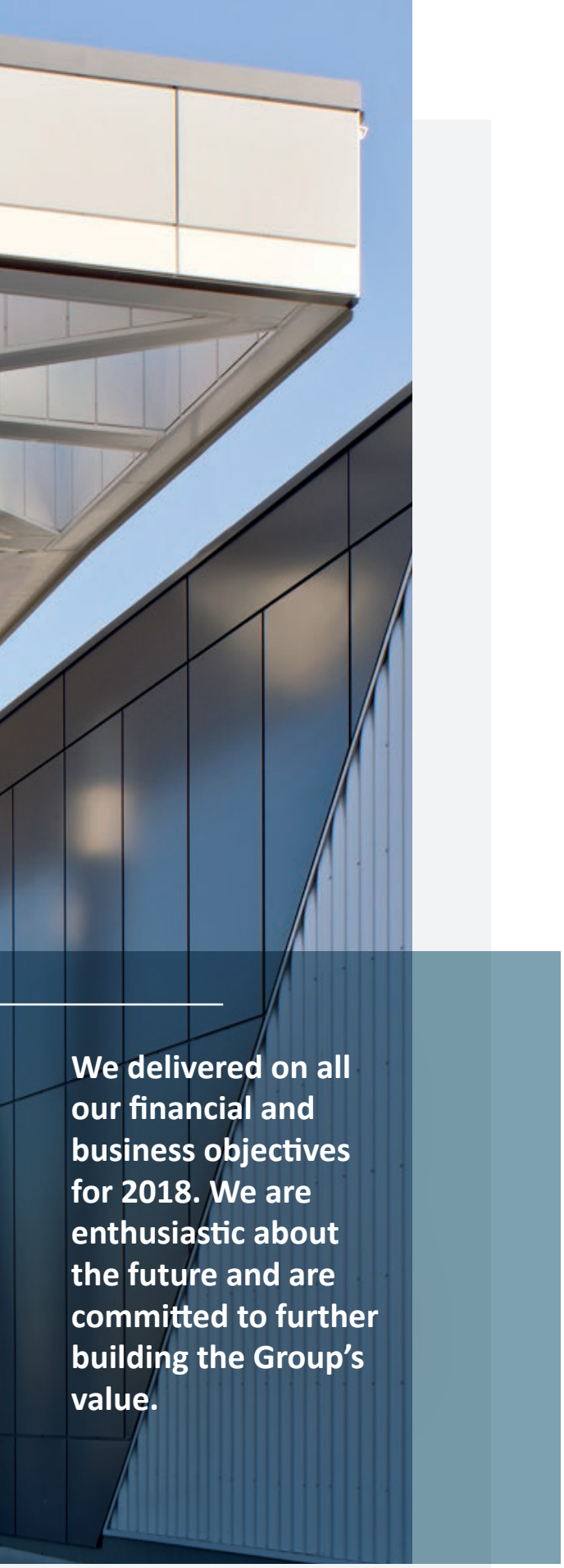
GRUPA CAPITAL PARK

ANNUAL REPORT 2018

ETC Swarzędz shopping centre



We delivered on all our financial and business objectives for 2018. We are enthusiastic about the future and are committed to further building the Group's value.

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ABOUT CAPITAL PARK GROUP

Capital Park is a recognised investment company with extensive real estate experience on the Polish market and a five years' presence on the Warsaw Stock Exchange.

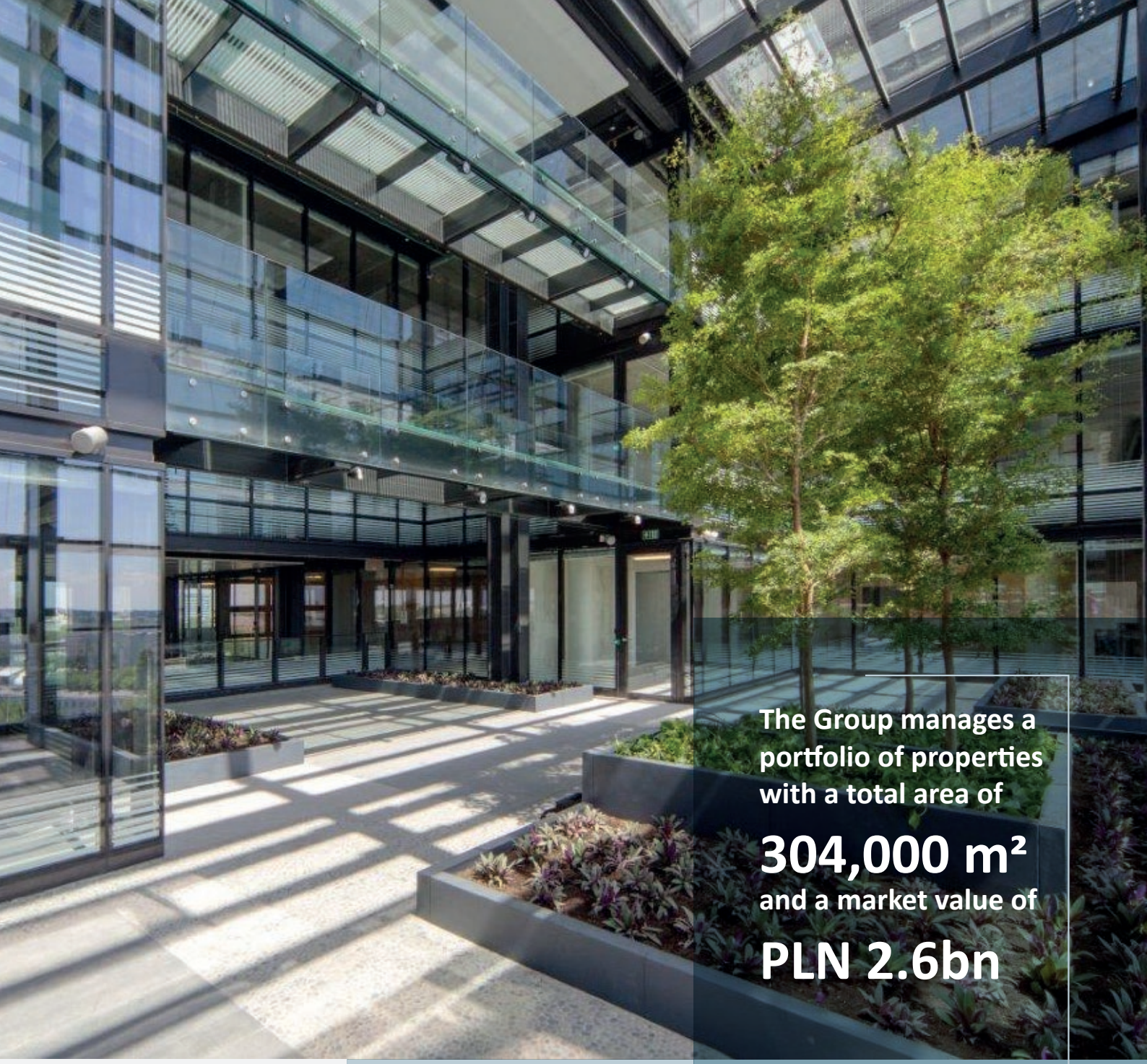
The Group has built a prime quality real estate portfolio consisting of modern class A office and retail assets, including Eurocentrum Office Complex and Royal Wilanów and is currently developing a flagship revitalisation project - ArtN in central Warsaw.

16 years

experience on the Polish real estate market

PLN 2.6bn

value of the property portfolio under management at the end of 2018



The Group manages a portfolio of properties with a total area of

304,000 m²

and a market value of

PLN 2.6bn

Property investor

developer and manager with a strong reputation

„Office Plus"

originator of the 'Office Plus' concept, featuring the highest quality office space offered with a range of supplementary services

Ladies and Gentlemen,

it is our great pleasure to present to you the 2018 Annual Report of the Capital Park Group.

Last year, we solidified our financial position, took stock of our achievements during the five years of having been listed on the Warsaw Stock Exchange, and commenced revitalisation of the Norblin, Bracia Buch i T. Werner factory, a former industrial site unique in Warsaw and Poland. We delivered on all our financial and business objectives for 2018. For a more detailed discussion of the Capital Park Group's results, we refer you to further parts of this Report.

As at the date of this Report, our projects were 91% commercialised, with the weighted average lease term of five years. In 2018, we acquired new tenants for 11,000 m^2 in three key projects. Our efforts to maximise rental income led to a 17% rise in NOI, which translated into a 49% increase in FFO compared with the previous year. The largest contributors to both the NOI and FFO growth were Eurocentrum Office Complex and Royal Wilanów. Our strong performance was driven by higher tenant occupancy rates in our completed projects as well as the delivery of the Hampton by Hilton Old Town Gdańsk hotel. As in the preceding year, the weighted average cost of debt fell in 2018, to a new record low of 3.04% as at the year's end. Over two years, we have generated PLN 20m of interest expense savings following a change in the currency structure of our notes from PLN to EUR and the bank credit refinancing in the Royal Wilanów and Eurocentrum Office Complex projects.

June saw the completion of our Hampton by Hilton Old Town Gdańsk hotel project, located on Długa Street in the heart of the Main City of Gdańsk and operated by VHM Hotel Management. The place has a unique history as it previously housed the Gdańsk Film Centre with its three iconic cinemas: Neptun, Helikon and Kameralne. Many of its surviving elements were incorporated into the hotel's space, giving the latter an exceptional character, which has won it five top three prizes and one grand prize in the 'Hotel z pomysłem 2018' competition of the Hotelarz magazine. In the second half of 2018, we completed two joint venture projects with Real Management SA. A fourth project, located in Warsaw's Wilanów district, was added to the Street Mall Vis à Vis network, significantly enhancing the local retail offering. Its location within the urban green area of Błonia Wilanowskie, in close vicinity to numerous recreational areas, makes for a combination of two key functions: convenience shopping for staple goods and services with leisure. Right next to it is the site of Rezydencje Pałacowa phase two, a single-family house development project completed in late 2018, which sold all houses by the date of this Report.

In December 2018, we secured funds from the

European Investment Bank as in the first property developer to receive this funding in Poland, having borrowed EUR 60m to finance our core project to revitalise the former Norblin factory in the Wola district. In a parallel effort, we reduced the amount of the credit facility provided by Pekao SA to EUR 99.3m. The loan grant decision was mainly influenced by the historical character of the project, its concept, applied technologies and pro-environmental solutions, as well as its future use envisioning an open, modern and publicly accessible urban space. The project is now progressing on schedule and within budget, attracting growing interest from tenants. We are facing another year of challenges, which we, as the Group's Management Board and the entire Capital Park team, are eager to take on to continue building value for investors. In the coming quarters, we will seek to lease out the remaining vacancies in our existing projects and continue work related to the construction and commercialisation of our flagship Norblin revitalisation project.

We are enthusiastic and hopeful about the new investor – Madison International Realty having conditionally acquired a controlling interest in the Capital Park Group, hoping it will provide a solid capital support for new projects on our way towards further value creation.

Our business successes would not have been possible without our dedicated and competent team, to whom we would like to extend huge thanks on behalf of all the Management Board members. Our gratitude also goes to all our investors, banks, tenants, suppliers, business partners and associates for the good cooperation so far and the trust they have placed in us.

With kind regards,

Jan Motz

Kinga Nowakowska

Marcin Juszczyk

BUSINESS MODEL

Proven business model of an investment company offering attractive returns on investments.

- Seeking out projects with high value creation potential.
- Developing architecturally and functionally interesting concepts which – being attractive to local communities – attract tenants and have a positive impact on the long-term and stable increase in the value of the properties.
- Execution of complex development and revitalization projects which offer significant margins.
- Innovative approach to real properties and related concepts, e.g. through:
  - developing investment products based on our property portfolios (as in the case of REIA FIZAN and REIA II FIZAN),
  - innovative approach to Asset Management to maximize revenue,
  - developing the Vis à Vis programme consisting in purchase or construction of convenience centres,
  - formation of strategic operational alliances.
- Long-term prospects for the Group's business and plans to maintain control over key properties in unique locations.
- Implementation of key projects based on the principles of sustainable construction and care for the environment, confirmed by international certificates LEED or BREEAM.
- Development of the unique 'Office Plus' concept.

COMPETITIVE ADVANTAGES

High quality property portfolio

comprising modern class A office and retail space, including Eurocentrum Office Complex and Royal Wilanów, with a total area of 304,000 m² and a market value of PLN 2.6bn, 78% of which are properties located in Warsaw, Poland's most attractive real property market.

Secure capital structure

proven ability to raise both traditional and innovative financing and secured funding for key projects, allowing us to revitalise the former Norblin factory - ArtN, the project is set to be a key driver of the Group's value over the next three years.

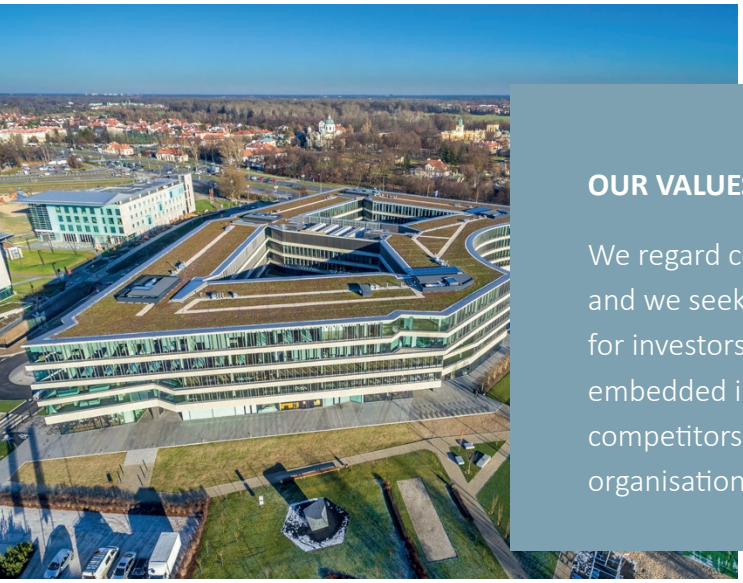
Management Board with more than 20 years of experience

in property development and management, both in Poland and the US, and with unique ideas, vision and ability to create and develop promising projects that generate value for the Company's stakeholders. Our own operating platform comprises an experienced and committed team of 79 professionals who are able to carry out comprehensive investment processes.

Unique Office Plus concept

which offers prime quality office space and a comfortable environment complete with a wide range of amenities. We use modern, energy-efficient solutions in our key projects, thus helping tenants to significantly reduce operating expenses.

STRATEGY AND VALUES



OUR VALUES

We regard corporate responsibility as integral to our business, and we seek to maintain a reputation as a reliable partner for investors and other stakeholders. The values which are embedded in our approach to business set us apart from competitors and help us build a brand of choice for people and organisations.

EFFECTIVENESS

We are proud of our achievements and the way we manage our properties

- delivering on all objectives set at our IPO in 2013,
- reaching all financial and investment targets set for 2018,
- completing and delivering all projects on schedule and within budget, with their occupancy rate at 91% at the end of 2018.

VALUE BUILDING

For it is value that underpins success on the property market

- high quality of buildings,
- best locations,
- modern space meeting the highest standards.

CONFIDENCE

We think ahead and always seek to build lasting relationships with tenants and partners

- strong relationships with banks and capital market institutions,
- unique 'Office Plus' concept,
- experienced Asset Management team,
- tenant satisfaction confirmed by surveys.

INNOVATION

We identify new opportunities and strive for innovation in seeking out and creating attractive new projects

- forerunner on the Polish market in offering unique services for tenants and creating comfortable spaces in buildings,
- placemaking – innovative approach to creating public space,
- revitalisation of the former Norblin factory,
- creative approach to retail space commercialisation,
- creation of one of Poland's first dividend funds on the real estate market.

STRATEGIC OBJECTIVES 2018–2021

The Capital Park Group's objectives include maximising funds from operations (FFO) and net asset value (NAV), as well as unlocking the accumulated value of its property portfolio through gradual cash distributions to shareholders.

	Co udało się osiągnąć
Lease out remaining vacant space in completed projects	■ Accomplished ■ Reduce vacant space from 11% at the end of 2017 to 9% at the end of 2018
Complete construction of, commercialise and stabilise current projects	■ Progress in the development of ArtN
Delivery of significant development margin on current projects. 2 x NOI vs 2017	■ Work in progress
Recapitalisation, consider partial sale of assets	■ Work in progress
Distributions to shareholders	■ To be implemented in the coming years
Increase the assets under management through further acquisitions, and continued development of the property portfolio (search for new capital)	■ Work in progress ■ A new strategic investor Madison International Realty. ■ Openness to raising additional capital and carrying out joint venture projects

We have achieved all strategic objectives which we set for ourselves five years ago, when our shares were first listed on the WSE. We have also delivered on all our objectives for 2018. In the near future, our top priority will be to construct and commercialise our flagship project – the revitalised Norblin Factory. Our mid-term objective is to confirm the value of our assets in potential transactions. We hope that the support of our new strategic investor will also produce new, interesting projects."

Marcin Juszczyk,
Member of the Management Board, Chief Financial Officer/ Chief Investment Officer

HISTORY OF THE GROUP

2003-2018

2003

Capital Park sp. z o.o. established (now CP Management sp. z o.o.)

2005

Start of cooperation with the Patron Capital Partners Group. Joint acquisition of Neptun Film, owner of several dozen cinemas in Poland.

2007-2009

Adding new types of real estate to the Group's portfolio, including:

- purchase of Eurocentrum, with building Alfa completed and construction of another three buildings under way,
- purchase of a plot of land in Wilanów for the office and retail project Royal Wilanów,
- purchase of the former Norblin factory in the centre of Warsaw,
- purchase of other development lands in Warsaw and Łódź.

2011

Completion of Racławicka Point, an office building in Warsaw, and the first street mall Vis à Vis - in Radom.

2012

Commencement of construction of Eurocentrum Office Complex in Warsaw – Beta and Gamma buildings.

2013

Creation of the first dividend fund on the Polish real estate market and sale of 85% of the fund certificates for a total of PLN 64m.

Start of Royal Wilanów construction.

Capital Park S.A.'s PLN 136m IPO on the main market of the Warsaw Stock Exchange.

2014

Completion of Eurocentrum Office Complex – Beta and Gamma buildings.

2015

Completion of the Royal Wilanów

Acquisition of a 53% interest in Galeria Zaspa in Gdańsk and the start of reconstruction of the building jointly with the Akron Group.

2016

Completion of the second stage of Eurocentrum Office Complex – Delta building

Completion of the Galeria Zaspa modernization project.

Creation of REIA II FIZAN our second dividend fund.

Completion of Topos, a small office building in the centre of Kraków.

Purchase of a 60% interest in the ETC Swarzędz shopping mall and start of the modernization project.

2017

Raising PLN 44m from sale of 85% of REIA II FIZAN investment certificates.

Purchase of a 47% interest in the Galeria Zaspa project in Gdańsk.

Start of the former Norblin factory revitalisation project.

Completion of modernisation of the ETC shopping mall in Swarzędz.

2018

Completion of:

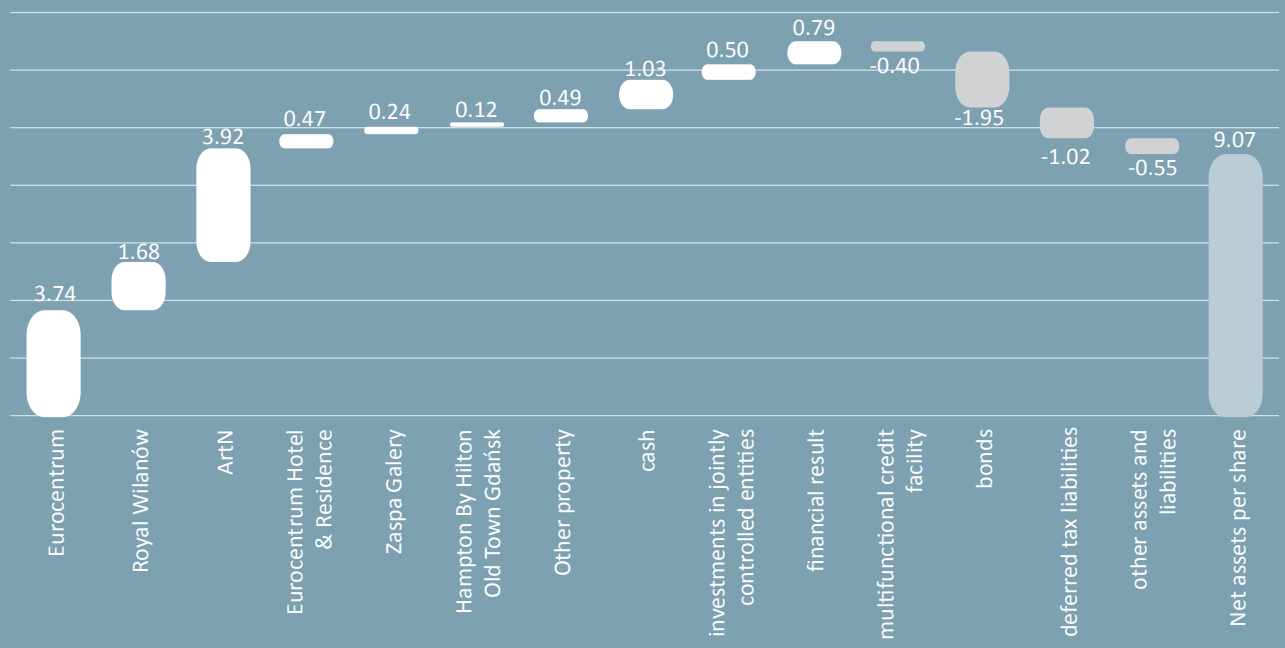
- Hampton By Hilton Old Town Gdańsk,
- Vis à Vis Wilanów street mall,
- Rezydencje Pałacowa II, a single-family housing project.

2013-2018

NOI

2013	2014	2015	2016	2017	2018
PLN 30m	PLN 42m	PLN 56m	PLN 81m	PLN 93m	PLN 109m
Launch of REIA FIZ	Completion of Vis à Vis Łódź	Completion of Royal Wilanów	Completion of reconstruction of Galeria Zaspa	Launch of REIA II FIZ	Opening of Hampton By Hilton Old Town Gdańsk Completion of the 2nd stage of Rezydencje Pałacowa and opening of Vis à Vis Wilanów
IPO on the WSE	Completion of Eurocentrum Beta Gamma		Completion of Eurocentrum Delta	Start of ArtN construction	

NAV per share



KEY ACHIEVEMENTS IN 2018

Completion of Hampton By Hilton Old Town Gdańsk in June 2018.

Opening of another Vis à Vis street mall, with GLA of 4,210m², in Wilanów in Warsaw. The project received many prestigious awards, including the CEE Retail Award in the 'Retail Project (small)' category.

Completion of the 2nd stage of a modern single-family housing project Rezydencje Pałacowa in Warsaw and the sale of 15 out of 24 houses in 2018.

Progress in the development of ArtN, a project to revitalise the former Norblin factory, with nearly 67,000 m² of modern office, retail, cultural and entertainment space to open in Q1 2021.

Increase of rental income from PLN 126m in 2017 to PLN 146m in 2018 (+16% y/y) and rise in FFO from PLN 38m in 2017 to PLN 57m in 2018 (+49%).

Take-up of space offered by the Group increased to 91% at the end of 2018, from 89% at the end of 2017.

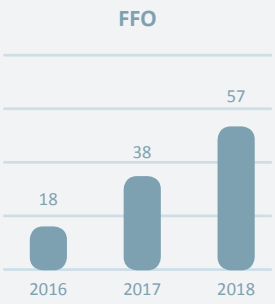
Lease of 11,000 m² of new space in three key projects.

EUR 60m credit facility granted by the European Investment Bank for the ArtN project.

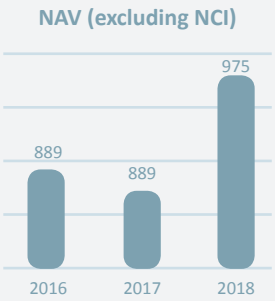
Lease contracts signed in 2018 to generate PLN 54m in new rental income during the term of the contracts.

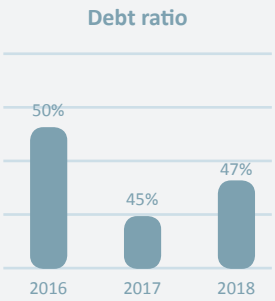
Preparation of the Eurocentrum Hotel & Residences, a mixed-use project in Warsaw. Building permit expected in Q2 2019.

KEY FIGURES 2018

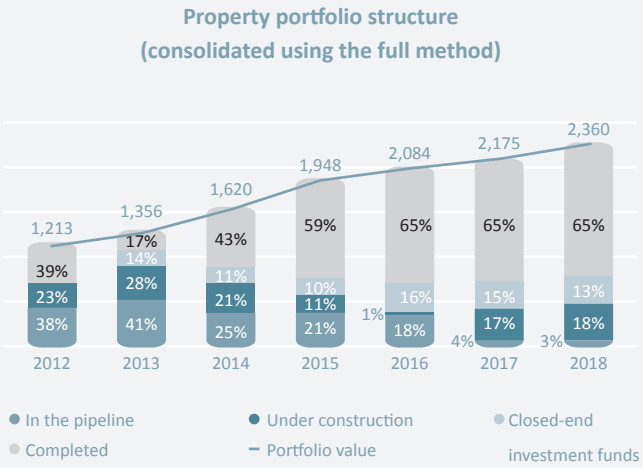


The high occupancy rate of completed projects contributed to the rental income and FFO growth.





Growing net asset value and safe debt level.



The property portfolio value growth in 2018 was mainly attributable to capital expenditure incurred on the project ArtN and the positive effect of the EUR/PLN exchange rate on revaluation of properties.

PLN 57m
FFO

PLN 109m
NOI

47%
Debt ratio

PLN 2.6bn
Value of managed portfolio

PLN 110m
Cash

79
specialists

91%
occupancy rate in completed properties

PLN 54m
value of new rental income from completed projects (throughout the term of contracts), contracted in 2018

5 years
weighted average unexpired lease term in completed projects

3 new projects
completed in 2018, including 11,200 m^2 GLA and 5,700 m^2 of usable floor area in single-family houses

KEY FINANCIAL DATA

	Dec 31 2018 PLN '000	Dec 31 2017 PLN '000	Dec 31 2018 EUR '000	Dec 31 2017 EUR '000
Investment property	2,360,158	2,174,397	548,874	521,326
Cash and cash equivalents	110,338	193,326	25,660	46,351
Total assets	2,569,908	2,475,873	597,653	593,606
Interest-bearing liabilities	1,330,701	1,307,885	309,465	313,574
Total liabilities	1,480,127	1,479,348	344,216	354,683
Non-controlling interests	114,904	114,918	26,722	27,552
Net assets (NAV)	1,089,781	996,525	253,437	238,923
EPRA NAV (excluding NCI)	1,079,103	974,301	250,965	233,595
Net assets (excluding NCI)	974,877	881,607	226,715	211,371
Diluted number of shares	107,355,738	107,361,106	107,355,738	107,361,106
Diluted EPRA NAVPS	10.05	9.07	2.34	2.18
Diluted NAVPS	9.08	8.21	2.11	1.97
Net debt to total assets	47%	45%	47%	45%
Net debt to equity	1.12	1.11	1.12	1.11

	2018 PLN '000	2017 PLN '000	2018 EUR '000	2017 EUR '000
Rental income	145,836	125,758	34,178	29,627
Net operating profit	108,580	93,069	25,447	21,926
Margin	74%	74%	74%	74%
Administrative expenses and cost of SPV operations	(14,419)	(17,666)	(3,379)	(4,162)
Operating profit adjusted for revaluation of properties	92,754	79,753	21,738	18,789
Gain/loss on property revaluation	79,198	(84,723)	18,561	(19,960)
Operating profit/loss	171,951	(4,970)	40,299	(1,171)
Net profit/(loss) attributable to owners of the parent	85,339	(14,130)	20,000	(3,329)
FFO	57,077	38,220	13,377	9,004
EPS	0.79	(0.13)	0.19	(0.03)
Cash flows from operating activities	106,249	86,099	24,901	20,284
Cash flows from investing activities	(115,089)	(89,048)	(26,972)	(20,979)
Cash flows from financing activities	(74,148)	39,725	(17,377)	9,359

KEY FINANCIAL DATA AFTER DECONSOLIDATION OF REIA FIZAN AND REIA II FIZAN FUNDS

The Group set up two real estate dividend funds, i.e. REIA FIZAN in 2013, and REIA II FIZAN at the end of 2016; in aggregate they comprise 47 stabilised and leased out commercial properties throughout Poland.
The Group continues to control the REIA FIZAN and REIA II FIZAN funds, despite remaining a minority shareholder, with interests of 18% and 15% respectively, totalling PLN 24m at the end of 2018.

In accordance with IFRS 10, the Group fully consolidates 100% of the equity, assets and liabilities of both funds and their respective SPVs, and at the same time presents non-controlling interests corresponding to that part of the assets, liabilities and financial result which is attributable to the funds' certificates sold to investors outside the Group.

Presented below are key financial data of the Group before and after deconsolidation of the funds.

(PLN '000)	2018	2018 proforma (excluding funds)
Investment property	2 360,158	2,048,249
Cash and cash equivalents	110,338	91,668
Total assets	2,569,908	2,261,528
Non-controlling interests	114,904	0
Interest-bearing liabilities	1,330,701	1,144,288
Total liabilities	1,480,127	1,281,256
Net asset value (excluding non-controlling interests)	974,877	980,272
Net debt to total assets	47%	47%
Net debt to equity	1.12	1.07
Weighted average cost of debt	3.04%	2.95%
Rental income	145,836	117,272
Net operating profit	108,580	84,978
FFO	57,077	44,735
EBIT adjusted for gain on property revaluation	92,754	74,278

PROPERTY PORTFOLIO

GROSS ASSETS VALUE (GAV): PLN 2,048m (EUR 476m)

Wholly-owned assets

COMPLETED
GAV – PLN 1,546m (EUR 360m)

Property	8
GLA	147,164 m²
Occupancy rate	91%
WAULT	4.9 years

Eurocentrum Office Complex

- Eurocentrum represents 59% of the value of completed projects – with 84,636 m² of class A space in three buildings,
- office building located in Warsaw's key business area, with an occupancy rate of 90%

Royal Wilanów

- Royal Wilanów, completed in 2015, accounts for 28% of the portfolio of completed projects – with 36,923 m² of modern, mixed-use office and retail space,
- occupancy rate of office space: 95%, occupancy rate of retail space: 98%

UNDER CONSTRUCTION AND IN SECURED PIPELINE
GAV – PLN 471m (EUR 109m)

Property	2
GLA	94,928 m²
Pre-leased	25%
Capex to be spent after Dec 31 2018	PLN 882m

ArtN

ArtN is currently the most important project under construction – it will deliver 39,765 m² of class A office space and 26,948 m² of retail space to the Warsaw market.

Eurocentrum Hotel & Residences

A mixed-use hotel and residential project: Eurocentrum Hotel & Residences, located in the immediate vicinity of Eurocentrum Office Complex, is awaiting a building permit.

OTHER
GAV – PLN 31m (EUR 7m)

Property	4
GLA	506 m²
Area of land	470 ha

- The other projects comprise plots of land, including an area of 467 ha located in the Mazurian Lake District in the municipality of Pozezdrze, a 3 ha plot in Unieście in the Province of Szczecin, as well as two non-core business investments.

FINANCE DEBT: PLN 896m (EUR 208m)

NET PROPERTY VALUE: PLN 1,152m (EUR 278m)

GROUP'S INTEREST IN JV AND FIZ PROJECTS: PLN 78m (EUR 19m)

Joint-venture projects and real estate funds

JOINT VENTURES
NAV – PLN 54m (EUR 13m)

Property	3
GLA	30,000 m²
Occupancy rate	88%
WAULT	5.1 years

Joint Venture

The Group has three investment projects operated as joint ventures. Two of them, Vis à Vis Wilanów and the second stage of Rezydencje Pałacowa, were completed in 2018, while ETC Swarzędz was completed in October 2017.

CLOSED-END INVESTMENT FUNDS
NAV – PLN 24m (EUR 5m)

Property	47
GLA	30,560 m²
Occupancy rate	86%
WAULT	2.4 years

FIZ closed-end investment funds

The commercial property portfolios managed by Capital Park are placed in two closed-end investment funds:

- REIA FIZAN, in which the Group holds an interest of 18%, and
- REIA II FIZAN, in which the Group holds an interest of 15%.

OTHER ON-BALANCE-SHEET ASSETS AND LIABILITIES, INCLUDING THE PARENT'S DEBT: PLN -255m (EUR -59m)

NET ASSET VALUE (NAV): PLN 975m (EUR 227m)

Notes: Properties valued as at Dec 31 2018. Average EUR/PLN exchange rate on Dec 31 2018 – 4.3000. Occupancy rate and WAULT as at Dec 31 2018.

WHAT MAKES OUR PROJECTS STAND OUT?

Pro-environmental solutions that generate savings

For us, ecology and environmental protection are not just empty words, but stand for real solutions that we put into practice. Eurocentrum Office Complex boasts the highest LEED PLATINIUM 'green' rating, and Royal Wilanów is BREEAM certified with a 'Very Good' rating. ArtN – the former Norblin factory revitalisation, our flagship project, where a large amount of historical space is an additional challenge for the certification process, has been BREEAM pre-certified with a 'Very Good' rating. A great deal of commitment, both during project design and construction, is needed to obtain such certificates, which involves meeting numerous strict requirements and following detailed guidelines.

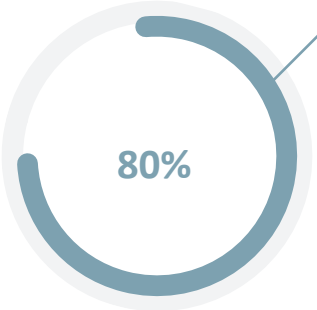
Eurocentrum Office Complex currently generates some of the lowest operating costs among office buildings in Warsaw thanks to its in-built modern, energy-saving solutions. Some of Eurocentrum's distinguishing features include:

- Use of rainwater to flush toilets and to water greenery in the atria,
- 60% savings in drinking water consumption compared with conventional building standards,
- 25% savings in electricity consumption by general building systems compared with conventional building standards,
- Energy-efficient lighting with motion detectors,
- Reduced heat island effect owing to the high light reflectance roof membrane,
- Constructed using local, recycled materials (more than 30% of all materials) and wood from certified sources,
- 30% more air than in conventional buildings,
- More than 90% of the usable floor area (excluding toilets or staircases) with access to daylight,
- 83% of pre-existing underground car park structure used,
- Environmental Education Programme for tenants,
- 88% of the waste generated during construction was reused (and did not end up at a landfill site).

PLN 16/m²/ month

– average operating costs in Eurocentrum in 2018 vs PLN 20m²/month – average operating costs in office buildings across Warsaw in 2018

Our buildings come with many pro-environmental solutions that not only have a positive impact on the environment and the comfort of the tenants, but also guarantee lower operating costs. The space we offer is for those companies that care about their employees and the environment, and expect their headquarters to generate savings in the long term.



