CONSOLIDATED ANNUAL REPORT 2020

CPD S.A.

CPD S.A.

REPORT ON THE CAPITAL GROUP'S ACTIVITY

FOR THE YEAR ENDED ON 31 DECEMBER 2020

TRANSLATORS' EXPLANATORY NOTE

The following document is a free translation of the CPD S.A Consolidated Annual Report 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.

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THE MANAGEMENT BOARD'S LETTER

Ladies and Gentlemen, Dear Shareholders,

We are pleased to provide you with the Annual Report of the CPD S.A. for 2020, a landmark year in the pursuit of the Group's strategic goals of monetizing its assets and distributing the proceeds to its shareholders.

This was possible thanks to the continuation of the Ursa Smart City housing project whose implementation began in 2014 after the adoption of the Ursus residential led Master Plan. In 2020, the construction of the last stage of the project in Ursus under the name Ursa Sky began consisting of an additional 20,000 sq. m. of residential and commercial space that is expected to receive occupancy permits at the turn of 2021/2022.

The success of the previous stages of the Ursa housing project has significantly contributed to the steady increase in the value of the CPD SA Group's land bank in Ursus. Its monetization enabled the Group to achieve a profit of 16.3 million PLN in 2020.

At the same time, as in previous years, in 2020 we took active steps to maximize rental income. We maintained a high level of occupation of the Iris and Aquarius office buildings located in Warsaw.

In 2016-2020, the Company bought back 32,99 %. of its outstanding shares for redemption. On this basis, our shareholders received a total of 277.5 million PLN, with 74, 5 million PLN distributed in 2020.

The Group's intention for the next year is to continue the housing project, convert one of its three office buildings into a residential project and distribute the cash to its shareholders through further share buybacks, while maintaining its stable financial situation. This has been particularly true during the unpredictable situation on the housing and financial market caused by the Sars CoV 2 virus pandemic. All further actions aimed at maintaining the Group's stable financial situation in the following months of the pandemic will be based on an in-depth analysis of the dynamically changing situation.

To sum up the entire previous year, very intense but also extremely favourable for the Group, we would like to thank all our Employees and Associates for the effort put into executing the Group's strategy. We would like to thank our clients for their trust, the members of the Supervisory Board of CPD S.A. for their commitment and effort put into building the Company's position and our individual and institutional shareholders for their confidence and investment in CPD S.A.

Yours sincerely

The Management Board of CPD S.A.

SUPERVISORY BOARD AND AUDIT COMMITTEE

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

SUPERVISORY BOARD

As at the balance sheet 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 Ms 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 one-year post-graduate course in corporate law at the Faculty of Law of the University of Warsaw. He also completed a 14-month course for talented managers in an international insurance group.

In comparison to the status at the end of 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.

MANAGEMENT BOARD

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 MEN AND WOMEN IN THE MANAGEMENT BOARD AND SUPERVISORY BOARD

CPD S.A., according to the *Good Practices of the Companies Listed on the Warsaw Stock Exchange,* presents below the information about the participation of women and men, respectively, in the Management Board and Supervisory Board of the Company during 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'S REPORT ON THE GROUP'S ACTIVITY

1. INFORMATION ON CPD GROUP

CPD Group started its activities in Poland in 1999 from the foundation of Celtic Asset Management Sp. z o.o. In subsequent years, 1999-2005, the activities of the company focused on building and managing a real estate portfolio for external institutions in Poland, Czech Republic, Lithuania, Romania, Hungary and Germany. In 2005 Celtic Asset Management Sp. z o.o started development activity in cooperation with several funds managed by Laxey Partners. In 2007 the consolidation of the group under the name Celtic Property Developments SA (BVI) was performed and in 2008 the listing of the company Celtic Property Developments SA (BVI) began on a deregulated market (Freiverkehr) in Frankfurt. In the period from 2005 to 2010 the Company's main market of activity was Poland. At the same time, the Group conducted and managed projects in Montenegro, Hungary, Italy, Belgium, the United Kingdom, the Netherlands, Germany and Spain. International experience and practical knowledge of experts and managers of CPD Group contributed to creation of a strong and stable Capital Group, which debuted on the Warsaw Stock Exchange on 23 December 2010. 17th of September 2014 the Company changed its name from Celtic Property Developments S.A. to CPD S.A.

Today, CPD S.A. is the holding company controlling a group of 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. CAPITAL GROUP STRUCTURE

As of the day of publication hereof, the CPD Group (hereinafter referred to as "the Group", "CPD Group", "the Capital Group") was composed of a dominant entity – CPD S.A. (hereinafter referred to as "the Company") and 28 subsidiaries and two jointly controlled entities. Development activities of the Group are conducted via investment companies, direct subsidiaries of Challange Eighteen sp. z o.o. and Lakia Enterprises Ltd (Cyprus). The dominant entity - CPD S.A. - coordinates and supervises the activities of particular subsidiaries and at the same time is the centre for making decisions on the development strategy. CPD S.A. performs actions aiming at optimising the operating costs of the Capital Group, designs the Group's investment and marketing policies and serves as the coordinator of this activity.

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

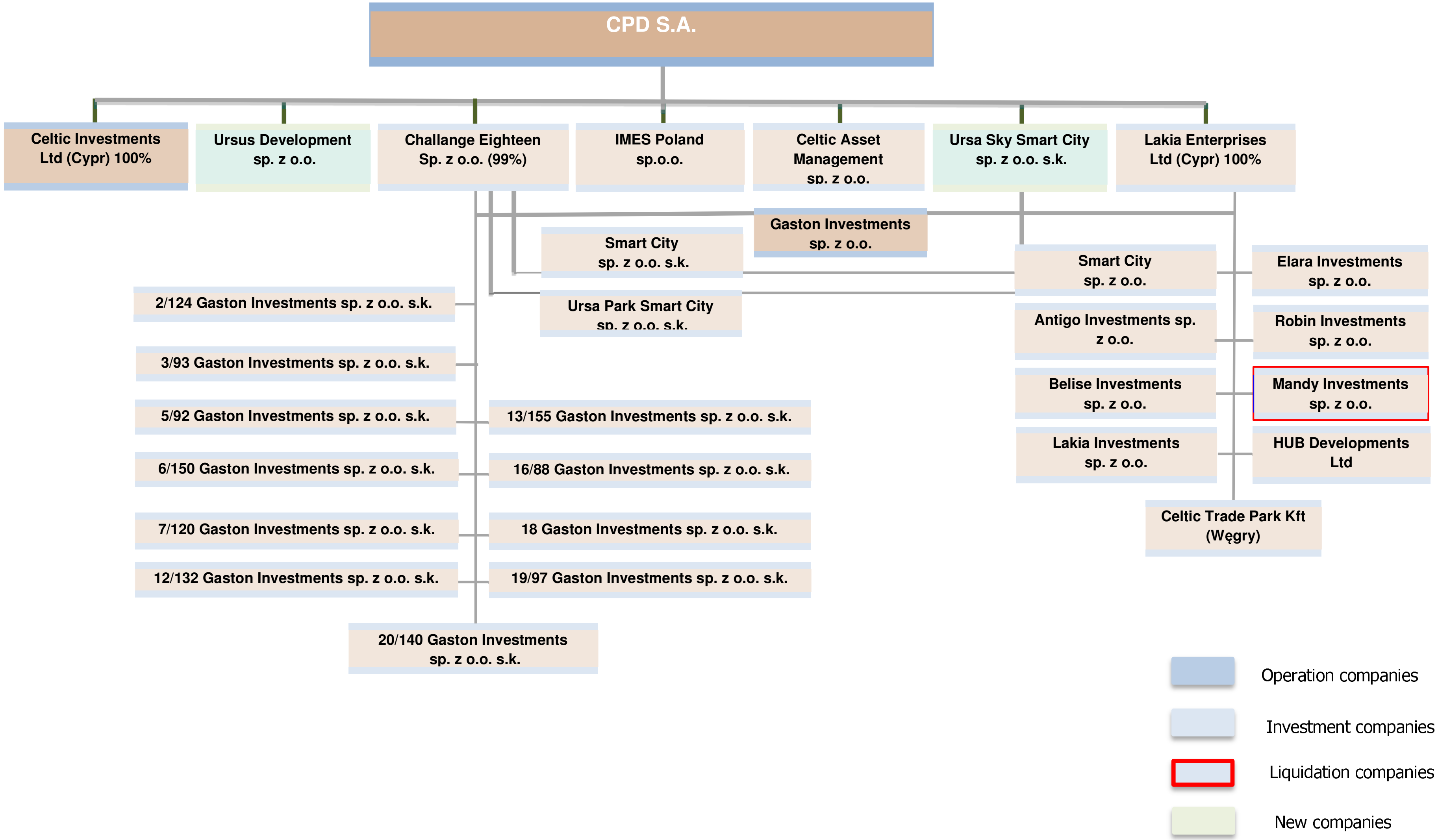
- 25 June 2020 Ursus Development sp. z o.o. was established,
- 15 June 2020 Ursa Sky Smart City sp. z o.o. sp. k. was established,

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 SA bought 100% shares of the company Antigo Investments sp. z o.o.

As of the day of publication hereof 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 with the equity method in accordance with the requirements of the International Financial Reporting Standards.

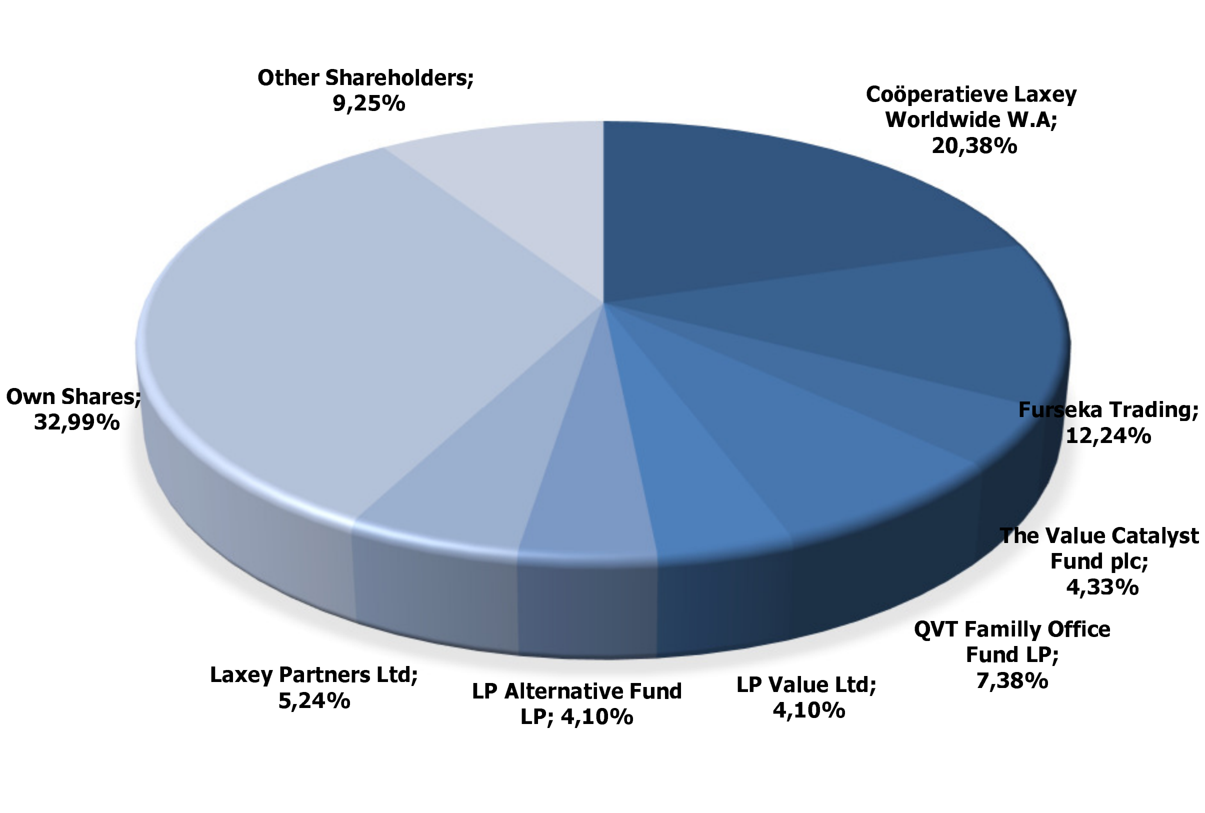
CPD S.A. Group structure on the 31 December 2020



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 or the right to appoint members to the Company Management Board or Supervisory Board. The Company's shareholders do not own shares offering special controlling rights.

