



CONSOLIDATED ANNUAL REPORT 2019



CPD S.A.
REPORT ON THE CAPITAL GROUP'S ACTIVITY
FOR THE YEAR ENDED ON 31 DECEMBER 2019

TRANSLATORS' EXPLANATORY NOTE

The following document is a free translation of the CPD S.A Consolidated Annual Report 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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THE MANAGEMENT BOARD'S LETTER

Ladies and Gentlemen, Dear Shareholders,

We are pleased to provide you with the Annual Report of the CPD S.A. for 2019. This year was another important year for the implementation of the assumed strategic goals and continuation of the Group's initiated projects.

This was possible thanks to the continuation of the Ursa Smart City housing project, the implementation of which began in 2014 after the adoption of the Master Plan for the areas located in Ursus. In 2019, the construction of the next stage of the project under the name Ursa Home began. This is another 20,000 sq m of residential and service space that is planned to be put into use at the turn of 2020/2021.

The success of the previous stages of the Ursa housing project has significantly contributed to the increase in the value of investment areas owned by the CPD SA Group in this area. Thanks to this, the Group partially monetized the land bank, which enabled it to achieve profit in 2019 of 60 mln PLN.

At the same time, as in previous years, in 2019 we took active steps to maximize rental income. We maintained a high level of commercialization of the Iris and Aquarius office buildings located in Warsaw.

In 2016-2020, the Company bought back its own shares for redemption. On this basis, our shareholders received a total of 206,2 mln PLN.

The Group's intention for the next years is to continue the housing project and further monetize the owned land bank in order to maximize the return on investment made by our Shareholders.

The long-term, consistently implemented strategy of action allowed to maintain a stable financial situation of the Group, despite the unpredictable situation on the housing and financial market due to the Sars Cov 2 virus epidemic. All further actions aimed at maintaining a stable financial situation of the Group in the following months of the epidemic will be based on an in-depth analysis of the dynamically changing situation.

To sum up the entire previous year, very intense but also extremely favorable for the Group, I would like to thank all our Employees and Associates for the effort put into launching the Group's key project and implementation of other projects. I thank our Clients for their trust bestowed on us. I also thank the members of the Supervisory Board of CPD S.A. for their commitment and effort put into building the Company's position. On the other hand, I greatly thank the Shareholders for their confidence and capital involvement in CPD S.A.

Yours sincerely

The Management Board of CPD S.A.

SUPERVISORY BOARD AND AUDIT COMMITTEE

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 MIROŚLAW 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 Ms 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)**

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 one-year post-graduate course in corporate law at the Faculty of Law of the University of Warsaw. He also completed a 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.

MANAGEMENT BOARD

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 WICZKOWSKA – MEMBER OF THE MANAGEMENT BOARD**

Ms Elżbieta Wiczowska was appointed to the Management Board for a third term on 17 June 2015. The term of office of Ms Elżbieta Wiczowska expires on 17 June 2020. Ms Elżbieta Wiczowska has a higher education degree in medicine. She completed medical studies at the Physicians Faculty of the Medical Academy in Szczecin. Ms Elżbieta Wiczowska 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 Wiczowska 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 23 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 would include adopting a resolution on the election of the President of the Management Board of CPD S.A. i.e. 23rd of September 2019. At the

same time, Ms. Wiczowska remained in the Management Board and serves as a Member of the Company's Management Board.

- On 23 September 2019 the Company's Supervisory Board adopted a resolution on appointment of Mr. Colin Kingsnorth, at that 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 MEN AND WOMEN IN THE MANAGEMENT BOARD AND SUPERVISORY BOARD

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

Supervisory Board CPD S.A.

date	women	men
31 December 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'S REPORT ON THE GROUP'S ACTIVITY

1. INFORMATION ON CPD GROUP

CPD Group started its activities in Poland in 1999 from the foundation of Celtic Asset Management Sp. z o.o. In subsequent years, 1999-2005, the activities of the company focused on building and managing a real estate portfolio for external institutions in Poland, Czech Republic, Lithuania, Romania, Hungary and Germany. In 2005 Celtic Asset Management Sp. z o.o started development activity in cooperation with several funds managed by Laxey Partners. In 2007 the consolidation of the group under the name Celtic Property Developments SA (BVI) was performed and in 2008 the listing of the company Celtic Property Developments SA (BVI) began on a deregulated market (Freiverkehr) in Frankfurt. In the period from 2005 to 2010 the Company'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 Group contributed to creation of a strong and stable Capital Group, which debuted on the Warsaw Stock Exchange on 23 December 2010. 17th of September 2014 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. CAPITAL GROUP STRUCTURE

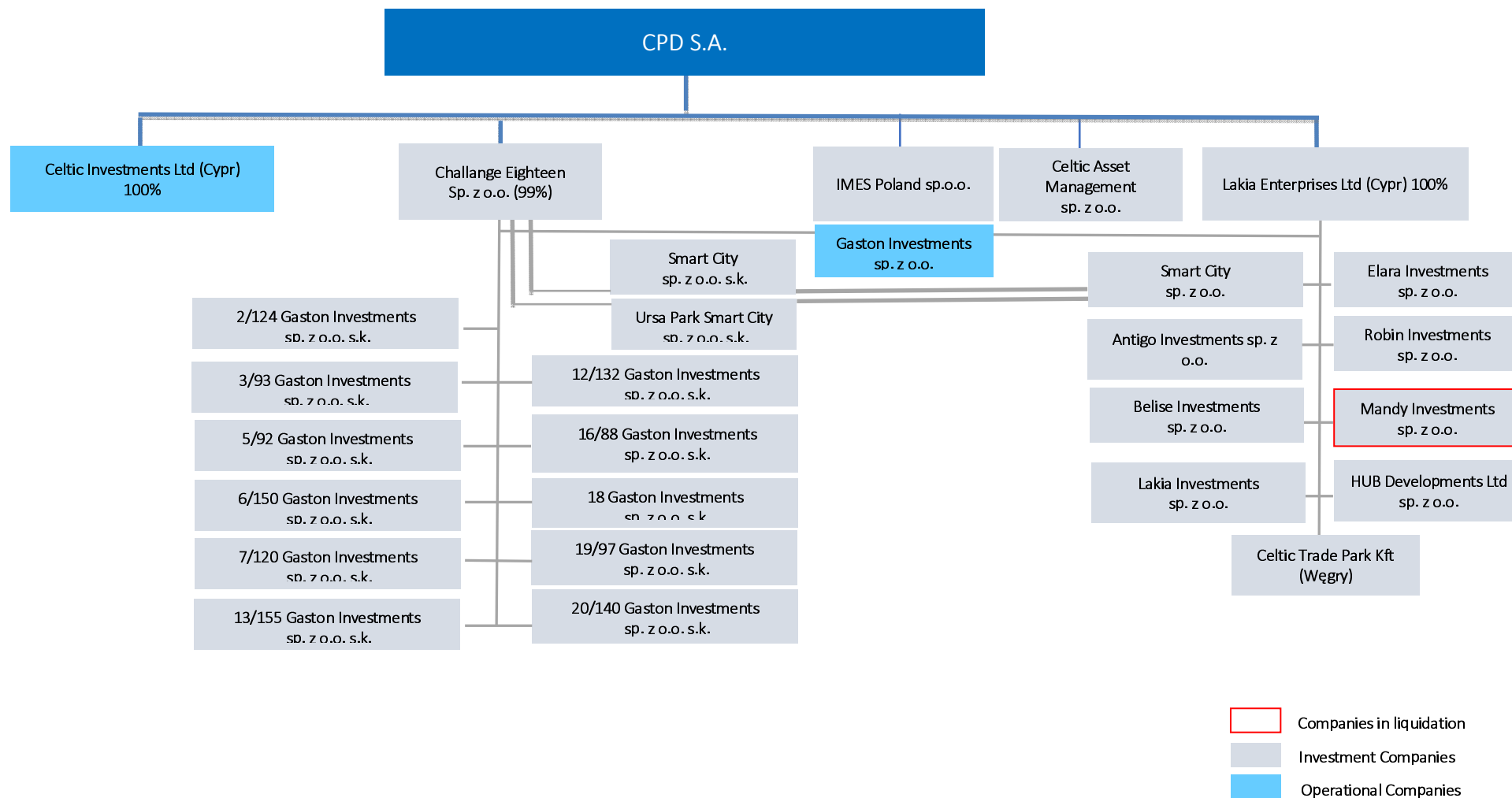
As of the day of publication hereof, the CPD Group (hereinafter referred to as "the Group", "CPD Group", "the Capital Group") was composed of a dominant entity – CPD S.A. (hereinafter referred to as "the Company") and 26 subsidiaries and two jointly controlled. Development activities of the Group are conducted via investment companies, direct subsidiaries of Challenge Eighteen sp. z o.o. and Lalka Enterprises Ltd (Cyprus). The dominant entity - CPD S.A. - coordinates and supervises the activities of particular subsidiaries and at the same time is the centre for making decisions on the development strategy. CPD S.A. performs actions aiming at optimising the operating costs of the Capital Group, designs the Group's investment and marketing policies and serves as the coordinator of this activity.

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

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.

CPD S.A. ANNUAL REPORT OF THE CAPITAL GROUP FOR THE YEAR 2019

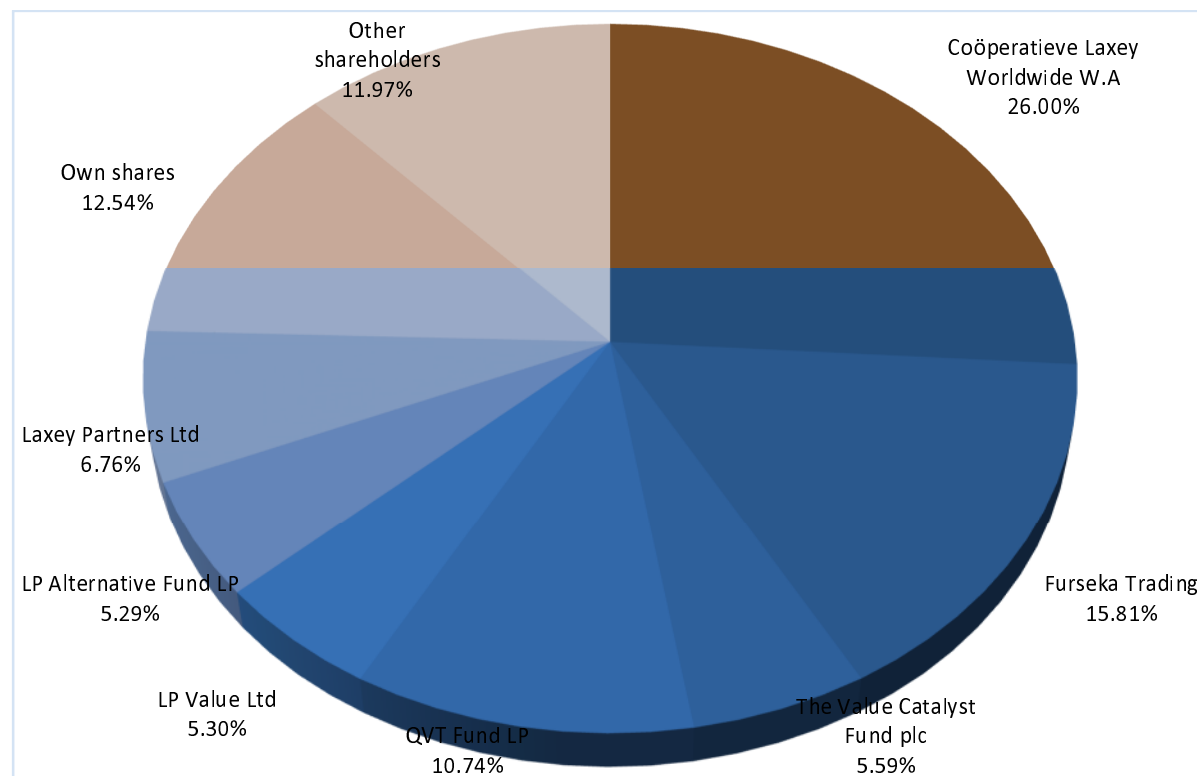
CPD S.A. Group structure on the 31 December 2019



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 the preferential vote or appointment of members to the Company Management Board or Supervisory Board. The Company's shareholders do not own shares offering 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, 3 305 866 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, 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 shareholders' notices pursuant to Article 69 of the Act on Public Offering or the data included in the prospectus) are:

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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 affairs 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 procuration 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 By-laws. The Statute and the General Meeting 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 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 THE ISSUER AND THEIR COMMITTEES**

SUPERVISORY BOARD

The Supervisory Board acts in accordance with provisions of the Code of Commercial Companies and 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 recommendation is 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 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 in 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.e. 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 transmissions, 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 this 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.cpsa.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 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 Management 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); the 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 30th of 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. CORPORATE SOCIAL RESPONSIBILITY

CPD Group perceives its activities in the field of development projects in the broader context of creating a modern, multidimensional urban space, providing new quality of life for residents and users

of implemented investments. The Group expresses its responsibility for the environment through the support for various social and cultural initiatives, directly or indirectly related to its investment business.

For the last few years CPD Group has been leasing a building to the Arsus Centre for a symbolic amount of PLN 100 per month, which allows the centre to allocate more funds for its statutory activities. The Arsus Centre, operating since 1992, is located at Traktorzystów 14 street on a site belonging currently to CPD Group. It includes a fully equipped cinema with 500 seats, a room with stage and 120 seats, an "Arsus" basement for alternative activities (concerts, theatre plays, performance), a modern art gallery "Ad-Hoc", as well as club rooms to conduct artistic amateur activities.

In relation to our key development project on former ZPC Ursus industrial land, and being aware of our role in such a comprehensive task as revitalisation of this area, CPD Group has for several years been undertaking initiatives exceeding the scope of typical real estate development and construction.

In 2020, the CPD Group will continue leasing of the building of the Arsus Center for a symbolic lease rate of PLN 100 per month and, if financial resources are available, will continue the prosocial initiatives taken, convinced that they will bring tangible results to both direct beneficiaries and communities, in which they will be implemented.

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

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

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

6. STRATEGY AND POLICY REGARDING FURTHER GROUP DEVELOPMENT DIRECTIONS

In the past years the Group implemented a strategy aimed at building the value of the Group's assets successively and consistently through maximisation of proceeds from rents and comprehensive 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.

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

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

The main market for the CPD Capital Group is Poland, in particular, 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 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 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)

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 4th of 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 – it 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.

- **CONCLUSION OF THE CONTRACT FOR CONSTRUCTION WORKS AND THE AMENDEDMENT TO THE INVESTMENT AGREEMENT**

16 July 2019 by a subsidiary of CPD S.A. as the ordering party signed a contract for construction works in general contracting system with the company Unibep S.A. within the framework of URSA HOME project. The investment is a joint construction venture consisting in joint realization by the companies from the Company's capital group and members of Unibep Capital Group (Unibep Group) of the complex of blocks of flats with shops and ancillary infrastructure.

The principal is URSA PARK Smart City Sp. z o.o. spółka komandytowa with the corporate seat in Warsaw, in which the limited partner is the Issuer's subsidiary Challenge Eighteen Sp. z o.o. and the unlimited partner is the Issuer's subsidiary Smart City Sp. z o.o. The subject matter of the contract is realization of the Project 2 within the meaning of the Investment Agreement, i.e. residential estate consisting of construction of 3 blocks of flats with underground garage and land arrangement. The works will be carried out in two stages. The erected blocks of 7 over-ground levels will contain in total 341 flats, 17 shops and 342 parking places.

The 1st stage is expected to start in 3rd quarter of 2019 and to end in 4th quarter of 2020. The 2nd stage is expected to start in 3rd quarter of 2019 and to end in 1st quarter of 2021. The implementation of both stages of the project has begun and is proceeding in line with the timetable provided in the contract.

The fee for completion of the 1 stage amounts to ca. zł 41.3 million net and for completion of the 2nd stage ca. zł 43.50 million net.

The contract provides for a possibility to charge contractual penalties by the Contractor to the Principal for waiver of the contract caused by the Principal's fault at 10% for a given stage. The provision on contractual penalties does not prevent the Contractor from claiming compensation higher than the contractual penalties on common terms.

Other contractual provisions, including security of proper implementation of the Contract and the possibility of waiver, do not differ from typical provisions of such contracts.

The Management Board of CPD further informs of execution on 16 July 2019 of the annex to the investment contract concerning joint realization with Unibep group of Ursa Home construction investment. The annex changes the expected fee of the Contractor for its construction works in Ursa Home investment and increases the valuation of the share in profit of CPD's subsidiary for participation in the company that handles the investment.

- **CONCLUSION OF THE FINAL CONTRACT ON SALE OF THE RIGHT TO PERPETUAL USUFRUCT OF REAL PROPERTY OWNED BY A SUBSIDIARY OF THE ISSUER, IMES POLAND SP. Z O.O.**

On 18 September 2019 a subsidiary of the Issuer, i.e. IMES Poland sp. z o.o. with its registered office in Warsaw, concluded a final contract on sale of the right of perpetual usufruct to the real property consisting of plot No. 98/2, 2-09-09 with an area of 6,5203 m², located in Warsaw, Ursus District, near Gierdziejewski Street, to Ronson Development – City 3 sp. z o.o. sp. k. The contract was concluded pursuant to preliminary and conditional purchase contracts.

- **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.

- **CONCLUSION OF THE CONDITIONAL CONTRACT ON SALE OF THE RIGHT TO PERPETUAL USUFRUCT OF PROPERTIES BELONGING TO THE ISSUER'S SUBSIDIARIES**

On 30th of October 2019 the Issuer's subsidiaries 2/124 Gaston Investments limited liability company with the corporate seat in Warsaw and 3/93 Gaston Investments limited liability company with the corporate seat in Warsaw concluded a conditional contract on sale of the right to perpetual usufruct of real property consisting of plot No. 124/2, zone No. 2- 09-09 with an area of 10,726 m² and plot no. 93/3, zone No. 2-09-09 with an area of 25,830 m², located in Warsaw, in the Ursus district, to NEOTOWNS limited liability company with its corporate seat in Warsaw and NEOVITA NOVA Limited Liability Company with its corporate seat in Warsaw.

Pursuant to the provisions of the Local Zoning Plan, the property is intended for residential and service areas.

The condition for concluding the promised sale contract was not exercising by the President of the Capital City of Warsaw of the pre-emption rights of the municipality of the Capital City of Warsaw to the plots of land No. 124/2 and 93/3.

The provisions of the Contract concluded by the Parties did not depart from the standards generally applicable to this type of agreement.

- **CONCLUSION OF THE CONTRACT ON SALE OF THE RIGHT TO PERPETUAL USUFRUCT OF PROPERTIES BELONGING TO THE ISSUER'S SUBSIDIARIES**

On 5th of December 2019 the Issuer's subsidiaries 2/124 Gaston Investments limited liability company with the corporate seat in Warsaw and 3/93 Gaston Investments limited liability company with the corporate seat in Warsaw concluded a contract on transfer of the right to perpetual usufruct of real property consisting of plots No. 124/2, zone No. 2-09-09 with an area of 10,726 m² and No. 93/3, zone number 2-09-09 with an area of 25,830 m², located in Warsaw, in the Ursus district, to NEOTOWNS limited liability company with its corporate seat in Warsaw and NEOVITA NOVA limited liability company with its corporate seat in Warsaw.