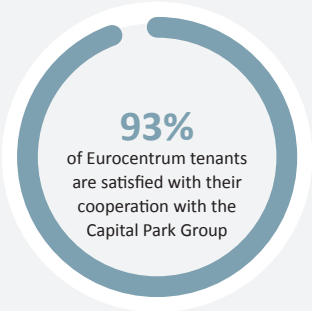
In terms of value, green buildings account for 80% of Capital Park's

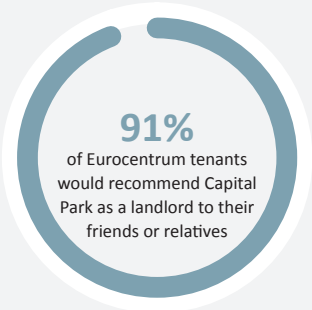
Comfortable workplace and a wide range of services attracting reputable tenants

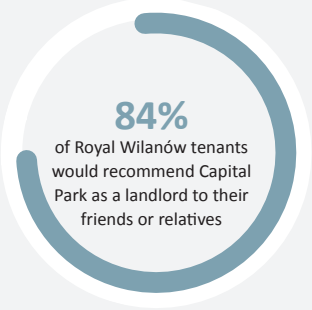
Our flagship projects combine comfortable workplace with an elegant retail and service space, where friendly architecture, aesthetic form and properly selected technical solutions create a climate conducive to organizational development, business success and building interpersonal ties.

The advantages of our properties include:

- General-access atria with natural vegetation,
- A full range of services which is used daily by tenants' employees and local residents. A typical building houses numerous shops, service points, restaurants and cafes, which remain open both during and outside office hours.
- Facilities for users of alternative means of transport: numerous bicycle parking spaces, showers with changing rooms, a self-service bicycle repair station, Veturillo city bike stations. Additionally, at Eurocentrum we organize regular cycling competitions for tenants, promoting a healthy lifestyle and the use of alternative means of transport.
- Electric car charging points and a carpooling platform for employees.
- Works of art on display in common areas.







Such friendly space helps people make the most of the time that remains after work to satisfy their vital needs. Everything is located under one roof, with tenants' comfort in mind. Our properties are valued by both Polish and international corporates which are well-established on the market and provide solid bank security and stable income streams. These include Unilever, Group One, Sage, Polskie Sieci Elektroenergetyczne, Centralny Ośrodek Informatyki, Randstad.

14,340 m² – space occupied by tenants who have extended their leases in Eurocentrum Office Complex, representing 33% of Beta and Gamma buildings. Recently we have been notified by a further two tenants of their decisions to extend leases for a total space of 5,540 m², which accounts for another 12% of the buildings' floor area.

Innovative approach to Asset Management

We value an individual approach to our tenants, with their comfort and satisfaction being our utmost priority. We go beyond market standards and introduce innovative services, all to build tenant satisfaction and long-term relationships.

- We were the first office space provider in Poland to launch a free Concierge & Lifestyle Manager service in an office building.
- We operate a participatory budget scheme, with tenants deciding what additional amenities we should introduce in the buildings.
- We have launched a dedicated car pooling platform, enabling our tenants to share their commute.
- We support physical activity by organizing such campaigns as Healthy Spine or Summer Fitness Zone at Royal Wilanów, where everyone was able to participate in open professional training sessions in disciplines such as crossfit, outdoor cycling or pose running, or a Bike to Eurocentrum competition for tenants, promoting a cycling commute to work.
- We prepare practical manuals with information about the building's life as well as 'green guides' promoting environmental education. We have also launched our proprietary mobile application Royal Wilanów.
- We put a strong emphasis on animation of the common space and areas around the buildings, and organise numerous campaigns and events, such as art exhibitions, blood donor sessions, fan areas, late night concerts or joint celebrations of the building's birthday.

We go beyond market standards and introduce innovative services, all to build tenant satisfaction and long-term relationships.

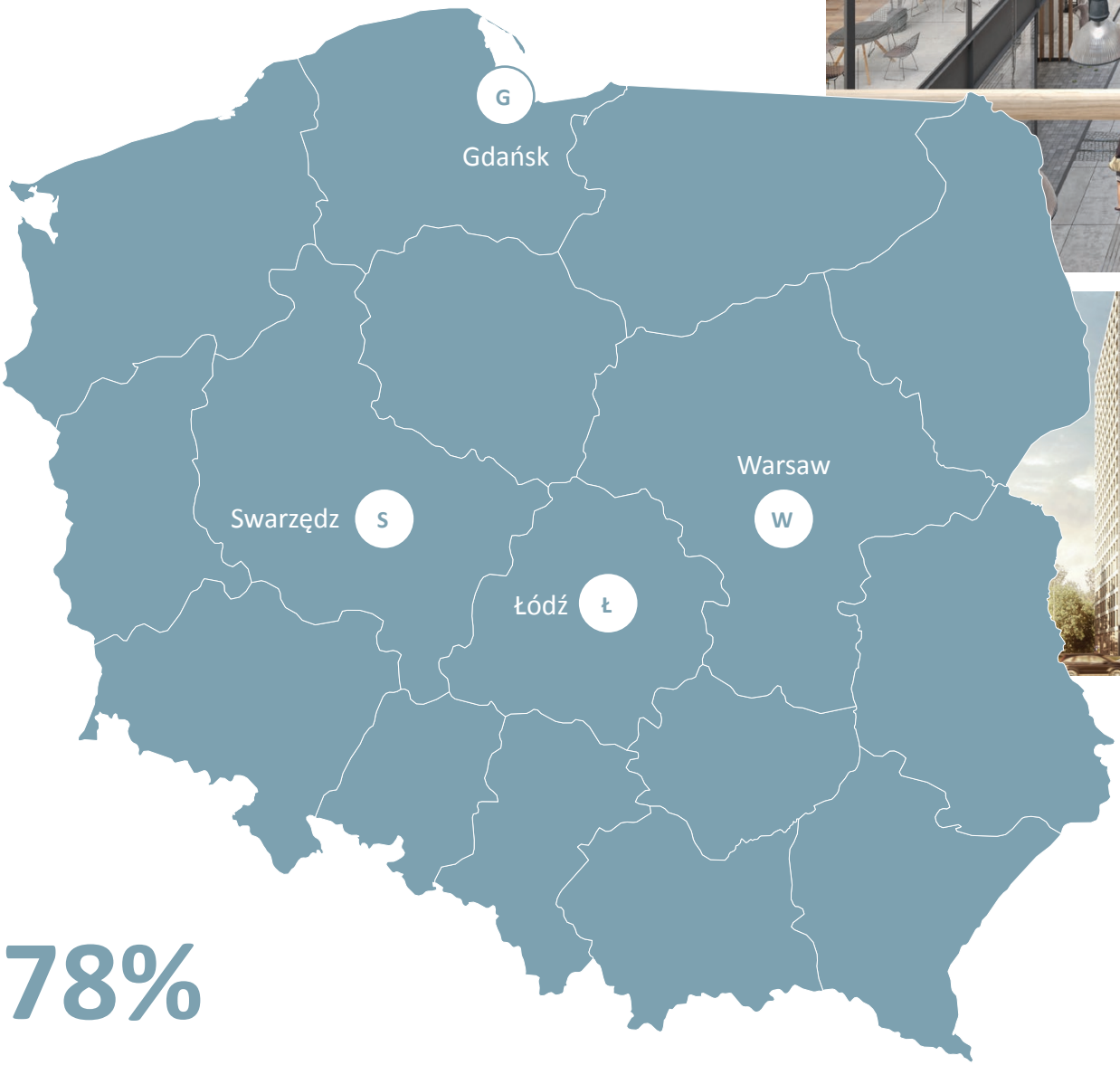
Awards and distinctions

Our properties are appreciated in prestigious competitions. Eurocentrum Office Complex was a runner up in the Space 2014 category in an all-Poland competition for developers organized by the Minister of the Environment to highlight projects which are friendly to people and the environment, while Royal Wilanów received the Best City Space 2017 award from CIJ Awards Poland.

In 2018, Hampton by Hilton Old Town Gdańsk won the "Hotel with an Idea 2018" competition and was also awarded in five other categories, including the "Hotel in Historic Buildings" category, which we regard as a token of appreciation of our efforts to revitalize this historical area of Gdańsk.

Our latest project – the fourth Vis à Vis shopping mall in Wilanów – received one of the CEE Retail Awards in the "Retail Project (small)" category. In the same competition, the "Best Convenience Store Development Chain" award was given to our Street Mall Vis à Vis chain, which is proof to us that also smaller, local retail projects may stand out with their original offer and architecture, which we hope will translate into the trust and loyalty of our customers.

LOCATION



78%

of the portfolio value is located in Warsaw

the strongest growing real estate market in Poland.

- Completed projects
- Projects under construction
- Joint venture projects, completed

Royal Wilanów (W)

Type	Mixed-use
Occupancy rate	95%
Carrying amount	EUR 102m
Completion	08/2015

Eurocentrum Delta (W)

Type	Office
Occupancy rate	86%
Carrying amount	EUR 73m
Completion	02/2016

Eurocentrum Alfa (W)

Type	Office
Occupancy rate	82%
Carrying amount	EUR 26m
Completion	03/2007

Eurocentrum Beta & Gamma (W)

Type	Office
Occupancy rate	96%
Carrying amount	EUR 114m
Completion	06/2014

Galeria Zaspa (G)

Type	Retail
Occupancy rate	93%
Carrying amount	EUR 15m
Completion	04/2016

Hampton by Hilton Old Town Gdańsk (G)

Type	Hotel
Occupancy rate	100%
Carrying amount	EUR 15m
Completion	06/2018

Vis à Vis Łódź (Ł)

Type	Retail
Occupancy rate	98%
Carrying amount	EUR 8m
Completion	12/2014

Eurocentrum Hotel & Residences (W)

Type	Mixed-use
Occupancy rate	33%
Carrying amount	EUR 12m
Start of construction	2H/2019

ArtN (W)

Type	Mixed-use
Occupancy rate	21%
Carrying amount	EUR 98m
Completion	1Q/2021

Vis à Vis Wilanów (W)

Type	Retail
Occupancy rate	93%
Carrying amount	EUR 9m
Completion	10/2018

ETC Swarzędz (S)

Type	Retail
Occupancy rate	88%
Carrying amount	EUR 35m
Completion	10/2017

Rezydencje Pałacowa II (W)

Type	Houses
Occupancy rate	15/24
Carrying amount	EUR 10m
Completion	09/2018

SUMMARY PROPERTY PORTFOLIO

Property	City	GLA ('000 m²)	Occupancy rate (31/12/2018)	Carrying amount (PLNm)
COMPLETED PROJECTS				
Eurocentrum Office Complex	Warsaw	85	90%	913
Royal Wilanów	Warsaw	37	95%	437
Gdańsk Zaspa	Gdańsk	9	93%	65
Hampton By Hilton Old Town Gdańsk	Gdańsk	7	100%	64
Vis à Vis Łódź	Łódź	6	98%	34
Warsaw, Belgradzka	Warsaw	3	26%	27
Warsaw, Aleja KEN	Warsaw	0	100%	5
Bydgoszcz Krasińskiego	Bydgoszcz	0	100%	1
Total		**147**	**91%**	**1,546**
PROJECTS UNDER CONSTRUCTION AND IN THE PIPELINE				
ArtN	Warsaw	67	21%	421
Eurocentrum Hotel & Residences (Crowne)	Warsaw	28	33%	51
Other	5 cities	1	n/a	31
Total		**96**	**24%**	**502**
CLOSED-END INVESTMENT FUNDS				
REIA FIZAN (39 properties)	26 cities	15	83%	169
REIA II FIZAN (8 properties)	6 cities	16	90%	143
Total		**31**	**86%**	**312**
Total – fully consolidated projects		**274**		**2,361**
JOINT-VENTURE PROJECTS				
ETC Swarzędz	Swarzędz	20	88%	151
Vis à Vis Wilanów	Warsaw	4	93%	40
Rezydencje Pałacowa II	Warsaw	6	15 out of 24 houses sold 3 reservations	41
Total		**30**		**232**
TOTAL		**304**		**2,593**

SOURCE:
Capital Park; Valuation reports on the Capital Park property portfolio as at December 31st 2018, prepared by Knight Frank Sp. z o.o., Jones Lang LaSalle sp. z o.o., and Emmerson Evaluation sp. z o.o., covering carrying amount, target value, NOI, yield, and required capex. Data is presented in PLNm as at December 31st 2018, unless stated otherwise.

NOTES:
1 Eurocentrum Office Complex yield is the average of the 6.25% yield for the Beta, Gamma and Delta buildings and 7.75% for the Alfa building. 2 The yield for Hampton by Hilton Old Town Gdańsk based on the preliminary property sale agreement.
3 Reversionary yields (ratio of market rent for fully occupied building to property value) for the key projects are as follows: Eurocentrum: Beta and Gamma: 7.05%, Delta: 7.00%, Alfa: 8.90%, Royal Wilanów: 7.10%, ArtN: 5.26%
4 Debt is presented net of the effect of amortised cost.
5 In the Eurocentrum Hotel & Residences project, GLA refers to 8,000 m² of planned usable floor area of apartments; NOI and yield apply only to the hotel part of the project. 6 In the Rezydencje Pałacowa 2 project, GLA for usable floor area of the houses, while the target value of the project is based on net proceeds from sale of the houses.
7 As at the date of issue of this report, all houses in the project were sold.

Target value (PLNm)	Yield	WAULT	Debt	Target NOI (PLNm)	Expenditure to be incurred (PLNm)	% interest in the project
937	6.44%	4.0	511	60	12	100%
442	6.50%	4.5	256	29	2	100%
65	7.75%	4.8	39	5	0	100%
64	8.50%	17.1	51	5	-	100%
34	8.00%	4.2	26	3	-	100%
27	7.25%	4.8	19	2		100%
5	7.25%	3.6	-	0		100%
1	7.25%	0.8	-	0		100%
1,575		**4.9**	**901**	**105**	**14**	
1.258	5.10%	-	-	64	685	100%
337	5.75%	-	-	7	197	100%
31	-	-	-	-	-	
1,626		**-**	**-**	**71**	**882**	
169	7.45%	2.0	101	13	-	18%
143	7.34%	2.8	85	10	-	15%
312		**2.4**	**186**	**23**	**0**	
3,514		**4.7**	**1,087**	**199**	**896**	
156	7.25%	4.2	120	11	3	60%
40	7.25%	11.7	15	3	-	64%
41	-	-	5	-	-	64%
237		**5.1**	**40**	**16**	**3**	
3,751		**4.8**	**1,227**	**190**	**899**	

EUROCENTRUM
GREEN & FRIENDLY

Eurocentrum is a modern class A office complex comprising the Alfa, Beta/Gamma and Delta buildings, with a total leasable area of 84,636 m², including: 80,178 m² of office space, 221 m² of retail space, 1,997 m²– canteen, cafeteria and restaurants.

Eurocentrum is the largest green office building in Warsaw, certified 'Platinum' by LEED. Eurocentrum features environment-friendly solutions such as a thermally insulated front exterior, an external roller blinds preventing excess heat build-up, and a rainwater harvesting system for watering plants.

The Alfa building, completed in 2002, has 19 floors with a total leasable area of 14,319 m² and the occupancy rate at the end of 2018 was 82%. The Capital Park Group purchased the property in March 2007.

The Beta and Gamma buildings, completed in June 2014, have 43,182 m² of modern class A office space over 14 floors and a three-storey underground car park. The occupancy rate is 96%.

The Delta building, completed in Q1 2016, comprises 14 overground floors with a total leasable area of 27,135m² and three underground storeys. The occupancy rate is 86%.

scan the code

EUROCENTRUM OFFICE COMPLEX

GLA	84,636 m²
NOI	PLN 60m
Occupancy rate	90%
WAULT	4.0 years
Carrying amount	PLN 913m
Alfa Yield	7.75%
Beta & Gamma Yield	6.25%
Delta Yield	6.25%

Location

The office complex is located on Aleje Jerozolimskie, within a five-minute walk from downtown Warsaw, in one of the city's fastest developing business areas with a number of imposing office and public buildings.

Key tenants

Unilever, Polskie Sieci Elektroenergetyczne, COTY, Group One, Randstad, Provident, Centralny Ośrodek Informatyki, SAGE, GITD, UTK, Bilfinger Tebodin, IPF, Comarch, Merlin Group

www.eurocentum.pl /eurocentrum.office.complex /eurocentrum_office_compl


randstad
COMARCH

Office Plus

In line with the unique 'Office Plus' concept, Eurocentrum offers premium quality office space and a comfortable environment for staff, complete with a wide range of amenities, including shops, bars and restaurants.

Committed to the well-being of our tenants, which we believe is influenced by the quality and prevailing atmosphere of their environment, we have filled the common areas and lobby of the main building with greenery and works of art by Maciej Pakalski, a graduate of the Academy of Fine Arts in Warsaw.

We want Eurocentrum to be more than just office space, but also a friendly setting where tenants can have a good time, taking part in various events and initiatives organised there, such as participatory budgeting, biking to Eurocentrum, Healthy Spine, Eurocentrum birthday celebrations, or Saint Nicholas' Day gift-giving for children.

Eurocentrum is also the first office complex in Warsaw to offer free concierge services for tenants.

The building features a modern conference centre with a capacity of up to 200 people.

On the roof of Eurocentrum Office Complex is the site of one of the first urban apiaries in Poland.

The complex's well-developed bicycle infrastructure comprises 178 bike parking spots, locker rooms, showers, repair stations, and a Veturilo bicycle-sharing station.

The building also offers electric car charging points and a carpooling platform for employees.

The largest green office building in Warsaw.

Royal Wilanów

Royal Wilanów is a top-class office and retail building, one of Wilanów's landmarks and a favourite meeting spot for local residents.

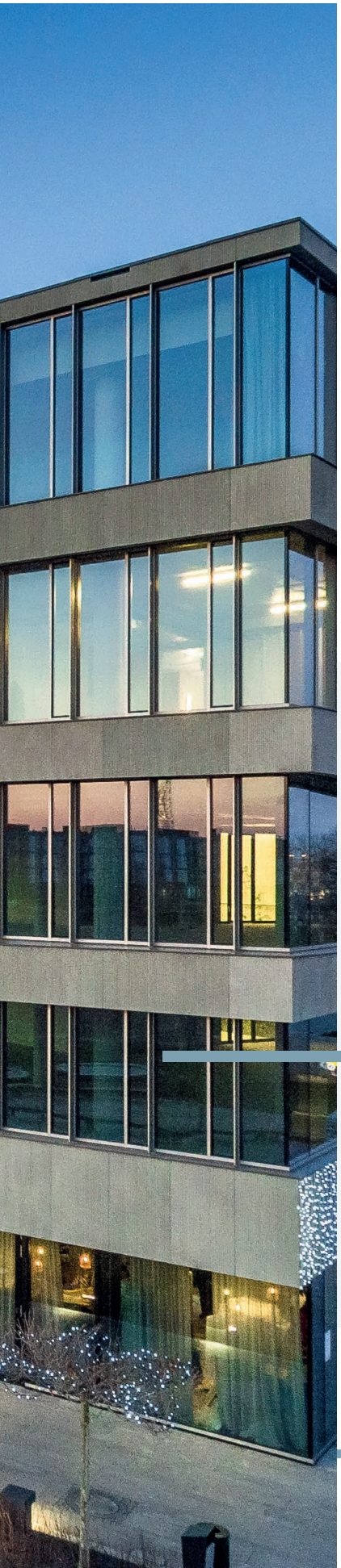
Built by Capital Park, it was completed in August 2015.

Its four storeys provide 29,570 m^2 of modern functional office space. The ground floor comprises 7,180 m^2 of elegant retail space with a wide selection of shops, service outlets, restaurants and cafés. In the underground section there is a supermarket, car wash and multi-storey car park with 920 parking spaces.

At the end of 2018, the building's occupancy rates for the office space and the retail space were 95% and 98%, respectively.

The building has been designed with care for the environment and is BREEAM-certified with a 'Very Good' rating.

Scan the code



ROYAL WILANÓW

GLA	36,923 m²
NOI	PLN 29m
Occupancy rate (offices / retail space)	95% (95%/98%)
WAULT	4.5 years
Carrying amount	PLN 437m
Yield	6.50%

Location

Royal Wilanów is located in the very centre of Wilanów, in the prestigious neighbourhood of the historic Wilanów Palace and town hall, surrounded by modern housing estates.

The building is located in Przyczółkowa Street, one of the main thoroughfares of Warsaw. It is within a 15-minute drive from the airport and city centre, and is conveniently connected thanks to a nearby bus terminal and numerous bus lines, soon to be complemented by a tram line and the Southern Warsaw Bypass (S2).

Key tenants

ERBUD, Sygnity, Carrefour, Boehringer Ingelheim, Medicover, Gedeon Richter, General Property, Lindt & Sprungli, Artis Wellness Club.

www.royal-wilanow.pl /royal.wilanow /royal_wilanow

Royal Wilanów is a vibrant location with excellent sports and cultural infrastructure, open seven days a week to both tenants and local residents.

Royal Wilanów

The building offers a wide range of amenities, including, among others, numerous restaurants, a supermarket, medical centre, fitness club, fashion boutiques and hairdresser's.

Royal Wilanów has become the favourite meeting place in Wilanów thanks to numerous events such as Poland's first seasonal urban snow park, an ice rink, Euro 2016 zone, outdoor cinema Filmowa Stolica Lata (Summer Film Capital), Nocne Granie (Night-Time Playing), Teatr Plenerowy (Open-Air Theatre) and regular sports practice for children.

The environmental certificate is an obligation, which is why trees grow in the building's inner atria, live plants climb across all floors in its reception areas and a roof-top urban beehive farm crowns the building.

The building is surrounded by squares of greenery and recreation areas, including trampolines, a climbing wall and a volleyball court open to the general public.

The walls of the main foyer and reception areas are decorated with works of art; and exhibitions of renowned artists are regularly organised.

The building provides a number of facilities for cyclists, such as bike parking racks, locker rooms, self-service repair stations and a Veturilo (Warsaw's public bicycle-sharing system) station in the vicinity.

We have developed a proprietary mobile application in which, in addition to current promotions by our tenants, users can learn about events held in Wilanów or join the Royal Loyal programme.


HAPP
BDA
STO


Chai Tea
Red Fruits

A one-of-a-kind hotel and retail project in the centre of Gdańsk, with a total area of 7,094 m², which houses a Hampton By Hilton Old Town Gdańsk hotel with 174 rooms, two conference halls and a gym for guests. The ground and first floors accommodate modern retail space (656 m²), accessible from both Piwna and Długa Streets. The building also has 34 underground parking spaces and a small cinema.

The building was completed in June 2018. In the first full quarter (i.e. the third quarter of 2018) of the building's operation, the room occupancy rate was 78%.

An art house cinema, run together with the Pomeranian Film Foundation and open to the general public, has been retained in the building, with interior design of the lobby, hotel rooms and corridors harking back to its historical function.

Hampton by Hilton Old Town Gdańsk

GLA	7,094 m²
NOI	PLN 5m
Occupancy rate	100%
WAULT	17.1 years
Carrying amount	PLN 64m
Yield	8.50%

Location

The project is located in the very heart of Gdańsk – in the Old Town district, between Długa, Kaletnicza, Piwna and Lektykarska Streets, in the midst of elegant townhouses, famous monuments and a wide range of cafes and restaurants. This vibrant neighbourhood is Gdańsk's flagship location, known for centuries as a hub of commerce and culture.

Key tenants

VHM (operator of the Hampton by Hilton hotel), Delikatesy Kos, Manufaktura Nalewki, Pan Kejk

GALERIA ZASPA

Galeria Zaspa is the new face of ETC, the first shopping centre in the Tri-City (Gdańsk-Gdynia-Sopot metropolitan area).

The building was refurbished by the Capital Park Group as a joint venture project with the Akron Group, completed in April 2016. In 2017, the Group bought Akron Group's interest and is now the sole owner of the property.

The building offers 8,683 m^2 of leasable area, with 93% leased at the end of 2018.

Its architectural design and interior decor refer to the history of the building, which originally served as an aircraft hangar.

The shopping centre includes 50 shops and service outlets over two floors, as well as 215 free parking spaces.

GALERIA ZASPA

GLA	8,683 m²
NOI	PLN 5m
Occupancy rate	93%
WAULT	4.8 years
Carrying amount	PLN 65m
Yield	7.75%

Location

The shopping centre is located in the heart of the Zaspa district of Gdańsk, at Al. Rzeczpospolitej 33, the main thoroughfare of the Tri-City.

It is excellently connected by nearby tram and bus stops.

Key tenants

Intermarche, Euro RTV AGD, Calypso Fitness, Pepco, KiK, Rossmann, ZooKarina, Textil Market, PKO BP, Apteka DOZ, Dominos Pizza, YES

www.etcgdanskgaleriazaspa.pl /galeriazaspa

Street Mall Vis à Vis in Łódź is a small one-storey retail complex with an area of approximately 5,711 m², housing a supermarket, 16 retail and service outlets and 100 parking spaces.

Built by the Capital Park Group, the mall was completed in December 2014.

Street Mall Vis à Vis is designed around the accessibility concept, with individual outlets accessible directly from the street and car park, and common areas minimised.

At the end of 2018, the occupancy rate at the building was 98%.

Key tenants

Pepco, Rossmann, Euro Apteka, FitFabric fitness club, Z Pieca Rodem, Blue Medica health centre

STREET MALL "VIS À VIS" ŁÓDŹ

GLA	5,711 m²
NOI	PLN 3m
Occupancy rate	98%
WAULT	4.2 years
Carrying amount	PLN 34m
Yield	8.00%

Location

Street Mall Vis à Vis is located in the northern part of Łódź and surrounded by the city's largest housing estates, in the immediate vicinity of a Castorama outlet.

Its location near one of the city's major transport hubs, the intersection of Zgierska, Aleja Włókniarzy and Sikorskiego Streets, ensures excellent exposure and very good access, both for local residents and inhabitants of Zgierz commuting to work in Łódź.

www.visavis-streetmall.pl/lodz /streetmall.visavis.lodz/

ArtN is a unique mixed-use project aimed at revitalising the site of the former Norblin factory in Warsaw. When completed, the project will provide 66,713 m² of modern leasable area designed around 'The place to be, the place to work' concept. The completed project will give a completely new character to the nearly two-hectare area between Prosta, Łucka and Żelazna streets, owing to a vibrant, multi-function complex that will be created there. It will serve as an open space for work, leisure and shopping, and will also hold cultural and social events. The Open Museum of the Former Norblin Factory will be established, serving as an education centre promoting the heritage of the place.

The former Norblin factory will accommodate nearly 40,000 m² of class A office space, which will be arranged in a modern style drawing on the industrial tradition of the place. The remaining 27,000 m² will feature interesting retail and entertainment concepts, including Warsaw's first OH Kino boutique cinema, music clubs (also those playing live music), as well as a games and entertainment centre featuring captivating, state-of-the-art technologies. There will also be place for restaurants and other unique food service formats, including a food hall featuring various culinary concepts – from cafés and tapas bars, through streetfood stands, to elegant restaurants. After completion of the works, also a popular BioBazar, the first Polish certified market with eco food and organic products, will reopen there, hosting a lot of fantastic events, such as culinary workshops and shows, live cooking or chef competitions. There will also be a modern gym, wellness salons and a medical center. The entire complex will be an ecological and environmentally friendly place. The project was pre-certified with a BREEAM "Very Good" rating.

The construction of the facilities began at the end of 2017, and is scheduled for completion in the first quarter of 2021. The works currently underway have included a laying of specialist foundation by Warbud S.A., the main contractor, and by Soletanche Polska sp. z o.o. The total construction cost of ArtN is close to PLN 1bn, of which approximately 67% will be financed with loans from Pekao S.A. and the European Investment Bank. After December 31st 2018, PLN 685m of capital expenditure remained to be incurred, including PLN 38m of the Group's equity.

A virtual tour of the former Norblin factory

Construction site video

ArtN

GLA	66,713 m²
Completion scheduled in	Q1 2021
Pre-lease rate:	21%
Carrying amount	PLN 421m
Target value	PLN 1,258m
CAPEX to be incurred	PLN 685m
Yield	5.10%

Location

The two-hectare project site is located in the centre of Warsaw, ul. Żelazna 51/53, between two metro stations: Rondo Daszyńskiego and Rondo ONZ.

In its immediate vicinity are both tram and bus stops; the Central Railway Station and Warszawa Śródmieście Train Station are located within a ten-minute walk.

The ArtN project is a unique area within the Warsaw West Centre. The up-and-coming district of Wola, with a number of newly developed high-rise buildings, has already been called the capital city's „new centre".

www.artnorblin.pl /art.n /art_n

The history of the former Norblin factory begins in the 18th century. The factory was built on the site of the surburban residence of Franciszek Ryx, a courtier of Stanisław August Poniatowski, the last King of Poland

In the middle of the 19th century, the area came into the hands of Edward Luckfield and Gustaw Henniger, who opened a plant manufacturing silver-plated and silver imitation goods in 1852. At the end of the 1850s, the plant was purchased by Bracia Buch from Petersburg, a company manufacturing buttons, buckles and other metal elements for uniforms worn by the Imperial Russian Army. In 1882, the plant was purchased by Norblin i Spółka, managed by Ludwik Norblin, Albertyna Werner (family name: Norblin), and Teodor Werner, and renamed as Norblin, Bracia Buch i T. Werner in 1893. The factory remained in the hands of the Norblin and Werner families (and later of the Werner family only) until 1939, when it is taken over by the Nazi occupants.
The second world war had a huge impact on the factory's architectural condition. After the war, the factory became a state-owned enterprise and was renamed as Walcownia Metali Warszawa. It operated until 1981 in Żelazna Street, focusing on just one type of production – technical products and industrial prefabricates.

This is where history meets the present

„The place to be, the place to work"

Conservation and restoration of the former Norblin factory site

The premises of the former Norblin factory include a number of protected post-industrial facilities, most of them entered in the heritage register maintained by the Conservation Officer for the Province of Warsaw, both immovable (factory halls, office buildings: 11 facilities) and movable (machinery and other equipment of the factory's process line: approximately 50 facilities), including the relics and components of the original interior design and technical equipment (about several hundred small items).
The general principle followed by the conservation officers working on the project is to preserve the original appearance and structure of the historical buildings, with restoration work undertaken only if necessary. The intention is to conserve and strengthen the existing buildings, but the final effect is to display as many historical layers of the factory as possible.

The most interesting conservation operations involve temporary relocations of the famous architectural elements of the factory, namely the brick smokestack and the entrance portal of the Norblin Villa/Directorate House. The biggest operation of this type, carried out in Warsaw for the first time in 17 years, was a temporary relocation of the crimping and cleaning hall. The task was complex as the building weighed over 900 tonnes and had an area of 380 m^2. The building was cut off at the base and moved using eight sliding beams. Once the necessary strengthening work has been completed, the building will return to its place in a few months.

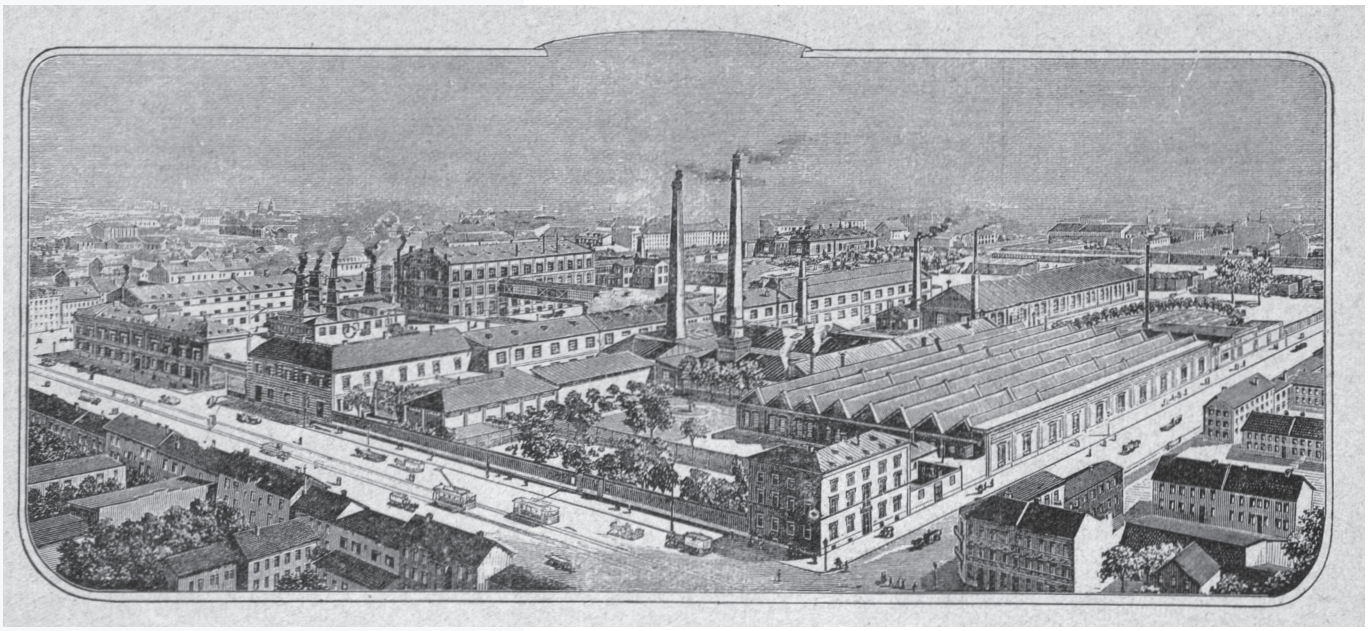


Figure 25 from the National Library collection

On a 5,984 m² plot of land, the Group plans to construct a mixed-use project which, with an area of approximately 28,220 m², will comprise a four-star Holiday Inn hotel with 217 rooms, 390 premium apartments for rent, retail space, and a four-storey underground car park with 430 parking spaces.

The Group expects to obtain the building permit in the second quarter of 2019, and the construction work is expected to start in the second half of the year.

Key tenants

VHM Hotel Management Sp. z o.o. (operator of the Holiday Inn hotel)

EUROCENTRUM HOTEL & RESIDENCES

GLA	28,220 m²
Start of construction scheduled in	H2 2019
Pre-lease rate	33%
Carrying amount	PLN 51m
Target value	PLN 337m
Yield for the hotel part	5.75%
CAPEX to be incurred	PLN 197m

Location

The project is located on Aleje Jerozolimskie, near Warsaw's main transport hubs ensuring convenient access by any means of transport: car, bus, tram, WKD and SKM trains, and PKP railways, virtually from all districts of the capital city, as well as towns and cities forming the Warsaw Metropolitan Area.

The building will be constructed in the immediate vicinity of the EUROCENTRUM Office Complex – Warsaw's largest green office building certified as LEED Platinum.

REAL ESTATE INCOME ASSETS
FIZ AN

In 2013, the Capital Park Group launched Real Estate Income Assets FIZAN (REIA FIZ AN), one of the first dividend funds on the Polish real estate market. It was formed on the basis of 39 completed high-street retail properties generating stable cash flows, located in 26 Polish cities.

Since 2013, the accumulated return for investors, including dividend payments, has totalled 31%. This product allows investors to diversify their investment portfolios without having to pay the costs associated with property management. The fund is managed by Mount Towarzystwo Funduszy Inwestycyjnych S.A. The Capital Park Group manages all properties in the fund's portfolio and provides auxiliary and property management services to the fund's SPVs.