- **RESTRICTIONS IN VOTING RIGHTS**

According to par. 4 par. 5 of the Company Statute, the pledgee or user of the shares is not entitled to vote on the shares pledged on its behalf or given 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 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 Management Board may engage in competitive business or participate in a competitive company as a partner or a member of its bodies, without the consent of the Supervisory Board.

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); the consent is not required for typical transactions concluded on market terms within the operating business by the Company with its subsidiary, in which the Company holds a majority stake. However, the above definition does not qualify for the category of "related parties" a shareholder holding 5% to 20% percent of the total number of votes in the Company.

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

The Company does not apply this principle.

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

REMUNERATION

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

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, 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 %
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.

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

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 THE ISSUER AND THEIR COMMITTEES

SUPERVISORY BOARD

The Supervisory Board acts in accordance with provisions of the Code of Commercial Companies and provisions of the Company Statute and the Supervisory Board By-laws available to the public and determining its organization, and proceeding methods, as well as in accordance with the Principles of Good Practices of Companies Listed on the Warsaw Stock Exchange. The Supervisory Board is a 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 recommendation is prepared after a tendering procedure organised by the Company. The audit company is selected in advance so that the contract on audit of the financial statement can be signed on a date enabling the audit company to attend inventory-taking of significant assets.

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

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

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

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

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

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

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

The first contract to audit the financial statement is concluded with the audit company for a period of at least two years with 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 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. CORPORATE SOCIAL RESPONSIBILITY

CPD Group perceives its activities in the field of development projects in the broader context of creating a modern, multidimensional urban space, providing new quality of life for residents and users of implemented investments. The Group expresses its responsibility for the environment through the support for various social and cultural initiatives, directly or indirectly related to its investment business.

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

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

In 2021, the CPD Group will continue leasing of the building of the Arsus Centre for a symbolic lease rate of PLN 100 per month and, if financial resources are available, will continue the prosocial initiatives taken, convinced that they will bring tangible results to both direct beneficiaries and communities, in which they will be implemented.

In addition, as part of social responsibility and building of a sustainable urban fabric based on local social identity, in 2020 the CPD Group donated to the Capital City of Warsaw an area of 5 427 m^2, which according to the Local Zoning Plan is intended for public roads.

By continuing its long-term commitment to conscious social responsibility in 2020, the Company prolonged the obligation to make a donation to the city of an area of 1.7 ha intended for educational investments till the end of 2025 free of charge. As part of the agreement with the City of Warsaw, the city's authorities committed to build an educational complex for children and young people aged 3-19 in the above area.

In addition, the Company is revitalizing a public park of 3 280 m^2 located in the immediate vicinity of the ongoing housing investment. It will complement the offer of recreational areas offering public areas available to residents of the newly created urban area within the Ursus district.

6. STRATEGY AND POLICY REGARDING FURTHER GROUP DEVELOPMENT DIRECTIONS

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

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

Simultaneous implementation of several smaller developer undertakings in one investment area of the Ursus project 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.

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

- **CONCLUSION OF SALE AGREEMENTS BY SUBSIDIARIES OF THE COMPANY**

On 28 January 2020 the Issuer's subsidiaries concluded agreements for the sale of the right of perpetual usufruct of real estate, i.e.:

1. 6/150 Gaston Investments sp. z o.o. sp. k. with its registered office in Warsaw, plots no. 161/2 and 150/3, no. 2-09-09, located in Warsaw, Ursus district, to Aurec Capital Development Poland sp. z o.o. with its registered office in Warsaw. The total sale price for these two plots was set at 19.3 million zł.
2. 7/120 Gaston Investments sp. z o.o. sp. k. with its registered office in Warsaw, plots No. 120/6, 120/13, 120/7, 120/8 and 120/12, District No. 2-09-09, located in Warsaw, Ursus district, to Aurec Capital Development Poland sp. z o.o. with its registered office in Warsaw. The total net sale price for these five plots was set at approx. 19 million zł.
3. 18 Gaston Investments sp. z o.o. sp. k. with its registered office in Warsaw, plots No. 160 and 120/9 District No. 2-09-09, located in Warsaw, Ursus district, to Agra Development sp. z o.o. with its registered office in Warsaw. The net sale price for these two plots was set at 151 thousand zł.
4. 19/97 Gaston Investments sp. z o.o. sp. k. with its registered office in Warsaw, plot no. 97, district number 2-09-09, located in Warsaw, Ursus district, to Agra Development sp. z o.o. with its registered office in Warsaw. The net sale price for this plot was set at approximately 8.3 million zł.
5. 20/140 Gaston Investments sp. z o.o. sp. k. with its registered office in Warsaw, plot No. 140, District No. 2-09-09, located in Warsaw, Ursus district, to Agra Development sp. z o.o. with its registered office in Warsaw. The sale price for this plot was set at approx. 3.8 million zł.

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

- **ESTABLISHMENT OF SECURITY**

On 29 January 2020 the Issuer's subsidiaries granted collateral to secure claims for repayment of advances paid by UDI Ursus II sp. z o.o. with its registered office in Warsaw, in connection with preliminary sale agreements for a total amount of PLN 79,698,412, leading to the sale of the right to land located in Warsaw in the Ursus district.

This collateral includes the following:

- a contractual mortgage up to the amount of PLN 9,197,046.68 established by 12/132 Gaston Investments sp. z o.o. sp. k on perpetual usufruct of an undeveloped plot of land no. 132/2 located in Warsaw, described in the land and mortgage register no. WA5M / 00477860/2 kept by the District Court for Warsaw-Mokotów in Warsaw, XIII Land and Mortgage Register Division,
- a contractual mortgage up to the amount of PLN 833 397.58 established by 13/155 Gaston Investments sp. z o.o. sp. k on perpetual usufruct of an undeveloped plot of land no. 158/2 located in Warsaw, described in the land and mortgage register no. WA5M / 00477864/0 kept by the District Court for Warsaw-Mokotów in Warsaw, XIII Land and Mortgage Register Division,
- a contractual mortgage up to the amount of PLN 3,107,072.74 established by 13/155 Gaston Investments sp. z o.o. sp. k on perpetual usufruct of developed land plot no. 155/2 located in Warsaw, described in the land and mortgage register no. WA5M / 00477861/9 kept by the District Court for Warsaw-Mokotów in Warsaw, 13th Land and Mortgage Register Division,
- a contractual mortgage up to the amount of PLN 1,466,711.90 established by 13/155 Gaston Investments sp. z o.o. sp. k on perpetual usufruct of developed land plot no. 147 located in Warsaw, described in the land and mortgage register no. WA1M / 00338198/6 kept by the District Court for Warsaw-Mokotów in Warsaw, 13th Land and Mortgage Register Division,
- a contractual mortgage up to the amount of PLN 1,334,453.50 established by 13/155 Gaston Investments sp. z o.o. sp. k on perpetual usufruct of an undeveloped plot of land no. 134 located in Warsaw, described in the land and mortgage register No. WA1M / 00233102/1 kept by the District Court for Warsaw-Mokotów in Warsaw, 13th Land and Mortgage Register Division.

• 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 Proposals for Sales of Shares of the Company announced by the Company on 3 March 2020, purchased 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.

- **CONCLUSION OF SALE AGREEMENT BY THE SUBSIDIARY OF THE COMPANY**

29 July 2020 the Issuer's subsidiary i.e., 5/92 Gaston Investments sp. zo.o. sp. k. with its registered office in Warsaw, concluded agreement for the sale of the right of perpetual usufruct of real property, covering plots no. 92/2, 92/4 and 92/5, geodetic district no. 2-09-09, located in Warsaw, Ursus district, to UDI Tau sp. z o.o. with its registered office in Warsaw. The Agreement was concluded as the implementation of preliminary agreement. The sale price was set at PLN 50.3 million net.

- **CONCLUSION OF GENERAL CONSTRUCTION AGREEMENT**

2 September 2020 subsidiary of the Issuer i.e., Ursa Sky Smart City sp. z o.o. sp. k. as the Ordering Party, concluded a general construction contract with Unibep S.A. in the role of the Contractor. The

contract is carried out in the general contracting system under the project called Ursa Sky, located on the land surveying plot No. 113/8, between the streets: Silnikowa, Herbu Oksza and Quo Vadis in Warsaw.

The investment is a joint construction project which is the implementation of a complex of multi-family buildings with services and accompanying infrastructure, i.e., a housing estate including the construction of 2 residential buildings with an underground garage and land development.

The works are performed in two stages. The 8-storey buildings under construction will include a total of 384 apartments, 12 commercial premises and 376 parking spaces.

The 1st stage commenced in Q32020 and should be completed in Q3 2021. The 2nd stage started in Q1 2021 and should be completed in Q3 2022.

The net remuneration for the 1st stage is PLN 47,3 mln net. The remuneration for the implementation of the second stage was set at PLN 46,9 mln net.

In the event of withdrawal from the Agreement due to the fault of the Ordering Party, the Agreement provides Contractor possibility of charging a contractual penalty in the amount of 10% of the net remuneration for the performance of a given stage. The stipulation of contractual penalties does not deprive the Contractor of the possibility to claim damages in excess of the value of the contractual penalty on general terms.

In the event of withdrawal from the Agreement due to the Contractor's fault, the Agreement provides Ordering Party possibility of charging a contractual penalty in the amount of 10% of the net remuneration for the performance of a given stage. The stipulation of contractual penalties does not deprive the Ordering Party of the possibility to claim damages in excess of the value of the contractual penalty on general terms.

- **DECISION IN TAX PROCEEDINGS AGAINST A SUBSIDIARY**

On 6 November 2020, the Head of the Małopolska Customs and Tax Office in Kraków overruled the decision of the first instance authority in its entirety and discontinued the proceedings in the case determining the amount of debt due to unpaid flat-rate corporate income tax on interest paid to East Europe Property Financing AB with its registered office in the territory of Sweden in May 2012 in the amount of PLN 9,112,648 and adjudicating on the tax liability of Challange Eighteen Sp. z o.o. as a payer of flat-rate corporate income tax for the above-specified amount of the non-collected flat-rate corporate income tax.

The decision is justified by the statute of limitations on the tax liability specified in the decision of the first instance authority issued on 18 June 2020, which took place on 4 July 2020.

26 November 2021 the subsidiary received from the II Masovian Tax Office in Warsaw, income tax refund for May 2012 in the amount of PLN 16,300,773. The amount comprised the main amount of PLN 9,112,648, interest of PLN 6,513,421 paid by the Company in May 2020 and interest due in the amount of PLN 674,704.

- **IMPLEMENTATION OF THE SECOND STAGE OF THE PROJECT URSA SKY**

10 December 2020 the general contractor i.e., Unibep SA, was delivered with the order to start the second stage of the Ursa Sky project, located on the land surveying plot No. 113/8, between the streets: Silnikowa, Herbu Oksza and Quo Vadis in Warsaw.

The second stage of the investment is a joint construction project consisting in the implementation of a multi-family building with accompanying services and infrastructure, i.e., with an underground garage and land development.

The 8-storey building under construction will contain a total of 201 apartments, 3 commercial premises and 201 parking spaces.

8. ASSESSMENT OF INVESTMENT POSSIBILITIES

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

The value of the properties owned by the Group, including investment properties, properties held for sale and inventories at the end of 2020 amounted to PLN 254.47 million, compared to PLN 346.51 million at the end of 2019. Valuations of investment properties and inventories located in Poland as at the end of 2020, as in the preceding year, were carried out by an independent appraiser - Cresa Polska sp. z o.o.. In the preceding year, the valuations were carried out by an independent appraiser - Savills Polska sp. z o.o.

The table below presents a list of properties belonging to the Group as of 31 December 2020.