The condition for concluding the promised sale contract was not exercising by the President of the Capital City of Warsaw of the pre-emption rights of the municipality of the Capital City of Warsaw to the plots of land No. 124/2 and 93/3. Due to the fact that the President of the Capital City of Warsaw did not exercise this right, the condition was deemed to be met.

The sale price of the right to perpetual usufruct of the property was set at 70,669,350 zlotys.

Other provisions of the Contracts concluded by the Selling Companies do not diverge from the standards commonly used for this type of agreements.

- **CONCLUSION OF CONDITIONAL SALE CONTRACTS AND ESTABLISHMENT OF SECURITY**

On 20th of December 2019 the Issuer's subsidiaries concluded conditional contracts for the sale of the right of perpetual usufruct of real estate, i.e.:

1. 7/120 Gaston Investments limited liability company with the corporate seat in Warsaw, plots No. 120/6, 120/13, 120/7, 120/8 and 120/12, zone 2-09-09, located in Warsaw, Ursus district, to Aurec Capital Development Poland sp. z o.o. the corporate seat in Warsaw. The sale price was set at approx. 19 million zł. 7/120 Gaston Investments limited liability company established as a security a joint contractual mortgage of up to zł 2,700,000.00 on the real properties located in Warsaw, described in land and mortgage registers No. WA1M / 00412696/0 and WA5M / 00457639/8, kept by the District Court for Warsaw-Mokotów in Warsaw, 13th Land and Mortgage Register Division;

2. 19/97 Gaston Investments limited liability company with the corporate seat in Warsaw, plot no. 97, zone 2-09-09, located in Warsaw, Ursus district, to Agra Development sp.z o.o. the corporate seat in Warsaw. The sale price was set at approximately 8.3 million zł. 19/97 Gaston Investments limited company sp.k. established a contractual mortgage up to the amount of zł 1,200,000.00 on the real property located in Warsaw, described in land and mortgage register No. WA1M / 00283129/1, kept by the District Court for Warsaw-Mokotów in Warsaw, 13th Land and Mortgage Register Division.

In addition, the Company's Management Board became aware that the Issuer's subsidiaries granted security for claims for the return of advance payments made by Agra Development sp. z o.o. with the corporate seat in Warsaw pursuant to preliminary sale contracts of total value of zł 23.2 million, leading to the sale of the right to land properties located in Warsaw in the Ursus district.

These safeguards include:

- joint contractual mortgage up to the amount of zł 2,800,000.00 established by 6/150 Gaston Investments spółka z ograniczoną odpowiedzialnością sp.k. on the real property located in Warsaw, described in land and mortgage registers No. WA1M / 00454073/3 and WA1M / 00338197/9, kept by the District Court for Warsaw-Mokotów in Warsaw, 13th Land and Mortgage Register Division,
- contractual mortgage up to the amount of zł 153,000.00 established by 18 Gaston Investments spółka z ograniczoną odpowiedzialnością sp.k. on the real property located in Warsaw, described in land and mortgage register No. WA1M / 00283412/2, kept by the District Court for Warsaw-Mokotów in Warsaw, 13th Land and Mortgage Register Division,
- contractual mortgage up to the amount of zł 7,321.54 established by 18 Gaston Investments spółka z ograniczoną odpowiedzialnością sp.k. on the real property located in Warsaw, described in the land and mortgage register No. WA1M / 00454074/0, kept by the District Court for Warsaw-Mokotów in Warsaw, 13th Land and Mortgage Register Division,
- contractual mortgage up to the amount of zł 1,000,000.00 established by 20/140 Gaston Investments spółka z ograniczoną odpowiedzialnością sp.k. on the real property located in Warsaw, described in land and mortgage register No. WA1M / 00233090/3, kept by the District Court for Warsaw-Mokotów in Warsaw, 13th Land and Mortgage Register Division.

8. ASSESSMENT OF INVESTMENT POSSIBILITIES

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

The value of the properties owned by the Group, including investment properties, properties held for sale and inventories at the end of 2019 amounted to PLN 346.51 million, compared to PLN 434.1 million at the end of 2018. Valuations of investment properties and inventories located in Poland as at the end of 2019, as in the preceding year, were carried out by an independent appraiser - Savills Polska Sp. z o.o.

The table below presents a list of properties belonging to the Group as at 31 December 2019.

Type			Valuation 31.12.2019 (mln PLN)
Investments properties			100.21
Office and logistics			96.86
Capitalised perpetual usufruct charges			3.35
Properties held for sale			242.71
Residential, retail and office			226.04
Capitalised perpetual usufruct charges			16.67
Inventory (at fair value)			3.59
1	Poland	Residential, agricultural land, building plots	2.80
2	Hungary	Warehouse/office	0.61
Capitalised perpetual usufruct charges			0.19
PORTFOLIO IN TOTAL			346.51

• URSUS

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

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

According to the local zoning plan, the purchased property with the adjacent area is in the process of transformation into a unique and modern residential - recreational – educational complex on the

area of over 200 ha. Thanks to its location, modern communication solutions and unique residential - educational – recreational complex functions, it will offer its residents a high quality of life.

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

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

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

The sales of the I and II phases of the venture were commenced respectively in December 2015 and in April 2016. At the date of this document, 100% of residential investment was sold. Debt financing for the first and second phase from BZ WBK bank has been fully repaid. In 2017, the company from the CPD Group was returned its land contribution of PLN 18 million and Unidevelopment SA was returned its own contribution in Smart City Sp. z o.o. Sp.k. in the amount of PLN 11 million. In addition, in 2017 the partners of Smart City Sp. z o.o. Sp.k. received the investment profit in the total amount of PLN 15 million (the profit was split by half for each party, i.e. companies from the CPD Group received PLN 7.5 million and Unidevelopment also received PLN 7.5 million). In 2018 the shareholders of Smart City sp. z o.o. sp.k. received the investment profit in a total amount of PLN 7.4 million (the profit was divided in two halves, one for each shareholder, i.e. CPD SA companies received PLN 3.7 million and Unidevelopment received PLN 3.7 million). In 2019 the shareholders of Smart City sp. z o.o. sp.k. received the investment profit in a total amount of PLN 4.8 million (the profit was divided in two halves, one for each shareholder, i.e. CPD SA companies received PLN 2.4 million and Unidevelopment also received PLN 2.4 million).

The investment was accomplished in December 2019.

In February 2017, the II Stage of the residential and services project Smart City was launched on the investments areas neighbouring directly the I Stage of Smart City.

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

Five hectares investment land has been divided into 3 phases. Ursa Park Project is I Phase of II Stage of Smart City and it was developed on an area covering 1.3 hectares, as a residential project with services with an usable area of 22 thousand square meters.

The project was developed in two Tasks and was offering predominantly apartments with areas ranging from 40 - 80 m². The implementation of the project was a continuation of cooperation with the Unibep S.A. capital group with the active participation of its subsidiary Unidevelopment S.A. As at the date of this document, 100% of the flats offered in the Ursa Park project have been sold and commissioned.

In 2018 the company belonging to CPD Group was returned part of its land contribution in the amount of PLN 12.08 million and Unidevelopment SA was returned part of its contribution in the company Ursa Park Smart City sp. z o.o sp. k. in the amount of PLN 6.95 million. In addition, in 2018 the partners of Ursa Park Smart City Sp. z o.o. sp.k. received the investment profit in the total amount of PLN 12 million (the profit was split by half for each party, i.e. companies belonging to the CPD Group received PLN 6 million and Unidevelopment also received PLN 6 million). In 2019 the company from CPD Group was returned part of its land contribution in the amount of PLN 10.23 million , and Unidevelopment SA was returned part of its contribution in the company Ursa Park Smart City sp. z o.o sp. k. in the amount of PLN 1.8. In addition, in 2019 the partners of Ursa Park Smart City Sp. z o.o. sp.k. received the investment profit in the total amount of PLN 16.8 million (the profit was split by half for each party, i.e. companies from the CPD Group received PLN 8.4 million and Unidevelopment also received PLN 8.4 million).

In 2019 the Company began construction of the next stage of the investment, i.e. I Task (out of the two planned) of II Phase of II Stage under the name Ursa Home. Task I will consist of three seven-story buildings and will provide 341 apartments mostly of the area of 40 - 80 m². The total area of the 1st task of Phase II of Stage II is 21,000 sq m. The commissioning of the project is planned for I Q 2021.

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

Along with residential buildings containing shops, creation of a city park is planned to offer a place to relax and spend time together. The park will connect its recreational area to the adjacent area of Culture Center Arsus and the Schools of Social and Educational Society. It will thus create a unique local space offering comprehensive solutions for residents who will decide to reside in II Stage of Smart City. This will create an urban fabric consisting of the park and recreation part, significant educational component and residential and shopping function. A local center created in this way is perfectly adapted to the needs of the local community.

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

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

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

In 2017 a company from the CPD Group and MPWiK concluded the contract on preparation and free-of-charge delivery of project documentation for water supply, sewage and sanitation networks, storm water drainage in the area after ZPC Ursus. As a result of this contract, another one was concluded by six companies from the development industry (CPD Group, Ronson Group, Robyg Group, Nexity Group, Atal Group, Victoria Dom Group), under which the principles of co-financing the project for MPWiK were agreed. Completion of the design works provided in the contract is scheduled for June 2020.

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

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

All of the above activities have enabled transformation of the post-industrial areas into very attractive areas for multi-family housing. In the years 2016-2019, companies from the capital group conducting works on Ursus, monetized all the areas designated for residential development under concluded sales contracts.

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

The IRIS building is the final stage of the office and residential project located at the corner of Cybernetyki and Postępu streets in Warsaw's Mokotów district. It is a six-storey office building with the total lease area of circa 14.2 k sqm together with 233 parking places. As of 31 December 2019, the building was leased in 93.3%. The project at the corner of Cybernetyki and Postępu streets is composed of office complexes Cybernetyki Office Park (Helion, Luminar, Solar and Iris buildings) and Mokotów Plaza, as well as Mozaika residential complex. The Group has constructed and sold 3 buildings in Cybernetyki Office Park to date: Helion, Luminar and Mokotów Plaza.

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

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

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

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

➤ **WOLBÓRZ, MAZOWIECKIE VOIVODSHIP**

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

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

➤ **KOSZYKOWA 69**

The real estate at Koszykowa 69 includes a four-storey row house (Ludwik Szanser's row house) and the outbuilding. The house was renovated and extended by CPD Group, offering 14 apartments and commercial areas, which were sold in 2011. As of 31 December 2019, the Group's investment properties portfolio still included the outbuilding. The Group is currently taking actions to relocate the present lessees of the outbuilding.

➤ **CZOSNÓW**

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

➤ **JAKTORÓW**

The land in Jaktorów of the area of 3.2 ha has been purchased by the Group as part of the acquisition of 100% shares in Antigo Investments Sp. z o.o. As of the day of publication hereof, there were still 20.4 k m² for sale.

➤ **NOWA PIASECZNICA**

The land in Nowa Piasecznica has been purchased by the Group as part of the acquisition of 100% shares in Antigo Investments Sp. z o.o. The land in Nowa Piasecznica had a total area of 1.5 ha. As of the day of publication hereof, there were still 6.2 k m² for sale.

➤ **ALSONEMEDI, HUNGARY**

In 2009 the Group purchased land near Budapest of the area of 42,495 m² to develop warehouse space. The real estate is situated in a logistically good location: 20 km south of Budapest and in proximity to main roads. The Group intends to sell this property to a final investor.

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

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

According to the above incentive scheme, on the basis of the last 2 years achievements of the Capital Group of CPD S.A, i.e. sale of the key projects of the Capital Group of CPD S.A., in 2018 and 2019 the

Capital Group's companies paid to the employees, associates and persons providing services to the Capital Group of CPD S.A. the total amount of PLN 8 005 540.

Additionally, the Management Board decided that from 2019 any further payments to the shareholders should be taken into the account by the Company for the next additional incentive remuneration for employees, associates and persons providing services to the Capital Group of CPD S.A in an amount totalling to 4% of the amounts distributed to the shareholders. Therefore, in 2019 the companies of the Capital Group paid the total amount of PLN 1,720,000 to employees, associates and persons providing services for the CPD SA Capital Group.

9. FACTORS AND UNUSUAL EVENTS AFFECTING THE GROUP'S FINANCIAL RESULT

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 of 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 14th of 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” („the Programme”) 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, only 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.

10. FACTORS IMPORTANT FOR FURTHER GROUP DEVELOPMENT

• MACROECONOMIC AND MICROECONOMIC SITUATION IN POLAND

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

In 2019, Poland's GDP growth amounted to 4.0 %, which is clearly less than in 2018. For comparison, in 2018, the Polish economy grew by 5.1 %.

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 coronavirus epidemic in Europe - including the growing number of confirmed cases in Poland - economists are reviewing their estimates. To date (as of 8th of April 2020), the lowest market forecast for Poland's GDP in 2020 has been published by Bank Pekao SA economists (4.4% decline in GDP in 2020).

At the time of publication of this report, it is impossible to fully and reliably estimate the impact of the pandemic on the Company's results and operations. Management takes precautionary measures to minimize the negative effects of the pandemic.

- **SITUATION ON FINANCIAL MARKETS**

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

Due to the spread of the CPVID-19 virus epidemic in Europe, including the increasing number of confirmed cases in Poland, there may be an imbalance of financial liquidity in individual sectors of the economy. This can translate into a reduction in the availability of financing sources and an increase in the cost of debt financing obtained. Such a situation may have a negative impact on the acquisition by individual clients of mortgage bank loans, which may have a direct impact on the decrease in demand for flats among individual customers.

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

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

In 2019, the reference rate of the National Bank of Poland remained at 1.50%. Since 18 March 2020, the reference rate is 1%. Maintaining the current level of interest rates in 2020 should have a positive impact on the attractiveness of mortgage loans as well as their availability, which was significantly reduced in 2013 by the introduction of the so-called Recommendation S, which establishes more restrictive rules for calculating the creditworthiness and the maximum limit of the loan amount and which may be further reduced due to the expected economic recession caused by the COVID-19 pandemic.

At the beginning of March 2020, despite of the increase in inflation compared to 2018, an increase in interest rates – as economists predict - should not be expected in the near future.

However, with the spread of the COVID-19 virus epidemic in Europe - including the growing number of confirmed cases in Poland, it is not possible to predict the decision of the National Bank of Poland regarding the level of the NPB reference rate. In addition, due to the spread of the CPVID-19 pandemic, there may be an imbalance of financial liquidity which may have an indirect negative impact on the acquisition of individual mortgage bank loans by clients and this may have a direct impact on the decrease in demand for flats among individual clients

- **GOVERNMENTAL POLICY SUPPORTING CONSTRUCTION INDUSTRY**

In 2019, the government implemented a new package of solutions - Apartment Plus - divided into two pillars, i.e. market and social. The market pillar enables people with moderate incomes who are not creditworthy to rent an apartment with the option of owning the apartment. The second pillar is the housing segment for the average and lowest earners who can use flats on a lease basis, after fulfilling

the criterion of low income per family member and unmet housing needs. This did not cause a significant weakening of the demand for housing offered by the CPD Group and did not negatively affect the recorded sale of apartments offered by the CPD Group in 2019.

• **ADMINISTRATIVE DECISIONS CONCERNING THE HELD LANDS**

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

In connection with the CPVID-19 virus epidemic in Poland, severe sanitary restrictions were introduced, in the context of which many institutions and offices of the State and local administration significantly extended the processes of issuing decisions and administrative rulings necessary to carry out construction investments.

11. OVERVIEW OF BASIC ECONOMIC AND FINANCIAL INFORMATION

Selected items of the consolidated statement of comprehensive income

	12 months period		Change (%)
	From 01.01.2019 to 31.12.2019 (PLN ths.)	From 01.01.2018 to 31.12.2018 (PLN ths.)	
Revenue	46 834	21 485	118,0%
Cost of sales	-4 357	-4 621	-5,7%
<i>Including: cost of sold inventories</i>	-1	-2 506	-100,0%
<i>change in inventories write-off</i>	590	-24	
<i>costs of provided services</i>	-4 946	-2 091	136,5%
Gross profit	42 477	16 864	151,9%
Administrative expenses - property related	-11 266	-7 631	47,6%
Other administrative expenses	-6 342	-6 777	-6,4%
Selling and marketing costs	-347	-1 011	-65,7%
Gain (loss) on disposal of investment properties	-565	-9 233	-93,9%
Other income	2 317	4 323	-46,4%
Gain (loss) on revaluation of investment properties	21 616	-14 406	
Gain (loss) on revaluation of assets held for sale	1 143	0	-
Post-tax share of the profit or loss of the joint-ventures revaluated with the equity method	15 844	-5 598	
Impairment of receivables	110	-920	
Gain (loss) on disposal of subsidiaries	0	14 319	-100,0%
Profit from operations	64 987	-10 070	
Finance income	1 621	1 552	4,4%

Finance costs	-4 775	-8 617	-44,6%
Profit before tax	61 833	-17 135	
Income tax	-1 833	15 268	
Net profit	60 000	-1 867	

Description of financial results for 12 months from 1 January 2019 to 31 December 2019

In 2019 CPD SA Group generated a net profit of PLN 60 mln, which means that the net result improved considerably in comparison with 2018. Gross profit amounted to PLN 42.5 mln. It improved by 152% in comparison with the analogous period of 2018.

There were several factors that had a positive impact on CPD Group's financial results in 2019 in comparison with 2018. First of all, operating revenue increased by PLN 25.3 mln. Secondly, the gain on revaluation of investment properties amounted to PLN 21.6 mln. Thirdly, the share in the profit of the joint-ventures improved by PLN 21.4 mln. What is more, finance costs dropped by PLN 3.8 mln.

The rise in operating revenue stemmed from the rendering of services leading to the sale of land property rights located in Warsaw in the Ursus district. The gain on revaluation of investment properties resulted from the revaluation of several properties mainly due to the signing of preliminary sale agreements of 10 plots and receiving offers for 5 plots. The share in the profit of the joint-venture went up because the jointly-controlled company Ursa Park handed over a substantial number of apartments and shops to the buyers and could achieve profits on that in 2019. The drop in finance costs stemmed from more profitable fluctuations in EUR/PLN foreign exchange rate in 2018 and lower cost of finance lease (the reclassification of investment properties into assets held for sale resulted in the reclassification of perpetual usufruct costs from finance costs into operating costs).

