STANDALONE ANNUAL REPORT 2020

CPD S.A.

CPD S.A.

ANNUAL REPORT

FOR THE YEAR ENDED ON 31 DECEMBER 2020

TRANSLATORS' EXPLANATORY NOTE

The following document is a free translation of the Annual Report of CPD S.A. published on 29 April 2021.

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

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

CONTENTS

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

SUPERVISORY BOARD

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

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

Mr Andrew Pegge was appointed to the Supervisory Board's fourth term on 14 September 2018. The term of office of Mr Andrew Pegge expires on 14 September 2021. He graduated from Sussex University (United Kingdom) and has completed postgraduate studies in marketing at the Chartered Institute of Marketing (United Kingdom) as well as the MBA (Finance) at the City University Business School (United Kingdom). Mr Andrew Pegge is a CFA charterholder.

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

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

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

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

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

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

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

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

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

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

In comparison to the status at the end of 2019, the composition of Supervisory Board of CPD S.A. has not changed.

AUDIT COMMITTEE

As at the balance sheet date, the Audit Committee of CPD S.A. included the following persons:

- **Mr Alfonso Kalinauskas - Chairman of the Audit Committee meeting the requirements of independent member**
- **Mr Mirosław Gronicki - Audit Committee member meeting the requirements of independent member**
- **Mr Andrew Pegge - Audit Committee member**

In comparison to the status at the end of 2019, the composition of Audit Committee of CPD S.A. has not changed.

II. MANAGEMENT BOARD OF CPD S.A.

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

Mr Colin Kingsnorth – President of the Management Board

Mr Colin Kingsnorth was appointed to the Management Board of the Company on 17 June 2015. On 23 September 2019 the Supervisory Board of the Company appointed him as the President of the Management Board. The term of office of Mr Colin Kingsnorth expires on 27 May 2025. Mr Colin Kingsnorth has a higher education degree in economics (BSc), he graduated from the University of East London UEL (Great Britain). Mr Colin Kingsnorth is a CFA charterholder.

Ms Elżbieta Wiczkowska – Member of the Management Board

Ms Elżbieta Wiczkowska was appointed to the Management Board's fourth term on 27 May 2020. The term of office of Ms Elżbieta Wiczkowska expires on 27 May 2025. Ms Elżbieta Wiczkowska has a higher education degree in medicine. She completed medical studies at the Physicians Faculty of the Medical Academy in Szczecin. Ms Elżbieta Wiczkowska has obtained an MBA diploma at the University of Illinois at Urbana-Champaign (USA) and has completed the Executive Advanced Management Program at IESE Barcelona Universidad de Navarra in Spain. Ms Elżbieta Wiczkowska also holds qualifications of the ACCA (The Association of Chartered Certified Accountants).

Ms Iwona Makarewicz – Member of the Management Board

Ms Iwona Makarewicz was appointed to the Management Board's fourth term on 27 May 2020. The term of office of Ms Iwona Makarewicz expires on 27 May 2025. Ms Iwona Makarewicz has a higher education degree being a graduate of the Warsaw School of Economics (Poland); she completed a post-graduate programme in Property Appraisal and Management at Sheffield Hallam University (United Kingdom) and a post-graduate programme in property appraisal at the Warsaw University of Technology (Poland); she is a member of the Royal Institute of Chartered Surveyors and she holds the title of a licensed real estate agent.

Mr john Purcell - Member of the Management Board

Mr John Purcell was appointed to the Management Board's fourth term on 27 May 2020. The term of office of Mr John Purcell expires on 27 May 2025. Mr John Purcell trained at Savills and also worked at Cushman & Wakefield, before joining CLS Holdings plc where he was Group Head of Property and was responsible for acquisitions, sales and asset management of the € 1 billion portfolio. Following that he worked at Lend Lease REI and then joined UBS Global Asset Management to help create their European property platform. While there he also set up and ran UBS's Flagship Open Ended European Fund from 2003 to 2007. He was instrumental in forming the UBS Global Asset Management Real Estate capability in Europe and was a member of the UBS Global Asset Management Real Estate Investment Committee.

In comparison to the status at the end of 2019, the composition of the Management Board of CPD S.A. has not changed.

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

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

Supervisory Board CPD S.A.

date	women	men
31 December 2019	1	5
31 December 2020	1	5

Management Board CPD S.A.

date	women	men
31 December 2019	2	2
31 December 2020	2	2

IV. MANAGEMENT BOARD REPORT

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

CPD Group started its activities in Poland in 1999 from the foundation of Celtic Asset Management Sp. z o.o. In subsequent years, 1999-2005, the activities of the company focused on building and managing a real estate portfolio for external institutions in Poland, Czech Republic, Lithuania, Romania, Hungary and Germany. In 2005, Celtic Asset Management Sp. z o.o started development activity in cooperation with several funds managed by Laxey Partners. In 2007 the consolidation of the group under the name Celtic Property Developments SA (BVI) was performed and in 2008 the listing of the company Celtic Property Developments SA (BVI) began on a deregulated market (Freiverkehr) in Frankfurt. In the period from 2005 to 2010 the Company's main market of activity was Poland. At the same time, the Group conducted and managed projects in Montenegro, Hungary, Italy, Belgium, the United Kingdom, the Netherlands, Germany and Spain. International experience and practical knowledge of experts and managers of CPD contributed to creation of a strong and stable Capital Group, which debuted on the Warsaw Stock Exchange on 23 December 2010. 17th of September 2010 the Company changed its name from Celtic Property Developments S.A. to CPD S.A.

Today, CPD S.A. is the holding company controlling a group of 28 subsidiaries and two jointly controlled entities, carrying out activities in the office and residential segments, mostly in Poland. In 2020 the Group's activities were focused on continuation of residential development, mainly through the implementation of its leading project in the Warsaw district of Ursus, and monetization of the land bank located in the Ursus district.

In April 2021 CPD sold the final residential plots of land it held in Ursus. It plans to finish its final residential construction project in Ursus in 2022 enabling it to return the proceeds to its shareholders. It is currently working on converting one of its office assets into a residential project.

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

As of the publication date, CPD S.A. (hereinafter referred to as 'the Company') directly or indirectly held shares and shareholdings in 28 subsidiaries and two jointly controlled entities. CPD S.A. directly controls 7 entities which are responsible for various areas of the Group's operations (hereinafter referred to as 'the CPD Group', 'the Group'):

- **Challange Eighteen sp. z o.o.** - this company holds shares in investment companies responsible for the Ursus investments,
- **Lakia Enterprises Ltd (Cyprus)** – this company holds shares in investment companies responsible for investment projects in Poland and Hungary,
- **Celtic Investments Ltd (Cyprus)**
- **IMES Poland sp. z o.o.**
- **Celtic Asset Management sp. z o.o.**
- **Ursus Development sp. z o.o.**
- **Ursa Sky Smart City sp. z o.o. sp. k.**

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

As of the publication date, all the Group companies are consolidated by the full method, except for two Group companies – Ursa Sky Smart City sp. z o.o. sp. k. and Ursa Park Smart City sp. z o.o. sp. k., which are consolidated by the equity method, in accordance with the requirements of the International Financial Reporting Standards.

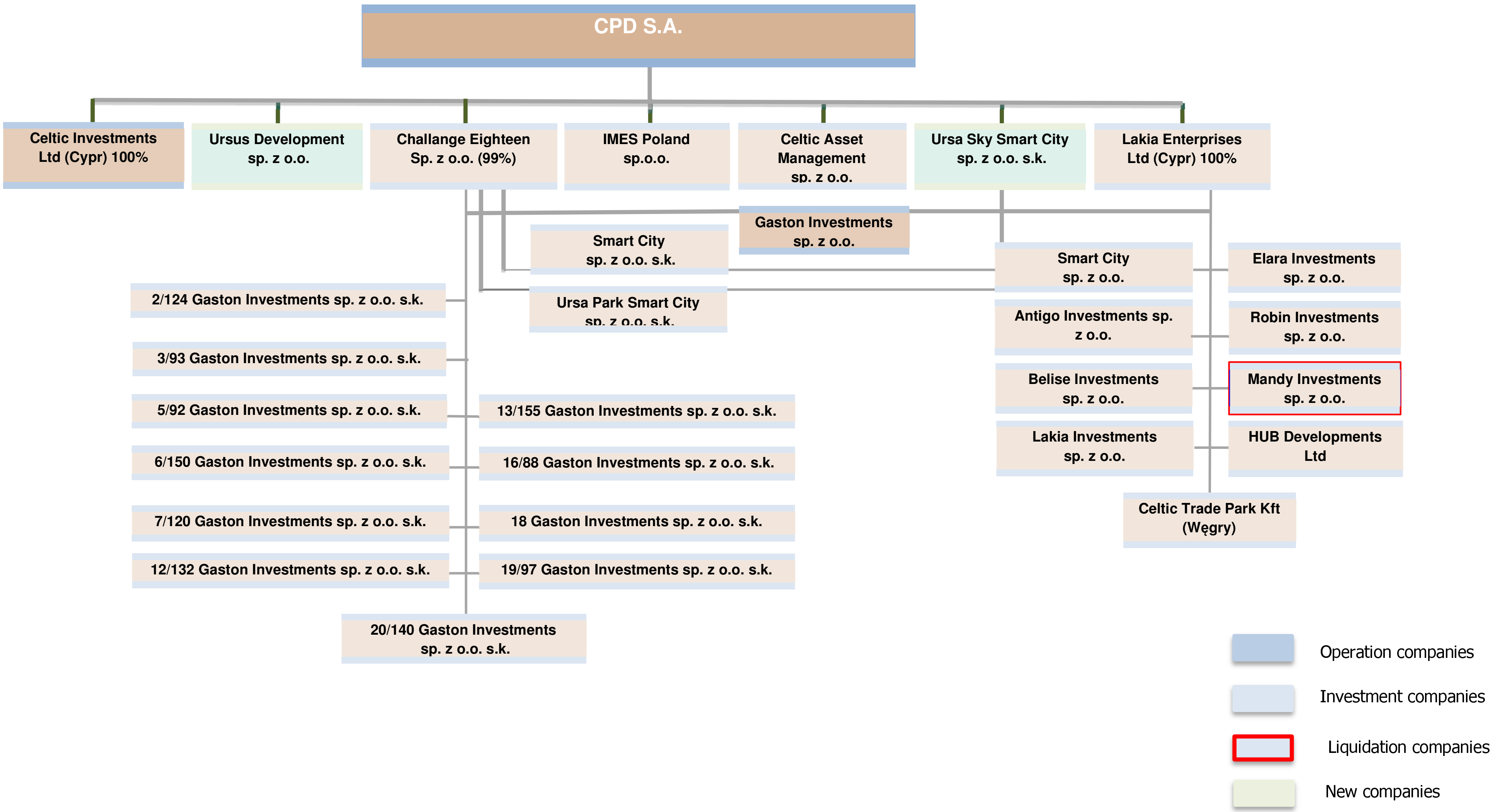
During the reporting period, CPD Group structure was changed in the following manner:

- 25 June 2020 Ursus Development sp. z o.o. was established,
- 15 June 2020 Ursa Sky Smart City sp. z o.o. sp. k. was established,

After the balance sheet date, the following changes took place in the structure of the Company:

- 31 March 2021 Challange Eighteen sp. z o.o. acquired all the rights and obligations of a limited partner in Smart City sp. z o.o. sp. k.,
- 1 April 2021 liquidation proceedings were started in IMES Poland sp. z o.o.,
- 28 April 2021 Lakia Enterprises Ltd sold and CPD S.A. bought 100% shares of Antigo Investments sp. z o.o.

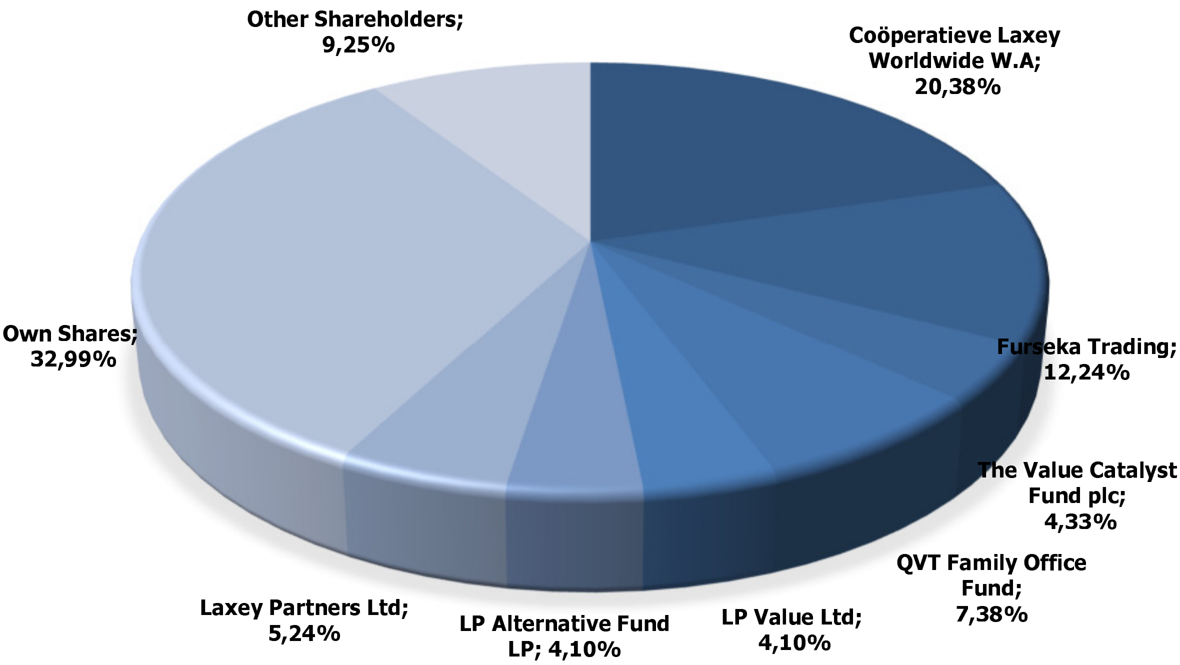
CPD S.A. Group structure on the 31 December 2020



3. SHAREHOLDERS

QUALIFYING SHARES

CPD S.A. – SHAREHOLDING STRUCTURE



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

Shareholder	Amount of held shares	Type of shares	Amount of held votes	Shareholding structure by held votes (1)	Shareholding structure by held shares
Coöperatieve Laxey Worldwide W.A	5 373 309	Bearer	5 373 309	30.41 %	20.38 %
Furseka Trading	3 229 069	Bearer	3 229 069	18.27 %	12.24 %
QVT Family Office Fund LP	1 945 031	Bearer	1 945 031	11.01 %	7.38 %
Laxey Partners Ltd	1 380 765	Bearer	1 380 765	7.81 %	5.24 %
The Value Catalyst Fund plc	1 142 604	Bearer	1 142 604	6.47 %	4.33 %
LP Value Ltd	1 081 505	Bearer	1 081 505	6.12 %	4.10 %
LP Alternative Fund LP	1 080 708	Bearer	1 080 708	6.12 %	4.10 %
Other Shareholders	2 438 304	Bearer	2 438 304	13.80 %	9.25 %
Own Shares	8 699 836	Bearer	0 %	0 %	32.99 %

(1) Shareholders' share in the total number of votes was calculated taking into account the fact that CPD S.A. as the owner of treasury shares, cannot exercise their voting rights at the General Meeting.

