic will have a direct impact on subsequent periods Company's balance sheet.

• **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.

It should be noted that in connection with the state of the pandemic announced by the WHO and the Polish government on the 14th day of the epidemic, the European Union Commission and the governments of individual countries, including Poland, are imposing restrictions on the gathering and movement of people. This results in significant limitation in the functioning of individual sectors of the economy and translates into depreciation of the zloty.

However, as at the date of publication of this report, due to the inability to predict the end of the pandemic as well as planned government actions to prevent the spread of the virus, it cannot be excluded that subsequent restrictions imposed by the government and the development of the pandemic will have a direct impact on subsequent periods Company's balance sheet.

- **LIQUIDITY RISK**

The 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 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

On 9 November 2017 Challenge Eighteen company belonging to the Group received the result of the tax audit. In the opinion of tax authorities, the Company did not pay withholding tax due from interest on a loan contracted from EEPF AB (a company formerly owned by the Group). The amount of arrears includes overdue tax in the amount of PLN 9.113 thousand plus interest. In the opinion of the management board, this claim is unjustified. However, it can not be ruled out that it will be necessary to pay that amount if the tax authorities issue unfavourable decision. Based on the risk analysis, the Management Board decided not to recognize a liability in this respect. Until the date of publication of this report, Challenge Eighteen received no decision regarding the above-mentioned customs and tax proceedings. The estimated deadline for the tax proceedings passes on 30th of June 2020.

13. THE 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 2019, 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 Santander Bank Polska S.A.. The agreement is significant due to its value as at 31/12/2019 amounting to PLN 63,740 (according to the average EUR exchange rate published by the National Bank of Poland on 31 December 2019, amounting to PLN 4.2585 / EUR), which exceeds the value of 10% of the equity capital of CPD S.A. as at 31 December 2019;
- Loan agreement of Lakia Investments sp. z o.o. with mBank S.A.. The agreement is significant due to its value as at 31 December 2019 amounting to PLN 19,837 (according to the average EUR exchange rate published by the National Bank of Poland on 31 December 2019, amounting to PLN 4.2585 / EUR);
- Credit agreement of Robin Investments sp. z o.o. with mBank. The agreement is significant due to its value as at 31 December 2019 amounting to PLN 15,361,000 (according to the average EUR exchange rate published by the National Bank of Poland on 31 December 2019, amounting to PLN 4.2585 / EUR);

These above agreements are described in section 17. LOAN AND BORROWING AGREEMENTS, SURETIES AND GUARANTEES of this report.

- Investment agreement for a joint venture between CPD S.A., Challenge 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 significant due to its value as at 31 December 2019, amounting to PLN 133.8 million, which exceeds the value of 10% of the equity capital of CPD S.A. as at 31 December 2019;
- Conditional preliminary agreement for the sale of the right to land property concluded on 31 July 2018 between the subsidiary company 5/92 Gaston Investments sp. z o. o. sp.k. and UDI Tau sp. z o.o.. The agreement is significant due to its value of PLN 50.02 million, which exceeds the value of 10% of the equity capital of CPD S.A. as at 31 December 2019.

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

The loan commitments on 31 December 2019 relate to the following loans: the loan granted by the Company's subsidiary i.e. Lakia Enterprises (interest rate on the loan is 3M WIBOR + margin 0.50%), the loan granted by the Company's subsidiary i.e. Lakia Investments (interest rate on the loan is 3M WIBOR + margin 1.55%) and the loan granted by the subsidiary i.e. Robin Investments (interest rate on the loan is 3M WIBOR + margin 1.55%). As on 31 December 2019 loan balances are as follows: Lakia Enterprises: 9 897 thousand PLN (capital: 7 402 thousand PLN, interest 2 496 thousand PLN); Lakia Investments is 5 373 thousand PLN (capital 4 669 thousand PLN, interest 704 thousand PLN); Robin Investments 1 760 thousand PLN (capital: 1 600 thousand PLN, interest 160 thousand PLN).

As of 31 December 2019, CPD SA guaranteed to Santander Bank Polska SA payable and due amounts that are required (or may be required) to cover debt service or any other payments due to be paid to Bank Santander by the subsidiary Belise Investments sp. z o.o. based on a payment request up to a maximum of EUR 20,666,000.

On 31 December 2019, the balance of the guaranteed loan was EUR 14.985.000.

The guarantee period ends on the day on which Bank Santander considers that the secured claims have been irrevocably, unconditionally and fully repaid and satisfied, but in any case, no later than August 12, 2022.

The remuneration of CPD SA for the guarantee granted is EUR 200,000 per year.

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

• PURCHASE OF OWN SHARES FOR REDEMPTION

Of 26 March 2020, CPD S.A., as a result of the Invitation to Submit Proposals for Sales of Shares of the Company announced by the Company on 3 March 2020, purchased through a brokerage house Pekao Investment Banking S.A. with its registered seat in Warsaw, 614,385 shares of the Company (own shares).

The shares were acquired pursuant to the Resolution No. 3 of the Extraordinary General Meeting of CPD S.A. of 28 February 2019 on acquisition of the shares of the Company for the purpose of redemption, amended by the Resolution no 3 of the Extraordinary General Meeting of CPD S.A. of 2 March 2020 on the amendment of resolution no 3 of the Extraordinary General Meeting of 28 February 2019 on the purchase 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 5,00 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. (614,385 shares) represent 2.33% of the Company's share capital and 614,385 votes at the General Meeting of the Company (2.33% of total voting rights at the General Meeting of the Company), although under applicable regulations the Company is not allowed to exercise the voting rights attached to its own shares..

Prior to the above mentioned purchase of 614,385 own shares, the Company already owned other 3,305,886 own shares representing 12,54 % of the Company's share capital and 3,305,886 votes at the General Meeting of the Company (12,54 % of total voting rights at the General Meeting of the Company).

Therefore, at present , the Company jointly holds in total 3,920,271 own shares, representing in total 14.87% of the share capital of the Company, although under applicable regulations the Company is not allowed to exercise the voting rights attached to own shares.

• INFORMATION ON ACCEPTANCE OF OFFERS TO SELL THE SHARES

Pursuant to the Invitation to Submit Offers to Sell the Shares of the Company announced on 3 March 2020, by which the Company proposed to acquire up to 5.393.950 ordinary bearer shares of

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ISIN code PLCELPD00013, in the period for receipt of the Offers to Sell the Shares from 13 to 20 March 2020, 3 valid offers amounting to a total of 614 385 shares of the Company were submitted.

On 24 March 2020, the Company decided to accept all the valid offers to sell the Shares

- **INFORMATION ON THE INVITATION TO SUBMIT OFFERS TO SELL THE SHARES IN CPD S.A.**

On 3 March 2020 the Management Board of the Company invited the Company's shareholders to submit their Offers to Sell the Shares on the terms specified in the Invitation to Submit the Sale Offers.

The full text of the Invitation to Submit the Sale Offers has been made public on the website of CPD S.A.

- **PURCHASE OF OWN SHARES FOR REDEMPTION**

On 22 March 2019 as a result of the settlement of the acquisition of shares of CPD S.A. as a result of the invitation to submit offers for the sale of shares of the Company announced on 4 March 2019, the Company purchased through the brokerage house Pekao Investment Banking S.A. with its registered office in Warsaw 3 305 886 shares of the Company.

The shares were purchased in accordance with Resolution No. 3 of the Ordinary General Meeting of CPD S.A. of 28 February 2019 on the purchase of the Company's shares for redemption, in accordance with art. 362 § 1 point 5) k.s.h.

The purchase price for one share was PLN 13.01.

All the purchased shares were ordinary shares with a nominal value of PLN 0.10 each. The acquired shares in CPD S.A. (3 305 886 shares) constituted 12.54% of the Company's share capital and represented 3 305 886 votes at the General Meeting of the Company (12.54% of the total number of votes at the General Meeting of the Company), however, under applicable regulations, the Company was not entitled to exercise voting rights from its own shares.

Besides the shares mentioned above, the company does not have any other shares.

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

Pursuant to the Invitation to Submit Offers to Sell the Shares of the Company announced on 4 March 2019, by which the Company proposed to acquire up to 3 305 886 ordinary bearer shares of ISIN code PLCELPD00013, in the period for receipt of the Offers to Sell the Shares from 11 to 19 March 2019, 51 valid Offers to Sell the Shares amounting to a total of 19 944 601 shares of the Company were accepted.

On 20 March 2019, the Company decided to accept all the valid Offers to Sell the Shares and to carry out their reduction in accordance with the principles set out in the Invitation. Because the Offers to Sell amounted to more than 3 305 886 shares proposed by the Company, each Offer to Sell the Shares was executed in part – the Offers were reduced in accordance with the principles described in the Invitation on average by approximately 83,42%.

Acquisition of Shares by the Company, took place at the time of the settlement i.e. on 22 March 2019.

- **INFORMATION ON THE INVITATION TO SUBMIT OFFERS TO SELL THE SHARES IN CPD S.A.**

On 4 March 2019 the Management Board of the Company invited the Company's shareholders to submit their Offers to Sell the Shares on the terms specified in the Invitation to Submit the Sale Offers.