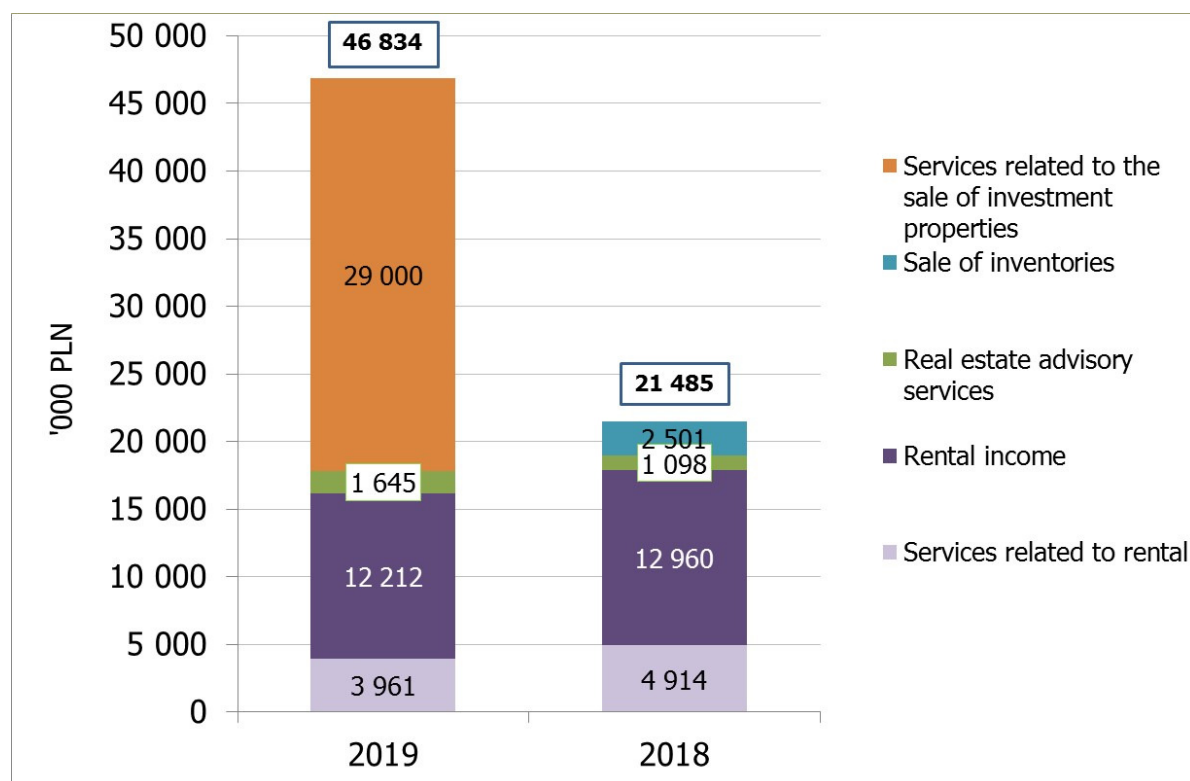
On the other hand, a growth in total operating costs (including administrative, selling and marketing costs) in the amount of PLN 2.5 mln was the main factor that had a negative impact on CPD Group's financial results in 2019 in comparison with 2018. The value of operating costs rose as a result of, among other factors, higher staff and perpetual usufruct costs (the reclassification of investment properties into assets held for sale resulted in the reclassification of perpetual usufruct costs from finance costs into operating costs).

The following table shows the selected items of the consolidated statement of comprehensive income translated into euro. The figures for 2019 assumed an fx rate published by the National Bank of Poland as at December 31, 2019, i.e. 4.2585. The figures for 2018 assumed an fx rate published by the National Bank of Poland as at 31 December 2018, i.e. 4.30.

	12 months period		Change (%)
	From 01.01.2019 to 31.12.2019	From 01.01.2018 to 31.12.2018	
	(EUR ths.)	(EUR ths.)	
Revenue	10 998	4 997	120,1%
Cost of sales	-1 023	-1 075	-4,8%
<i>Including: cost of sold inventories</i>	0	-583	-100,0%
<i>change in inventories write-off</i>	139	-6	
<i>costs of provided services</i>	-1 161	-486	138,8%

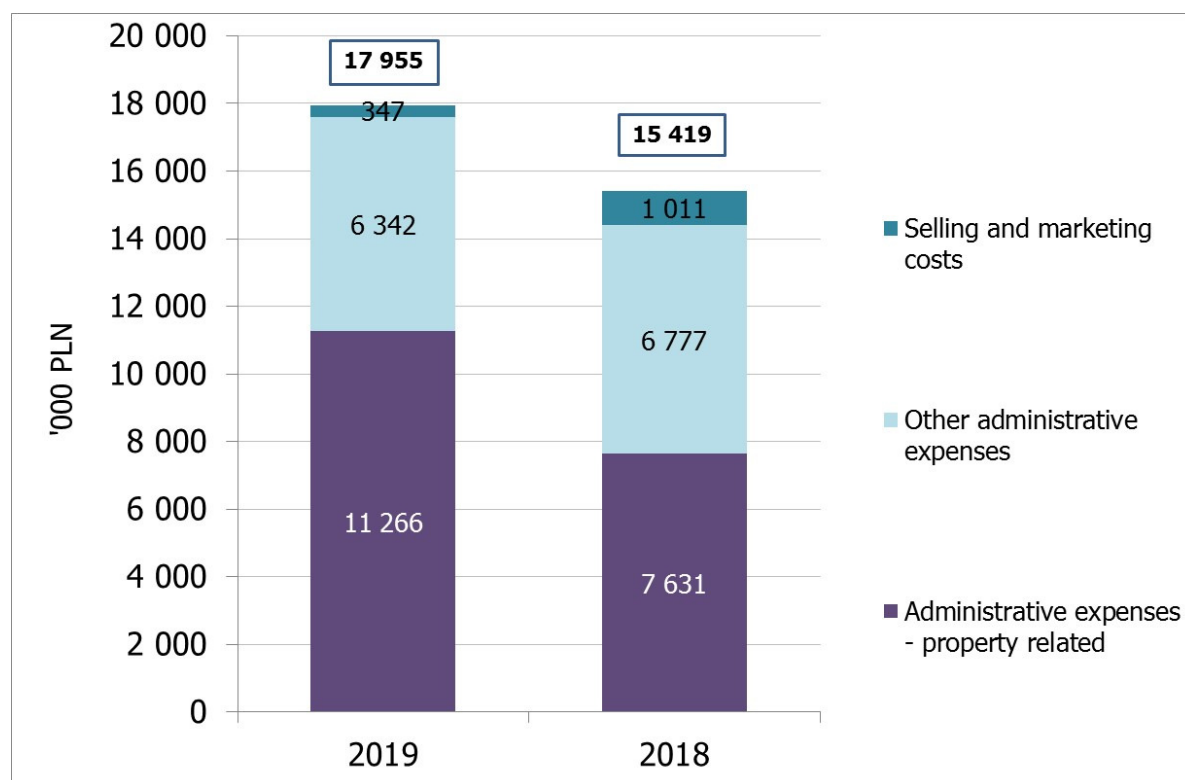
Gross profit	9 975	3 922	154,3%
Administrative expenses - property related	-2 646	-1 775	49,1%
Other administrative expenses	-1 489	-1 576	-5,5%
Selling and marketing costs	-81	-235	-65,3%
Gain (loss) on disposal of investment properties	-133	-2 147	-93,8%
Other income	544	1 005	-45,9%
Gain (loss) on revaluation of investment properties	5 076	-3 350	
Gain (loss) on revaluation of assets held for sale	268	0	-
Post-tax share of the profit or loss of the joint-venture revaluated with the equity method	3 721	-1 302	
Impairment of receivables	26	-214	
Gain (loss) on disposal of subsidiaries	0	3 330	-100,0%
Profit from operations	15 261	-2 342	
Finance income	381	361	5,5%
Finance costs	-1 121	-2 004	-44,0%
Profit before tax	14 520	-3 985	
Income tax	-430	3 551	
Net profit	14 089	-434	

The following chart shows the structure of revenue in 2019 and 2018:



The increase in operating revenue in the third quarter of 2019 stemmed from the rendering of services by the Group leading to the sale of land property rights located in Warsaw in the Ursus district.

The following chart shows the structure of operating costs in 2019 and 2018:



The value of operating costs rose from 2018 as a result of, among other factors, higher staff and perpetual usufruct costs (the reclassification of investment properties into assets held for sale resulted in the reclassification of perpetual usufruct costs from finance costs into operating costs).

Selected items of the consolidated statement of financial position

	As at:		Change (%)
	31.12.2019 (PLN ths.)	31.12.2018 (PLN ths.)	
TOTAL ASSETS	526 585	582 768	-9,6%
Non-current assets, including:	132 856	256 574	-48,2%
<i>Investment properties</i>	100 214	218 311	-54,1%
<i>Investments in joint ventures accounted for using the equity method</i>	32 015	37 201	-13,9%
Current assets, including:	393 729	326 194	20,7%
<i>Assets held for sale</i>	242 705	212 893	14,0%
<i>Inventory</i>	3 594	2 915	23,3%
<i>Trade and other receivables</i>	8 395	7 981	5,2%
<i>Cash and cash equivalents</i>	139 035	102 405	35,8%
TOTAL EQUITY AND LIABILITIES	526 585	582 768	-9,6%
Equity, including:	343 858	326 879	5,2%
<i>Share capital</i>	2 637	3 935	-33,0%
<i>Reserve capital</i>	987	987	0,0%
<i>Own shares for redemption</i>	-43 010	-160 110	-73,1%
<i>Fair value of capital element at inception date</i>	-27 909	-27 909	0,0%
<i>Translation reserve</i>	-5 531	-5 520	0,2%
<i>Retained earnings</i>	416 684	515 496	-19,2%
Total liabilities, including:	182 727	255 889	-28,6%
<i>Non-current liabilities</i>	82 909	99 186	-16,4%
<i>Current liabilities</i>	99 818	156 703	-36,3%

At the end of December 2019 the value of assets was by 9.6% lower compared to the end of 2018. This decline resulted mainly from a buyback of shares in the amount of PLN 43 mln.

The value of current assets went up by 20.7% due to the reclassification of numerous investment properties into assets held for sale. The balance of cash increased by PLN 36.6 mln due to the sale of several assets held for sale.

At the end of December 2019 the value of equity amounted to PLN 343.9 mln, which accounted for 65% of the Group's total assets. Total liabilities accounted for 35% of total assets. These ratios changed significantly in comparison with the end of 2018, when they amounted to 56% and 44% respectively.

The value of liabilities fell by 28.6% in 2019 in comparison with 31 December 2018, as a consequence of, among other things, a decline in received prepayments in the amount of PLN 64.7 mln. This decline resulted from two things: IMES Poland Sp. z o.o. signed a final sale agreement for its plot of land and the Group recognized revenue resulting from the rendering of services leading to the sale of investment properties, for which it received money in previous reporting periods.

The following table shows the selected items of the consolidated statement of financial position translated into euro. The figures for 2019 assumed a fx rate published by the National Bank of Poland as at 31 December 2019, i.e. 4.2585. The figures for 2018 assumed an fx rate published by the National Bank of Poland as at December 31, 2018, i.e. 4.30.

	As at:		Change (%)
	31.12.2019 (EUR ths.)	31.12.2018 (EUR ths.)	
TOTAL ASSETS	123 655	135 527	-8,8%
Non-current assets, including:	31 198	59 668	-47,7%
<i>Investment properties</i>	23 533	50 770	-53,6%
<i>Investments in joint ventures revaluated with the equity method</i>	7 518	8 651	-13,1%
Current assets, including:	92 457	75 859	21,9%
<i>Assets held for sale</i>	56 993	49 510	15,1%
<i>Inventory</i>	844	678	24,5%
<i>Trade and other receivables</i>	1 971	1 856	6,2%
<i>Cash and cash equivalents</i>	32 649	23 815	37,1%
TOTAL EQUITY AND LIABILITIES	123 655	135 527	-8,8%
Equity, including:	80 746	76 018	6,2%
<i>Share capital</i>	619	915	-32,3%
<i>Reserve capital</i>	232	230	1,0%
<i>Own shares for redemption</i>	-10 100	-37 235	-72,9%
<i>Capital element at inception date</i>	-6 554	-6 490	1,0%
<i>Translation reserve</i>	-1 299	-1 284	1,2%
<i>Retained earnings</i>	97 848	119 883	-18,4%
Total liabilities, including:	42 909	59 509	-27,9%
<i>Non-current liabilities</i>	19 469	23 067	-15,6%
<i>Current liabilities</i>	23 440	36 443	-35,7%

The following table shows the structure of liabilities:

31.12.2019	31.12.2018
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Liabilities to total assets	34,7%	43,9%
Non-current liabilities to total assets	15,7%	17,0%
Borrowings including finance leases	12,0%	13,3%
Deferred income tax liabilities	3,3%	3,3%
Trade and other payables	0,4%	0,4%
Current liabilities to total assets, including:	19,0%	26,9%
Borrowings including finance leases	0,9%	0,8%
Trade and other payables	8,3%	17,4%
Payables linked to assets held for sale	9,8%	8,7%

The structure of liabilities also changed significantly. The share of non-current liabilities in total assets went down from 17% as at December 31, 2018 to 15.7% as at December 31, 2019. The share of current liabilities in total assets decreased from 26.9% as at December 31, 2018 to 19% as at December 31, 2019.

12. RISK FACTORS AND THREATS

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

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

• 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 a number of 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 RELATING TO THE MACROECONOMIC SITUATION ON THE MARKETS, ON WHICH THE COMPANY AND ITS GROUP OPERATES**

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

The growth rate of the Polish economy in 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.

- **REGULATORY RISK**

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

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

However, as at the date of publication of this report, the exact date of deletion of the trust account opened from the trust account catalog provided for in the Developer Act is not known.

It should be noted, however, that due to the pandemic state announced by the WHO and the government of the Republic of Poland on the 14th day of the epidemic, the European Union Commission and governments of individual countries, including Poland, are introducing legislative and economic solutions aimed at alleviating the impact of business restrictions on the economy individual countries and entire economic areas.

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 legislative changes introduced by the government and the development of the pandemic will have a direct impact on subsequent Company's balance sheet periods.

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

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

It should be noted, however, that due to the pandemic state announced by the WHO and the government of the Republic of Poland on the 14th day of the epidemic, the European Union Commission and governments of individual countries, including Poland, are introducing legislative and economic solutions aimed at alleviating the impact of business restrictions on the economy individual countries and entire economic areas.

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 legislative changes introduced by the government and the development of the pandemic will have a direct impact on subsequent Company's balance sheet periods.

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

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

adequate quality. In addition, other factors that may cause an increase in investment costs include, among others: inflation, labour costs, increase in taxes and other public law liabilities, changes in legal regulations or government policy, and an increase in financing costs.

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 COLLATERALS ESTABLISHED ON THE GROUP'S ASSETS**

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

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

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

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

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

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 RELATING TO THE COMPETITION**

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

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

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

It should be noted that due to the pandemic state announced by the WHO and the government of the Republic of Poland 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 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 RELATING TO LOCATION OF REAL ESTATES**

The assessment of the location of land for development projects is one of the most material criteria of determining the expected income from the project. Inaccurate assessment of the location for its intended use might hinder or prevent the sales of flats contained in such property at the price

assumed by the Company, or the rental of office spaces at expected rates. In such a situation the risk exists that the CPD Group will fail to generate the expected sales revenue; or, if construction works are contracted earlier, the Company will generate margins at a level lower than predicted. Moreover, if the office space is not rented and the sale of flats is delayed – the Company will be reliant on external financing to a greater extent.

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

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

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

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

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

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

It should be noted 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 a significant limitation in the functioning of individual sectors of the economy, which may result in an increase in the costs of conducting business activities of individual business entities, including the construction industry.

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 RELATING TO UNFAVOURABLE SOIL CONDITIONS**

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

- **RISK RELATING TO UNFAVOURABLE WEATHER CONDITIONS**

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

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

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

It should be noted 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 a significant limitation in the functioning of individual sectors of the economy, which may result in an increase in the costs of conducting business activities of individual business entities, including the construction industry.

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 RELATING TO LEGAL DEFECTS IN THE REAL ESTATES AND THE RISK OF EXPROPRIATION**

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

the Company and its Group may be materially affected. In extreme situations, such risk may lead even to the loss of the real estate.

- **RISK RELATING TO ENVIRONMENTAL RESPONSIBILITY**

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

- **RISK RELATING TO CONTRACTS CONCLUDED WITH CONTRACTORS AND SUBCONTRACTORS OF CONSTRUCTION WORKS**

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

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

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 a significant limitation in the functioning of individual sectors of the economy. Prolonged restrictions may result in significant bottlenecks in the liquidity of individual business entities.

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 RELATING TO LEASE AGREEMENTS**

The value of real estate to be leased depends on the time left to the elapse of the lease agreements' term and on the financial standing of the lessees. If the Company and its Group's members are not able to prolong, on favourable conditions, the agreements which are due to expire in the near future, or gain and maintain appropriate lessees of good financial standing and willing to enter into long-term lease agreements, this might adversely affect the market value of the real estate portfolio. The financial position of a lessee may deteriorate in the short or long term, which in turn might lead the

lessee to bankruptcy or inability to pay its liabilities resulting from the lease agreement. If any of the above factors occurs, it might have a significant negative effect on the Company's financial results.

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, causing actual financial problems in selected industries.

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 RELATING TO FAILURE TO ATTAIN ASSUMED STRATEGIC GOALS**

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

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 RELATING TO THE MANAGERIAL STAFF**

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

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 RELATING TO FINANCING DEVELOPMENT WITH BANK LOANS AND OTHER DEBT INSTRUMENTS**

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

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**

CPD Group's debt denominated in foreign currencies on 31 December 2019 amounted to equivalent of PLN 98.9 million. In view of the above, the Company and the Group are exposed to the risk of depreciation of zloty against the currencies, in which they incurred loans, which could adversely affect the Company's financial position. This risk is partly compensated by the fact that proceeds from rental and sale of office projects are settled in foreign currencies.

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.

- **RISK RELATING TO ACCESS OF PROSPECTIVE CLIENTS OF CPD GROUP TO LOAN FINANCING**

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

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

13. COURT, ADMINISTRATIVE AND ARBITRATION PROCEEDINGS WITH VALUE OF OVER 10% OF THE 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 cannot 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 did not receive decision regarding the above-mentioned customs and tax proceedings. The estimated deadline for the tax proceedings passes on 30th of June 2020.

14. THE ISSUER'S ORGANIZATIONAL OR CAPITAL RELATIONSHIPS

CPD S.A. organizational and capital relationships as well as the structure of the Capital Group are presented in the section V.2. GROUP STRUCTURE of this Report.

15. 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);

The 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 Spółka Akcyjna, 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.

16. SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES

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

17. LOAN AND BORROWING AGREEMENTS, SURETIES AND GUARANTEES

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

- 29 January 2020 the Issuer's subsidiaries granted collaterals for claims for repayment of advances paid by UDI Ursus II limited liability company with its registered office in Warsaw, in connection with preliminary sale agreements for total amount of PLN 79,698,412, leading to the sale of the right to land property located in Warsaw in the Ursus district.