* On 3 March 2020 the Company announced a share buyback, as a result of which on 26 March 2020 the Company acquired 614,385 shares for the price of zł 5 each (representing 2.33 % of the Company's share capital).

** On 2 June 2020 the Company announced a share buyback, as a result of which, on 25 June 2020 the Company acquired 4,779,565 shares for the price of zł 14.92 each (representing 18.12% of the Company's share capital).

The company aims to carry out further buybacks when possible.

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

SHAREHOLDERS WITH SPECIAL RIGHTS

All shares issued by the Company are ordinary bearer shares. The Company Statute does not grant any special rights to the Company shares, whether preferential voting rights of the right to appoint members to the Company Management Board or Supervisory Board the Company's shareholders do not own shares bearing special controlling rights.

RESTRICTIONS IN VOTING RIGHTS

According to par. 4 par. 5 of the Company Statute, the pledgee or user of the shares is not entitled to vote on the shares pledged on its behalf or given for use. In addition, the Company holds 8 699 836 treasury shares, without voting rights, under the applicable regulations.

RESTRICTIONS IN SHARES TRANSFER

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

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

4. CORPORATE GOVERNANCE

- ### RULES OF CORPORATE GOVERNANCE

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

In 2020 the Company applied the principles of corporate governance provided in the document *Good Practices of the Companies Listed on the Warsaw Stock Exchange*, available on https://www.gpw.pl/pub/files/PDF/RG/DPSN2016_EN.pdf.

- **DEROGATIONS FROM CORPORATE GOVERNANCE RULES**

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

DISCLOSURE POLICY, INVESTOR COMMUNICATIONS

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

  The Company does not apply this principle.

  Due to the lack of developed organizational structure in the Company the chart of division of tasks and responsibilities between members of the Board is not prepared either.

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

  The Company does not apply this principle.

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

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

  The Company does not apply this principle.

  The company did not register the proceedings of the General Meetings in the form of audio or video so far. In the Company's opinion that form of documentation of the General Meetings allows for preservation of transparency and protection of shareholders' rights. Information on resolutions adopted by the General Meetings, is provided by the Company in the form of current reports and is published on its website www.cpdsa.pl.

MANAGEMENT BOARD, SUPERVISORY BOARD

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

  The Company does not apply this principle.

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

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

The Company does not apply this principle.

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

CONFLICT OF INTEREST, RELATED PARTY TRANSACTIONS

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

The Company applies this principle partially.

Company's corporate documentation (§ 13 paragraph 2 point 14 of the Company Statute) contains provisions concerning the need for the Supervisory Board to grant its consent for conclusion of any agreement by the Company with its related parties within the Regulation of the Minister of Finance on current and periodic information published by issuers of securities and conditions for recognizing as equivalent information required by laws of a non-member state (Journal of Laws of 2018, item. 757); consent is not required for typical transactions concluded on market terms within the operating business by the Company with its subsidiary, in which the Company holds a majority stake. However, the above definition does not qualify for the category of "related parties" a shareholder holding 5% to 20% percent of the total number of votes in the Company.

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

  The Company does not apply this principle.

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

REMUNERATION

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

  This principle does not apply to the Company.

  Remuneration policy for members of the Management Board and members of the Supervisory Board of CPD S.A. ("Remuneration Policy"), was adopted by the General Meeting of CPD S.A. on 27 May 2020. The solutions included in the Remuneration Policy meet the requirements of the Act on Public Offering and the SRD II Directive.

  The remuneration of members of the Management Board of CPD S.A., in accordance with the above Remuneration Policy, is determined taking into account the motivational nature and effective and smooth management of the Company and consists of:

  - fixed components of remuneration, including additional cash and non-cash benefits,
  - variable remuneration components (including, inter alia, cash bonuses).

  Members of the Company's Supervisory Board (including members of the Audit Committee) receive a fixed remuneration in accordance with the above-mentioned Remuneration Policy.

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

  This principle does not apply to the Company.

The Company does not currently have options or other instruments related to the Company's shares (neither for members of the Management Board nor for key managers).

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

  1) **GENERAL INFORMATION ABOUT THE COMPANY'S REMUNERATION SYSTEM,**

  2) **INFORMATION ABOUT THE CONDITIONS AND AMOUNTS OF REMUNERATION OF EACH MANAGEMENT BOARD MEMBER BROKEN DOWN BY FIXED AND VARIABLE REMUNERATION COMPONENTS, INCLUDING THE KEY PARAMETERS OF SETTING THE VARIABLE REMUNERATION COMPONENTS AND THE TERMS OF PAYMENT OF SEVERANCE ALLOWANCES AND OTHER AMOUNTS DUE ON TERMINATION OF EMPLOYMENT, CONTRACT OR OTHER SIMILAR LEGAL RELATIONSHIP, SEPARATELY FOR THE COMPANY AND EACH MEMBER OF ITS GROUP,**

  3) **INFORMATION ABOUT NON-FINANCIAL REMUNERATION COMPONENTS DUE TO EACH MANAGEMENT BOARD MEMBER AND KEY MANAGER,**

  4) **SIGNIFICANT AMENDMENTS OF THE REMUNERATION POLICY IN THE LAST FINANCIAL YEAR OR INFORMATION ABOUT THEIR ABSENCE,**

  5) **ASSESSMENT OF THE IMPLEMENTATION OF THE REMUNERATION POLICY IN TERMS OF ACHIEVEMENT OF ITS GOALS, IN PARTICULAR LONG-TERM SHAREHOLDER VALUE CREATION AND THE COMPANY'S STABILITY.**

The Company does not apply this principle.

The Supervisory Board of the Company is obliged to prepare annual remuneration reports containing a comprehensive overview of the remuneration of members of the management board and supervisory board, including benefits granted to their relatives. This report will be assessed by a certified auditor. The obligation to prepare a report on the remuneration of members of the bodies of Polish public companies was introduced, inter alia, Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 amending Directive 2007/36 / EC in regards to encouraging shareholders to long-term commitment ("SRD II Directive").

The first annual report on the remuneration of members of the Management Board and Supervisory Board of CPD S.A. ("Remuneration Report"), will be prepared by the Supervisory Board of the Company pursuant to Art. 90g of the Act on public offering and the conditions for introducing financial instruments to an organized trading system and on public companies and certain other acts (Journal of Laws of 2020, item 2080 as amended, "Act on Public Offering") in 2021 and it must contain a summary for 2019 and 2020 in total.

The Ordinary General Meeting of the Company in 2021 will adopt a resolution on the Report on Remuneration, unless, due to the fulfilment of special requirements, instead of adopting a resolution on the General Meeting, it will discuss the Report on Remuneration.

- **INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS**

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

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

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

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

To further mitigate the Company's exposure to market risks, an appropriate assessment of the potential development projects as well as the control of existing projects is carried out on the basis of the investment models and decision-making procedures. In order to reduce the risk associated with development projects and rental agreements, the Company obtains guarantees or insurance policies from sub-contractors and tenants that cover the most common risks associated with realisation of investments or that secure rental income.

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

- **HOLDERS OF QUALIFYING SHARES**

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

Shareholder	Amount of held shares	Type of shares	Amount of held votes	Shareholding structure by held votes (1)	Shareholding structure by held shares
Coöperatieve Laxey Worldwide W.A	5 373 309	Bearer	5 373 309	30.41 %	20.38 %
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QVT Family Office Fund LP	1 945 031	Bearer	1 945 031	11.01 %	7.38 %
Laxey Partners Ltd	1 380 765	Bearer	1 380 765	7.81 %	5.24 %
The Value Catalyst Fund plc	1 142 604	Bearer	1 142 604	6.47 %	4.33 %
LP Value Ltd	1 081 505	Bearer	1 081 505	6.12 %	4.10 %
LP Alternative Fund LP	1 080 708	Bearer	1 080 708	6.12 %	4.10 %
Other Shareholders	2 438 304	Bearer	2 438 304	13.80 %	9.25 %
Own Shares	8 699 836	Bearer	0 %	0 %	32.99 %

(1) Shareholders' share in the total number of votes was calculated taking into account the fact that CPD S.A. as the owner of treasury shares, cannot exercise their voting rights at the General Meeting.

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

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

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

- **RESTRICTIONS IN EXERCISE OF VOTING RIGHTS**

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

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

Not applicable.

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

Members of the Management Board are appointed and dismissed by the Supervisory Board. The current term of office of the Management Board runs from 27 May 2020 (i.e., from the date of the General Meeting approving financial statements for 2019 and the appointment of the Management Board for the fourth term) and ends on 27 May 2025. The term of office of the current Management Board is joint and lasts 5 years (§ 13(1) of the Company Statute). Dismissal or suspension of a member of the Management Board may take place only for significant reasons. Article 368(4) of the Code of Commercial Companies also provides the General Meeting's right to dismiss or suspend a member of the Management Board.

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

- fixing the date and the agenda and convening General Meetings,
- submitting motions to the General Meeting, together with the opinion of the Supervisory Board, on matters covered by the agenda of these Meetings,
- submitting to the Supervisory Board financial statements and the Management Board's written report on its activities during the accounting period and the motion on the distribution of profit or compensation for losses, these documents are examined at the Ordinary General Meeting,
- adoption of the Company's Organizational Regulations and other internal acts governing the operation of the Company's business,
- creating and adopting Company's annual, long-term and strategic plans,
- establishing procuration and granting powers of attorney,

- requesting the Supervisory Board to convene its meetings,
- requesting the Supervisory Board to approve the Management Board By-laws, the Company's Organizational Regulations, annual budgets and Company's development plans.

The members of the Management Board are obliged to participate in the General Meeting in the composition that enables giving substantive answers to questions asked at the General Meeting.

- **AMENDMENTS TO THE COMPANY STATUTE**

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

- **GENERAL MEETING**

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

- **MANAGEMENT, SUPERVISORY AUTHORITIES AND THE AUDIT COMMITTEE**

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

SUPERVISORY BOARD

The Supervisory Board acts in accordance with provisions of the Code of Commercial Companies and the provisions of the Company Statute and the Supervisory Board By-laws available to the public and determining its organization and proceeding methods, as well as in accordance with the Principles of Good Practices of Companies Listed on the Warsaw Stock Exchange. The Supervisory Board is a collective body and consists of 5 (five) to 7 (seven) members. The number of members of the Supervisory Board is fixed by the General Meeting of Shareholders, under the preceding sentence.

The composition of the Supervisory Board of CPD S.A. is as follows:

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

- Mr Michael Haxby – Vice-president of the Supervisory Board, has knowledge and skills in accounting and auditing (higher education degree in accounting and financial management); has knowledge and skills in the Company's industry.
- Mr Wiesław Oleś – Secretary of the Supervisory Board, has knowledge and skills in the Company's industry.
- Mr Mirosław Gronicki – Member of the Supervisory Board, (independent member), has knowledge and skills in accounting and auditing of financial statements (Doctor of Economics obtained at the Faculty of Production Economics of the University of Gdańsk in Poland); has knowledge and skills in the Company's industry.
- Ms Gabriela Gryger - Member of the Supervisory Board, (independent member), has knowledge and skills in accounting and auditing of financial statements (higher education degree in economics and finance obtained at the University of Cambridge in the United Kingdom and the University of Pennsylvania in the USA); has knowledge and skills in the Company's industry.
- Mr Alfonso Kalinauskas – Member of the Supervisory Board, (independent member), has knowledge and skills in accounting and auditing of financial statements (master's degree in management with specialization in finance obtained at the Faculty of Management at the University of Warsaw in Poland).

There were no changes in the composition of the Supervisory Board in the reporting period.

Under § 11.2.8) of the Statute of CPD S.A. the auditor to audit the Company’s financial statement is to be selected by the Supervisory Board of the Company. The audit company is selected by the Supervisory Board of the Company upon recommendation of the Audit Committee. In certain cases, defined by the law, the Audit Committee’s recommendations are prepared after a tendering procedure organised by the Company. The audit company is selected in advance so that the contract on audit of the financial statement can be signed on a date enabling the audit company to attend inventory-taking of significant assets.

The Supervisory Board and the Audit Committee (at the stage of preparation of its recommendation) set the criteria for selection of the entity entitled to audit the Company’s financial statement, especially with consideration of:

a) impartiality and independence of the audit company and the auditor,
b) analysis of works to be performed by the audit company and the auditor in the Company beyond the scope of audit of its financial statement, in order to avoid any conflict of interests (maintaining impartiality and independence),
c) services provided by the audit company and the auditor during the last five years before its selection,
d) highest quality of performed audit works,
e) professional qualifications and experience of persons directly engaged in the audit, including their knowledge of the industry of operation of the companies from the Capital Group of CPD S.A.,
f) the audit company’s activity in majority of countries of operation of the companies from the Capital Group of CPD S.A..

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

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

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

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

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

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

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

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

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

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

Where appropriate, the Audit Committee issues service guidelines.

MANAGEMENT BOARD

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

The composition of the Management Board of CPD S.A. is as follows:

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

There were no changes in the composition of the Management Board in the reporting period.

AUDIT COMMITTEE

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

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

There were no changes in the composition of the Audit Committee in the reporting period.

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

- The audit committee consists of at least 3 members. At least one member of the audit committee has the knowledge and skills in accounting or auditing of financial statements;
- Most of the members of the audit committee, including its chairman, are independent of the public interest entity in question;
- The members of the audit committee have knowledge and skills in the industry, in which the public interest entity operates. This condition is considered as fulfilled if at least one member of the audit committee has knowledge and skills in this industry or if particular members have knowledge and skills in certain aspects of this industry;
- The chairman of the audit committee is appointed by the members of the audit committee or the supervisory board, or another supervisory or control body of the public interest entity.

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

In 2020 the Audit Committee met five times.