		Type	Valuation 31.12.2020 (mln PLN)	Valuation 31.12.2019 (mln PLN)
Investment properties			**165.62**	**100.21**
Office and logistics			160.35	96.86
Capitalised perpetual usufruct charges			5.27	3.35
Properties held for sale			**85.25**	**242.71**
Residential, retail and office			79.16	226.04
Capitalised perpetual usufruct charges			6.08	16.67
Inventory (at fair value)			**3.6**	3.59
1	**Poland**	Residential, agricultural land, building plots	2.86	2.80
2	**Hungary**	Warehouse/office	0.55	0.61
Capitalised perpetual usufruct charges			0.19	

		0.19
PORTFOLIO IN TOTAL	254.47	346.51

- **URSUS**

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

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

According to the local zoning plan, the purchased property with the adjacent area is in the process of transformation into a unique and modern residential - recreational – educational complex on the area of over 200 ha. Thanks to its location, modern transport solutions and unique residential - educational – recreational complex functions, it will offer its residents a high quality of life.

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

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

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

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

The investment was completed in December 2019.

In February 2017, the second Stage of the residential and services project Smart City was launched directly neighbouring the first Stage of Smart City.

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

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

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

In 2018 the company belonging to CPD Group recovered PLN 12.8 million for its contribution in the form of land and Unidevelopment SA recovered PLN 6.95 million PLN for its contribution toto Ursa Park Smart City sp. z o.o sp. k.. In addition, in 2018 the partners of Ursa Park Smart City Sp. z o.o. sp. k. received the investment profit in the total amount of PLN 12 million (the profit was split by half for each party, i.e., companies belonging to the CPD Group received PLN 6 million and Unidevelopment also received PLN 6 million). In 2019 the CPD Group recovered PLN 10.23 million for its contribution and Unidevelopment SA recovered PLN 1.8 million for its contribution in the company Ursa Park Smart City sp. z o.o sp. k. in the amount of PLN 1.8. In addition, in 2019 the partners of Ursa Park Smart City Sp. z o.o. sp. k. received the investment profit in the total amount of PLN 16.8 million (the profit was split by half for each party, i.e., companies from the CPD Group received PLN 8.4 million and Unidevelopment also received PLN 8.4 million). In 2020 the partners paid themselves the profit from the Ursa Park investment in the total amount of PLN 0.9 million, each party received PLN 0.45 million.

In 2019, the Company started the construction of the next stage of the investment, i.e., I (out of the two planned) of Phase II of Stage II called Ursa Home. Project I consist of 2 seven-story buildings and provided 153 apartments, predominantly with areas ranging from 40 to 80 m^2. The area of Project I of Phase II of Phase II is 9,500 sq. m. Project II consists of 1 seven-story building and provided 188 apartments, predominantly with areas ranging from 40 to 80 sq. m. The area of Project II of Phase II is 10,500 sq. m. Project I and II of the Ursa Home project were completed in Q4 2020. As at the date of this document, 100% of the apartments offered in the Ursa Home project have been sold.

In 2020, the CPD Group recovered PLN 27 million for a portion of its contribution in the form of land and Unidevelopment SA recovered PLN 4 million for its contribution to Ursa Park Smart City Sp. z o.o. sp. k.. In addition, in 2020, the partners of Ursa Park Smart City Sp. z o.o. sp. k. distributed the profit on Ursa Home's investment in the total amount of PLN 28 million (the profit was divided in half for each party, i.e., the companies from the CPD Group received PLN 14 million, Unidevelopment also received PLN 14 million).

Projects I and II of the Ursa Home project were completed in the fourth quarter of 2020.

In 2020, the Company started the construction of the final stage of the investment called Ursa Sky. The investment was divided into two Projects. Both projects will consist of 3 seven-story buildings and will provide 384 apartments, predominantly with floor plans ranging from 40 to 80 m2. The total area of Ursa Sky is 22.7 thousand sq. m., and its commissioning is planned for the turn of 21/22.

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

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

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

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

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

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

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

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

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

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

The IRIS building is the final stage of the office and residential project located at the corner of Cybernetyki and Postępu streets in Warsaw's Mokotów district. It is a six-storey office building with the total lease area of circa 14.2 k sq. m. together with 233 parking places. As of 31 December 2020, the building was leased in 89.27 %. The project at the corner of Cybernetyki and Postępu streets is composed of office complexes Cybernetyki Office Park (Helion, Luminar, Solar and Iris buildings) and Mokotów Plaza, as well as Mozaika residential complex. The Group has constructed and sold 3 buildings in Cybernetyki Office Park to date: Helion, Luminar and Mokotów Plaza.

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

The eight storey B+ class office building of 5,749 sq. m. was built in the office part of Mokotów district in 1998 and was refurbished by the Group in 2008. The Group is assessing the possibilities of change of use and redevelopment of the building.

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

The Aquarius Office Park consists of a five storey B class office building of 5,205 sq. m., an investment site with a valid building permit for construction of an A class office building of ca 2,500 sq. m. as well as an investment site of approx. 10,000 sq. m. intended for the construction of an office and warehouse complex.

- **WOLBÓRZ, MAZOWIECKIE VOIVODSHIP**

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

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

- **KOSZYKOWA 69**

The real estate at Koszykowa 69 includes a four-storey row house (Ludwik Szanser's row house) and the outbuilding. The house was renovated and extended by CPD Group, offering 14 apartments and commercial areas, which were sold in 2011. As of 31 December 2020, the Group's investment properties portfolio still included the outbuilding. The Group is currently taking actions to relocate the present lessees of the outbuilding.

- **CZOSNÓW**

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

- **JAKTORÓW**

  The land in Jaktorów of the area of 3.2 ha was acquired by the Group as part of the acquisition of 100% shares in Celtic Asset Management sp. z o.o.. In February 2021 a preliminary sale agreement for this land was signed with a private investor. Final agreement was concluded in April 2021.

- **NOWA PIASECZNICA**

  The land in Nowa Piasecznica was acquired by the Group as part of the acquisition of 100% shares in Antigo Investments Sp. z o.o. The land in Nowa Piasecznica had a total area of 1.5 ha. As of the day of publication hereof, there were still 2 912 m^2 for sale.

- **ALSONEMEDI, HUNGARY**

  In 2009 the Group purchased land near Budapest of the area of 42,495 m^2 to develop warehouse space. The real estate is situated in a logistically good location: 20 km south of Budapest and in proximity to main roads. The Group intends to sell this property to a final investor.

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

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, commercial 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 not completed within the timeframe defined by IFRS, 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 property 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 the recommendations issued by 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 Project and the commissioning of the 2nd Ursa Home Project 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.

10. FACTORS IMPORTANT FOR FURTHER GROUP DEVELOPMENT

• MACROECONOMIC AND MICROECONOMIC SITUATION IN POLAND

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

In 2020, Poland's GDP shrank by 2.7 %. For comparison, in 2019, the Polish economy grew by 4.7 %.

At the time of publication, due to continuation of the epidemic situation in Poland and around the word it is impossible to fully and reliably estimate the impact of the pandemic on the Company's results and operations. Management takes precautionary measures to mitigate the negative effects of the pandemic.

• SITUATION ON FINANCIAL MARKETS

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

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

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

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

Since 29 May 2020, the reference rate is 0,1%. Maintaining the current level of interest rates in 2021 should have a positive impact on the attractiveness of mortgage loans as well as their availability, which was significantly reduced in 2013 by the introduction of the so-called Recommendation S, which establishes more restrictive rules for calculating the creditworthiness and the maximum limit of the loan amount and which may be further reduced due to the economic recession caused by the COVID-19 pandemic.

However, it should be noted that the KNF recommendation from January this year, which reduced the suggested amount of own contribution to 10% of the loan amount, significantly reduced the negative effects of Recommendation No. 5 on the market of individual mortgage loans.

Due to the spread of the COVID-19 pandemic, there may be an imbalance of financial liquidity which may have an indirect negative impact on the acquisition of individual mortgage bank loans by clients and this may have a direct impact on the decrease in demand for flats among individual clients.

- **GOVERNMENTAL POLICY SUPPORTING CONSTRUCTION INDUSTRY**

In 2019, the government implemented a new package of solutions - Apartment Plus - divided into two pillars, i.e., market and social. The market pillar enables people with moderate incomes who are not creditworthy to rent an apartment with the option of owning the apartment. The second pillar is the housing segment for the average and lowest earners who can use flats on a lease basis, after fulfilling the criterion of low income per family member and unmet housing needs. This did not cause a significant weakening of the demand for housing offered by the CPD Group and did not negatively affect the recorded sale of apartments offered by the CPD Group in 2020.

- **ADMINISTRATIVE DECISIONS CONCERNING THE HELD LANDS**

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

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

11. OVERVIEW OF BASIC ECONOMIC AND FINANCIAL INFORMATION

Selected items of the consolidated statement of comprehensive income

	12 months period		
	From 01.01.2020 to 31.12.2020 (PLN thous.)	From 01.01.2019 to 31.12.2019 (PLN thous.)	*Change* (%)
Revenue	18 559	46 834	*-60,4%*
Cost of sales	-3 131	-4 357	*-28,1%*
Sales profit	**15 428**	**42 477**	**-63,7%**
Administrative expenses - property related	*-11 926*	*-11 266*	*5,9%*
Other administrative expenses	*-6 578*	*-6 342*	*3,7%*
Selling and marketing costs	*-270*	*-347*	*-22,2%*
Gain (loss) on disposal of investment properties	*165*	*-565*	
Other income	*2 811*	*2 317*	*21,3%*
Gain (loss) on revaluation of investment properties	*15 921*	*21 616*	*-26,3%*
Gain (loss) on revaluation of assets held for sale	*-116*	*1 143*	
Post-tax share of the profit or loss of the joint-venture accounted for using the equity method	*19 735*	*15 844*	*24,6%*
Impairment of receivables	*46*	*110*	*-58,2%*
Profit from operations	**35 216**	**64 987**	**-45,8%**
Finance income	1 387	1 621	*-14,4%*
Finance costs	-12 741	-4 775	*166,8%*
Profit/loss before tax	**23 862**	**61 833**	**-61,4%**
Income tax	-7 555	-1 833	*312,2%*
Profit/loss for the period	**16 307**	**60 000**	**-72,8%**

Description of financial results for the period of 12 months ended 31 December 2020.

In 2020 profit from operations amounted to 35.22 m PLN. After taking account of finance income, finance costs and income tax the period of 12 months generated net profit of 16.31 m PLN. Sales profit amounted to 15.43 m PLN. The sales profit fell by 64% in comparison with 2019.

A rise in share in the profits of the joint venture in the amount of 3.89 m PLN was a main factor that had a positive impact on Group's financial results for 2020 in comparison with 2019.

In 2020 the share in the profits of the joint venture amounted to 19.74 m PLN, whereas in 2019 it was lower and amounted to 15.84 m PLN. The share in the profits of the joint venture increased by 25% in comparison with 2019.