These collaterals includes:

- a contractual mortgage up to the amount of PLN 9,197,046.68 established by 12/132 Gaston Investments spółka z ograniczoną odpowiedzialnością sp.k. on perpetual usufruct of an undeveloped plot of land no. 132/2 located in Warsaw, described in the land and mortgage register No. WA5M / 00477860/2 kept by the District Court for Warsaw-Mokotów in Warsaw, XIII Land and Mortgage Register Division,
 - a contractual mortgage up to the amount of PLN 833 397.58 established by 13/155 Gaston Investments spółka z ograniczoną odpowiedzialnością sp.k. on perpetual usufruct of an undeveloped plot of land no. 158/2 located in Warsaw, described in the land and mortgage register No. WA5M / 00477864/0 kept by the District Court for Warsaw-Mokotów in Warsaw, XIII Land and Mortgage Register Division,
 - a contractual mortgage up to the amount of PLN 3,107,072.74 established by 13/155 Gaston Investments spółka z ograniczoną odpowiedzialnością sp.k. on perpetual usufruct of built-up land plot no. 155/2 located in Warsaw, described in the land and mortgage register no. WA5M / 00477861/9 kept by the District Court for Warsaw-Mokotów in Warsaw, 13th Land and Mortgage Register Division,
 - a contractual mortgage up to the amount of PLN 1,466,711.90 established by 13/155 Gaston Investments spółka z ograniczoną odpowiedzialnością sp.k. on perpetual usufruct of built-up land plot no. 147 located in Warsaw, described in the land and mortgage register no. WA1M / 00338198/6 kept by the District Court for Warsaw-Mokotów in Warsaw, 13th Land and Mortgage Register Division,
 - a contractual mortgage up to the amount of PLN 1,334,453.50 established by 13/155 Gaston Investments spółka z ograniczoną odpowiedzialnością sp.k. on perpetual usufruct of an undeveloped plot of land no. 134 located in Warsaw, described in the land and mortgage register No. WA1M / 00233102/1 kept by the District Court for Warsaw-Mokotów in Warsaw, 13th Land and Mortgage Register Division,
- On 20st of December 2019, the Issuer's subsidiaries concluded conditional contracts for the sale of perpetual usufruct rights to real estate located in Ursus and granted collateral.

These collaterals included:

- contractual mortgage up to the amount of PLN 1,200,000.00 established by 19/97 Gaston Investments spółka z ograniczoną odpowiedzialnością sp.k. on the real estate located in Warsaw, described in land and mortgage register No. WA1M / 00283129/1 kept by the District Court for Warsaw-Mokotów in Warsaw, 13th Land and Mortgage Register Division,
- contractual mortgage up to PLN 2,700,000.00 established by 7/120 Gaston Investments spółka z ograniczoną odpowiedzialnością sp.k. on the real estate located in Warsaw, described in the land and mortgage registers No. WA1M / 00412696/0 and WA5M / 00457639/8 kept by the District Court for Warsaw-Mokotów in Warsaw, 13th Land and Mortgage Register Division,

- contractual mortgage up to the amount of PLN 2,800,000.00 established by 6/150 Gaston Investments spółka z ograniczoną odpowiedzialnością sp.k. on the real estate located in Warsaw, described in land and mortgage registers No. WA1M / 00454073/3 and WA1M / 00338197/9 kept by the District Court for Warsaw-Mokotów in Warsaw, 13th Land and Mortgage Register Department,
- contractual mortgage up to the amount of PLN 153,000.00 established by 18 Gaston Investments spółka z ograniczoną odpowiedzialnością sp.k. on the real estate located in Warsaw, described in land and mortgage register No. WA1M / 00283412/2 kept by the District Court for Warsaw-Mokotów in Warsaw, 13th Land and Mortgage Register Division,
- contractual mortgage up to the amount of PLN 7,321.54 Limited Liability Company established by 18 Gaston Investments spółka z ograniczoną odpowiedzialnością sp.k. on the real estate located in Warsaw, described in the land and mortgage register No. WA1M / 00454074/0 kept by the District Court for Warsaw-Mokotów in Warsaw, 13th Land and Mortgage Register Division,
- contractual mortgage up to the amount of PLN 1,000,000.00 established by 20/140 Gaston Investments spółka z ograniczoną odpowiedzialnością sp.k. on the real estate located in Warsaw, described in the land and mortgage register No. WA1M / 00233090/3 kept by the District Court for Warsaw-Mokotów in Warsaw, 13th Land and Mortgage Register Division.

The above-mentioned subsidiaries concluded final sales agreements on January 28, 2020.

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

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

On 30 October 2019, the Issuer's subsidiaries concluded a conditional sale agreement, the condition precedent of which was that the President of the Capital City would not exercise the right of pre-emption on the plots subject to the contract. On 5 December 2019, the subsidiaries concluded an agreement for the transfer of the perpetual usufruct right, considering the condition fulfilled.

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

The buyer paid an advance of 10% of the sale price. In order to secure the return of the advance payment by the seller, it established a mortgage on the share in the property up to the amount equivalent to 200% of the advance payment and voluntarily submitted itself to

enforcement pursuant to art. 777 § 1 point 4 of the Code of Civil Procedure regarding the obligation to repay the advance payment.

- On 26th of February 2018 the Issuer and its subsidiaries granted collateral in connection with the agreement providing a revolving loan for financing a housing project between Ursa Park Smart City Investments spółka z ograniczoną odpowiedzialnością sp. k., a subsidiary of the Company, and the Bank Millennium SA, based on which Ursa Park Smart City Investments spółka z ograniczoną odpowiedzialnością sp. k. was granted 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 48 KD-D in Warsaw, in 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 agreement was terminated.

The collaterals for repayment of the Bank's receivables under the Renewable Loan Agreement were:

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

order to satisfy the monetary claim due to the Bank under the Agreement, with amendments in force at the given time;

- statement by CPD S.A. on submission to enforcement in favour of the Bank in accordance with art. 777 § 1 point 5 k.p.c. from all property as to the obligation to pay to the Bank all sums of money under the Agreement, with amendments in force at the given time, up to a maximum amount of PLN 40,000,000.00;
- accession to debt by CPD S.A. along with power of attorney to accounts kept at the Bank.
- On 30 January 2017, the Issuer's subsidiaries IMES Poland sp. z o.o. and 18 Gaston Investments spółka z ograniczoną odpowiedzialnością sp. k. granted collateral as a result of the conclusion of conditional sales agreements leading to the sale of the right to land properties located in Warsaw in the Ursus district.

The collateral consisted of joint mortgages on the right to perpetual usufruct of owned real properties each time up to the full amount of a given payment to be made by the Buyer to the Companies for each mortgage.

The companies also submitted themselves to enforcement pursuant to art. 777 § 1 point 5 of the Code of Civil Procedure, regarding the obligation to return the sum of money to the full amount of a given payment the Buyer was to make to the Companies, and each entity submitted a written statement in the form required by applicable law, including its consent to enter the Buyer's claims for conclusion of the Promised Contract to the land and mortgage registers kept for the properties owned by them.

The conclusion of final agreements depended on the fulfilment of a number of conditions precedent.

In 2018, all the conditions precedent for the sale by the Issuer's subsidiaries, IMES Poland sp. z o.o. and 18 Gaston Investments spółka z ograniczoną odpowiedzialnością sp. k., of the perpetual usufruct right to the plots 98/1 and 148/2 were fulfilled. However, on the right to perpetual usufruct of the plot 98/2, a total mortgage of up to PLN 35.75 million was established. On 18 September 2019, the Issuer's subsidiary IMES Poland sp. z o.o. concluded the promised contract for sale of the right of perpetual usufruct of that property.

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

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

- 1) joint contractual mortgage up to the amount of EUR 8,900,000,
- 2) registered pledge on all shares in the Borrower's share capital with a total nominal value of PLN 50,000 together with a statement by LAKIA ENTERPRISES LIMITED with its registered office in Nicosia ("the Shareholder") on submission to enforcement from the pledged shares, drawn up pursuant to Art. 97 of the Banking Law up to the amount of EUR 4,450,000,

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

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

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

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

- On 18 June 2014, a loan agreement was signed between the subsidiary Lakia Investments sp. z o.o. and mBank Hipoteczny S.A., under which Lakia Investments sp. z o.o. was granted the loan in the amount of EUR 5,850,000 for refinancing the "Solar" office building, i.e. through the total and irrevocable repayment of the existing debt of this company resulting from the loan agreement with HSBC Bank Polska S.A.,

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

- joint contractual mortgage up to the amount of EUR 11,700,000 established on:
- registered pledge on all shares in the Borrower's share capital with a total nominal value of PLN 50,000 together with a statement by LAKIA ENTERPRISES LIMITED with its registered office in Nicosia ("the Shareholder") on submission to enforcement from the pledged shares, drawn up pursuant to Art. 97 of the Banking Law up to EUR 5,850,000;
- registered pledges on receivables of the Borrower from Bank Accounts;

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

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

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

- As a result as a result of the downturn in the rental of office space in Mokotów in 2017, Lakia Investments reported failure to meet one of the financial indicators agreed in the loan agreement, which gives the bank the right to demand repayment of the total amount of debt. Until the date of these consolidated financial statements, the bank has not issued such a request. One of the possible solutions considered is partial repayment of the debt to the level guaranteeing compliance with the financial ratios agreed in the loan agreement. The entire value of the Lakia Investments loan (zł 19,837 thousand) was disclosed as a current liability included in the disposal group classified as held for sale.

- On 12 August 2011, a loan agreement was concluded between Bank Zachodni WBK S.A. (currently Santander Bank Polska S.A.) and the subsidiary Belise Investments Sp. z o.o. as a borrower and guarantors, which are CPD S.A. and Lakia Enterprises Ltd. based in Nicosia (Cyprus). The agreement concerned the financing of the construction and finishing of the Iris office building located at ul. Cybernetyki 9 in Warsaw, which was commissioned in October 2012. Under the loan agreement, an Investment Loan of up to EUR 20,077.458 was granted to finance or refinance part of the project costs or the costs of finishing the leased space;

On May 31, 2015, the Company signed an Annex to the abovementioned loan agreement. The above Annex was signed because of maturity of the existing loan.

Pursuant to the above-mentioned Annex, the following changes were introduced:

- 1) The Investment Loan of up to EUR 18,500,000.00 was granted to refinance indebtedness by the Conversion;
- 2) The parties agreed the new full repayment date of the Loan with interest and other costs;
- 3) The Conversion meant the use of funds made available under Tranche B by converting the Debt Amount of EUR 17,000,000 under Tranche A into the Debt Amount of tranche B and the launch of an additional tranche up to a maximum of EUR 1,500,000.

Other essential provisions resulting from the Agreement remained unchanged.

At the same time, CPD S.A. and Lakia Enterprises Limited with its registered office in Nicosia (Cyprus) submitted themselves to enforcement in order to secure the repayment of the Loan under the concluded Annex. Moreover, CPD signed an Annex to the Surety Agreement.

18. ISSUES OF SECURITIES, ACQUISITION OF OWN SHARES

• PURCHASE OF OWN SHARES FOR REDEMPTION

On 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 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 its 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 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 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 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 the 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 14 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 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 were deleted and the existing par. 12.5 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 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 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.

19. DESCRIPTION OF DIFFERENCES IN FORECAST FINANCIAL RESULTS

CPD Group and its dominant entity did not publish financial result forecasts for the year 2019.

20. FINANCIAL RESOURCES MANAGEMENT ASSESSMENT

The CPD Group finances its operations with equity and external capitals. Equity as at the balance sheet date constituted 65% of the total balance sheet of the Group and was the main source of financing the Group's operating activities. In the financial year 2019, the Group's financial resources were used in accordance with plans, purpose and current needs. The Group regularly met its obligations to counterparties, banks and obligatory charges to the State. Financial flows are monitored on an ongoing basis, which allows for safe management of the Group's finances. Additionally, in the long-term projection of cash flows, provisions for various risks have been created, which means that liabilities constituting 35% of the total balance sheet of the Group do not pose a threat to the liquidity of the Group's financial condition.

The supplementary source of financing the CPD Group's operations are loans and borrowings. At the end of 2019, the total value of liabilities due to loans and borrowings, including financial leasing, was

PLN 119 million compared to PLN 133 million at the end of 2018. Among its loan and borrowing liabilities, the CPD Group also recognizes liabilities due to finance lease, which is the capitalized liability of the Group for perpetual usufruct of land. At the end of 2019, these liabilities amounted to PLN 20 million, which accounted for approximately 17% of the total amount of liabilities under loans and borrowings, including financial leasing.

21. CHANGES IN MANAGEMENT POLICIES

In 2019, as continuation of 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 and two jointly controlled at the end of the settlement period contributed to the simplification of the Group's management rules.

In addition to changes in the Group's structure in 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.

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

• SUPERVISORY 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, 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
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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. The 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 to the CPD Group companies.

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		

23. AGREEMENTS WITH MEMBERS OF THE MANAGEMENT BOARD – COMPENSATIONS

CPD S.A. Management Board members are not employed under employment agreements in the Company. The Company did not conclude 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.

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

The following table presents the number of shares of the Company owned by the members of the Management Board holding their function at 31 December 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.

25. AGREEMENTS CHANGING 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.

26. CONTROL SYSTEM FOR EMPLOYEE SHARES SCHEMES

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

27. AGREEMENT WITH AN ENTITY AUTHORISED 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 31 December 2018,
 - audit of the stand-alone financial statements of CPD S.A. for the financial year ended 31 December 2018,
 - review of the interim consolidated financial statements of CPD S.A. for the period ended on 30 June 2018,
 - review of the interim stand-alone financial statements of CPD S.A. for the period ended on 30 June 2018,
- and
- audit of the consolidated financial statements of CPD S.A. for the financial year ended 31 December 2019,
 - audit of the stand-alone financial statements of CPD S.A. for the financial year ended 31 December 2019,
 - review of the interim consolidated financial statements of CPD S.A. for the period ended on 30 June 2019,

- review of the interim stand-alone financial statements of CPD S.A. for the period ended on 30 June 2019.

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

Main assumptions of the policy of selecting an audit company

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.

Main assumptions of the Policy of providing by the audit company

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

- ensuring regularity in the process of outsourcing permitted services;
- defining the responsibilities and responsibilities of participants in the process;
- defining the list of permitted services;
- fixing the procedure for outsourcing permitted services.

In 2019, the audit company auditing the financial statements did not provide any 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 financial statements of CPD S.A. and the consolidated financial statements of the Capital Group for 2019 were reviewed and audited by an audit firm Grant Thornton Polska sp. z o.o. sp. k. with its registered seat in Warsaw.

The total remuneration of auditor Grant Thornton for 2019 amounted to PLN 180,000 net, of which:

- PLN 65,000 was the remuneration for reviewing 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 auditing 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);
- PLN 14,000 was the remuneration for auditing the financial statements of Belise Investments sp. z o.o. ;
- PLN 16,000 was the remuneration for auditing the financial statements of Challenge Eighteen sp. z o.o. ;

The remuneration of the audit company for the audit and review of the financial statements for the previous financial year is described in note 31 of the consolidated financial statements.

28. STRUCTURE OF ASSETS AND LIABILITIES – BY LIQUIDITY

The structure of CPD Group's assets as of 31 December 2019 and changes from the end of 2018:

	As at:		% in total assets 2019	% in total assets 2018	Change 2019/2018 (%)
	31.12.2019 (PLN ths.)	31.12.2018 (PLN ths.)			
Investment properties	100 214	218 311	19,0%	37,5%	-54,1%
Property, plant and equipment	364	512	0,1%	0,1%	-28,9%
Investments in joint ventures accounted for using the equity method	32 015	37 201	6,08%	6,38%	-13,9%
Long-term receivables	263	550	0,0%	0,1%	-52,2%
Non-current assets	132 856	256 574	25,2%	44,0%	-48,2%
Inventories	3 594	2 915	0,7%	0,5%	23,3%
Trade and other receivables	8 395	7 981	1,6%	1,4%	5,2%
Cash and cash equivalents	139 035	102 405	26,4%	17,6%	35,8%
Assets held for sale	242 705	212 893	46,1%	36,5%	14,0%
Current assets	393 729	326 194	74,8%	56,0%	20,7%
TOTAL ASSETS	526 585	582 768	100%	100%	-9,6%

	As at:		% in total assets 2019	% in total assets 2018	Change 2019/2018 (%)
	31.12.2019 (PLN ths.)	31.12.2018 (PLN ths.)			
Share capital	2 637	3 935	0,5%	0,7%	-33,0%
Other reserves	987	987	0,2%	0,2%	0,0%
Element at inception date	-27 909	-27 909	-5,3%	-4,8%	0,0%
Translation reserve	-5 531	-5 520	-1,1%	-0,9%	0,2%
Own shares repurchased for redemption	-43 010	-160 110	-8,2%	-27,5%	-73,1%
Accumulated profits (losses)	416 684	515 496	79,1%	88,5%	-19,2%
Equity	343 858	326 879	65,3%	56,1%	5,2%
Trade and other payables	2 283	2 305	0,4%	0,4%	-1,0%
Loans and borrowings, including finance leases	63 181	77 489	12,0%	13,3%	-18,5%
Deferred income tax liabilities	17 445	19 392	3,3%	3,3%	-10,0%
Total non-current liabilities	82 909	99 186	15,7%	17,0%	-16,4%
Trade and other payables	43 626	101 244	8,3%	17,4%	-56,9%
Loans and borrowings, including finance leases	4 573	4 893	0,9%	0,8%	-6,5%
Liabilities related to assets held for sale	51 619	50 566	9,8%	8,7%	2,1%
Total current liabilities	99 818	156 703	19,0%	26,9%	-36,3%
Total liabilities	182 727	255 889	34,7%	43,9%	-28,6%
TOTAL EQUITY AND LIABILITIES	526 585	582 768	100,0%	100,0%	-9,6%

29. CONTINGENT LIABILITIES

- 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 cannot be ruled out that it will be necessary to pay that amount. Based on the risk analysis, the Management Board decided not to recognize a liability in this respect. The deadline for the tax proceedings passes on June 30, 2020.
- On 6 February 2019, customs and fiscal control was initiated against Celtic Investments Limited with its registered office in Cyprus belonging to the Group. The scope of control includes the reliability of the declared tax bases and the correctness of calculating and paying corporate income tax for 2016 by Blaise Investments sp.z o.o., which as a result of a cross-border merger ended on 31st of December 2017 was taken over by the Celtic Investments Limited. The deadline for completing the customs and fiscal control was set at the latest on 6 September 2019. The control was not completed, and the Company was informed about the new date of its completion, which was to be on 31st of December 2019. The company did not receive any other notifications after this date.

30. GRANTED LOANS

Information about long-term loans granted by CPD SA as at 31.12.2019

Borrower	Currency	Book value (PLN thous.)	Interest	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

CPD S.A.**ANNUAL REPORT OF THE CAPITAL GROUP FOR THE YEAR 2019**

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
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. confirms that according to its best knowledge the consolidated financial statements of the CPD Capital Group for the financial year ending on 31 December 2019 and all comparative figures were prepared in accordance with the applicable accounting principles and give a true, fair and clear financial and assets situation of the Capital Group and its financial results, and that the Capital Group's annual activity report includes the true picture of the Capital Group's development, achievements and situation, including threats and risks.