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

• RESOLUTION OF THE EXTRAORDINARY GENERAL MEETING ON THE PLANNED BUYS OF OWN SHARES FOR REDEMPTION

On 28 February 2019, the Extraordinary General Meeting authorized the Management Board of the Company to purchase from the Company's Shareholders a total of not more than 8,700,000 shares of the company for redemption not later than 31 January 2021.

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

On 20 February 2019 the Management Board of the National Securities Depository adopted the Resolution no. 95/2019, after having considered the application of the Company on withdrawal of 12,982,892 shares of the Issuer following their redemption.

The redemption of 12,982,892 shares took place under the Resolutions No. 4 and 5 of the Extraordinary General Meeting of 14 September 2018 and related amendment of the Statute was registered on 25 January 2019 by District Court for the Capital City of Warsaw, XIII Commercial Division of the National Court Register Court.

• REGISTRATION OF SHARE REDEMPTION, REDUCTION OF SHARE CAPITAL AND AMENDMENTS IN THE STATUTE

On 8 February 2019 the Company received the decision of the District Court for the Capital City of Warsaw in 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 Statute pursuant to the resolutions adopted by the Extraordinary General Meeting of the Company on 14 September 2018, in particular the following amendments to the Issuer's Statute:

1. Amendments pursuant to the 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) shares of AA series of nominal value zł 0.10 (ten groszys) each.”

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

2. Amendments pursuant to the 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 shareholder holding of at least 5% of total number of votes in the Company or with any related party 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. contents of the par.11.3, par.11.4, par. 11.5 and par. 11.6 of the Company Statute were deleted, and par. 11.3, 11.4 were amended as follows:

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

4. If shares in 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 owas 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 25 January 2019.

The Management Board of the Company informs that under the content of the Resolution No. 4 of 14 September 2018, of the Extraordinary General Meeting of the Company on redemption of own shares 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) were redeemed.

At the same time, further to the amendment 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 the shares of the Company received a uniform designation as the "AA" series.

Therefore, 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 groszy) and is divided into 26,371,131 (twenty six million three hundred seventy one thousand one hundred and thirty one) shares of AA series of nominal value zł 0.10 (ten groszy) each, which entitle to 26.371.131 votes.

18. DESCRIPTION OF DIFFERENCES IN FINANCIAL RESULTS FORECASTS

The Company did not publish financial performance forecasts for 2019.

19. ASSESSMENT OF FINANCIAL RESOURCES MANAGEMENT

CPD SA finances its operations mainly based on equity. Equity capitals as at the balance sheet date constituted 83% of the total balance sheet total of the Group. In 2019, 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 17% of the total balance sheet total of the Company do not pose a threat to its financial condition.

20. CHANGES IN MANAGEMENT POLICIES

In 2019, as continuation the strategy of focusing the Group's activities on the Polish market, in particular on the Ursus project, the structure of the Group underwent changes.

Liquidation of the company not conducting investment or operational activity (Mandy Investments sp. z o.o.) is still continued further to the sale of its properties and 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 2019 (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 2019, 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 2019, 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	01.2019 - 12.2019	-
Andrew Pegge	President	PLN	84 000	01.2019 - 12.2019	-
Mirosław Gronicki	Member	PLN	60 000	01.2019 - 12.2019	-
Gabriela Gryger	Member	PLN	60 000	01.2019 - 12.2019	-
Michael Haxby	Vice-president	PLN	60 000	01.2019 - 12.2019	-
Alfonso Kalinauskas	Member	PLN	60 000	01.2019 - 12.2019	-
TOTAL		PLN	384 000		

• AUDIT COMMITTEE REMUNERATION

In 2019, the following remuneration amounts for holding an office based on appointment in the Company's Audit Committee and for providing services to the Group companies were disbursed to the members of the Audit Committee of CPD S.A.:

Name	Function	Currency	PLN	Period	Comments
Alfonso Kalinauskas	President	PLN	72 000	01.2019 - 09.2019	-
Andrew Pegge	Member	PLN	48 000	01.2019 - 12.2019	-
Mirosław Gronicki	Member	PLN	48 000	01.2019 - 12.2019	-
TOTAL		PLN	168 000		

• MANAGEMENT BOARD REMUNERATION

In 2019, 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 2019 CPD S.A. Three Management Board members received the following remuneration amounts for an office based on appointment in the Management Board of the Company and for providing services the CPD Group companies.

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Name	Function	Remuneration for holding function in the Management Board of the Company paid by the Company (PLN)	Remuneration for holding other functions in the Group paid by subordinated entities (PLN)	Total (PLN)	Period	Comments
Colin Kingsnorth	President	271 890	0	271 890	01.2019 - 12.2019	-
Iwona Makarewicz	Member	502 798	412 000	914 798	01.2019 - 12.2019	-
Elżbieta Wiczowska	Member	783 646	812 000	1 595 646	01.2019 - 12.2019	-
John Purcell	Member	60 000	1 719 810	1 779 810	01.2019 - 12.2019	-
TOTAL		1 618 334	2 943 810	4 562 144		

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 any 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 when 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 2019, according to the information held by the Company:

Name	Function	No. of owned shares	Nominal Value of owned shares (PLN)	% of total no. of shares	% of total no. of votes
Elżbieta Wiczowska	Member	37 060	3706	0,13%	0,13%
Iwona Makarewicz	Member	4 734	473	0,01%	0,01%
Colin Kingsnorth	President	0	0	0	0
John Purcell	Member	0	0	0	0
TOTAL		41 794	4 179	0,14%	0,14%

On 26 March 2019, the company received a notification from Ms Elżbieta Wiczowska 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 other information about other members of the Management Board or the Supervisory Board being 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 notifications concerning any changes in the proportion of shares held by shareholders holding 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 AN ENTITY AUTHORISED TO AUDIT FINANCIAL STATEMENTS

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

- audit of the consolidated financial statements of CPD S.A. for the financial year ended December 31st 2018,
- audit of the stand-alone 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. for the period ended on June 30, 2018,
- review of the interim stand-alone financial statements of CPD S.A. for the period ended on June 30, 2018,

and

- audit of the consolidated financial statements of CPD S.A. for the financial year ended December 31st 2019,
- audit of the stand-alone 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. for the period ended on June 30, 2019,
- review of the interim stand-alone financial statements of CPD S.A. for the period ended 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 company

The main assumptions of the policy of selecting an audit company 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,
- analysing recommendations given by the Audit Committee in selection of the audit company;
- taking into account the principle of rotation of the audit company and the key statutory auditor in the adopted time horizon.

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

conducting a statutory audit, by entities related to this auditing company and by a member of the audit 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 2019, the audit company auditing the financial statements did not provide other non-audit services to CPD, therefore, the assessment of the audit company's independence and the consent of the CPD Supervisory Board to provide additional services were not required.

The total remuneration of auditor Grant Thornton for 2019 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 2019 to 30 June 2019 (agreement of 24 April 2018);
- PLN 85,000 was the remuneration for audit of the financial statements of CPD S.A. and the consolidated financial statements of the Capital Group for the period from 1 January 2019 to 31 December 2019 (contract of 24 April 2018);

The remuneration of the audit company for the examination and review of the financial statements for the previous financial year is described in note 29 of the stand-alone financial statements.

27. STRUCTURE OF ASSETS AND LIABILITIES – BY LIQUIDITY

	As at:		% in total assets 2019	% in total assets 2018	Change
	31.12.2019 (PLN ths.)	31.12.2018 (PLN ths.)			2019/2018 (%)
Shares in subsidiaries	25 484	28 091	15%	15%	-
Long term receivables	110 799	120 239	66%	65%	-8%
Non-current assets	136 283	148 330	81%	80%	-8%
Trade and other receivables	1 696	914	1,0%	0%	86%
Cash and cash equivalents	30 234	35 952	18%	19%	-16%
Current assets	31 930	36 866	19%	20%	-13%
TOTAL ASSETS	168 213	185 196	100%	100%	-9%

	As at:		% in total assets 2019	% in total assets 2018	Change
	31.12.2019 (PLN ths.)	31.12.2018 (PLN ths.)			2019/2018 (%)
Share capital	2 637	3 935	2%	2,1%	-33%
Reserve capital	987	987	0,6%	0,5%	0%
Repurchase of shares	-43 010	-160 110	-26%	-86%	-73%

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Fair value of capital element at inception date	-27 909	-27 909	-17%	-15%	0%
Share premium	677 034	835 846	402%	451%	-19%
Retained earnings	-469 661	-495 756	-279%	-268%	-5%
Equity	140 078	156 993	83%	85%	-11%
Borrowings, including finance leases	11 657	11 665	7%	6%	0%
Deferred tax liability	10 902	10 487	6%	6%	4%
Non-current liabilities	22 559	22 152	13%	12%	2%
Borrowings, including finance leases	5 373	5 880	3%	3%	-
Trade and other payables	203	171	0,1%	0%	19%
Current liabilities	5 576	6 051	3%	3%	-8%
TOTAL EQUITY AND LIABILITIES	168 213	185 196	100%	100%	-9%