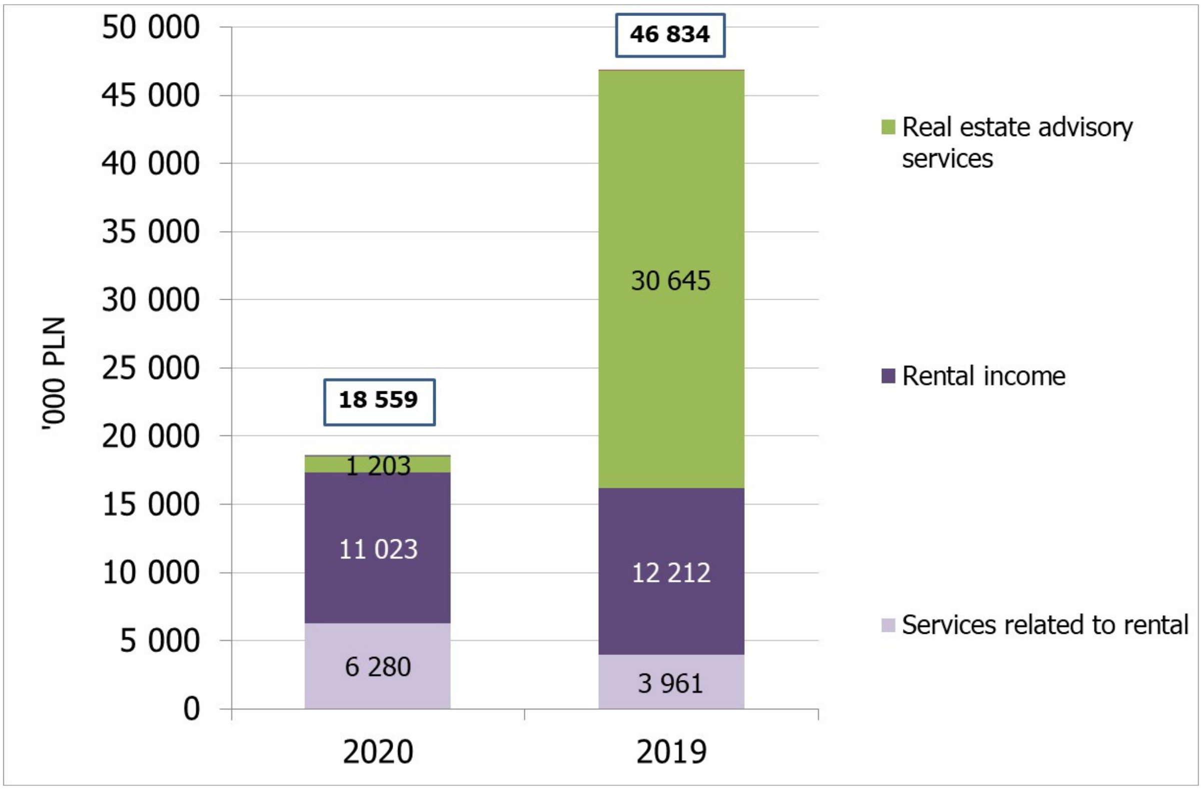
A drop in sales profit in the amount of 27.05 m PLN, a rise in finance costs in the amount of 7.97 m PLN, an increase in income tax burden in the amount of 5.71 m PLN and a decrease in gain on revaluation of investment properties in the amount of 5.7 m PLN were main factors that had a negative impact on Group's financial results for 2020 in comparison with 2019.

The drop in sales profit resulted from lower revenue, especially lower revenue related to real estate advisory services. The rise in finance costs stemmed mainly from unfavourable fx differences in the amount of 7.87 m PLN. The unfavourable fx differences resulted from the weakening of Polish currency in 2020.

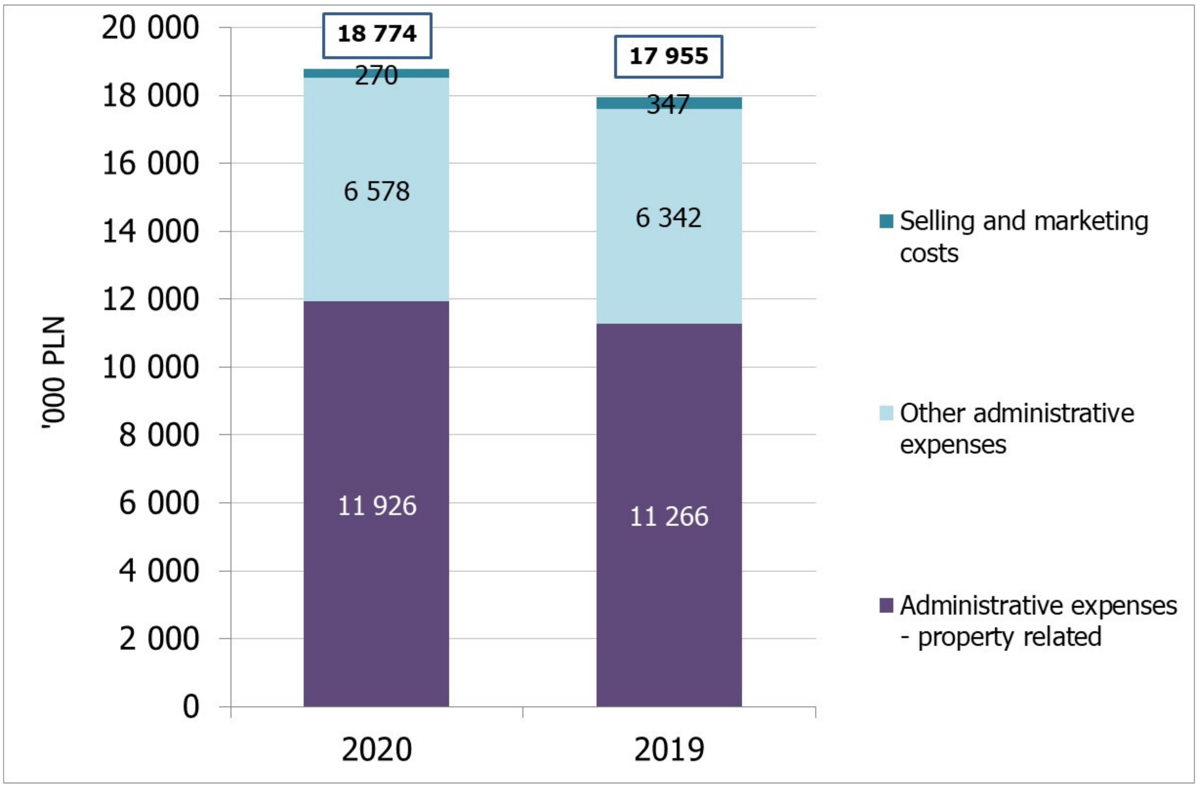
The following table shows the selected items of the consolidated statement of comprehensive income translated into euro. The figures for 2020 assumed an fx rate that is equal to an average of 12 rates published by the National Bank of Poland at the end of every month in 2020, i.e., 4.4742. The figures for 2019 assumed an fx rate that is equal to an average of 12 rates published by the National Bank of Poland at the end of every month in 2019, i.e., 4.3018.

	12 months period		
	From 01.01.2020 to 31.12.2020 (EUR thous.)	**From 01.01.2019 to 31.12.2019** (EUR thous.)	***Change*** *(%)*
Revenue	4 148	10 887	*-61,9%*
Cost of sales	-700	-1 013	*-30,9%*
Sales profit	**3 448**	**9 874**	**-65,1%**
Administrative expenses - property related	*-2 666*	*-2 619*	*1,8%*
Other administrative expenses	*-1 470*	*-1 474*	*-0,3%*
Selling and marketing costs	*-60*	*-81*	*-25,2%*
Gain (loss) on disposal of investment properties	*37*	*-131*	
Other income	*628*	*539*	*16,6%*
Gain (loss) on revaluation of investment properties	*3 558*	*5 025*	*-29,2%*
Gain (loss) on revaluation of assets held for sale	*-26*	*266*	
Post-tax share of the profit or loss of the joint-venture accounted for using the equity method	*4 411*	*3 683*	*19,8%*
Impairment of receivables	*10*	*26*	*-59,8%*
Profit from operations	**7 871**	**15 107**	**-47,9%**
Finance income	310	377	*-17,7%*
Finance costs	-2 848	-1 110	*156,5%*
Profit/loss before tax	**5 333**	**14 374**	**-62,9%**
Income tax	-1 689	-426	*296,3%*
Profit/loss for the period	**3 645**	**13 948**	**-73,9%**

The following chart shows the structure of revenue in 2020 and 2019.



The following chart shows the structure of operating costs in 2020 and 2019.



Total operating costs went up by 4.6% in comparison with 2019 mainly due to higher advisory and staff costs.

Selected items of the consolidated statement of financial position

		As at: 31.12.2020 (PLN thous.)	As at: 31.12.2019 (PLN thous.)	Change (%)
TOTAL ASSETS		**472 346**	**526 585**	***-10,3%***
Non-current assets, including:		**193 314**	**132 856**	***45,5%***
	Investment properties	*165 618*	*100 214*	*65,3%*
	Investments in joint ventures accounted for using the equity method	*27 221*	*32 015*	*-15,0%*
Current assets, including:		**279 032**	**393 729**	***-29,1%***
	Assets held for sale	*85 250*	*242 705*	*-64,9%*
	Inventory	*3 601*	*3 594*	*0,2%*
	Trade and other receivables	*20 035*	*8 395*	*138,7%*
	Cash and cash equivalents	*170 146*	*139 035*	*22,4%*
TOTAL EQUITY AND LIABILITIES		**472 346**	**526 585**	***-10,3%***
Equity, including:		**285 048**	**343 858**	***-17,1%***
	Share capital	*2 637*	*2 637*	*0,0%*
	Reserve capital	*987*	*987*	*0,0%*
	Own shares for redemption	*-117 396*	*-43 010*	*173,0%*
	Fair value of capital element at inception date	*-27 909*	*-27 909*	*0,0%*
	Translation reserve	*-6 262*	*-5 531*	*13,2%*
	Retained earnings	*432 991*	*416 684*	*3,9%*
Total liabilities, including:		**187 298**	**182 727**	***2,5%***
	Non-current liabilities	*27 626*	*82 909*	*-66,7%*
	Current liabilities	*159 672*	*99 818*	*60,0%*

At the end of December 2020 total assets went down by 10.3% in comparison with 2019 due to considerable drop in current assets.

The decline in current assets amounted to 29.1% and resulted mainly from two share buy backs in the total amount of 74.4 m PLN and a reclassification of two office buildings with a total book value of 47.5 m PLN from current assets into non-current assets.

The value of investment properties increased by 65% as a result of the reclassification of two office buildings from assets held for sale into investment properties and as a result of favourable fx differences resulting from the weakening of Polish currency (some properties owned by CPD Group are valued in euro).

At the end of December 2020 total equity amounted to 285 m PLN, which accounted for 60.3% of total assets, whereas total liabilities accounted for 39.7% of total assets. The ratios changed in comparison with December 2019 (65.3% and 34.7% respectively).

In 2020 the value of total liabilities rose by 2.5% in comparison with 31 December 2019 due to, among other things, the weakening of Polish currency (bank loans are denominated in euro).

The following table shows the selected items of the consolidated statement of financial position translated into euro. The figures for 31 December 2020 assumed an fx rate published by the National Bank of Poland on 31 December 2020, i.e., 4.6148. The figures for 31 December 2019 assumed an fx rate published by the National Bank of Poland on 31 December 2019, i.e., 4.2585.

		As at:		Change
		31.12.2020 (EUR thous.)	31.12.2019 (EUR thous.)	(%)
TOTAL ASSETS		**102 355**	**123 655**	***-17,2%***
Non-current assets, including:		**41 890**	**31 198**	***34,3%***
	Investment properties	*35 888*	*23 533*	*52,5%*
	Investments in joint ventures accounted for using the equity method	*5 899*	*7 518*	*-21,5%*
Current assets, including:		**60 465**	**92 457**	***-34,6%***
	Assets held for sale	*18 473*	*56 993*	*-67,6%*
	Inventory	*780*	*844*	*-7,5%*
	Trade and other receivables	*4 341*	*1 971*	*120,2%*
	Cash and cash equivalents	*36 870*	*32 649*	*12,9%*
TOTAL EQUITY AND LIABILITIES		**102 355**	**123 655**	***-17,2%***
Equity, including:		**61 768**	**80 746**	***-23,5%***
	Share capital	*571*	*619*	*-7,7%*
	Reserve capital	*214*	*232*	*-7,7%*
	Own shares for redemption	*-25 439*	*-10 100*	*151,9%*
	Fair value of capital element at inception date	*-6 048*	*-6 554*	*-7,7%*
	Translation reserve	*-1 357*	*-1 299*	*4,5%*
	Retained earnings	*93 827*	*97 848*	*-4,1%*
Total liabilities, including:		**40 586**	**42 909**	***-5,4%***
	Non-current liabilities	*5 986*	*19 469*	*-69,3%*
	Current liabilities	*34 600*	*23 440*	*47,6%*

The following table shows the structure of liabilities

	31.12.2020	31.12.2019
Liabilities to total assets	**39,7%**	**34,7%**
Non-current liabilities to total assets	**5,8%**	**15,7%**
Borrowings including leases	1,2%	12,0%
Deferred income tax liabilities	4,1%	3,3%
Trade and other payables	0,6%	0,4%

Current liabilities to total assets	**33,8%**	**19,0%**
Borrowings including leases	21,6%	0,9%
Trade and other payables	11,0%	8,3%
Payables linked to assets held for sale	1,3%	9,8%

The structure of liabilities changed considerably in 2020. The share of long-term liabilities in the balance sum dropped from 15.7% as at the end of 2019 to 5.8% as at the end of 2020. The share of short-term liabilities in the balance sum rose from 19% as at the end of 2019 to 33.8% as at the end of 2020.