The Management Board of CPD S.A. confirms that the entity authorized to audit the annual consolidated financial statements and auditing the annual consolidated financial statements was selected in accordance with the law, and that both the entity and the chartered auditors carrying out the audit met the conditions for issuing an impartial and independent opinion on the audited annual consolidated financial statements, in accordance with the applicable regulations and professional standards. In 2019 the financial statements of CPD S.A. and the Group were reviewed and audited by Grant Thornton Polska Sp. z o.o. sp. k., an audit company with the corporate 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 MANAGEMENT BOARD OF CPD S.A. ABOUT
SELECTING 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 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), and pursuant to the statement of the Supervisory Board of CPD S.A. 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 provision to the Company by the audit company, an entity related to the audit company or a member of its network of additional non-audit services, including services conditionally exempt from the prohibition of provision by an audit company.

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

B. DECLARATION BY THE SUPERVISORY BOARD OF CPD S.A. ON FUNCTIONING OF THE AUDIT COMMITTEE IN CONNECTION WITH PUBLICATION OF THE INDIVIDUAL AND CONSOLIDATED ANNUAL REPORT FOR 2019

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 S.A.:

- 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

MIROSŁAW GRONICKI
MEMBER OF THE SUPERVISORY BOARD

GABRIELA GRYGER
MEMBER OF THE SUPERVISORY BOARD

ALFONSO KALINAUSKAS
MEMBER OF THE SUPERVISORY BOARD

C. DECLARATION BY THE SUPERVISORY BOARD OF CPD S.A. ON ASSESSMENT OF THE MANAGEMENT BOARD'S REPORT ON THE ACTIVITIES OF CPD CAPITAL GROUP 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 29 March 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 Capital Group and CPD S.A. for 2019 and the individual and consolidated financial statements for the period from 1st of January 2019 to 31st of 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. The Management Board of the Company is responsible 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 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 the 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) the financial statements of CPD Spółka Akcyjna for the year ended on 31 December 2019, including:
 - a) the 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) the statement of cash flows for the period from 1 January 2019 to 31 December 2019,
 - f) the explanatory notes to the financial statements for the year ended 31 December 2019;

- 2) the independent auditor's report on the audit of the annual financial statements for the year ended 31 December 2019;
- 3) the consolidated financial report of the CPD Capital Group for the year ended on 31 December 2019, including:
 - a) the 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) the 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) the Management Board's report on the activities of the CPD Capital Group and CPD S.A. 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 Capital 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
PRESIDENT 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

CPD S.A.

ANNUAL REPORT OF THE CAPITAL GROUP FOR THE YEAR 2019

VI. INDEPENDENT CHARTERED AUDITOR'S REPORT

Independent Auditor's Report on Annual Consolidated Financial Statements

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For the Shareholders of CPD S.A.

Report on the Annual Consolidated Financial Statements

Opinion

We have audited the annual consolidated financial statements of the Group (the Group), in which the parent entity is CPD S.A. (the Parent) with its registered office in Warsaw, 7B Cybernetyki Street, which comprise the consolidated statement of financial position as of December 31, 2019, and consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated 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 consolidated financial statements:

- give a true and fair view of the financial position of the Group 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),
- comply with the laws affecting the content and form of the annual consolidated financial statements and the provisions of the Parent's articles of association.

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

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),
- 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

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- Regulation (EU) No. 537/2014 of the European Parliament and of the Council of April, 16 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC (OJ L 158, 27.5.2014, p. 77 and OJ L 170, 11.6.2014, p. 66) (the Regulation 537/2014).

Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Annual Consolidated Financial Statements* section of our report.

We are independent of the entities comprising the Group in accordance with the International Federation of Accountants' *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 entities comprising the Group in accordance with the provisions of the Act on Statutory Auditors and the Regulation 537/2014. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IFAC Code.

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

Key Audit Matters

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

Key matter	How the matter was addressed in our audit
<p>Valuation of investment properties (IP)</p> <p>The value of properties is significant. The risk is this area is:</p> <ul style="list-style-type: none"> • impairment loss of the properties <p>The Company included a disclosure concerning the IP in note No 5.</p>	<p>Within the scope of the performed audit, we carried out the following procedures:</p> <ul style="list-style-type: none"> • an analysis of Appraiser valuation reliability, • an analysis of sales after the balance sheet date in order to determine whether it is not valued above book value (including assets held for sale),

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the annual consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board of the Parent.
- Conclude on the appropriateness of the Management Board of the Parent's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual consolidated financial statements, including the disclosures, and whether the annual consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the annual consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Other Information including the Report on the Group's operations

The other information comprises the Report on the Group's operations for the financial year ended December 31, 2019, the Corporate Governance Statement which is a separate part of the Report on the Group's operations and the Annual Report for the year ended December 31, 2019 (but does not include the consolidated financial statements and our auditor's report thereon). Responsibilities of the Management Board and the Supervisory Board of the Parent

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

Responsibilities of the Auditor

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

Opinion on the Report on the Group's operations

In our opinion, the Report on the Group's operations has been prepared in accordance with the applicable legal regulations, i.e. Article 49 and Article 55 clause 2a of the Accounting Act and the Regulation of the Minister of Finance of March 29, 2018 on current and periodic information disclosed by issuers of securities and the conditions for recognition as equivalent of the information required by law of a non-member state (Journal of Laws of 2018, item 757) (the Regulation on current and periodic information), and information included therein

is consistent with the accompanying annual consolidated financial statements. Moreover, taking into account our knowledge of the Group and its environment obtained during the audit of the annual consolidated financial statements, we state that we have not identified any material misstatements in the Report on the Group's operations.

Opinion on the Corporate Governance Statement

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

Report on Other Legal and Regulatory Requirements

Statement on non-audit services

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

Appointment of the Audit Firm

We were appointed to audit the annual consolidated financial statements of the Group for the years 2018 and 2019 by the Parent's Supervisory Board's resolution of *April 24, 2018 and September 23, 2019*. We have been auditors of the Group 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. CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL
YEAR FROM 1 JANUARY TO 31 DECEMBER 2019**

CPD S.A.

Consolidated financial statements

for the year ended 31 December 2019

CPD S.A.**Consolidated financial statements for the period from 1 January 2019 to 31 December 2019**

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CPD S.A.**Consolidated financial statements for the period from 1 January 2019 to 31 December 2019**

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32	Dividend distribution	51
33	Earnings per share - basic and diluted	52
34	Reporting segments	53

CPD S.A.**Consolidated financial statements for the period from 1 January 2019 to 31 December 2019**

(All amounts in PLN thousand unless otherwise stated)

Consolidated property portfolio**INVESTMENT PROPERTY (Note 5)**

	As at
	31 December 2019
Property	Fair value
Investment property by external valuation	96 865
Capitalised rights of perpetual usufruct of land	3 349
	100 214

INVESTMENTS PROPERTIES CLASSIFIED AS ASSETS HELD FOR SALE

	Fair value as at
	31.12.2019
Investment properties held for sale	226 038
Capitalised rights of perpetual usufruct of land	16 667
	242 705

INVENTORIES (Note 9)

	As at	
	31 December 2019	
Property	Carrying amount	Fair value
Poland	2 800	2 800
Hungary	607	607
	187	187
	3 594	3 594

Total fair value of property portfolio	346 513
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CPD S.A.

Consolidated financial statements for the period from 1 January 2019 to 31 December 2019

(All amounts in PLN thousand unless otherwise stated)

Consolidated statement of comprehensive income

		12 months ended	12 months ended
	Note	31 December 2019	31 December 2018
Revenue	16	46 834	21 485
Cost of sales	17	(4 357)	(4 621)
Including:			
Inventory impairment		590	(24)
Cost of inventory sale		(1)	(2 506)
Cost of services sold		(4 946)	(2 091)
GROSS PROFIT		42 477	16 864
Administrative expenses - property related	18	(11 266)	(7 631)
Administrative expenses - other	20	(6 342)	(6 777)
Selling and marketing expenses		(347)	(1 011)
Net loss on sale of investment property		(565)	(9 233)
Other income	19	2 317	4 323
Net gain from fair value adjustments of investment property		21 616	(14 406)
Post-tax share of the profit or loss of the joint-ventures accounted for using the equity method		15 844	(5 598)
Receivables valuation allowances		110	(920)
Net profit (loss) from assets held for sale valuation		1 143	0
Net gain / (loss) on sale of subsidiaries	29	0	14 319
OPERATING PROFIT (LOSS)		64 987	(10 070)
Finance income	21	1 621	1 552
Finance costs	21	(4 775)	(8 617)
PROFIT (LOSS) BEFORE INCOME TAX		61 833	(17 135)
Income tax expense	22	(1 833)	15 268
PROFIT (LOSS) FOR THE YEAR		60 000	(1 867)
OTHER COMPREHENSIVE INCOME			
Currency translation adjustment		(11)	(62)
TOTAL COMPREHENSIVE INCOME		59 989	(1 929)
Profit (loss) attributable to:			
Equity holders of the Group		60 000	(1 867)
Total comprehensive income attributable to:			
Equity holders of the Group		59 989	(1 929)
Total comprehensive income for the period attributable to owners of the Group arises from:			
Continued operations		59 989	(1 929)
BASIC EARNINGS PER SHARE (PLN)	33	2,52	(0,05)
DILUTED EARNINGS PER SHARE (PLN)	33	2,52	(0,05)

Colin Kingsnorth
Chairman of the Board

Elżbieta Donata Wiczowska
Board Member

Iwona Makarewicz
Board Member

John Purcell
Board Member

CPD S.A.

Consolidated financial statements for the period from 1 January 2019 to 31 December 2019

(All amounts in PLN thousand unless otherwise stated)

Consolidated statement of financial position

		As at	
	Note	31 December 2019	31 December 2018
ASSETS			
Non-current assets			
Investment properties	5	100 214	218 311
Property, plant and equipment		364	512
		32 015	37 201
Investments in joint ventures accounted for using the equity method	10		
Non-current receivables	7	263	550
Non-current assets		132 856	256 574
Current assets			
Inventory	8	3 594	2 915
Trade and other receivables, including:	7	8 395	7 981
- <i>receivables and loans</i>		4 036	4 915
- <i>prepayments</i>		4 359	3 066
Cash and cash equivalents	9	139 035	102 405
Current assets excluding assets held for sale		151 024	113 301
Assets held for sale	28	242 705	212 893
Current assets		393 729	326 194
Total assets			
		526 585	582 768

CPD S.A.

Consolidated financial statements for the period from 1 January 2019 to 31 December 2019

(All amounts in PLN thousand unless otherwise stated)

Consolidated statement of financial position - cont.

		As at	
	Note	31 December 2019	31 December 2018
EQUITY			
Capital and reserves attributable to the parent Company's equity holders			
Share capital	11	2 637	3 935
Own shares for redemption		(43 010)	(160 110)
Other reserves		987	987
Embedded element at inception date	13	(27 909)	(27 909)
Translation reserve		(5 531)	(5 520)
Retained earnings/(accumulated losses)		416 684	515 496
Total equity		343 858	326 879
LIABILITIES			
Non-current liabilities			
Trade and other payables	12	2 283	2 305
Borrowings, including leases	13	63 181	77 489
Deferred income tax liabilities	15	17 445	19 392
Non-current liabilities		82 909	99 186
Current liabilities			
Trade and other payables	12	43 626	101 244
Borrowings, including leases	13	4 573	4 893
Current liabilities		48 199	106 137
Liabilities directly associated with assets held for sale	28	51 619	50 566
Total liabilities		182 727	255 889
Total equity and liabilities		526 585	582 768

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John Purcell
Board Member

CPD S.A.

Consolidated financial statements for the period from 1 January 2019 to 31 December 2019

(All amounts in PLN thousand unless otherwise stated)

Consolidated statement of changes in equity

	Note	Share capital CPD S.A.	Embedded element at inception date	Own shares for redemption	Translation reserve	Reserve capital	Retained earnings	Total
Balance at 1 January 2018		3 935	(27 909)	(17 199)	(5 458)	987	517 363	471 719
Acquisition of own shares		0	0	(142 911)	0	0	0	(142 911)
		0		(142 911)	0	0	0	(142 911)
Currency translation differences		0	0	0	(62)	0	0	(62)
Net loss for the year		0	0	0	0	0	(1 867)	(1 867)
Total comprehensive income		0	0	0	(62)	0	(1 867)	(1 929)
Balance at 31 December 2018		3 935	(27 909)	(160 110)	(5 520)	987	515 496	326 879
Balance at 1 January 2019		3 935	(27 909)	(160 110)	(5 520)	987	515 496	326 879
Own shares acquired for redemption	11	0	0	(43 010)	0	0	0	(43 010)
Share capital reduction	11	(1 298)	0	0	160 110	0	(158 812)	0
		(1 298)	0	(43 010)	160 110	0	(158 812)	(43 010)
Currency translation differences		0	0	0	(11)	0	0	(11)
Net profit for the year		0	0	0	0	0	60 000	60 000
Total comprehensive income		0	0	0	(11)	0	60 000	59 989
Balance at 31 December 2019		2 637	(27 909)	(203 120)	154 579	987	416 684	343 858

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

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Chairman of the Board

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Board Member

Iwona Makarewicz
Board Member

John Purcell
Board Member

Explanatory notes set out on pages from 11 to 57 comprise the part of these consolidated financial statements

CPD S.A.

Consolidated financial statements for the period from 1 January 2019 to 31 December 2019

(All amounts in PLN thousand unless otherwise stated)

Consolidated cash flow statement

		12 months ended	12 months ended
	Note	31 December 2019	31 December 2018
Cash flows from operating activities			
Cash generated from operations	25	(35 176)	1 803
Interest paid		(2 177)	(1 975)
Net cash generated from operating activities		(37 353)	(172)
Cash flows from investing activities			
Capital expenditure on investment property		(1 972)	(4 019)
Purchases of property, plant and equipment		(91)	(6)
Purchases of shares in subsidiaries		0	82 000
Proceeds from sale of investment properties		101 994	7 135
Proceeds from withdrawal of contributions in joint ventures		10 229	12 465
Received dividends and profits in joint ventures		10 800	9 700
Interest received		582	1 193
Contributions to joint ventures		0	(1 890)
Net cash used in investing activities		121 542	106 578
Cash flows from financing activities			
Repayments of borrowings		(4 549)	(4 393)
Share redemption		(43 010)	(142 911)
Net cash used in financing activities		(47 559)	(147 304)
Net (decrease)/increase in cash and cash equivalents		36 630	(40 898)
Cash and cash equivalents at beginning of the year		102 405	143 303
Cash and cash equivalents at end of the year		139 035	102 405

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Board Member

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John Purcell
Board Member

CPD S.A.

Consolidated financial statements for the period from 1 January 2019 to 31 December 2019

(All amounts in PLN thousand unless otherwise stated)

Additional notes and explanations to the consolidated financial statements**1 General information****1.1. Information about the parent entity***Information on CPD S.A. (current parent Company)*

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

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

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

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

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

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

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

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

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

Management Board:

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

CPD S.A.

Consolidated financial statements for the period from 1 January 2019 to 31 December 2019

(All amounts in PLN thousand unless otherwise stated)

Additional notes and explanations to the consolidated financial statements**1.1. Information about the parent entity (cont.)**Supervisory Board:

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

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

Company	Country	No. of shares	% owned capital	% of voting rights
Cooperatieve Laxey Worldwide W.A.	Netherlands	6 857 277	26,00%	29,73%
Furseka Trading and Investments Ltd	Cyprus	4 169 667	15,81%	18,08%
The Value Catalyst Fund plc	Cayman Islands	1 475 434	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%
Laxey Partners Ltd		1 782 969	6,76%	7,73%
LP Alternative Fund LP	USA	1 395 508	5,29%	6,05%
Shareholders with stakes below 5%		3 156 097	11,97%	13,68%
		23 065 245	87,46%	100%
Own shares for redemption		3 305 886	12,54%	0%
Total		26 371 131	100%	100%

On 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.

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

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

1.2. Information about Capital Group

As at balance sheet date CPD Group comprised CPD S.A. as a parent entity, 26 subsidiaries and 2 entities under common control.

Additional information concerning consolidated subsidiaries is included in Note 2.2.

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

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

CPD S.A.

Consolidated financial statements for the period from 1 January 2019 to 31 December 2019

(All amounts in PLN thousand unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

1.2. Information about Capital Group (cont.)

The core business of CPD Group comprise:

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

2 Summary of significant accounting policies

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

2.1 Basis of preparation

Consolidated financial statements of CPD S.A. were prepared as at 31 December 2019 and for the period since 1 January 2019 till 31 December 2019, while comparative data are for the period since 1 January 2018 till 31 December 2018.

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

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

New and amended standards and interpretations which came into force in 2019 and description of the impact of applying the amendments:

The Group applied **IFRS 16 Leasing** from 1 January 2019.

Impact of the first time adoption of IFRS 16 as at 1 January 2019 has been presented in the note 2.2.

IFRIC 23 Uncertainty over Income Tax Treatments - endorsed by EU on 23 October 2018 and effective for annual periods beginning on or after 1 January 2019.

Amendments to **IFRS 9: prepayment features with negative compensation** - published 12 October 2017, endorsed by EU and effective for annual periods beginning on or after 1 January 2019.

Amendments to **IAS 28 Investments in Associates and Joint Ventures** - published on 12 October 2017, endorsed by EU on 8 February 2019 and are effective for annual periods beginning on or after 1 January 2019.

Amendments to **IAS 19: Remeasurement at a plan amendment, curtailment or settlement** - published on 7 February 2018, endorsed by EU on 19 March 2019 and are effective for annual periods beginning on or after 1 January 2019.

CPD S.A.

Consolidated financial statements for the period from 1 January 2019 to 31 December 2019

(All amounts in PLN thousand unless otherwise stated)

Additional notes and explanations to the consolidated financial statements**2.1 Basis of preparation (cont.)**

Annual improvements cycle IFRSs 2015-2017.

The above amendments of the standards and interpretations have not had significant impact on these consolidated financial statements.

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

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

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

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

Amendments to IFRS 10 and IAS 28 — Sales or contributions of assets between an investor and its associates/joint ventures (The effective date of the amended provisions has not been established by the international accounting standards Board)

The amendments address the conflict between the requirements of IFRS 10 and IAS 28. Accounting treatment depends on whether the non-assets sold or contributed to an associate or a joint venture constitute a business.

The gain or loss resulting from the sale or contribution to an associate or a joint venture of assets that constitute a business is recognised in full. The gain or loss resulting from the sale or contribution of a subsidiary that does not constitute a business to an associate or joint venture is recognised only to the extent of unrelated investors' interests in the associate or joint venture.

Amendments to **IFRS 3 "Business combinations"** effective for annual periods beginning on or after 1 January 2020.

Amendments to **IAS 1 Presentation of Financial Statements** and **IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors** - definition of materiality, effective for annual periods beginning on or after 1 January 2020.

Amendments to reference to the **IFRS Conceptual Framework** effective for annual periods beginning on or after 1 January 2020.