REIA FIZ AN

Number of properties	39
GLA	14,900 m²
Established	06/2013
Group's interest	18%
NAV attributable to the Group	PLN 14m
Fund Management Company	Mount TFI SA

Location

www.mounttfi.pl

REAL ESTATE INCOME ASSETS

FIZ AN II

Real Estate Income Assets II FIZ AN (REIA II FIZ AN) is a dividend real estate fund focused on office and commercial properties, established in early 2017 by the Capital Park Group in partnership with Penton TFI (currently Mount TFI).

This product provides investors with stable income through investment in a portfolio of eight completed commercial properties situated in six Polish cities and yielding steady income. Since 2017, the accumulated return for investors, including dividend payments, has totalled 11%. The fund is managed by Mount Towarzystwo Funduszy Inwestycyjnych S.A. The Capital Park Group manages all properties in the fund's portfolio and provides auxiliary and property management services to the fund's SPVs.

REIA II FIZ AN

Number of properties	8
GLA	15 550 m²
Established	12/2016
Group's interest	15%
NAV attributable to the Group	PLN 10m
Fund Management Company	Mount TFI SA

Location

www.mounttfi.pl

ETC Swarzędz was the first shopping centre in the Poznań region. Since its opening in 1994, it has attracted a loyal customer base and established itself as a widely-recognised and popular shopping destination in the region.

In July 2016, as part of a joint-venture project of the Capital Park and Akron Groups, work commenced to refurbish and upgrade the centre, In particular by combining its three separate halls into a single building and facilitating the circulation system inside, changing the existing tenant mix as well as changing the image of the centre.

The project has transformed the centre into a modern complex with spacious passageways and entirely new external walls. As a result, ETC Swarzędz now meets the latest trends in retail and architecture, featuring common areas, a food court, and rest areas for customers. The upgraded centre is accessible to people with disabilities and meets the needs of families with children. The parking lot has been extended to accommodate 1,000 parking spaces, as well as bicycle parking racks.

The total area of the redeveloped ETC Swarzędz is 20,104 m^2. It houses 80 retail and service outlets leased to well-known Polish and international retail chains as well as local brands.

ETC SWARZĘDZ

GLA	20,104 m²
NOI	PLN 11m
Occupancy rate	88%
WAULT	4.2 years
Carrying amount	PLN 150m
Yield	7,25%
Group's interest	60%
JV Partner	Akron Group

Location

The ETC shopping centre is located in Swarzędz, in the eastern part of the Poznań conurbation, by national road no. 92 connecting Poznań with Konin.

Its location makes it quickly and conveniently accessible by customers, regardless of whether they come from Swarzędz, downtown Poznań, or numerous nearby residential estates or towns.

Key tenants

Intermarche, Reserved, Euro RTV AGD, CCC, Deichmann, Home&You, KIK, Dealz, Sinsay, Empik, Pepco, Smyk, Rossmann, Martes Sport, Kids OK

www.etcswarzedz.pl /ETCswarzedz

Street Mall Vis à Vis Wilanów has a gross leasable area of 4,210 m², featuring 22 brand shops and service outlets, where customers can make their daily shopping quickly and conveniently on their way home. For the improved comfort of customers, a large car park with 104 parking spaces has been built in front of the building.

The shopping centre was opened on December 1st 2018 and has proved very popular with customers.

The project is a joint venture with Real Management SA. The Group holds a 50% interest in the SPV and the right to a 64% share in its profits.

STREET MALL "VIS À VIS" WILANÓW

GLA	4,210 m²
NOI	PLN 3m
Occupancy rate	93%
WAULT	11.7 years
Carrying amount	PLN 40m
Group's interest	64%
JV Partner	Real Management SA

Location

Street Mall Vis à Vis Wilanów is located near the intersection of Przyczółkowska and Pałacowa Streets in the south of Warsaw, close to a Biedronka supermarket.

Its location on the main road from the centre of Warsaw to Wilanów and Konstancin-Jeziorna, near a planned exit from the Southern Warsaw Bypass, guarantees excellent exposure and transport links.

Key tenants

Decathlon, HEBE, Euro RTV AGD, Villa Nova Dental Clinic, fitness club Orange Theory, Max Burgers, Sakana Sushi Bar, Restauracja Indyjska, Owoce i Warzywa Świata

www.visavis-streetmall.pl/strona-glowna/wilanow/ /VisaVisWilanow

REZYDENCJE
PAŁACOWA

Rezydencje Pałacowa is an upmarket suburban residential estate of 48 houses built in two phases: The first one, completed in 2013, comprised 24 houses, which had all been sold, while the second one, in which 24 more houses were built, was completed in Q3 2018. As at December 31st 2018, 15 out of the 24 houses were sold and three reservation agreements were concluded. As at this report issue date, all the houses were sold.

Both the grounds and houses have been designed by PRC Architekci, a renowned firm of architects, in keeping with international standards of modern design. Inspired by modernist Warsaw residences of the 1930s, the houses are distinguished by their imaginative silhouettes, the interplay of open, bright spaces, and, above all, their functionality, comfort and security.

The road running through the estate's middle is lined with six building complexes consisting of four three-storey houses. Each has a floor area of approximately 230 m^2, a garden, as well as a spacious balcony on the top floor and two parking spaces in the underground garage.

The project is a joint venture with Real Management SA. The Group holds a 50% interest in the SPV and the right to a 64% share in its profits.

REZYDENCJE PAŁACOWA II

Floor area	5,760 m²
Number of sold houses	15/24
Carrying amount	PLN 41m
Group's interest	64%
JV Partner	Real Management SA

Location

Rezydencje Pałacowa II is a one-of-a-kind location. Surrounded by green areas, including Natolin park, Wilanów Palace, and the Botanical Garden in Powsin, it encourages residents to take up active outdoor recreation.

Close to Rezydencje Pałacowa, in Przyczółkowa Street, the Group has built Street Mall Vis à Vis Wilanów, a modern gallery dedicated to shoppers who are passionate about sports and healthy lifestyle, completed on December 1st 2018.

Thanks to the close vicinity of the Miasteczko Wilanów housing complex, it enjoys good access to shops and service outlets, kindergartens and schools, out-patient clinics and a shopping centre with a range of facilities for recreation and entertainment. Moreover, its location near two traffic improvement projects, namely the Przyczółkowa interchange and the Southern Warsaw Bypass, which are currently under construction, will ensure a quick and easy link to the centre of Warsaw and the Okęcie airport.

www.rezydencjepalacowa.pl /RezydencjaPalacowa

REAL ESTATE MARKET CLIMATE IN 2018

OFFICE MARKET

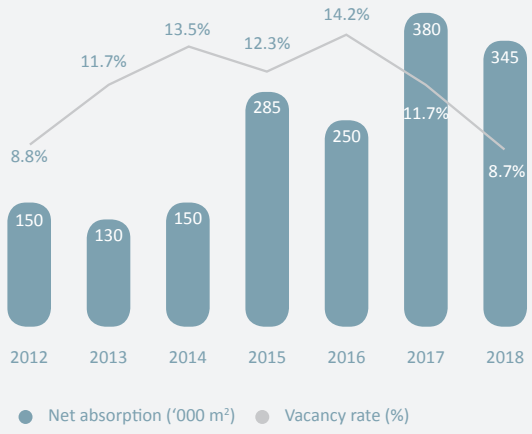
Record-high net absorption
in the previous two years,
close to 400,000 m² per year

647,600 m² - record-high net demand in 2018, up by 6% on 2017

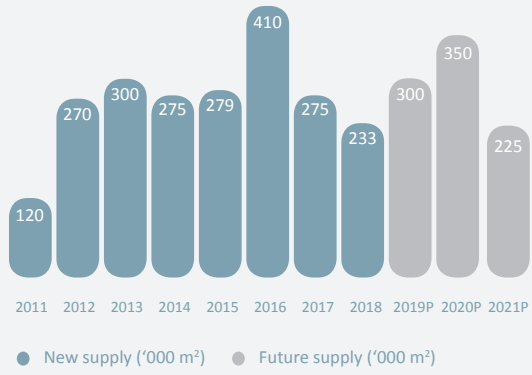
4,75% – yields in the office sector in Warsaw in 2018 – the lowest in history

- 8.7% – the lowest vacancy rate in Warsaw since 2012. Further decline in vacancy rates is expected.
- At the end of 2018, close to 730,000 m² of modern office space was under construction.
- Another supply surge is expected to start in 2020, but its growth will be less dynamic given that several large projects are scheduled to be marketed over a certain span of time.
- In 2018, 232,700 m² of modern space was delivered to the Warsaw office market. The largest buildings are: Proximo II (19,950 m²), Equator IV (19,200 m²) and Koneser Office Centre (17,300 m²).
- Despite the persistently low vacancy rates, monthly rent for the best premises in the broad centre of Warsaw and outside of it range from, respectively, EUR 17 to EUR 23.75 per m², and from EUR 11 to EUR 15 per m².
- A growing share of co-working and flexible office arrangements which accounted for nearly 15% of net demand in 2018.

Office space absorption and vacancy rates in Warsaw



New and future supply in Warsaw



Source: Knight Frank "Office Market" Q1 2017– 4Q 2018, Jones Lang LaSalle "Warsaw Office Market" Q4 2018, Cushman & Wakefield "Marketbeat 2018".

CAPITAL PARK'S ASSETS HELP FACE THE LATEST TRENDS IN THE RETAIL AND HOTEL & RESIDENTIAL MARKETS

Retail market

Changes in tenant structure: new entrants, acquisitions, but also bankruptcies and exits from the Polish retail market	Growing share of the Internet affects traffic at shopping centres	Partial Sunday trading ban affects sales in shopping centres
Convenience shopping centres in Warsaw, Łódź, Radom and Toruń	Unique mixed-use projects combining office, retail, service and entertainment functions	Growing share of food courts and leisure space in retail projects

Hotel & residential market

Demand for dwellings is particularly strong in large cities, including Warsaw	Rising prices of apartments and rapidly growing sector of apartments to let	Strong economy should support the market in the following quarters
Modern luxury detached houses in the suburbs – Rezydencje Pałacowa – stage 1 completed in 2013, with all of the houses sold; stage 2 – as at this report date all the houses were sold	Premium apartments to let and a four-star hotel located on Al. Jerozolimskie in the vicinity of Eurocentrum, offered as part of the Eurocentrum Hotel & Residences project – a building permit expected to be secured in Q2 2019	Hotel Hampton by Hilton Old Town Gdańsk – completed in June 2018

FIVE YEARS SINCE THE IPO

In December 2018, Capital Park S.A. celebrated the 5th anniversary of its debut on the main market of the Warsaw Stock Exchange. The price of Capital Park shares on the first trading day, i.e. December 13th 2013, was PLN 5.57.
The all-time low came on August 28th 2014 (PLN 3.60 per share) and the all-time high – on February 20th 2017 (PLN 6.80 per share). In 2018, the Capital Park stock was traded within the PLN 4.48–PLN 6.60 range. On the last trading day in 2018, the stock closed at PLN 5.20, which put the Company's market capitalisation at PLN 559m.

Communication with the market

One of the means used by the Company to communicate with the capital market is the Investor Relations section, in both Polish and English, on the Group's website at http://inwestor.capitalpark.pl/en/. The Group organises quarterly investor meetings and prepares presentations summarising financial and operating results.

CAPITAL PARK ON WSE

Stock performance	2018	2017	Change
Share price at end of year (PLN)	5.20	5.79	-8.1%
High (PLN)	6.60	6.80	-2.9%
Low (PLN)	4.48	4.50	-0.4%
Average price in period (PLN)	5.47	6.07	-9.9%
Number of shares	107,495,143	106,483,550	1.0%
Market capitalisation at end of year (PLN)	558,974,744	617,184,523	-9.4%
Average volume per session	6,961	1,554	347.9%
Price / Book value (PLN)	0.57	0.70	-18.0%
Free float	16.43%	13.70%	2.7 pp

May 24th

Issue of the report for Q1 2019

August 30th

Issue of the report for H1 2019

November 8th

Issue of the report for Q3 2019

Key information

Company: Capital Park SA

Abbreviated name: CPGROUP

Sector: Real estate

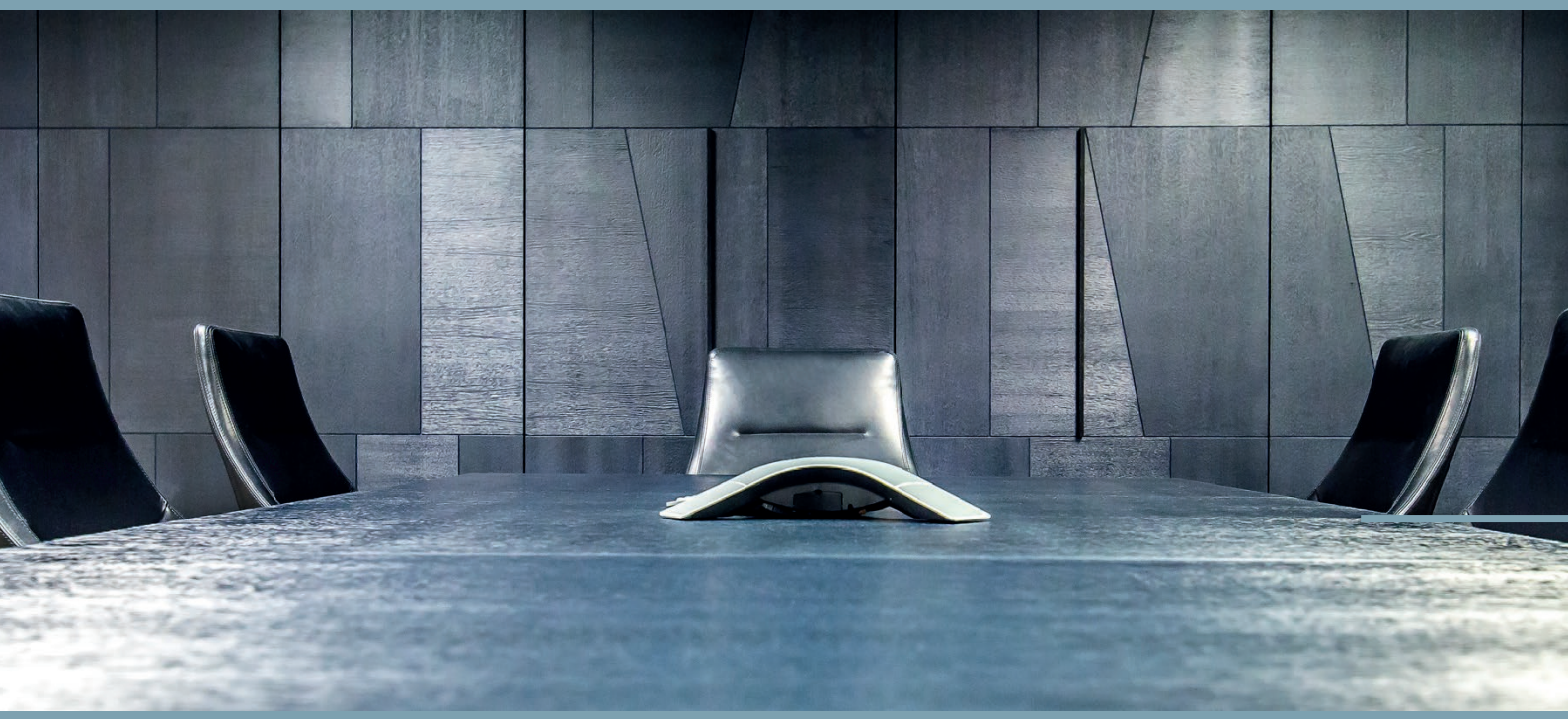
Included in the following indices: WIG-NRCHOM, INVESTORMS, WIG-POLAND, WIG, sWIG80

SHAREHOLDING STRUCTURE

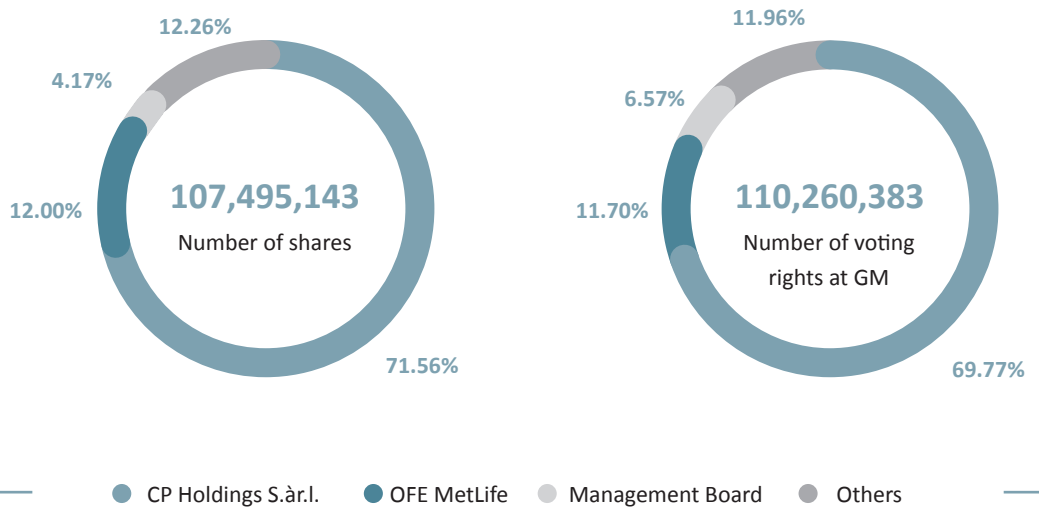
As at December 31st 2018, the parent of Capital Park S.A. was CP Holdings S.à r.l. owned by the London-based Patron Capital Partners Group. CP Holdings S.à r.l. held 71.56% of the share capital and 69.77% of voting rights in the Company. The Patron Capital Partners Group, which manages ca. EUR 3.4bn in capital, is a leading group of real estate investment funds on the European market. Established in 1999, the Patron Capital Partners Group has been a strategic investor in the Capital Park Group since 2005.

As at December 31st 2018, 22% of the Company shares were held by open-end pension funds, including Metlife OFE with a 12.00% interest.

4.17% of the Company shares representing 6.57% of the total voting rights at the GM are held by the Management Board of Capital Park, including Jan Motz, founder of the Capital Park Group and President of the Management Board, who holds 2.99% of the Company shares, representing 5.42% of the total voting rights at the GM; Marcin Juszczyk, Member of the Management Board, who holds 0.94%, representing 0.91% of the total voting rights at the GM; and Kinga Nowakowska, who holds 0.25% of the Company shares, representing 0.24% of the total voting rights at the GM.

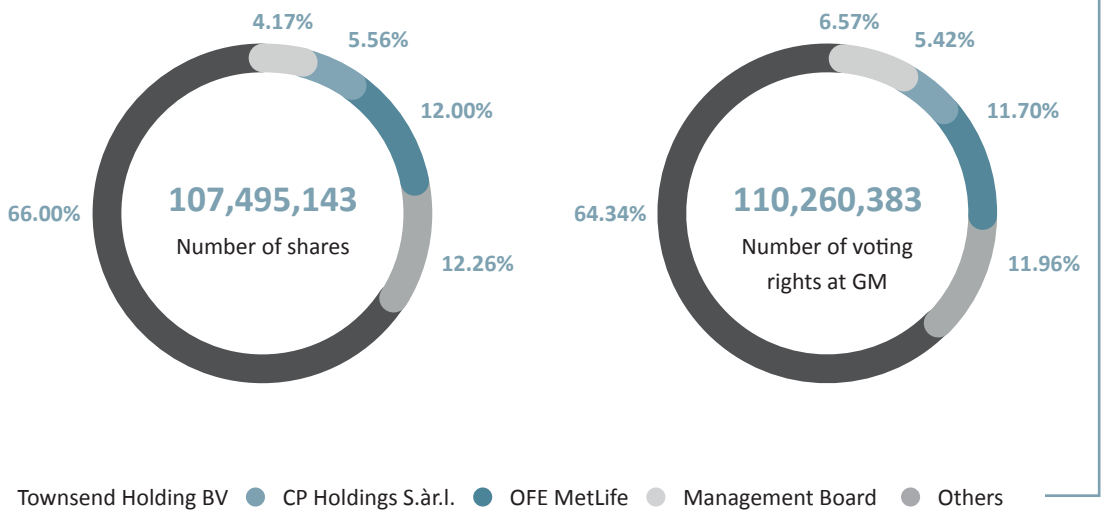


SHAREHOLDING STRUCTURE AS AT DECEMBER 31ST 2018



On March 8th 2019, CP Holdings S.à r.l. entered into a conditional agreement for the sale of 65.997% of the shares in Capital Park S.A. to a fund of the Madison International Realty LLC group, a global property investor which holds shares in Capital Park S.A. indirectly, through Townsend Holding BV of the Netherlands.

SHAREHOLDING STRUCTURE AS AT THIS REPORT DATE



Warrants

For more information on the subscription warrants granted and exercised in 2018, see Note 30 to the Group's consolidated financial statements.

PORTFOLIO MANAGEMENT

We are not only an investor and developer, but we also manage our properties. We do not use third-party property managers because we value an individual approach to our tenants and their expectations, with their comfort and satisfaction being our key priorities. We have established our own Asset Management team (currently 21 strong), which takes care of both the tenants and the proper operation of the buildings on a daily basis. The team, with over 10 years of experience and extensive know-how, is supported by internal facility management, legal, finance & accounting and marketing departments, which guarantees high quality of the service and helps reduce costs.

In the properties managed by us, we implement the proprietary concept of Office Plus, which we launched a few years ago. At the heart of the Office Plus is a simple premise: to enable as many matters as possible to be taken care of while at the workplace, to save employees' time and to offer more than just standard office space. As a manager, we act strategically and follow global trends, while listening to the expectations of our tenants and their staff. This way we know that what tenants currently want is, first of all, everyday comfort and functionality.

In order to satisfy these expectations as they appear, we maintain continuous dialogue with our tenants, for instance through numerous questionnaires and satisfaction surveys.

96%

occupancy rate in the Eurocentrum Office Complex building and 95% in the Royal Wilanów building

45%

of the space of the Eurocentrum Beta and Gamma buildings already covered by extended contracts with the existing tenants (the Gamma building was completed in mid-2014)

93%

of respondents in Eurocentrum and 94% in Royal Wilanów satisfied with cooperation with Capital Park.

OFFICE PLUS provides for offering unique, comfortable office space that meets the highest standards at exceptional locations, complemented with a range of dedicated services. Solutions are customised on a project by project basis, but are always founded on the key elements.

"With the concept of Office Plus we definitely stand out on the market. Its success is confirmed by an almost 100% commercialisation of the buildings in which it has been implemented, loyalty of tenants, their expansion, and the high marks we receive in our tenant satisfaction surveys year after year".

Kinga Nowakowska
Member of the Management Board, Chief Operating Officer

BEE CREATIVE

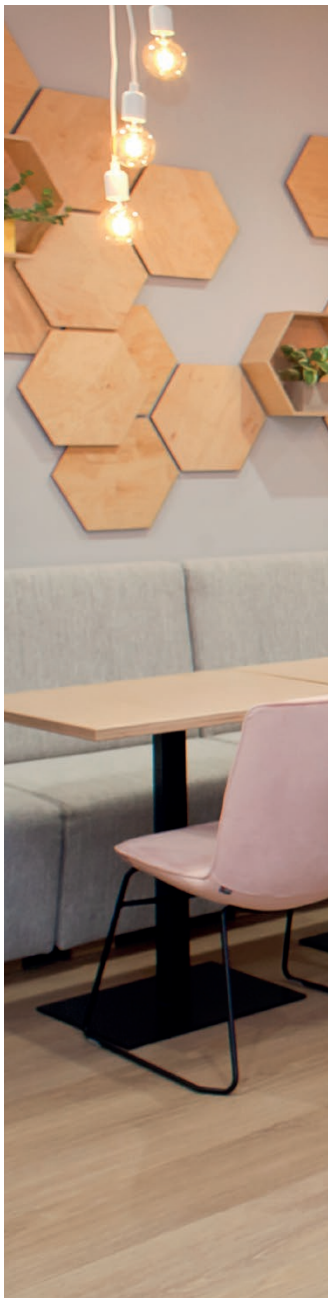
In 2018, in Royal Wilanów, one of our flagship projects, we developed co-working space of our own design, named 'Bee Creative'. It is a perfect place for all those who need comfortable and design-conscious office space in a top quality building and friendly environment.

Bee Creative is one of the Capital Park Group's latest projects targeted at freelancers, small business owners, and people working from home or on a part-time basis. What stands behind the name is a modern co-working space housed in one of the Capital Park Group's flagship properties – Royal Wilanów. Over an area of some 650 m^2 there are 20 office rooms, conference premises and common space with 22 fully ergonomic, excellently equipped workstations.

Launched originally in July 2018, the place was thoroughly refurbished towards the end of 2018 and in early 2019. As a result, the co-working environment was given a modern facelift and functionally furnished to afford maximum comfort to both existing and future users of this workplace format.

Bee Creative offers a wide range of amenities to both self-employers and larger firms. The available service packages vary in scope and price. The two basic ones are dedicated to individuals and companies that have no office of their own, but need a place to handle their correspondence and an official business address. The other packages allow users to rent a desk or a whole room, giving them access to the venue's complete infrastructure (including a kitchen, dining area with a coffee machine, water diffuser and wall of fresh herbs, entertainment room, battery recharging exercise bikes, meeting rooms, printer, wi-fi Internet access and many other amenities).

Bee Creative is also a pet-friendly place, welcoming dogs and cats into the space. Since its inception, the concept has been very popular and is developing at a brisk pace, attracting an increasing number of users.



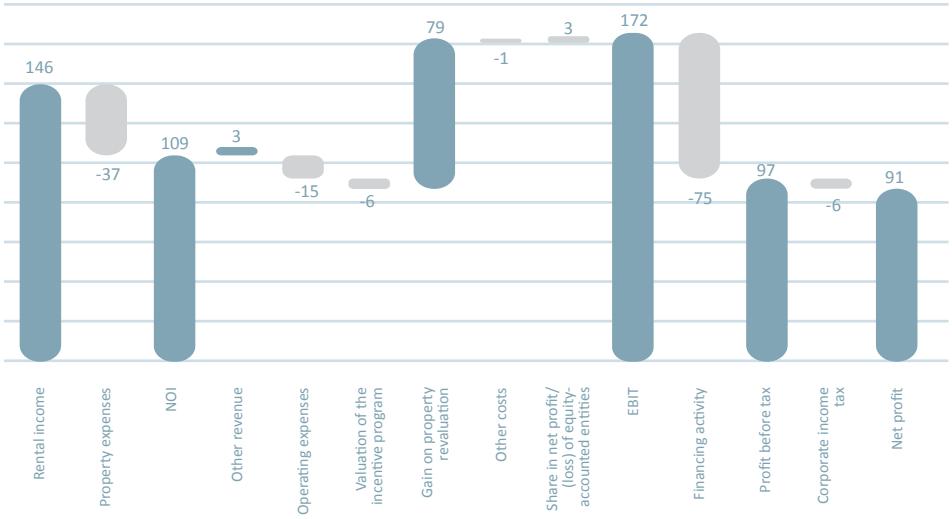
Scan the code and get to know our author Bee Creative's co-working space

A new quality of co-working in a green environment

FINANCIAL STANDING

Growing and secured rental income

The Group's rental income grew 16%, to PLN 146m, on the back of new lease contracts and an increase of leasable area delivered to tenants. Net operating income (NOI) was PLN 109m, up by 17% y/y. As at December 31st 2018, commercialisation of the completed buildings was at 91%, with the same proportion of their leasable area generating rental income. The largest share in NOI growth was attributable to the Eurocentrum and Royal Wilanów projects.



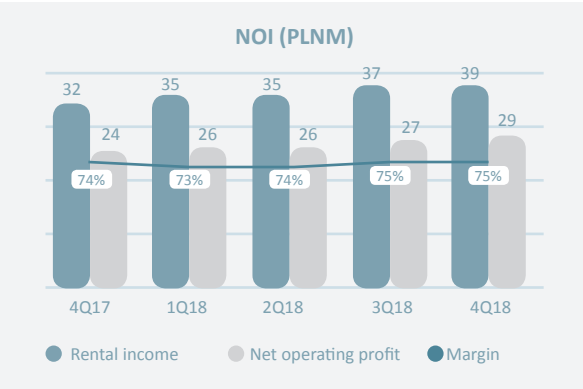
Our strategy rests on two pillars. We focus on value growth through new projects and on maximising rental income from completed projects.

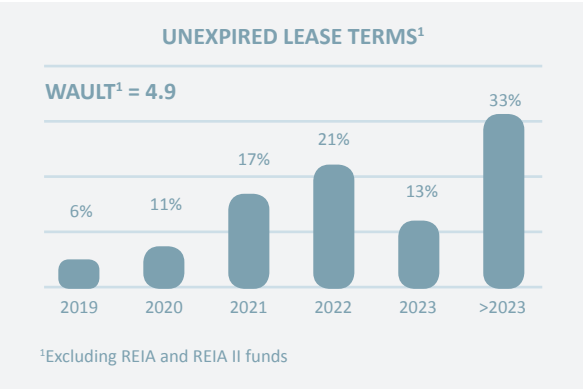
Jakub Poniatowski, Finance Director

GROWING FFO

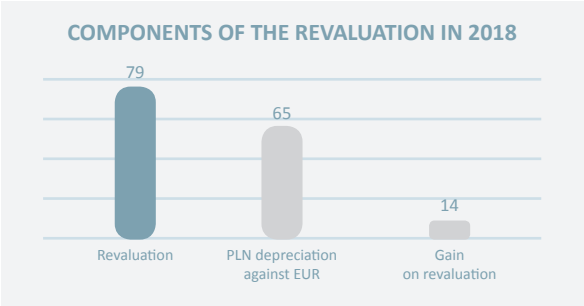
FFO (Funds From Operations), i.e. the result on our operations in 2018, was PLN 57m, an increase by 49% year on year. The main driver of the FFO growth was the growing NOI.

83% of existing lease contracts expire after 2020, which means that the Group's has secured cash flows.





Net profit of PLN 91m earned in 2018 was affected significantly by a gain on property revaluation of PLN 79m, which was caused mainly by the EUR/PLN exchange rate rising from 4.1709 as at the end of 2017 to 4.3000 as at the end of 2018 (to compare, in 2017 the Group realised a loss on property revaluation of PLN 85m).



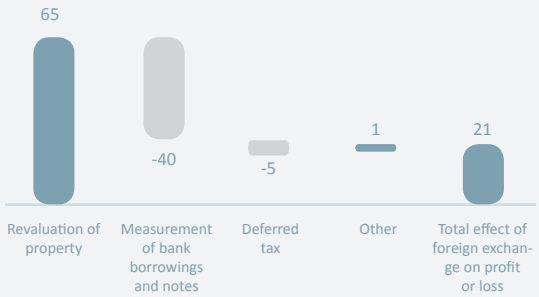
Last year, finance costs under borrowings and notes increased slightly, to PLN 41m (up +2% year on year).

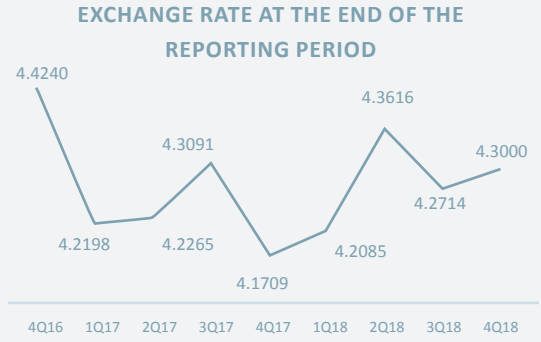
Lower cost of debt and continued decrease in interest expenses

3.04%
weighted average cost of debt at the end of 2018, down from 4.30% in the last two years

PLN 20m
of interest expense savings over two years following change in the currency structure of the notes from PLN to EUR and bank credit refinancing in the Royal Wilanów and Eurocentrum Office Complex projects

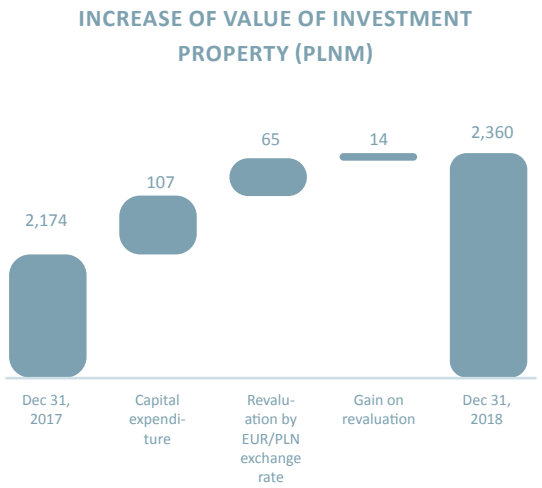
Positive impact of exchange rate differences on 2018 results

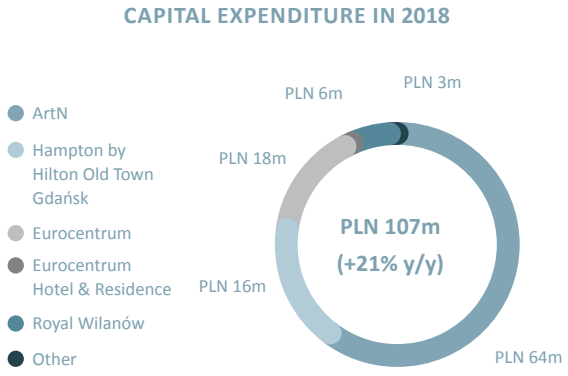




Growing value of the property portfolio

In 2018, total assets increased by PLN 94m, to PLN 2,571m at the year's end, with investment property representing 92% of that amount. The increase was primarily attributable to the increase in the value of investment properties resulting from the capital expenditure of PLN 107m, mainly on the revitalisation of the former Norblin factory in Warsaw and the Hampton by Hilton Old Town Gdańsk project (completed in June 2018). Net cash in 2018 fell by PLN 83m, to PLN 110.3m at the end of the year, as a result of capital expenditure and repayment of borrowings and notes.





Deferred income tax on valuation – change in the financial statements in 2018

Deferred tax shows the estimated future consequences of transactions and events recognised in the financial statements in the current and previous periods. Deferred tax is recognised for temporary not permanent differences.

Previous approach

In the previous financial years, the Group did not recognise deferred tax assets and liabilities in respect of differences between the carrying amounts and the tax base of those properties which the Group did not plan to sell.