28. GRANTED LOANS

Information about loans granted by CPD SA as at 31.12.2019

Borrower	Currency	Book value (PLN thous.)	Cost of funds	Margin	Repayment date
5/92 Gaston Investments	PLN	6 505	3M WIBOR	1,55%	on demand
6/150 Gaston Investments	PLN	2 134	3M WIBOR	1,55%	on demand
7/120 Gaston Investments	PLN	2 192	3M WIBOR	1,55%	on demand
12/132 Gaston Investments	PLN	4 199	3M WIBOR	1,55%	on demand
13/155 Gaston Investments	PLN	5 134	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	871	3M WIBOR	1,55%	on demand
20/140 Gaston Investments	PLN	1 064	3M WIBOR	1,55%	on demand
Antigo Investments	PLN	0	3M WIBOR	1,55%	on demand
Belise Investments	PLN	15 270	3M WIBOR	1,55%	on demand
Celtic Asset Management	PLN	713	3M WIBOR	1,55%	
Celtic Investments Ltd	EUR	0	3M LIBOR	0,75%	on demand
Challange Eighteen	PLN	45 430	3M WIBOR	1,55%	on demand
Elara Investments	PLN	1 235	3M WIBOR	1,55%	on demand
Gaston Investments	PLN	0	3M WIBOR	1,55%	on demand

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HUB Developments	PLN	1 415	3M WIBOR	1,55%	on demand
Dobalin Trading	PLN	0	fixed at 8%		
Mandy Investments	PLN	0	3M WIBOR	1,55%	on demand
Lakia Enterprises Limited	PLN	25 350	3M WIBOR	1,55%	on demand
TOTAL		111 512			

MANAGEMENT AND SUPERVISORY BOARD STATEMENTS

V. MANAGEMENT BOARD STATEMENT

The Management Board of CPD S.A. hereby confirms that according to its best knowledge the Company's financial statements for the accounting year ended 31 December 2019 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. 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 impartial and independent opinion on the annual financial statements under review, in accordance with applicable regulations and professional standards. In 2019 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 company with its seat in Warsaw.

COLIN KINGSNORTH
PRESIDENT OF THE MANAGEMENT
BOARD

ELŻBIETA WICZKOWSKA
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**

The Management Board of CPD S.A. 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 pursuant to the statement of the Supervisory Board of CPD SA informs that in CPD S.A. .:

- a) the audit company and the members of the audit team met the conditions for preparing an impartial and independent report on audit of the annual financial statements and the annual consolidated financial statements, in accordance with applicable regulations, professional standards and professional ethics;
- b) the regulations applicable to the rotation of the audit company the key statutory auditor and mandatory grace periods are observed;
- c) there is a policy regarding the selection of the audit company and a policy regarding the provision of an audit company, an entity related to the audit company or a member of its network of additional non-audit services, including services conditionally exempt the prohibition of provision by an audit company.

COLIN KINGSNORTH
PRESIDENT OF THE MANAGEMENT
BOARD

ELŻBIETA WICKOWSKA
MEMBER OF THE MANAGEMENT BOARD

IWONA MAKAREWICZ
MEMBER OF THE MANAGEMENT BOARD

JOHN PURCELL
MEMBER OF THE MANAGEMENT BOARD

**B. DECLARATION BY THE SUPERVISORY BOARD OF CPD S.A. ON
THE FUNCTIONING OF THE AUDIT COMMITTEE IN CONNECTION
WITH PUBLICATION OF THE INDIVIDUAL AND CONSOLIDATED
ANNUAL REPORT FOR 2019 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 by its members with its independence criteria and requirements for knowledge and skills in the industry in which the issuer operates, and in the field of accounting and auditing of financial statements;
- b) the audit committee of CPD S.A. performed the tasks of the audit committee provided for in the applicable regulations.

ANDREW PEGGE
CHAIRMAN OF THE SUPERVISORY
BOARD

MICHAEL HAXBY
VICE-PRESIDENT OF THE SUPERVISORY
BOARD

WIESŁAW OLEŚ
SECRETARY OF THE SUPERVISORY
BOARD

MIROŚLAW 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. ON ASSESSMENT OF THE MANAGEMENT BOARD'S REPORT ON THE ACTIVITIES OF CPD AND CPD S.A. AND INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS

The 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. the report of the Management Board on the activities of the CPD and CPD Capital Group S.A. for 2019 and the individual and consolidated financial statements for the period from 1 January 2019 to 31 December, 2019 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 reports met the requirements provided for in the Accounting Act, executive regulations and other applicable legal provisions issued under this Act. The Supervisory Board of CPD S.A., acting under the Statute and the Supervisory Board By-laws, selected Grant Thornton Polska sp. o.o. sp.k. as the audit 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 the 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., on the basis of rights resulting from generally applicable laws and internal regulations.

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

- 1) Financial statements of CPD Spółka Akcyjna for the year ended on 31 December 2019, including:
 - a) the financial statement of comprehensive income for the period from 1 January 2019 to 31 December 2019,
 - b) the statement of financial position prepared as at 31 December 2019,
 - d) the statement of changes in equity for the period from 1 January 2019 to 31 December 2019,
 - e) statement of cash flows for the period from 1 January 2019 to 31 December 2019,

CPD S.A.
ANNUAL REPORT FOR THE YEAR 2019

- f) notes to the financial statements for the year ended 31 December 2019;
- 2) Independent auditor's report on the audit of the annual financial statements for the year ended 31 December 2019;
- 3) Consolidated financial report of the CPD Capital Group for the year ended on 31 December 2019, including:
 - a) consolidated statement of comprehensive income for the period from 1 January 2019 to 31 December 2019,
 - b) the consolidated statement of financial position prepared as at 31 December 2019,
 - c) the consolidated statement of changes in equity for the period from 1 January to 31 December 2019,
 - e) the consolidated cash flow statement for the period from 1 January to 31 December 2019,
 - f) explanatory notes to the consolidated financial statements for the year ended on 31 December 2019;
- 4) The independent auditor's report on the audit of the annual consolidated financial statements for the year ended 31 December 2019;
- 5) f the Management Board's report on the activities of the CPD S.A. and CPD Capital Group for 2019 together with the report on non-financial data of the CPD Capital Group and CPD S.A. for 2019

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

ANDREW PEGGE
CHAIRMAN OF THE SUPERVISORY
BOARD

MICHAEL HAXBY
VICE-PRESIDENT OF THE SUPERVISORY
BOARD

WIESŁAW OLEŚ
SECRETARY OF THE SUPERVISORY
BOARD

MIROŚŁAW 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



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Independent Auditor's Report on Annual Financial Statements

Grant Thornton Polska

Sp. z o.o. sp. k.
ul. Abpa Antoniego Baraniaka 88 E
61-131 Poznań
Polska

T +48 61 62 51 100
F +48 61 62 51 101
www.GrantThornton.pl

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, 2019, and statement of comprehensive income, statement of changes in equity, statement of cash flows for the year from January 1, 2019 to December 31, 2019, 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, 2019 and of its financial performance and of its cash flows for the financial year then ended 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 properly maintained books of account,
- 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 (uniform text: Journal of Laws of 2019, item 1421, as amended) (the Act on Statutory Auditors),

Audit – Tax – Accounting – Advisory
Member of Grant Thornton International Ltd

Grant Thornton Polska Spółka z ograniczoną odpowiedzialnością sp. k. Audit Firm No. 4055.
General partner: Grant Thornton Polska Sp. z o.o. General Partner's Management Board: Tomasz Wróblewski – President of the Board,
Dariusz Bednarski – Vice-President of the Board, Jan Letkiewicz – Vice-President of the Board. Registered office address: ul. Abpa Antoniego Baraniaka 88 E, 61-131 Poznań,
Poland. Tax identification number NIP: 782-25-45-999. REGON: 302021882. Bank account: 31 1090 1476 0000 0001 3554 7340.
District Court Poznań – Nowe Miasto i Wilda in Poznań, 8th Commercial Division of the National Court Register, KRS No. 0000407558.



- International Standards on Auditing adopted as National Standards on Auditing (NSA) by the National Council of Statutory Auditors' resolution No. 3430/52a/2019 of March 21, 2019, as amended 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' *International Code of Ethics for Professional Accountants* (IFAC Code) adopted by the National Council of Statutory Auditors' resolution No. 3431/52a/2019 of March 25, 2019 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	Within the scope of the performed audit, we carried out the following procedures:
The value of loans is significant. The risk is this area is:	<ul style="list-style-type: none"> • an analysis of the accounting policy in terms of the creating write-offs on loans
<ul style="list-style-type: none"> • impairment loss on granted loans 	<ul style="list-style-type: none"> • an analysis of recoverable value of the loans by each entity in the Group
The Company included a disclosure concerning the IP in note No 4 and 6	

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 of September 29, 1994 (uniform text: Journal of Laws of 2019, item 351, as amended) (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, 2019, the Corporate Governance Statement which is a separate part of the Report on the Company's operations and the Annual Report for the year ended December 31, 2019 (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.



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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 24, 2018* and September 23, 2019 and We have been auditors of the Company since the financial year ended December 31, 2018 i.e. for 2 consecutive financial years.

Marcin Diakonowicz

Statutory Auditor No. 10524

Key Audit Partner performing the audit on behalf of

Grant Thornton Polska Spółka z ograniczoną odpowiedzialnością sp. k.,

Poznań, ul. Abpa Antoniego Baraniaka 88 E, Audit Firm No. 4055

Warsaw, April 28, 2020.