At the end of 2020 long-term liabilities accounted for only 15% of total liabilities, whereas at the end of 2019 the share amounted to 45%.

The changes resulted mainly from the fact that in 2020 the outstanding Santander debt was reclassified in full into short-term liability. The Group intends to roll over this debt.

12. RISK FACTORS AND THREATS

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

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

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

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

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

The company analyses the situation of the CPD S.A. group on an ongoing basis in connection with the spread of the SARS-CoV-2 virus and undertakes a number of actions to 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 in accordance with their schedule.

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

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

- **RISK RELATING TO THE MACROECONOMIC SITUATION ON THE MARKETS, ON WHICH THE COMPANY AND ITS GROUP OPERATES**

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

In 2020, Poland's GDP shrank by 2.7 %. For comparison, in 2019, the Polish economy grew 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.

- **REGULATORY RISK**

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

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

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

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

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

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

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

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

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

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

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

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

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

- **RISK RELATED TO COLLATERALS ESTABLISHED ON THE GROUP'S ASSETS**

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

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

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

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

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

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

- **RISK RELATING TO COMPETITION**

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

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

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

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

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

- **RISK RELATING TO LOCATION OF REAL ESTATES**

The assessment of the location of land for development projects is one of the most material criteria of determining the expected income from the project. Inaccurate assessment of the location for its intended use might hinder or prevent the sales of flats contained in such property at the price assumed by the Company, or the rental of office spaces at expected rates. In such a situation the risk exists that the CPD Group will fail to generate the expected sales revenue; or, if construction works are contracted earlier, the Company will generate margins at a level lower than predicted. Moreover, if the office space is not rented and the sale of flats is delayed – the Company will be reliant on external financing to a greater extent.

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

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

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

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

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

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

It should be noted that due to the pandemic state announced by the WHO, the European Union Commission and the governments of individual countries, including Poland, are imposing restrictions on the gathering and movement of people. This results in a significant limitation in the functioning of individual sectors of the economy, which may result in an increase in the costs of conducting business activities of individual business entities, including the construction industry.

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

- **RISK RELATING TO UNFAVOURABLE SOIL CONDITIONS**

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

- **RISK RELATING TO UNFAVOURABLE WEATHER CONDITIONS**

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

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

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

It should be noted that due to the pandemic state announced by the WHO, the European Union Commission and the governments of individual countries, including Poland, are imposing restrictions on the gathering and movement of people. This results in a significant limitation in the functioning of individual sectors of the economy, which may result in an increase in the costs of conducting business activities of individual business entities, including the construction industry.

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

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

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

- **RISK RELATING TO ENVIRONMENTAL RESPONSIBILITY**

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

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

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

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

It should be noted that in connection with the state of the pandemic announced by the WHO, the European Union Commission and the governments of individual countries, including Poland, are imposing restrictions on the gathering and movement of people. This results in a significant limitation in the functioning of individual sectors of the economy. Prolonged restrictions may result in significant bottlenecks in the liquidity of individual business entities.

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

- **RISK RELATING TO LEASE AGREEMENTS**

The value of real estate to be leased depends on the time left to the elapse of the lease agreements' term and on the financial standing of the lessees. If the Company and its Group's members are not able to prolong, on favourable conditions, the agreements which are due to expire in the near future or gain and maintain appropriate lessees of good financial standing and willing to enter into long-term lease agreements, this might adversely affect the market value of the real estate portfolio. The financial position of a lessee may deteriorate in the short or long term, which in turn might lead the lessee to bankruptcy or inability to pay its liabilities resulting from the lease agreement. If any of the above factors occurs, it might have a significant negative effect on the Company's financial results.

It should be noted that in connection with the state of the pandemic announced by the WHO, the European Union Commission and the governments of individual countries, including Poland, are imposing restrictions on the gathering and movement of people. This results in significant limitation in the functioning of individual business entities, causing actual financial problems in selected industries.

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

- **RISK RELATING TO FAILURE TO ATTAIN ASSUMED STRATEGIC GOALS**

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

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

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

- **RISK RELATING TO THE MANAGERIAL STAFF**

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

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

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

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

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

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

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

- **FOREIGN EXCHANGE RISK**

CPD Group's debt denominated in foreign currencies on 31 December 2020 amounted to equivalent of PLN 101.6 million. In view of the above, the Company and the Group are exposed to the risk of depreciation of zloty against the currencies, in which they incurred loans, which could adversely affect the Company's financial position. This risk is partly compensated by the fact that proceeds from rental and sale of office projects are settled in foreign currencies.

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

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

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

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

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

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

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

13. COURT, ADMINISTRATIVE AND ARBITRATION PROCEEDINGS WITH VALUE OF OVER 10% OF THE EQUITY

Did not occur.

14. THE ISSUER'S ORGANIZATIONAL OR CAPITAL RELATIONSHIPS

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

15. SIGNIFICANT AGREEMENTS

In the financial year 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.

16. SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES

In the reporting period, the Company did not enter into transactions with related parties on non-arm's length terms. Transactions with related parties are described in Note 25 to the Consolidated Financial Statements.

17. LOAN AND BORROWING AGREEMENTS, SURETIES AND GUARANTEES

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

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

  This collateral includes:

  - a contractual mortgage up to the amount of PLN 9,197,046.68 established by 12/132 Gaston Investments sp. z o.o. sp. k on perpetual usufruct of an undeveloped plot of land no. 132/2 located in Warsaw, described in the land and mortgage register No. WA5M / 00477860/2 kept by the District Court for Warsaw-Mokotów in Warsaw, XIII Land and Mortgage Register Division,
  - a contractual mortgage up to the amount of PLN 833 397.58 established by 13/155 Gaston Investments sp. z o.o. sp. k. on perpetual usufruct of an undeveloped plot of land no. 158/2 located in Warsaw, described in the land and mortgage register No. WA5M / 00477864/0 kept by the District Court for Warsaw-Mokotów in Warsaw, XIII Land and Mortgage Register Division,
  - a contractual mortgage up to the amount of PLN 3,107,072.74 established by 13/155 Gaston Investments sp. z o.o. sp. k. on perpetual usufruct of built-up land plot no. 155/2 located in Warsaw, described in the land and mortgage register no. WA5M / 00477861/9 kept by the District Court for Warsaw-Mokotów in Warsaw, 13th Land and Mortgage Register Division,
  - a contractual mortgage up to the amount of PLN 1,466,711.90 established by 13/155 Gaston Investments sp. z o.o. sp. k. on perpetual usufruct of built-up land plot no. 147 located in Warsaw, described in the land and mortgage register no. WA1M / 00338198/6 kept by the District Court for Warsaw-Mokotów in Warsaw, 13th Land and Mortgage Register Division,

- a contractual mortgage up to the amount of PLN 1,334,453.50 established by 13/155 Gaston Investments sp. z o.o. sp. k. on perpetual usufruct of an undeveloped plot of land no. 134 located in Warsaw, described in the land and mortgage register No. WA1M / 00233102/1 kept by the District Court for Warsaw-Mokotów in Warsaw, 13th Land and Mortgage Register Division.

- 20 December 2019, the Issuer's subsidiaries concluded conditional contracts for the sale of perpetual usufruct rights to real estate located in Ursus and granted collateral.

  This collateral included:

  - a contractual mortgage up to the amount of PLN 1,200,000.00 established by 19/97 Gaston Investments sp. z o.o. sp. k. on the real estate located in Warsaw, described in land and mortgage register No. WA1M / 00283129/1 kept by the District Court for Warsaw-Mokotów in Warsaw, 13th Land and Mortgage Register Division,
  - a contractual mortgage up to PLN 2,700,000.00 established by 7/120 Gaston Investments sp. z o.o.sp. k. on the real estate located in Warsaw, described in the land and mortgage registers No. WA1M / 00412696/0 and WA5M / 00457639/8 kept by the District Court for Warsaw-Mokotów in Warsaw, 13th Land and Mortgage Register Division,
  - a contractual mortgage up to the amount of PLN 2,800,000.00 established by 6/150 Gaston Investments sp. z o.o.sp. k. on the real estate located in Warsaw, described in land and mortgage registers No. WA1M / 00454073/3 and WA1M / 00338197/9 kept by the District Court for Warsaw-Mokotów in Warsaw, 13th Land and Mortgage Register Department,
  - a contractual mortgage up to the amount of PLN 153,000.00 established by 18 Gaston Investments sp. z o.o. sp. k. on the real estate located in Warsaw, described in land and mortgage register No. WA1M / 00283412/2 kept by the District Court for Warsaw-Mokotów in Warsaw, 13th Land and Mortgage Register Division,
  - a contractual mortgage up to the amount of PLN 7,321.54 Limited Liability Company established by 18 Gaston Investments sp. z o.o. sp. k. on the real estate located in Warsaw, described in the land and mortgage register No. WA1M / 00454074/0 kept by the District Court for Warsaw-Mokotów in Warsaw, 13th Land and Mortgage Register Division,
  - a contractual mortgage up to the amount of PLN 1,000,000.00 established by 20/140 Gaston Investments sp. z o.o. sp. k. on the real estate located in Warsaw, described in the land and mortgage register No. WA1M / 00233090/3 kept by the District Court for Warsaw-Mokotów in Warsaw, 13th Land and Mortgage Register Division.

  The above-mentioned subsidiaries concluded final sales agreements on 28 January2020.

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

  The buyer paid an advance of 10% of the sale price. In order to secure the return of the advance payment by the seller, it established a mortgage on the share in the property up to the amount equivalent to 200% of the advance payment and voluntarily submitted itself to enforcement pursuant to art. 777 § 1 point 4 of the Code of Civil Procedure regarding the obligation to repay the advance payment.

On 29 July 2020, the Issuer's subsidiary, i.e., 5/92 Gaston Investments sp. z o.o. sp. k. with its registered office in Warsaw, concluded the final agreement for sale of perpetual usufruct right to the real estate including plots no. 92/2, 92/4 and 92/5 from precinct 2-09-09, located in Warsaw, Ursus district to UDI Tau sp. z o.o. based in Warsaw.

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

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

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

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

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

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

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

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

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

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

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

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

- As of the downturn in the rental of office space in Mokotów in 2017, Lakia Investments reported failure to meet one of the financial covenants agreed in the loan agreement, which gives the bank the right to demand repayment of the total amount of debt. Until the date of these consolidated financial statements, the bank has not issued such a request. One of the possible solutions considered is partial repayment of the debt to the level guaranteeing compliance with the financial covenants agreed in the loan agreement. The entire value of the Lakia Investments loan (zł 20,343 thousand) was disclosed as a current liability.

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

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

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

1) An Investment Loan of up to EUR 18,500,000.00 was granted to refinance indebtedness by the Conversion,

2) The parties agreed the new full repayment date of the Loan with interest and other costs,

3) The Conversion meant the use of funds made available under Tranche B by converting the Debt Amount of EUR 17,000,000 under Tranche A into the Debt Amount of tranche B and the launch of an additional tranche up to a maximum of EUR 1,500,000.

Other essential provisions resulting from the Agreement remained unchanged.

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

2 April 2021, the Issuer's subsidiary i.e., Belise Investments Sp. z o.o. received the final terms of the extension of the loan agreement from Santander Bank Polska S.A. As at the date of publication, Belise Investments Sp. z o.o. conducts negotiations with the above-mentioned bank, aimed at concluding an annex extending the loan agreement before the date of 31 May 2021.

18. ISSUES OF SECURITIES, ACQUISITION OF OWN 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 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 ACCEPTANCE OF 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 ACCEPTANCE OF OFFERS TO SELL THE SHARES**

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

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

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

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

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

19. DESCRIPTION OF DIFFERENCES IN FORECAST FINANCIAL RESULTS

CPD Group and its dominant entity did not publish financial result forecasts for the year 2020.