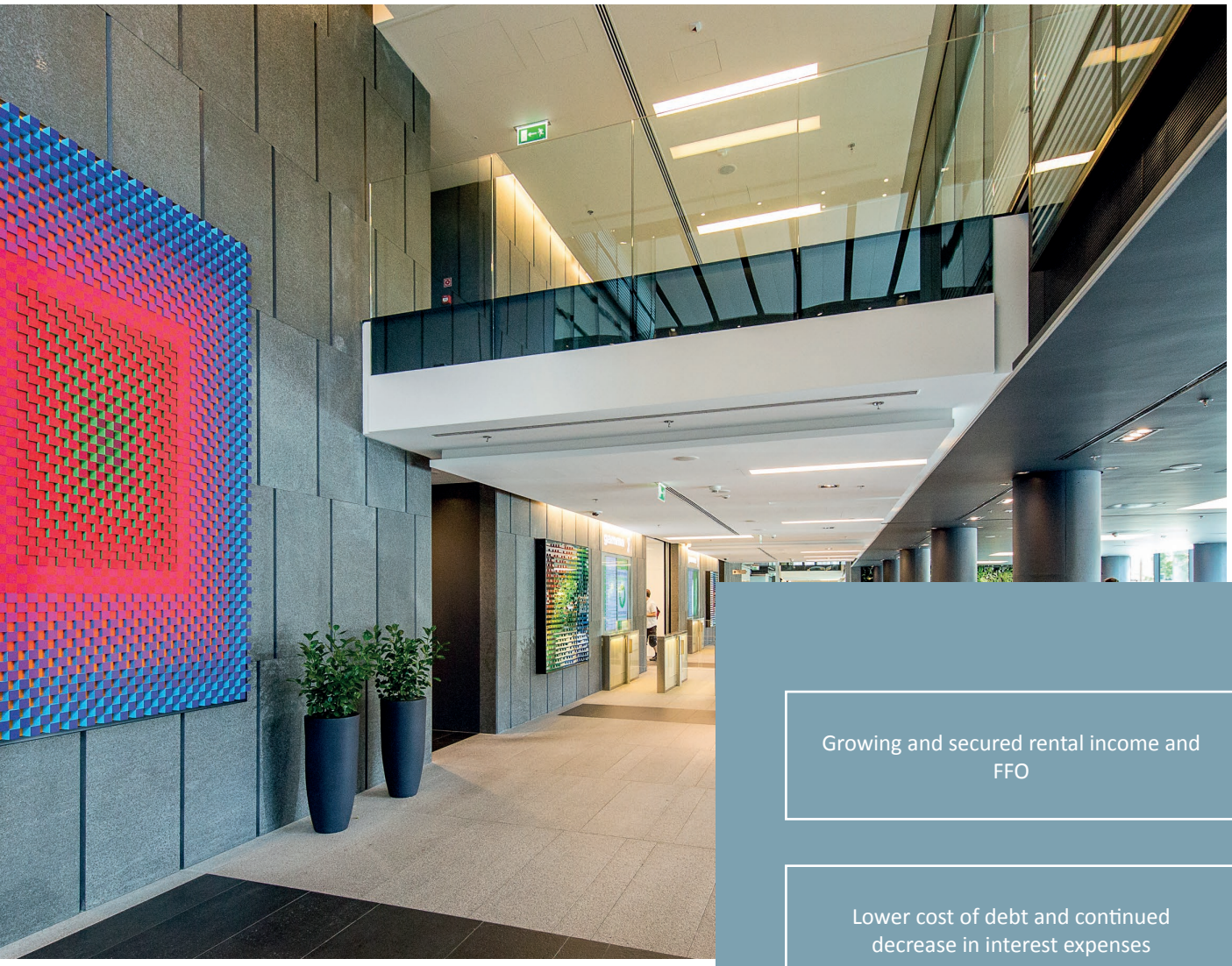
Current approach

At present, the Group is considering the sale of selected assets, therefore deferred tax has been recognized.

Effect on the financial statements

As at the reporting date, the total negative impact on the Group's equity was PLN 103m and the entire value was recognized as retained earnings.

In addition, the Management Board decided to publish EPRA NAV, i.e. the net asset value calculated in accordance with the European Public Real Estate Association guidelines, excluding the effect of valuation of hedging instruments and deferred tax from the net asset value. There were no changes in accounting policy in the period.



Overview of financial position

- Growing and secured rental income and FFO
- Lower cost of debt and continued decrease in interest expenses
- Growing value of property and net assets (NAV)
- Safe debt maturity profile and stable cash position
- Positive effect of exchange rate differences on financial results

Safe level of debt

At the end of 2018, total debt was PLN 1,331m, of which PLN 1,126m was under bank borrowings and other financial liabilities, and PLN 205m was under notes. The euro-denominated debt decreased by EUR 1.5m (down by 1%) year on year, which, despite the increase in the balance of the loan for the Hampton by Hilton Old Town Gdańsk project during the year, was due to the timely repayment of instalments of special-purpose loans and the repayment of EUR 7.5m of the multi-purpose facility at the Parent's level. In 2018, the Company also repaid three series of E-G notes with a total nominal value of PLN 46m. A 2% year-on-year increase in PLN-denominated debt was due to the impact of PLN/EUR depreciation on the valuation of bank loans and notes. As at the end of 2018, net financial debt was PLN 1,220 (an increase of 10% year on year), representing 47% of the Group's assets. More than 99% of the Group's debt is denominated in EUR.

FINANCING STRATEGY

Our approach to financing is based around three pillars:

- **Liquidity**
- **Diversification of financing**
- **Healthy balance sheet**

One of the ways in which the investment and finance department has contributed to the Group's success is through ensuring project financing on optimum terms. In incurring new financial obligations, we take a conservative approach to LTV, seeking to manage risks and minimise debt service costs.

Record low cost of debt, conservative LTV ratio and nearly 100% currency matching

	2016	2017	2018
Weighted average cost of debt	4.30%	3.15%	3.04%
Net debt to total assets	50%	45%	47%
Debt currency structure (EUR/PLN)	86%	92%	99%

Our debt maturity profile is safe, and the largest portion of our debt is to be repaid following completion of the two largest projects currently under construction.

Liquidity

- Securing an equity contribution to projects under construction and new projects.
- Managing debt maturities.
- Minimising borrowing costs.

The largest portion of debt (PLN 727m) is to be repaid in 2022

Diversification

- Securing bank credit by individual SPVs responsible for individual projects (without recourse to the holding company).
- Unsecured corporate notes.
- Multi-purpose credit facilities at the holding company.

Relationships with 14 banks

Healthy balance sheet

We use two ratios to assess our debt position:

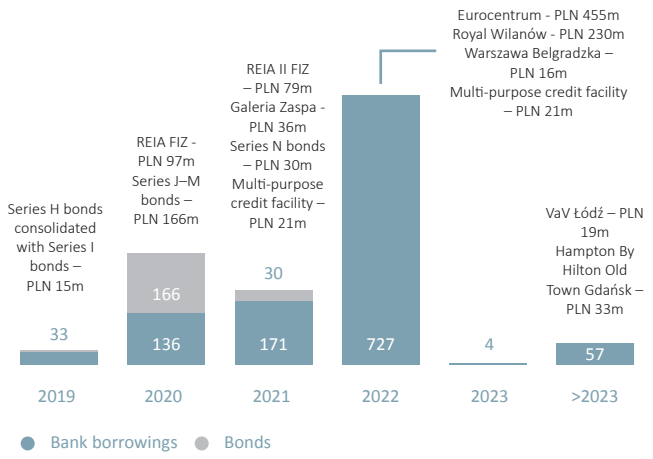
- the loan to value ratio (LTV) at the level of individual projects in special purpose vehicles,
- the net debt ratio at the consolidated level.

At the end of 2018, the net debt to assets ratio was 47%, on net debt of PLN 1,220 thousand

The largest portion of outstanding bank loans, i.e. PLN 727m matures in four years from the end of 2018, i.e. after the notes mature and after completion of two large projects in the pipeline, i.e. ArtN and Eurocentrum Hotel & Residences.

In addition, out of the total of PLN 350m falling due within two years (by the end of 2020), only the project facility with a total balance of PLN 97m expires; it was originally granted to REIA FIZAN companies, consolidated using the full method, with the Group's actual equity interest corresponding to PLN 14.1m (NAV).

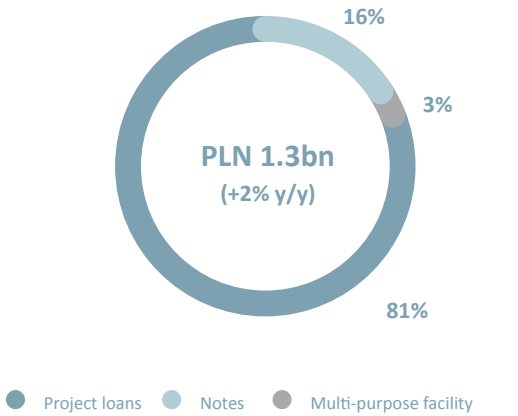
Maturities of the Group's liabilities as at December 31st 2018 (PLNm)

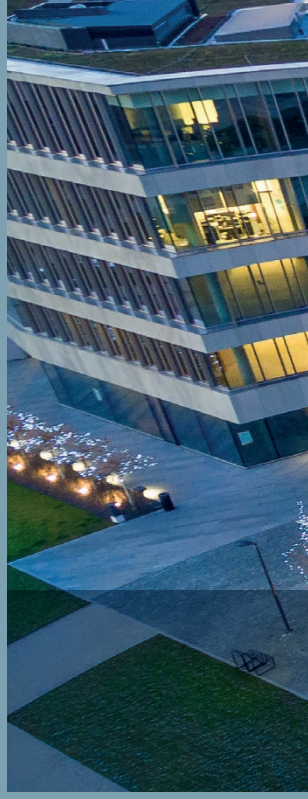


Source: The Issuer; Maturity of bank borrowings excluding the effect of valuation at amortised cost

We have a diversified debt structure comprising both bank loans and notes

Group's financing structure





Experience in innovative finance raising solutions

Capital Park has extensive experience in raising competitive finance both on public markets and through private placements.

EUR 1,3bn

bank financing

PLN 466m

notes

PLN 107m

closed-end investment certificates

PLN 136m

IPO

Achievements

since 2003	Capital Park has raised over EUR 1.3bn in financing from 17 different banks and financial institutions (Polish or foreign)
2012	a PLN 100m issue of secured notes (mortgage over the ArtN plot) with a 10% coupon, repaid in 2015
2013	creation of our first dividends real estate fund – REIA FIZ AN, private placement proceeds of PLN 63m
2013	PLN 136m raised through IPO to finance Capital Park's growth
2014/16	PLN 170m raised through the issue of unsecured notes with a 6.5% coupon to finance the repayment of notes maturing in 2012 and Capital Park's growth
2016	refinancing of Eurocentrum with an investment facility of EUR 124m taken out from the Bank of China
2017	more than EUR 38m raised through the issue of unsecured eurobonds to refinance notes denominated in PLN
2017	creation of our second dividend real estate fund – REIA FIZ AN II, private placement proceeds of PLN 45m before tax
2017	securing a EUR 159.3m credit facility from Pekao S.A. for reconstruction of the former Norblin factory, our flagship project, and a EUR 62.5m facility for refinancing of the Royal Wilanów project
2018	**EUR 60m granted by the European Investment Bank as financing for the ArtN project. EIB's decision to grant the loan was preceded by a detailed due diligence of the project.**

KEY RISK FACTORS

The Group's approach to risk management reflects its business model and relies on the knowledge and experience of a committed management team. All investment decisions and progress of work are discussed at regular meetings of the Management Board.

The risk areas described below and their effective management are also subject to ongoing review by the Internal Control Department and the Audit Committee.

Investment decisions which may carry potentially higher risks or which involve considerable resources are also subject to review by the Investment Committee, and if predefined limits are exceeded – also by the Supervisory Board.

Below are presented key risk factors which the Management Board believes to have the strongest bearing on the Group's portfolio.

The list of risks discussed below is neither complete nor exhaustive, and therefore the risks may not be treated as the only risks to which the Group is exposed. A complete list of risks currently considered material by the Group is presented in the Information Note for Series N notes issued by the Company, available from the Company's Investor Relations website, under Investment Products – Notes.

RISK FACTORS

RISK OF MACROECONOMIC VOLATILITY

- Deterioration of overall economic conditions globally and in Poland
- Deterioration of economic conditions in the real property market and property development sector
- Cyclical nature of the real property market
- Deterioration of conditions in the financial sector
- Changes in the Polish financial system – ongoing deregulation of open-end pension funds (OFE)

FOREIGN EXCHANGE RISK

- Fluctuations in foreign exchange rates, in particular the EUR/PLN exchange rate

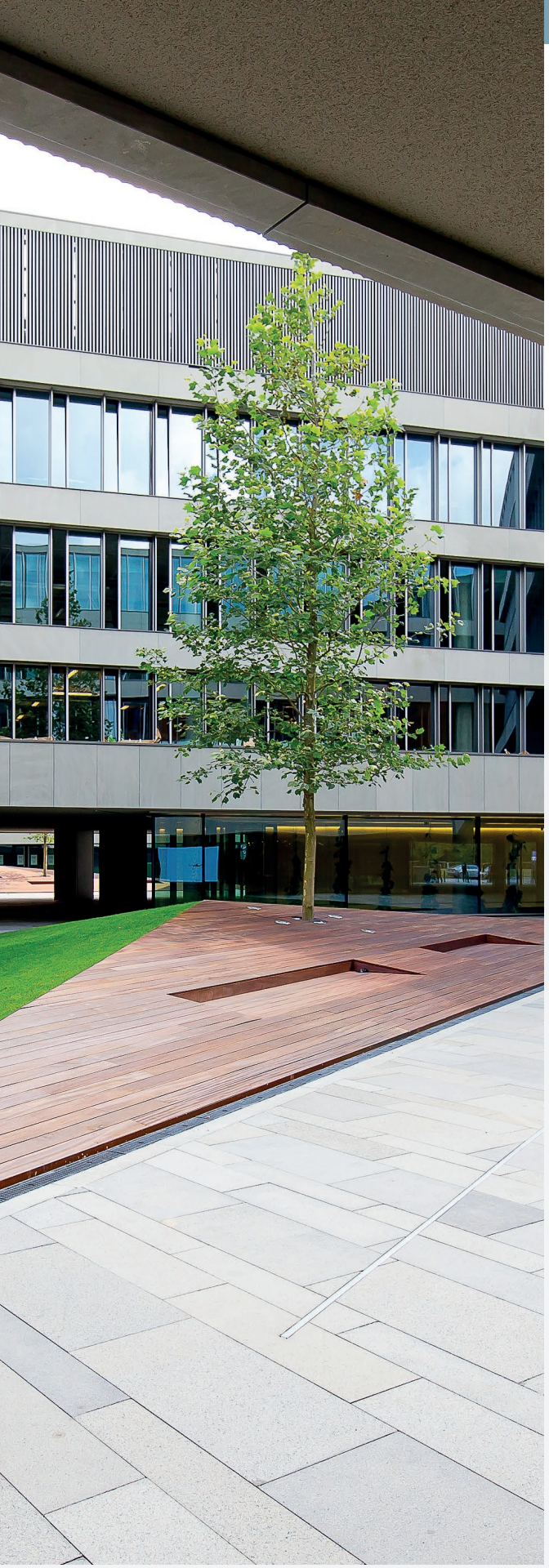
INTEREST RATE RISK

- Interest rates rising
- Interest rates going down

COMPETITION RISK

- Competitor activity
- Activity of local private investors

POTENTIAL IMPACT	RISK MITIGATING MEASURES
■ Decline in the market value of properties ■ Limited ability to sell properties leading to loss of liquidity ■ Tenants' bankruptcies negatively affecting the liquidity position ■ Drop in rents which may be obtained from lease of properties ■ Lower availability of credit ■ Lower demand or no demand for new note issues ■ Higher finance costs	■ Appropriate selection of portfolio properties. Careful analysis of the location and quality of properties ■ Appreciation of the value of properties through regular maintenance and upgrades ■ Choosing strong-brand tenants of sound financial standing, entering into agreements with chain tenants and reputable institutions ■ Using diversified sources of debt financing ■ Diversification of financing sources and fostering good relations with leading financial institutions ■ Adding dividends and property management fees to income sources
■ Lower proceeds from sale of properties in PLN terms ■ Lower rental income ■ Drop in the EUR/PLN exchange rate, translating into lower carrying amounts of properties	■ Use of natural hedging by matching the debt currency with the lease currency. However, as EUR is the principal currency in which the properties are valued, and because the net hedging position does not cover the full exposure, the Group has and will continue to have an exporter's currency profile. It is not possible to fully eliminate the foreign exchange risk ■ Limited use of derivative instruments available on the market
■ Increase in debt service costs caused by higher interest rates ■ Higher capitalisation rates (i.e. decline in the value of the Group's properties). Cap rates are strongly correlated with risk-free rates of return and may rise along with rising interest rates ■ Opposite situation: yields decline as a result of falling interest rates and push up the prices of properties that the Group wants to purchase	■ Long-term strategy of managing income-generating assets ■ Continuous monitoring of the real property market and economic situation, and fine-tuning the adopted strategy ■ Use of interest rate swaps. Such transactions, however, do not cover 100% of the exposure. The degree of exposure coverage is a trade-off between lower risk and higher cost
■ Declining rents and selling prices of properties ■ More unoccupied space/units ■ Increase in prices and costs of properties ■ Project development process becoming longer and more difficult	■ Careful selection of properties and taking advantage of opportunities related to distressed assets ■ Building on experience in project execution and knowledge of the market to implement unique projects ■ Leveraging the Group's financial and organisational potential ■ Active management of properties ■ Developing unique concepts that can distinguish Capital Park projects on the market, such as 'Office Plus' and 'The place to be, the place to work'.



RISK RELATED TO LOSS OF TENANTS

- Loss of tenants for office or retail space, or difficulties in finding such tenants
- Failure to acquire tenants for office space in Warsaw on large oversupply
- Loss of anchor tenant

RISK RELATED TO PROPERTY VALUATION

- Decrease in the value of properties recognised as loss on revaluation
- Adoption of erroneous assumptions leading to mis-valuation of properties
- Implementation of wrong strategies for a given project

RISK RELATED TO PROJECTS UNDER CONSTRUCTION

- Budget overruns
- Failure by general contractors to meet the agreed quality standards and deadlines
- Failure to obtain occupancy permits

RISK RELATED TO ADMINISTRATIVE PROCEDURES

- Sluggish public administration sector in Poland
- Actions by non-governmental organisations or owners of neighbouring properties and local residents
- Lack of local zoning plans

POTENTIAL IMPACT	RISK MITIGATING MEASURES
■ Loss of income and liquidity due to: ■ Lower rental income ■ inability to sell properties ■ inability to raise bank financing	■ Careful choice of tenants ■ Cooperation with reputable external firms specialising in real property agency services ■ Attractive offering for tenants ■ Active property management by the in-house Asset Management team, ■ Implementation and continual enhancement of value-added services and initiatives supporting long-term tenant loyalty under the 'Office Plus' concept ■ Regular monitoring of tenant satisfaction (through regular customer satisfaction surveys and other measures) and taking remedial action ■ Engaging tenants in dialogue to best tailor the offering to the needs of office staff and customers of retail tenants ■ Using deposits and bank guarantees as security for lease contracts
■ Lower-than-expected income from rents and sale of properties ■ Carrying amount of properties that fails to reflect their fair value	■ Cooperation with independent property appraisers ■ Careful choice of valuation methods ■ Valuation review procedure consisting of several stages ■ Regular property reviews, and monitoring of the key assumptions
■ Development margin erosion ■ Project delays adversely affecting rental income ■ Breach of covenants under bank financing agreements ■ Emergence of claims ■ Negative impact on the Group's image and ability to lease space	■ Cooperation with reputable contractors of sound financial standing ■ Security mechanisms included in general contractor agreements ■ Ongoing monitoring and supervision of construction work by building inspectors or specialised external firms ■ Recruiting experienced specialists ■ Experience in managing property development projects and ongoing monitoring of the progress of work
■ Failure to receive or delayed receipt of permits and administrative decisions, leading to delays in or abandonment of projects ■ Prolonged process of obtaining permits adversely affecting profitability of projects ■ Revocation of permits	■ Drawing on experience in going through administrative procedures ■ Recruiting specialists in relevant areas, including finance, law, construction and administrative procedures

CORPORATE SOCIAL RESPONSIBILITY

GREEN BUILDINGS

The certification of our buildings stands as a testament to our professionalism and care for the environment. Moreover, it attests that our projects are developed in compliance with sustainable building principles throughout the design, construction, and operation phases. We received the highest LEED PLATINUM 'green' certificate for our Eurocentrum Office Complex, as well as BREEAM certificates with a ‚Very good' rating for Royal Wilanów and ArtN. What does this actually mean for the tenants?

- our buildings are friendly for both employees and the environment,
- green solutions can translate into the long-term reduction of office operating cost,
- positive impact on well-being of employees and improvement of their productivity,
- better access to alternative means of transport.

URBAN BEE-HIVE

Environmental protection and the idea of sustainable urban development are vital for the Capital Park Group, which is why we decided to transform the roofs of our buildings into urban bee-hives. In 2016, roof-top bee-hives were created on the roofs of the Eurocentrum Office Complex and Royal Wilanów, resembling those successfully operating on the roofs of the world's most famous buildings, such as the Paris Opera or the Whitney Museum of American Art in New York.

PROMOTING RESPONSIBLE ATTITUDES AMONG EMPLOYEES

As much as 75% of office waste can be recycled, which is why we encourage our tenants to manage waste effectively. For our key facilities, we have signed contracts with subcontractors who regularly dispose of, monitor and report on the volume and types of collected waste. We provide each tenant with MultiSort containers, enabling waste to be sorted into 3, 6 and 11 fractions (paper, cardboard, confidential documents, plastic, TetraPak, glass, metal, electronic waste, batteries, hazardous waste and others). Additionally, we have prepared a special 'green' guide for the tenants of Royal Wilanów and Eurocentrum Office Complex to encourage them to actively engage in environmental protection initiatives and to develop eco-friendly habits in their daily life.

GREEN TRANSPORT

The bicycle is our favourite means of transport, and this is why we encourage our tenants to ride a bike every day. Eurocentrum and Royal Wilanów feature a number of facilities for cyclists, such as numerous bike parking stands in the garage, bicycle racks in front of the buildings, locker rooms, showers and self-service repair stations. There are also Veturilo (Warsaw's public bicycle-sharing system) stations in the vicinity of the buildings.
The tenants can also use a carpooling platform and electric car charging points. In addition, Royal Wilanów offers a free shuttle bus for Royal Wilanów tenants.

SOCIAL, CULTURAL AND SPORTS EVENTS

We want our projects to be more than merely a place to work. Hence, at Royal Wilanów we built courtyards which became the centre of cultural and sports events, playing host to concerts organised as part of the Nocne Granie project, the Outdoor Theatre, fan zones where the tenants could watch the UEFA European Championship and the FIFA World Cup, or Outdoor Cinema Filmowa Stolica Lata. We are actively involved in social campaigns, which include blood donor sessions at the Eurocentrum Office Complex buildings and Royal Wilanów, the Zrzuć Zbędne Kilowaty (Shake off Superfluous Kilowatts) initiative, collection of electronic waste, collection of shoes for children from Zambia or collection of food for animal shelters. We promote alternative means of transport and a healthy lifestyle through subsequent editions of 'Bike to Eurocentrum' campaign or initiatives promoting healthy eating habits, addressed to children. In 2018, at the Group's facilities we also organized a collection for children under the care of the kindergarten run by the Cukierkowo Foundation, which helps children struggling with Type 1 diabetes, as well as the Wszystkie Słoiki pod Royal Wilanów! (Bring your jar to Royal Wilanów) event, whose participants could bring their own home-made jams or pickles which would then be donated to the oncology ward of the Children's Memorial Health Institute, organised jointly with the Mayor of the Wilanów District and the Head of the Wilanów Culture Centre.

MANAGEMENT AND CORPORATE GOVERNANCE

MANAGEMENT BOARD

JAN MOTZ

Founder of the Capital Park Group, CEO and President of the Management Board of Capital Park S.A. with 30 years of experience in the real property sector, has been involved in the preparation, financing and development of commercial projects, particularly office, retail and mixed-use buildings. In 1997, he founded Communication One Inc., a group that included Call Center Poland S.A. – the leader of the Polish call centre service market. In 1986–2001, he was the owner of Progressive Development Inc., a US-based construction company. At the peak point, the construction companies owned by Jan Motz employed 1,500 staff working on multiple simultaneous projects. In the 1990s, Mr Motz was a shareholder in a group of Polish companies owned by Euro RSCG, one of Europe's leading marketing groups. He is a member of the Executive Committee of Forum Obywatelskiego Rozwoju headed by Professor Leszek Balcerowicz. Graduate of the Faculty of Veterinary Medicine of the Warsaw University of Life Sciences – SGGW.

MARCIN JUSZCZYK

With the Capital Park Group since 2003 and Member of the Management Board of Capital Park S.A. since its inception. In 2004–2005 – the Group's CFO, since 2005 – the Group's Chief Investment Officer, and since 2016 – both its CFO and CIO. In 2001–2006 – Chief Financial Officer at Communication One Inc., a group that included Call Center Poland S.A., in charge of mergers, acquisitions and JV transactions. In 1995–1997 – consultant at the business consulting agency Agencja Doradztwa Gospodarczego AM Jesiołowscy, responsible for privatisation projects and company valuations. In 1997–2001 – consultancy project leader at Normax Sp. z o.o. (member of Hogart, an international business consulting group). Graduate of the Kraków University of Economics, majoring in IT and Econometrics. Member of ACCA (Association of Chartered Certified Accountants), an FCCA since 2010.

KINGA NOWAKOWSKA

With the Capital Park Group since 2007 and Member of the Management Board of Capital Park S.A. since 2016. Ms Nowakowska serves as the Group's Chief Operating Officer. She has been involved in the Group's major projects, including Eurocentrum and Royal Wilanów. Since 2009, she has also been CEO of ArtN Sp. z o.o., an SPV established to carry out a prestigious mixed-use revitalisation project in the former Norblin factory in Warsaw. In 1995–1996, she was a sales coordinator of IBM networking products for Eastern Europe, working for French company Sodexi. For 11 years, beginning in 1997, Ms Nowakowska was Chief Executive Officer of Call Center Poland, which under her leadership became one of the largest multi-language customer service outsourcing hubs in Central and Eastern Europe, successfully sold in 2007. Graduate of International Business Law at the Sorbonne Law School.

On March 21st 2019, the Management Board members were appointed for a joint three-year term of office expiring on March 21st 2022.

SUPERVISORY BOARD

Keith Breslauer

Chairman of the Supervisory Board

Founder of the Patron Capital Partners Group (1999), managing director at Patron Capital Advisers LLP and investment adviser for Patron Group funds, in charge of all projects of the Patron Capital Partners Group funds. Keith Breslauer began his professional career in 1987 at Lehman Brothers. In 1993, in London, he formed and managed the Principal Finance Group, established to invest Lehman Brothers capital in financial institutions, as well as real property companies and assets throughout Europe. He also managed investments in assets with a total value in excess of USD 16bn, including a number of investments in real property, mortgages and operating businesses. He holds an MBA from the University of Chicago and a Bachelor of Science degree from the New York University School of Business.

Shane Law

Member of the Supervisory Board

Shane Law is the Chief Operating Officer of Patron Capital Advisers LLP (part of the Patron Capital Partners Group of funds), which he joined in 2003. In addition to his role as Chief Operating Officer, Mr Law focuses on the Patron Group's corporate and equity investments. Before joining Patron Capital Partners, he worked for six years in investment banking, focusing on European mergers, acquisitions and public offerings, and before that he had been employed for three years at Ernst & Young. Mr Law holds a Bachelor of Science degree from Durham University, and has held a Chartered Accountant (FCCA) title since 1997.

Matthew Edward Utting

Member of the Supervisory Board

Since 2000, Matthew Edward Utting has been the Chief Investment Officer at Patron Capital Advisers LLP. Before that, he had been an analyst the Bank of Nova Scotia, Citibank the Bank of Montreal. He graduated from the University of Waterloo with a Master of Arts in economics and a Bachelor of Arts in applied economics.

On June 29th 2018, the Supervisory Board members were appointed for a joint five-year term of office expiring on June 29th 2023.

Anna Frankowska – Gzyra

Independent Member of the Supervisory Board

Ms Frankowska–Gzyra is an American attorney and partner at Weil, Gotshal & Manges – Paweł Rymarz Sp. k., where she has worked since 1996. She specialises in capital market transactions. She has also worked in the banking and finance department of Sidley & Austin, one of the leading US law firms, and for Altheimer & Gray, a Chicago-based law firm, in the international transactions and companies practice. She graduated from St. Louis University with a degree of Master of Arts, and earned a title of Juris Doctor from the University of Illinois, Champaign-Urbana, in 1990. In July 1990, Ms Frankowska-Gzyra passed the bar examination and was admitted to the Illinois State Bar Association.

Katarzyna Ishikawa

Member of the Supervisory Board

Ms Ishikawa has practised law since 2001, including as a partner at Ishikawa, Brocławik, Sajna Adwokaci i Radcowie Prawni sp. p., a law firm, since 2009. In 2002–2007, she served on the supervisory board of Call Center Poland S.A. In 2004–2007, she was an arbitrator at the Warsaw Stock Exchange Court. In 2013–2015, she served as a member of the supervisory board of W.KRUK S.A. Ms Ishikawa has extensive legal expertise in real property transactions, construction projects, and property commercialisation. Graduate of the Faculty of Law and Administration at the Jagiellonian University in Kraków. She completed legal training in court and as an attorney.

Jacek Kseń

Independent Member of the Supervisory Board

Jacek Kseń has been involved with the financial markets for several decades. In 1978–1996 he lived in France, where he worked for three different banks. In 1996–2007, he served as President of the Management Board of Bank Zachodni WBK S.A. Since 2007 – owner of an independent consulting practice. He has a long-standing track record of serving on the supervisory boards of such companies as Wydawnictwa Szkolne i Pedagogiczne S.A., Polimex-Mostostal S.A., AmRest Holdings S.E. In 2009-2015 he was also Polish operations adviser to Advent International, a leading private equity fund. Graduate of the Poznań University of Economics, Faculty of Foreign Trade, and the Higher School of Planning and Statistics in Warsaw (now the Warsaw School of Economics), where he completed doctoral studies in international financial markets.

RULES OF OPERATION OF THE COMPANY'S GOVERNING BODIES

GENERAL MEETING

- The General Meeting is held once a year as an Annual General Meeting (the "AGM") or in special cases as an Extraordinary General Meeting (the "EGM").
- A General Meeting may be convened by the Company shareholders (Jan Motz and CP Holdings s.a.r.l.) in the exercise of their special rights (see Section 4.2 of the Directors' Report for 2018).
- A General Meeting may be convened by shareholders holding more than one twentieth of the Company's share capital

The powers and responsibilities of the General Meeting include:

- approval of the Company's financial statements and distribution of profit,
- granting discharge to the Management Board and Supervisory Board members in respect of their performance of duties,
- making amendments to the Articles of Association,
- adoption of Rules of Procedure for the General Meeting and Rules of Procedure for the Supervisory Board

SUPERVISORY BOARD

- 6 members
- five-year term of office
- two members are appointed and removed from office by the General Meeting, while four members are appointed and removed by the Company shareholders (Jan Motz – one member, CP Holdings s.à.r.l. – three members, including the Chairman), in the exercise of their special rights
- resolutions of the Supervisory Board are valid if at least four members of the Supervisory Board are present at the meeting, except for resolutions on suspension or removal of the Management Board members, which require an absolute majority of votes cast to be valid

The powers and responsibilities of the Supervisory Board include:

- approval of annual financial plans,
- approval of all transactions which have not been provided for, or are implemented on conditions different from those envisaged in, the Group's annual business plan, where their net value exceeds a specified limit (subject to Art. 23.4 of the Articles of Association),
- appointment of the auditor

MANAGEMENT BOARD

- 1–4 members
- three-year term of office
- directs the Company's affairs, manages its assets, and represents the Company before courts, government authorities and third parties.
- represented by one member
- resolutions of the Management Board shall be passed by an absolute majority of votes and In the event of a tied vote, the President of the Management Board has the casting vote

Powers and responsibilities of individual Management Board members:

Jan Motz – President of the Management Board, CEO; in particular, he supervises the preparation, construction and commercialisation of investment projects; responsible for IR.

Marcin Juszczyk – Member of the Management Board and CIO/CFO, oversees investment planning and preparation, divestments, finance, treasury, IR, controlling, and accounting.

Kinga Nowakowska – Member of the Management Board and COO, oversees management and commercialisation of retail property, IR, marketing, and development of the Company's proprietary 'Office Plus' concept.

SUPERVISORY BOARD COMMITTEES

INVESTMENT COMMITTEE

The Committee's main tasks are to consult and consider:

- Proposed investments, asset sales and joint venture transactions,
- Projects in progress – monitoring the status of the Group's ongoing projects and strategic options,
- All financial and legal documents related to the Group's projects,
- Supervision of the Group's capital expenditure.

Composition:

Keith Breslauer (Chairman)
Shane Law
Matt Utting

AUDIT COMMITTEE

The committee's tasks include in particular:

- monitoring of financial reporting processes,
- monitoring of the effectiveness of the internal control, internal audit and risk management systems,
- monitoring of the financial audit function,
- making recommendations to the Supervisory Board as to the selection of an entity qualified to audit financial statements.

Composition:

Jacek Kseń (Chairman, independent)
Shane Law
Anna Frankowska – Gzyra (independent)

REMUNERATION COMMITTEE

The committee's tasks include:

- submitting to the Supervisory Board proposals concerning remuneration of executive or management directors and assessment of their performance,
- monitoring the level and structure of remuneration of senior management staff,
- discussing general rules of the remuneration systems, in particular stock options, and submitting proposals concerning these matters to the Supervisory Board.

Composition:

Keith Breslauer (Chairman)
Jacek Kseń (independent)
Anna Frankowska – Gzyra (independent)

GENERAL MEETINGS HELD IN 2018

Date	Type	Description
June 29th 2018	Annual General Meeting	The Directors' Reports on the operations of the Company and the Capital Park Group were approved and all of the Supervisory Board and Management Board members were granted discharge in respect of their duties. Appointment of members of the Supervisory Board for a new term. The General Meeting resolved to: ■ Cover Capital Park S.A.'s retained loss for the financial year 2011 of PLN 1,972,000.00 from the Company's statutory reserve funds. ■ Cover Capital Park S.A.'s retained loss for the financial year 2012 of PLN 1,488,580.98 from the Company's statutory reserve funds. ■ Cover Capital Park S.A.'s retained loss for the financial year 2017 of PLN 22,378,963.52 from the Company's statutory reserve funds.
November 28th 2018	Extraordinary General Meeting	The shareholders resolved to amend the Company's Articles of Association: ■ The requirement that resolutions to remove Management Board members from office are passed with no less than two-thirds of votes cast at the General Meeting was removed. ■ The term of office of the Management Board was shortened from five to three years. ■ A requirement was introduced whereby an absolute majority of votes of the Supervisory Board members is needed to pass resolutions to suspend or remove Management Board members from office. Rationale: following the amendment, a shareholder holding a simple majority of votes in the Supervisory Board and the General Meeting is able to remove the Management Board from office, as is the case in other public companies operating in the industry. Rules of the Incentive Scheme were amended (with the number of Warrants which may be issued under the Scheme not changed): ■ The definition of the scheme's term was changed – the words "after the end of" were replaced with "after the Expiry Date" (an editorial change) ■ The allocation date for Series K Warrants was made conditional upon registration of the General Meeting with the National Court Register – allotment of warrants after release of the 2018 half-year results was suspended until relevant resolutions are adopted; ■ Definition of the Net Asset Value was changed to eliminate the impact of exchange differences on the carrying amounts of assets and liabilities which distort their actual value. The amendment related to translation of the carrying amounts from PLN into EUR and change of the method for recognition of deferred tax assets and liabilities relating to differences between the carrying amount and tax base of real property, in view of a possible change in the Group's strategy with respect to its investment property. ■ Explanation of a component of the NAV_0 formula – revaluation of the NAV_0 base so that it accounts for the changes in deferred tax recognition and is translated into EUR pursuant to the new definition of NAV. ■ Explanation of actions to take place after change of ownership (if any). ■ New method of calculating N_i for Series K Warrants, following the amendments made by the General Meeting on November 28th 2018 – the number of warrants issued in previous series remained unchanged. ■ Change of form of notice of the exercise of rights incorporated in warrants (editorial change). Rationale: to eliminate factors beyond the control of Eligible Persons (i.e. exchange differences and method of recognition of deferred tax), so that the Scheme facilitates better assessment of performance.