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 2019**

CPD S.A.

Financial statements
for the year ended 31 December 2019

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(All amounts in PLN thousands unless otherwise stated)

Statement of comprehensive income

		12 months ended	12 months ended
	Notes	31/12/2019	31/12/2018
Revenues	13	4	0
Administrative costs	14	(3 577)	(2 235)
Marketing costs		(13)	(5)
Result from revaluation of loans to fair value	17	10 406	12 655
Other operating income	15	0	1 829
Other operating cost	16	(60)	(16)
OPERATING RESULT		6 760	12 228
Financial income	18	23 497	2 173
Financial costs	18	(3 748)	(392)
PROFIT (LOSS) BEFORE INCOME TAX		26 509	14 009
Income tax	19	(414)	6 736
PROFIT (LOSS) FOR THE YEAR		26 095	20 745
OTHER COMPREHENSIVE INCOME		0	0
TOTAL COMPREHENSIVE INCOME		26 095	20 745
BASIC EARNINGS PER SHARE (PLN)	24	1,10	0,58
DILUTED EARNINGS PER SHARE (PLN)	24	1,10	0,58

The notes on pages 7 - 30 are an integral part of these financial statements.

Colin Kingsnorth
Chairman of the Board

Elżbieta Donata Wiczowska
Board Member

John Purcell
Board Member

Iwona Makarewicz
Board Member

(All amounts in PLN thousands unless otherwise stated)

Statement of financial position

		As of	
	Notes	31/12/2019	31/12/2018
ASSETS			
Non-current assets			
Long-term receivables	4	110 799	120 239
Shares in subsidiaries	5	25 484	28 091
Total non-current assets		136 283	148 330
Current assets			
Trade receivables and other receivables	6	1 696	914
- trade receivables and loans		1 688	911
- prepaid expenses		8	3
Cash and cash equivalents	7	30 234	35 952
Total current assets		31 930	36 866
Total assets		168 213	185 196
EQUITY			
Share capital	8	2 637	3 935
Treasury shares	8	(43 010)	(160 110)
Embedded element at inception date		677 034	835 846
Fair value of capital element at inception date		(27 909)	(27 909)
Reserve capital	9	987	987
Retained earnings		(469 661)	(495 756)
Total equity		140 078	156 993
LIABILITIES			
Non-current liabilities			
Borrowings	11	11 657	11 665
Deferred tax liability	12	10 902	10 487
Total non-current liabilities		22 559	22 152
Current liabilities			
Borrowings	11	5 373	5 880
Trade payables other liabilities	10	203	171
Total current liabilities		5 576	6 051
Total equity and liabilities		168 213	185 196

The notes on pages 7 - 30 are an integral part of these financial statements.

Colin Kingsnorth
Chairman of the Board

Elżbieta Donata Wiczowska
Board Member

John Purcell
Board Member

Iwona Makarewicz
Board Member

(All amounts in PLN thousands unless otherwise stated)

Statement of changes in equity

	Notes	Share capital	Treasury shares	Share premium	Embedded element at inception date	Reserve capital	Accumulated profit (loss)	Total
Balance as at 1/1/2019		3 935	(160 110)	835 846	(27 909)	987	(495 756)	156 993
Treasury shares redemption	8	(1 298)	160 110	(158 812)	0	0	0	0
Acquisition of treasury shares	8	0	(43 010)	0	0	0	0	(43 010)
		(1 298)	117 100	(158 812)	0	0	0	(43 010)
Comprehensive income for the period		0	0	0	0	0	26 095	26 095
		0	0	0	0	0	26 095	26 095
Balance as at 31/12/2019		2 637	(43 010)	677 034	(27 909)	987	(469 661)	140 078
Balance as at 1/1/2018		3 935	(17 199)	835 846	(27 909)	987	(327 982)	467 678
IFRS 9 first time adoption		0	0	0	0	0	(15 540)	(15 540)
Acquisition of treasury shares	8	0	(142 911)	0	0	0	0	(142 911)
Merger with Buffy	25	0	0	0	0	0	(172 979)	(172 979)
		0	(142 911)	0	0	0	(188 519)	(331 430)
Comprehensive income for the period		0	0	0	0	0	20 745	20 745
		0	0	0	0	0	20 745	20 745
Balance as at 31/12/2018		3 935	(160 110)	835 846	(27 909)	987	(495 756)	156 993

The notes on pages 7 - 30 are an integral part of these financial statements.

Colin Kingsnorth

Chairman of the Board

Elżbieta Donata Wiczowska

Board Member

John Purcell

Board Member

Iwona Makarewicz

Board Member

(All amounts in PLN thousands unless otherwise stated)

Cash flow statement

	Notes	12 months ended	12 months ended
		31/12/2019	31/12/2018
Cash flow from operating activities			
Cash generated from operations	21	19 776	(1 239)
Net cash generated from operating activities		19 776	(1 239)
Cash flows from investing activities			
Loans granted		(2 893)	(6 843)
Loan repayments received		20 390	114 880
Interest received		1 636	2 344
Net cash generated from investing activities		19 133	110 381
Cash flows from financing activities			
Acquisition of treasury shares		(43 010)	(142 911)
Borrowings repayments		(1 617)	0
Net cash generated from financing activities		(44 627)	(142 911)
Change in net cash and cash equivalents		(5 718)	(33 769)
Cash and cash equivalents at the beginning of year		35 952	69 721
Cash and cash equivalents at the end of the period		30 234	35 952

The notes on pages 7 - 30 are an integral part of these financial statements.

Colin Kingsnorth
Chairman of the Board

Elżbieta Donata Wiczowska
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.

On 2 September 2010 Extraordinary Shareholders Meeting passed a resolution changing the company name from POEN S.A. to Celtic Property Developments S.A.

On 14 December 2010, the prospectus of Celtic Property Developments S.A. was approved. On 17 December KDPW (Krajowy Depozyt Papierów Wartościowych) granted the Company the status of KDPW participant in the EMITENT type, registered 34,062,252 ordinary B series bearer shares of the Company with a nominal value of PLN 0.10 each and marked them with the code PLCELPD00013. Three days later the shares were admitted to public trading on parallel market. The shares were registered in the National Depository and on 23 December 2010 introduced to trading in the continuous trading system. The Company's shares are listed on the Warsaw Stock Exchange.

On 29 May 2014 Extraordinary Shareholders Meeting passed a resolution 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 Articles of Association 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 Capital Group. Annual consolidated financial statements of the Group have been prepared in accordance with the requirements of EU-IFRS.

In order to fully understand the financial position and results of operations of CPD S.A., as the parent company of the Group, these financial statements should be read in conjunction with the annual consolidated financial statements for the period ended 31 December 2019. These reports will be available on the Company's website at www.cpdsa.pl.

The Company's share capital amounts to PLN 2,637,113.10 (two million six hundred thirty seven thousand three hundred and twenty zlotys thirty groszy) and is divided into 26,371,131 (twenty six million three hundred seventy one thousand one hundred and thirty one) AA series shares nominal value of PLN 0.10 (ten groszy) each, which entitle to exercise 26.371.131 votes.

These financial statements have been adopted by the Management Board on 28 April 2020.

The Company uses following registration numbers:

REGON (statistical registration) 120423087

NIP (VAT registration) 677-22-86-258

The Board of Directors of the Company consists of:

Colin Kingsnorth - Chairman of the Board

Elżbieta Donata Wiczowska - Board Member

John Purcell - Board Member

Iwona Makarewicz - Board Member

The Supervisory Board of the Company consists of:

Andrew Pegge

Wiesław Piotr Oleś

Gabriela Gryger

Mirosław Jerzy Gronicki

Alfonso Kalinauskas

Michael Haxby

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

2 The accounting principles

2.1 Basis of preparation

The Company's financial statements have been prepared on a going concern basis. There are no circumstances indicating a threat to the continued activity of the Company in the foreseeable future.

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 these financial statements.

New and amended standards and interpretations which came into force on 1 December 2019 and description of its impact on these financial statements:

The accounting policies applied in the preparation of these financial statements are consistent with those applied in the preparation of the financial statements of the Company for the year ended 31 December 2018 with the exception of the standards and amendments presented below.

- IFRS 16 Leases (issued on 13 January 2016) - effective for financial years beginning on or after 1 January 2019;

IFRS 16 introduces a unitary model of the lessee's accounting and requires the lessee to recognize assets and liabilities resulting from each lease with a period exceeding 12 months.

- IFRIC 23 Uncertainty over Income Tax Treatments (issued on 7 June 2017) - effective for financial years beginning on or after 1 January 2019;

- Amendments to IFRS 9: Prepayment Features with Negative Compensation (issued on 12 October 2017) - effective for financial years beginning on or after 1 January 2019;

- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (issued on 12 October 2017) – effective for financial years beginning on or after 1 January 2019;

- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement (issued on 7 February 2018) – effective for financial years beginning on or after 1 January 2019;

- Annual Improvements to IFRS Standards 2015-2017 Cycle (issued on 12 December 2017) – effective for financial years beginning on or after 1 January 2019.