Except of IFRS 16 the remaining new standards and amendments listed in point 2.1 do not relate to the Group activity, or relate only remotely, as a consequence they are not expected to have significant impact on the consolidated financial statements of the Group.

CPD S.A.

Consolidated financial statements for the period from 1 January 2019 to 31 December 2019

(All amounts in PLN thousand unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

2.2 Impact of the new standards on the financial statements of the Group

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

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating or finance leases, and to account for two types of leases differently.

The Group reviewed all contracts active as at 1 January 2019 where the Group entities are leases and identified:

- perpetual usufruct of land,
- office space rent.

For the above mentioned rights the Group as lessee so far recognised a right-of-use assets classified as investment properties and investment properties transferred to assets held for sale at an amount equal to the lease liabilities. Lease liabilities will be measured at the present value of future unavoidable lease payments, discounted at the incremental borrowing rate of the Group.

In this aspect so far approach of the Group complied with requirements of IFRS 16. For the leases treated previously as financial leases recognised assets and liabilities reflect values ac per IFRS 16 requirements.

The Management Board analysed the lease agreements and identified one lease contract for office space falling within the scope of the new standard, to which CPD S.A. is a party, so far classified as operating leasing. The Board of Directors of CPD S. A. has analysed the contract and concluded that, in the absence of an irrevocable term of leasing, the application of IFRS 16 will not affect the accounting of the leasing contract.

The Group decided to apply simplified approach allowed by IFRS 16 for short term leases and leased assets of low value. The relevant payments will be expensed to the financial result on straight line basis.

The Group applied the standard prospectively and recognised its effect on the day of first time adoption. The comparative data were not restated.

As a result rights to use and resulting liabilities related to land perpetual usufruct are presented as investment properties, inventories or assets held for sale and lease liabilities.

CPD S.A.

Consolidated financial statements for the period from 1 January 2019 to 31 December 2019

(All amounts in PLN thousand unless otherwise stated)

Additional notes and explanations to the consolidated financial statements**2.3 Consolidation****(a) Subsidiaries**

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

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

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

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

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

(b) Joint-ventures

Jointly controlled entities are consolidated using the property rights method.

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

	Name	Country	Shareholder	31 December 2019	31 December 2018
1	Mandy Investments Sp. z o.o.	Poland	Lakia Enterprises Limited	100%	100%
2	Lakia Enterprises Limited	Cyprus	CPD S.A.	100%	100%
3	Lakia Investments Sp. z o.o.	Poland	Lakia Enterprises Limited	100%	100%
4	Celtic Asset Management Sp. z o.o.	Poland	CPD S.A.	100%	100%
5	Robin Investments Sp. z o.o.	Poland	Lakia Enterprises Limited	100%	100%
6	IMES Poland Sp. z o.o.	Poland	CPD S.A.	100%	100%
7	Hub Developments Ltd Sp. z o.o.	Poland	Lakia Enterprises Limited	100%	100%
8	Elara Investments Sp. z o.o.	Poland	Lakia Enterprises Limited	100%	100%
9	Celtic Investments Limited	Cyprus	CPD S.A.	100%	100%
10	Gaston Investments Sp. z o.o.	Poland	Lakia Enterprises Limited	100%	100%
11	Challenge Eighteen Sp. z o.o.	Poland	CPD S.A.	100%	100%
12	Celtic Trade Park Kft	Hungary	Lakia Enterprises Limited	100%	100%

CPD S.A.

Consolidated financial statements for the period from 1 January 2019 to 31 December 2019

(All amounts in PLN thousand unless otherwise stated)

Additional notes and explanations to the consolidated financial statements**2.3 Consolidation (cont.)**

				31 December 2019	31 December 2018
	Name	Country	Shareholder		
13	Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challenge Eighteen Sp. z o.o.	49%	49%
			Smart City Sp. z o.o.	1%	1%
14	2/124 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challenge Eighteen Sp. z o.o.	99%	99%
			Gaston Investments Sp. z o.o.	1%	1%
15	3/93 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challenge Eighteen Sp. z o.o.	99%	99%
			Gaston Investments Sp. z o.o.	1%	1%
16	Ursa Park Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challenge Eighteen Sp. z o.o.	49%	99%
			Gaston Investments Sp. z o.o.	0%	1%
			Smart City Sp. z o.o.	1%	0%
17	5/92 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challenge Eighteen Sp. z o.o.	99%	99%
			Gaston Investments Sp. z o.o.	1%	1%
18	6/150 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challenge Eighteen Sp. z o.o.	99%	99%
			Gaston Investments Sp. z o.o.	1%	1%
19	7/120 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challenge Eighteen Sp. z o.o.	99%	99%
			Gaston Investments Sp. z o.o.	1%	1%
20	12/132 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challenge Eighteen Sp. z o.o.	99%	99%
			Gaston Investments Sp. z o.o.	1%	1%
21	13/155 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challenge Eighteen Sp. z o.o.	99%	99%
			Gaston Investments Sp. z o.o.	1%	1%
22	16/88 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challenge Eighteen Sp. z o.o.	99%	99%
			Gaston Investments Sp. z o.o.	1%	1%
23	18 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challenge Eighteen Sp. z o.o.	99%	99%
			Gaston Investments Sp. z o.o.	1%	1%
24	19/97 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challenge Eighteen Sp. z o.o.	99%	99%
			Gaston Investments Sp. z o.o.	1%	1%
25	20/140 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challenge Eighteen Sp. z o.o.	99%	99%
			Gaston Investments Sp. z o.o.	1%	1%
26	Belise Investments Sp. z o.o.	Poland	Lakia Enterprises Limited	100%	100%
27	Antigo Investments Sp. z o.o.	Poland	Lakia Enterprises Limited	100%	100%
28	Smart City Sp. z o.o.	Poland	Lakia Enterprises Limited	100%	100%

2.4 Changes in the Group structure

There were no changes in the structure of the Group during 2019.

2.5 Foreign currency translation

(a) *Functional and presentation currency*

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2.5 Foreign currency translation (cont.)

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

(b) CPD Group Companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

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

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

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

2.6 Investment properties

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

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

Land held under leases is classified and accounted for as investment property when the rest of the definition of investment property is met.

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

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2.6 Investment property (cont.)

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

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

Gains and losses on disposals are recognised within "gains/(losses) on disposal of investment property" in the profit or loss.

2.7 Property, plant and equipment

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

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

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

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

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Additional notes and explanations to the consolidated financial statements

2.8 Leases

Group as the lessee

For each contract concluded on or after January 1, 2019, the Group decides whether the contract is or includes a lease. Leasing is defined as a contract or part of a contract that delegates the right to control the use of an identified asset (underlying asset) for a given period in exchange for consideration. To this end, three basic aspects are analysed:

- whether the contract relates to an identified asset that is either clearly specified in the contract or implicitly when the asset is made available to the Group,
- whether the Group has the right to obtain substantially all economic benefits from the use of the asset over the entire useful life within the scope of the contract,
- whether the Group has the right to control the use of the identified asset over the entire useful life.

At the commencement date, the Group recognizes an asset under the right to use and a liability under the lease. The right to use is initially measured at the purchase price consisting of the initial value of the leasing liability, initial direct costs, an estimate of the dismantling costs and the leasing fees paid on or before the start date, less leasing incentives.

The Group depreciates use rights using the straight-line method from the start date until the end of the useful life period or until the end of the lease period, whichever is earlier. If there are indications, the rights to use are tested for impairment in accordance with IAS 36.

As at the commencement date, the Group measures the lease liability at the present value of the remaining lease payments using the lease interest rate, if it can be easily determined. Otherwise, the lessee's marginal interest rate applies.

Lease payments included in the value of the lease liability consist of fixed lease payments, variable lease payments dependent on the index or rate, amounts expected to be paid as a guaranteed residual value and payments for call options if they are reasonably certain.

In subsequent periods, the lease liability is reduced by repayments made and increased by accrued interest. The valuation of the lease liability is updated to reflect changes in the contract and the reassessment of the lease term, exercise of the call option, guaranteed residual value or lease payments dependent on the index or rate. In principle, the revaluation of the liability is recognized as an adjustment to the asset due to the right of use.

The Group applies standardized practical solutions for short-term leases and leases in which the underlying asset is of low value. In relation to such contracts, instead of recognizing the assets due to the right to use and liabilities due to the leasing, the leasing fees are recognized in the result using the straight-line method during the leasing period.

The Group presents usage rights in the same items of the statement of financial position.

2.9 Intangible assets, excluding goodwill

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

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2.10 Goodwill

The rules for evaluating the goodwill at the moment of acquisition of subsidiary are presented in Note 2.3.

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

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

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

2.11 Impairment of non-financial assets

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

2.12 Financial assets

The Group's financial assets are categorised based on financial assets management business model and characteristics of financial assets cash flows resulting from the concluded contracts.

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

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

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

Financial assets classified as valued at amortized cost and measured at fair value through other comprehensive income due to the business model and the nature of the flows are assessed as at each balance sheet date in order to recognise any expected credit losses, regardless of whether there were indications 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 only financial assets in the group are receivables that have been grouped by overdue period. The estimate of the write-down is based primarily on historically-forming overdues and the relationship between payment arrears and actual bad debt losses, taking into account available information about the future.

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2.12 Financial assets (cont.)

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

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

2.13 Inventories

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

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

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

- costs incurred relating to projects or a phase of a project which are not available for sale (work in progress),
 - costs incurred relating to units unsold associated with a project or a phase of a project that is available for sale (finished goods).
- Project construction costs include:
- a) land or leasehold rights for land,
 - b) construction costs paid to subcontractors for the construction of the residential units,
 - c) planning and design costs,
 - d) borrowing costs to the extent they are directly attributable to the development of the project,
 - e) professional fees attributable to the development of the project,
 - f) construction overheads and other directly related costs.

2.14 Assets held for sale

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

The sale is determined to be highly probable if:

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

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

2.15 Share capital

Ordinary shares are classified as share capital.

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Additional notes and explanations to the consolidated financial statements**2.16 Trade payables**

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

2.17 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.18 Borrowing costs

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

2.19 Income tax

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

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

2.20 Deferred income tax

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

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.

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

- (a) has a legally enforceable right to set off the deferred tax assets against deferred tax liabilities; and
- b) deferred tax assets and deferred tax liabilities relate to income tax imposed by the same tax authority on:
 - (i) the same taxpayer; or
 - (ii) various taxpayers who intend to settle current tax liabilities and receivables in a net amount, or at the same time realize receivables and settle liabilities, in each future period in which a significant amount of deferred tax liabilities is expected to be dissolved or significant amounts Deferred income tax assets.

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2.21 Employee benefits

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

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

2.22 Provisions

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

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

2.23 Revenue recognition

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

In 2018 the Group applied IFRS 15 taking an approach without adjusting comparative data. In relation to the multi-element transaction of the sale of real estate carried out in stages, the combination of transaction elements into a package and the division into individual stages of implementation influenced the statement of liabilities in the balance sheet for payments received for its individual elements, as well as the statement in the balance of accrued expenses related to the assignment of own costs to reported revenues.

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

(a) *Rental income*

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

(b) *Service and management charges*

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

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

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

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Additional notes and explanations to the consolidated financial statements**2.23 Revenue recognition (cont.)**

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

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

(d) Interest Income

Interest income is recognised using the effective interest rate method.

2.24 Expenses

Cost of sales is recognised in the amount of total capitalised costs of inventories sold.

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

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

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

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

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

2.25 Dividend distribution

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

2.26 Interest expense

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

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

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Additional notes and explanations to the consolidated financial statements**3 Financial risk management****3.1 Financial risk factors**

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

*(a) Market risk**(i) Currency risk*

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

	Year ended at 31 December 2019	Year ended at 2018
Debt in foreign currencies - EUR	98 964	101 571
Assumed change in PLN/EUR exchange rate	+/-1%	+/-1%
FX gains/losses due to change in FX rate	990	1 016
Tax shield	188	193
Effect on net profit/(loss)	802	823
Effect on total equity	802	823

(ii) Price risk

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

(iii) Interest rate risk

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

	Year ended at 31 December 2019	Year ended at 2018
Variable interest rate loans	98 964	67 696
Cost of interest in the period	3 317	6 319
Assumed change in interest rates	+/-1pp	+/-1pp
Effect of the change on the cost of interest	990	677
Tax shield	188	129
Effect on net profit/(loss)	802	548
Effect on total equity	802	548

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Additional notes and explanations to the consolidated financial statements**3.1 Financial risk factors (cont.)***(b) Credit risk*

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

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

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

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

(c) Liquidity risk

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

Except of liabilities related to assets classified as held for sale, as at 31 December 2018 short-term liabilities amounted to PLN 48.199 thousand (including borrowings of PLN 4.573 thousand) and are lower than current assets (excluding assets held for sale) which amount to 151.024 thousand. A detailed description of the borrowings presented in the consolidated financial statements is presented in note 13 "Borrowings, including finance leases".

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

As at 31.12.2019	Within 1 year	1 – 5 years	More than 5
Loans and leases	4 826	60 505	16 432
Trade payables and other payables	18 629	2 283	0
	23 455	62 788	16 432
As at 31.12.2018	Within 1 year	1 – 5 years	More than 5
Loans and leases	5 956	67 390	71 203
Bonds payables	0	0	0
Trade payables and other payables	92 087	2 305	0
	98 043	69 695	71 203

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Additional notes and explanations to the consolidated financial statements**3.2 Financing structure management**

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

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

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

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

	31 December 2019	31 December 2018
Total loans, including finance leases (notes 13 and 28)	119 373	132 948
Trade payables and other payables (Note 12)	45 909	103 549
Less: cash and cash equivalents (Note 9)	-139 035	-102 405
Net debt	26 247	134 092
Equity	343 858	326 879
Total capital	370 105	460 971
Financing structure ratio	7,1%	29,1%

4 Major accounting estimates and judgments

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

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

In February 2016 Belise Investments Sp. z o.o., the Group subsidiary, concluded interest rate swap (IRS) contract. The value of the contract corresponds to 80% of the Santander Bank borrowings.

The contract is settled in monthly periods based on EURIBOR 1M.

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

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

As at 31 December 2019 the IRS is valued at PLN 478 thousand.

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Additional notes and explanations to the consolidated financial statements**4 Major accounting estimates and judgments (cont.)*****Accounting treatment of joint ventures***

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

As at the balance sheet date the project was completed with the last unit sold after the year end.

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

Subsequently the scope of the investment agreement has been extended on the whole property of Ursa Park Smart City spółka z ograniczoną odpowiedzialnością Sp.k. on 26 October 2018. The investment agreement assumes construction of three joint ventures: Ursa Park, Ursa Home and Ursa Sky, each consisting of two stages.

The first one - Ursa Park - has been completed in 2019 and comprised of 385 flats. Ursa Home is under construction now and consists of 341 flats (153 in the first stage and 188 flats in the second one). As at the balance sheet date sales of 169 flats were contracted 9116 in the first stag and 53 in the second stage). The flats are to be handed to the buyers during 2021. The third joint venture is to be initiated during 2020.

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

- assets and liabilities under the investment agreement were recognized as the joint venture and were valued in the consolidated financial statements according to the property rights method and the joint venture partners have equal 50% share in profits, assets and liabilities,
- land excluded by the investment agreement from the joint ventures as well as related assets and liabilities were included in the joint ventures accounted for based on property rights method, with CPD group entitled to 100% of profits, assets and liabilities related to these plots, while Unidevelopment Group has no respective rights.

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

Determination of fair value of real estate

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

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Additional notes and explanations to the consolidated financial statements**4 Major accounting estimates and judgments (cont.)**CPD Group distinguishes the following classes of assets included in its real property portfolio:

- (i) non-developed land
- (ii) investment properties generating significant rent income (office building in Warsaw);

The Group valued individual real investment properties using the following methods:

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

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

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

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

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

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

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

The land designated for public purposes has been valued at nil.

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Additional notes and explanations to the consolidated financial statements**4 Major accounting estimates and judgments (cont.)**

The table below includes information about methods used for and assumptions underlying the valuations of the investment class properties at fair value along with information about major unnoticeable entry data - 31 December 2019.

Investment property	Valuation method / fair value valuation level	Capitalization rate/ construction cost per sqm	Anticipated rent rates per sqm/ sales price per sqm	Discount rate
Office building	income method / level 3	8%	11,5	9%

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

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

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

Valuation method	Fair value	Judgemental variable	Assumed change in judgemental variable	Impact on valuation
income	94 965	capitalisation rate	+/- 0,25 pp	-1 703 / 1 703
		discount rate	+/- 0,25 pp	-1 703 / 1 703
		rent rate	+/- 5%	4 258 / -3 833
other methods	1 900	insensitive for judgemental variables	n/a	n/a
96 865				

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Additional notes and explanations to the consolidated financial statements**4 Major accounting estimates and judgments (cont.)*****Income tax***

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

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

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

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

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Consolidated financial statements for the period from 1 January 2019 to 31 December 2019

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Additional notes and explanations to the consolidated financial statements**5 Investment properties**

	12 months ended 31 December 2019	12 months ended 31 December 2018
At the beginning of the period	218 311	471 715
Capital expenditure	1 972	4 019
Disposal of investment property	0	(3 227)
Liquidations	(442)	
Fair value of properties disposed in course of sale of subsidiary	0	(10 000)
Change in the balance of capitalized financial liability concerning the property disposed	0	(4 781)
Change in the balance of capitalized financial liability concerning the properties transferred to assets held for sale	(10 735)	(13 444)
Change in the balance of capitalized financial liability	(6)	(716)
Transfer of educational plots in Urus to the municipality of Warsaw	0	(11 400)
Transfer to assets held for sale	(128 976)	(199 449)
Result from fair value adjustment on investment property	21 616	(14 406)
	100 214	218 311

Investment properties which belong to the CPD Group were valued by an independent international professional appraiser, Savills Sp. z o.o. as at 31 December 2019 and as at 31 December 2018 in accordance with Royal Institution of Chartered Surveyors' ("RICS") Valuation – Professional Standards 2017 Incorporating the IVSC International Valuation Standards (the "RICS Red Book") published in June 2017.

As at Dec 31, 2019, the total fair value of real properties owned by the Group and disclosed under the 'Investment Properties' header in the consolidated financial statements was lower than at the end of 2018 by PLN 118 million. The decrease resulted mainly from transfers of the properties to assets held for sale. In 2018 the Group recognized a loss from fair value adjustment of investment properties of PLN 21.6 million.

As a demonstration of social responsibility and contribution to creation of sustainable urban structure based on local social identity, CPD group donated 1,7 ha plot to the city of Warsaw. Local master plan determines the plot as designed for educational investments. The expected agreement assumes construction of school and kindergarten complex by the city of Warsaw by 2021.

The capital expenditure on investment properties in 2019 amounted to PLN 2 million and related mainly to Iris building.

Further information on the valuation as at the balance sheet date is presented in Note 4.

As at 31 December 2019, all investment properties of the CPD Group were registered in the land and mortgage register.