20. FINANCIAL RESOURCES MANAGEMENT ASSESSMENT

The CPD Group finances its operations with equity and external capitals. Equity as at the balance sheet date constituted 60% of the total balance sheet of the Group and was the main source of financing the Group's operating activities. In the financial year 2020, the Group's financial resources were used in accordance with plans, purpose and current needs. The Group regularly met its obligations to counterparties, banks and obligatory charges to the State. Financial flows are monitored on an ongoing basis, which allows for safe management of the Group's finances. Additionally, in the long-term projection of cash flows, provisions for various risks have been created, which means that liabilities constituting 40% of the total balance sheet of the Group do not pose a threat to the liquidity of the Group.

The supplementary source of financing the CPD Group's operations are loans and borrowings. At the end of 2020, the total value of liabilities due to loans and borrowings, including leasing, was PLN 113 million compared to PLN 119 million at the end of 2019. Among its loan and borrowing liabilities, the CPD Group also recognizes liabilities due to lease, which is the capitalized liability of the Group for perpetual usufruct of land. At the end of 2020, these liabilities amounted to PLN 11,5 million, which accounted for approximately 10% of the total amount of liabilities under loans and borrowings, including leasing.

21. CHANGES IN MANAGEMENT POLICIES

Except 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.

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

- ### SUPERVISORY 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, 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**		

23. AGREEMENTS WITH MEMBERS OF THE MANAGEMENT BOARD – COMPENSATIONS

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

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

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

25. AGREEMENTS CHANGING OWNERSHIP STRUCTURE

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

26. CONTROL SYSTEM FOR EMPLOYEE SHARES SCHEMES

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

27. AGREEMENT WITH AN ENTITY AUTHORISED TO AUDIT FINANCIAL STATEMENTS

On 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.

Main assumptions of the policy of selecting an audit company

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

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

Main assumptions of the Policy of providing by the audit company

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

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

In 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 166.000 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);
- PLN 16,000 was the remuneration for auditing the financial statements of Challange Eighteen sp. z o.o.;

The remuneration of the audit company for the audit and review of the financial statements for the previous financial year is described in note 29 of the consolidated financial statements.

28. STRUCTURE OF ASSETS AND LIABILITIES – BY LIQUIDITY

The structure of CPD Group's assets as of 31 December 2020 and changes from the end of 2019:

	As at: 31.12.2020 (PLN ths.)	31.12.2019 (PLN ths.)	% in total assets 2020	% in total assets 2019	Change 2020/2019 (%)
Investment properties	165 618	100 214	35,1%	19,0%	*65,3%*
Property, plant and equipment	212	364	0,0%	0,1%	*-41,8%*
Investments in joint ventures accounted for using the equity method	27 221	32 015	5,76%	6,08%	*-15,0%*
Long-term receivables	263	263	0,1%	0,0%	*0,0%*
Non-current assets	**193 314**	**132 856**	**40,9%**	**25,2%**	***45,5%***
Inventories	3 601	3 594	0,8%	0,7%	*0,2%*
Trade and other receivables	20 035	8 395	4,2%	1,6%	*138,7%*
Cash and cash equivalents	170 146	139 035	36,0%	26,4%	*22,4%*
Assets held for sale	85 250	242 705	18,0%	46,1%	*-64,9%*
Current assets	**279 032**	**393 729**	**59,1%**	**74,8%**	***-29,1%***
TOTAL ASSETS	**472 346**	**526 585**	**100%**	**100%**	***-10,3%***

	As at: 31.12.2020 (PLN ths.)	31.12.2019 (PLN ths.)	% in total assets 2020	% in total assets 2019	Change 2020/2019 (%)
Share capital	2 637	2 637	0,6%	0,5%	*0,0%*
Other reserves	987	987	0,2%	0,2%	*0,0%*
Fair value of capital element at inception date	-27 909	-27 909	-5,9%	-5,3%	*0,0%*
Translation reserve	-6 262	-5 531	-1,3%	-1,1%	*13,2%*
Own shares repurchased in order to be cancelled	-117 396	-43 010	-24,9%	-8,2%	*173,0%*
Retained earnings	432 991	416 684	91,7%	79,1%	*3,9%*
Equity	**285 048**	**343 858**	**60,3%**	**65,3%**	***-17,1%***
Trade and other payables	2 820	2 283	0,6%	0,4%	*23,5%*
Borrowings, including finance leases	5 454	63 181	1,2%	12,0%	*-91,4%*
Deferred income tax liabilities	19 352	17 445	4,1%	3,3%	*10,9%*
Non-current liabilities	**27 626**	**82 909**	**5,8%**	**15,7%**	***-66,7%***
Trade and other payables	51 740	43 626	*11,0%*	8,3%	*18,6%*
Borrowings, including finance leases	101 847	4 573	*21,6%*	0,9%	*2127,1%*
Liabilities related to assets held for sale	6 085	51 619	*1,3%*	9,8%	*-88,2%*
Current liabilities	**159 672**	**99 818**	**33,8%**	**19,0%**	***60,0%***

Total liabilities	**187 298**	**182 727**	**39,7%**	**34,7%**	***2,5%***
TOTAL EQUITY AND LIABILITIES	**472 346**	**526 585**	**100,0%**	**100,0%**	***-10,3%***

29. CONTINGENT LIABILITIES

On 6 February 2019, a customs and tax inspection was initiated against Celtic Investments Limited with its registered office in Cyprus, part of the Group. The scope of the audit covers the accuracy of the declared tax bases and the correctness of calculating and paying the corporate income tax for 2016 by Blaise Investments sp. z o.o., which was acquired by Celtic Investments Limited as a result of a cross-border merger completed on December 31, 2017. On 29 June 2020, Celtic Investments Limited received a decision to transform the customs and tax control into tax proceedings.

30. GRANTED LOANS

Information about long-term loans granted by CPD SA as at 31.12.2020

Borrower	Currency	Book value (PLN thous.)	Interest	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	stałe 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. confirms that according to its best knowledge the consolidated financial statements of the CPD Capital Group for the financial year ending on 31 December 2020 and all comparative figures were prepared in accordance with the applicable accounting principles and give a true, fair and clear financial and assets situation of the Capital Group and its financial results, and that the Capital Group's annual activity report includes the true picture of the Capital Group's development, achievements and situation, including threats and risks.

The Management Board of CPD S.A. confirms that the entity authorized to audit the annual consolidated financial statements and auditing the annual consolidated financial statements was selected in accordance with the law, and that both the entity and the chartered auditors carrying out the audit met the conditions for issuing an impartial and independent opinion on the audited annual consolidated financial statements, in accordance with the applicable regulations and professional standards. In 2020 the financial statements of CPD S.A. and the Group were reviewed and audited by Grant Thornton Polska Sp. z o.o. sp. k., an audit company with the corporate seat in Warsaw.

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

A. INFORMATION OF THE MANAGEMENT BOARD OF CPD S.A. ABOUT SELECTING 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 29 March 2018 regarding current and periodic information published by issuers of securities and conditions for recognizing information required by law of a non-member country as equivalent (Journal of Laws of 2018, item 757), and pursuant to the statement of the Supervisory Board of CPD S.A. informs that in CPD S.A.:

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

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

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

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

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

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

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

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

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

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

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

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

Substantiation

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

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

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

1) the financial statements of CPD Spółka Akcyjna for the year ended on 31 December 2020, including:
    a) the 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,
    d) the statement of changes in equity for the period from 1 January 2020 to 31 December 2020,
    e) the statement of cash flows for the period from 1 January 2020 to 31 December 2020,
    f) the explanatory notes to the financial statements for the year ended 31 December 2020;

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

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

   a) the 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 of 31 December 2020,

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

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

   f) the 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 the CPD Capital Group and CPD S.A. for 2020 together with the report on non-financial data of the CPD Capital Group and CPD S.A. for 2020;

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

ANDREW PEGGE
PRESIDENT OF THE SUPERVISORY BOARD

MICHAEL HAXBY
VICE-PRESIDENT OF THE SUPERVISORY BOARD

WIESŁAW OLEŚ
SECRETARY OF THE SUPERVISORY BOARD

MIROSŁAW GRONICKI
MEMBER OF THE SUPERVISORY BOARD

GABRIELA GRYGER
MEMBER OF THE SUPERVISORY BOARD

ALFONSO KALINAUSKAS
MEMBER OF THE SUPERVISORY BOARD

VI. INDEPENDENT CHARTERED AUDITOR'S REPORT

Grant Thornton

Independent Auditor's Report on Annual Consolidated Financial Statements

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

Report on the Annual Consolidated Financial Statements

Opinion

We have audited the annual consolidated financial statements of the Group (the Group), in which the parent entity is CPD S.A. (the Parent) with its registered office in Warsaw, 7B Cybernetyki Street, which comprise the consolidated statement of financial position as of December 31, 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated 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 consolidated financial statements:

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

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

Basis for Opinion

We conducted our audit in accordance with

- the Act of May 11, 2017 on statutory auditors, audit firms, and public supervision (uniform text: Journal of Laws of 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 Consolidated Financial Statements* section of our report.
We are independent of the entities comprising the Group 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 entities comprising the Group in accordance with the provisions of the Act on Statutory Auditors and the Regulation 537/2014. We have fulfilled our other ethical responsibilities in accordance with these requirements and the 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 consolidated financial statements of the current period. They include the most significant assessed risks of material misstatement, including assessed risk of material misstatement due to fraud. These matters were addressed in the context of the audit of the annual consolidated financial statements as a whole, and in forming the auditor's opinion thereon. Below, we provided a summary of our response to those risks and where relevant, key observations arising with those risks. We do not provide a separate opinion on these matters.

Key matter	**Auditor's response**
Valuation of investment properties (IP) The value of properties is significant. The risk is this area is: • impairment loss of the properties The Company included a disclosure concerning the IP in note No 5.	Within the scope of the performed audit, we carried out the following procedures: • an analysis of Appraiser valuation reliability, • an analysis of sales after the balance sheet date in order to determine whether it is not valued above book value (including assets held for sale),.

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

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

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

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

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

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

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

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

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

obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual consolidated financial statements, including the disclosures, and whether the annual consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the annual consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Other Information including the Report on the Group's operations

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

Responsibilities of the Management Board and the Supervisory Board of the Parent

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

Responsibilities of the Auditor

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

Opinion on the Report on the Group's operations

In our opinion, the Report on the Group's operations has been prepared in accordance with the applicable legal regulations, i.e. Article 55 clause 2a of the Accounting Act and Paragraph 71 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 consolidated financial statements. Moreover, taking into account our knowledge of the Group and its environment obtained during the audit of the annual consolidated financial statements, we state that we have not identified any material misstatements in the Report on the Group's operations.

Opinion on the Corporate Governance Statement

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

Report on Other Legal and Regulatory Requirements

Statement on non-audit services

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

Appointment of the Audit Firm

We were appointed to audit the annual consolidated financial statements of the Group for the years 2020 – 2022 by the Parent's Supervisory Board's resolution of September 15, 2020. We have been auditors of the Group 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. CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2020

CPD S.A.