5. STRATEGY AND POLICY REGARDING FURTHER DEVELOPMENT OF THE GROUP

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

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

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

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

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

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

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

The geographical structure of the Group's revenues in 2020 reflected the strategy of concentration on the Polish market adopted by the Group. In 2020, 100% of the Group's revenues came from the domestic market. The recipients of the Company and its Capital Group are divided into two basic groups closely related to the type of projects carried out by the Group: specialized real estate funds, residential developers and individual recipients. Projects for commercial use are ultimately sold to specialized institutional investors operating on the real estate market. Smaller projects are sold to individual investors. Before the sale begins, the Company commercializes the building. Thus, tenants of commercial areas also constitute an indirect group of recipients.

Due to the allocation of a part of the real estate for residential development, the Group's customers are housing developers operating in Warsaw and also natural persons looking for a new flat. The characteristics of the target customers depends on the type of individual projects. CPD Group implemented projects for individual clients with a higher purchasing potential (Wilanów Classic housing estate, apartments in a tenement at 69 Koszykowa Street). In 2020 customers interested in popular apartments for decent prices as well as developers looking for investment areas with the above potential are the main group of customers for the Company.

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

➢ EVENTS AFFECTING THE ACTIVITY AND FINANCIAL RESULT

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

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

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

• INFORMATION ON THE ACCEPTANCE OF THE SHAREHOLDERS OFFERS TO SELL SHARES

Pursuant to the Invitation to Submit Offers to Sell Shares of the Company announced on 3 March 2020, by which the Company proposed to acquire up to 5,393,950 ordinary bearer shares under ISIN code PLCELPD00013, in the period for receipt of the Offers to Sell Shares from 13 to 20 March 2020, 3 valid offers amounting to a total of 614 385 shares of the Company were submitted.

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

• BUYBACK OF TREASURY STOCK FOR REDEMPTION

On 26 March 2020, as a result of the Invitation to Submit offers to sell shares of the Company announced by the Company on 3 March 2020, acquired through the brokerage house Pekao Investment Banking S.A. with its registered seat in Warsaw, CPD S.A. acquired 614,385 of the Company’s shares (own shares).

The shares were bought back pursuant to Resolution No. 3 adopted by the Extraordinary General Meeting of CPD S.A. held on 28 February 2019 to acquire Company shares for the purpose of redemption, amended by Resolution no 3 adopted by the Extraordinary General Meeting of CPD S.A. held on 2 March 2020 on the amendment of resolution no 3 adopted by the Extraordinary General Meeting held on 28 February 2019 to acquire Company shares for the purpose of redemption, pursuant to art. 362 § 1 point 5) of the Code of Commercial Companies.

The buyback price per share was 5,00 zł.

All of the buyback shares are ordinary shares with a nominal value of 0.10 zł each. CPD S.A.’s treasury shares (614,385 shares) represent 2.33% of the Company’s share capital and 614,385 votes at the General Meeting of the Company (2.33% of the total number of votes at the General Meeting of the Company), although under applicable regulations the Company is not allowed to exercise the voting rights attached to treasury stock.

Prior to this buyback of 614,385 treasury shares, the Company already held another 3,305,886 treasury shares representing 12.54 % of the Company’s share capital and 3,305,886 votes at the General Meeting of the Company (12.54 % of the total number of votes at the General Meeting of the Company).

Therefore, on 31 March 2020 the Company held a total of 3,920,271 treasury shares representing a total of 14.87% of the share capital of the Company, although under applicable regulations the Company is not allowed to exercise the voting rights attached to its own shares.

- **APPOINTMENT OF THE MANAGEMENT BOARD FOR THE NEXT TERM**

On 24 April 2020, the Supervisory Board decided that the Company's Management Board would consist of four members and appointed the following persons to serve on the Management Board in its fourth joint term of office:

1. Mr Colin Kingsnorth,
2. Ms Elżbieta Wiczkowska,
3. Ms Iwona Ewa Makarewicz,
4. Mr John Purcell.

Moreover, the Supervisory Board appointed Colin Kingsnorth to continue serving in his capacity as the President of the Management Board.

This resolution entered into force on the date when the Annual General Meeting approving the Company's financial statements for 2019 was held.

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

On 2 June 2020 the Management Board of the Company invited the Company's shareholders to submit Offers to Sell Shares on the terms specified in the Invitation to Submit Sale Offers.

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

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

Pursuant to the Invitation to Submit Offers to Sell Shares of the Company announced on 2 June 2020, by which the Company proposed to buy back up to 4,779,565 ordinary bearer shares under ISIN code PLCELPD00013, in the period for receipt of Offers to Sell Shares from 8 to 22 June 2020, 60 valid offers amounting to a total of 19,224,181 shares of the Company were submitted.

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

- **BUYBACK OF TREASURY SHARES FOR REDEMPTION**

On 25 June 2020, as a result of the Invitation to Submit Offers to Sell Shares of the Company announced by the Company on 2 June 2020, acquired through a brokerage house Pekao Investment Banking S.A. with its registered seat in Warsaw, CPD SA bought back 4,779,565 shares in the Company (treasury shares).

The shares were bought back pursuant to Resolution no. 3 adopted by the Extraordinary General Meeting of CPD S.A. held on 28 February 2019 to buy back the Company's shares for the purpose of redemption, which has been amended twice i.e., in Resolution no. 3 adopted by the Extraordinary General Meeting of CPD S.A. held on 2 March 2020 and Resolution no. 18 adopted by the Ordinary

General Meeting of CPD S.A. held on 27 May 2020 pursuant to art. 362 § 1 point 5) Code of Commercial Companies.

The buyback price per share was 14.92 zł.

All of the buyback shares are ordinary shares with a nominal value of 0.10 zł each. CPD S.A.'s treasury shares (numbering 4,779,565 shares) represent 18.12% of the Company's share capital and represent 4,779,565 votes at the General Meeting of the Company (18.12% of the votes at the General Meeting of the Company).

Prior to the above-mentioned buyback of 4,779,565 treasury shares, the Company already held 3,920,271 treasury shares representing 14.87% of the Company's share capital and representing 3,920,271 votes at the General Meeting of the Company (14.87% of the votes at the General Meeting of the Company).

In connection with the above, the Company holds a total of 8,699,836 treasury shares, representing jointly 32.99% of the share capital of the Company, except that in accordance with applicable regulations, the Company is not allowed to exercise the voting rights attached to the treasury shares.

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

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

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

In the Management Board's opinion, in the year 2020 an unusual event occurred - the COVID-19 pandemic, but this did not have a significant impact on the Group's results for 2020.

Real estate development is characterized by a long production cycle, therefore the effects of negative events are felt in the long term. The revenues from the sale of apartments, service premises and parking spaces for 2020 amounted to PLN 101.6 million and were generated by transactions from about a year ago with the payment term spread over instalments. Therefore, the events that took place in 2020 will be visible in the income statement for subsequent years. However, it should be noted that the construction industry, including the development of apartments in multi-year buildings, did not record any declines in sales or a slowdown in the growth dynamics observed in previous years.

However, as a result of the restrictions imposed by individual countries in terms of movement and business activities, the sale of two office buildings was extended, therefore the management board decided to reclassify the above-mentioned Buildings and their presentation in the consolidated financial statements in the section of investment properties. As a result of reclassification, the book value of investment properties increased by PLN 47.5 million, while the book value of assets held for sale decreased by PLN 47.5 million. The book value of total assets did not change as a result of reclassification.

Due to the global pandemic, the company assumes that its effects may affect the activities of development companies in the following areas:

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

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

It should be emphasized that the pace of construction works carried out in the CPD Group in 2020 did not slow down. This was the basis for the success of the commissioning, in 2020, in accordance with the schedule of the 1st Ursa Home Task and the commissioning of the 2nd Ursa Home Task with several months ahead. Additionally, the sales of these projects in the CPD Group did not slow down and as at the publication date of the report, 98% of residential and commercial premises were sold.

The commenced next stage of Ursa Sky is being implemented in accordance with the assumed schedule. Taking into account the advancement of construction works and the level of sales of this project, the Management Board of CPD S.A. expects to complete the construction projects in accordance with the schedule and as at the date of publication of the report, has not noticed the resignation from the already signed development contracts.

The Management Board of the Company monitors and analyses the situation of the CPD capital group on an ongoing basis in connection with the spread of the SARS-CoV-2 virus and takes a number of measures to minimize the impact of the negative effects of the pandemic on the activities of the CPD group.

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

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

- The macroeconomic situation on the Polish market that shapes the demand for real estate and the purchasing power of customers,
- The situation on financial markets, in particular availability of sources of funding and the cost of capital raised,
- Banks’ lending policies and availability of mortgage loans,
- The government’s policy to support the construction sector,

- Administrative decisions regarding lands held by subsidiaries,
- Risk connected to COVID - 19 pandemic.

10. OVERVIEW OF ESSENTIAL ECONOMIC AND FINANCIAL DATA

	12 months ended		*Change*
	31.12.2020	**31.12.2019**	***2020/2019***
	(PLN ths.)	(PLN ths.)	*(%)*
Revenue	157	4	*3825%*
Administrative expenses	-4 844	-3 577	*35%*
Marketing costs	-28	-13	*115%*
Gain on revaluation of loans	15 707	10 406	*51%*
Other operating income	54	0	
Other operating expenses	-79	-60	*32%*
Profit from operations	**10 967**	**6 760**	***62%***
Finance income	126 352	23 497	*438%*
Finance costs	-477	-3 748	*-87%*
Profit before tax	**136 842**	**26 509**	***416%***
Income tax	273	-414	
PROFIT/LOSS FOR THE YEAR	**137 115**	**26 095**	***425%***

In 2020 CPD SA generated a net profit in the amount of 137.1 m PLN. The net profit improved by 111 m PLN in comparison with 2019.

A rise in finance income in the amount of 102.9 m PLN had the biggest impact on the improvement in net results for 2020. In 2020 the company received dividends from its subsidiary Challange Eighteen sp. z o.o. in the total amount of 125.1 m PLN.

An increase in administrative expenses was a factor that had the biggest negative impact on the net results for 2020. Administrative expenses went up by 1.3 m PLN in comparison with 2019 mainly due to higher staff costs.

In 2020 the company did not generate any substantial operating revenue.

Selected items of the statement of financial position

	As at:		*Change*
	31.12.2020	**31.12.2019**	***2020/2019***
	(PLN ths.)	(PLN ths.)	*(%)*
Total assets	**250 662**	**168 213**	***49%***

Non-current assets, including:		119 344	136 283	*-12%*
	Long-term receivables	*84 301*	*110 799*	*-24%*
	Shares in subsidiaries	*35 043*	*25 484*	-
Current assets, including:		131 318	31 930	*311%*
	Trade receivables and other receivables	*115 789*	*1 696*	*6726%*
	Cash and cash equivalents	*15 529*	*30 234*	*-49%*
Total equity and liabilities		**250 662**	**168 213**	***49%***
Equity, including:		202 808	140 078	*45%*
	Share capital	*2 637*	*2 637*	*0%*
	Treasury shares for redemption	*-117 395*	*-43 010*	*173%*
	Reserve capital	*987*	*987*	*0%*
	Fair value of capital element at inception date	*-27 909*	*-27 909*	*0%*
	Share premium	*677 034*	*677 034*	*0%*
	Retained earnings	*-332 546*	*-469 661*	*-29%*
Non-current liabilities		42 702	22 559	*89%*
Current liabilities		5 152	5 576	*-8%*

As of December 2020 the value of total assets was 49% higher in comparison with December 2019 (the increase in the value of total assets amounted to 82.4 m PLN).

Short-term receivables were higher by 114.1 m PLN in comparison with 2019 mainly due to the fact that CPD lent money to its subsidiary Ursus Development sp. z o.o. in 2020.

As far as the non-current assets are concerned, long-term receivables resulting from intra-group loans accounted for 71% of total non-current assets.

As of December 2020 total equity amounted to 202.8 m PLN, which accounted for 81% of total equity and liabilities, whereas total liabilities accounted for just 19% of total equity and liabilities. The ratios changed slightly in comparison with the end of 2019 (83% and 17% respectively). An increase in equity amounted to 45% in comparison with the end of December 2019.

The value of total liabilities increased by 70% in comparison with 2019 due to the fact that CPD borrowed money from its subsidiary IMES Poland sp. z o.o. in 2020.

At the end of 2020 the value of long-term liabilities amounted to 42.7 m PLN. Deferred tax liability amounted to 10.6 m PLN. The remainder in the amount of 32.1 m PLN related to intra-group loan liabilities towards subsidiaries IMES Poland sp. z o.o., Lakia Enterprises Ltd and Robin Investments sp. z o.o.

Short-term liabilities in the amount of 5.2 m PLN accounted for 2.1% of total assets. Loan liability towards Lakia Investments constituted the biggest part of these liabilities.

The following table shows the structure of liabilities.

	31.12.2020	31.12.2019
Liabilities to total assets	**19,1%**	**16,7%**
Non-current liabilities to total assets	**17,0%**	**13,4%**
Borrowings	12,8%	6,9%
Deferred tax liability	4,2%	6,5%
Current liabilities to total assets	**2,1%**	**3,3%**
Borrowings	2,0%	3,2%
Trade and other payables	0,1%	0,1%

The structure of liabilities changed slightly in comparison with 2019.

The share of non-current liabilities in total equity and liabilities went up from 13.4% to 17%. This change resulted from the fact that total equity and liabilities increased by 49% and the value of non-current liabilities went up by 89% in 2020.

Non-current liabilities accounted for 89% of total liabilities as at December 2020 compared to 80% as at December 2019.

The share of current liabilities in total equity and liabilities dropped from 3.3% to 2.1%.

Current liabilities accounted for 11% of total liabilities as at December 2020 compared to 20% as at December 2019.

11. RISK FACTORS AND THREATS

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

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

- ### RISK RELATED TO THE DEVELOPMENT OF A WORLD PANDEMIC

At the end of 2019, China reported the first cases of SARS-CoV-2 coronavirus infection causing COVID-19. Currently, the COVID-19 pandemic is evolving rapidly and statistics on epidemiological changes are the basis of decision making. European countries are implementing measures to reduce transmission of the virus based on specific situations and statistics.

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

The company analyzes the situation of the CPD S.A. group on an ongoing basis in connection with the spread of the SARS-CoV-2 virus and undertakes a number of measures to mitigate the impact of the negative effects of the pandemic on the activities of the CPD Group, in particular on the implementation of development projects according to their schedule.

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

However, the ultimate impact of the effects of the pandemic and the extent of such impacts are currently unknown and impossible to quantify, and dependent on factors beyond the control or influence of the Company.

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

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

The decline in Poland's GDP in 2020 was 2.7%. For comparison, in 2019, Poland's GDP increased by 4,7%.