REMUNERATION SYSTEMS

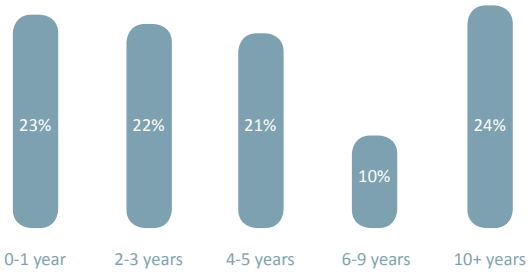
At each organisational level, we have in place remuneration systems designed to promote effectiveness and contribution to building company value. The Management Board and middle management staff are covered by an incentive scheme based on subscription warrants. For more information on the remuneration of members of the Management and Supervisory Boards, as well as the rules of the incentive scheme, see Notes 29 and 30 to the consolidated financial statements.

Capital Park is an integrated and fully functional operating platform, with internal resources capable of implementing investment processes on an end-to-end basis.

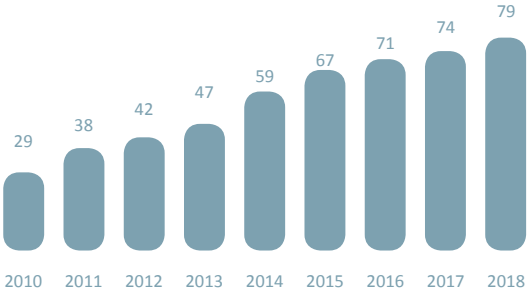
- The team comprises of 79 professionals who have the knowledge, experience and skills necessary to seek out promising projects, perform due diligence, secure funding, obtain permits, develop conceptual designs, implement projects, commercialise space and actively manage properties.
- The senior officers and department managers have an average of 17 years of relevant experience, including nine years with Capital Park.

Our team is one of our most valuable assets. Our goal is to recruit and retain top professionals whose experience, competence and commitment would consolidate our competitive advantage.

Years of service for Capital Park Group



Capital Park team



DIVERSITY POLICY

Diversity, openness, mutual respect and trust are values of key importance to the Capital Park Group's business. The Group is guided by the principle of equal treatment of all employees and supports measures to prevent any form of discrimination, actively seeking to increase diversity and ensure equal opportunities for professional development among employees, which translates into higher productivity and development of the Group. The Management Board places particular emphasis on creating a work environment in which employees, regardless of any differences between them, can fully utilise their potential. The Group recruits staff based solely on whether they meet the requirements for the relevant post with respect to expertise, professional track record, and educational background.

The Group employs both women and men of various ages, based on candidates' merits only.
The Management Board and Supervisory Board include members qualified in such areas as law, economics and finance, with diverse professional experience. As at December 31st 2018, the Management Board was composed of one woman and two men, while the

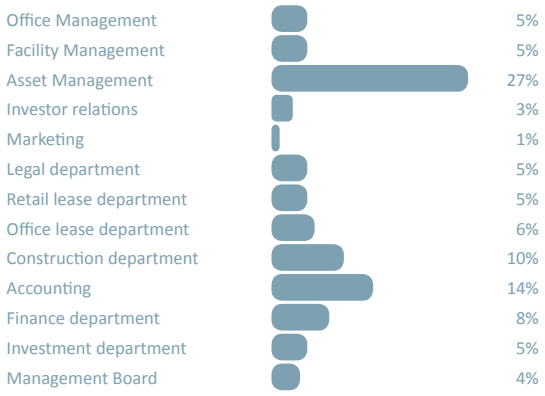
Supervisory Board comprised two women and four men. The respective age distribution of the governing bodies is as follows: Management Board: 41-50 years of age – 2 members, 51-60 years of age – 1 member, and Supervisory Board: 41-50 years of age – 3 members, 51-60 years of age – 2 members, 61-70 years of age – 1 member. The key management staff, i.e. directors of investment, finance, accounting, legal, construction, retail lease, office lease, real estate management and investor relations departments, includes six women and three men. The age distribution of key executives is as follows: 31-40 years of age – 5 people, 41-50 years of age – 4 people.

Kinga Nowakowska, Member of the Management Board and COO of the Group, has been involved in numerous women's right and equal opportunities activities for many years. In 2018, she was awarded the prestigious 'Top Woman in Real Estate' title in the Business Management category. She is also the originator and founder of the Black Swan Fund, a network of business angels, which offers financial and business support to start-ups and companies run and established by women.

Work-life balance

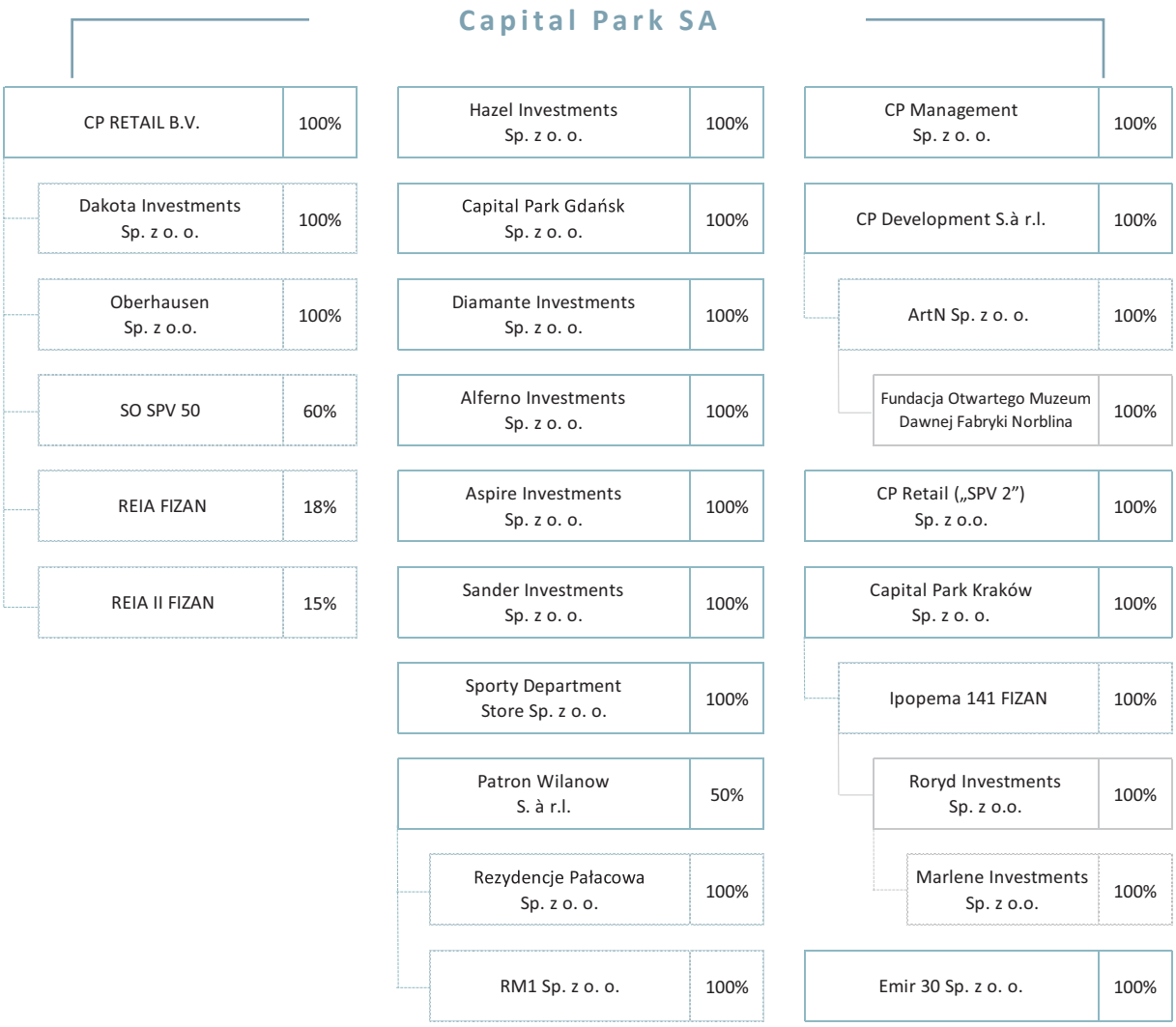
The Capital Park Group offers its employees and their families opportunities to participate in interesting events, such as picnics or family meetings. We are open-minded and understand the needs of employees with children. Since 2018, the Royal Wilanów office building, where our headquarters are located, has housed a kindergarten, so our employees with young children may have their kids taken care of in a facility located directly at their workplace. This makes it easier for them to combine work with family life.

Share, by profession



STRUCTURE OF THE GROUP

As at December 31st 2018, the CAPITAL PARK Group comprised 40 entities, including the parent Capital Park S.A. and 35 special purpose vehicles, three closed-end property investment funds: Real Estate Income Assets FIZAN, Real Estate Income Assets II FIZAN, Ipopema 141 FIZAN and Fundacja Otwartego Muzeum Dawnej Fabryki Norblina. The Group's property and development projects are managed by CP Management Sp. z o.o.



CONSOLIDATED FINANCIAL STATEMENTS – HIGHLIGHTS

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TRANSLATORS' EXPLANATORY NOTE

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

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

Independent Registered Auditor's Report

To the Shareholders' Meeting and the Supervisory Board of Capital Park S.A.

Report on the audit of consolidated financial statements

Our opinion

In our opinion, the attached annual consolidated financial statements of the group Capital Park S.A („the Group"), in which Capital Park S.A is the parent entity ("the Parent Company"):

- give a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the applicable International Financial Reporting Standards as adopted by the European Union and the adopted accounting policies;
- comply in terms of form and content with the laws applicable to the Company Group and the Parent Company's Articles of Association.

Our opinion is consistent with our additional report to the Audit Committee issued on the date of this report on 11 April 2018.

What we have audited

We have audited the annual consolidated financial statements of the group Capital Park S.A. which comprise:

- the consolidated statement of financial position as at 31 December 2018;

and the following prepared for the financial year from 1 January to 31 December 2018:

- the consolidated statement of profit or loss and other comprehensive income;
- the consolidated statement of changes in equity;
- the consolidated statement of cash flows, and
- general information, supplementary information to the consolidated financial statements comprising significant accounting policies and notes.

Basis for opinion

Basis for opinion

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

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

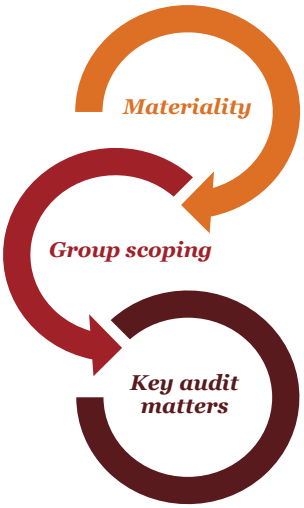
Independence and ethics

We are independent of the Group in accordance with the International Federation of Accountants' *Code of Ethics for Professional Accountants* ("the IFAC Code") as adopted by resolutions of the National Council of Statutory Auditors and other ethical requirements that are relevant to our

audit of the financial statements in Poland. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IFAC's Code. During the audit, the key registered auditor and the registered audit firm remained independent of the Group in accordance with the independence requirements set out in the Act on Registered Auditors and in the EU Regulation.

Our audit approach

Overview



- The overall materiality threshold adopted for the purposes of our audit was set at PLN 25.7 million, which represents 1% of the total assets of the Group.
- We have audited the Parent Company and performed several audit procedures over selected balances of financial statements of all subsidiaries in Poland.
- The scope of our audit covered 100% of the Group's revenue and 100% of the sum of total assets of all the consolidated Group companies before consolidation eliminations.
- Measurement of investment properties
- Consolidation of companies within closed-end investment funds according to the full consolidation method

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

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operated.

Materiality

The scope of our audit was influenced by the adopted materiality level. Our audit was designed to obtain reasonable assurance that the consolidated financial statements as a whole are free from material misstatement. Misstatements may arise due to fraud or error.

They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

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

The concept of materiality is used by the registered auditor both in planning and conducting an audit, as well as in assessing the effect of the misstatements identified during the audit and the unadjusted misstatements (if any), on the financial statements, and also when forming the registered auditor's report. Therefore, all opinions, assertions and statements contained in the registered auditor's report have

been made taking into consideration the quantitative and qualitative materiality levels determined in accordance with the audit standards and the registered auditor's professional judgement.

Overall Group materiality	PLN 25.7 million
Basis for determination	1% of total assets of the Group
Rationale for the materiality benchmark applied	We have adopted the Groups's total assets as the basis for determining materiality because the value of total assets in our opinion it is an indicator commonly used by the users of financial statements to evaluate the operations particularly in real estate industry. We adopted the materiality threshold at 1% because based on our professional judgement it is within the acceptable quantitative materiality thresholds.

We agreed with the Parent Company's Audit Committee that we would report to them of misstatements identified during our audit of the consolidated financial statements above PLN 2.0 million, as well as any misstatements below that amount, that in our view, warranted reporting for qualitative reasons.

Key audit matters

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

Key audit matter	***How our audit addressed the key audit matter***
Measurement of investment property	
The investment property balance in the consolidated financial statements of the Group as at 31 December 2018 is PLN 2,360 million (as at 31 December 2017: PLN 2,174 million). In section 7, Note 7.4 of the consolidated financial statements the Group presented the adopted accounting policies, and in section 8, Note 2 – the disclosures related to investment properties, including the key assumptions adopted to measure the investment properties at their fair value. The Group has a portfolio of investment properties comprising completed properties in the office, commercial and hotel sectors, as well as properties under construction and land not yet earmarked for any purpose.	Our audit procedures comprised in particular: a) gaining an understanding and assessing the process of measuring and controlling the measurement of investment properties, and assessing the qualifications, scope and conditions of the work and the objectivity of the independent appraiser; b) assessing compliance of the adopted accounting policies in respect of investment properties with the appropriate financial reporting standards; c) reconciling – on a selected sample – the value of investment properties presented in the consolidated financial statements with the measurements prepared by independent appraiser; d) for a selected sample – checking the arithmetical correctness and methodological consistency (using external PwC valuation experts) of property valuations

At least once a year, as at the end of each financial year, investment properties are measured at fair value determined with the support of valuation experts, including independent appraisers. To determine the fair value of properties, independent appraisers apply approaches, methodologies and measurement techniques appropriate for the given property.

The fair value measurement of investment properties is related to the inherent risk of uncertainty of the estimations made for the purpose of their measurement, and sensitivity to the underlying assumptions. The value of the investment properties to a large extent depends on the adopted measurement method and assumptions, such as the adopted discount rate and capitalization, expected rental income and all types of multipliers which base on the subjective assessment of unquantifiable characteristics such as the location of the property.

In 2018 the Group recognized a revaluation gain of PLN 79.2 million (in 2017: a loss of PLN 84.7 million), which was recognized in the net profit in 2018 and presented as gain/(loss) on property revaluation in the operating activities.

Taking into consideration the materiality of the items in the Group consolidated financial statements and the impact of the fluctuations of measurements on the Group results, we considered the fair value measurement of investment properties to be a key audit matter.

made by an independent valuation expert;

e) making a critical assessment of the assumptions adopted and estimations made by the Group to determine the fair value; in particular, checking – on a selected sample – the following elements of the measurement procedure:

- the adopted approach, measurement methodology and techniques which depend on the characteristics of the given property (earning fixed income on the lease of the space, property under construction in consideration of its target value, etc.);
- in the event of properties which generate revenue, detailed tests were conducted in respect of:
  - the assumptions relating to revenue: the amount of unit rental fee, the assumed level of vacancies, the assumed rent-free period, revenue from sources other than space lease;
  - cost-related assumptions: the amount of the property maintenance costs, the adopted model for settling costs with lessees; the agency commission;
  - the assumptions relating to capitalization/discount rates;
  - input data on which the measurements are based, i.a. data was compared to the conditions following from the lease agreements;
- In respect of properties under construction, tracking the development of key assumptions as to the predetermined period of completing the construction, the developer's margin and the cost budget;

f) assessing the correctness and completeness of disclosures in respect of the fair value measurement of the investment property in the consolidated financial statements.

Based on the audit procedures performed, we have not identified any factors with an impact on independence or limitations of the work of the external valuation expert, and we acknowledged that the assumptions made are reasonable and supported by the documentation we were shown. As a result of the procedures performed we have not identified the necessity of making material adjustments.

Consolidation of companies within closed-end investment funds according to the full consolidation method

As at 31 December 2018 the following, i.a., were recognized in the Group consolidated financial statements:

- investment properties of PLN 311.9 million;
- bank loans of PLN 184.6 million;

from entities contributed to the closed-end non-public asset investment funds REIA FIZ

Our audit procedures comprised in particular:

a) understanding the process of the Group structure analysis and the aspects of control over the funds conducted by the Management Board;

b) a critical assessment of the actual status prepared by the Management Board and of the arguments determining that the Group has control over the funds, taking into consideration such aspects of the issue as whether the

AN and REIA FIZ AN II ("funds"), in which the Group holds 18% and 15% certificates respectively. At the same time, the value of capital attributable to owners of investment certificates in these funds, disclosed as *Non-controlling interest*, amounted to PLN 114.9 million as at 31 December 2018 (as at 31 December 2017: PLN 114.9 million).

In Section 6, Note 6.9 to the consolidated financial statements the assumptions made when determining the control powers pursuant to IFRS 10 "Consolidated Financial Statements" were disclosed, which resulted in consolidating the data of the companies.

Assessment of control powers over closed-end investment funds is complicated and requires judgment as to whether the Group simultaneously has control power over the entities, is exposed to, or has rights to the variable returns of the funds and has the ability to use its power to affect the amount of the returns.

Taking into consideration the materiality of the financial data of the consolidated entities held by the closed-end funds for the consolidated financial statements and making significant estimations, control over the funds was considered to be one of the key audit issues.

Group simultaneously:

- has power over the entity in which the investment was made;
- is exposed to, or has rights to the variable returns of the funds following from its interests in them;
- has the ability to exert its power over the entity in which the investment was made and to impact the returns;

c) an analysis of the agreements, Articles of Association, and other documents of the funds together with the assessment as to whether the provisions of the agreements allow stating that the Group had control over the funds in the context of the requirements of IFRS 10;

d) an assessment of the disclosures presented in the consolidated financial statements regarding the judgments made.

As a result of the conducted procedures and an analysis of the actual status as at the reporting date, and based on the collated audit documentation, including the representations obtained from the Management Board, we have not identified the necessity to make material adjustments to the consolidated financial statements in this respect.

Responsibility of the Management and Supervisory Board for the consolidated financial statements

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

In preparing the consolidated financial statements, the Parent Company's Management Board 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 either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Parent Company's Management Board and members of its Supervisory Board are obliged to ensure that the consolidated financial statements comply with the requirements specified in the Accounting Act of 29 September 1994 ("the Accounting Act" – Consolidated text: Journal of Laws of 2019, item 351, as amended). Members of the Supervisory Board are responsible for overseeing the financial reporting process.

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Auditor's responsibility for the audit of the consolidated financial statements

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

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

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

- Identify and assess the risks of material misstatement of the 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 Parent Company's Management Board.
- Conclude on the appropriateness of the Parent Company's Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 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 consolidated financial statements, including the disclosures, and whether the 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 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 Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated to the Audit Committee, we determine those matters that were of most significance in the audit of the 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

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Report on other legal and regulatory requirements

Statement on the provision of non-audit services

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

The non-audit services which we have provided to the Parent Company and its subsidiaries in the audited period are disclosed in the note 4.17 of the Report on the Group's operations.

Appointment

We have been appointed to audit the annual consolidated financial statements of the Group by Resolution of the Supervisory Board of 10 July 2018. The consolidated financial statements of the Group were audited by us for the first time.

The Key Registered Auditor responsible for the audit on behalf of PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k. (formerly: PricewaterhouseCoopers sp. z o.o.), a company entered on the list of Registered Audit Companies with the number 144., is Mateusz Księżopolski

Mateusz Księżopolski

Key Registered Auditor

No. 12558

Warsaw, 11 April 2019

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disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other information, including the Report on the operations

Other information

Other information comprises a Report on the Group operations for the financial year ended 31 December 2018 ("the Report on the operations") and the corporate governance statement which are separate parts of the Report on the operations.

Responsibility of the Management and Supervisory Board

The Management Board of the Parent Company is responsible for preparing Other Information in accordance with the law.

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

Registered auditor's responsibility

Our opinion on the audit of the consolidated financial statements does not cover Other Information.

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

Moreover, we are obliged to issue an opinion on whether the Parent Company provided the required information in its corporate governance statement.

Opinion on the Report on the operations

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

- has been prepared in accordance with the requirements of Article 49 of the Accounting Act and para. 71 of the Regulation of the Minister of Finance dated 29 March 2018 on current and periodical information submitted by issuers of securities and conditions for considering as equivalent the information required under the legislation of a non-Member State ("Regulation on current information" – Journal of Laws 2018, item 757);
- is consistent with the information in the consolidated financial statements.

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

Opinion on the corporate governance statement

In our opinion, in its corporate governance statement, the Group included information set out in para. 70.6 (5) of the Regulation on current information. In addition, in our opinion, information specified in paragraph 70.6 (5)(c)–(f), (h) and (i) of the said Regulation included in the corporate governance statement are consistent with the applicable provisions of the law and with information included in the consolidated financial statements.

CONTENTS

KEY CONSOLIDATED FINANCIAL RESULTS

	Dec 31 2018		Dec 31 2017 /restated/		Dec 31 2016 /restated/	
	PLN '000	EUR '000	PLN '000	EUR '000	PLN '000	EUR '000
Investment property	2,360,158	548,874	2,174,397	521,326	2,084,314	471,138
Cash and cash equivalents	110,338	25,660	193,326	46,351	156,550	35,387
Total assets	2,569,908	597,653	2,475,873	593,606	2,341,830	529,347
Interest bearing liabilities	1,330,701	309,465	1,307,885	313,574	1,243,017	280,971
Total liabilities	1,480,127	344,216	1,479,348	354,683	1,371,503	310,014
Non-controlling interests	114,904	26,722	114,918	27,552	71,745	16,217
NAV	1,089,781	253,437	996,525	238,923	970,327	219,333
EPRA NAV (excluding NCI)	1,079,103	250,954	974,301	233,595	-	-
NAV (excluding NCI)	974,877	226,715	881,607	211,371	898,582	203,115
Diluted number of shares	107,355,738		107,361,106		107,267,065	
EPRA NAVPS (diluted)	10.05	2.34	9.07	2.18	-	-
NAVPS (diluted)	9.08	2.11	8.21	1.97	8.39	1.90
Net debt to total assets	47%		45%		50%	
Net debt to equity	1.12		1.11		1.20	

	12M 2018		12M 2017 /restated/		12M 2016 /restated/	
	PLN '000	EUR '000	PLN '000	EUR '000	PLN '000	EUR '000
Rental income	145,836	34,178	125,758	29,627	107,732	24,621
Net operating profit	108,580	25,447	93,069	21,926	81,411	18,605
Profitability	74%		74%		76%	
G&A including SPV costs	(14,419)	(3,379)	(17,666)	(4,162)	(16,155)	(3,692)
EBIT before revaluation of properties	92,754	21,738	79,753	18,789	55,525	12,689
Revaluation of properties	79,198	18,561	(84,723)	(19,960)	68,889	15,744
EBIT	171,951	40,299	(4,970)	(1,171)	124,414	28,433
Net profit/(loss) attributable to owners of the parent	85,339	20,000	(14,130)	(3,329)	24,525	5,605
FFO	57,077	13,377	38,220	9,004	17,624	4,028
EPS (diluted)	0.79	0.19	(0.13)	(0.03)	0.23	0.05
Cash flows from operating activities	106,249	24,901	86,099	20,284	76,793	17,550
Cash flows from investing activities	(115,089)	(26,972)	(89,048)	(20,979)	(104,536)	(23,890)
Cash flows from financing activities	(74,148)	(17,377)	39,725	9,359	70,686	16,154

See note 34 for details regarding the restatement

1. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	Note	Dec 31 2018 /audited/	Dec 31 2017 /restated/ /audited/	Dec 31 2016 /restated/ /audited/
Non-current assets				
Investment property	2	2,360,158	2,174,397	2,084,314
Deferred tax assets	19	3,344	26,661	19,971
Investments in jointly controlled entities	3	54,176	42,675	44,697
Other financial assets at fair value through profit or loss	4	695	2,649	4,187
Other non-current assets	5	1,989	2,243	2,243
		2,420,363	**2,248,625**	**2 155 412**
Current assets				
Other receivables and other current assets	6	16,628	14,561	13,240
Trade receivables	7	16,102	11,944	10,359
Other financial assets at fair value through profit or loss	8	-	918	-
Other financial assets measured at amortised cost	8	6,477	6,499	6,269
Cash and cash equivalents	9	110,338	193,326	156,550
		149,545	**227,248**	**186,418**
TOTAL ASSETS		**2,569,908**	**2,475,873**	**2,341,830**

EQUITY AND LIABILITIES	Note	Dec 31 2018 /audited/	Dec 31 2017 /restated/ /audited/	Dec 31 2016 /restated/ /audited/
Equity				
Share capital	10	107,495	106,484	106,202
Statutory reserve funds		797,655	858,320	858,320
Other capital reserves	10	71,256	6,352	17,066
Reserve capital from non-registered share capital and statutory reserve funds		-	45	170
Exchange differences on translating foreign operations		5,019	2,294	(5,418)
Retained earnings/(deficit)		(91,888)	(77,758)	(102,283)
Net profit/(loss) for current period		85,339	(14,130)	24,525
		974,877	**881,607**	**898,582**
Non-controlling interests	*10*	*114,904*	*114,918*	*71,745*
		1,089,781	**996,525**	**970,327**
Non-current liabilities				
Bank borrowings and other financial liabilities measured at amortised cost	11	1,089,419	1,010,575	992,751
Other financial liabilities at fair value through profit or loss	11	5,157	4,232	10,281
Liabilities under notes in issue measured at amortised cost	12	192,758	156,231	55,374
Other liabilities and provisions	13	19,776	11,357	47
Deferred tax liabilities	19	110,026	132,336	100,440
		1,417,136	**1,314,731**	**1 158 893**
Current liabilities				
Bank borrowings and other financial liabilities measured at amortised cost	11	30,810	82,992	70,901
Other financial liabilities at fair value through profit or loss	11	162	252	671
Liabilities under notes in issue measured at amortised cost	12	12,395	53,603	113,039
Trade payables	14	7,631	16,647	11,445
Other liabilities and provisions	13	11,993	11,123	16,554
		62,991	**164,617**	**212,610**
TOTAL EQUITY AND LIABILITIES		**2,569,908**	**2,475,873**	**2,341,830**

See note 34 for details regarding the restatement.

2. CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	12M 2018 /audited/	12M 2017 /restated/ /audited/	12M 2016 /restated/ /audited/
Rental income	15	145,836	125,758	107,732
Direct property operating expenses		(37,256)	(32,689)	(26,321)
Net operating profit		**108,580**	**93,069**	**81,411**
Other income including income from property management		2,610	1,529	1,897
Gain/(loss) on disposal of investment property		-	221	(2,949)
Cost of SPV operations		(6,057)	(6,296)	(5,561)
Administrative expenses		(8,362)	(11,370)	(10,594)
Renovation and repair of property		(733)	(802)	(467)
Cost of incentive scheme measurement		(5,609)	(1,718)	(3,022)
Gain/(loss) on property revaluation	17	79,198	(84,723)	68,889
Other expenses		(652)	(3,558)	(3,881)
Share in net profit/(loss) of equity-accounted entities		2,977	8,678	(1,309)
Operating profit/(loss)		**171,951**	**(4,970)**	**124,414**
Interest income	18	2,645	2,183	2,654
Interest expense	18	(40,954)	(40,093)	(51,716)
Gain/(loss) on measurement of financial liabilities	18	(37,099)	46,727	(42,045)
Profit/(loss) before tax		**96,544**	**3,847**	**33,307**
Corporate income tax	19	(5,466)	(25,754)	(3,510)
Net profit/(loss)		**91,078**	**(21,908)**	**29,797**
Exchange differences on translating foreign operations		2,725	7,712	(3,284)
Total comprehensive income		**93,803**	**(14,196)**	**26,513**
Net profit/(loss) attributable to owners of the parent		85,339	(14,130)	24,525
Net profit/(loss) attributable to non-controlling interests		5,739	(7,777)	5,272
Net earnings/(loss) per share (PLN)				
Basic		0.80	(0.13)	0.23
Diluted		0.79	(0.13)	0.23

See note 34 for details regarding the restatement.
The entire profit was earned from continuing operations.

3. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Capital reserves from issue of shares pending registration	Other components of equity	Exchange differences on translating foreign operations	Retained earn-ings/(deficit)	Net profit/(loss) for current period	Non-controlling interests	Total equity
Equity as at Jan 1 2018 (reported as at Dec 31 2017)	**106,484**	**858,320**	**45**	**6,352**	**2,294**	**12,877**	**(1,938)**	**114,918**	**1,099,352**
Adjustment disclosed in note 34	-	-	-	-	-	(90,635)	(12,192)	-	**(102,827)**
Equity as at Jan 1 2018 /restated/	106,484	858,320	45	6,352	2,294	(77,758)	(14,130)	114,918	**996,525**
Issue of shares	1,011	-	(45)	-	-	-	-	-	**966**
Share-based payments	-	-	-	3,975	-	-	-	-	**3,975**
Profit distribution	-	(60,665)	-	60,665	-	(14,130)	14,130	-	**-**
Dividend payment	-	-	-	-	-	-	-	(4,608)	**(4,608)**
Changes in the Group's structure	-	-	-	264	-	-	-	(1,145)	**(881)**
Total transactions with shareholders	**1,011**	**(60,665)**	**(45)**	**64,904**	**-**	**(14,130)**	**14,130**	**(5,752)**	**(547)**
Total comprehensive income	-	-	-	-	2,725	-	85,339	5,739	**93,803**
Equity as at 31 Dec 2018	**107,495**	**797,655**	**-**	**71,256**	**5,019**	**(91,888)**	**85,339**	**114,904**	**1,089,781**

Equity as at Jan 1 2017 (reported as at Dec 31 2016)	**106,202**	**858,320**	**170**	**17,066**	**(5,418)**	**(17,062)**	**29,939**	**71,745**	**1,060,962**
Adjustment disclosed in note 34	-	-		-	-	(85,221)	(5,414)	-	**(90,635)**
Equity as at Jan 1 2017 /restated/	**106,202**	**858,320**	**170**	**17,066**	**(5,418)**	**(102,283)**	**24,525**	**71,745**	**970,327**
Issue of shares	282	-	(125)	-	-	-	-	-	**157**
Share-based payments	-	-	-	765	-	-	-	-	**765**
Profit distribution	-	-	-	-	-	24,525	(24,525)	-	**-**
Dividend payment	-	-	-	-	-	-	-	(5,666)	**(5,666)**
Changes in the Group's structure	-	-	-	(11,479)	-	-	-	56,616	**45,137**
Total transactions with shareholders	282	-	(125)	(10,714)	-	24,525	(24,525)	50,950	**40,393**
Total comprehensive income	-	-	-	-	7,712	-	(14,130)	(7,777)	**(14,195)**
Equity as at Dec 31 2017 /restated/	**106,484**	**858,320**	**45**	**6,352**	**2,294**	**(77,758)**	**(14,130)**	**114,918**	**996,525**

Equity as at Jan 1 2016 (reported as at Dec 31 2015)	**105,348**	**858,320**	-	**15,149**	**(2,134)**	**(61,014)**	**43,952**	**72,583**	**1,032,204**
Adjustment disclosed in note 34	-	-		-	-	(69,271)	(15,590)	-	**(85,221)**
Equity as at Jan 1 2016 /restated/	**105,348**	**858,320**	**-**	**15,149**	**(2,134)**	**(130,285)**	**28,002**	**72,583**	**946,983**
Issue of shares	854	-	170	-	-	-	-	-	**1,024**
Share-based payments	-	-	-	1,917	-	-	-	-	**1,917**
Profit distribution	-	-	-	-	-	28,002	(28,002)	-	**-**
Dividend payment	-	-	-	-	-	-	-	(4,356)	**(4,356)**
Changes in the Group's structure	-	-	-	-	-	-	-	(1,754)	**(1,754)**
Total transactions with shareholders	**854**	**-**	**170**	**1,917**	**-**	**28,002**	**(28,002)**	**(6,110)**	**(3,169)**
Total comprehensive income	-	-	-	-	(3,284)	-	24,525	5,272	**26,513**
Equity as at Dec 31 2016 /restated/	**106,202**	**858,320**	**170**	**17,066**	**(5,418)**	**(102,283)**	**24,525**	**71,745**	**970,327**

See note 34 for details regarding the restatement.

4. CONSOLIDATED STATEMENT OF CASH FLOWS

	12M 2018 /audited/	12M 2017 /restated/ /audited/	12M 2016 /restated/ /audited/
OPERATING ACTIVITIES			
Proceeds from sale of goods and services	251,486	205,979	117,258
Purchases of goods and services	(142,138)	(120,047)	(40,812)
Interest received from bank deposits	417	683	913
Cash from operating activities	**109,765**	**86,615**	**77,359**
Income tax refunded/(paid)	(3,515)	(516)	(566)
A. Net cash from operating activities	**106,249**	**86,099**	**76,793**
INVESTING ACTIVITIES			
Disposal of investment property and inventories	50	250	21,011
Other cash provided by investing activities	-	43,557	-
Investment property	(111,948)	(122,901)	(111,292)
Purchase of shares	-	(9,341)	(7,286)
Loans advanced	(5,092)	(598)	(6,872)
Repayment of loans	1,900	-	-
Purchase of intangible assets, and property, plant and equipment	-	(15)	(96)
B. Net cash from investing activities	**(115,089)**	**(89,048)**	**(104,536)**
FINANCING ACTIVITIES			
Proceeds from shares issue	-	135	-
Proceeds from issue of notes	29,639	152,910	14,980
Proceeds from borrowings	59,198	325,272	701,954
Dividends and other distributions to REIA FIZ AN and REIA II FIZAN certificates owners	(4,608)	(5,666)	(4,356)
Interest and other cash used in financing activities	(42,265)	(55,462)	(72,135)
Redemption of notes	(46,115)	(108,886)	-
Repayment of borrowings	(69,997)	(268,578)	(569,758)
C. Net cash from financing activities	**(74,148)**	**39,725**	**70,686**
D. Total net cash flows	**(82,988)**	**36,776**	**42,943**
E. Net (decrease)/increase in cash and cash equivalents:	**(82,988)**	**36,776**	**42,943**
F. Cash and cash equivalents at beginning of period	**193,326**	**156,550**	**113,607**
G. Cash and cash equivalents at end of period	**110,338**	**193,326**	**156,550**
- including restricted cash	*45,872*	*61,501*	*37,710*

See note 34 for details regarding the restatement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1. OPERATING SEGMENTS

The Group's business falls into the following three reporting segments. These segments represent properties at different stages of the investment cycle. When identifying operating segments, acting in accordance with IFRS 8, the parent's Management Board took into consideration the following two material factors: providing assistance to the users of the parent's financial statements in assessing the type and financial consequences of the parent's business activities; as well as the economic environment in which the Group operates and maintains its reporting system.