Consolidated financial statements

for the year ended 31 December 2020

(All amounts in PLN thousand unless otherwise stated)

Consolidated property portfolio

INVESTMENT PROPERTY (Note 5)

Property	As at 31 December 2020 Fair value
Investment property by external valuation	160 352
Capitalised rights of perpetual usufruct of land	5 267
	165 619

INVESTMENTS PROPERTIES CLASSIFIED AS ASSETS HELD FOR SALE

	Fair value as at 31 December 2020
Investment properties held for sale	79 165
Capitalised rights of perpetual usufruct of land	6 085
	85 250

INVENTORIES (Note 8)

	As at 31 December 2020	
Property	**Carrying amount**	**Fair value**
Poland	2 864	2 864
Hungary	550	550
Capitalised rights of perpetual usufruct of land	187	187
	3 601	**3 601**

Total fair value of property portfolio	**254 470**

(All amounts in PLN thousand unless otherwise stated)

Consolidated statement of comprehensive income

	Note	12 months ended 31 December 2020	12 months ended 31 December 2019
Revenue	16	18 559	46 834
Cost of sales	17	(3 131)	(4 357)
Including:			
Inventory impairment		*64*	*590*
Cost of inventory sale		*0*	*(1)*
Cost of services sold		*(3 195)*	*(4 946)*
GROSS PROFIT		15 428	42 477
Administrative expenses - property related	18	(11 926)	(11 266)
Administrative expenses - other	20	(6 578)	(6 342)
Selling and marketing expenses		(270)	(347)
Net gain (loss) on sale of investment property		165	(565)
Other income	19	2 811	2 317
Net gain from fair value adjustments of investment property		15 921	21 616
Post-tax share of the profit or loss of the joint-ventures accounted for using the equity method		19 735	15 844
Receivables valuation allowances		46	110
Net profit (loss) from assets held for sale valuation		(116)	1 143
OPERATING PROFIT		35 216	64 987
Finance income	21	1 387	1 621
Finance costs	21	(12 741)	(4 775)
PROFIT BEFORE INCOME TAX		23 862	61 833
Income tax expense	22	(7 555)	(1 833)
PROFIT FOR THE YEAR		16 307	60 000
OTHER COMPREHENSIVE INCOME			
Currency translation adjustment		(731)	(11)
TOTAL COMPREHENSIVE INCOME		15 576	59 989
Profit attributable to:			
Equity holders of the Group		**16 307**	**60 000**
Total comprehensive income attributable to:			
Equity holders of the Group		**15 576**	**59 989**
Total comprehensive income for the period attributable to owners of the Group arising from:			
Continued operations		15 576	59 989
BASIC EARNINGS PER SHARE (PLN)	31	0,81	2,52
DILUTED EARNINGS PER SHARE (PLN)	31	0,81	2,52

Colin Kingsnorth
Chairman of the Board

Elżbieta Donata Wiczkowska
Board Member

Iwona Makarewicz
Board Member

John Purcell
Board Member

(All amounts in PLN thousand unless otherwise stated)

Consolidated statement of financial position

	Note	As at 31 December 2020	As at 31 December 2019
ASSETS			
Non-current assets			
Investment properties	5	165 618	100 214
Property, plant and equipment		212	364
Investments in joint ventures accounted for using the equity method	10	27 221	32 015
Non-current receivables	7	263	263
Non-current assets		**193 314**	**132 856**
Current assets			
Inventory	8	3 601	3 594
Trade and other receivables, including:	7	20 035	8 395
- receivables and loans		*18 995*	*4 036*
- prepayments		*1 040*	*4 359*
Cash and cash equivalents	9	170 146	139 035
Current assets excluding assets held for sale		**193 782**	**151 024**
Assets held for sale	28	85 250	242 705
Current assets		**279 032**	**393 729**
Total assets		**472 346**	**526 585**

(All amounts in PLN thousand unless otherwise stated)

Consolidated statement of financial position - cont.

	Note	As at	
		31 December 2020	31 December 2019
EQUITY			
Capital and reserves attributable to the parent Company's equity holders			
Share capital	11	2 637	2 637
Own shares for redemption		(117 396)	(43 010)
Other reserves		987	987
Embedded element at inception date	13	(27 909)	(27 909)
Translation reserve		(6 262)	(5 531)
Retained earnings/(accumulated losses)		432 991	416 684
Total equity		**285 048**	**343 858**
LIABILITIES			
Non-current liabilities			
Trade and other payables	12	2 820	2 283
Borrowings, including leases	13	5 454	63 181
Deferred income tax liabilities	15	19 352	17 445
Non-current liabilities		**27 626**	**82 909**
Current liabilities			
Trade and other payables	12	51 740	43 626
Borrowings, including leases	13	101 847	4 573
Current liabilities		**153 587**	**48 199**
Liabilities directly associated with assets held for sale	28	6 085	51 619
Total liabilities		**187 298**	**182 727**
Total equity and liabilities		**472 346**	**526 585**

Colin Kingsnorth
Chairman of the Board

Elżbieta Donata Wiczkowska
Board Member

Iwona Makarewicz
Board Member

John Purcell
Board Member

(All amounts in PLN thousand unless otherwise stated)

Consolidated statement of changes in equity

	Note	Share capital CPD S.A.	Embedded element at inception date	Own shares for redemption	Translation reserve	Reserve capital	Retained earnings	Total
Balance at 1 January 2019		**3 935**	**(27 909)**	**(160 110)**	**(5 520)**	**987**	**515 496**	**326 879**
Acquisition of own shares	11	0	0	(43 010)	0	0	0	(43 010)
Share capital reduction		(1 298)	0	160 110	0	0	(158 812)	-
		(1 298)		117 100	0	0	(158 812)	(43 010)
Currency translation differences		0	0	0	(11)	0	0	(11)
Profit for the year		0	0	0	0	0	60 000	60 000
Total comprehensive income		0	0	0	(11)	0	60 000	59 989
Balance at 31 December 2019		**2 637**	**(27 909)**	**(43 010)**	**(5 531)**	**987**	**416 684**	**343 858**
Balance at 1 January 2020		**2 637**	**(27 909)**	**(43 010)**	**(5 531)**	**987**	**416 684**	**343 858**
Own shares acquired for redemption	11	0	0	(74 386)	0	0	0	(74 386)
		0	0	(74 386)	0	0	0	(74 386)
Currency translation differences		0	0	0	(731)	0	0	(731)
Profit of the year		0	0	0	0	0	16 307	16 307
Total comprehensive income		0	0	0	(731)	0	16 307	15 576
Balance at 31 December 2020		**2 637**	**(27 909)**	**(117 396)**	**(6 262)**	**987**	**432 991**	**285 048**

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

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

CPD S.A.

(All amounts in PLN thousand unless otherwise stated)

Consolidated cash flow statement

	Note	12 months ended 31 December 2020	12 months ended 31 December 2019
Cash flows from operating activities			
Cash generated from operations	24	(16 921)	(35 176)
Interest paid		(2 091)	(2 177)
Income tax paid		(5 648)	0
Net cash generated from operating activities		**(24 660)**	**(37 353)**
Cash flows from investing activities			
Capital expenditure on investment property		(54)	(1 972)
Purchases of property, plant and equipment		0	(91)
Proceeds from sale of investment properties		93 574	101 994
Proceeds from withdrawal of contributions in joint ventures		57 318	10 229
Received dividends and profits in joint ventures		20 763	10 800
Interest received		441	582
Contributions to joint ventures		(36 912)	0
Net cash used in investing activities		**135 130**	**121 542**
Cash flows from financing activities			
Repayments of borrowings		(4 973)	(4 549)
Share redemption		(74 386)	(43 010)
Net cash used in financing activities		**(79 359)**	**(47 559)**
Net /increase in cash and cash equivalents		**31 111**	**36 630**
Cash and cash equivalents at beginning of the year		**139 035**	**102 405**
Cash and cash equivalents at end of the year		**170 146**	**139 035**

Colin Kingsnorth
Chairman of the Board

Elżbieta Donata Wiczkowska
Board Member

Iwona Makarewicz
Board Member

John Purcell
Board Member

(All amounts in PLN thousand unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

1 General information

1.1. Information about the parent entity

Information on CPD S.A. (current parent Company)

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

On 2 September 2010 the Extraordinary General Shareholder's Meeting adopted a resolution changing the Company's name from Poen S.A. to Celtic Property Developments S.A.
On 29 May 2014 Extraordinary Shareholders Meeting passed a resolution about changing the name of the company from Celtic Property Developments S.A. to CPD S.A. The change was registered in National Court Register on 17 September 2014.

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

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

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

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

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

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

<u>Management Board:</u>

Colin Kingsnorth	President of the Management Board
Elżbieta Donata Wiczkowska	Board Member
Iwona Makarewicz	Board Member
John Purcell	Board Member

(All amounts in PLN thousand unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

1.1. Information about the parent entity (cont.)

Supervisory Board:

Andrew Pegge	Chairman of the Supervisory Board
Michael Haxby	Vice - Chairman 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

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

Company	Country	No. of shares	% owned capital	% of voting rights
Cooperatieve Laxey Worldwide W.A.	Netherlands	5 373 309	20,38%	30,41%
Furseka Trading and Investments Ltd	Cyprus	3 229 069	12,24%	18,27%
QVT Fund LP	Cayman Islands	1 945 031	7,38%	11,01%
Laxey Partners Ltd	Isle of Man	1 380 765	5,24%	7,81%
The Value Catalyst Fund plc	Cayman Islands, USA	1 142 604	4,33%	6,47%
LP Value Ltd	British Virgin Islands	1 081 505	4,10%	6,12%
LP Alternative Fund LP	USA	1 080 708	4,10%	6,12%
Shareholders with stakes below 5%		2 438 304	9,25%	13,80%
		17 671 295	67,01%	100%
Own shares for redemption		8 699 836	32,99%	0%
Total		26 371 131	100%	100%

On 22 March 2019, 26 March 2020 and 25 June 2020 CPD SA bought respectively 3.305.886, 614.385 and 4.779.565 own shares.

As a consequence the Company has 8.699.836 own shares at the balance sheet date. The shares represent 32,99% of CPD SA share capital. However based on the relevant regulations the Company is prevented from executing voting rights from own shares.

On 20 August 2020 General Shareholders Meeting resolved on remission of the redeemed shares and consequently reduction of the share capital down to PLN 1.767 thousand. The share capital reduction has not been registered by the Commercial court until the moment of preparation of these consolidated financial statements.

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

1.2. Information about Capital Group

As at balance sheet date CPD Group comprised CPD S.A. as a parent entity, 27 subsidiaries and 3 entities under common control.

Additional information concerning consolidated subsidiaries is included in Note 2.2.

Additional notes and explanations to the consolidated financial statements

1.2. Information about Capital Group (cont.)

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

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

The core business of CPD Group comprise:

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

2 Summary of significant accounting policies

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

2.1 Basis of preparation

Consolidated financial statements of CPD S.A. were prepared as at 31 December 2020 and for the period since 1 January 2020 till 31 December 2020, while comparative data are for the period since 1 January 2019 till 31 December 2019.

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

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

New and amended standards and interpretations which came into force in 2020 and description of the impact of applying the amendments:

Amendments to IFRS 3 Business Combinations – the definition of a business.

Amendments to **IAS 1 Presentation of Financial Statements** and **IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors** - definition of materiality.

Amendments to **IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform**.

Amendments to **IFRS 16 Covid-19-Related Rent Concessions**.

Amendments to reference to the **IFRS Conceptual Framework.**

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

Additional notes and explanations to the consolidated financial statements

2.1 Basis of preparation (cont.)

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

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

IFRS 17 Insurance Contracts, issued by the International Accounting Standards Board on 18 May 2017, is effective for annual periods beginning on or after 1 January 2021. The standard is to replace the current insurance regulations (IFRS 4).

Amendment to **IAS 1 Classification of Liabilities as Current or Non-current** - issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2023.

Amendments to **IAS 16 Proceeds before Intended Use** - issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022.

Amendments to **IAS 37 Cost of Fulfilling a Contract** - issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022.

Amendments to **IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform** - issued on 27 August 2020 and effective for annual periods beginning on or after 1 January 2021.

Amendments to **IAS 8 Definition of Accounting Estimates** - issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023.

Amendments to **IAS 1 Presentation of Financial Statements** - issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023.

Set of amendments **Annual Improvements 2018–2020** - issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022.

2.2 Consolidation

(a) Subsidiaries

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

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

If necessary the stand alone financial data is adjusted in order to comply with the Group accounting policies.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, the obligations arising from the determination of the remuneration element of the conditional agreement. Acquisition-related costs are recognized in the consolidated profit or loss as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. If applicable, the Group recognizes minority interests of the acquiree at fair value or at the share of minority interests in the net assets of the acquired business.

(All amounts in PLN thousand unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

2.2 Consolidation (cont.)

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

Goodwill represents the surplus of the amount transferred for the acquisition, the amount of all non-controlling shares in a entity being acquired and fair value as at acquisition date of participation in a capital of an entity being acquired, before getting a control, over the net amount recognised at the date of acquisition of the value of identifiable acquired assets and liabilities of an acquired subsidiary.

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

(b) Joint-ventures

Jointly controlled entities are consolidated using the property rights method.