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

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

The land development business conducted by the Company and its Group is associated with the need to obtain numerous administrative decisions enabling them to implement construction projects, e.g., decisions on the location of investments, zoning and development decisions (if no local zoning plan exists for the area), construction permits, occupancy certificates for newly erected structures, environmental decisions required under environmental legislation. The obligation to obtain the above administrative decisions entails the risk of inability to complete or significantly delay completion of the building project if the decisions are not obtained or the relevant procedures are protracted.

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

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

However, it should be noted that in connection with the pandemic state announced by WHO, the European Union Commission and the governments of individual countries, including Poland, introduce restrictions on the gathering and movement of people. This results in a significant restriction in the functioning of individual institutions, organizations and government and self-government offices. Such restrictions affect the pace of issuing decisions and certificates, which has an impact on the implementation of investments and business processes.

As at the date of publication of this report, due to the inability to predict the end of the pandemic as well as the planned government actions aimed at preventing the spread of the virus, it cannot be ruled out that further restrictions introduced by the government and the development of the pandemic will have a direct impact on the next balance sheet periods.

- **RISK RELATED TO COMPETITION**

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

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

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

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

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

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

The Company cannot guarantee that its strategic goals will be attained and, in particular, it cannot guarantee the expected significant expansion of the scale of its business. Successful implementation of the strategy depends on many factors beyond the Company's control, which nevertheless determine the situation on the real estate market. The Company endeavours to build its strategy on the basis of the current market situation.

The Company cannot ensure, however, that its strategy is based on a complete and accurate analysis of current and future market trends. Moreover, one cannot exclude that the activities undertaken by the Company may turn out to be insufficient or missed from the perspective of its strategic goals. An erroneous assessment of market prospects and any erroneous decisions may have a significant adverse effect on the financial performance of the Company and the Group.

However, it should be noted that in connection with the pandemic state announced by WHO, the European Union Commission and the governments of individual countries, including Poland, introduce restrictions on the accumulation and movement of people. This results in a significant restriction in the functioning of individual institutions, organizations and government and self-government offices. Such restrictions affect the pace of issuing decisions and certificates, which has an impact on the implementation of investments and business processes.

As at the date of publication of this report, due to the inability to predict the end of the pandemic as well as the planned government actions aimed at preventing the spread of the virus, it cannot be ruled out that further restrictions introduced by the government and the development of the pandemic will have a direct impact on the next balance sheet periods.

- **RISK RELATED TO MANAGERIAL STAFF**

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

However, it should be noted that in connection with the pandemic state announced by WHO, the European Union Commission and the governments of individual countries, including Poland, introduce restrictions on the accumulation and movement of people. This results in a significant restriction in the functioning of individual institutions, organizations and government and self-government offices. Such restrictions affect the pace of issuing decisions and certificates, which has an impact on the implementation of investments and business processes.

As at the date of publication of this report, due to the inability to predict the end of the pandemic as well as the planned government actions aimed at preventing the spread of the virus, it cannot be ruled out that further restrictions introduced by the government and the development of the pandemic will have a direct impact on the next balance sheet periods.

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

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

However, it should be noted that in connection with the pandemic state announced by WHO, the European Union Commission and the governments of individual countries, including Poland, introduce restrictions on the accumulation and movement of people. This results in a significant restriction in the functioning of individual institutions, organizations and government and self-government offices. Such restrictions affect the pace of issuing decisions and certificates, which has an impact on the implementation of investments and business processes.

As at the date of publication of this report, due to the inability to predict the end of the pandemic as well as the planned government actions aimed at preventing the spread of the virus, it cannot be ruled out that further restrictions introduced by the government and the development of the pandemic will have a direct impact on the next balance sheet periods.

- **FOREIGN EXCHANGE RISK**

As at the balance sheet date, CPD did not have any debt denominated in foreign currencies. Due to the above, the Company is not exposed to the risk of depreciation of the zloty in relation to the currencies in which loans and borrowings are incurred.
However, it should be noted that in connection with the pandemic state announced by WHO, the European Union Commission and the governments of individual countries, including Poland, introduce restrictions on the accumulation and movement of people. This results in a significant restriction in the functioning of individual institutions, organizations and government and self-government offices. Such restrictions affect the pace of issuing decisions and certificates, which has an impact on the implementation of investments and business processes.

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

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

- **LIQUIDITY RISK**

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

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

Did not occur.

13. THE COMPANY’S ORGANISATIONAL AND CAPITAL-RELATED RELATIONSHIPS

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

14. SIGNIFICANT AGREEMENTS

In the financial year 2020, the Company and other companies from the Capital Group concluded agreements which are significant agreements within the meaning of the Ordinance of the Minister of Finance of 29 March 2018 on current and periodic information provided by issuers of securities.

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

- Loan agreement held by Belise Investments sp. z o.o. with Santander Bank Polska S.A. The agreement is significant due to its value as of 31 December 2020, amounting to 657 438 PLN (according to the average EUR exchange rate published by the National Bank of Poland on 31 December 2020, amounting to 4.6148 PLN / EUR), which exceeds the value of 10% of CPD S.A. equity. as of 31 December 2020,
- Loan agreement held by Lakia Investments sp. z o.o. with mBank S.A. The agreement is significant due to its value as of 31 December 2020, amounting to 20 343 PLN (according to the average EUR exchange rate published by the National Bank of Poland on 31 December 2020, amounting to 4.6148 PLN / EUR),
- Loan agreement held by Robin Investments sp. z o.o. with mBank. The contract is significant due to its value as of 31 December 2020, amounting to 15 753 PLN (according to the average EUR exchange rate published by the National Bank of Poland on 31 December 2020, amounting to 4.6148 PLN / EUR),

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

- Investment agreement for a joint venture between CPD S.A., Challange Eighteen sp. z o.o., Ursa Park Smart City sp. z o.o. sp. k. and Lakia Enterprises Ltd and Unibep S.A. and Unidevelopment S.A.. The agreement is significant due to its value on the date of its amendment, i.e., on 26 October 2018, amounting to PLN 133.8 million, which exceeds the value of 10% of CPD S.A. equity on 31 December 2020,
- Investment agreement for a joint venture between CPD S.A., Ursa Sky Smart City sp. z o.o. sp. k. and Lakia Enterprises Ltd and Unibep S.A. and Unidevelopment S.A.. The agreement is significant due to its value on the date of its amendment, i.e., on 22 September 2020, amounting to PLN 172 million, which exceeds the value of 10% of CPD S.A. equity on 31 December 2020,
- Conditional preliminary agreement for the sale of the right to land real estate concluded on 31 July 2018 between the subsidiary 5/92 Gaston Investments sp. z o.o. sp. k. and the company UDI Tau sp. z o.o.. The contract is significant due to its value of PLN 50.02 million, which exceeds the value of 10% of CPD S.A. equity as of 31 December 2020,
- Conditional preliminary contract for the sale of the right to the land property concluded on 28 December 2019 between the subsidiaries 12/132 Gaston Investments sp. z o.o. sp. k. and 13/155 Gaston Investments sp. z o.o. sp. k. and UDI Ursus II sp. z o.o.. The contract is significant due to its value of PLN 79.7 million, which exceeds 10% of CPD S.A.'s equity as of 31 December 2020. In 2020, the rights and obligations of the subsidiaries resulting from the above agreement were transferred to the subsidiary Ursus Development sp. z o.o., which acquired the rights to the real estate subject to the above-mentioned agreement from the above-mentioned subsidiaries.

15. SIGNIFICANT DEALS BETWEEN RELATED PARTIES

During the reporting period, the Company did not conclude any transactions with related parties on terms other than the market terms. Transactions with related parties are described in Note 23 to the Company's financial statements *Transactions with related parties.*

16. CREDIT AND LOAN AGREEMENTS, WARRANTIES AND GUARANTEES

The loan commitments on 31 December 2020 relate to the following loans: the loan granted by the Company's subsidiary i.e., IMES Poland (interest rate on the loan is 3M WIBOR + margin 1.55%), the loan granted by the Company's subsidiary i.e., Lakia Enterprises (interest rate on the loan is 3M WIBOR + margin 0.50%), the loan granted by the Company's subsidiary i.e., Lakia Investments (interest rate on the loan is 3M WIBOR + margin 1.55%) and the loan granted by the subsidiary i.e., Robin Investments (interest rate on the loan is 3M WIBOR + margin 1.55%). As on 31 December 2020 loan balances are as follows: IMES Poland: 20 601 thousand PLN (capital: 20 370 thousand PLN, interest 231 thousand PLN); Lakia Enterprises: 9 674 thousand PLN (capital: 7 091 thousand PLN, interest 2 583 thousand PLN); Lakia Investments is 4 903 thousand PLN (capital 4 166 thousand PLN, interest 737 thousand PLN); Robin Investments 1 799 thousand PLN (capital: 1 600 thousand PLN, interest 199 thousand PLN).

As of 31 December 2020, CPD SA guaranteed to Santander Bank Polska SA payable and due amounts that are required (or may be required) to cover debt service or any other payments due to be paid to Bank Santander by the subsidiary Belise Investments sp. z o.o. based on a payment request up to a maximum of EUR 20,666,000.

On 31 December 2020, the balance of the guaranteed loan was EUR 14.245.000.

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

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

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

- **BUYBACK OF TREASURY SHARES FOR REDEMPTION**

On 25 June 2020, as a result of the Invitation to Submit Offers to Sell Shares of the Company announced by the Company on 2 June 2020, acquired through a brokerage house Pekao Investment Banking S.A. with its registered seat in Warsaw, CPD SA bought back 4,779,565 shares in the Company (treasury shares).

The shares were bought back pursuant to Resolution no. 3 adopted by the Extraordinary General Meeting of CPD S.A. held on 28 February 2019 to buy back the Company's shares for the purpose of redemption, which has been amended twice i.e., in Resolution no. 3 adopted by the Extraordinary General Meeting of CPD S.A. held on 2 March 2020 and Resolution no. 18 adopted by the Ordinary General Meeting of CPD S.A. held on 27 May 2020 pursuant to art. 362 § 1 point 5) Code of Commercial Companies.

The buyback price per share was 14.92 zł.

All the buyback shares are ordinary shares with a nominal value of 0.10 zł each. CPD S.A.'s treasury shares (numbering 4,779,565 shares) represent 18.12% of the Company's share capital and represent 4,779,565 votes at the General Meeting of the Company (18.12% of the votes at the General Meeting of the Company).

Prior to the above-mentioned buyback of 4,779,565 treasury shares, the Company already held 3,920,271 treasury shares representing 14.87% of the Company's share capital and representing

3,920,271 votes at the General Meeting of the Company (14.87% of the votes at the General Meeting of the Company).

In connection with the above, the Company holds a total of 8,699,836 treasury shares, representing jointly 32.99% of the share capital of the Company, except that in accordance with applicable regulations, the Company is not allowed to exercise the voting rights attached to the treasury shares.

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

Pursuant to the Invitation to Submit Offers to Sell Shares of the Company announced on 2 June 2020, by which the Company proposed to buy back up to 4,779,565 ordinary bearer shares under ISIN code PLCELPD00013, in the period for receipt of Offers to Sell Shares from 8 to 22 June 2020, 60 valid offers amounting to a total of 19,224,181 shares of the Company were submitted.

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

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

On 2 June 2020 the Management Board of the Company invited the Company's shareholders to submit Offers to Sell Shares on the terms specified in the Invitation to Submit Sale Offers.

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

- **PURCHASE OF OWN SHARES FOR REDEMPTION**

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

The shares were acquired pursuant to the Resolution No. 3 of the Extraordinary General Meeting of CPD S.A. of 28 February 2019 on acquisition of the shares of the Company for the purpose of redemption, amended by the Resolution no 3 of the Extraordinary General Meeting of CPD S.A. of 2 March 2020 on the amendment of resolution no 3 of the Extraordinary General Meeting of 28 February 2019 on the purchase of the shares of the Company for the purpose of redemption, pursuant to art. 362 § 1 point 5) Code of Commercial Companies.

The purchase price per share was 5,00 zł.

All the purchased shares are ordinary shares with a nominal value of 0.10 zł each. The purchased own shares of CPD S.A. (614,385 shares) represent 2.33% of the Company’s share capital and 614,385 votes at the General Meeting of the Company (2.33% of total voting rights at the General Meeting of the Company), although under applicable regulations the Company is not allowed to exercise the voting rights attached to its own shares.

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

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

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

Pursuant to the Invitation to Submit Offers to Sell the Shares of the Company announced on 3 March 2020, by which the Company proposed to acquire up to 5.393.950 ordinary bearer shares of ISIN code PLCELPD00013, in the period for receipt of the Offers to Sell the Shares from 13 to 20 March 2020, 3 valid offers amounting to a total of 614 385 shares of the Company were submitted.

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

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

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

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

18. DESCRIPTION OF DIFFERENCES IN FINANCIAL RESULTS FORECASTS

The Company did not publish financial performance forecasts for 2020.

19. ASSESSMENT OF FINANCIAL RESOURCES MANAGEMENT

CPD SA finances its operations mainly based on equity. Equity capitals as at the balance sheet date constituted 81% of the total balance sheet of the Group. In 2020, the Company's financial resources were used in accordance with the plans, intended use and current needs. The company has regularly met its obligations to counterparties, banks and obligatory charges to the State. Financial flows are monitored on an ongoing basis, which allows for safe management of the Company's finances. Liabilities constituting 19% of the total balance sheet of the Company do not pose a threat to its financial condition.

20. CHANGES IN MANAGEMENT POLICIES

In 2020, continuing the strategy of focusing the Group's activities on the Polish market, in particular on the Ursus project, the structure of the Group underwent changes.

The liquidation of a company not conducting investment or operational activity (Mandy Investments sp. z o.o.) is still ongoing further to the sale of its properties and cessation of its operating activities. The reduction of the number of subsidiaries to 28 at the end of the settlement period contributed to the simplification of the Group's management rules.

In addition to changes in the Group's structure in 2020 (described in detail in point VI.2 CAPITAL GROUP STRUCTURE of this report) and further simplification of organizational procedures, there were no major changes in the Group's management policies.