Currently, the Group's operations are divided into: (i) the Investment Assets, which comprises projects that are already operated as properties yielding steady income, (ii)

Development Assets, comprising projects that are at the stage of construction or are being prepared for construction; and (iii) the Other Assets, which includes properties that do not represent the Group's core business.

The Management Board analyses operating segments according to the following general principles:

- for Investment Assets Segment on the basis of NOI and possibility of generating financial surpluses,
- for Development Assets Segment based on project profitability indicators, resulting from the margin that can be obtained after completion of construction,
- Other Assets Segments represents less important properties from the point of view of the Group's strategy.

In the Investment Assets, the Group presents financial highlights concerning projects over which the Group has control even though it holds non-controlling stake of investment certificates (closed-end investment funds). The commissioning of the Hampton by Hilton Old Town Gdańsk by CP Gdańsk Sp. z o.o. was performed on July 1st 2018.

Investment Assets Segment

Entity	Project
Dakota Investments Sp. z o.o.	Eurocentrum – Alfa, Beta, Gamma and Delta, Warsaw
Hazel Investments Sp. z o.o.	Royal Wilanów, Warsaw
Diamante Investments Sp. z o.o.	Street Mall Vis à Vis, Łódź
Oberhausen Sp. z o.o.	Galeria Zaspa, Gdańsk
Aspire Investments Sp. z o.o.	KEN, Warsaw
Alferno Investments Sp. z o.o.	Belgradzka, Warsaw
Sander Investments Sp. z o.o.	Rubinowy Dom, Bydgoszcz
Capital Park Gdańsk Sp. z o.o.	Hampton by Hilton Old Town Gdańsk
Real Estate Income Assets FIZ AN	39 properties
Real Estate Income Assets FIZ AN II	8 properties

Development Assets Segment

Entity	Project
ArtN Sp. z o.o.	ArtN, Warsaw
CP Retail SPV 2 Sp. z o.o.	Eurocentrum Hotel i Rezydencje, Warsaw

Other Assets Segment

Entity	Project
CP Management Sp. z o.o.	Kościuszki, Łodź*
CP Management Sp. z o.o.	Słomińskiego, Gdańsk
Emir 30 Sp. z o.o.	Unieście
Marlene Investments Sp. z o.o.	Święcajty, Mazury

** Investment property Łódź, Kościuszki was disclosed in comparative data in Vera Investments - Bis Sp. z o.o. (in 2018 r. the merger occurred with CP Management Sp. z o.o.)*

2018 financial highlights by segment and the Group's total

FINANCIAL HIGHLIGHTS	Investments Assets	Development Assets	Other Assets	Amounts not allo-cated to segments	TOTAL
Value of property	1,857,763	471,490	30,905	-	**2,360,158**
Interest-bearing liabilities	1,082,866	-	-	247,835	**1,330,701**
Total assets	1,948,382	490,970	44,846	82,893	**2,569,908**
Liabilities	1,166,411	43,239	5,643	264,834	**1,480,127**
Rental income	144,337	-	1,499	-	**145,836**
Timing of revenue recognition at a point in time	*144,950*	-	*1,499*	-	***146,449***
Timing of revenue recognition over a point	*(613)*	-	-	-	***(613)***
Property expenses	(36,938)	-	(319)	-	**(37,256)**
Net operating income	107,399	-	1,180	-	**108,580**
Other revenue	375	-	12	2,223	**2,610**
Other expenses	(9,602)	(1,514)	(163)	(10,133)	**(21,413)**
Share in net profit/(loss) of equity-accounted entities	-	-	-	2,977	**2,977**
Net operating result	98,172	(1,514)	1,029	(4,934)	**92,753**
Financial incomes/costs	(55,616)	(533)	-	(19,259)	**(75,408)**
Operating profit/(loss)	63,244	(2,047)	1,029	(24,193)	**17,346**
Revaluation of properties	40,780	38,465	(47)	-	**79,198**
Profit/(loss) before tax	83,337	36,419	981	(24,193)	**96,544**
Income tax	(2,719)	(6,152)	(342)	3,748	**(5,466)**

2017 financial highlights by segment and the Group's total /restated/

FINANCIAL HIGHLIGHTS	Investments Assets	Development Assets	Other Assets	Amounts not allo-cated to segments	TOTAL
Value of property	1,727,904	415,470	31,023	-	**2,174,397**
Interest-bearing liabilities	1,029,675	39,627	-	238,583	**1,307,885**
Rental income	124,829	929	-	-	**125,758**
Timing of revenue recognition at a point in time	*123,327*	*929*	-	-	***124,256***
Timing of revenue recognition over a point	*1,502*	-	-	-	***1,502***
Property expenses	(30,596)	(1,410)	(683)	-	**(32,689)**
Net operating income	94,233	(481)	(683)	-	**93,069**
Other revenue	-	-	221	10,204	**10,425**
Other expenses	(13,366)	(553)	(387)	(9,438)	**(23,744)**
Net operating result	80,867	(1,034)	(849)	766	**79,750**
Finance incomes/costs	27,595	4,151	(7)	(22,919)	**8,820**
Operating profit/(loss)	108,462	3,117	(856)	(22,153)	**88,570**
Revaluation of properties	(82,983)	(1,250)	(490)	-	**(84,723)**
Profit/(loss) before tax	25,479	1,867	(1,346)	(22,153)	**3,847**

2016 financial highlights by segment and the Group's total /restated/

FINANCIAL HIGHLIGHTS	Investments Assets	Development Assets	Other Assets	Amounts not allocated to segments	TOTAL
Value of property	1,681,659	370,609	32,046	-	**2,084,314**
Interest-bearing liabilities	964,415	17,770	-	260,832	**1,243,017**
Rental income	106,573	126	1,033	-	**107,732**
Timing of revenue recognition at a point in time	*105,071*	*126*	*1,033*	-	***106,230***
Timing of revenue recognition over a point	*1,502*	-	-	-	***1,502***
Property expenses	(24,564)	(927)	(830)	-	**(26,321)**
Net operating income	82,009	(801)	203	-	**81,411**
Other revenue	-	-	-	1,897	**1,897**
Other expenses	(8,341)	(1,030)	(334)	(18,078)	**(27,783)**
Net operating result	73,668	(1,831)	(131)	(16,181)	**55,525**
Finance incomes/costs	(79,112)	(1,401)	22	(10,616)	**(91,107)**
Operating profit/(loss)	(5,444)	(3,232)	(109)	(26,797)	**(35,582)**
Revaluation of properties	71,286	660	(3,057)	-	**68,889**
Profit/(loss) before tax	65,842	(2,572)	(3,166)	(26,797)	**33,307**

In 2018, there were no transactions between operating segments. All assets and liabilities within operating segments are located in Poland.

Note 2. INVESTMENT PROPERTY

Investment property is the property owned, jointly owned or held in usufruct by the Group, or property leased/used by the Group under finance lease agreements. In accordance with IAS 40, all properties are measured at fair value.

The Management Board closely monitors the economic situation in Poland and abroad. Changes in the market environment strongly affect the value of the Group's properties. Investment property is sensitive to many factors, including in particular changes in yields and the EUR/PLN exchange rate, because in large part investment property valuations are based on EUR-denominated rents. An increase/decrease in the EUR/PLN exchange rate is reflected directly in higher/lower value of a given property expressed in PLN, resulting in a gain/(loss) on investment property revaluation.

Type of project	Number of projects	Share as at Dec 31 2018	Dec 31 2018	Dec 31 2017	Dec 31 2016
Investments assets	55	79%	1,857,763	1,727,904	1,681,659
Including assets in closed-end investment funds	*47*	*13%*	*311,909*	*317,939*	*337,142*
Development assets	2	20%	471,490	415,470	370,609
Other Assets	4	1%	30,905	31,023	32,046
Total	**61**	**100%**	**2,360,158**	**2,174,397**	**2,084,314**

CHANGE IN INVESTMENT PROPERTY VALUE	Dec 31 2018	Dec 31 2017	Dec 31 2016
Gross carrying amount at beginning of period	**2,174,397**	**2,084,314**	**1,934,579**
Increase, including:	**185,781**	**174,305**	**164,393**
Purchase of investment property	-	25,560	-
Acquisition of control of Oberhausen Sp. z o.o.	-	62,003	-
Capitalisation of subsequent expenditure[1]	106,583	86,742	89,541
- including capitalisation of borrowing costs (loans and borrowings)	*16,998*	*13,639*	*10,412*
Net profit from property revaluation at fair value	79,198	-	74,852

Decrease, including:	**(20)**	**(84,222)**	**(14,658)**
Sale of investment property	(20)	(1,000)	(14,658)
Net loss from property revaluation at fair value	-	(83,222)	-
Gross carrying amount at end of period [PLN '000]	**2,360,158**	**2,174,397**	**2,084,314**
Gross carrying amount at end of period [EUR '000]	***548,874***	***521,326***	***471,138***

[1]Capitalised expenditure primarily includes: construction costs, costs of architectural design, costs of advisory services, finance costs (interest on borrowings and notes, fees and commissions), legal costs and costs of capitalised services charged by CP Management Sp. z o.o.

Disclosures in accordance with IFRS 13 (based on significant unobservable inputs, Level 3)

Acting in accordance with the guidelines set forth in IFRS 13, the parent's Management Board performed an analysis of the methodology applied to determine the fair value of investment properties as at December 31st 2017 and December 31st 2016, and concluded that the methodology was based on level 3 of the fair value measurement hierarchy. There were no current transactions with similar terms and the valuation of investment property was made in reliance on a number of assumptions which had a material impact on the final determination of the fair value.

To determine the fair value of the property, independent appraisers apply valuation methods most appropriate for the valuation of the property at the given stage of development. These are:

Income approach, investment method

Two techniques are used in this method: discounted cash flow (DCF) and income capitalization approach. This approach is used mainly for valuation of completed commercial property projects. DCF involves discounting of a series of cash flows the real property is expected to generate in the assumed forecast period. Discounted residual value of the property is added to the discounted cash flows. The forecast of cash flows for the lease term is based on the parameters of the existing lease contracts. The forecast of cash flows for the period after expiry of the existing lease contracts is based on market parameters, that is the realisable market rent, income lost attributable to the occurrence of periods necessary to acquire new contracts, the rent-free periods and expenditure, if any, on fit-out to suit the needs of the tenants. The forecast of cash flows for the entire forecast period includes potential losses related to the fact that operating expenses of the property can only partially be transferred to the tenants, with the balance incurred by the property owner. All these market parameters are determined by independent appraisers, based on the current situation on the commercial property market. In the income capitalization approach, the value of investment property is calculated as the product of annual income that can be generated by the property and the capitalisation rate (yield).

Properties valued with the use of the method described above jointly account for 79% of the Group's investment property portfolio.

Below are presented key assumptions used in the calculation of the fair value of selected properties in this category:

Project	Location	Status	Total area ('000 square metres)	Occupancy	Target NOI (PLN '000)*	Yield	Capex after 31.12.2018 (PLN '000)	Carrying amount (PLN '000)	Target Value (PLN '000)
Eurocentrum - Beta, Gamma	Warsaw	completed	45	96%	30,960	6.25%	2,714	488,050	495,360
Eurocentrum - Delta	Warsaw	completed	27	86%	20,156	6.25%	6,203	312,180	322,500
Eurocentrum Alfa	Warsaw	completed	14	82%	9,231	7.75%	2,742	112,660	119,110
Royal Wilanów	Warsaw	completed	37	95%	28,760	6.50%	2,158	437,310	442,470
Galeria Zaspa	Gdańsk	completed	9	93%	5,065	7.75%	386	64,500	65,360
Vis à Vis Łódź	Łódź	completed	6	98%	2,714	8.00%	-	33,923	33,923
Warszawa, Belgradzka	Warsaw	completed	3	26%	1,964	7.25%	-	27,090	27,090
Warszawa, KEN	Warsaw	completed	-	100%	368	7.25%	-	5,074	5,074
Hampton by Hilton Old Town Gdańsk	Gdańsk	completed	7	100%	5,330	8.50%**	-	64,122	64,122
REIA FIZAN (39 properties)	26 cities in Poland	completed	15	83%	12,599	7.45%	-	169,141	169,141
REIA II FIZAN (8 properties)	6 cities in Poland	completed	16	90%	10,475	7.34%	-	142,768	142,768

** Target NOI – target average annual net operating income, estimated in property appraisals*

*** In view of the likelihood of exercising the rights under the Capital Park Gdansk Sp. z o.o. share purchase agreement, the value of assets being the object of the potential transaction has been revised in accordance with the agreement, based on an analysis of the agreement terms and the company's current financial data.*

**** Yield - capitalization rate adopted in property valuations. Revisionary yield (the resultant capitalization rate, i.e. the ratio of the market rent for full rental of real estate to the property value) for key projects is as follows: Eurocentrum Beta and Gamma: 7.00%, Delta: 7.05%, Alpha: 8.90% , Royal Wilanów 7.10%.*

Mixed approach, residual method

This approach is generally used to determine the value of investment property under construction, which is calculated as the property's target value (estimated based on the income approach or comparison approach) less any future capital expenditure be incurred as at the valuation date and future development margin. It is used for valuation of properties where the project development process has not been completed, including retail, office and mixed-use properties. The target value, i.e. after completion of the project, was determined based on the income approach, using the investment method.

Properties valued with the use of the method described above jointly account for 19% of the Group's investment property portfolio.

Below are presented key assumptions used in the calculation of the fair value of this category of properties:

Project	Location	Status	Total area ('000 square metres)	Pre-let Dec 31 2018	Target NOI (PLN '000)*	Yield**	Expenditure to be spent after Dec 31 2018	Carrying amount (PLN '000)
ArtN	Warsaw	under construction	67	21%	64,158	5.10%	684,789	420,798

** NOI – target average annual net operating income, estimated in property appraisals*

*** Yield - capitalization rate adopted in property valuations. Revisionary yield (the resultant capitalization rate, i.e. the ratio of the market rent for full rental of real estate to the property value) for ArtN project 5.26%.*

Comparison approach (pairwise comparison method)

This approach is used to value investment property for which data on comparable property sale transactions on a given market is available as well as land and residential property. Valuation of these types of property involves an analysis of similar properties which are being sold on the market and for which the characteristics that determine the purchase price and the terms of the transactions are known. Since very few comparable transactions are executed on the market and the prices of such transactions differ widely, the valuation was performed using the pairwise comparison method. The Group uses this approach mainly to value undeveloped properties or developed properties with unspecified use or zoning on which no capital expenditure has been made, and to value apartments for resale.

Properties valued with the use of the method described above jointly account for 3% of the Group's investment property portfolio.

Note 3. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

NON-CURRENT INVESTMENTS	Dec 31 2018	Dec 31 2017	Dec 31 2016
Interest in the Patron Wilanów joint venture	33,720	26,923	26,324
Interest in the SO SPV 50 joint venture	20,456	15,752	9,749
Interest in the Oberhausen joint venture	-	-	8,624
Total	**54,176**	**42,675**	**44,697**

The Group presents interests in joint ventures that are accounted for using the equity method. The carrying amount of joint ventures comprises the value of interests in such joint ventures and loans advanced to such joint ventures, plus accrued interest, less impairment write-downs.

The Group presents interests in joint ventures on a net basis, i.e. plus/less receivables/liabilities related to participation in joint ventures, which equal the estimated future cash flows related to coverage of losses or right to the profit on joint ventures.

On May 7th 2018 , SO SPV 50 received the negative decision of Tax Inspection Office with the seat in Kielce on transaction with its business partner made in 2015. The decision does not result in obligation to pay tax. The case was sent to the Tax Administration Chamber in Warsaw which will re-examine the case. As at the date of publication there is no decision of the Tax Administration Chamber in Warsaw. As at the reporting date the Management Board of SO SPV 50 decided not to recognize the provision. The total exposure for the Group is at the level of PLN 6,539 thousand at the reporting date. The Management Board of SO SPV 50 is still monitoring the situation.

INTEREST IN JOINT VENTURE PATRON WILANÓW	Dec 31 2018	Dec 31 2017	Dec 31 2016
Interest value	6,637	6,637	6,637
Long-term loans advanced	32,590	33,790	32,375
Share in loss	(5,507)	(13,504)	(12,688)
Total	**33,720**	**26,923**	**26,324**

INTEREST IN JOINT VENTURE SO SPV 50	Dec 31 2018	Dec 31 2017	Dec 31 2016
Interest value	6,105	6,105	6,105
Long-term loans advanced	12,554	6,830	6,457
Share in profit/(loss)	1,797	2,817	(2,813)
Total	**20,456**	**15,752**	**9,749**

INTEREST IN JOINT VENTURE OBERHAUSEN *	Dec 31 2018	Dec 31 2017	Dec 31 2016
Interest value	-	-	2,426
Long-term loans advanced	-	-	6,210
Share in profit/(loss)	-	-	(12)
Total	**-**	**-**	**8,624**

** On April 26th 2017, the Group acquired 47% of shares in Oberhausen Sp. z o.o. thus gaining full control over the entity due to the holding of 100% of its share capital*

	Patron Wilanów Group	SO SPV 50
Jointly-controlled entities	Patron Wilanów S.à r.l. of Luxembourg and its subsidiaries: Rezydencje Pałacowa Sp. z o.o. and RM 1 Sp. z o.o.	SO SPV 50 Sp. z o.o.
% interest in share capital and profit/(loss)	50% interests in the share capital of Patron Wilanów S.à r.l. (held directly), Rezydencje Pałacowa Sp. z o.o. and RM 1 Sp. z o.o. (held indirectly); 64% share of profit/(loss)	60% interest in the share capital of SO SPV 50 Sp. z o.o.; 60% share of profit/(loss)
General information about the agreement	Agreement executed on August 13th 2008 with Real Management Sp. z o.o. The agreement provides for the construction, sale and management of residential and commercial properties located in the Wilanów area.	Agreement executed on February 3rd 2016 with Galaxy Sp. z o.o. The agreement provides for the remodelling, recommercialisation, repositioning, and management of a shopping centre in Swarzędz.

The table below presents the key financial data of jointly controlled entities – classified as joint ventures:

	Patron Wilanów Group		
Key financial data	Dec 31 2018	Dec 31 2017	Dec 31 2016
Assets of entity/entities	132,504	96,462	82,312
Liabilities of entity/entities	149,756	117,933	102,137
Equity of entity/entities	(17,252)	(21,471)	(19,825)
Net profit/loss of entity/entities for the reporting period	3,997	(1,276)	(935)
Loans advanced (net)	32,590	33,790	32,375
Cash and cash equivalents	6,516	3,883	140
Incomes	8,585	-	-
Interest expense	(1,041)	(786)	(2,051)

	SO SPV 50		
Key financial data	Dec 31 2018	Dec 31 2017	Dec 31 2016
Assets of entity/entities	154,092	155,837	106,483
Liabilities of entity/entities	140,885	140,880	100,996
Equity of entity/entities	13,207	14,956	5,487
Net profit/loss of entity/entities for the reporting period	(1,700)	9,383	(8,329)
Loans advanced (net)	12,554	6,830	6,457
Cash and cash equivalents	1,972	4,078	1,934
Incomes	13,599	25,095	4,243
Interest expense	(3,963)	(2,099)	(744)

	Oberhausen		
Key financial data	Dec 31 2018	Dec 31 2017	Dec 31 2016
Assets of entity/entities	-	-	69,159
Liabilities of entity/entities	-	-	59,126
Equity of entity/entities	-	-	10,034
Net profit/loss of entity/entities for the reporting period	-	-	(4,085)
Loans advanced (net)	-	-	6,210
Cash and cash equivalents	-	-	1,424
Incomes	-	-	4,549
Interest expense	-	-	(2,473)

Note 4. OTHER FINANCIAL ASSETS AR FAIR VALUE THROUGH PROFIT OR LOSS

OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	Dec 31 2018	Dec 31 2017	Dec 31 2016
Valuation of derivative financial instruments	695	2,649	4,187
Total	**695**	**2,649**	**4,187**

Under other financial assets at fair value through profit or loss, the Group presents the non-current portion of the financial instrument (CAP) related to the credit facility agreement concluded with the Bank of China in 2016. It hedges the maximum interest rate at the level of 0.35% for 70% of the facility amount. In addition, the loan agreement contains a interest rate limitation of at least 0.0%.

Note 5. OTHER NON-CURRENT ASSETS

OTHER NON-CURRENT ASSETS	Dec 31 2018	Dec 31 2017	Dec 31 2016
Property, plant and equipment	573	682	802
Intangible assets	424	543	666
Non-current prepayments and accrued income	466	492	249
Non-current receivables	526	526	526
Total	**1,989**	**2,243**	**2,243**

The Group's property, plant and equipment mainly comprise leasehold improvements at the Group's headquarters. In the reporting period, the Group held property, plant and equipment classified as buildings and structures, plant and equipment, and other property, plant and equipment.

The Group did not recognise any impairment loss on property, plant and equipment. All property, plant and equipment are owned by the Group and there are no restrictions on their use.

In the period covered by these consolidated financial statements, the Group held intangible assets classified as software and other items. The Group did not recognise any impairment loss on intangible assets.

Under non-current prepayments and accrued income the Group presents long term investment projects in progress.

Under non-current receivables the Group presents performance guarantee project.

Note 6. OTHER RECEIVABLES AND OTHER CURRENT ASSETS

OTHER RECEIVABLES AND OTHER CURRENT ASSETS	Dec 31 2018	Dec 31 2017	Dec 31 2016
Receivables from the government	7,938	8,244	5,788
Current prepayments and accrued income	8,603	6,214	1,715
Other receivables	87	103	137
Advances paid for the property	-	-	5,600
Total	**16,628**	**14,561**	**13,240**

Under receivables from the government the Group mainly discloses VAT receivables related to mainly construction process. Under current prepayments and accrued income, the Group mainly discloses paid property tax, perpetual usufruct and insurances related to the future periods.

Under other receivables Group presents prepayments and also correction related to revenue recognition (PLN -613 thousand).

SHORT-TERM PREPAYMENTS AND ACCRUED INCOME	Dec 31 2018	Dec 31 2017	Dec 31 2016
Prepaid auxiliary services	-	-	-
Costs of ongoing projects	342	219	1,430
Accrued income	-	-	-
Fees paid of non-disbursed loans	8,154	5,933	-
Other prepayments and accrued income, including taxes	107	62	285
Total	**8,603**	**6,214**	**1,715**

Note 7. TRADE RECEIVABLES

TRADE RECEIVABLES	Dec 31 2018	Dec 31 2017	Dec 31 2016
Trade receivables (gross)	25,945	23,333	14,630
Impairment losses	(9,843)	(11,389)	(4,271)
Trade receivables (net)	**16,102**	**11,944**	**10,359**

The Group does not have any material trade receivables claimed in court.

Ageing of trade receivables as at December 31st 2018, December 31st 2017 and December 31st 2016:

	Total	Not past due	Past due			
			<90 days	91–180 days	181 – 360 days	>360 days
As at Dec 31 2018						
Trade receivables (gross)	**25,945**	2,885	8,220	1,749	6,135	6,956
Impairment losses	**(9,843)**	(12)	(473)	(1,352)	(4,176)	(3,830)
Net trade receivables	**16,102**	**2,873**	**7,747**	**397**	**1,959**	**3,126**

The Management Board decided not to recognize impairment on trade receivables past due over 180 in the amount of PLN 1,959 thousand 360 days in the amount of PLN 3,126 thousand at the reporting date due to no impairment losses recognition on such receivables. Most of the mentioned above receivables were paid in the first quarter of 2019. There were no impairment losses at the reporting date.

	Total	Not past due	Past due			
			<90 days	91–180 days	181 – 360 days	>360 days
As at Dec 31 2018						
Trade receivables (gross)	**25,945**	2,885	8,220	1,749	6,135	6,956
Impairment losses	**(9,843)**	(12)	(473)	(1,352)	(4,176)	(3,830)
Net trade receivables	**16,102**	**2,873**	**7,747**	**397**	**1,959**	**3,126**

The Management Board decided not to recognize impairment on trade receivables past due over 180 in the amount of PLN 1,959 thousand 360 days in the amount of PLN 3,126 thousand at the reporting date due to no impairment losses recognition on such receivables. Most of the mentioned above receivables were paid in the first quarter of 2019. There were no impairment losses at the reporting date.

	Total	Not past due	Past due			
			<90 days	91–180 days	181 – 360 days	>360 days
As at Dec 31 2017						
Trade receivables (gross)	**23,333**	12,124	4,145	2,237	2,563	2,264
Impairment losses	**(11,389)**	(5,484)	-	(1,963)	(2,163)	(1,779)
Net trade receivables	**11,944**	**6,640**	**4,145**	**274**	**400**	**485**
As at Dec 31 2016						
Trade receivables (gross)	**14,630**	6,215	4,153	1,712	1,005	1,545
Impairment losses	**(4,271)**	-	(2,290)	(17)	(1,005)	(959)
Net trade receivables	**10,359**	**6,215**	**1,863**	**1,695**	**-**	**586**

Note 8. OTHER CURRENT FINANCIAL ASSETS

OTHER CURRENT FINANCIAL ASSETS	Dec 31 2018	Dec 31 2017	Dec 31 2016
Current loans advanced*	6,477	6,499	6,269
Valuation of derivative financial instruments	-	918	-
Total	**6,477**	**7,417**	**6,269**

** Loans granted for the purchase of property in Krynica.*

Non-recurred loan granted for the purchase of a property in Krynica. The loan bore interest at a rate of 6% pa.

In the item of other short-term financial assets, the Group presented as at 31 December 2017 the short-term part of the financial instrument (forward) related to the loan in BOŚ Bank in 2016.

Note 9. CASH AND CASH EQUIVALENTS

CASH IN HAND AND AT BANKS:	Dec 31 2018	Dec 31 2017	Dec 31 2016
Cash in hand and at banks:	63,788	156,315	145,073
Current deposits with maturities of up to three months*	46,550	37,011	11,477
Total	**110,338**	**193,326**	**156,550**

** Short-term bank deposits*

Cash and cash equivalents presented above include restricted cash. As at reporting date, restricted cash amounted to PLN 45,872 thousand (December 31st 2017: PLN 61,501 thousand). It comprises cash held in banks' technical accounts as funds made available but not yet drawn under credit facilities and cash held (blocked) in bank accounts as security for repayment of borrowings incurred by Group companies and tenants, contractors' deposits, performance guarantee.

Note 10. EQUITY

The structure of the parent's share capital as at reporting date was as follows:

Series/issue and type of shares	Number of shares	Par value (PLN)	Par value of series/issue	Form of payment	Registration date
Series A, ordinary bearer non-preferred shares	100,000	1,0	100,000	cash contribution	17.12.2010
Series B, ordinary bearer non-preferred shares	71,693,301	1,0	71,693,301	cash contribution and non-cash contribution	13.10.2011
Series C, ordinary bearer non-preferred shares	20,955,314	1,0	20,955,314	cash contribution	14.02.2014
Series D, ordinary bearer non-preferred shares	2,751,036	1,0	2,751,036	cash contribution	03.03.2015
Series E, ordinary bearer non-preferred shares	9,230,252	1,0	9,230,252	non-cash	14.02.2014
Series F, ordinary registered preferred shares (voting preference)	2,765,240	1,0	2,765,240	cash contribution	05.12.2013
Total	**107,495,143**		**107,495,143**		

Increase of share capital of Capital Park S.A.

Increase date	Registration date	Number of shares	Series of shares	Warrants rights realized	Series of warrants	Share capital before increase	Share capital after increase
28.12.2017	27.02.2018	45,090	D	45,090	E	106,483,550	106,594,909
04.01.2018	27.02.2018	10,590	D	10,590	E		
12.01.2018	27.02.2018	45,089	D	45,089	E		
05.02.2018	27.02.2018	10,590	D	10,590	E		
18.06.2018	28.08.2018	66,269	D	66,269	F	106,594,909	106,661,178
09.08.2018	05.09.2018	45,089	D	45,089	F	106,661,178	106,706,267
09.10.2018	26.11.2018	315,816	D	315,816	G	106,706,267	107,022,083
19.11.2018	16.12.2018	141,918	D	141,918	H	107,022,083	107,164,001
29.11.2018	16.12.2018	331,142	D	331,142	H	107,164,001	107,495,143

The Company's shareholding structure, including shares held by Members of the Management Board, as at reporting date was as follows:

Shareholder	Number of shares	% ownership interest	Number of voting rights	% of total voting rights
CP Holdings S.à r.l.	76,924,836	71.56%	76,924,836	69.77%
Jan Motz	3,209,253	2.99%	5,974,493	5.42%
Marcin Juszczyk	1,006,708	0.94%	1,006,708	0.91%
Kinga Nowakowska	267,575	0.25%	267,575	0.24%
Metlife OFE	12,904,350	12.00%	12,904,350	11.70%
Others	13,182,421	12.26%	13,182,421	11.96%
Total	**107,495,143**	**100.00%**	**110,260,383**	**100.00%**

The structure of the parent's share capital as at the date of these consolidated financial statements was as follows:

Series/issue and type of shares	Number of shares	Par value (PLN)	Par value of series/issue	Form of payment	Registration date
Series A, ordinary bearer non-preferred shares	100,000	1,0	100,000	cash contribution	17.12.2010
Series B, ordinary bearer non-preferred shares	71,693,301	1,0	71,693,301	cash contribution and non-cash contribution	13.10.2011
Series C, ordinary bearer non-preferred shares	20,955,314	1,0	20,955,314	cash contribution	14.02.2014
Series D, ordinary bearer non-preferred shares	2,751,036	1,0	2,751,036	cash contribution	03.03.2015
Series E, ordinary bearer non-preferred shares	9,230,252	1,0	9,230,252	non-cash	14.02.2014
Series F, ordinary registered preferred shares (voting preference)	2,765,240	1,0	2,765,240	cash contribution	05.12.2013
Total	**107,495,143**		**107,495,143**		

The Company's shareholding structure, including shares held by Members of the Management Board, as at the date of these consolidated financial statements was as follows:

Shareholder	Number of shares	% ownership Interest	Number of voting rights	% of total voting rights
Townsend Holding BV	70,943,843	65.99%	70,943,843	64.34%
CP Holdings S.à r.l.	5,980,993	5.56%	5,980,993	5.42%
Jan Motz	3,209,253	2.99%	5,974,493	5.42%
Marcin Juszczyk	1,006,708	0.94%	1,006,708	0.91%
Kinga Nowakowska	267,575	0.25%	267,575	0.24%
Metlife OFE	12,904,350	12.00%	12,904,350	11.70%
Others	13,182,421	12.26%	13,182,421	11.96%
Total	**107,495,143**	**100.00%**	**110,260,383**	**100.00%**

OTHER COMPONENTS OF EQUITY	Dec 31 2018	Dec 31 2017	Dec 31 2016
Capital from changes in the structure of the Group	(3,423)	(3,687)	7,792
Capital from measurement of share-option plan	14,014	10,039	9,274
Capital from retained earnings (gains)	60,664	-	-
Total	**71,256**	**6,352**	**17,066**

Equity attributable to non-controlling interests

CHANGES IN EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	Dec 31 2018	Dec 31 2017	Dec 31 2016
At beginning of period	**114,918**	**71,745**	**72,583**
Sale of certificates/shares	350	56,616	(1,754)
Dividend paid to investors	(4,608)	(5,666)	(4,356)
Share in profit/(loss) of subsidiaries	5,739	(7,777)	5,272
Repurchase of own certificates	(1,197)	-	-
Amortization of own certificates	(263)	-	-
Other	(36)	-	-
At end of period	**114,904**	**114,918**	**71,745**

Note 11. BANK BORROWINGS AND OTHER FINANCIAL LIABILITIES

The Group measures bank borrowings and other financial liabilities at amortised cost (in accordance with IFRS 9), which means that the amount of the liability follows from the related cash flows using the effective interest rate method.

BANK BORROWINGS AND OTHER FINANCIAL LIABILITIES	Dec 31 2018	Dec 31 2017	Dec 31 2016
Loan facilities	1,120,230	1,093,568	1,063,652
Derivative financial instruments (IRS)*	5,318	4,483	10,952
Total	**1,125,548**	**1,098,051**	**1,074,604**
Non-current bank borrowings and other financial liabilities	1,094,576	1,014,807	1,003,032
Current bank borrowings and other financial liabilities	30,972	83,244	71,572

** Derivatives are used by the Group to hedge against the interest rate.*

LIABILITIES BY MATURITY:	Dec 31 2018	Dec 31 2017	Dec 31 2016
Up to one year	30,972	83,244	71,572
1 year to 3 years	293,200	203,613	131,317
3 years to 5 years	744,486	772,725	269,023
More than 5 years	56,890	38,469	602,692
Total	**1,125,548**	**1,098,051**	**1,074,604**

As at reporting date, liabilities maturing in up to one year included:

- current portion of long-term borrowings of PLN 30,810 thousand,
- current portion of measurement of financial instruments at the end of the reporting period of PLN 162 thousand.

SIGNIFICANT LOAN FACILITIES

The Group has relations with most banks operating in Poland and several foreign institutions. Most of the credit facilities contracted by the Group companies are investment or construction loans. In their credit facility agreements, The Group companies undertook to maintain specific levels of selected financial ratios. The key covenants relate to the Loan to Value and Debt Service Coverage ratios. Most of the facilities are denominated in EUR and measured at each reporting date. Therefore, any movements in the EUR/PLN exchange rate have a material bearing on the PLN-denominated structure of the Group's statement of financial position.

Credit facility agreement with Getin Noble Bank S.A.

On July 22nd 2013, Capital Park S.A. executed a multi-purpose credit facility agreement with Getin Noble Bank S.A., whereby the Company obtained a credit facility of up to EUR 10,000 thousand to finance its day-to-day operations. The facility bears interest at a variable rate of 3M EURIBOR plus margin. The repayment date of the facility's last tranche was December 20th 2018. As at the reporting date, the facility was repaid in full.

Credit facility agreement with Getin Noble Bank S.A.

On June 25th 2018, Capital Park S.A. executed a corporate credit facility agreement with Getin Noble Bank S.A., whereby the Company obtained a credit facility of up to EUR 10,000 to finance the company's ordinary business activities. The facility bears interest at a variable rate of 3M EURIBOR plus margin. The repayment date of the facility's last tranche is December 31st 2022.

As at the reporting date, the amount outstanding under the facility was EUR 10,000 thousand.

Credit facility agreement with Bank of China (Luxembourg) S.A. Polish Branch

On September 22nd 2016, Dakota Investments Sp. z o.o. signed a EUR 124,430 thousand credit facility agreement with Bank of China (Luxembourg) S.A. Polish Branch.

The facility advanced by the Bank of China bears interest at a variable rate equal to 3M EURIBOR plus the bank's margin, The loan is repayable by September 22nd 2022. As at the reporting date, the debt outstanding under the facility was EUR 118,830 thousand.

The Company entered into a hedging contract (CAP), which hedges the interest rate up to 0.35%. Pursuant to the facility agreement, the interest rate may not be lower than 0.0%.

Syndicated loan facility agreement with BNP Paribas Bank Polska S.A. and ING Bank Śląski S.A.

On June 30th 2017, Hazel Investments Sp. z o.o, a subsidiary of Capital Park S.A., executed an investment facility agreement of EUR 62,500 thousand with a bank syndicate comprising BNP Paribas Bank Polska S.A. and ING Bank Śląski S.A. (each bank provides 50% of the facility amount). The credit facility was contracted to finance the Royal Wilanów project and bears interest at a variable rate of 3M EURIBOR plus margin. The final repayment date is June 30th 2022.