The Management Board of the Company analysed new or changed standards and interpretations and did not identify their significant impact on the financial reporting of CPD S.A. In particular, in relation to the first application of IFRS 16 Leasing, the Management Board analysed the contracts to which the Company is a party and identified one office space lease agreement falling within the scope of the new standard, previously classified as operating leasing. The Management Board of the Company analysed the provisions of the contract and stated that in the absence of an irrevocable lease period binding for both parties of the agreement, the application of IFRS 16 will not affect the accounting treatment of the lease contract.

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

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

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture. They remove the existing inconsistency between IFRS 10 and IAS 28. The effective date for the amendments has not been defined by the International Accounting Standards Board. The approval of this amendment has been postponed by the European Union as at the date of these financial statements.

Amendments to IFRS 3 Business Combinations. As a result of the amendments to IFRS 3 the definition of a "business" has been modified. The amendment narrowed the definition of a business. This is likely to cause more acquisition transactions to be classified as the asset acquisition. Amendments to IFRS 3 are effective for annual periods beginning on or after 1 January 2020. The amendments have not been yet endorsed by the European Union until the date of approval of these financial statements.

IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. A new definition of "material" was published by the Board. Amendments to IAS 1 and IAS 8 fine tune the definition of materiality and increase consistency between standards, but it is not expected that they will have a significant impact on the preparation of the financial statements. The amendments are effective for annual periods beginning on or after 1 January 2020.

The Management Board is verifying effect of the above standards on the Company's financial position, operating results or the scope of information presented in the Company's financial statements. It is not expected by the Management Board of the Company that new standards and amendments to the existing standards could have a significant impact on the financial statements of the Company for the period, when they are adopted for the first time.

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

2.2 Tangible fixed assets

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

Subsequent expenditures are either 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 repairs and maintenances are expensed 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, over their useful life. At each balance sheet date the verification is carried out of the residual value and periods of useful life of the asset. Fixed assets are depreciated over the period of their use (three to five years).

In case the carrying amount of an asset exceeds its estimated recoverable amount the asset is immediately written down to its recoverable value.

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 analyses 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

Financial assets are either classified as financial assets measured at fair value through profit or loss or as financial assets measured at amortized cost.

Financial assets at amortized cost are classified as financial assets if both of the following conditions are met:

- a) the financial asset is held in accordance with the business model with purpose to maintain financial assets for obtaining cash flows under the contract,
- (b) the terms of the contract relating to the financial asset give rise to cash flows on certain dates that are only repayment of principal and interest on the principal amount outstanding.

The Company classifies trade receivables as well as cash and cash equivalents to the category of financial assets measured at amortized cost. In the Company's opinion, loans granted do not meet the requirements described above to be classified as financial assets at amortized cost and therefore are measured at fair value through profit or loss.

Financial assets, due to the business model and the nature of the flows associated with them, are assessed as at each balance sheet date to recognize expected credit losses, regardless of whether there is any evidence of impairment. The method of making this assessment and estimating the write-offs for expected credit losses differs for individual classes of financial assets. The estimate of the write-down is based primarily on historically-forming past due dates and the relationship between defaults and actual repayments from the last 5 years, taking into account available information about the future.

Financial assets are classified as current assets provided that their maturity does not exceed 12 months from the balance sheet date. Assets with a maturity of over 12 months are included in non-current assets.

Financial assets are derecognized when the rights to obtain cash flows from them have expired or have been transferred, and the

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.

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

2.6 Share capital

Share capital is the nominal value of the issued shares.

Costs directly attributable to the issue of new shares are shown in equity as a deduction 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 rate method.

In the case when the difference between the value of amortized cost and the nominal value is not significant, such liability is recognized in the balance sheet at nominal value.

2.8 Credits and loans

Loans are recognised initially at fair value less transaction costs incurred and are, after initial recognition, measured at amortised cost using the effective interest rate method.

Loans 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.

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 embedded 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 fulfilment 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.

This accounting policy chapter applies only to previous periods, when IFRS 9 was not in force. The company applied a limited retrospective approach when applying IFRS 9.

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

2.11 Deferred income tax

Deferred income tax is recognized in full using the balance sheet method on each 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), the deferred tax item is not recognized. 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 utilization of temporary differences or tax losses.

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

2.12 Employee benefits

CPD pays contributions to the Polish pension system, according to current indicators the gross salary for the duration of employment (state pension scheme). National pension scheme is based on defined contribution system and CPD 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.

2.13 Provisions

Provisions are recognized when the Company has a legal 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 Revenues

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.

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

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) 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.

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 of the Company and presentation currency of the CPD Capital Group.

Transactions in foreign currencies are converted to PLN using exchange rates as at the date of the transaction or as at the valuation date if the positions are valued.

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 not or financial costs.

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements**3 Financial risk management****3.1 Financial risk factors**

The activities carried out by CPD S.A. puts on the Company 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 loans granted, trade and other receivables, cash and cash equivalents, trade and other payables. The accounting policy relating to these financial instruments is described in note 2. The Company's approach to risk management focuses on the unpredictability of financial markets, in an effort to minimize potential adverse effects on the financial results of the Company.

*(a) Market risk**(i) Risk of exchange rate changes*

The company is exposed to the risk of fluctuation due to changes in balances in currencies other than PLN. This risk applies to loans, debts and receivables that are denominated in EUR. The exchange risk arises with respect to future transactions regarding financing received / granted or with respect to assets and liabilities already recognized denominated in a currency other than the functional currency of the entity.

As of 31 December 2019, the Company did not have any significant balances denominated in foreign currencies and as a result was not significantly exposed to currency exchange risk.

	31 December 2019	31 December 2018
Loans in EUR	2 165	2 458
Assumed change in PLN/EUR exchange rate	+/-10%	+/-10%
The result of changes in interest income	216	246
Tax shield	41	47
Effect on net profit/(loss)	175	199
Impact on equity	175	199

The Company's Management Board monitors the risk on a regular basis and acts accordingly. 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 hedging transaction, 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 the Company is exposed, resulting from changes in market interest rates. The Company is exposed to this risk with regards to loans granted and loans received (note 4 and note 11). Loans interest rates are based on variable interest rates what exposes the Company to the interest rate risk. The company does hedge the risk of interest rates. The Board constantly monitors fluctuations in interest rates and acts accordingly.

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

	31 December 2019	31 December 2018
Loans received at variable interest rates	17 030	17 545
Assumed change in interest rate	+/-1pp	+/-1pp
The result of changes in interest cost	170	175
Tax shield	32	33
Effect on net profit/(loss)	-/+138	-/+142
Impact on equity	-/+138	+/-139

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements**3.1 Financial risk factors (continued)***(c) Credit risk*

Credit risk arises in case of cash, bank deposits, 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 trade receivables and other receivables there are applicable procedures in place in the Company 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 can be occasionally beneficial, but also increases the risk of loss. The Company applies the procedure to minimize such losses by keeping an adequate level of cash and ongoing monitoring and forecasting of cash flow. The Company has sufficient amount of working capital to settle its obligations on a regular basis. Liquidity of the company is controlled by the Management Board.

As at 31 December 2019	Within 1 year	1 - 5 years	More than 5 years
Borrowings	5 373	11 657	0
Trade payables and other payables	203	0	0
	5 576	11 657	0
As at 31 December 2018	Within 1 year	1 - 5 years	More than 5 years
Borrowings	5 880	11 665	0
Trade payables and other payables	171	0	0
	6 051	11 665	0

3.2 Capital management

The company's objective in managing capital is to safeguard the Company's ability to continue its operations, to maximize the returns for shareholders and other interested parties, as well as maintain an optimal capital structure in order to reduce its cost.

In order to maintain or adjust the capital structure, the company may change the amount of dividends declared, acquire and redeem treasury shares, issue new shares or sell assets to reduce its debt.

The gearing ratio is calculated as net position (equity plus net debt) divided by total equity. Net debt is calculated as borrowings (including current and non-current borrowings) less cash and equivalents.

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

	31 December 2019	31 December 2018
Loans received	17 030	17 153
Trade and other payables	203	2 156
Less cash and equivalents	-30 234	-69 721
Net debt	-13 001	-50 412
Equity	140 078	467 678
Net position	127 077	417 266
Gearing ratio	-10%	-12%

The financial situation of the Company has improved. The financing structure ratio indicates a negative value because cash held by the Company exceeds the Company's liabilities.

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

3.3 Significant estimates

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

(i) As at the balance sheet date, the Company conducted an analysis of impairment indicators with respect to shares in subsidiaries, by comparing the book value of the shares to their recoverable value. The recoverable value is the higher of two amounts: the fair value of assets less costs to sell or value in use. In the Company's opinion, there is no reason to believe that the value in use significantly differed from the fair value as at the balance sheet date. As a result, the analysis of impairment of shares was based on fair value.

In the case of shares in subsidiaries their fair value was estimated based on the net assets of subsidiaries 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 assets owned by subsidiaries.

Investment properties held by subsidiaries are measured at fair value using the following valuation methods:

- Land undeveloped and built houses with residential premises - measured using a comparative method;
- Investment properties in which there are significant revenues from rent (office buildings located in Warsaw) - measured using an investment method;
- Investment land located in Warsaw's Ursus district, which, according to the local development plan is intended for residential/commercial development - measured using a residual method;
- Investment land located in Warsaw's Ursus district, which, according to the local development plan is intended for public development purposes and land located in the village of Wolbórz - measured using a comparative method.