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

- ### SUPERVISORY BOARD MEMBERS REMUNERATION

In 2020, neither the Company nor its subsidiaries paid any prizes or benefits, including those resulting from incentive or bonus schemes based on the issuer's capital, in particular, based on bonds with pre-emptive rights, convertible bonds, subscription warrants, in cash, in kind or in any other form. In 2020, the following remuneration amounts for holding an office in the Company's Supervisory Board were disbursed to the members of the Supervisory Board of CPD S.A.:

Name	Function	Currency	PLN	Period	Comments
Wiesław Oleś	Secretary	PLN	60 000	01.2020 - 12.2020	-
Andrew Pegge	President	PLN	84 000	01.2020 - 12.2020	-
Mirosław Gronicki	Member	PLN	60 000	01.2020- 12.2020	-
Gabriela Gryger	Member	PLN	60 000	01.2020 - 12.2020	–
Michael Haxby	Vice-president	PLN	60 000	01.2020 - 12.2020	–
Alfonso Kalinauskas	Member	PLN	60 000	01.2020 - 12.2020	–
TOTAL		**PLN**	**384 000**		

- ### AUDIT COMMITTEE REMUNERATION

In 2020, the following remuneration amounts for holding an office based on appointment in the Company's Audit Committee and for providing services to the Group companies were disbursed to the members of the Audit Committee of CPD S.A.:

Name	Function	Currency	PLN	Period	Comments
Alfonso Kalinauskas	President	PLN	72 000	01.2020 - 09.2020	-
Andrew Pegge	Member	PLN	48 000	01.2020 - 12.2020	-
Mirosław Gronicki	Member	PLN	48 000	01.2020 - 12.2020	-
TOTAL		**PLN**	**168 000**		

- ### MANAGEMENT BOARD REMUNERATION

In 2020, neither the Company nor its subsidiaries paid any prizes or benefits, including those resulting from incentive or bonus schemes based on the issuer's capital, in particular based on bonds with pre-emptive rights, convertible bonds, subscription warrants, in cash, in kind or in any other form. In 2020 CPD S.A. The Management Board members received the following remuneration amounts for an office based on appointment in the Management Board of the Company and for providing services to the CPD Group companies.

Name	Function	Remuneration for holding function in the Management Board of the Company paid by the Company (PLN)	Remuneration for holding other functions in the Group paid by subordinated entities (PLN)	Total (PLN)	Period	Comments
Colin Kingsnorth	President	897 024	0	897 024	01.2020- 12.2020	-
Iwona Makarewicz	Member	524 826	594 400	1 119 226	01.2020 - 12.2020	-
Elżbieta Wiczkowska	Member	817 979	1 244 000	2 061 979	01.2020 - 12.2020	-
John Purcell	Member	60 000	1 285 988	1 345 988	01.2020 - 12.2020	-
RAZEM		**2 299 830**	**3 124 388**	**5 424 218**		

22. AGREEMENTS WITH MANAGING STAFF – INDEMNITIES

CPD S.A. Management Board members are not employed under employment agreements in the Company. The Company did not conclude any agreements with members of the Management Board that provide for compensation in the event of their resignation or dismissal from their function without a valid reason or when the dismissal results from the merger of the Company following an acquisition.

23. COMPANY SHARES HELD BY MANAGING AND SUPERVISORY STAFF

The following table presents the number of shares of the Company owned by the members of the Management Board holding their function on 31 December 2020, according to the information held by the Company:

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

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

24. AGREEMENTS CHANGING THE OWNERSHIP STRUCTURE

At the date of this report, the Company has not received other notifications concerning any changes in the proportion of shares held by shareholders holding at least 5% of the shares of the Company.

25. CONTROL SCHEME FOR EMPLOYEE STOCK PROGRAMMES

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

26. AGREEMENT WITH THE AN ENTITY AUTHORISED TO AUDIT FINANCIAL STATEMENTS

On 15 September 2020, the Supervisory Board of the Company, after hearing the recommendation of the Company's Audit Committee, adopted a resolution on selection of Grant Thornton Polska sp. z o.o. sp. k. with its registered office in Poznań, at ul. Abpa Antoniego Baraniaka 88 E, entered into the list of entities authorized to audit financial statements under number 4055, for the certified auditor entitled to:

- audit of the consolidated financial statements of CPD S.A. for the financial year ended 31 December 2020,
- audit of the stand-alone financial statements of CPD S.A. for the financial year ended 31 December 2020,
- review of the interim consolidated financial statements of CPD S.A. for the period ended on 30 June 2020,
- review of the interim stand-alone financial statements of CPD S.A. for the period ended on 30 June 2020,

and

- audit of the consolidated financial statements of CPD S.A. for the financial year ended 31 December 2021,
- audit of the stand-alone financial statements of CPD S.A. for the financial year ended 31 December 2021,
- review of the interim consolidated financial statements of CPD S.A. for the period ended on 30 June 2021,
- review of the interim stand-alone financial statements of CPD S.A. for the period ended on 30 June 2021.,

and

- auditing the consolidated financial statements of CPD S.A. for the financial year ended 31 December 2022,
- auditing the separate financial statements of CPD S.A. for the financial year ended 31 December 2022,
- review of the interim consolidated financial statements of CPD S.A. on 30 June 2022,
- review of the interim separate financial statements of CPD S.A. on 30 June 2022.

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

The main assumptions of the policy of selecting an audit company

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

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

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

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

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

In 2020, the audit company auditing the financial statements did not provide any non-audit services to CPD, therefore the assessment of the audit company's independence and the consent of the CPD Supervisory Board to provide additional services were not required.

The financial statements of CPD S.A. and the consolidated financial statements of the Capital Group for 2020 were reviewed and audited by an audit firm Grant Thornton Polska sp. z o.o. sp. k. with its registered seat in Warsaw.

The total remuneration of auditor Grant Thornton for 2020 amounted to PLN 150.000 net, of which:

- PLN 65,000 was the remuneration for reviewing the financial statements of CPD S.A. and the consolidated financial statements of the Capital Group for the period from 1 January 2020 to 30 June 2020 (agreement of 16 September 2020);
- PLN 85,000 was the remuneration for auditing the financial statements of CPD S.A. and the consolidated financial statements of the Capital Group for the period from 1 January 2020 to 31 December 2020 (contract of 16 September 2020);

The remuneration of the audit company for the audit and review of the financial statements for the previous financial year is described in note 28 of the financial statements.

27. STRUCTURE OF ASSETS AND LIABILITIES – BY LIQUIDITY

	As at:				*Change*
	31.12.2020	**31.12.2019**	**% in total assets**	**% in total assets**	**2020/2019**
	(PLN ths.)	(PLN ths.)	**2020**	**2019**	*(%)*
Shares in subsidiaries	35 043	25 484	14%	15%	*38%*
Long term receivables	84 301	110 799	34%	66%	*-24%*
Non-current assets	**119 344**	**136 283**	**48%**	**81%**	***-12%***
Trade and other receivables	115 789	1 696	46,2%	1%	*6726%*
Cash and cash equivalents	15 529	30 234	6%	18%	*-49%*
Current assets	**131 318**	**31 930**	**52%**	**19%**	***311%***
TOTAL ASSETS	**250 662**	**168 213**	**100%**	**100%**	***49%***

	As at:				*Change*
	31.12.2020	**31.12.2019**	**% in total assets**	**% in total assets**	**2020/2019**
	(PLN ths.)	(PLN ths.)	**2020**	**2019**	*(%)*
Share capital	2 637	2 637	1%	1,6%	*0%*
Reserve capital	987	987	0,4%	0,6%	*0%*

Treasury shares for redemption	-117 395	-43 010	-47%	-26%	*173%*
Fair value of capital element at inception date	-27 909	-27 909	-11%	-17%	*0%*
Share premium	677 034	677 034	270%	402%	*0%*
Retained earnings	-332 546	-469 661	-133%	-279%	*-29%*
Equity	**202 808**	**140 078**	**81%**	**83%**	***45%***
Borrowings	32 073	11 657	13%	7%	*175%*
Deferred tax liability	10 629	10 902	4%	6%	*-3%*
Non-current liabilities	**42 702**	**22 559**	**17%**	**13%**	***89%***
Borrowings	4 903	5 373	2%	3%	*-9%*
Trade and other payables	249	203	0,1%	0%	*23%*
Current liabilities	**5 152**	**5 576**	**2%**	**3%**	***-8%***
TOTAL EQUITY AND LIABILITIES	**250 662**	**168 213**	**100%**	**100%**	***49%***

28. GRANTED LOANS

Information about loans granted by CPD SA as at 31.12.2020

Borrower	Currency	Book value (PLN thous.)	Cost of funds	Margin	Repayment date
Ursus Development	PLN	94 395	3M WIBOR	2,00%	2021-09-29
16/88 Gaston Investments	PLN	0	3M WIBOR	1,55%	on demand
18 Gaston Investments	PLN	0	3M WIBOR	1,55%	on demand
Antigo Investments	PLN	0	3M WIBOR	1,55%	on demand
Belise Investments	PLN	17 507	3M WIBOR	1,55%	on demand
Celtic Asset Management	PLN	535	3M WIBOR	1,55%	
Celtic Investments Ltd	EUR	0	3M LIBOR	0,75%	on demand
Challange Eighteen	PLN	35 310	3M WIBOR	1,55%	on demand
Elara Investments	PLN	1 547	3M WIBOR	1,55%	on demand
Gaston Investments	PLN	0	3M WIBOR	1,55%	on demand
HUB Developments	PLN	1 701	3M WIBOR	1,55%	on demand
Dobalin Trading	PLN	0	fixed at 8%		
Mandy Investments	PLN	0	3M WIBOR	1,55%	on demand

Lakia Enterprises Limited	PLN	27 701	3M WIBOR	1,55%	on demand
RAZEM		**178 696**			

MANAGEMENT AND SUPERVISORY BOARD STATEMENTS

V. MANAGEMENT BOARD STATEMENT

The Management Board of CPD S.A. hereby confirms that to its best knowledge the Company's financial statements for the accounting year ended 31 December 2020 and all comparative data have been drawn up in accordance with the applicable accounting principles and give a true, fair and clear view of the Company's assets and financial situation and its financial results, and that the Management Board report provides a true picture of the Company's growth and achievements as well as the Company's situation, including threats and risks.

The Management Board of CPD S.A. confirms that the entity authorised to audit the annual financial statements which reviews of the annual financial statements was selected in compliance with the law, and that the entity and individual auditors who carry out the audit do meet the legal requirements to issue an impartial and independent opinion on the annual financial statements under review, in accordance with applicable regulations and professional standards. In 2020 the financial statements of CPD S.A. and of the Group were reviewed and audited by Grant Thornton Polska sp. z o.o. sk., an audit company with its seat in Warsaw.

COLIN KINGSNORTH
PRESIDENT OF THE MANAGEMENT BOARD

ELŻBIETA WICZKOWSKA
MEMBER OF THE MANAGEMENT BOARD

IWONA MAKAREWICZ
MEMBER OF THE MANAGEMENT BOARD

JOHN PURCELL
MEMBER OF THE MANAGEMENT BOARD

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

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

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

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

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

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

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

B. DECLARATION BY THE SUPERVISORY BOARD OF CPD S.A. ON THE FUNCTIONING OF THE AUDIT COMMITTEE IN CONNECTION WITH PUBLICATION OF THE INDIVIDUAL AND CONSOLIDATED ANNUAL REPORT FOR 2020 YEAR

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

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

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

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

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

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

according to the assessment made by the Supervisory Board of CPD S.A. the report of the Management Board on the activities of the CPD and CPD Capital Group S.A. for 2020 and the individual and consolidated financial statements for the period from 1 January 2020 to 31 December 2020 are consistent with the books, documents and actual status.

Substantiation

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

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

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

1) Financial statements of CPD S.A. for the year ended on 31 December 2020, including:
   a) the financial statement of comprehensive income for the period from 1 January 2020 to 31 December 2020,
   b) the statement of financial position prepared as of 31 December 2020,
   c) the statement of changes in equity for the period from 1 January 2020 to 31 December 2020,
   d) statement of cash flows for the period from 1 January 2020 to 31 December 2020,
   e) notes to the financial statements for the year ended 31 December 2020.

2) Independent auditor's report on the audit of the annual financial statements for the year ended 31 December 2020.

3) Consolidated financial report of CPD Capital Group for the year ended on 31 December 2020, including:

   a) consolidated statement of comprehensive income for the period from 1 January 2020 to 31 December 2020,

   b) the consolidated statement of financial position prepared as at 31 December 2020,

   c) the consolidated statement of changes in equity for the period from 1 January to 31 December 2020,

   d) the consolidated cash flow statement for the period from 1 January to 31 December 2020,

   e) explanatory notes to the consolidated financial statements for the year ended on 31 December 2020.

4) The independent auditor's report on the audit of the annual consolidated financial statements for the year ended 31 December 2020.

5) the Management Board's report on the activities of CPD S.A. and CPD Capital Group for 2019 together with the report on non-financial data of CPD Capital Group and CPD S.A. for 2019.

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

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

VI. INDEPENDENT AUDITOR'S REPORT

Independent Auditor's Report on Annual Financial Statements

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

Report on the Annual Financial Statements

Opinion

We have audited the annual financial statements of CPD S.A. (the Company) with its registered office in Warsaw, 7B Cybernetyki Street, which comprise the statement of financial position as of December 31, 2020, and the statement of comprehensive income, statement of changes in equity, statement of cash flows for the financial year then ended, and notes, comprising a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying annual financial statements:

- give a true and fair view of the financial position of the Company as of December 31, 2020 and of its financial performance and of its cash flows for the financial year then ended in accordance with the International Accounting Standards, International Financial Reporting Standards and related interpretations published in the form of European Commission regulations and adopted accounting principles (policy),
- were prepared on the basis of properly maintained books of account,
- comply with the laws affecting the content and form of the annual financial statements and the provisions of the Company's articles of association.

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

Basis for Opinion

We conducted our audit in accordance with

- the Act of May 11, 2017 on statutory auditors, audit firms, and public supervision (uniform text: Journal of Laws of 2020, item 1415) (the Act on Statutory Auditors),
- International Standards on Auditing adopted as National Standards on Auditing (NSA) by the National Council of Statutory Auditors' resolution No. 3430/52a/2019 of March 21, 2019, as amended and
- Regulation (EU) No. 537/2014 of the European Parliament and of the Council of April,16 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC (OJ L 158, 27.5.2014, p. 77 and OJ L 170, 11.6.2014, p. 66) (the Regulation 537/2014).

Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Annual Financial Statements* section of our report.
We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants* (including *International Independence Standards*) (IESBA Code) adopted by the National Council of Statutory Auditors' resolution No. 3431/52a/2019 of March 25, 2019 together with the ethical requirements that are relevant to our audit of the financial statements in Poland. In particular, in conducting the audit the Key Audit Partner and the Audit Firm remained independent of the Company in accordance with the provisions of the Act on Statutory Auditors and the Regulation 537/2014. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Key Audit Matters

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

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

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

The Management Board of the Company is responsible for the preparation, on the basis of properly maintained books of account, of these annual financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the International Accounting

Standards, International Financial Reporting Standards and related interpretations published in the form of European Commission regulations, adopted accounting principles (policy), legal regulations, and the Company's articles of association. The Management Board of the Company is also responsible for such internal control as the Management Board determines is necessary to enable the preparation of annual financial statements that are free from material misstatements, whether due to fraud or error.