Due to the fact that the value of the properties (according to external valuation) is reduced by the fees for perpetual usufruct, the "fair book value" of the properties has been increased by the amount of the financial liabilities relating to such use. Such recognition results in the balance sheet value of the investment property being increased by the liability in respect of the lease.

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Additional notes and explanations to the consolidated financial statements**5 Investment properties (cont.)**

	31 December 2019	31 December 2018
Investment property by external valuation	96 865	204 220
Liabilities in respect of perpetual usufruct	3 349	14 091
Investment property presented in the statement of financial position	100 214	218 311
Direct operating expenses relating to investment properties:		
	12 months ended 31 December 2019	12 months ended 31 December 2018
- generating income from rent	4 999	4 529
- other	2 258	531
	7 257	5 060

6 Fair value of collaterals

	31 December 2019	31 December 2018
Office buildings	144 345	146 055

Properties: Aquarius, Cybernetics 7B (Solar) and IRIS are mortgaged to collateralise bank loans as described further in note 13.

7 Trade receivables and other receivables

	31 December 2019	31 December 2018
Trade receivables	1 363	1 258
Prepayments and accruals	4 359	3 066
Receivables from the state budget	2 572	3 136
Receivables from related entities	101	521
Short-term trade receivables and other receivables	8 395	7 981
Long-term receivables	263	550
Total trade receivables and other receivables	8 658	8 531

The estimated fair value of trade receivables and other receivables is a discounted amount of expected future inflows which the CPD Group will receive, and it approximates the carrying amount of such inflows. Most rent receivables are secured. The CPD Group requires security from its tenants in the form of an equivalent of a one to three months' rent. Receivables in respect of rent are mainly secured with bank deposits.

prepayments and accruals are the biggest trade receivables and other receivables item. They include mainly the balance of accrued future revenues as well as linear settlement of rental income related to rent incentives consisting of rent free periods or significant periodical rent discounts.

The CPD Group recognized an income of PLN 110 thousand resulting from movement in impairments and write-offs of receivables in the year ended 31 December 2019 (year ended 31 December 2019: loss of PLN 920 thousand).

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Additional notes and explanations to the consolidated financial statements**7 Trade receivables and other receivables (cont.)****Trade receivables**

	31 December 2019	31 December 2018
Current	1 363	1 258
Overdue, with recognized impairment (provided for in full)	402	519

Other receivables

	31 December 2019	31 December 2018
Overdue, with recognized impairment (provided for in full)	826	744

Impairment of receivables

	31 December 2019	31 December 2018
- <i>trade receivables</i> :		
Opening balance	1 263	346
- increases	0	917
- decreases	(35)	0
Closing balance	1 228	1 263

The maximum amount of exposure to credit risk as at the reporting date is equivalent to the carrying amount of the receivable. In the opinion of the Management Board, there is no significant credit risk concentration with respect to trade receivables, since the CPD Group has a large group of tenants.

8 Inventories

	31 December 2019	31 December 2018
Finished goods	1 870	1 340
Goods for resale	1 537	1 575
Liabilities in respect of perpetual usufruct	187	0
	3 594	2 915

Finished goods in the consolidated financial statements comprise completed construction project, i.e. Koszykowa (Poland). Goods for resale comprise plots in Alsonemedi (Hungary), Czosnów, Nowa Piasecznica, Lesznów and Jaktorów.

	31 December 2019	31 December 2018
At the beginning of the period	2 915	5 421
Disposals	0	(2 451)
Impairment loss	590	(24)
Recognition of perpetual usufruct	187	0
Foreign exchange differences	(98)	(31)
As at the balance sheet date	3 594	2 915

9 Cash and cash equivalents

	31 December 2019	31 December 2018
Cash in hand and at bank	50 515	39 746
Restricted cash	3 370	3 400
Short-term bank deposits	85 150	59 259
	139 035	102 405

Restricted cash means the funds transferred as a result of the implementation of the credit agreement with Santander Bank and mBank Hipoteczny.

Cash and cash equivalents for the purposes of preparing the cash flow statement comprise cash in hand and at bank and short-term bank deposits.

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Additional notes and explanations to the consolidated financial statements**10 Joint ventures****(a) Smart City Spółka z ograniczoną odpowiedzialnością sp.k.**

On 10 September 2014 CPD SA and its subsidiaries Smart City spółka z ograniczoną odpowiedzialnością sp.k., Lakia Enterprises Ltd concluded joint venture agreement with Unibep S.A. and Unidevelopment S.A. aimed at construction of residential complex with services and accompanying infrastructure. Smart City spółka z ograniczoną odpowiedzialnością sp.k. contributed land to the joint venture. Part of the land is to be transferred to the City of Warsaw or other entity for public roads and educational infrastructure.

On 9 March 2015 Unidevelopment SA joined Smart City spółka z ograniczoną odpowiedzialnością sp.k. as a limited partner.

As at the balance sheet date the project was completed with the last unit sold after the year end.

(b) Ursa Park Smart City Spółka z ograniczoną odpowiedzialnością sp.k.

On February 22, 2017 the group concluded another joint ventures agreement concerning construction of complete complex of multi-family buildings with accompanying services and infrastructure.

Subsequently the scope of the investment agreement has been extended on the whole property of Ursa Park Smart City spółka z ograniczoną odpowiedzialnością Sp.k. on 26 October 2018. The investment agreement assumes construction of three joint ventures: Ursa Park, Ursa Home and Ursa Sky, each consisting of two stages.

The first one - Ursa Park - has been completed in 2019 and comprised of 385 flats.

Ursa Home is under construction now and consists of 341 flats (153 in the first stage and 188 flats in the second one). As at the balance sheet date sales of 169 flats were contracted 9116 in the first stag and 53 in the second stage). The flats are to be handed to the buyers during 2021.

The third joint venture is to be initiated during 2020.

The below table summarizes the carrying amounts of the Group major investments in joint ventures:

	31 December 2019	31 December 2018
a) Smart City Spółka z ograniczoną odpowiedzialnością sp.k.	0	1 620
b) Ursa Park Smart City Spółka z ograniczoną odpowiedzialnością sp.k.	32 015	35 581
	32 015	37 201

a) Smart City Spółka z ograniczoną odpowiedzialnością sp.k.

	31 December 2019	31 December 2018
Opening balance as at 1 January	1 620	16 486
Group's share of the net profit or loss of the joint ventures presented in theses consolidated financial statements	780	(13 057)
Group's share in reduction of the partners' contribution	(2 400)	(3 700)
Transfer of the educational land and liabilities to the joint venture	0	1 890
Other adjustments	0	1
Closing balance as at 31 December	0	1 620

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Additional notes and explanations to the consolidated financial statements**10 Joint ventures (cont.)**b) Ursa Park Smart City Spółka z ograniczoną odpowiedzialnością sp.k.

	31 December 2019	31 December 2018
Opening balance as at 1 January	35 581	46 586
Group's share in contributions to the joint venture	2 000	1 250
Group's share in withdrawals of the contributions to the joint venture	(6 014)	(9 707)
Group's share in future contributions to the joint venture	0	10 375
Group's share in joint venture's profit distributions	(8 601)	(6 255)
Amendment of the property rights to the joint venture's net assets	0	(15 880)
Group's share of the net profit or loss of the joint ventures presented in these consolidated financial statements	9 049	9 212
Closing balance as at 31 December	32 015	35 581

The financial information of individually material joint ventures of the Group as at 31 December 2019 and for the period from 1 January 2019 to 31 December 2019 is presented in the below table:

a) Smart City Spółka z ograniczoną odpowiedzialnością sp.k.Financial information from statement of financial position

	31 December 2019	31 December 2018
Total non-current assets, including	9	18
Fixed assets	9	18
Investment property	0	0
Total current assets, including:	743	4 658
Inventory	223	3 412
Trade receivables and other receivables	270	430
Cash and cash equivalents	250	816
Total assets	752	4 676
Trade payables and other liabilities	780	1 432
Net assets	(28)	3 244

% held by the Group

Carrying amount of investment in joint venture presented in the consolidated financial statements

Financial information from statement of comprehensive income

	31 December 2019	31 December 2018
Revenue	2 198	8 493
Interest cost	0	124
Result from continued operations	763	(12 268)

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Consolidated financial statements for the period from 1 January 2019 to 31 December 2019

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Additional notes and explanations to the consolidated financial statements**10 Joint ventures (cont.)**b) Ursa Park Smart City Spółka z ograniczoną odpowiedzialnością sp.k.Financial information from statement of financial position

	31 December 2019	31 December 2018
Total non-current assets, including	117	18 758
Intangible assets	117	58
Investment property	0	18 700
Total current assets, including:	101 932	101 879
Inventory	66 562	56 057
Trade receivables and other receivables	28 516	26 746
Cash and cash equivalents	6 854	19 076
Total assets	102 049	120 637
Trade payables and other liabilities	38 019	49 476
Net assets	64 030	71 161
<i>% held by the Group</i>	<i>50%</i>	<i>50%</i>
Carrying amount of investment in joint venture presented in the consolidated financial statements	32 015	35 581

Financial information from statement of comprehensive income

	31 grudnia 2019	31 grudnia 2018
Revenue	74 774	70 428
Interest income	1	1
Interest cost	1	4
Result from continued operations	18 098	18 397

11 Share capital

	Number of shares in thousands		Value of shares	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Ordinary shares series B	0	32 336	0	3 233
Ordinary shares series C	0	163	0	16
Ordinary shares series D	0	76	0	8
Ordinary shares series E	0	89	0	9
Ordinary shares series F	0	199	0	20
Ordinary shares series G	0	6 491	0	649
Ordinary shares series AA	26 371	0	2 637	0
Total	26 371	39 354	2 637	3 935

As of the date of these condensed consolidated financial statements share capital amounts to PLN 2.637 thousand. There have been no changes in share capital from the balance sheet date until the date of these consolidated financial statements. The shares issued are not privileged. Each of the issued shares has a nominal value of PLN 0,10 and has been fully paid.

On 25 January 2019 the National Court Register registered reduction of the share capital and amendment of CPD SA statute, resulting from Extraordinary Shareholders' Meeting resolutions of 14 September 2018. Since 25 January 2019 the share capital of CPD amounts to PLN 2.637.113,10 and splits into 26.371.131 ordinary shares of series AA.

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Consolidated financial statements for the period from 1 January 2019 to 31 December 2019

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Additional notes and explanations to the consolidated financial statements**11 Share capital (cont.)**

On 28 February 2019 General Shareholders' Meeting entitled CPD SA Management Board to acquire 8.700.000 own shares for redemption until 31 January 2021.

On 22 March CPD SA bought 3.305.886 own shares. The stake consists of ordinary shares of PLN 0,10 each. The shares represent 12,54% of CPD SA share capital and entitle to 12,54% of votes on the General Shareholders' Meeting. However based on the relevant regulations the Company is prevented from executing voting rights from own shares.

12 Trade payables and other payables**Long-term trade payables and other payables**

	31 December 2019	31 December 2018
Deposits of tenants	2 283	2 305

Short-term trade payables and other payables

	31 December 2019	31 December 2018
Trade payables	1 094	6 624
Other liabilities	181	571
Advanced sales payments	12 070	76 819
Output VAT and other tax liabilities	24 997	9 157
Deposits of tenants	545	334
Accruals and deferred income	4 739	7 739
Total	43 626	101 244

Trade payables bear no interest and are payable within one the year.

The estimated fair value of trade payables and other payables is a discounted amount of expected future outflows, which the CPD Group will pay, and it approximates their carrying amount.

The received advance payments results from preliminary agreements for sale of properties owned by the Group companies. Drop in the value of the received prepayments results from ownership transfer of the plot owned by IMES Poland Sp. z o.o., as well as recognition of revenue from auxiliary services related to disposed properties.

Increase in tax liabilities result from sales of plots owned by the Group companies in December 2019.

The provision for potential tax risks was the biggest part of accruals and dropped as compared to 31 December 2018 as a consequence of expiration or materialisation of part of the risks provided for.

13 Loans and borrowings (including leases)

	31 December 2019	31 December 2018
Long-term		
Bank loans	59 494	63 115
IRS derivative	151	283
Lease liabilities	3 536	14 091
	63 181	77 489
Short-term		
Bank loans	4 246	4 581
IRS derivative	327	312
	4 573	4 893
Total loans and borrowings	67 754	82 382

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Additional notes and explanations to the consolidated financial statements**13 Loans and borrowings (including leases) (cont.)**

As of 31 December 2019 bank credits consist of:

- payable of PLN 63.740 thousand to Santander Bank (PLN 4.246 thousand being short-term and PLN 59.494 thousand as long-term). The full repayment follows in 2021.

The loan is collateralised by mortgage on Belise Investments property, pledge on it's share, cash deposit as well as guarantees granted by CPD SA and Lakia Enterprises.

In February 2016 Belise Investments entered into a swap transaction rate IRS, in order to secure the streams of interest payments, for an amount corresponding to 80% of the loan Santander Bank.

The value of hedging derivatives - the IRS as at the balance sheet date was estimated at PLN 478 thousand. The method of valuation of IRS transactions is presented in note 4.

On 18 June 2014 the subsidiaries Lakia Investments and Robin Investments entered into loan agreements with mBank Hipoteczny. The above mentioned loan was granted to refinance a loan with HSBC Bank Poland from 2006, which was used to finance the office investments located in Cybernetics 7b and Połczyńska 31a. Mortgage credit in the mBank was launched on 1 July 2014. As at balance sheet date Lakia's involvement amounted to EUR 4.901 thousand, and Robin's - EUR 3.795 thousand. According to the terms and conditions of the loan agreement with mBank Hipoteczny, the companies are obliged to repay the entire loan until 20 June 2029.

The loan was granted on market terms is secured by mortgage on the properties owned by Robin Investments Sp. o.o. and Lakia Investments Sp. o.o. and registered pledge on the shares of these companies, guarantee by Lakia Enterprises and security deposits.

As at the end of 2019 bank loans received by Lakia Investments and Robin investments are presented as liabilities associated with assets held for sales, resulting from transferring the relevant investment properties to assets held for sale. The bank loans payables amount to PLN 34.952 thousand.

The interest rate on loans taken by the subsidiaries is variable and is as follows:

- loan from Santander Bank Polska SA margin 2.15% + EURIBOR 1M
- loans from mBank Hipoteczny SA margin 2,80% + EURIBOR 6M.

All Group's bank loans are fully serviced on timely basis.

Lease liabilities relate to the right to perpetual usufruct and are recognized due to the increase in the fair value of investment property for accounting purposes (note 5).

Repayment of the principal amount of lease liabilities based on the effective interest rate due within:

	31 December 2019	31 December 2018
1 year	1	6
from 1 to 5 years	7	28
after more than 5 years	3 528	14 057
	3 536	14 091

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Additional notes and explanations to the consolidated financial statements**13 Loans and borrowings (including leases) (cont.)**

	31 December 2019	31 December 2018
Par value of minimum lease payments due:		
within 1 year	253	1 063
from 1 to 5 years	1 011	4 275
after more than 5 years	16 432	71 203
	17 696	76 541
Future financial costs	(14 160)	(62 450)
	3 536	14 091

The exposure of the CPD group loans and borrowings, excluding finance lease, to interest rate risk and the contractual dates of changes in the interest rates as at the balance sheet date are presented below:

	31 December 2019	31 December 2018
up to 6 months	2 386	2 678
from 6 months to 1 year	1 860	1 903
from 1 to 5 years	59 494	63 115
	63 740	67 696

The carrying amount of loans and borrowings approximates their fair value.

The carrying amount (in PLN) of CPD group's loans and borrowings is denominated in the following currencies:

	31 December 2019	31 December 2018
EUR	63 740	67 696

Lakia Enterprises Ltd established a registered pledge on all shares in the capital of Lakia Investments and Robin Investments amounting to up to EUR 5.9 million (Lakia) and EUR 4.4 million (Robin) for the benefit of mBank in connection with the credit taken from mBank Hipoteczny in 2014.

Lakia Enterprises Ltd and CPD SA respectively established a registered pledge on all shares in the capital of Belise Investments and accepted voluntary execution up to PLN 30.2 million each for the benefit of Santander Bank in connection with the credit taken from Santander Bank.

14 Changes of indebtedness

	Bank loans	Bonds	Capitalised financial lease	IRS derivative	Total
31 December 2018	67 696	0	14 091	595	82 382
Accrued interest	1 240	0	0	0	1 240
Principal repaid	(2 756)	0	0	0	(2 756)
Interest repaid	(1 249)	0	0	0	(1 249)
Other non-cash changes, including:	(1 191)	0	(10 742)	(117)	(12 050)
- Balance sheet reclassifications	0	0	(10 735)	0	(10 735)
- Other changes	0	0	(7)	0	(7)
- Balance sheet valuation	(1 191)	0	0	(117)	(1 308)
31 December 2019	63 740	0	3 349	478	67 567

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Additional notes and explanations to the consolidated financial statements**14 Changes of indebtedness (cont.)**

	Bank loans	Bonds	Capitalised financial lease	IRS derivative	Total
31 December 2017	106 766	0	33 032	479	140 277
Accrued interest	1 971	0	0	0	1 971
Principal repaid	(4 393)	0	0	0	(4 393)
Interest repaid	(1 975)	0	0	0	(1 975)
Other non-cash changes, including:	(34 673)	0	(18 941)	116	(53 498)
- Balance sheet reclassifications	(37 122)	0	(13 444)	0	(50 566)
- Other changes	0	0	(5 497)	0	(5 497)
- Balance sheet valuation	2 449	0	0	116	2 565
31 December 2018	67 696	0	14 091	595	82 382

15 Deferred income tax

Deferred income tax assets and provision are offset if there is an enforceable legal title to offset current income tax assets against current income tax liabilities and if deferred income tax assets and provision relate to taxes assessed by the same tax authorities.