The Company performed an analysis of impairment indicators of shares and has not identified any indicators to make additional impairment write-off of these shares, except for one investment. Determining the level of impairment write-offs for shares as at 31 December 2019 was carried out in accordance with the approach described above and was the same as the approach adopted as at 31 December 2018.

As at 31 December 2019, the net value of shares in the subsidiaries Celtic Investments and Lakia Enterprises was zero and did not change compared to the same period of the previous year. The value of shares in the subsidiaries Challenge Eighteen and Celtic Asset Management has not changed compared to the same period of the previous year - no need to create write-offs was identified. The value of shares in the subsidiary Imes Poland was subject to an impairment of PLN 3,317 thousand zlotys.

Detailed information on shares in subsidiaries is presented in note 5.

(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 expected repayments of interest and loan principle discounted with the risk-free rate plus a credit risk margin.

Cash 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 31 December 2019 and interest that will be calculated from 31 December 2019 until the maturity date of the loan.

Interest after 31 December 2019 were 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 (in line with loan agreements).

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 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.

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

3.3 Significant estimates (continued)

(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 against which 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, intended to identify and assess transactions and operations that could potentially be subject to GAAR and judge the impact on these 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 uncertainty, which may impact future recoverability of deferred tax assets or tax payables related to past periods.

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements**4 Long-term receivables**

	31/12/2019	31/12/2018
Long-term loans to related parties (nota 23), including:		
- loan	162 609	179 816
- result from revaluation to fair value	(51 811)	(59 820)
	110 799	119 996
Long-term loans to other parties, including:		
- loan	6	6
- result from revaluation to fair value	(6)	0
	0	6

Details of the loans granted to related parties 31.12.2019

Related party	Agreement date	Currency of the loan	Fair value of loan	Interest Rate	Margin	Maturity
5/92 Gaston Investments	2013	PLN	6 505	3M WIBOR	1,55%	on demand
6/150 Gaston Investments	2012	PLN	2 134	3M WIBOR	1,55%	on demand
7/120 Gaston Investments	2012	PLN	2 192	3M WIBOR	1,55%	on demand
12/132 Gaston Investments	2012	PLN	119	3M WIBOR	1,55%	on demand
12/132 Gaston Investments	2013	PLN	4 080	3M WIBOR	1,55%	on demand
13/155 Gaston Investments	2012	PLN	5 134	3M WIBOR	1,55%	on demand
19/97 Gaston Investments	2012	PLN	296	3M WIBOR	1,55%	on demand
19/97 Gaston Investments	2013	PLN	574	3M WIBOR	1,55%	on demand
20/140 Gaston Investments	2012	PLN	364	3M WIBOR	1,55%	on demand
20/140 Gaston Investments	2013	PLN	700	3M WIBOR	1,55%	on demand
Belise Investments	2012	PLN	12 133	3M WIBOR	1,55%	on demand
Belise Investments	2014	PLN	3 137	3M WIBOR	1,55%	on demand
Challenge Eighteen	2012	PLN	25 287	3M WIBOR	1,55%	on demand
Challenge Eighteen	2013	PLN	20 143	3M WIBOR	1,55%	on demand
Elara Investments	2012	PLN	1 235	3M WIBOR	1,55%	on demand
HUB Developments	2012	PLN	1 415	3M WIBOR	1,55%	on demand
Lakia Enterprises Limited	2012	PLN	4 056	3M WIBOR	1,55%	on demand
Lakia Enterprises Limited	2014	PLN	6 854	3M WIBOR	1,55%	on demand
Lakia Enterprises Limited	2015	PLN	14 441	3M WIBOR	1,55%	on demand
			110 799			

Details of the loans granted to other parties 31.12.2019

Other party	Agreement date	Currency of the loan	Fair value of loan	Interest Rate	Margin	Maturity
Dobalin	2017	PLN	0	fixed	8,00%	on demand
			0			

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 is equal to their carrying amount. Loans are not secured.

Remaining balance of loans granted to related entities as at 31 December 2018 in the amount of PLN 237 thousand PLN, is a loan granted to a significant investor of the Company, Coöperatieve Laxey Worldwide W.A. During 2019, the loan was reclassified to short-term receivables and repaid in April 2019.

Change in the impairment of loans granted classified as long-term loans and short-term loans in 2019:

Accumulated allowance for loans impairment as at 31.12.2018	81 748
Fair value revaluation impact for 2019 (note 3.3)	-6 056
Accumulated allowance for loans impairment as at 31.12.2019	75 692

The accounting policy on loans valuation is described in note 3.3.

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements**5 Shares in subsidiaries**

			31/12/2019	31/12/2018
Name	Country	Share		
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)
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	5 032
Imes Poland sp. z o.o.	Poland	100%	23 769	23 059
Impairment, the value of the shares Imes Poland sp. z o.o.			(3 317)	0
			25 484	28 091

(*) The value of shares in Celtic Asset Management is 1 PLN.

The accounting policy and additional information on impairment of shares in subsidiaries are described in note 3.3.

Under the Share Purchase Agreement signed in January 2015 regarding the aquisition of shares in Imes Poland sp. z o.o., the aquisition price included fixed (known at the time the contract was concluded) and conditional component. Conditional payments may have been triggered by the following circumstances: 1) reimbursement of VAT, which in case received, was supposed to cover demolition costs that the seller originally incurred, and 2) obtaining favorable tax rulings regarding the lack or decrease of obligation in real estate property tax. During 2018 Imes Poland Sp. z o.o. was granted the refund of overpaid real estate tax for the year 2009 in the amount of PLN 710 thousand, hence the obligation appeared to increase the purchase price of shares by the value of the return.

As a result of the annual impairment test, the write-down of shares in subsidiaries did not change, except for the impairment allowance for the investment in Imes Poland sp. z o.o. in the amount of PLN 3 317 thousand.

6 Trade receivables and other receivables

	31/12/2019	31/12/2018
Trade receivables from related parties	0	0
Short-term loans (related party), including:	713	0
- loan	24 589	22 163
- result from revaluation to fair value	(23 875)	(22 163)
Input VAT surplus	0	0
Other receivables from related parties	854	801
Other receivables from other parties	120	110
Prepayments	8	3
Short-term receivables	1 696	914

Details of the loans granted to related parties 31.12.2019

Related party	Agreement date	Currency	Fair value of loan	Interest Rate	Margin	Maturity
Celtic Asset Management	2015	PLN	713	3M WIBOR	1,55%	on demand
Mandy Investments	2012	PLN	0	3M WIBOR	1,55%	on demand

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements**7 Cash and equivalents**

	31/12/2019	31/12/2018
Cash in bank accounts	30 234	35 952
	30 234	35 952

Cash and cash equivalents include cash in bank accounts in ING, PEKAO SA, Pekao Investment Banking and mBank.

The maximum value of the credit risk associated with cash equals to their carrying amount.

8 Share capital

	Number of shares		Value of shares	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Ordinary shares (in thousands)	23 065	39 354	2 637	3 935

As of 31 December 2018 the share capital amounted to PLN 3 935 thousand. On 25 January 2019 12 982 892 treasury shares were redeemed (entitling to same number of voting rights, shares code: ISIN PLCELPD00013). The redemption was the result of the resolution no 4 of the Extraordinary General Meeting dated 14 September 2018, regarding the redemption of Company's treasury shares. Share capital as at 31 December 2019 and as at the date of these financial statements amounts to PLN 2 637 thousand.

On 1 March 2019 the Company announced, that in connection with Invitation to Submit Proposals for Sales of Shares of the Company announced on 1st March 2019, pursuant to which the Company proposed to acquire up to 3 305 886 of ordinary bearer shares ISIN code PLCELPD00013 ("Shares"). The Company received 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. Because the offers amounted to more than the number of shares offered by the Company (3 305 886 shares), each offer was executed only partially – the offer was reduced in accordance with the principles described in the Invitation, on average by approximately 83.42%.

On 22 March 2019, the Company acquired, through a brokerage house Pekao Investment Banking S.A. with its registered seat in Warsaw, 3 305 886 shares of the Company (treasury 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 established at the level of 13,01 zł. All the purchased shares are ordinary shares with a nominal value of 0.10 zł each. The purchased treasury shares of CPD S.A. (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).

All shares issued by the Company are ordinary shares. The Company's Articles of Association do not grant special rights to the Company's shares, including preference for voting rights or appointing members of the Company's governing bodies. The Company's shareholders do not hold any shares granting special control rights.

As at 31 December 2019 Company's shareholders were:

Party	Country	Number of shares	capital %	voting rights %
Coöperatieve Laxey Worldwide W.A.	the Netherlands	6 857 277	26,00%	29,73%
Furseka Trading and Investments Ltd	Cyprus	4 169 667	15,81%	18,08%
The Value Catalyst Fund plc	Cayman Islands	1 475 343	5,59%	6,40%
QVT Fund LP	Cayman Islands, USA	2 831 755	10,74%	12,28%
LP Value Ltd	British Virgin Islands	1 396 538	5,30%	6,05%
LP Alternative Fund LP	USA	1 395 508	5,29%	6,05%
Laxey Partners	Isle of Man	1 782 969	6,76%	7,73%
Shareholders holding below 5% stake		3 156 097	11,97%	13,68%
		23 065 154	87,46%	100,00%
Treasury shares for redemption		3 305 886	12,54%	0%
Total number of shares		26 371 040	100%	100%

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

Changes in the shareholders structure after balance sheet date were described in note 30.