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

In accordance with the Accounting Act of September 29, 1994 (uniform text: Journal of Laws of 2021, item 217 as amended) (the Accounting Act), the Management Board and the Supervisory Board of the Company are obliged to assure compliance of the annual financial statements with the requirements of the Accounting Act. The Supervisory Board is responsible for overseeing the Company's financial reporting process.

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

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

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

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

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

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

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

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

Other Information including the Report on the Company's operations

The other information comprises the Report on the Company's operations for the financial year ended December 31, 2020, the Corporate Governance Statement which is a separate part of the Report on the Company's operations and the Annual Report for the year ended December 31, 2020 (but does not include the financial statements and our auditor's report thereon).

Responsibilities of the Management Board and the Supervisory Board

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

Responsibilities of the Auditor

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

Opinion on the Report on the Company's operations

In our opinion, the Report on the Company's operations has been prepared in accordance with the applicable legal regulations, i.e. Article 49 of the Accounting Act and Paragraph 70 of the Regulation of the Minister of

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

Opinion on the Corporate Governance Statement

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

Report on Other Legal and Regulatory Requirements

Statement on non-audit services

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

Appointment of the Audit Firm

We were appointed to audit the annual financial statements of the Company for the years 2020 – 2022 by the Supervisory Board's resolution of September 15, 2020. We have been auditors of the Company since the financial year ended December 31, 2018, i.e. for 3 consecutive financial years.

Marcin Diakonowicz

Statutory Auditor No. 10524
Key Audit Partner performing the audit on behalf of
Grant Thornton Polska Spółka z ograniczoną odpowiedzialnością sp. k.,
Poznań, ul. Abpa Antoniego Baraniaka 88 E, Audit Firm No. 4055

Warsaw, April 29, 2021.

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

VII. FINANCIAL STATEMENTS FOR THE ACCOUNTING YEAR FROM 1 JANUARY TO 31 DECEMBER 2020

CPD S.A.

Financial statements

for the year ended 31 December 2020

(All amounts in PLN thousands unless otherwise stated)

Statement of comprehensive income

	Notes	12 months ended 31/12/2020	12 months ended 31/12/2019
Revenues	13	157	4
Administrative costs	14	(4 844)	(3 577)
Marketing costs		(28)	(13)
Result from revaluation of loans to fair value	17	15 707	10 406
Other operating income	15	54	0
Other operating cost	16	(79)	(60)
OPERATING RESULT		**10 967**	**6 760**
Financial income	18	126 352	23 497
Financial costs	18	(477)	(3 748)
PROFIT (LOSS) BEFORE INCOME TAX		**136 842**	**26 509**
Income tax	19	273	(414)
PROFIT (LOSS) FOR THE YEAR		**137 115**	**26 095**
OTHER COMPREHENSIVE INCOME		0	0
TOTAL COMPREHENSIVE INCOME		**137 115**	**26 095**
BASIC EARNINGS PER SHARE (PLN)	**24**	**6,82**	**1,10**
DILUTED EARNINGS PER SHARE (PLN)	**24**	**6,82**	**1,10**

The notes on pages 7 - 29 are an integral part of these financial statements.

Colin Kingsnorth
Chairman of the Board

Elżbieta Donata Wiczkowska
Board Member

John Purcell
Board Member

Iwona Makarewicz
Board Member

(All amounts in PLN thousands unless otherwise stated)

Statement of financial position

ASSETS	Notes	As of 31/12/2020	As of 31/12/2019
Non-current assets			
Long-term receivables	4	84 301	110 799
Shares in subsidiaries	5	35 043	25 484
Total non-current assets		**119 344**	**136 283**
Current assets			
Trade receivables and other receivables	6	115 789	1 696
- trade receivables and loans		115 786	1 688
- prepaid expenses		3	8
Cash and cash equivalents	7	15 529	30 234
Total current assets		**131 318**	**31 930**
Total assets		**250 662**	**168 213**
EQUITY			
Share capital	8	2 637	2 637
Treasury shares	8	(117 395)	(43 010)
Share premium		677 034	677 034
Embedded element at inception date		(27 909)	(27 909)
Reserve capital	9	987	987
Accumulated profit (loss)		(332 546)	(469 661)
Total equity		**202 808**	**140 078**
LIABILITIES			
Non-current liabilities			
Borrowings	11	32 073	11 657
Deferred tax liability	12	10 629	10 902
Total non-current liabilities		**42 702**	**22 559**
Current liabilities			
Borrowings	11	4 903	5 373
Trade payables other liabilities	10	249	203
Total current liabilities		**5 152**	**5 576**
Total equity and liabilities		**250 662**	**168 213**

The notes on pages 7 - 29 are an integral part of these financial statements.

Colin Kingsnorth
Chairman of the Board

Elżbieta Donata Wiczkowska
Board Member

John Purcell
Board Member

Iwona Makarewicz
Board Member

(All amounts in PLN thousands unless otherwise stated)

Statement of changes in equity

	Notes	Share capital	Treasury shares	Share premium	Embedded element at inception date	Reserve capital	Accumulated profit (loss)	Total
Balance as at 1/1/2020		**2 637**	**(43 010)**	**677 034**	**(27 909)**	**987**	**(469 661)**	**140 078**
Acquisition of treasury shares	8	0	(74 385)	0	0	0	0	(74 385)
		0	(74 385)	0	0	0	0	(74 385)
Comprehensive income for the period		0	0	0	0	0	137 115	137 115
		0	0	0	0	0	137 115	137 115
Balance as at 31/12/2020		**2 637**	**(117 395)**	**677 034**	**(27 909)**	**987**	**(332 546)**	**202 808**
Balance as at 1/1/2019		**3 935**	**(160 110)**	**835 846**	**(27 909)**	**987**	**(495 756)**	**156 993**
Redemption of treasury shares	8	(1 298)	160 110	(158 812)	0	0	0	0
Acquisition of treasury shares	8	0	(43 010)	0	0	0	0	(43 010)
		(1 298)	117 100	(158 812)	0	0	0	(43 010)
Comprehensive income for the period		0	0	0	0	0	26 095	26 095
		0	0	0	0	0	26 095	26 095
Balance as at 31/12/2019		**2 637**	**(43 010)**	**677 034**	**(27 909)**	**987**	**(469 661)**	**140 078**

The notes on pages 7 - 29 are an integral part of these financial statements.

Colin Kingsnorth
Chairman of the Board

Elżbieta Donata Wiczkowska
Board Member

John Purcell
Board Member

Iwona Makarewicz
Board Member

(All amounts in PLN thousands unless otherwise stated)

Cash flow statement

	Notes	12 months ended 31/12/2020	12 months ended 31/12/2019
Cash flow from operating activities			
Cash generated from operations	21	121 696	19 776
Net cash generated from operating activities		121 696	19 776
Cash flows from investing activities			
Investment into a subsidiary and jointly controlled entity	5	(30 013)	0
Loans granted		(98 645)	(2 893)
Loan repayments received		43 093	20 390
Interest received		4 076	1 636
Net cash generated from investing activities		(81 489)	19 133
Cash flows from financing activities			
Acquisition of treasury shares	8	(74 385)	(43 010)
Loans received	11	20 441	0
Borrowings repayments	11	(885)	(1 528)
Payment of interest on loan	11	(82)	(89)
Net cash generated from financing activities		(54 912)	(44 627)
Change in net cash and cash equivalents		(14 705)	(5 718)
Cash and cash equivalents at the beginning of year		30 234	35 952
Cash and cash equivalents at the end of the period		15 529	30 234

The notes on pages 7 - 29 are an integral part of these financial statements.

Colin Kingsnorth
Chairman of the Board

Elżbieta Donata Wiczkowska
Board Member

John Purcell
Board Member

Iwona Makarewicz
Board Member

Notes to the financial statements

1 General information

CPD S.A. ("Company", "CPD") with its registered office in Warsaw (02-667), Cybernetyki 7B, was established on the basis of statute on 26 February 2007 (as Celtic Development Corporation S.A., then on 22 February 2008 the Company changed its name to Poen S.A.). On 23 March 2007 District Court in Cracow, XI Business Department of the National Court Register entered the Company into the Register of Businesses with the KRS number 0000277147.

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

On 14 December 2010, the prospectus of Celtic Property Developments S.A. was approved. On 17 December KDPW (Krajowy Depozyt Papierów Wartościowych) granted the Company the status of KDPW participant in the EMITENT type, registered 34,068,252 ordinary B series bearer shares of the Company with a nominal value of PLN 0.10 each and marked them with the code PLCELPD00013. Three days later the shares were admitted to public trading on parallel market. The shares were registered in the National Depository and on 23 December 2010 introduced to trading in the continuous trading system. The Company's shares are listed on the Warsaw Stock Exchange.

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

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

The company is the parent of the CPD Capital Group. Annual consolidated financial statements of the Group have been prepared in accordance with the requirements of EU-IFRS.

In order to fully understand the financial position and results of operations of CPD S.A., as the parent company of the Group, these financial statements should be read in conjunction with the annual consolidated financial statements for the period ended 31 December 2020. These reports are available on the Company's website at www.cpdsa.pl.

The Company's share capital amounts to PLN 2,637,113.10 and is divided into 26,371,131 AA series, with shares nominal value of PLN 0.10 (ten groszy) each, which entitle to exercise 26.371.131 votes.

These financial statements have been adopted by the Management Board on 29 April 2021.

The Company uses following registration numbers:
REGON (statistical registration) 120423087
NIP (VAT registration) 677-22-86-258

The Board of Directors of the Company consists of:
Colin Kingsnorth - Chairman of the Board
Elżbieta Donata Wiczkowska - Board Member
John Purcell - Board Member
Iwona Makarewicz - Board Member

The Supervisory Board of the Company consists of:
Andrew Pegge - Chairman of Supervisory Board
Michael Haxby - Vice-Chairman of Supervisory Board
Wiesław Oleś - Secretary of the Supervisory Board
Mirosław Gronicki - Member of the Supervisory Board
Gabriela Gryger - Member of the Supervisory Board
Alfonso Kalinauskas - Member of the Supervisory Board

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

2 The accounting principles

2.1 Basis of preparation

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

The company's financial statements have been drawn up in accordance with International Financial Reporting Standards ("IFRS") adopted by the European Commission and applicable at the reporting date of these financial statements.

New and amended standards and interpretations which came into force on 1 January 2020 and description of its impact on these financial statements:

The accounting policies used in preparing these financial statements are consistent with those used in preparing the Company's financial statements for the year ended 31 December 2019, except for the application of the following new standards, amendments to standards and new interpretations effective for annual periods beginning 1 January 2020:
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - The Board has issued a new definition of the term "materiality". The amendments to IAS 1 and IAS 8 clarify the definition of materiality and increase consistency between the standards. The amendment is mandatory for annual periods beginning on or after 1 January 2020.
- Amendments to IFRS 3 Business Combinations - As a result of the amendment to IFRS 3, the definition of "business" was modified. The currently introduced definition has been narrowed and is likely to result in more acquisitions being classified as asset acquisitions. Amendments to IFRS3 are effective for annual periods beginning on or after 1 January 2020.

The Management Board of the Company analysed new or changed standards and interpretations and did not identify their significant impact on the financial reporting of CPD S.A.

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

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

The Annual Improvements to IFRSs 2018-2020 introduce amendments to standards: IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the illustrative examples to IFRS 16 Leases

The amendments include explanations and clarifications of the standards' guidelines on recognition and measurement. As at the date of preparation of these consolidated financial statements, the amendments have not yet been approved by the European Union.

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets

The amendments to IAS 37 provide clarification on the costs that an entity considers in analysing whether a contract is an onerous contract. The amendment is effective for financial statements for periods beginning on or after 1 January 2022. At the date of these consolidated financial statements, this amendment has not yet been approved by the European Union.

Notes to the financial statements

2.1 Basis of preparation (continued)

Amendments to IAS 1 Presentation of Financial Statements

The Board has issued amendments to IAS 1 that clarify the presentation of liabilities as long- and short-term. The published amendments are effective for financial statements for periods beginning on or after January 1, 2022. As of the date of these consolidated financial statements, the amendment has not yet been endorsed by the European Union.

Management is currently reviewing the impact of the above standards on the Company's financial position, results of its operations and the scope of information presented in the financial statements. Management Board of the Company does not expect that the new standards or amendments to existing standards may have a significant impact on the financial statements of the Company for the period in which they will be applied for the first time.

2.2 Tangible fixed assets

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

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

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

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

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds from disposal with their carrying amount and are recognized in the statement of comprehensive income in the period in which the disposal occurs.

2.3 Shares in subsidiaries

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

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

2.4 Financial assets

Financial assets are either classified as financial assets measured at fair value through profit or loss or as financial assets measured at amortized cost.
Financial assets measured at amortized cost are classified as financial assets if both of the following conditions are met:
(a) the financial asset is held in accordance with a business model that seeks to hold the financial asset to produce contractual cash flows,
(b) The terms of the contract for the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding.
The Company classifies the following into the category of financial assets measured at amortized cost: trade receivables, and cash and cash equivalents. Loans granted, in the Company's opinion, do not meet the described requirements to be classified as financial assets measured at amortized cost and are therefore measured at fair value through profit or loss.
Financial assets are classified as current assets provided their maturity does not exceed 12 months from the balance sheet date. Assets with maturities exceeding 12 months are classified as non-current assets.

Financial assets, due to the business model and the nature of the flows associated with them, are assessed at each balance sheet date for expected credit losses, regardless of whether there is any indication of impairment. The method of making this assessment and estimating the allowance for expected credit losses differs for each class of financial assets. The estimate of the allowance is based primarily on historical past due amounts and the relationship of past due amounts to actual repayments over the past five years, taking into account available forward looking information.

Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and CPD has transferred substantially all risks and rewards of ownership.

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

2.5 Cash and equivalents

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

2.6 Share capital

Share capital is the nominal value of the issued shares.

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

2.7 Trade liabilities

Trade payables are recognized initially at fair value and, after initial recognition, they are measured at amortized cost using the effective interest rate method.
In the case when the difference between the value of amortized cost and the nominal value is not significant, such liability is recognized in the balance sheet at nominal value.

2.8 Credits and loans

Loans are recognised initially at fair value less transaction costs incurred and are, after initial recognition, measured at amortised cost using the effective interest rate method.
Loans are classified as current liabilities, provided that the company does not have the unconditional right to postpone payments for at least 12 months after the balance sheet date.