As at the reporting date, the debt outstanding under the facility was EUR 59,453 thousand.

The Company also entered into a hedging contract (IRS), which hedges 70% of the facility amount at 0.48% Pursuant to the facility agreement, the interest rate may not be lower

than 0.0% for the unsecured amount of the facility (i.e. for 30% of the facility amount).

Loan facility agreement with Bank Ochrony Środowiska S.A.

On March 16th 2015, Capital Park Gdańsk Sp. z o.o. and Bank Ochrony Środowiska S.A. executed agreements for a PLN 49,650 thousand non-revolving credit facility (construction loan) and a PLN 3,000 thousand revolving credit facility (VAT financing loan) to complete the Neptun House project in Gdańsk. The facilities bear interest based on 3M WIBOR plus the bank's margin.

On June 28th 2018, under the forward transaction, the construction facility was converted into an investment facility. The facility bears interest at 3M EURIBOR plus margin.

As at the reporting date, debt outstanding under the investment facility was EUR 11,756 thousand, while debt outstanding under the VAT financing facility amounted to PLN 5.2 thousand. As at the date of this report, the VAT financing facility was fully repaid.

Credit facility agreement with Alior Bank S.A.

On October 24th 2012, Diamante Investment Sp. z o.o., a subsidiary of Capital Park S.A., executed a loan facility agreement with Alior Bank S.A. whereby it obtained a loan facility of PLN 32,366 thousand to finance the construction of a shopping centre in Łódź and refinance a previous loan facility.

On March 31st 2015, the credit facility was converted into an investment loan of EUR 6,961 thousand. The facility bears interest at 3M EURIBOR plus margin.
As at the reporting date, the debt outstanding under the facility was EUR 6,048 thousand.

Credit facility agreement with Alior Bank S.A.

On April 1st 2015, Oberhausen Sp. z o.o., a subsidiary of Capital Park S.A., signed a credit facility agreement with Alior Bank S.A. to finance the purchase and redevelopment of Galera Zaspa, a shopping centre located in Gdańsk. The project was completed in the second quarter of 2016. The construction loan facility was converted into an investment facility and the repayment of principal and interest instalments commenced on September 30th 2016.

As at the reporting date, the amount outstanding under the facility was EUR 9,002 thousand.

The facility bears interest at 3M EURIBOR plus margin. The company also entered into a hedging contract (IRS), which hedges 75% of the facility amount at 0.03%. Pursuant to the facility agreement, the interest rate may not be lower than 0.0% for the unsecured amount of the facility (i.e. for 25% of the facility amount). The facility is to be repaid by July 7th 2021.

Credit facility agreement with Alior Bank S.A.

On September 13th 2017, Alferno Investments Sp. z o.o., a subsidiary of Capital Park S.A., signed credit facility agreements with Alior Bank S.A. whereby the company received an investment facility and VAT financing facility to be used to finance the purchase of the property located on Belgradzka Street in Warsaw. The investment facility was advanced in the amount of EUR 4800 thousand to finance the VAT-exclusive price of the property, cost of fitting out the space for tenants and servicing interest payments on both facilities during the grace period. The VAT financing facility amounting to PLN 5520 thousand was advanced to cover the amount of VAT payable on the purchase price. The investment facility bears interest at 1M EURIBOR plus margin, and the VAT financing facility bears interest at 1M WIBOR plus margin.

On October 29th 2018, Annex 2 to the investment facility and Annex 1 to the VAT financing facility were signed, whereby the period of availability of both facilities was extended until March 29th 2019, the final repayment date of the VAT financing facility was postponed until June 28th 2019, and the grace period for the principal of the investment facility was extended until June 27th 2019. The maturity dates of the investment facility and the VAT financing facility are August 31st 2022 and June 28th 2019, respectively.

As at the reporting date, the amount outstanding under the investment facility was EUR 4,341 thousand. As at the reporting date, the amount outstanding under the VAT financing facility was PLN 291 thousand.

Credit facility agreement with Pekao S.A.

On November 14th 2017, ArtN Sp. z o.o., a subsidiary of Capital Park S.A., executed a credit facility agreement with Bank Pekao S.A. whereby it obtained a construction credit facility of EUR 159,300 thousand and a VAT financing facility of PLN 35,000 thousand to execute the ArtN project located in Warsaw, Żelazna Street.

As funds were secured from the European Investment Bank for the financing of the ArtN project (see details below), on December 21st 2018 Annex 1 to the credit facility agreement was signed, whereby the amount of the construction credit facility was reduced to EUR 99,300 thousand.

Pursuant to the credit facility agreement, upon completion of the construction process, the construction facility will be converted into an investment facility.

As at the reporting date, the facility has not been disbursed.

Credit facility agreement with the European Investment Bank

On December 21st 2018, ArtN Sp. z o.o., a subsidiary of Capital Park S.A., executed a credit facility agreement with the European Investment Bank, whereby it obtained a construction credit facility of EUR 60,000 thousand to execute the ArtN project located in Warsaw, Żelazna Street.

As at the reporting date, the facility has not been disbursed.

Investment credit facilities contracted to finance projects in the REIA FIZAN and REIA II FIZAN portfolios

Credit facility agreement with HYPO NOE Landesbank für Niederösterreich und Wien AG

On April 30th 2015, CP Property 1 Sp. z o.o., CP Property 2 Sp. z o.o., CP Property 3 Sp. z o.o., CP Property 4 Sp. z o.o. and CP Property 5 Sp. z o.o., subsidiaries of REIA FIZ AN, signed a credit facility agreement with HYPO NOE Landesbank für Niederösterreich und Wien AG of Austria, whereby the bank advanced an investment credit facility of up to EUR 26,150. The facility bears interest at 3M EURIBOR plus bank margin, and the term of the agreement is five years. The parties also executed an interest rate risk hedge agreement for a period of five years.

As at the reporting date, the debt outstanding under the facility was EUR 23,458 thousand.

The companies entered into a hedging contract (IRS), which hedges 100% of the outstanding facility amount at 0.59%

In accordance with IFRS 10, as Capital Park S.A. exercises indirect control, the Group presents the entire amount of the liability under the credit facility, despite holding only 18% of the REIA FIZ AN certificates. The Group has not guaranteed repayment of the facility.

Credit facility agreement with HYPO NOE Landesbank für Niederösterreich und Wien AG

On December 19th 2016, Capital Park Racławicka Sp. z o.o., CP Retail SPV1 Sp. z o.o., Marcel Investments Sp. z o.o., Nerida Investments Sp. z o.o., Orland Investments Sp. z o.o. and Sagitta Investments Sp. z o.o., subsidiaries of REIA II FIZ AN, entered into a credit facility agreement with HYPO NOE Landesbank für Niederösterreich und Wien AG of Austria,

whereby the bank advanced an investment credit facility of up to EUR 20,838 thousand. The facility bears interest at 6M

EURIBOR plus bank margin, and the term of the agreement is five years. The parties also executed an interest rate risk hedge agreement for a period of five years. The Company entered into a hedging contract (IRS), which hedges 100% of the facility amount at 0.5%

As at the reporting date, the debt outstanding under the facility was EUR 19,685 thousand.

In accordance with IFRS 10, as Capital Park S.A. exercises indirect control, the Group presents the entire amount of the liability under the credit facility, despite holding only 15% of the REIA II FIZ AN certificates. The Group has not guaranteed repayment of the facility.

Bank	Dec 31 2018*	Dec 31 2017*	Dec 31 2016*	Facility amount as per agreement**	Currency	Interest rate	Maturity date
Bank of China	506,890	500,096	542,444	124,430	EUR	3M EURIBOR + margin	by 2022
BNP Paribas Bank Polska S.A. / ING Bank Śląski S.A.	251,818	251,597	-	62,500	EUR	3M EURIBOR + margin	by 2022
Hypo Noe (REIA FIZ AN)	100,454	100,669	110,006	26,150	EUR	3M EURIBOR + margin	by 2020
Hypo Noe (REIA II FIZ AN)	84,172	83,840	91,305	20,838	EUR	6M EURIBOR + margin	by 2021
BOŚ Bank S.A.	50,517	-	-	11,756	EUR	3M EURIBOR + margin	by 2033
Alior Bank S.A.	38,572	38,421	-	9,656	EUR	3M EURIBOR + margin	by 2021
Getin Noble Bank S.A.	42,682	-	-	10,000	EUR	3M EURIBOR + margin	by 2022
Alior Bank S.A.	26,019	26,261	28,909	6,972	EUR	3M EURIBOR + margin	by 2025
Alior Bank S.A.	19,106	21,869	-	4,800	EUR	1M EURIBOR + margin	by 2022
PKO BP S.A.	-	-	250,117	57,131	EUR	1M EURIBOR + margin	repaid
BOŚ Bank S.A.	-	39,627	8,612	49,650	PLN	3M WIBOR + margin	repaid
Getin Noble Bank S.A.	-	31,188	32,259	10,000	EUR	3M EURIBOR + margin	repaid
Total	**1,120,230**	**1,093,568**	**1,063,652**				

** Amounts presented at amortized cost*
*** Amounts in the currency of the agreement*

The nominal value of bank borrowings excluding valuation in amortised cost and accrued interests is at the level of PLN 1,118,162 thousand. Fair value of bank borrowings is relevant to carrying value.

CHANGE IN BANK BORROWINGS	31.12.2018
At beginning of period	**1,093,568**
Proceeds from borrowings	59,198
Interest accrued	26,706
Repayment of borrowings	(69,997)
Interest paid	(26,706)
Amortised cost valuation	2,068
Unrealized FX differences	32,842
Realized FX differences	229
Other, including paid bank fees, bank fees costs, other adj.	2,322
At end of period	**1,120,230**

To secure the repayment of the Group companies' borrowings, including interest, a number of security instruments were provided to the financing banks, including in particular:

- promissory notes,
- declarations of submission to enforcement,
- powers of attorney over bank accounts,
- assignment of claims under existing and future rental contracts, insurance policies, construction contracts and performance bonds,
- mortgages,
- registered pledges over existing and future shares in subsidiaries,
- deposits,
- subordination agreements granting priority for satisfaction of claims under borrowings before any other claims.

In addition, a number of mortgages were established on properties owned by the Group companies, the total value of which as at reporting date was PLN 233,293 thousand and EUR 607,011 thousand.

Note 12. LIABILITIES UNDER NOTES IN ISSUE

The Group measures notes at amortised cost (in accordance with IFRS 9), which means that the amount of the liability follows from the related cash flows using the effective interest rate method.

Series H and I notes listed on the Catalyst market

On April 22nd 2016, Capital Park S.A. issued 92,000 Series H three-year unsecured bearer notes with a nominal value of PLN 100 per note and a total value of PLN 9,200 thousand, maturing on April 15th 2019. The notes bear interest at 3M WIBOR plus a margin of 4.8%, payable on a quarterly basis. The objective of the issue was to secure financing for the Hampton by Hilton Old Town Gdańsk project in Gdańsk and the ETC shopping centre in Swarzędz.

On June 3rd 2016, Capital Park S.A. issued 58,000 Series I three-year unsecured bearer notes with a nominal value of PLN 100 per note and a total value of PLN 5,800 thousand, maturing on April 15th 2019. The notes bear interest at 3M WIBOR plus a margin of 4.8%, payable on a quarterly basis. The purpose of the issue was to secure financing for the Group's investing activities.

On August 17th 2016, the Management Board of the Central Securities Depository of Poland assimilated 92,000 Series H bearer notes with 5,800 Series I bearer notes.

Series J notes

On March 3rd 2017, Capital Park S.A. issued 20,000 Series J three-year unsecured bearer notes with a nominal value of EUR 100 per note, and a total value of EUR 2,000 thousand, maturing on March 17th 2020.

The notes bear interest at 3.75%, payable on a quarterly basis. The purpose of the issue was to change the currency profile of the Company's debt by refinancing the notes maturing in 2017, and to finance the Group's investment needs.

Series K and L notes listed on the Catalyst market

On April 27th 2017, Capital Park S.A. issued 156,700 Series K three-year unsecured bearer notes with a nominal value of EUR 100 per note, and a total value of EUR 15,670 thousand, maturing on April 27th 2020. The notes bear interest at 4.1%, payable on a semi-annual basis. The purpose of the issue was to change the currency profile of the Company's debt by refinancing the notes maturing in 2017, and to finance the Group's investment needs.

On July 3rd 2017, Capital Park S.A. issued 57,050 Series L three-year unsecured bearer notes with a nominal value of EUR 100 per note, and a total value of EUR 5,705 thousand, maturing on April 27th 2020. The notes bear interest at 4.1%, payable on a semi-annual basis. The purpose of the issue was

to change the currency profile of the Company's debt by refinancing the notes maturing in 2017, and to finance the Group's investment needs.

On November 3rd 2017, the Management Board of the Central Securities Depository of Poland assimilated 156,700 Series K bearer notes with 57,050 Series L bearer notes.

Series M notes listed on the Catalyst market

On December 21st 2017, Capital Park S.A. issued 151,250 Series M three-year unsecured bearer notes with a nominal value of EUR 100 per note, and a total value of EUR 15,125 thousand, maturing on December 21st 2020. The notes bear interest at 4.1%, payable on a semi-annual basis. The purpose of the issue was to change the currency profile of the Company's debt by refinancing the notes maturing in 2018–2019, and to finance the Group's investment needs.

Series N notes listed on the Catalyst market

On June 18th 2018, Capital Park S.A. issued 70,000 Series N three-year unsecured bearer notes with a nominal value of EUR 100 per note, and a total value of EUR 7,000 thousand, maturing on June 18th 2021. The notes bear interest at 4.3%, payable on a quarterly basis. The purpose of the note issue was to finance the investment needs of the Group, change the currency structure of the Group's debt by refinancing the Company notes maturing in 2018 and 2019, or refinance the Company's corporate debt.

Notes listed on the Catalyst market	Dec 31 2018*	Dec 31 2017*	Dec 31 2016*	Nominal amount	Currency	Interest rate	Maturity date
Series B notes	-	-	34,875	35,000	PLN	6M WIBOR + 5,5%	repaid
Series C notes	-	-	20,171	20,000	PLN	6M WIBOR + 5,3%	repaid
Series D notes	-	-	52,138	53,886	PLN	3M WIBOR + 4,3%	repaid
Series E notes	-	11,095	11,013	11,033	PLN	3M WIBOR + 4,3%	repaid
Series F notes	-	32,872	32,454	32,630	PLN	3M WIBOR + 4,3%	repaid
Series G notes	-	1,868	1,861	1,884	PLN	3M WIBOR + 4,3%	repaid
Series H, I notes	14,957	14,934	14,924	15,000	PLN	3M WIBOR + 4,8%	April 2019
Series J notes**	8,461	8,152	-	2,000	EUR	Fixed 3,75%	March 2020
Series K, L notes	90,804	87,534	-	21,375	EUR	Fixed 4,1%	April 2020
Series M notes	63,989	52,370	-	15,125	EUR	Fixed 4,1%	December 2020
Series N notes	25,928	-	-	7,000	EUR	Fixed 4,3%	June 2021
Interest accrued	1,013	1,009	977	-		-	2019
Total	**205,153**	**209,834**	**168,413**				
Long-term notes	192,758	156,231	55,374				
Short-term notes	12,395	53,603	113,039				

** Amounts presented at amortized cost, ** Not listed on the Catalyst market*

The nominal value of liabilities under notes in issue excluding valuation in amortised cost and accrued interests is at the level of PLN 205,517 thousand.

CHANGE IN LIABILITIES UNDER NOTES	31.12.2018
At beginning of period	**209,834**
Proceeds from notes	29,639
Interest accrued	9,570
Redemption of notes	(46,115)
Interest paid	(9,812)
Issue costs	1,455
Amortised cost valuation	(364)
Realized FX differences	(261)
Unrealized FX differences	4,875
Other, including paid commissions, fees costs, intra-group transactions, other adj.	6,332
At end of period	**205,153**

Note 13. OTHER LIABILITIES AND PROVISIONS

OTHER LIABILITIES AND PROVISIONS	Dec 31 2018	Dec 31 2017	Dec 31 2016
Provisions	6,800	3,349	1,546
Deposits from tenants	11,325	11,283	9,161
Taxes, customs duties, social security payable	3,340	2,956	2,860
Deposits from general contractors	9,249	3,933	2,460
Deferred income	300	300	-
Other liabilities and provisions	755	659	574
Total	**31,769**	**22,480**	**16,601**
Other liabilities and provisions – non-current	19,776	11,357	47
Other liabilities and provisions – current	11,993	11,123	16,554

Under provisions the Group mainly discloses invoices related to the reporting period not booked in books of accounts (accruals) disclosed below. Under other liabilities and provisions, the Group mainly discloses prepayments given to third parties.

PROVISIONS	Dec 31 2018	Dec 31 2017	Dec 31 2016
Audit provision	539	213	180
Provisions for uninvoiced expenditure on property	-	-	-
Provisions for property operating costs	4,863	1,805	976
Provisions for bonuses (MIS)	1,398	1,331	390
Total	**6,800**	**3,349**	**1,546**

** Increase in provisions for property operating costs relates to accruals for AP invoices posted in 2019 but documenting costs of 2018*

CHANGE IN PROVISIONS	Dec 31 2018	recognised	reversed	used	Jan 1 2018
Audit provision	539	539	-	(213)	213
Provisions for uninvoiced expenditure on property	-	-	-	-	-
Provisions for property operating costs	4,863	4,863	-	(1,805)	1,805
Provisions for bonuses (MIS)	1,398	961	-	(894)	1,331
Total	**6,800**	**6,363**	**-**	**(2,912)**	**3,349**

CHANGE IN PROVISIONS	Dec 31 2017	recognised	reversed	used	Jan 1 2017
Audit provision	213	213	-	(180)	180
Provisions for uninvoiced expenditure on property	-	-	-	-	-
Provisions for property operating costs	1,805	1,805	-	(976)	976
Provisions for bonuses (MIS)	1,331	1,247	-	(306)	390
Total	**3,349**	**3,265**	**-**	**(1,462)**	**1,546**

CHANGE IN PROVISIONS	Dec 31 2016	recognised	reversed	used	Jan 1 2016
Audit provision	180	180	-	(207)	207
Provisions for uninvoiced expenditure on property	-	-	(1,744)	(17,746)	19,490
Provisions for property operating costs	976	976	-	(2,676)	2,676
Provisions for bonuses (MIS)	390	390	-	(953)	953
Total	**1,546**	**1,546**	**(1,744)**	**(21,852)**	**23,326**

Note 14. TRADE PAYABLES

PROVISIONS	Dec 31 2018	Dec 31 2017	Dec 31 2016
Audit provision	7,631	16,647	11,445
Provisions for uninvoiced expenditure on property	-	-	-
Total	7,631	16,647	11,445

Ageing of trade payables as at December 31st 2018, December 31st 2017 and December 31st 2016:

As at Dec 31 2018	Total	Not past due	Past due			
			<90 days	91–180 days	181 – 360 days	>360 days
To related parties	**7,631**	6,347	1,105	157	23	-
To other parties	-	-	-	-	-	-
Trade payables	**7,631**	**6,347**	**1,105**	**157**	**23**	**-**

As at Dec 31 2017	Total	Not past due	Past due			
			<90 days	91–180 days	181 – 360 days	>360 days
To related parties	-	-	-	-	-	-
To other parties	16,647	16,647	-	-	-	-
Trade payables	**16,647**	**16,647**	**-**	**-**	**-**	**-**

As at Dec 31 2016	Total	Not past due	Past due but collectible			
			<90 days	91–180 days	181 – 360 days	>360 days
To related parties	-	-	-	-	-	-
To other parties	11,445	11,445	-	-	-	-
Trade payables	**11,445**	**11,445**	**-**	**-**	**-**	**-**

Note 15. RENTAL INCOME

Rental income includes rents, service and maintenance charges and direct recharge invoices for service costs.

The tenant base is highly diversified, with individual tenants' shares in total rental income remaining low, under 10%.

RENTAL INCOME	2018 share	12M 2018	12M 2017	12M 2016
Investments projects	99%	144,337	124,829	106 573
Including FIZ structures	*20%*	*28,594*	*29,411*	*29 692*
Development projects	-	-	929	126
Other projects	1%	1,499	-	1 033
Total	**100%**	**145,836**	**125,758**	**107 732**

The higher rental income resulted from the increase of the occupancy level mainly in Eurocentrum and Royal Wilanów projects. The Group presents its rental income based on the average rent for the rental agreement term, which means that any changes in the rent rate during the rental term (rent free periods) are recognized on an accrual basis.

Note 16. OPERATING EXPENSES BY NATURE

OPERATING EXPENSES	12M 2018	12M 2017	12M 2016
Amortisation and depreciation*	432	404	380
Raw materials and consumables used	6,362	22,398	22,101
Services	32,665	15,110	10,305
Taxes and charges	8,282	8,077	6,191
Salaries and wages	2,263	3,442	2,812
Cost of share-option plan	5,609	1,718	3,022
Other expenses	2,404	1,726	1,154
Total**	**58,017**	**52,875**	**45,965**

** Depreciation of tangible and intangible assets is based on IAS 16. Property investment is valuated basing on IAS 40 in fair value. Depreciation related to property investment is recognized only for tax purposes*
*** In 2018 the Group changed the classification of costs between raw materials and services*

Note 17. GAINS AND LOSSES ON INVESTMENT PROPERTY REVALUATION

The Group measures its properties at fair value at least at each reporting date. Revaluation gains or losses are recognised in profit or loss of the current period. The Group's profit or loss is closely linked to price movements in property markets, which are driven by rent levels, occupancy rates, changes in yields, changes in interest rates, construction costs, availability of bank financing, EUR/PLN exchange rates, and overall credit market conditions.

INVESTMENT PROPERTY REVALUATION	2018 share	12M 2018	12M 2017	12M 2016
Investments projects	51%	40,780	(81,482)	77,248
Including FIZ structures	*(8%)*	*(6,630)*	*(20,157)*	3,049
Development projects	49%	38,465	(1,250)	660
Other projects	-	(47)	(490)	(3,057)
	100%	**79,198**	**(83,222)**	**74,852**
Investment property revaluation adjustment due to accrual basis presentation of rental income		-	(1,501)	(5,962)
Total		**79,198**	**(84,723)**	**68,889**

The significant increase in property revaluation is mainly due to change of EUR/PLN rate as at 31 December 2018. The majority of the investment properties are priced and financed in Euro since these components are revalued at the FX rate as of the end of each reporting period non-cash valuation impacts the financial results.

Note 18. FINANCE INCOME AND COSTS

INTEREST INCOME	12M 2018	12M 2017	12M 2016
Interest on deposits	424	720	913
Interest on loans advanced	2,221	1,463	1,741
Total	**2,645**	**2,183**	**2,654**

INTEREST EXPENSE	12M 2018	12M 2017	12M 2016
Interest on borrowings	(31,716)	(28,301)	(40,663)
Interest on notes	(9,206)	(11,724)	(10,805)
Other interest	(32)	(68)	(248)
Total	(40,954)	(40,093)	(51,716)

OTHER FINANCE INCOME AND COSTS	12M 2018	12M 2017	12M 2016
Net foreign exchange losses/gains	(36,609)	50,282	(31,226)
Issue costs	(1,455)	(1,755)	(1,385)
Valuation of derivative instruments	(1,063)	1,465	(1,750)
Realized loss on derivate instruments	(937)	-	-
Other	2,965	(3,265)	(7,684)
Total	**(37,099)**	**46,727**	**(42,045)**

The Group measures financial liabilities at amortised cost, in accordance with IFRS 9. Any gains or losses arising from the measurement are recognised in profit or loss as an adjustment to interest expense on bank borrowings).

Valuation of derivatives includes valuations of forward contracts, IRS and CAP hedging instruments, which hedge future cash flows related to the planned repayment and redenomination of bank borrowings.

Note 19. CURRENT AND DEFERRED INCOME TAX

INCOME TAX EXPENSE /restated/	12M 2018	12M 2017	12M 2016
Current income tax	(4,459)	(548)	(535)
Deferred income tax	(1,007)	(25,206)	2,975
Tax expense recognised in the consolidated statement of comprehensive income	**(5,466)**	**(25,754)**	**(3,510)**

CURRENT INCOME TAX /restated/	12M 2018	12M 2017	12M 2016
Profit before tax	**96,544**	**3,847**	**33,307**
Corporate income tax	(5,466)	(25,754)	(3,510)
Effective income tax rate (share of income tax in profit before tax)	**(5,66%)**	**(669.46%)**	**(10,54%)**

RECONCILIATION OF EFFECTIVE TAX RATE	12M 2018	12M 2017	12M 1016
Profit before tax	**96,544**	**3,847**	**33,307**
Reconciling items between the Group's accounting profit and taxable profit			
Income of non-taxable entities	(7,829)	(23,175)	23,691
Gains on investment property revaluation	(67,502)	148,891	(60,436)
Tax depreciation of property	(46,715)	(45,088)	(41,538)
Interest on liabilities not paid	16,222	(6,381)	7,938
Interest on loans advanced not received	(5,696)	(1,463)	(12,489)
Non-taxable income	(11,964)	(465)	(7,007)
Impairment losses on assets	(31)	3,558	3,881
Provision for costs	976	3,265	2,818
Unused provisions for expenses	-	-	-
Non-tax-deductible expenses	15,755	2,867	3,385
Deduction of tax losses brought forward	(13,234)	10,553	(9,826)
Change in unused tax losses	(15,003)	63,249	(5,901)
Unrealised foreign exchange differences	34,336	(60,796)	29,983
Other	(23,551)	36,685	30,624
Taxable profit	**(27,692)**	**131,700**	**(10,023)**
Tax expense	**(5,466)**	**(25,754)**	**(3,510)**

Tax losses which could be used in the future by Group's entities, according to the estimation future tax profit:

Tax losses carried:	Amount	To use in the period:
Loss carried in 2014	13,790	2019
Loss carried in 2015	50,835	2020
Loss carried in 2016	65,741	2021
Loss carried in 2017	60,339	2022
Loss carried in 2018	29,490	2023
Total tax losses 2014-2018	**220,195**	
Impairment of tax losses (not realizable in the future periods)	(34,084)	
Total	**186,111**	**-**

Total impairment of deferred tax assets related to tax losses which were recognized as not realizable in the future periods is at the level of PLN 5.640 thousand as at the reporting date (base for deferred tax assets which were not recognized at the amount of PLN 34,084 thousand).

There were no other deferred tax assets or deferred tax liabilities which were not recognized as at the reporting date. All of the timing differences were included in the calculation of deferred tax assets and deferred tax liabilities as at the reporting date. The Management Board states all of the deferred tax assets recognized in these consolidated financial statements are realizable in the future periods.

DEFERRED TAX ASSETS	Dec 31 2018	recognised	reversed	used	Jan 1 2018
Losses deductible from future taxable income	34,558	20,502	(4,133)	(1,366)	19,555
Unpaid interest on financial liabilities	9,222	11,901	-	(3,596)	917
Revaluation of investment property	2,362	-	(2,408)	-	4,770
Foreign exchange losses	2,746	1,902	-	-	844
Other	3,818	3,244	-	-	574
Total	**52,706**	**37,549**	**(6,541)**	**(4,962)**	**26,661**
DTA/DTL offset	*(49,362)*	-	-	-	-
Total	**3,344**	**-**	**-**	**-**	**26,661**

DEFERRED TAX LIABILITIES	Dec 31 2018	recognised	reversed	used	Jan 1 2018
Unpaid interest on loans advanced	25,216	7,707	-	-	17,509
Revaluation of investment property	129,823	20,834	-	-	108,989
Foreign exchange losses	747	-	(5,091)	-	5,838
Other	3,602	3,602	-	-	-
Total	**159,388**	**32,143**	**(5,091)**	**-**	**132,336**
DTA/DTL offset	*(49,362)*	-	-	-	
Total	**110,026**	**-**	**-**	**-**	**132,336**

Beginning from 2018 the Group decided to offset deferred tax assets and deferred tax liabilities on the SPV's level. Additionally from the beginning of 2018 the Group does not offset deferred tax assets and deferred tax liabilities on the consolidation level. Both adjustments did not have any impact profit or loss only presentation.

DEFERRED TAX ASSETS /restated/	Dec 31 2017	recognised	reversed	used	Jan 1 2017
Losses deductible from future taxable income	19,555	16,027	-	(2,005)	5,533
Unpaid interest on financial liabilities	917	917	-	(2,129)	2,129
Revaluation of investment property	4,770	390	-	-	4,380
Foreign exchange losses	844	844	-	(7,338)	7,338
Other	574	574	-	(591)	591
Total	**26,661**	**18,752**	**-**	**(12,063)**	**19,971**

DEFERRED TAX LIABILITIES /restated/	Dec 31 2017	recognised	reversed	used	Jan 1 2017
Unpaid interest on loans advanced	17,509	14,785	-	-	2,724
Revaluation of investment property	108,989	12,602	-	-	96,387
Foreign exchange losses	5,838	5,838	-	(781)	781
Other	-	-	(548)	-	548
Total	**132,336**	**33,225**	**(548)**	**(781)**	**100,440**

DEFERRED TAX ASSETS	Dec 31 2016	recognised	reversed	used	Jan 1 2016
Losses deductible from future taxable income	5,533	13,365	(14,399)	(1,954)	8,521
Unpaid interest on financial liabilities	2,129	2,129	-	(621)	621
Revaluation of investment property	4,380	-	(49,450)	-	53,830
Foreign exchange losses	7,338	7,338	-	(2,893)	2,893
Other	591	591	(2,076)	-	2,076
Total	**19,971**	**23,423**	**(65,925)**	**(5,468)**	**67,941**

DEFERRED TAX LIABILITIES	Dec 31 2016	recognised	reversed	used	Jan 1 2016
Unpaid interest on loans advanced	2,724	2,373	-	-	351
Revaluation of investment property	96,387	-	(12,601)	-	108,988
Foreign exchange losses	781	781	-	(1,050)	1,050
Other	548	548	(435)	-	435
Total	**100,440**	**3,702**	**(13,036)**	**(1,050)**	**110,824**

Restatement related to deferred tax assets and deferred tax liabilities was disclosed in note 34.

Note 20. SURETIES PROVIDED

Surety securing the repayment of investment and VAT loans granted to Alferno Investments Sp. z.o.o.

According to the facility agreement concluded on September 13th 2017 between Alferno Investments Sp. z o.o. and Alior Bank SA, Capital Park SA provided a surety securing the repayment of investment and VAT financing facilities for up to 200% of the facilities amount. The surety is valid until the company has transferred through accounts held with the bank rent from tenants in an amount of no less than PLN 190 thousand per month for six consecutive months.

Surety securing the repayment of corporate credit facility granted to Capital Park S.A.

According to the corporate credit facility agreement concluded on June 25 th 2018 between Capital Park SA and Getin Noble Bank S.A., CP Retail B.V., a subsidiary of Capital Park S.A., provided a surety securing repayment of corporate credit facility for up to 200% of the facility amount. The surety is valid until December 31 2024.

The support agreement securing repayment of the investment loan granted to Capital Park Gdańsk Sp. z o.o.

Capital Park S.A. also assumed an obligation towards Bank Ochrony Środowiska S.A., which provides financing for the Hampton by Hilton Old Town Gdańsk project in Gdańsk, to support the project SPV (Capital Park Gdańsk Sp. z o.o.) if it is unable to repay and service the facility (both principal and interest) when due. The support agreement remains effective until approved financial statements for 2019 are submitted and all of the following conditions are met:

- all the covenants (net debt/EBITDA and current ratio) are complied with;
- in accordance with the provisions of the Investment Facility Agreement, the SPV's DSCR is above 1.1;
- a debt servicing deposit in an amount equal to three monthly credit instalments (principal and interest) is provided for the Bank's benefit.

Note 21. GROUP'S ASSETS PLEDGED AS SECURITY

To secure the repayment of the Group companies' borrowings, including interest, a number of security instruments were provided to the financing banks, including in particular:

- promissory notes,
- declarations of submission to enforcement,
- powers of attorney over bank accounts,
- assignment of claims under existing and future rental contracts, insurance policies, construction contracts and performance bonds,
- registered pledges over existing and future shares in subsidiaries,
- deposits,
- subordination agreements granting priority for satisfaction of claims under borrowings before any other claims.

Note 22. OTHER CONTRACTUAL OBLIGATIONS AND COMMITMENTS

As at December 31st 2018, the Group had the following investment commitment:

- of PLN 684,789 thousand concerning completion of the ArtN project.

These commitments will be financed with cash held by the Group and with proceeds from existing credit facilities provided by Bank PEKAO S.A. and European Investment Bank.

Note 23. CAPITALISED BORROWING COSTS

In accordance with IAS 23, the Group recognises borrowing costs incurred as part of a construction process as an increase in the value of the investment property and related inventories. These are mainly cost of credit facilities and notes which were used to finance the project (interest expense, fees and exchange rate differences).

CAPITALISED BORROWING COSTS	Dec 31 2018	Dec 31 2017	Dec 31 2016
Investment property	2,317	924	1,914
Total	**2,317**	**924**	**1,914**

Note 24. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit for a given period attributable to holders of ordinary shares by the weighted average number of outstanding ordinary shares in that period. Diluted earnings per share are calculated by dividing the net profit for a given period attributable to holders of ordinary shares by the weighted average number of outstanding ordinary shares in that period adjusted for the effect of dilutive options and dilutive redeemable preference shares convertible into ordinary shares.

CALCULATION OF LOSS (EARNINGS) PER SHARE – ASSUMPTIONS	12M 2018	12M 2017 /restated/	12M 2016 /restated/
Net profit/(loss) from continuing operations	85,339	(14,130)	24,525
Profit/(loss) from discontinued operations	-	-	-
Profit/(loss) reported for the purpose of calculating basic earnings per share	**85,339**	**(14,130)**	**24,525**
Dilutive effect	-	-	-
Profit/(loss) reported for the purpose of calculating diluted earnings per share	**85,339**	**(14,130)**	**24,525**

NUMBER OF SHARES OUTSTANDING	Dec 31 2018	Dec 31 2017 /restated/	Dec 31 2016 /restated/
Weighted average number of shares reported for the purpose of calculating basic earnings per share	**106,667**	**106,411**	**106,387**
Effect of dilutive ordinary shares	689	950	827
- share options	839	1,135	1,012
Weighted average number of ordinary shares reported for the purpose of calculating diluted earnings per share	**107,356**	**107,361**	**107,214**

Net loss/(earnings) per share (PLN)	12M 2018	12M 2017 /restated/	12M 2016 /restated/
Basic	0.80	(0.13)	0.23
Diluted	0.79	(0.13)	0.23

The entire profit was generated from continuing operations.

Note 25. FINANCIAL INSTRUMENTS

The primary financial instruments used by the Group's companies include credit facilities, loans, notes/bonds, derivatives, and trade payables. The Group uses credit facilities, loans to finance its day-to-day operations. The Group companies hold financial assets, such as trade receivables, loans advanced, derivatives, cash, and short-term deposits.

According to its policy, the Group does not trade in financial instruments.

The table below presents a comparison of all the carrying amounts and fair values of the Group's financial instruments, broken down into individual classes and categories of assets and liabilities.