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements**9 Reserve capital**

	31/12/2019	31/12/2018
Reserve capital	987	987
	987	987

10 Trade payables and other payables

	31/12/2019	31/12/2018
Accrued expenses, including:	115	96
- accrual for audit	115	96
Trade payables	6	32
Tax payables	76	28
Other payables	6	15
	203	171

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

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

11 Borrowings

	31/12/2019	31/12/2018
Long-term loans from related parties	11 657	11 665
Short-term loans from related parties	5 373	5 880
	17 030	17 545

Loan payables as of 31 December 2019 and 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 2019 loan balances are as follows: Lakia Enterprises: PLN 9 897 thousand (capital: PLN 7 402 thousand , interest: PLN 2 496 thousand, during the period PLN 228 thousand of capital was repaid); Lakia Investments is PLN 5 373 thousand (capital: PLN 4 669 thousand, interest: PLN 704 thousand, during the period PLN 590 thousand of capital and PLN 81 thousand of interest was repaid); Robin Investments: PLN 1 760 thousand PLN (capital: PLN 1 600 thousand, interest PLN 160 thousand).

In addition, during first quarter of 2019, the Company was granted with a new loan from subsidiary Imes Poland Sp. z o.o. (interest rate on the loan is 3M WIBOR + margin 1.55%). The loan amounted to PLN 710 thousand and together with interest accrued was fully repaid on 17 May 2019.

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

The loans are not secured.

For the period ended 31 December 2018

Opening balance	17 153
Interests accrued	392
Closing balance	17 545

For the period ended 31 December 2019

Opening balance	17 545
Loans granted	709
Interests accrued	393
Repayments:	(1 617)
- capital repayments	(1 528)
- interests repayments	(89)
Closing balance	17 030

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements**12 Deferred income tax**

	31/12/2019	31/12/2018
Deferred tax liability		
Interest accrued on loans granted	11 705	11 114
Exchange rate differences	2	10
As of 31 December - before offset	11 707	11 124
Offset	(805)	(637)
As of 31 December - after offset	10 902	10 487

	31/12/2019	31/12/2018
Deferred tax asset		
Other accruals	22	16
Interests accrued on loans received	638	581
Tax losses	144	38
Exchange rate differences	1	2
As of 31 December - before offset	805	637
Offset	(805)	(637)
As of 31 December - after offset	0	0

Deferred tax liability	10 902	10 487
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Unrecognized deferred tax assets:

The following are temporary differences for which no deferred tax asset was recognized:

	31/12/2019	31/12/2018
Impairment of investments in related parties	29 700	29 070
Impairment of loans granted to related parties	75 692	81 748
Unrecognized deferred tax assets	105 393	110 818

Unutilized tax losses:

	loss value	remaining amount to be utilized
tax loss for 2019	559	559
tax loss for 2015	929	201

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements**13 Revenue from sales**

	12 months ended 31/12/2019	12 months ended 31/12/2018
Proceeds from sales:		
- domestic sales	4	0
	4	0

14 Administrative costs

	12 months ended 31/12/2019	12 months ended 31/12/2018
Consulting services	257	769
Payroll costs	2 408	894
Non deductible VAT	148	156
Audit costs	150	162
Other costs	614	254
	3 577	2 235

15 Other operating income

	12 months ended 31/12/2019	12 months ended 31/12/2018
Release of provisions	0	1 829
	0	1 829

16 Other operating costs

	12 months ended 31/12/2019	12 months ended 31/12/2018
Write off of receivables	60	0
Other	0	16
	60	16

17 Result from revaluation of loans to fair value

	12 months ended 31/12/2019	12 months ended 31/12/2018
Result from revaluation of loans to fair value	10 406	12 655
	10 406	12 655

Since 1 January 2018, the Company applies IFRS 9 "Financial Instruments" for the purpose of loans granted presentation and valuation. As a result of the application of the standard the method of valuation of loans granted changed. The Company used to recognize loans granted under amortized cost method, while since 1 January 2018 loans are measured at fair value through profit and loss. The company presents the cumulative effect of interest income on loans granted and the effect of revaluation in one line of the statement of comprehensive income as a fair value adjustment on loans granted. More information on the application of IFRS 9 for the first time is presented in the Company's annual report for the year ended 31 December 2018.

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements**18 Financial income and expenses**

	12 months ended	12 months ended
	31/12/2019	31/12/2018
Interest income:	151	854
- Interest on deposits	151	656
- Other interest	0	198
Dividends received	22 427	0
Other financial income	919	1 225
Net exchange differences	0	94
Financial income	23 497	2 173

On 1 August 2019, the Extraordinary Shareholders Meeting of Challenge Eighteen Sp. z o.o., a subsidiary of CPD S.A., declared dividend payment amounting to PLN 22 427 328,69.

Interest costs:	393	392
- Interest from related parties (Note 23)	393	392
Impairment of investments	3 317	0
Net exchange differences	38	0
Financial costs	3 748	392

19 Income tax

	12 months ended	12 months ended
	31/12/2019	31/12/2018
Current income tax	0	5
Deferred income tax	414	(6 741)
	414	(6 736)

20 Effective tax rate

	12 months ended	12 months ended
	31/12/2019	31/12/2018
Profit (Loss) before taxes	26 509	14 009
Tax rate	19%	19%
Income tax rate 19%	(5 037)	(2 662)
Release of the tax provision	0	348
Impairment value of loans receivable	1 151	637
Impairment of investments in subsidiaries	(630)	0
Dividends received	4 261	0
Interest on merger with a subsidiary	0	8 400
Other	(159)	13
Tax	(414)	6 736

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements**21 Cash flow from operating activities**

	12 months ended	12 months ended
	31/12/2019	31/12/2018
Profit/loss before tax	26 509	14 009
Adjustments for:		
– exchange differences	0	94
– depreciation	0	0
– interest costs	393	392
– cash received due to merger with other entity	0	121
– impairment of investments in subsidiaries	3 317	0
– interest income	0	(10 155)
– results of loans granted revaluation	(10 406)	(3 354)
Changes in working capital:		
– changes in receivables	(67)	(381)
– changes in provisions	0	0
– change in trade liabilities and other	30	(1 965)
	19 776	(1 239)

22 Commitments and guarantees secured by the assets of the unit

During 2019 Belise Investments Sp. z o.o. as the borrower and the CPD S.A. as a guarantor were a party to the loan agreement with Santander Bank. The Company is the guarantor of due and outstanding payments on the loan described above.

The Company and its subsidiaries granted collateral in connection with the agreement of 28 February 2018 providing a revolving loan for financing a residential project between Ursa Park Smart City Investments spółka z ograniczoną odpowiedzialnością sp. k. a subsidiary of the Company and the Bank Millennium S.A., based on which Ursa Park Smart City Investments spółka z ograniczoną odpowiedzialnością sp. k. was granted with a revolving loan in the amount of PLN 25,000,000 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. In the first quarter of 2019, the loan liability was repaid in full and the contract was terminated.

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements**23 Related party transactions**

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

Furthermore CPD S.A. enters into transactions with key management, subsidiaries and other affiliated parties either controlled by key staff of CPD Group or affiliated through relationship of Supervisory Board Members.

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

	12 months ended	12 months ended
	31/12/2019	31/12/2018
a) Transactions with key management personnel		
Remuneration of members of the Board of Directors	1 618	240
Remuneration of members of the Supervisory Board	552	575
b) Transactions with subsidiaries		
Revenues		
<i>2/124 Gaston Investments</i>	133	134
<i>3/93 Gaston Investments</i>	121	122
<i>Ursa Park Smart City</i>	68	359
<i>Lakia Investments</i>	4	0
<i>5/92 Gaston Investments</i>	240	196
<i>6/150 Gaston Investments</i>	67	56
<i>7/120 Gaston Investments</i>	72	61
<i>8/126 Gaston Investments</i>	0	20
<i>9/151 Gaston Investments</i>	0	7
<i>10/165 Gaston Investments</i>	0	11
<i>12/132 Gaston Investments</i>	145	122
<i>13/155 Gaston Investments</i>	167	144
<i>15/167 Gaston Investments</i>	0	10
<i>16/88 Gaston Investments</i>	25	25
<i>18 Gaston Investments</i>	38	43
<i>19/97 Gaston Investments</i>	29	25
<i>20/140 Gaston Investments</i>	35	30
<i>Antigo Investments</i>	75	84
<i>Belise Investments</i>	1 275	1 290
<i>Buffy Holdings No1 Ltd</i>	0	3 435
<i>Celtic Asset Management</i>	35	34
<i>Celtic Investments Ltd</i>	8	8
<i>Challenge Eighteen</i>	958	2 542
<i>Elara Investments</i>	102	99
<i>Gaston Investments</i>	200	220
<i>Hub Developments</i>	81	82
<i>Lakia Enterprises Ltd</i>	857	843
<i>Mandy Investments</i>	540	525

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements**23 Related party transactions (continued)**