2.9 Compound financial instruments

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

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

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

2.10 Embedded derivatives

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

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

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

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

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

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

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

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

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

2.11 Deferred income tax

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

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

The Company offsets deferred tax assets against deferred tax liabilities if, and only if, the entity:
(a) has a legally enforceable right to set off deferred tax assets against deferred tax liabilities; and
(b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on:
(i) the same taxpayer; or
(ii) different taxpayers that intend to settle current tax liabilities and receivables on a net basis, or simultaneously realize receivables and settle liabilities, in any future period in which a significant amount of deferred tax liabilities are expected to be released or a significant amount of deferred tax assets are expected to be realized.

2.12 Employee benefits

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

2.13 Provisions

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

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

2.14 Revenues

Sales revenue is reported in the fair value of the consideration received or receivable from the sale of services in the ordinary course of business. All goods or services sold in packages that are separable as part of a package should be recognized separately; in addition, any discounts or rebates on the transaction price should generally be allocated to the individual elements of the package. Where the amount of revenue is variable, variable amounts are included in revenue to the extent that it is highly probable that the revenue recognition will not be reversed in the future as a result of a revaluation. In addition, costs incurred to obtain and secure a contract with a customer are capitalized and deferred over the period of consummation of the benefits of that contract.

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

2.15 Other income

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

(a) Rental income

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

(b) Services related to the hiring and management services

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

(c) Cost of inventories sold

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

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

2.16 Costs

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

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

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

2.17 Interest costs

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

2.18 Foreign currencies

The financial statements are presented in Polish zloty (PLN), which is the functional currency of the Company and presentation currency of the CPD Capital Group.

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

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

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

(All amounts in PLN thousands unless otherwise stated)

3 Financial risk management

3.1 Financial risk factors

The activities carried out by CPD S.A. puts on the Company many different types of financial risks: market risk (including: the risk of changes in exchange rates or cash flows as a result of changes in interest rates), credit risk and liquidity risk. Financial risks are associated with the following financial instruments: loans received and loans granted, trade and other receivables, cash and cash equivalents, trade and other payables. The accounting policy relating to the these financial instruments is described in note 2. The Company's approach to risk management focuses on the unpredictability of financial markets, in an effort to minimize potential adverse effects on the financial results of the Company.

(a) Market risk

(i) Risk of exchange rate changes

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

As of 31 December 2020 and 31 December 2019, the Company did not have any significant balances denominated in foreign currencies and as a result was not significantly exposed to currency exchange risk.

	31 December 2020	31 December 2019
Loans in EUR	2 404	2 165
Assumed change in PLN/EUR exchange rate	+/-10%	+/-10%
The result of changes in interest income	240	216
Tax shield	46	41
Effect on net profit/(loss)	195	175
Impact on equity	195	175

The Company's Management Board monitors the risk on a regular basis and acts accordingly. Hedging activities shall be subject to regular assessment in order to adapt to the current situation, interest rates and a specific risk appetite. Currently, the company is not involved in any hedging transaction, however this can be changed if, on the basis of the judgment of the Board, this will be required.

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

Interest rate risk is the risk to which the Company is exposed, resulting from changes in market interest rates. The Company is exposed to this risk with regards to loans granted and loans received (note 4 and note 11). Interest rate loans are based on variable interest rates what exposes the Company to the interest rate risk. The Company does not hedge the risk of interest rates. The Board constantly monitors fluctuations in interest rates and acts accordingly.

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

	31 December 2020	31 December 2019
Loans received at variable interest rates	36 976	17 030
Assumed change in interest rate	+/-1pp	+/-1pp
The result of changes in interest cost	370	170
Tax shield	70	32
Effect on net profit/(loss)	-/+300	-/+138
Impact on equity	-/+300	+/-138

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

3.1 Financial risk factors (continued)

(c) Credit risk

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

Cash and cash equivalents are deposited with a bank that has a high credit rating. With respect to trade receivables and other receivables there are applicable procedures in place in the Company to assess the creditworthiness of the Company's customers.

(d) Liquidity risk

Liquidity risk is the risk that arises when assets and liabilities payment periods do not overlap. This can be occasionally beneficial, but also increases the risk of loss. The Company applies the procedure to minimize such losses by keeping an adequate level of cash and ongoing monitoring and forecasting of cash flow. The Company has sufficient amount of working capital to settle its obligations on a regular basis. Liquidity of the company is controlled by the Management Board.

As at 31 December 2020	Within 1 year	1 - 5 years	More than 5 years
Borrowings	4 903	32 073	0
Trade payables and other payables	249	0	0
	5 152	32 073	0

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

3.2 Capital management

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

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

The gearing ratio is calculated as net debt divided by net equity position. Net debt is calculated as borrowings (including current and non-current borrowings), increased by trade and other payables less cash and cash equivalents. Net equity position is calculated as a sum of equity and net debt.

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

	31 December 2020	**31 December 2019**
Loans received	36 976	17 030
Trade and other payables	249	203
Less cash and cash equivalents	-15 529	-30 234
Net debt	**21 696**	**-13 001**
Equity	**202 808**	**140 078**
Net position	**224 504**	**127 077**
Gearing ratio	**10%**	**-10%**

The financing structure ratio as of 31 December 2019 indicated a negative value because the cash held by CPD at the balance sheet date exceeded the Company's liabilities. In 2020, due to new debt, the ratio has changed and now shows a value of +10%.

3.3 Significant estimates

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

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

In the case of shares in subsidiaries their fair value was estimated based on the net assets of subsidiaries constituting an approximation of the expected future cash flows available to shareholders in respect of shares held. A key element having a decisive impact on the value of estimated cash flows is the fair value of real estate assets owned by subsidiaries.

Investment properties held by subsidiaries are measured at fair value using the following valuation methods:
- Assets held for sale - measured using a lower of either its balance sheet value or its fair value less costs to sell;
- Land or land with residential premises - measured using a comparative method;
- Investment properties in which there are significant revenues from rent (office buildings located in Warsaw) - measured using an discounted cash flow method;
- Investment property located in Warsaw's Mokotów district, which, according to the local development plan is intended for residential/commercial development - measured using a residual method;
- Investment property located in the village of Wolbórz - measured using a comparative method.

The Company performed an analysis of impairment indicators of shares and has not identified any indicators to make additional impairment write-off of these shares, except for one investment. Determining the level of impairment write-offs for shares as at 31 December 2020 was carried out in accordance with the approach described above and was the same as the approach adopted as at 31 December 2019. As at 31 December 2020, the net value of shares in the subsidiaries Celtic Investments and Lakia Enterprises amounted to nil and did not change compared to the same period of the previous year. The value of shares in the subsidiaries Challange Eighteen and Celtic Asset Management has not changed compared to the same period of the previous year - no need to create write-offs was identified. The value of shares in the subsidiary Imes Poland was subject to an impairment of PLN 3,317 thousand zlotys last year. During 2020 the Company sold its shares in Imes Poland (more details are presented in note 5). In addition during 2020, the Company invested into two newly established entities: Ursa Sky Smart City and Ursus Development. In case of shares in Ursus Development an impairment allowance was created as of 31 December 2020 and the whole balance was written off. No impairment indicators were identified with regards to Ursa Sky Smart City.

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

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

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

Cash flows:

Each loan is repaid in a single payment and in full - at the maturity date.

Future cash flows include: repayment of the loan principal and interest amount.

The future value of interest comprises interest accrued until 31 December 2020 and interest that will be calculated from 31 December 2020 until the maturity date of the loan.

Interest after 31 December 2020 were estimated at the forward rates (based on the current structure of the forward interest rate curve).

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

Discount rate:

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

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

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

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

3.3 Significant estimates (continued)

(b) Income tax

CPD SA is an income tax payer in Poland. CPD Group recognizes expected doubtful tax liabilities based on an estimation whether or not additional tax will be required. If the final tax settlements differ from the amounts initially recognized, the differences affect current and deferred income tax assets and liabilities in the period where the amount of tax is finally determined.

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

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

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

4 Long-term receivables

	31/12/2020	31/12/2019
Long-term loans to related parties (note 23), including:		
- loan	119 168	162 610
- result from revaluation to fair value	(34 867)	(51 811)
	84 301	**110 799**
Long-term loans to other parties, including:		
- loan	6	6
- result from revaluation to fair value	(6)	(6)
	0	**0**

Details of the loans granted to related parties 31.12.2020

Related party	Agreement date	Currency of the loan	Fair value of loan	Interest Rate	Margin	Maturity
Belise Investments	2012	PLN	13 904	3M WIBOR	1,55%	on demand
Belise Investments	2014	PLN	3 603	3M WIBOR	1,55%	on demand
Celtic Asset Management	2015	PLN	535	3M WIBOR	1,55%	on demand
Challange Eighteen	2012	PLN	29 145	3M WIBOR	1,55%	on demand
Challange Eighteen	2013	PLN	6 165	3M WIBOR	1,55%	on demand
Elara Investments	2012	PLN	1 547	3M WIBOR	1,55%	on demand
HUB Developments	2012	PLN	1 701	3M WIBOR	1,55%	on demand
Lakia Enterprises Limited	2012	PLN	4 691	3M WIBOR	1,55%	on demand
Lakia Enterprises Limited	2014	PLN	7 419	3M WIBOR	1,55%	on demand
Lakia Enterprises Limited	2015	PLN	15 591	3M WIBOR	1,55%	on demand
			84 301			

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

Change in the impairment of loans granted classified as long-term loans and short-term loans (note 6):

Accumulated allowance for loans impairment as at 31.12.2018	**81 748**
Fair value revaluation impact for 2019	-6 056
Accumulated allowance for loans impairment as at 31.12.2019	**75 692**
Fair value revaluation impact for 2020	-12 987
Accumulated allowance for loans impairment as at 31.12.2020	**62 705**

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

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

5 Shares in subsidiaries

Name	Country	Share	31/12/2020	31/12/2019
Lakia Enterprises Ltd	Cyprus	100%	105 000	105 000
Impairment			(105 000)	(105 000)
Celtic Investments Ltd	Cyprus	100%	48 000	48 000
Impairment			(48 000)	(48 000)
Celtic Asset Management (*)	Poland	100%	0	0
Challange Eighteen sp. z o.o.	Poland	100%	5 032	5 032
Imes Poland sp. z o.o.	Poland	100%	3	23 769
Impairment			0	(3 317)
Ursa Sky Smart City	Poland	49%	30 008	0
Ursus Development	Poland	100%	5	0
Impairment			(5)	0
			35 043	**25 484**

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

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

On 25 June 2020 CPD S.A. (as the seller) and its subsidiary Imes Poland sp. z o.o. (as the buyer) concluded an agreement on sale of shares in Imes Poland Sp. z o.o. in order to redeem them. The agreement was concluded as the execution of the resolution adopted by the Extraordinary General Meeting of Shareholders of Imes Poland sp. z o.o. on 15 May 2020, under which it was decided that 39 687 out of 39 692 shares in Imes Poland sp. z o.o. should be redeemed, and at the same time the share capital of Imes Poland sp. z o.o. should be reduced from PLN 39 692 thousand to PLN 5 thousand. The selling price agreed by the parties amounted to PLN 20,370,146.49. Following the transaction CPD S.A. holds 0.01% of shares in Imes Poland and the remaining shares are held by Imes Poland as treasury shares, however, in accordance with the binding regulations Imes Poland is not entitled to exercise voting rights attached to its own shares, hence CPD S.A. holds 100% of votes at the General Meeting of Shareholders of Imes Poland.

On 16 June 2020, Ursa Sky Smart City spółka z ograniczoną odpowiedzialnością spółka komandytowa, in which CPD S.A. is a limited partner, was registered in the National Court Register. The increase in the value of the shares results from the contribution made by CPD S.A. to the limited partnership.

On 7 August 2020, the company Ursus Development sp. z o.o., in which CPD S.A. is the sole shareholder, was registered in the National Court Register. The increase in the value of shares results from the contribution made by CPD S.A. to cover the share capital. As of 31 December 2020, the shares in Ursus Development were covered with impairment allowance.

6 Trade receivables and other receivables

	31/12/2020	31/12/2019
Trade receivables from related parties	0	0
Short-term loans (related party), including:	94 395	713
- loan	122 227	24 589
- result from revaluation to fair value	(27 832)	(23 875)
Input VAT surplus	0	0
Other receivables from related parties	21 343	854
Other receivables from other parties	48	120
Prepayments	3	8
Short-term receivables	**115 789**	**1 696**

Details of the loans granted to related parties 31.12.2020

Related party	Agreement date	Currency	Fair value of the loan	Interest Rate	Margin	Maturity
Ursus Development	2020	PLN	94 395	3M WIBOR	2,00%	29.09.2021

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

7 Cash and equivalents

	31/12/2020	31/12/2019
Cash in bank accounts	15 529	30 234
	15 529	**30 234**

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

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

8 Share capital

	Number of shares		Value of shares	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Ordinary shares AA series	26 371	26 371	2 637	2 637

As of 31 December 2018 the share capital amounted to PLN 3 935 thousand. During first quarter of 2019 12 982 892 treasury shares were redeemed (entitling to same number of voting rights, shares code: ISIN PLCELPD00013). The redemption was the result of the resolution no 4 of the Extraordinary General Meeting dated 14 September 2018, regarding the redemption of Company's treasury shares. Share capital as at 31 December 2019, 31 December 2020 and as at the date of these financial statements amounts to PLN 2 637 thousand.

Acting on the basis of Resolution No. 1/III/2020 dated 2 March 2020 on setting the detailed conditions for the acquisition of the Company's shares, in conjunction with Resolution No. 3 of the Extraordinary General Meeting of CPD S.A. dated 28 February 2019 on the acquisition of the Company's shares for cancellation, which was amended by Resolution No. 3 of the Extraordinary General Meeting of CPD S.A. dated 2 March 2020, the Board of Directors of the Company announced an invitation addressed to the shareholders of the Company to submit offers for sale.

On 26 March 2020, as a result of the settlement of the acquisition of shares of CPD S.A. as a result of the call for sale of shares of the Company announced on 3 March 2020, the Company acquired 614,385 shares of the Company (treasury shares) through the brokerage house Pekao Investment Banking S.A. with its registered office in Warsaw. The purchase price per share was PLN 5.00. All the purchased shares are ordinary shares with a nominal value of PLN 0.10 each. Acquired shares of CPD S.A. (614,385 shares) represent 2.33% of the Company's share capital and 614,385 votes at the Company's General Meeting (2.33% of the total number of votes at the Company's General Meeting), however, in accordance with the applicable regulations, the Company is not entitled to exercise voting rights attached to its own shares. Prior to the acquisition of the aforementioned 614,385 treasury shares, the Company already held other treasury shares (3,305,886 shares) representing 12.54% of the Company's share capital and 3,305,886 votes at the Company's General Meeting (12.54% of the total number of votes at the Company's General Meeting).