	31 December 2019	31 December 2018
Deferred tax assets before offset	10 277	9 022
Offset against deferred tax liability	(10 277)	(9 022)
Deferred tax assets	0	0
Deferred income tax liabilities before offset	27 722	28 414
Offset against deferred tax asset	(10 277)	(9 022)
Deferred income tax liabilities after offset	17 445	19 392
- to be paid after more than 12 months	904	5 257
- to be paid within 12 months	16 541	14 135
12 months ended 31 December 2019	1 255	
Change in deferred tax assets	(692)	
Change in deferred tax liabilities	1 947	
Amount charged/(credited) to profit or loss	1 947	

The movement in deferred tax assets and liabilities during the year is as follows:

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Additional notes and explanations to the consolidated financial statements**15 Deferred income tax (cont.)****Deferred income tax liabilities (before offset)**

	2017	Charged to profit/(loss)	Charged to other comprehensive income	2018
Property valuation at fair value	22 478	(12 210)	0	10 268
Accrued interest on loans	18 161	(6 912)	0	11 249
Provision for income	1 749	5 116	0	6 865
Foreign exchange differences	8	24	0	32
Total	42 396	(13 982)	0	28 414

	2018	Charged to profit/(loss)	Charged to other comprehensive income	2019
Property valuation at fair value	10 268	(3 619)	0	6 649
Accrued interest on loans	11 249	534	0	11 783
Provision for income	6 865	2 406	0	9 271
Foreign exchange differences	32	(13)	0	19
Total	28 414	(692)	0	27 722

Deferred income tax assets (before offset)

	2017	Charged to profit/(loss)	Charged to other comprehensive income	2018
Accrued, interest unpaid	641	130	0	771
Foreign exchange differences	31	181	0	212
Provisions	95	36	0	131
Other	1 587	5 131	0	6 718
Tax losses	3 759	(2 569)	0	1 190
	6 113	2 909	0	9 022

	2018	Charged to profit/(loss)	Charged to other comprehensive income	2019
Accrued, interest unpaid	771	110	0	881
Foreign exchange differences	212	(137)	0	75
Provisions	131	(34)	0	97
Other	6 718	2 362	0	9 080
Tax losses	1 190	(1 046)	0	144
	9 022	1 255	0	10 277

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Additional notes and explanations to the consolidated financial statements**15 Deferred income tax (cont.)**

	31 December 2019	31 December 2018
Tax losses	758	6 263
Deductible temporary differences on loans and borrowings (foreign exchange differences and accrued interest)	4 637	4 058
Other deductible temporary differences	48 695	37 163
Total	54 089	47 484
Deferred tax assets before offset	10 277	9 022
Offset of deferred tax assets and liabilities within individual companies	(10 277)	(9 022)
Net deferred tax assets	0	0

Deferred income tax assets on the tax loss and deductible temporary differences are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences and tax losses can be utilised.

Expiry of tax losses as at 31.12.2019

	2020	2021-2022	2023-2024	Total
- Losses on which deferred tax was recognized	201	0	558	759
- Losses on which deferred tax was not recognized	5 410	11 367	8 745	25 522

Expiry of tax losses as at 31.12.2018

	2019	2020-2021	2022-2023	Total
- Losses on which deferred tax was recognized	3 984	2 281	0	6 265
- Losses on which deferred tax was not recognized	5 568	15 902	13 697	35 167

16 Revenues

Revenues by category:	12 months ended 31 December 2019	12 months ended 31 December 2018
Rental income	12 212	12 960
Sales of inventories	1	2 501
Real estate advisory services	30 645	1 098
Rent related services	3 961	4 914
Accounting services	15	12
	46 834	21 485

In 2019 auxiliary services related to disposed properties were the major item in revenues.

In 2018 rental income was predominant in sales. Revenues from rent related services were another major item of revenues (PLN 4.914 thousand).

The Group leases properties under operating lease.

The Group adopted the below described model of standard rental contracts:

- rent is expressed in EUR and indexed for the annual inflation rate for EUR (invoiced in PLN),
- specified rental period without a possibility of early termination.

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Additional notes and explanations to the consolidated financial statements**16 Revenues (cont.)**

Future minimum cumulative rental revenues resulting from irrevocable lease agreements:

	12 months ended 31 December 2019	12 months ended 31 December 2018
up to 1 year	6 157	10 870
from 1 to 5 years	13 802	25 693
more than 5 years	1 110	2 531
	21 069	39 094

17 Cost of sales

	12 months ended 31 December 2019	12 months ended 31 December 2018
Cost of inventories sold	1	2 506
Changes in impairment write-downs of inventories	(590)	24
Cost of services provided	4 946	2 091
	4 357	4 621

18 Administrative expenses – relating to properties

	12 months ended 31 December 2019	12 months ended 31 December 2018
Employee expenses	2 988	1 449
Property maintenance	4 589	4 676
Real estate tax	1 326	1 112
Perpetual usufruct	2 125	172
Depreciation and amortization	238	222
	11 266	7 631

19 Other income

	12 months ended 31 December 2019	12 months ended 31 December 2018
Provision released	2 185	3 270
Waived or expired liabilities	0	21
Sale of PPE	0	0
Contractual penalties received	111	29
Other	21	1 003
	2 317	4 323

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Additional notes and explanations to the consolidated financial statements**20 Administrative expenses - other**

	12 months ended 31 December 2019	12 months ended 31 December 2018
Advisory services	3 792	5 005
Audit fee	183	265
Transport	244	15
Taxes	134	146
Office maintenance	769	858
Other services	890	256
Costs of not deductible VAT	194	190
Receivables impairment	0	0
Other costs	136	42
	6 342	6 777

In 2018 the administrative expenses increased by PLN 815 thousand as compared to 2017 resulting mainly from lower advisory services cost.

21 Financial income and costs

	12 months ended 31 December 2019	12 months ended 31 December 2018
<i>Costs related to instruments valued at amortised cost:</i>		
Bank loans valuation	(2 313)	(2 436)
Interest on finance lease	(649)	(2 182)
Amortised cost valuation	(99)	(91)
Net foreign exchange loss	0	(3 094)
<i>Costs related to instruments valued at fair value:</i>		
Other interest expenses	(905)	(698)
Other financial costs	(9)	0
Derivative (IRS) valuation	0	(116)
<i>Other financial costs:</i>		
Result of changing subsidiary into joint venture	(800)	0
Financial costs	(4 775)	(8 617)
<i>Income related to instruments valued at amortised cost:</i>		
Net foreign exchange gain	853	0
<i>Income related to instruments valued at fair value:</i>		
Bank interest	582	1 193
Interest from unrelated entities	1	0
Derivative (IRS) valuation	117	0
Other financial income	68	359
Financial income	1 621	1 552
Financing activities, net	(3 154)	(7 065)

22 Income tax expense

	12 months ended 31 December 2019	12 months ended 31 December 2018
Current tax	3 780	1 623
Deferred tax (Note 15)	(1 947)	(16 891)
	1 833	(15 268)

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Additional notes and explanations to the consolidated financial statements**22 Income tax expense (cont.)**

Polish subsidiaries are subject to Polish corporate income tax, which is accrued at the rate of 19% on the profit or loss adjusted for tax purposes. Under certain conditions the tax rate may be reduced to 9%. Cypriot subsidiaries are subject to Cypriot income tax calculated on taxable profit at the tax rate of 12,5%. Realized gains on the sale of shares and other titles are exempt from taxation in Cyprus. In some circumstances, interest can be additionally taxed at the rate of 5%. In such cases, 50% of interest can be exempt from corporate income tax, therefore, the effective tax rate amounts to approximately 15%. In some cases, dividends received from abroad can be subject to additional taxation at the rate of 15%.

The income tax expense presented in the CPD Group's financial result differs from the theoretical amount which would result from the uniform application of the 19% tax rate applicable to profits of companies with their registered offices in Poland to accounting profit before tax.

	12 months ended 31 December 2019	12 months ended 31 December 2018
Profit before tax	61 833	(17 135)
Estimated tax liability at 19% tax rate	(11 748)	3 256
Tax impact of:		
- various tax rates applicable to Group companies	(242)	(652)
- loss of companies where the asset was not recognized	0	2 419
- use of prior years losses, where the assets was not recognised	2 028	170
- temporary differences in foreign companies	0	(1 900)
- valuation of the embedded derivative	0	(1 136)
- other	5 842	11 975
Income tax expense	(4 120)	14 132

23 Contingencies

According to the general Polish regulations, the tax authorities may perform an inspection of books and records at any time within 5 years after the end of the reporting period and assess additional tax and penalties if any irregularities are found.

On 9 November 2017 Challenge Eighteen Sp. z o.o., the Group subsidiary, received the results of concluded tax control. The Polish tax authorities are claiming that the subsidiary should have remitted withholding tax on the interest settled to EEPF AB (a former member of CPD Group). The total value of this tax claim consists of outstanding tax of PLN 9.113 thousand increased by penalty interest. Management Board stands on the position that this claim is illegitimate. Nevertheless in case of commencement of the tax proceeding and issuing decision by the tax authority, the Entity may be required to pay the tax arrears estimated by the tax authority. Based on risk assessment analysis, Management Board decided not to create a provision for this tax claim.

According to the best knowledge of the Management Boards of the CPD Group companies, except of the above, there are no circumstances which could result in any significant liabilities arising in this respect.

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Additional notes and explanations to the consolidated financial statements**24 Contractual liabilities (commitments)**

On 31 July 2018 5/92 Gaston Investments spółka z ograniczoną odpowiedzialnością sp. k. concluded preliminary property disposal agreement. The value of the transaction amounts to PLN 50 million.

On 15 May 2019 subsidiaries 6/150 Gaston Investments spółka z ograniczoną odpowiedzialnością sp. k., 7/120 Gaston Investments spółka z ograniczoną odpowiedzialnością sp. k., 18 Gaston Investments spółka z ograniczoną odpowiedzialnością sp. k., 19/140 Gaston Investments spółka z ograniczoną odpowiedzialnością sp. k. and 20/140 Gaston Investments spółka z ograniczoną odpowiedzialnością sp. k. concluded preliminary property disposal agreement for their properties in Ursus.

On 28 December 2019 subsidiaries 12/132 Gaston Investments spółka z ograniczoną odpowiedzialnością sp. k. and 13/155 Gaston Investments spółka z ograniczoną odpowiedzialnością sp. k. concluded preliminary property disposal agreement for their properties in Ursus.

As at the balance sheet date the above properties are presented as assets held for sale.

25 Cash generated from operations

	12 months ended 31 December 2019	12 months ended 31 December 2018
Profit before income tax	61 833	(17 135)
Adjustments for:		
- depreciation of tangible fixed assets	238	213
- amortisation of intangible assets	0	3
- currency translation adjustments	87	(31)
- foreign exchange differences	(1 595)	2 421
- gains (losses) on revaluation to fair value of investment property	(21 616)	14 406
- share of the profit or loss of the joint ventures	(15 844)	5 598
- loss on change of a subsidiary into joint venture	(1 780)	0
- interest expenses	2 166	1 971
- interest income	(582)	(1 193)
- impairment of inventories	(590)	24
- result in investment property disposal	(684)	7 492
- result of sale of tangible non-current assets	0	16
- result of sale of subsidiaries	0	(17 225)
- result on derivatives valuation	(117)	116
- other adjustments	3 301	(2 237)
Movements in working capital:		
- change in receivables	1 427	(318)
- change in inventories	0	2 451
- change in trade payables and other payables	(61 420)	5 231
	(35 176)	1 803

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Additional notes and explanations to the consolidated financial statements**26 Transactions with related entities and transactions with employees**

CPD S.A. does not have a direct parent company or the ultimate parent company. Cooperative Laxey Worldwide W.A. is a significant investor at the highest level, which has a significant influence on the Company.

The CPD Group also concludes transactions with key managers and other related entities controlled by the Group's key managers.

All related party transactions have been at arm's length.

The CPD group concluded the following transactions with related parties:

	12 months ended 31 December 2019	12 months ended 31 December 2018
a) Transactions with key managers		
Remuneration of the Management Board members	1 642	262
Cost of work and services provided by members of the Management Board	2 920	6 307
Cost of remuneration of members of the Supervisory Board	552	575
	12 months ended 31 December 2019	12 months ended 31 December 2018
b) Transactions with other related parties		
<u>Revenues</u>		
Smart City Spółka z ograniczoną odpowiedzialnością Sp.k. - services	95	86
Ursa Park Smart City Spółka z ograniczoną odpowiedzialnością Sp.k. - services	690	1 059
<u>Costs</u>		
Kancelaria Radców Prawnych Oleś i Rodzyńkiewicz - costs of legal services	16	71
Laxey Partners (UK) Ltd - services	45	0
<u>Liabilities</u>		
Kancelaria Radców Prawnych Oleś i Rodzyńkiewicz - trade payables	18	55
<u>Receivables</u>		
Smart City Spółka z ograniczoną odpowiedzialnością Sp.k. - trade receivables	2	66
Ursa Park Smart City Spółka z ograniczoną odpowiedzialnością Sp.k. - trade receivables	99	455
c) Transactions with shareholders		
Laxey Cooperative - loan receivable	0	329
Laxey Cooperative - loan receivable allowance	0	0
Laxey Cooperative - fair value adjustment	0	(92)
	0	237

27 Seasons of activity and unusual events

The activity of the CPD Group is not seasonal nor cyclical.

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Additional notes and explanations to the consolidated financial statements**28 Assets and liabilities held for sale**

As at 31 December 2019 properties, bank loans and lease liabilities of the following companies were classified as held for sale:

- Lakia Investments Sp. z o.o.
- Robin Investments Sp. z o.o.
- 5/92 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.
- 6/150 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.
- 7/120 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.
- 12/132 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.
- 13/155 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.
- 18 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.
- 19/97 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.
- 20/140 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.

As at 31 December 2018 properties, bank loans and lease liabilities of the following companies were classified as held for sale:

- 3/93 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.
- 2/124 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.
- 5/92 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.
- Lakia Investments Sp. z o.o.
- Robin Investments Sp. z o.o.
- IMES Poland Sp. z o.o.

(a) Assets held for sale

	31 December 2019	31 December 2018
Investment properties	226 038	199 449
Capitalised financial leases from perpetual usufruct	16 667	13 444
	242 705	212 893

(b) Liabilities classified as held for sale

Borrowings, including leases	51 619	50 566
Net assets held for sale	191 086	162 327

29 Sale of subsidiaries

On 16 February 2018 Gaston Investments sp. z o. o. and Challenge Eighteen sp. z o.o. disposed of their limited and general partner rights in 8/126 Gaston Investments spółka z ograniczoną odpowiedzialnością s. k., 9/151 Gaston Investments spółka z ograniczoną odpowiedzialnością s. k., 10/165 Gaston Investments spółka z ograniczoną odpowiedzialnością s. k., 15/167 Gaston Investments spółka z ograniczoną odpowiedzialnością s. k. holding land in Ursus. Total sales proceeds amounted to PLN 82 million.

On 29 March 2018 the Group disposed of shares in subsidiary Bolzanus Ltd.

None of the disposed subsidiaries represents discontinued activity.

	12 months ended 31 December 2019	12 months ended 31 December 2018
Proceeds from disposal of subsidiaries	0	92 000
Costs of the disposed subsidiaries	0	(77 681)
Result on disposal	0	14 319

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Additional notes and explanations to the consolidated financial statements

30 Events after the balance sheet date

On 28 January subsidiaries 6/150 Gaston Investments spółka z ograniczoną odpowiedzialnością sp. k., 7/120 Gaston Investments spółka z ograniczoną odpowiedzialnością sp. k., 18 Gaston Investments spółka z ograniczoną odpowiedzialnością sp. k., 19/140 Gaston Investments spółka z ograniczoną odpowiedzialnością sp. k. and 20/140 Gaston Investments spółka z ograniczoną odpowiedzialnością sp. k. concluded final property disposal agreement for their properties in Ursus.

On 29 January 2020 subsidiaries 12/132 Gaston Investments spółka z ograniczoną odpowiedzialnością sp. k. and 13/155 Gaston Investments spółka z ograniczoną odpowiedzialnością sp. k. mortgaged their properties as a collateral for claims for refund of received advanced sales proceeds from preliminary property disposal agreement of their properties in Ursus.

On 26 March 2020 CPD SA acquired 614.385 own shares for redemption. After this transaction the Company possessed a stake of own shares representing 14,87% of share capital and shareholder votes.

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

Impact of the COVID - 19 epidemic on the values of selected assets of the CPD Capital Group

1) Investment property

At the end of December 2019, the carrying value of the Group's investment properties was PLN 96.9 million.

Due to the fact that it is not known when the freedom of business activity in Poland will be fully restored, what will be the impact of the economic situation on the behaviour of consumers and producers in terms of their purchases and investments, and what will be the impact of the economic situation on the financial situation of tenants at present it can 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 later in the year in future periods.

The company is in contact with tenants who have signalled a deterioration in their financial condition and are conducting talks with them about improving tenants' liquidity by postponing rent payments to the later months of 2020. The special purpose vehicle company which owns the office building in March recorded the impact of receivables at the current level. However, it proposed to defer the payment of rents for several tenants due for 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.

2) Development activities

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

As of today, there is no significant decrease in the pace of work on ongoing investments observed, and the General Contractor maintains the current commitment dates to individual stages of the project.

In April, slight decrease in the conclusion of development contracts was observed, which, in the management opinion, is maybe caused by the impact of the COVID-19. The conclusion 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.

However, there is no significant fluctuation in withdrawals from the reservation agreements.

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Additional notes and explanations to the consolidated financial statements**30 Events after the balance sheet date (cont.)**

The factor whose impact at present cannot be assessed is the impact of the epidemic on the financial possibilities and purchasing behaviour of buyers. In the event of job loss or a threat to their primary source of income, they may be forced to stop 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 by some buyers.

To sum up the value of investments in joint ventures depends on many factors still unknown and unpredictable. The Company considers such factors, which may have a significant impact, to consider 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 in the field of mortgage loans and the purchasing behaviour of the public in terms of purchasing premises.

3) Investment property classified as 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, there is no decrease in interest in purchasing real estate from potential buyers. However, buyers report a prolonged process of real estate research and financing purchases from bank loans 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 for sale.

31 Auditor remuneration

Remuneration paid or payable to the Group auditor is as follows:

	12 months ended 31 grudnia 2019	12 months ended 31 grudnia 2018
Auditor's fee	183	265

32 Dividend distribution

The Group did not pay nor declared any dividend or interim dividend in the current nor previous financial years.

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Additional notes and explanations to the consolidated financial statements**33 Earnings per share – basic and diluted**

Basic earnings per share are calculated as profit attributable to equity holders of the Company divided by weighted average number of ordinary shares during the year, excluding own shares.

For the purposes of calculation of diluted earnings per share the profit or loss attributable to the ordinary shareholders in the parent company and the weighted average number of outstanding shares are adjusted by the effect of all diluting potential ordinary shares.

	12 months ended 31 December 2019	12 months ended 31 December 2018
Profit (loss) attributable to the shareholders in the parent company	60 000	(1 867)
Weighted average number of ordinary shares (in '000)	23 790	35 477
Earnings per share	2,52	(0,05)
Diluted profit (loss) attributable to shareholders	60 000	(1 867)
Weighted average number of ordinary shares (in '000)	23 790	35 477
Diluted earnings per share	2,52	(0,05)

	31 December 2019 after share capital reduction	31 December 2019 actual	31 December 2018
Net assets at book value	343 858	343 858	326 879
Number of ordinary shares (in '000)	23 065	26 371	39 354
Net assets per share	14,91	13,04	8,31

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Additional notes and explanations to the consolidated financial statements

34 Reporting segments

In accordance with a definition in IFRS 8, the CPD Group represents one operating segment and is recognized by the Management Board as such.

The split of external operating income is presented in Note 17.

At the end of the year, the CPD Group's parent company had its registered office in Warsaw, and did not hold any fixed assets in the current year nor in the previous year.

In both current and prior financial year all the Group third party revenues were generated in Poland.

Similarly non-current assets, including investment properties, PPE and intangibles are located in Poland.

These consolidated financial statements were approved by the CPD SA Management Board on 28 April 2020 and signed by:

Colin Kingsnorth
Chairman of the Board

Elżbieta Donata Wiczowska
Board Member

John Purcell
Board Member

Iwona Makarewicz
Board Member