	12 months ended 31/12/2019	12 months ended 31/12/2018
Costs		
<i>Celtic Asset Management</i>	0	0
<i>Lakia Investments</i>	164	171
<i>Lakia Enterprises Ltd</i>	169	169
<i>Gaston Investments</i>	6	6
<i>Imes Poland</i>	8	0
<i>Challenge Eighteen</i>	21	0
<i>Robin Investments</i>	52	52
	31/12/2019	31/12/2018
Liabilities		
<i>Lakia Enterprises Ltd</i>	9 897	9 957
<i>Lakia Investments</i>	5 373	5 880
<i>Robin Investments</i>	1 760	1 708
<i>Gaston Investments</i>	2	2
	31/12/2019	31/12/2018
Receivables		
<i>2/124 Gaston Investments</i>	0	3 932
<i>3/93 Gaston Investments</i>	0	3 690
<i>Ursa Park Smart City</i>	0	359
<i>5/92 Gaston Investments</i>	6 505	6 073
<i>6/150 Gaston Investments</i>	2 134	1 831
<i>7/120 Gaston Investments</i>	2 192	1 925
<i>12/132 Gaston Investments</i>	4 080	3 453
<i>13/155 Gaston Investments</i>	5 134	4 322
<i>19/97 Gaston Investments</i>	296	752
<i>20/140 Gaston Investments</i>	364	899
<i>Belise Investments</i>	12 985	14 671
<i>Celtic Asset Management</i>	713	630
<i>Challenge Eighteen</i>	25 287	51 165
<i>Elara Investments</i>	1 235	635
<i>Gaston Investments</i>	0	250
<i>Hub Developments</i>	1 415	1 351
<i>Lakia Enterprises Ltd</i>	14 441	24 846
<i>Lakia Investments</i>	2	0
c) Transactions with other related party		
<i>Kancelaria Radców Prawnych Oleś&Rodzynekiewicz sp. komandytowa</i>	17	70
d) Transactions with shareholders		
<i>Laxey - loan granted</i>	0	329
<i>Result from revaluation to fair value</i>	0	(92)
	0	237

The loan was repaid in April 2019.

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements**24 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.

	12 months ended	12 months ended
	31/12/2019	31/12/2018
Profit attributable to the shareholders	26 095	20 745
Weighted average number of ordinary shares (in '000)	23 790	35 477
Earnings per share	1,10	0,58
Diluted profit attributable to shareholders	26 095	20 745
Weighted average number of ordinary shares (in '000)	23 790	35 477
Diluted earnings per share	1,10	0,58

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.

25 Merger

On 3 April 2018, Board of CPD SA, on the basis of art. 504 in connection with art. 402(1) § 1 in connection with art. 516(1) of the Commercial Companies' Code 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 Merger Plan agreed on by the Management Boards of the Issuer and BUFFY on 22 December 2017.

On 22 November 2018 merger of the Company with Buffy was registered. 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 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 December 2017. According to the content of art. 494 § 1 k.s.h. the Company entered into 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, a decrease in equity of PLN 172,979 thousand was recorded in the books of the acquiring entity (CPD S.A.).

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements**25 Merger (continued)****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)	(172 979)
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26 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.

27 Employment

As at 31 December 2019 the company employed 4 employees. As at 31 December 2018 the company employed no employees.

28 Loans and other benefits granted to members of the Management and Supervisory Board

Except for remuneration of Management and Supervisory Board members, as disclosed in note 23, there were no other transactions with members of these bodies during 2018 and 2019.

29 Auditor's remuneration

	12 months ended	12 months ended
	31/12/2019	31/12/2018
Remuneration paid or payable to the entity authorized to audit financial statements for the year	150	162

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

30 Events after the balance sheet date

The Management Board of CPD S.A., acting on the basis of Resolution no 1/III/2020 of the Management Board of the Company dated 2 March 2020 on the buy-back of the Company's shares, in connection with the Resolution No. 3 of the Extraordinary General Meeting of CPD S.A. dated 28 February 2019 on acquisition of the shares of the Company for the purpose of redemption, amended by the Resolution no 3 of the Extraordinary General Meeting of CPD S.A. dated 2 March 2020, invited the Company's shareholders to submit proposals for the sales of shares in accordance with the terms and conditions as specified in the Invitation to Submit Proposals for Sales of Shares.

On 26 March 2020, the Company, as a result of the announced Invitation to Submit Proposals for Sales of Shares of the Company, purchased through a brokerage house Pekao Investment Banking S.A., 614,385 shares of the Company (treasury shares). All the purchased shares are ordinary shares with a nominal value of 0.10 zł each. The purchased treasury shares of CPD S.A. (number of the 614,385 shares) represent 2.33% of the Company's share capital and represent 614,385 votes at the General Meeting of the Company (2.33% of voting rights at the General Meeting of the Company). Prior to the above mentioned purchase of 614,385 shares, the Company already owned other than those indicated above, number of 3,305,886 treasury shares representing 12.54 % of the Company's share capital and representing 3,305,886 votes at the General Meeting of the Company (12.54 % of voting rights at the General Meeting of the Company). After the acquisition, the Company jointly holds 3,920,271 treasury shares, representing jointly 14.87% 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 treasury shares.

Impact of the COVID - 19 epidemic on the values of selected assets of the Company

At the end of 2019, news from China appeared for the first time about the spread of the new coronavirus causing COVID-19 disease. In the first months of 2020, the virus spread around the world, and its negative impact affected many countries. The Management Board of the Company considers such a situation as an event that does not cause adjustments to the financial statements for 2019, but as an event after the balance sheet date requiring additional disclosures. As the situation is still developing, the Management Board believes that it is not possible to provide quantitative estimates of the potential impact of the current situation on the entity. The impact of the COVID-19 epidemic may in the future affect the valuation of the Company's assets, in particular loans granted and investments in subsidiaries, which depends on the valuation of real estate assets owned by the Company's subsidiaries. This applies to the following classes of assets held by subsidiaries of the Company:

1) Investment property

At the end of December 2019 the main element of the group's investment properties was the office building.

Due to the fact that it is not known when the freedom to conduct business activity in Poland will be fully restored, what will be the impact of the economic situation on the behavior of consumers and producers, and what will be the impact of the situation on the financial position of tenants, at present it can not be assessed to what extent the COVID-19 epidemic will affect the value of the group's office building and to what extent it will reduce rental income in future periods.

The company is in contact with tenants who have notified a deterioration in their financial condition. The Company is conducting talks with tenants about improving tenants' liquidity by postponing rent payments to the later months of 2020. The Company's subsidiary, which owns the office building, received rent receivables in March while, it proposed to defer the payment of rents for several tenants due in April 2020.

To sum up, the value of the office building in future periods depends on the economic condition of tenants in the following months, which at the moment is impossible to estimate.

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements**30 Events after the balance sheet date (continued)****2) Development activities**

At the end of December 2019, the value of investments in joint ventures Ursa Park, Ursa Home and Ursa Sky amounted to PLN 32 million.

As of today, the Company has not observed a significant decrease in the pace of work on ongoing investments, and the General Contractor maintains the current commitment dates to individual stages of the project.

In April, the Company recorded a slight decrease in the finalization of development contracts with clients, which, in the Company's opinion, is caused by the impact of the COVID-19 epidemic. The finalization of a development contract requires the purchaser to visit the notary office personally, which means an additional risk of visiting a place where other people are staying. On the other hand, the company did not record withdrawals from the reservation agreements above the normal level.

At present it cannot be assessed what will be the impact of the epidemic on the financial possibilities and purchasing behavior of the buyers. In the event of job loss or a threat to their primary source of income, the clients may be forced to stop or postpone their purchasing plans. In the event of further long-term maintenance of the economy's closure, it cannot be excluded that there may be withdrawals from already concluded development contracts due to loss of liquidity of some buyers.

To sum up the value of investments in joint ventures depends on many factors still unknown and unpredictable. The Company considers as significant such factors as the scope and duration of restrictions in the economy, the impact of restrictions on the situation of the Company's clients, the policy of banks regarding mortgage loans and the purchasing behavior of the clients.

3) Investment properties classified under assets held for sale

At the end of December 2019, the carrying value of investment properties held for sale amounted to PLN 226 million.

At present, the Company has not observed a decrease in interest in purchasing real estate from potential buyers, however buyers report a prolonged process of due diligence studies and delays in obtaining financing bank loans. These factors will have an impact on the deadlines for the conclusion of ownership transfer agreements. Additionally, in the future it cannot be excluded that in the event of prolonged economic slowdown, withdrawal from concluded contracts may occur due to deterioration of buyers' liquidity or problems with obtaining financing for the purchase of real estate belonging to the Group.

Due to the fact that it is currently impossible to estimate the duration of the economic slowdown caused by the limitation of business activity and the recommended isolation of individual social groups, it is impossible to estimate the impact of the COVID - 19 epidemic on the value of real estate classified as held for sale.

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

These financial statements have been approved by the Board on 28 April 2020 and signed on its behalf by:

Colin Kingsnorth
Chairman of the Board

Elżbieta Donata Wiczowska
Board Member

John Purcell
Board Member

Iwona Makarewicz
Board Member

Marzena Kaczmarek
The person responsible for accounting records