Values of individual categories of financial instruments:

FINANCIAL ASSETS	Carrying amount			Class of financial instruments
	Dec 31 2018	Dec 31 2017	Dec 31 2016	
Financial assets at amortised cost	**84,351**	**73,624**	**74,909**	Financial assets measured at amortised cost
Trade receivables	16,102	11,944	10,359	
Other receivables	16,628	14,561	13,239	
Loans advanced	51,621	47,119	51,311	
Financial assets at fair value through profit or loss, including:	**695**	**3,566**	**4,187**	Financial assets measured at fair value through P&L
Derivative financial instruments	695	3,566	4,187	

Cash and cash equivalents	**110,338**	**193,326**	**156,550**	Financial assets measured at amortised cost

FINANCIAL LIABILITIES	Carrying amount			Class of financial instruments
	Dec 31 2018	Dec 31 2017	Dec 31 2016	
Other financial liabilities	**1,325,382**	**1,303,402**	**1,232,064**	Financial liabilities measured at amortised cost
bearing interest at variable rates	1,135,394	1,155,346	1,232,064	
bearing interest at fixed rates	189,988	148,056	-	
Other financial liabilities	**5,318**	**4,483**	**10,953**	Financial liabilities measured at fair value through P&L
Finance lease liabilities	-	-	-	
Derivative financial instruments (IRS)	5,318	4,483	10,953	
Trade payables	**39,400**	**39,127**	**28,045**	Financial liabilities
Trade payables	7,631	16,647	11,445	
Other liabilities	31,769	22,480	16,600	

Hierarchy of assets and liabilities measured at fair value

The Group carries the following assets measured at fair value:

- investment property (Level 3 in the hierarchy, Note 2)

- derivatives instruments (hierarchy level 2) - recognised in the consolidated financial statements based on valuations obtained from banks with which relevant agreements have been signed. The measured transactions are unregulated OTC instruments. The data provided in the bank's valuation refer to the stated exercise date of the derivative. The figures are presented in the table above.

Credit risk exposure is capped at fair value. The carrying amounts of both financial assets and financial liabilities are equal to their fair values, which follows from the fact that the Group measures derivative financial instruments at fair value, while other items are measured at values at which individual assets or liabilities could be sold or purchased.

The table below presents the Group's income and other gains and costs and other losses on financial instruments, broken down into individual classes and categories of assets and liabilities.

FINANCIAL ASSETS	Interest/Foreign exchange differences/Measurement at amortised cost		
	Dec 31 2018	Dec 31 2017	Dec 31 2016
Receivables and loans	**1,854**	**(1,996)**	**(8,125)**
- trade receivables	48	(3,558)	(3,881)
- other receivables	2,665	720	913
- loans advanced	204	1,463	1,741
- derivatives	(1,063)	(621)	(6,898)

FINANCIAL LIABILITIES	Interest/Foreign exchange differences/Measurement at amortised cost		
	Dec 31 2018	Dec 31 2017	Dec 31 2016
Other financial liabilities	**(80,198)**	**66,755**	**(47,162)**
- bearing interest at variable rates	(64,786)	64,984	(47,162)
- bearing interest at fixed rates	(15,412)	1,771	-
Trade payables	**2,935**	**(41)**	**(256)**
- trade payables	(33)	(32)	(179)
- other liabilities	2,968	(9)	(77)

Note 26. FINANCIAL RISK MANAGEMENT

The Group's business activities expose it to a number of various financial risks, in particular interest rate risk, currency risk, credit risk, and liquidity risk. The parent's Management Board reviews and establishes rules for managing each of these types of risk; the rules are briefly discussed below. The Group also monitors the risk of market prices with respect to the financial instruments it holds.

FINANCIAL RISK FACTORS

Financial assets and liabilities as at December 31st 2018, December 31st 2017 and December 31st 2016:

Types of assets, liabilities and receivables exposed to market risk	Dec 31 2018		
	Total	including exposed to currency risk	including exposed to interest rate risk
Investment property	**2,360,158**	2,277,615	-
Financial liabilities	**1,330,701**	1,315,744	1,141,519
Cash and receivables	**143,068**	34,605	46,551

Types of assets, liabilities and receivables exposed to market risk	Dec 31 2017		
	Total	including exposed to currency risk	including exposed to interest rate risk
Investment property	**2,174,397**	2,095,143	-
Financial liabilities	**1,307,885**	1,207,488	1,158,821
Cash and receivables	**267,868**	119,731	6,895

Types of assets, liabilities and receivables exposed to market risk	Dec 31 2016		
	Total	including exposed to currency risk	including exposed to interest rate risk
Investment property	**2,084,314**	2,084,314	-
Financial liabilities	**1,243,017**	141,844	1,232,064
Cash and receivables	**235,646**	4,187	51,311

INTEREST RATE RISK

The Group is exposed to interest rate risk inherent in the nature of its business and the type of financing sources used (interest and principal payments). Variable-rate borrowings and debt instruments make the Group's cash flows sensitive to interest rate fluctuations. The Group monitors its interest rate risk exposure on an on-going basis and assesses its potential impact on the Group's profit or loss. To minimise the exposure, the Group enters into derivative transactions, including interest rate swaps and CAP options.

The table below presents sensitivity of the profit or loss before tax for the 12 months of 2018, 12 months of 2017 and 12 months of 2016 to reasonably probable fluctuations in interest rates on a ceteris paribus assumption (related to interest-bearing assets and liabilities).

	12M 2018		12M 2017		12M 2016	
Effect on profit or loss before tax and on equity	1pp increase in interest rates	1pp decrease in interest rates	1pp increase in interest rates	1pp decrease in interest rates	1pp increase in interest rates	1pp decrease in interest rates
Financial liabilities	1,090	90	(4,951)	2,621	(3,027)	1,272
Loans and receivables	514	(514)	69	(69)	513	(513)
Total	**1,604**	**(424)**	**(4,882)**	**2,552**	**(2,514)**	**759**

If as at December 31st 2018 annual interest rates on bank borrowings and debt securities denominated in PLN had been 1 pp higher than the current level, ceteris paribus, the Group's profit or loss for the period and its equity for the twelve months of 2018 would have been PLN 1,604 thousand lower than the current level. If the respective interest rate had been pp lower than the current level, then the financial result for the financial year and the Group's equity for the twelve months of 2017 would have been PLN 4,882 thousand higher than the current level (for the twelve months of 2016:

PLN 2,514 thousand lower than the current level and PLN 759 thousand higher than the current level, respectively), chiefly as a result of higher/lower interest expense on floating rate loans, borrowings and bonds.

The above calculations take account of the hedging effect of the contracts for financial instruments presented in Note 11.

The Management Board still monitors the risk.

CURRENCY RISK

The key sources of currency risk for the Group include the nature of its business (with revenue denominated in EUR), as well as buy and sell transactions and financing cash flows related to repayment of borrowings denominated in currencies other than its functional currency.

The Group mitigates the risk by using natural hedges, matching revenues and expenses for the same currency, or by using derivative instruments to hedge its foreign-currency transactions.

The table below presents sensitivity of the Group's pre-tax profit or loss (arising from changes in the fair value of assets, including in particular investment property and liabilities) and equity to possible fluctuations in EUR/PLN exchange rate, on a ceteris paribus assumption:

	12M 2018		12M 2017		12M 2016	
Effect on profit or loss before tax and on equity	1 pp depreciation of PLN against EUR*	1 pp appreciation of PLN against EUR*	1 pp depreciation of PLN against EUR*	1 pp appreciation of PLN against EUR*	1 pp depreciation of PLN against EUR	1 pp appreciation of PLN against EUR
Investment property and financial liabilities	22,776	(22,776)	20,951	(20,951)	23,654	(23,654)

** Exchange rates used: reporting date rate (December 31st 2018) of EUR 1= PLN 4.3000, and the same rate plus 1 pp, i.e. EUR 1 = PLN 4.3430.*

If the zloty had depreciated/appreciated by 1 percentage point against the euro, ceteris paribus, the Group's profit or loss for the 12 months of 2018 would have been PLN 22,776 thousand higher/lower (12 months of 2017: PLN 20,951 thousand), mainly due to foreign exchange losses/gains on translation of investment properties and financial liabilities denominated in the euro.

The above calculations do not take account of the hedging effect of the contracts for financial instruments presented in Note 11.

Management Board still monitors the risk.

CREDIT RISK

Credit risk is related primarily to cash and cash equivalents, deposits with banks, loans advanced as well as credit exposure to tenants, which involves mainly unrealised receivables. The Group mitigates the risk by entering into transactions with reputable firms with sound credit standing, by demanding that rental contracts be secured with rental deposits or bank guarantees, usually in the amount of triple monthly rentals, and by diversifying cash deposits (the Group has relationships with a relatively large number of banks) – see Note 9.

As regards the Group's financial assets such as cash and cash equivalents, financial assets available for sale and some derivatives, the credit risk exposure is capped at fair value of the instrument.

The Management Board still monitors the risk.

As at December 31st 2018, December 31st 2017 and December 31st 2016, past due receivables were as follows:

Dec 31 2018	Total	Not past due	Past due			
			< 90	91 -180	181 – 360	>360
Trade receivables (gross)	**25,945**	2,885	8,220	1,749	6,135	6,956
Other receivables	**16,628**	16,628	-	-	-	-
Loans advanced	**51,621**	51,621	-	-	-	-
Total	**94,194**	**71,134**	**8,220**	**1,749**	**6,135**	**6,956**

Dec 31 2017	Total	Not past due	Past due			
			< 90	91 -180	181 – 360	>360
Trade receivables (gross)	**23,333**	12,124	4,145	2,237	2,563	2,264
Other receivables	**14,561**	14,561	-	-	-	-
Loans advanced	**47,119**	47,119	-	-	-	-
Total	**85,013**	**73,804**	**4,145**	**2,237**	**2,563**	**2,264**

Dec 31 2016	Total	Not past due	Past due			
			< 90	91 -180	181 – 360	>360
Trade receivables (gross)	**14,629**	6,214	4,153	1,712	1,005	1,545
Other receivables	**13,239**	13,239	-	-	-	-
Loans advanced	**55,311**	55,311	-	-	-	-
Total	**83,179**	**74,764**	**4,153**	**1,712**	**1,005**	**1,545**

LIQUIDITY RISK

The Group seeks to maintain balance between the continuity of financing of its investment activities and timely repayment of debt by securing financing from various sources, including bank and non-bank borrowings, notes/bonds or finance leases.

The Management Board manages liquidity risk by monitoring budgets of the Group's investment projects and maturities of its financial liabilities, and by forecasting operating cash flows.

The Management Board monitors performance of all credit facility and lease agreements on an on-going basis.

Management Board still monitors the risk.

The table below presents the Group's financial liabilities by maturity as at December 31st 2018, December 31st 2017 and December 31st 2016, based on contractual undiscounted payments.

Dec 31 2018	Total	> 3 months	3–12 months	1–3 years	3–5 years	> 5 years
Interest-bearing borrowings and lease liabilities	**1,120,229**	6,314	24,496	291,122	741,407	56,890
Notes in issue	**205,153**	644	11,751	192,758	-	-
Trade and other payables	**39,400**	7,940	11,684	19,776	-	-
Derivatives	**5,319**	-	162	2,077	3,080	-
Total	**1,370,101**	**14,898**	**48,093**	**505,733**	**744,487**	**56,890**

Dec 31 2017	Total	> 3 months	3–12 months	1–3 years	3–5 years	> 5 years
Interest-bearing borrowings and lease liabilities	**1,093,568**	20,761	62,231	202,694	769,574	38,308
Notes in issue	**209,834**	12,104	41,499	156,231	-	-
Trade and other payables	**39,127**	16,647	11,123	2,111	9,246	-
Derivatives	**4,483**	50	202	919	3,151	161
Total	**1,347,012**	**49,562**	**115,055**	**361,955**	**781,971**	**38,469**

Dec 31 2016	Total	> 3 months	3–12 months	1– 3 years	3–5 years	> 5 years
Interest-bearing borrowings and lease liabilities	**919,491**	17,725	53,176	129,970	266,263	452,357
Notes in issue	**170,101**	977	112,062	57,062	-	-
Trade and other payables	**11,445**	11,445	-	-	-	-
Derivatives	**10,281**	168	503	1,347	2,759	5,504
Total	**1,111,318**	**30,315**	**165,741**	**188,379**	**269,022**	**457,861**

Note 27. CAPITAL MANAGEMENT

The main objective of capital management is to maintain a safe capital structure.

NET DEBT RATIO	Dec 31 2018	Dec 31 2017	Dec 31 2016
Interest-bearing borrowings and notes	1,330,701	1,303,402	1,294,548
Cash and cash equivalents	(110,338)	(193,326)	(132,663)
Net debt	**1,220,363**	**1,110,076**	**1,161,885**
Total assets	**2,569,908**	**2,475,873**	**2,341,830**
Net debt to total assets	**47%**	**45%**	**50%**

Capital Park S.A. does not plan to pay dividend in the near future. However, in the event of potential sale of key assets, the Management Board may recommend the distribution of profit in the way of dividend payment.

Note 28. EMPLOYEES

AVERAGE NUMBER OF STAFF UNDER EMPLOYMENT CONTRACTS	Dec 31 2018	Dec 31 2017	Dec 31 2016
Management Board	3	3	3
Administration	8	4	2
Other	-	6	3
Total	**11**	**13**	**8**

Note 29. REMUNERATION OF MEMBERS OF THE MANAGEMENT BOARD AND SUPERVISORY PERSONNEL

GROSS REMUNERATION	Dec 31 2018	Dec 31 2017	Dec 31 2016
Management Board	5,710	3,755	6,761
Supervisory Board	403	360	417
Total	**6,113**	**4,115**	**7,178**

SUPERGROSS SALARY	Dec 31 2018
Board Members	**5,710**
Jan Motz	2,644
Marcin Juszczyk	1,478
Kinga Nowakowska	1,588
Supervisory Board Members	**403**
Anna Frankowska-Gzyra	139
Katarzyna Ishikawa	139
Jacek Kseń	125

No loans were advanced by Capital Park S.A. to Members of the Management Board or the Supervisory Board in 2018.

Note 30. INCENTIVE SCHEME FOR MEMBERS OF THE MANAGEMENT BOARD

The purpose of the Incentive Scheme is to create incentives that encourage, retain and motivate the Eligible Persons – members of the Company's Management Board ("Primary Eligible Persons") and other employees of the Company who are not members of the Management Board, named at the discretion of the Management Board („Secondary Eligible Persons") – to work towards increasing shareholder value by enabling them to acquire Company shares.

The detailed terms and assumptions of the Incentive Scheme are set out in a resolution of the Extraordinary General Meeting of Capital Park S.A. dated July 28th 2011, later amended on September 30th 2013 and March 21st 2017, and the Rules of the Incentive Scheme (attached to the resolution).

Key terms and assumptions of the Incentive Scheme:

- As part of the Incentive Scheme, the Company is authorised to issue up to 7,218,738 registered subscription warrants carrying rights to acquire a total of

7,218,738 Series D ordinary bearer shares in the Company, at the issue price of PLN 1 per share.

- The subscription warrants may be inherited but may not be encumbered and are not transferable.
- The number of warrants to be acquired on each successive allocation date depends on the following economic and time criteria: increase in net asset value and stock price growth, to ensure alignment between the interests of the management staff and the shareholders of Capital Park S.A.
- A–G Series subscription warrants have been acquired by Primary Eligible Persons only, H - K Series warrants have been acquired by Primary and Secondary Eligible Persons, and subscription warrants of subsequent Series L and M may be acquired by both Primary and Secondary Eligible Persons.

Detailed information on the allotted warrants:

- Until the date of preparation of these financial statements Series A–K of warrants in amount of 3 589 891 were allocated.
- Until the date of preparation of these financial statements, Eligible Persons exercised Series A–H warrants.
- The allocation dates for Series I–K warrants are presented in the table below; the allocation dates for Series L and M may fall no later than two months after the issue of full-year or half-year financial statements, audited or reviewed by a qualified auditor.
- Dates for the exercise of rights for the Series L and M warrants will expire on June 30th 2021.

WARRANTS ALLOTTED

Series	Allocation date	Jan Motz	Marcin Juszczyk	Kinga Nowakowska	Secondary Eligible Persons
I	Nov 21 2017	37,056	24,704	24,704	37,055
J	Apr 19 2018 May 12 2018	37,056	24,704	24,704	37,055
K	Dec 29 2018	177,546	118,363	118,363	177,546

For more information on Company shares held by Management Board members, see Note 10 to these financial statements.

The Black-Scholes model was applied to estimate the value of the subscription warrants.

As part of remeasurement of the Incentive Scheme as at reporting date, it was assumed that a total of 3,659,384 warrants would be exchanged for shares.

Based on the assumed number of warrants and the current price of Company shares, the total value of the Incentive Scheme was estimated at PLN 16,138 thousand. The total cost of the Incentive Scheme is expensed over time throughout the term of the Scheme. Capital reserve from the

Incentive Scheme as at reporting date, was PLN 14,014 thousand. The difference between capital reserves from measurement of the Incentive Scheme as at reporting date and as at December 31st 2018 was charged to costs, which is presented in the table below:

COST OF INCENTIVE SCHEME	Dec 31 2018	Dec 31 2017	Dec 31 2016
Costs of incentive scheme valuation	3,975	805	1 917
Provision for cost of warrant-related bonuses	1,634	913	1 105
Total	**5,609**	**1,718**	**3 022**

Note 31. TRANSACTIONS WITH THE QUALIFIED AUDITOR

On July 10th 2018, the Supervisory Board of Capital Park S.A. passed a resolution to appoint PricewaterhouseCoopers Polska Sp. z o.o. Audyt Sp. K (former: PricewaterhouseCoopers Polska Sp. z o.o.) as the auditor of the financial statements of Capital Park S.A. for the year ended December 31st 2018 and of the consolidated financial statements of the Capital Park Group for the year ended December 31st 2018.

FEES PAID OR DUE FOR THE FINANCIAL YEAR	Dec 31 2018	Dec 31 2017	Dec 31 2016
For audit of the full-year and review of interim separate and consolidated financial statements	539	403	417
For other assurance services	-	-	-
Total	**539**	**403**	**417**

Note 32. TAX SETTLEMENTS

Tax settlements and other regulated areas of activity are subject to inspection by administrative authorities, which are authorised to impose significant fines and other sanctions. The lack of reference to established legal regulations in Poland gives rise to ambiguity and inconsistency of applicable regulations. Differences in the interpretation of tax legislation are frequent, both between governmental authorities and between those authorities and businesses, leading to uncertainty and conflicts. Tax settlements may be subject to tax inspection for a period of five years from the end of the calendar year in which the tax payment was made. Such inspections may result in additional tax liabilities being imposed on the Group companies.

Note 33. RELATED-PARTY TRANSACTIONS

	Receivables from related parties under loans	Liabilities to related parties under loans
	Dec 31 2018	Dec 31 2018
Patron Wilanów S.à r.l	32,590	-
SO SPV 50 Sp. z o.o.	12,554	-
Jan Motz	6,477	-

	Other receivables from related parties	Other liabilities to related parties
	Dec 31 2018	Dec 31 2018
SO SPV 50 Sp. z o.o.	137	-
Varsovia Food Company Sp. z o.o.	102	-
Beyond PR Sp. z o.o.	-	16
Myecolife Sp. z o.o.	-	21
Mount TFI S.A.	21	-
Invipay S.A.	1	-

	Interest income on loans advanced	Interest expense on borrowings
	12M 2018	12M 2018
Patron Wilanów S.à r.l	1,386	-
SO SPV 50 Sp. z o.o.	359	-
Jan Motz	228	-

	Revenue from sale of services	Cost of purchased services
	12M 2018	12M 2018
SO SPV 50 Sp. z o.o.	783	-
Jan Motz	-	1,718
Marcin Juszczyk	-	983
Kinga Nowakowska	-	873
Marta Motz	-	30
Myecolife Sp. z o.o.	-	60
Varsovia Food Company Sp. z o.o.	611	7
Beyond PR Sp. z o.o.	40	171
Invipay S.A.	400	-
Mount TFI S.A.	257	-

Transactions for deliveries and services resulting from operating activities have been concluded on conditions not significantly different from market conditions. In the event of non-standard material transactions, the Group makes appropriate disclosure.

Note 34. RESTATEMENT OF DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax on investment property revaluation

Historically the Group did not recognise deferred tax assets and liabilities in respect of differences between the carrying amounts and tax bases of those properties which the Group does not plan to exit or where any potential transaction would be conducted through the sale of shares. Beginning from June 30th 2018 the Board Members of Capital Park S.A. took a decision to recognise deferred tax assets and deferred tax liabilities taking into account the possibility of changing the strategy in relation to the Group's real estate properties.

Board Members stated deferred tax assets were recognized at the value which is realizable in the future periods.

Total negative impact on equity related to the adjustment was estimated at the level of PLN 102,827 thousand – retained earnings.

There were no changes in accounting policy.

Influence of restatement of deferred tax assets and deferred tax liabilities on consolidated statement of financial position - as at December 31st 2018

ASSETS	Dec 31 2017 /restated/	Dec 31 2017 /published/	Adjustment	Dec 31 2016 /restated/	Dec 31 2016 /published/	Adjustment
Non-current assets						
Investment property	2,174,397	2,174,397	-	2,084,314	2,084,314	-
Deferred tax assets	26,661	21,890	4,770	19,971	15,591	4,380
Investments in jointly controlled entities	42,675	42,675	-	44,697	44,697	-
Other financial assets	2,649	2,649	-	4,187	4,187	-
Other non-current assets	2,243	2,243	-	2,243	2,243	-
	2,248,624	**2,243,854**	**4,770**	**2,155,412**	**2,151,032**	**4,380**
Current assets						
Other receivables and other current assets	14,561	14,561	-	13,240	13,240	-
Trade receivables	11,944	11,944	-	10,359	10,359	-
Other financial assets	7,417	7,417	-	6,269	6,269	-
Cash and cash equivalents	193,326	193,326	-	156,550	156,550	-
	227,248	**227,248**	**-**	**186,418**	**186,418**	**-**
TOTAL ASSETS	**2,475,873**	**2,471,102**	**4,770**	**2,341,830**	**2,337,450**	**4,380**

EQUITY AND LIABILITIES	Dec 31 2017 /restated/	Dec 31 2017 /published/	Adjustment	Dec 31 2016 /restated/	Dec 31 2016 /published/	Adjustment
Equity						
Share capital	106,484	106,484	-	106,202	106,202	-
Statutory reserve funds	858,320	858,320	-	858,320	858,320	-
Other capital reserves	6,352	6,352	-	17,066	17,066	-
Reserve capital from non-registered share capital and statutory reserve funds	45	45	-	170	170	-
Exchange differences on translating foreign operations	2,294	2,294	-	(5,418)	(5,418)	-
Retained earnings/(deficit)	(77,758)	12,877	(90,635)	(102,283)	(17,062)	(85,221)
Net profit/(loss) for current period	(14,130)	(1,938)	(12,192)	24,525	29,939	(5,414)
	881,607	**984,434**	**(102,827)**	**898,582**	**989,217**	**(90,635)**
Non-controlling interests	*114,918*	*114,918*	**-**	*71,745*	*71,745*	-
	996,525	**1,099,352**	**(102,827)**	**970,327**	**1,060,962**	**(90,635)**
Non-current liabilities						
Bank borrowings and other financial liabilities	1,014,807	1,014,807	-	1,003,032	1,003,032	-
Liabilities under notes in issue	156,231	156,231	-	55,374	55,374	-
Other liabilities and provisions	11,357	11,357	-	47	47	-
Deferred tax liabilities	132,336	24,739	107,597	100,440	5,425	95,015
	1,314,731	**1,207,133**	**107,597**	**1,158,893**	**1,063,878**	**95,015**
Current liabilities						
Bank borrowings and other financial liabilities	83,244	83,244	-	71,572	71,572	-
Liabilities under notes in issue	53,603	53,603	-	113,039	113,039	-
Trade payables	16,647	16,647	-	11,445	11,445	-
Other liabilities and provisions	11,123	11,123	-	16,554	16,554	-
	164,617	**164,617**	**-**	**212,610**	**212,610**	**-**
TOTAL EQUITY AND LIABILITIES	**2,475,873**	**2,471,102**	**4,770**	**2,341,830**	**2,337,450**	**4,380**

Influence of restatement of deferred tax assets and deferred tax liabilities on consolidated statement of profit or loss and other comprehensive income - as at December 31st 2018

	12M 2017 ./restated/	12M 2017 ./published/	Adjustment	12M 2016 /restated/	12M 2016 /published/	Adjustment
Rental income	125,758	125,758	-	107,732	107,732	-
Direct property operating expenses	(32,689)	(32,689)	-	(26,321)	(26,321)	-
Net operating profit	**93,069**	**93,069**	**-**	**81,411**	**81,411**	**-**
Other income including income from property management	1,529	1,529	-	1,897	1,897	-
Loss on disposal of investment property	221	221	-	(2,949)	(2,949)	-
Cost of SPV operations	(6,296)	(6,296)	-	(5,561)	(5,561)	-
Administrative expenses	(11,370)	(11,370)	-	(10,594)	(10,594)	-
Renovation and repair of property	(802)	(802)	-	(467)	(467)	-
Cost of incentive scheme measurement	(1,718)	(1,718)	-	(3,022)	(3,022)	-
Gain/(loss) on property revaluation	(84,723)	(84,723)	-	68,889	68,889	-
Receivables write-off costs	(3,558)	(3,558)	-	(3,881)	(3,881)	-
Share in net profit/(loss) of equity-accounted entities	8,678	8,678	-	(1,309)	(1,309)	-
Operating profit/(loss)	**(4,970)**	**(4,970)**	**-**	**124,414**	**124,414**	**-**
Interest income	2,183	2,183	-	2,654	2,654	-
Interest expense	(40,093)	(40,093)	-	(51,716)	(51,716)	-
Loss on measurement of financial liabilities	46,727	46,727	-	(42,045)	(42,045)	-
Profit/(loss) before tax	**3,847**	**3,847**	**-**	**33,307**	**33,307**	**-**
Corporate income tax	(25,754)	(13,562)	(12,192)	3,510	1,904	(5,414)
Net profit/(loss)	**(21,908)**	**(9,715)**	**(12,192)**	**29,797**	**35,211**	**(5,414)**
Exchange differences on translating foreign operations	7,712	7,712	-	(3,284)	(3,284)	-
Total comprehensive income	**(14,196)**	**(2,003)**	**(12,192)**	**26,513**	**31,927**	**(5.414)**
Net profit/(loss) attributable to owners of the parent	(14,130)	(1,938)	(12,192)	24,525	29,939	(5,414)
Net profit/(loss) attributable to non-controlling interests	(7,777)	(7,777)	-	5,272	5,272	-
Net earnings/(loss) per share (PLN)						
Basic	(0.13)	(0.02)		0.23	0.28	
Diluted	(0.13)	(0.02)		0.23	0.28	

The entire profit was earned from continuing operations.

The above described restatement did not have any impact on consolidated statement of cash flows.

Note 35. IFRS 16 LEASING – ADOPTED FROM 2019

In accordance with IFRS 16 adopted by the Group beginning from 2019, the Group is required to discount all future payments resulting from the right to perpetual usufruct, resulting from the period for which this right is granted for individual properties (and can be up to 99 years). This period does not depend on the period in which the Group will be the owner of the perpetual usufruct right anticipated by the Group.

In January 2016, the International Accounting Standards Board issued International Financial Reporting Standard 16 Leases ("IFRS 16"), which replaced IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC 15 Operating Leases – Incentives, and SIC 27 Evaluating the Substance of Transactions in the Legal Form of a Lease. IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases.

IFRS 16 introduces a single lessee accounting model and requires lessees to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Thus, IFRS 16 eliminates the classification of leases as either operating leases or finance leases. At the commencement date, lessees are required to recognise an asset representing their right to use the underlying leased asset and a lease liability representing their obligation to make lease payments.

Lessees are required to separately present the depreciation charge for the right-of-use asset and the interest expense on the lease liability in the statement of profit or loss. Lessees remeasure the lease liability upon the occurrence of certain events (e.g. change in the lease term, change in future lease payments resulting from a change in an index or rate used to determine the lease payments). As a rule, lessees recognise the remeasurements of the lease liability as an adjustment to the right-of-use asset.

Compared with IAS 17, IFRS 16 adds enhanced disclosure requirements for both lessors and lessees.

Lessees may choose whether they want to use the full retrospective or modified retrospective approach, with the transitional provisions offering certain practical expedients. IFRS 16 is effective for annual periods beginning on or after January 1st 2019. The Group decided to apply IFRS 16 using a simplified retrospective approach, with the cumulative effect of initially applying the Standard recognised at the date of initial application. This approach enables the Group not to restate comparative data but instead to recognise the effect of applying the Standard as an adjustment to the opening balance of retained earnings on the date of initial application.

The Group has classified its existing operating lease contracts and identified the categories of contracts that have not been previously recognised as leases but may meet the definition of a lease under IFRS 16.

Specifically:

The Group holds properties under perpetual usufruct agreements for land, which – in accordance with the new Standard – will be presented as right-of-use assets, and future perpetual usufruct charges will be discounted and disclosed as liabilities.

The Group estimated the value of potential liabilities and right-of-use assets relating to those properties based on the following assumptions:

- the lease term will be the remaining period of the perpetual usufruct as at the date of these financial statements,
- the lease interest rate was set as the Group's incremental borrowing rate (external cost of capital). The Group's incremental borrowing rate was determined based on the existing finance lease agreements and credit facility agreements disclosed in the financial statements,
- the perpetual usufruct charges will remain at the 2018 levels (in accordance with paragraph 27(b) of the Standard, concerning the treatment of variable lease payments at the time of initial application);
- pursuant to paragraph C8(b)(2) of the Standard, the Group decided to measure the right-of-use assets as at the date of initial application of the Standard at an amount equal to the lease liabilities.

Based on the underlying assumptions and calculations, the Group estimates that if IFRS 16 is applied for the first time as at January 1st 2019, its lease liabilities and right-of-use assets will increase by: PLN 53,379 thousand. Furthermore, the Group will recognise PLN 53,379 thousand in right-of-use assets classified as Perpetual usufruct of land – PLN 53,379 thousand in its accounting records as at January 1st 2019.

IMPACT OD IFRS 16 ADOPTION BEGINNING FROM 2019	Jan 01 2019	Adjustment	Dec 31 2018
FINANCIAL LEASE ASSETS (long term)	2,413,537	53,379	2,360,158
FINANCIAL LEASE LIABILITIES	53,379	53,379	-
- *long-term*	*51,089*	*51,089*	-
- *short-term*	*2,290*	*2,290*	-

Note 36. EVENTS SUBSEQUENT TO THE REPORTING DATE

On March 8th 2019 the Management Board received notification from CP Holdings S.à.r.l. with its registered office in Luxembourg ("CPH"), advised by Patron Capital Advisers LLP, on the signature on March 8, 2019 between CPH and MIRELF VI B.V. with its registered office in Amsterdam, the Netherlands ("MIRELF") of a conditional agreement regarding the sale by CPH of 100% shares in Townsend Holding B.V. to MIRELF with its registered office in Amsterdam, the Netherlands ("Townsend Holding") ("Shares"), which is the owner of 65.997% of shares in the share capital of Capital Park S.A. ("Company"). According to the notification, the contract was concluded on condition. The condition for the acquisition by MIRELF of Shares is, inter alia, obtaining by MIRELF the consent of the President of the Office of Competition and Consumer Protection for concentration.
The acquisition of Shares will result in the obligation for MIRELF to announce a follow-up request for shares of the Company pursuant to art. 73 par. 2 of the Act of July 29, 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading, and Public Companies (ie calls to subscribe for the sale of Company shares resulting in 65.997% of the total number of votes in the Company's share capital).

On March 21st 2019, the Supervisory Board adopted unanimously resolutions on the appointment of the Management Board of Capital Park S.A. as follows:

- Jan Motz - as the President of the Board,
- Marcin Juszczyk - as a Member of the Board,
- Kinga Nowakowska - as a Member of the Board,

for another three-year term.

Amendments to the statute adopted by resolutions adopted at the Extraordinary General Meeting on April 8, 2019:

- Change in the definition of the Second Eligible Shareholder from CP Holdings Sarl with its registered office in Luxembourg at Town-send Holding BV with its registered office in Amsterdam, the Netherlands,
- The other Eligible Shareholder has the personal right to dismiss three members of the Supervisory Board appointed to the Supervisory Board by CP Holdings S.àr.l. with its registered office in Luxembourg in the exercise of the personal right vested in CP Holdings S.àr.l. during the period when CP Holdings S.àr.l. he remained a shareholder of the Company.

Purpose of the change: changes proposed in connection with the change of the shareholder, about which the Company informed in the current report No. 5/2019 of March 8, 2019.

No other significant events have occured to the date of reporting.

Warsaw, April 11th 2019

SIGNATURE OF THE PERSON WHO PREPARED THE FINANCIAL STATEMENTS:

Marcin Jeremicz

Chief Accountant

SIGNATURES OF MANAGEMENT BOARD MEMBERS:

Jan Motz
President of the Management Board

Kinga Nowakowska
Member of the Management Board

Marcin Juszczyk
Member of the Management Board

NOTES

GLOSSARY

GLA	Gross Leasable Area
WAULT	Weighted Average Unexpired Lease Term; the weighted average unexpired lease term
Reversionary yield	Rate of yield, i.e. the ratio of market rent for fully occupied building to the property value
Capex	Capital expenditure
NOI	Net Operating Income, net rental income
Absorption	Net change in space occupied by tenants, taking into account a change in the size of unoccupied space and supply of new space in a period
FFO	Funds From Operations, i.e. operating performance in cash terms
Measurement at amortised cost	Measurement at amortised cost, less transaction costs which may be directly attributed to the acquisition or issue of a given financial liability.
	Ang. Net Asset Vaule, wartość aktywów netto
NAV	Net Asset Value
EPRA NAV	Net asset value calculated in accordance with the methodology of the European Public Real Estate Association (EPRA) after eliminating the impact of financial instruments measurement and deferred tax.
NCI	Non-controlling interest

Forward-looking statements

This Report contains statements with regard to the future of the business, financial condition and performance of the Group or the industry in which the Group operates. Such forward-looking statements relate to circumstances that have not arisen yet, as well as to performance and other statements that are not historical facts, and are characterised by inclusion of such phrases as 'believe', 'expect', 'intend', 'assume', 'plan', 'estimate', 'is designed to', 'forecast', 'anticipate', 'aim', 'seek' and other similar expressions. Forward-looking statements contained in this Report, including assumptions, opinions and views of the Group or of third parties, are merely opinions and forecasts which are uncertain and subject to risks. Actual events may differ significantly from any anticipated developments due to a number of factors, including without limitation, changes in overall economic conditions, especially in Poland, changes affecting interest rate levels, changes in competition levels, changes in laws and regulations, environmental damage, the potential impact of legal proceedings and actions and the Group's ability to achieve operational synergies from past or future acquisitions. The Group does not guarantee that the assumptions underlying forward-looking statements in this Report are free from errors, nor does it accept any liability for the future accuracy of opinions expressed in this Report or assume any obligation to update statements in this Report to reflect subsequent events. Forward-looking statements included in this Report are valid as of its date. Neither release of this Report nor any future discussions with its recipients held by the Group will in any circumstances mean that there has been no change in the Group's affairs since the date of this Report. Therefore, the Group does not undertake to review, update or confirm any projections or estimates made by analysts, or to release to the public any amendments to forward-looking statements in response to the occurrence of any events or circumstances relating to the contents of this Report.

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