Acting on the basis of Resolution No. 1/VI/2020 dated 1 June 2020 on determining the detailed terms of the acquisition of the Company's shares, in conjunction with Resolution No. 3 of the Extraordinary General Meeting of CPD dated 28 February 2019 on the acquisition of the Company's shares for cancellation, which was amended twice, i.e. by Resolution No. 3 of the Extraordinary General Meeting of CPD S.A. dated 2 March 2020 and by Resolution No. 18 of the Ordinary General Meeting of CPD S.A. dated 27 May 2020, the Management Board invited the Company's shareholders to submit offers to sell its shares.

On 25 June 2020, as a result of the settlement of the acquisition of CPD S.A. shares. The Company acquired 4,779,565 shares of the Company (treasury shares) through a brokerage house Pekao Investment Banking S.A., based in Warsaw and Bank Polska Kasa Opieki S.A., based in Warsaw, Biuro Maklerskie Pekao. The purchase price per share was PLN 14.92. All the purchased shares are ordinary shares with a nominal value of PLN 0.10 each. Acquired shares of CPD S.A. (4,779,565 shares) constitute 18.12% of the Company's share capital and represent 4,779,565 votes at the Company's General Meeting (18.12% of the total number of votes at the Company's General Meeting), except that, in accordance with the applicable regulations, the Company is not entitled to exercise voting rights attached to its own shares. Before the above mentioned acquisition of 4,779,565 treasury shares, the Company already held 3,920,271 treasury shares) representing 14.87% of the Company's share capital and 3,920,271 votes at the Company's General Meeting (14.87% of the total number of votes at the Company's General Meeting). Therefore, the Company currently holds 8,699,836 treasury shares in aggregate, representing 32.99% of the Company's share capital, however, in accordance with the applicable regulations, the Company is not entitled to exercise voting rights attached to its treasury shares.

(All amounts in PLN thousands unless otherwise stated)

8 Share capital (continued)

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

As at 31 December 2020 Company's shareholders were:

Party	Country	number of shares	capital %	voting rights %
Coöperatieve Laxey Worldwide W.A.	the Netherlands	5 373 309	20,4%	30,4%
Furseka Trading and Investments Ltd	Cyprus	3 229 069	12,2%	18,3%
QVT Fund LP	Cayman Islands	1 945 031	7,4%	11,0%
Laxey Partners	Isle of Man	1 380 765	5,2%	7,8%
The Value Catalyst Fund plc	Cayman Islands	1 142 604	4,3%	6,5%
LP Value Ltd	Brytyjskie Wyspy Dziewicze	1 081 505	4,1%	6,1%
LP Alternative Fund LP	USA	1 080 708	4,1%	6,1%
Shareholders holding below 5% stake		2 438 304	9,2%	13,8%
		17 671 295	67,0%	100,0%
Treasury shares for redemption		8 699 836	33,0%	0,0%
Total number of shares		26 371 131	100,0%	100,0%

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

9 Reserve capital

	31/12/2020	31/12/2019
Reserve capital	987	987
	987	**987**

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

10 Trade payables and other payables

	31/12/2020	31/12/2019
Accrued expenses, including:	93	115
- accrual for audit	93	115
Trade payables	21	6
Tax payables	87	76
Other payables	49	6
	249	**203**

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

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

11 Borrowings

	31/12/2020	31/12/2019
Long-term loans from related parties	32 073	11 657
Short-term loans from related parties	4 903	5 373
	36 976	**17 030**

Loan payables as of 31 December 2020 and 31 December 2019 relate to a loan from a subsidiary Lakia Enterprises (interest rate on the loan is 3M WIBOR + margin 0.50%), loan from a subsidiary Lakia Investments (interest rate on the loan is 3M WIBOR + margin 1.55%) and loan from the subsidiary Robin Investments (interest rate on the loan is 3M WIBOR + margin 1.55%). As at 31 December 2020 loan balances are as follows: Lakia Enterprises: PLN 9 674 thousand (capital: PLN 7 091 thousand , interest: PLN 2 583 thousand), during the period PLN 381 thousand of capital and PLN 9 thousand of interest was repaid and the new loan in the amount of PLN 71 thousand was obtained; Lakia Investments is PLN 4 903 thousand (capital: PLN 4 166 thousand, interest: PLN 737 thousand), during the period PLN 504 thousand of capital and PLN 73 thousand of interest was repaid); Robin Investments: PLN 1 799 thousand PLN (capital: PLN 1 600 thousand, interest PLN 199 thousand).
Additionally, during the year the company obtained a loan from its subsidiary Imes Poland Sp. z o.o. in the amount of PLN 20,370 thousand (the loan bears interest at 3M WIBOR + margin of 1.55%). Interest on the loan were accrued in the amount of PLN 231 thousand during the period.

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

The loans are not secured.

For the period ended 31 December 2020	
Opening balance	**17 030**
Loans granted	**20 441**
Interests accrued	**472**
Repayments:	**(967)**
- capital repayments	(885)
- interests repayments	(82)
Closing balance	**36 976**

For the period ended 31 December 2019	
Opening balance	**17 545**
Loans granted	**709**
Interests accrued	**393**
Repayments:	**(1 617)**
- capital repayments	(1 528)
- interests repayments	(89)
Closing balance	**17 030**

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

12 Deferred income tax

	31/12/2020	31/12/2019
Deferred tax liability		
Interest accrued on loans granted	11 487	11 705
Exchange rate differences	11	2
As of 31 December - before offset	**11 498**	**11 707**
Offset	(869)	(805)
As of 31 December - after offset	**10 629**	**10 902**

	31/12/2020	31/12/2019
Deferred tax asset		
Other accruals	29	22
Provisions for unused vacations	9	0
Interests accrued on loans received	712	638
Tax losses	119	144
Exchange rate differences	0	1
As of 31 December - before offset	**869**	**805**
Offset	(869)	(805)
As of 31 December - after offset	**0**	**0**
Deferred tax liability	**10 629**	**10 902**

Unrecognized deferred tax assets:

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

	31/12/2020	31/12/2019
Impairment of investments in related parties	29 071	29 700
Impairment of loans granted to related parties	11 914	14 381
Unrecognized deferred tax assets	**40 985**	**44 081**

Unutilized tax losses:

	loss value	remaining amount to be utilized
tax loss for 2019	725	628

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

13 Revenue from sales

	12 months ended 31/12/2020	12 months ended 31/12/2019
Proceeds from sales:		
- domestic sales	157	4
	157	**4**

14 Administrative costs

	12 months ended 31/12/2020	12 months ended 31/12/2019
Consulting services	430	257
Payroll costs	3 818	2 408
Non deductible VAT	134	148
Audit costs	150	150
Other costs	312	614
	4 844	**3 577**

15 Other operating income

	12 months ended 31/12/2020	12 months ended 31/12/2019
COVID-19 related state subsidies	54	0
	54	**0**

16 Other operating costs

	12 months ended 31/12/2020	12 months ended 31/12/2019
Write off of receivables	0	60
Loss on disposal of shares	79	0
Other	0	0
	79	**60**

17 Result from revaluation of loans to fair value

	12 months ended 31/12/2020	12 months ended 31/12/2019
Result from revaluation of loans to fair value	15 707	10 406
	15 707	**10 406**

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

(All amounts in PLN thousands unless otherwise stated)

18 Financial income and expenses

	12 months ended 31/12/2020	12 months ended 31/12/2019
Interest income:	69	151
- Interest on deposits	69	151
- Other interest	0	0
Dividends received	125 087	22 427
Other financial income	899	919
Net exchange differences	297	0
Financial income	**126 352**	**23 497**

On 1 August 2019, the Extraordinary Shareholders' Meeting of Challange Eighteen Sp. z o.o., a subsidiary of CPD S.A., decided to pay a dividend of PLN 22,427,328.69 and on 17 September 2020 to pay a dividend of PLN 60,286,549.22. Moreover, on 13 November 2020 and again on 22 December 2020, the Management Board of Challange Eighteen Sp. z o.o. decided to pay an interim dividend of PLN 42,900,000 and PLN 21,900,000, respectively.

	12 months ended 31/12/2020	12 months ended 31/12/2019
Interest costs:	472	393
- Interest from related parties (Note 23)	472	393
Impairment of investments	5	3 317
Net exchange differences	0	38
Financial costs	**477**	**3 748**

19 Income tax

	12 months ended 31/12/2020	12 months ended 31/12/2019
Current income tax	0	0
Deferred income tax	(273)	414
	(273)	**414**

20 Effective tax rate

	12 months ended 31/12/2020	12 months ended 31/12/2019
Profit (Loss) before taxes	**136 842**	**26 509**
Tax rate	19%	19%
Income tax rate 19%	**(26 000)**	**(5 037)**
Impairment value of loans receivable	2 468	1 151
Interest on merger with a subsidiary	(1)	(630)
Loss on disposal of shares	(15)	0
Dividends received	23 766	4 261
Other	55	(159)
Tax	**273**	**(414)**

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

21 Cash flow from operating activities

	12 months ended 31/12/2020	12 months ended 31/12/2019
Profit/loss before tax	136 842	26 509
Adjustments for:		
– interest costs	472	393
– impairment of investments in subsidiaries	5	3 317
– results of loans granted revaluation	(15 707)	(10 406)
– loss on sale of shares in subsidiaries	79	0
Changes in working capital:		
– changes in receivables	(41)	(67)
– change in trade liabilities and other	46	30
	121 696	**19 776**

22 Commitments and guarantees secured by the assets of the unit

During 2019 and 2020, CPD Group companies - subsidiary Belise Investments Sp. z o.o. as borrower and CPD S.A. as guarantor - were parties to a loan agreement entered into with Santander Bank Polska. CPD S.A. is the guarantor of the due and payable payments under the above-described loan and has subjected itself to execution as to the obligation to pay to Santander Bank Polska and/or the borrower.

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

23 Related party transactions

CPD S.A. has no direct parent company or ultimate parent company. Cooperatieve Laxey Worldwide W.A. is a significant top-level investor with significant influence over the Company.

CPD S.A. also enters into transactions with key management personnel, subsidiaries and other related parties (related through members of the Supervisory Board) controlled by key management personnel of the Company.

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

a) Transactions with key management personnel	12 months ended 31/12/2020	12 months ended 31/12/2019
Remuneration of members of the Board of Directors	2 300	1 618
Remuneration of members of the Supervisory Board	552	552

b) Transactions with subsidiaries	12 months ended 31/12/2020	12 months ended 31/12/2019
Revenues		
2/124 Gaston Investments	0	133
3/93 Gaston Investments	0	121
Ursa Park Smart City	0	68
Lakia Investments	0	4
5/92 Gaston Investments	121	240
6/150 Gaston Investments	8	67
7/120 Gaston Investments	8	72
12/132 Gaston Investments	109	145
13/155 Gaston Investments	104	167
16/88 Gaston Investments	19	25
18 Gaston Investments	26	38
19/97 Gaston Investments	7	29
20/140 Gaston Investments	6	35
Antigo Investments	55	75
Belise Investments	1 209	1 275
Celtic Asset Management	26	35
Celtic Investments Ltd	420	8
Challange Eighteen	7	958
Elara Investments	76	102
Gaston Investments	273	200
Hub Developments	59	81
Lakia Enterprises Ltd	628	857
Lakia Investments	24	0
Mandy Investments	403	540
Ursus Development	187	0

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

23 Related party transactions (continued)

	12 months ended 31/12/2020	12 months ended 31/12/2019
Costs		
Lakia Investments	106	164
Lakia Enterprises Ltd	97	169
Gaston Investments	6	6
Imes Poland	231	8
Imes Poland - loss on sale of shares	79	0
Challange Eighteen	0	21
Robin Investments	38	52

	31/12/2020	31/12/2019
Liabilities		
Lakia Enterprises Ltd	9 674	9 897
Lakia Investments	4 903	5 373
Robin Investments	1 799	1 760
Imes Poland	20 601	0
Hub Developments	2	2

	31/12/2020	31/12/2019
Receivables		
5/92 Gaston Investments	0	6 505
6/150 Gaston Investments	0	2 134
7/120 Gaston Investments	0	2 192
12/132 Gaston Investments	0	4 199
13/155 Gaston Investments	0	5 134
18 Gaston Investments	0	0
19/97 Gaston Investments	0	871
20/140 Gaston Investments	0	1 064
Belise Investments	18 430	16 122
Celtic Asset Management	535	713
Challange Eighteen	35 310	45 430
Elara Investments	1 547	1 235
Gaston Investments	42	0
Hub Developments	1 701	1 415
Lakia Enterprises Ltd	27 701	25 350
Lakia Investments	7	2
Ursus Development	94 395	0
Imes Poland	20 370	0

c) Transactions with other related party	**31/12/2020**	**31/12/2019**
Costs		
Laxey Partners	16	0
Kancelaria Radców Prawnych Oleś&Rodzynkiewicz sp. komandytowa	101	16

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

24 Earnings (loss) per share

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

	12 months ended 31/12/2020	12 months ended 31/12/2019
Profit attributable to the shareholders	137 115	26 095
Weighted average number of ordinary shares (in '000)	20 119	23 790
Earnings per share	**6,82**	**1,10**
Diluted profit attributable to shareholders	137 115	26 095
Weighted average number of ordinary shares (in '000)	20 119	23 790
Diluted earnings per share	**6,82**	**1,10**

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

25 Operating segments

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

26 Employment

As at 31 December 2020 the company employed 4 employees. As at 31 December 2019 the company employed 4 employees.

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

The Company has not made any loans or entered into any other transactions with members of the Board of Directors or supervisory bodies in 2020 and 2019, except as disclosed in Note 23.

28 Auditor's remuneration

	12 months ended 31/12/2020	12 months ended 31/12/2019
Remuneration paid or payable to the entity authorized to audit financial statements for the year	150	150

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

29 Events after the balance sheet date

On 24 February 2021 the resolutions were adopted on the dissolution of the Company's subsidiary, Imes Poland, and onthe opening of the liquidation process.

These financial statements have been approved by the Board on 29 April 2021 and signed on its behalf by:

Colin Kingsnorth
Chairman of the Board

Elżbieta Donata Wiczkowska
Board Member

John Purcell
Board Member

Iwona Makarewicz
Board Member

Marzena Kaczmarska
The person responsible for accounting records