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

	Name	Country	Shareholder	31 December 2020	31 December 2019
1	Mandy Investments Sp. z o.o.	Poland	Lakia Enterprises Limited	100%	100%
2	Lakia Enterprises Limited	Cyprus	CPD S.A.	100%	100%
3	Lakia Investments Sp. z o.o.	Poland	Lakia Enterprises Limited	100%	100%
4	Celtic Asset Management Sp. z o.o.	Poland	CPD S.A.	100%	100%
5	Robin Investments Sp. z o.o.	Poland	Lakia Enterprises Limited	100%	100%
6	IMES Poland Sp. z o.o.	Poland	CPD S.A.	100%	100%
7	Hub Developments Ltd Sp. z o.o.	Poland	Lakia Enterprises Limited	100%	100%
8	Elara Investments Sp. z o.o.	Poland	Lakia Enterprises Limited	100%	100%
9	Celtic Investments Limited	Cyprus	CPD S.A.	100%	100%
10	Gaston Investments Sp. z o.o.	Poland	Lakia Enterprises Limited	100%	100%
11	Challange Eighteen Sp. z o.o.	Poland	CPD S.A.	100%	100%
12	Celtic Trade Park Kft	Hungary	Lakia Enterprises Limited	100%	100%
13	Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o.	49%	49%
			Smart City Sp. z o.o.	1%	1%
14	2/124 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o.	99%	99%
			Gaston Investments Sp. z o.o.	1%	1%
15	3/93 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o.	99%	99%
			Gaston Investments Sp. z o.o.	1%	1%
16	Ursa Park Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o.	49%	49%
			Smart City Sp. z o.o.	1%	1%
17	5/92 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o.	99%	99%
			Gaston Investments Sp. z o.o.	1%	1%
18	6/150 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o.	99%	99%
			Gaston Investments Sp. z o.o.	1%	1%
19	7/120 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o.	99%	99%
			Gaston Investments Sp. z o.o.	1%	1%

(All amounts in PLN thousand unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

2.2 Consolidation (cont.)

	Name	Country	Shareholder	31 December 2020	31 December 2019
20	12/132 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o.	99%	99%
			Gaston Investments Sp. z o.o.	1%	1%
21	13/155 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o.	99%	99%
			Gaston Investments Sp. z o.o.	1%	1%
22	16/88 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o.	99%	99%
			Gaston Investments Sp. z o.o.	1%	1%
23	18 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o.	99%	99%
			Gaston Investments Sp. z o.o.	1%	1%
24	19/97 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o.	99%	99%
			Gaston Investments Sp. z o.o.	1%	1%
25	20/140 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o.	99%	99%
			Gaston Investments Sp. z o.o.	1%	1%
26	Belise Investments Sp. z o.o.	Poland	Lakia Enterprises Limited	100%	100%
27	Antigo Investments Sp. z o.o.	Poland	Lakia Enterprises Limited	100%	100%
28	Smart City Sp. z o.o.	Poland	Lakia Enterprises Limited	100%	100%
29	Ursus Development Sp. z o.o.	Poland	CPD S.A.	100%	0%
30	Ursa Sky Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	CPD S.A.	49%	0%
			Smart City Sp. z o.o.	1%	0%

2.3 Changes in the Group structure

In June 2020 the Group set up 100% subsidiaries i.e. Ursus Development Sp. z o.o. and Ursa Sky Smart City Spółka z ograniczoną odpowiedzialnością Sp. k. Since 22 September 2020 Ursa Sky Smart City Spółka z ograniczoną odpowiedzialnością Sp. k. is accounted for as entity under common control as after joining by Unidevelopment SA.

Subsequent to the year end the part of the investment agreement related to Smart City project was dissolved, as a consequence of completion of the project. As a result Smart City Spółka z ograniczoną odpowiedzialnością Sp. z o.o. returned to be 100% subsidiary.

2.4 Foreign currency translation

(a) Functional and presentation currency

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

(b) CPD Group Companies

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

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

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

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

Additional notes and explanations to the consolidated financial statements

2.4 Foreign currency translation (cont.)

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

2.5 Investment properties

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

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

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

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

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

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

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

2.6 Property, plant and equipment

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

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

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

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

2.7 Leases

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

- whether the contract relates to an identified asset that is either clearly specified in the contract or implicitly when the asset is made available to the Group,

- whether the Group has the right to obtain substantially all economic benefits from the use of the asset over the entire useful life within the scope of the contract,

- whether the Group has the right to control the use of the identified asset over the entire useful life.

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

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

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

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

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

Additional notes and explanations to the consolidated financial statements

2.7 Leases (cont.)

The Group presents usage rights in the same items of the statement of financial position as the base assets, i.e. investment properties, inventory or assets held for sale respectively.

The lands perpetual usufruct rights are treated as leasing according to IFRS 16. The leasing period is assessed based on general principles, but possible disposal plan is not treated as an end of a lease contract. At the first application of IFRS 16 the Group decided to apply practical simplification and did not reassesed perpetual usufruct rights against the leasing criteria. As a result the accounting treatment of the perpetual usufruct rights acquired before 2019 remained unchanged.

2.8 Intangible assets, excluding goodwill

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

2.9 Goodwill

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

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

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

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

2.10 Impairment of non-financial assets

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

Additional notes and explanations to the consolidated financial statements

2.11 Financial assets

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

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

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

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

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

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

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

2.12 Inventories

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

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

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

• costs incurred relating to projects or a phase of a project which are not available for sale (work in progress),

• costs incurred relating to units unsold associated with a project or a phase of a project that is available for sale (finished goods).

Project construction costs include:

a) land or leasehold rights for land,

b) construction costs paid to subcontractors for the construction of the residential units,

c) planning and design costs,

d) borrowing costs to the extent they are directly attributable to the development of the project,

e) professional fees attributable to the development of the project,

f) construction overheads and other directly related costs.

2.13 Assets held for sale

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

Additional notes and explanations to the consolidated financial statements

2.13 Assets held for sale (cont.)

The sale is determined to be highly probable if:

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

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

2.14 Share capital

Ordinary shares are classified as share capital.

2.15 Trade payables

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

2.16 Borrowings

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

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

2.17 Borrowing costs

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

2.18 Income tax

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

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

Additional notes and explanations to the consolidated financial statements

2.19 Deferred income tax

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

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

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

(a) has a legally enforceable right to set off the deferred tax assets against deferred tax liabilities; and

b) deferred tax assets and deferred tax liabilities relate to income tax imposed by the same tax authority on:
(i) the same taxpayer; or

(ii) various taxpayers who intend to settle current tax liabilities and receivables in a net amount, or at the same time realize receivables and settle liabilities, in each future period in which a significant amount of deferred tax liabilities is expected to be dissolved or significant amounts Deferred income tax assets.

2.20 Employee benefits

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

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

2.21 Provisions

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

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

Additional notes and explanations to the consolidated financial statements

2.22 Revenue recognition

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

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

(a) Rental income

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

(b) Service and management charges

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

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

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

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

(d) Interest Income

Interest income is recognised using the effective interest rate method.

2.23 Expenses

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

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

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

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

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

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

2.24 Dividend distribution

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

(All amounts in PLN thousand unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

2.25 Interest expense

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

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

3 Financial risk management

3.1 Financial risk factors

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

(a) Market risk

(i) Currency risk

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

	Year ended at 31 December 2020	**Year ended at 2019**
Debt in foreign currencies - EUR	101 883	98 974
Assumed change in PLN/EUR exchange rate	+/-1%	+/-1%
FX gains/losses due to change in FX rate	1 019	990
Tax shield	194	188
Effect on net profit/(loss)	825	802
Effect on total equity	825	802

(ii) Price risk

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

(All amounts in PLN thousand unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

3.1 Financial risk factors (cont.)

(iii) Interest rate risk

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

	Year ended at 31 December 2020	Year ended at 2019
Variable interest rate loans	99 371	96 562
Cost of interest in the period	2 512	2 412
Assumed change in interest rates	+/-1pp	+/-1pp
Effect of the change on the cost of interest	994	966
Tax shield	189	183
Effect on net profit/(loss)	805	782
Effect on total equity	805	782

(b) Credit risk

Credit risk arises on cash and cash equivalents and receivables. It is mitigated by depositing cash with highly reliable banks (mainly ING Bank Śląski, mBank, Santander, Millenium, BMP Paribas).

With respect to rental receivables, the Group has collateral in place in the form of cash deposits or bank guarantees and, in the case of receivables in respect of the sale of buildings, in the form of a deposit with an independent agent. Credit risk relating to unsecured receivables is assessed based on: evaluation of the debtors, financial position, past cooperation experience and other factors.

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

(c) Liquidity risk

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

Except of liabilities related to assets classified as held for sale, as at 31 December 2020 short-term liabilities amounted to PLN 153.569 thousand (including financial payables of PLN 101.847 thousand) and are lower than current assets (excluding assets held for sale) which amount to 193.782 thousand. A detailed description of the borrowings presented in the consolidated financial statements is presented in note 13 "Borrowings, including finance leases".

Considering increase of general market uncertainty resulting from the pandemics, based on the risk analysis performed the Board has decided to rise the level of the cash reserves.

(All amounts in PLN thousand unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

3.1 Financial risk factors (cont.)

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

As at 31.12.2020	Within 1 year	1 – 5 years	More than 5 years
Loans and leases	102 259	1 647	26 577
Trade payables and other payables	29 479	2 820	0
	131 738	4 467	26 577

As at 31.12.2019	Within 1 year	1 – 5 years	More than 5 years
Loans and leases	40 719	60 561	17 570
Trade payables and other payables	18 629	2 283	0
	59 348	62 844	17 570

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

1) Investment properties

Until the moment of preparation of these consolidated financial statements the financial situation of the CPD Groups' office buildings has not deteriorated significantly. Moreover the Group entities owning the buildings have not observed worsening of receivables collection.

The subsidiaries are in contact with tenants who have signalled a deterioration in their financial condition and are conducting talks about improving tenants' liquidity.

To sum up, the value of the office building in future periods depends on the economic condition of the tenants in the following months, which at the moment is impossible to estimate. In case of extended long term economic lockdown liquidity problems may arise for some of the tenants.

2) Development activities

Until the moment of preparation of these consolidated financial statements no significant decrease in the pace of work on ongoing residential investments has been observed, and the General Contractor keeps the current commitments to completion dates of the subsequent stages of the projects.

Moreover there is no decrease in the conclusion of notarised development contracts signed by apartment buyers. There is no significant fluctuation in number of the buyers withdrawing from the reservation agreements neither.

The factor whose impact at present cannot be assessed is the impact of the epidemic on the financial possibilities and purchasing behaviour of buyers. In the event of job loss or a threat to their primary source of income, they may be forced to stop their purchasing plans. In the event of further long-term maintenance of the economy's closure, it cannot be excluded that there may be withdrawals from already concluded development contracts due to loss of liquidity by some buyers.

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

3) Investment properties classified as assets held for sale

Until the moment of preparation of these consolidated financial statements there has been no decrease in interest in purchasing real estate from potential buyers. Transfer of two properties from assets held for sale to investment properties has not resulted from pandemics. The remaining assets held for sale were disposed subsequent to the balance sheet date.

(All amounts in PLN thousand unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

3.2 Financing structure management

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

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

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

The long-term CPD Group strategy is to maintain the financing structure ratio at a level below 40%. However resulting from precaution related to increased market risks and final stage of investment cycle of the Ursus lands, negative net debt dragged the financing structure ratio below 0.

	31 December 2020	**31 December 2019**
Total loans, including leasing (notes 13 and 28)	113 386	119 373
Trade payables and other payables (Note 12)	54 560	45 909
Less: cash and cash equivalents (Note 9)	-170 146	-139 035
Net debt	**-2 200**	**26 247**
Equity	285 048	343 858
Total capital	**282 848**	**370 105**
Financing structure ratio	**-0,8%**	**7,1%**

4 Major accounting estimates and judgments

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

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

Estimating derivatives fair value

In February 2016 Belise Investments Sp. z o.o., the Group subsidiary, concluded interest rate swap (IRS) contract. The value of the contract corresponds to 80% of the Santander Bank borrowings.
The contract is settled in monthly periods based on EURIBOR 1M.

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

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

As at 31 December 2020 the IRS is valued at PLN 208 thousand.

Additional notes and explanations to the consolidated financial statements

4 Major accounting estimates and judgments (cont.)

Accounting treatment of joint ventures

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

As at the balance sheet date the project was completed and in 2021 the investment agreement has been dissolved in the part related to this project.

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

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

The first one - Ursa Park - has been completed in 2019 and comprised of 385 flats. Ursa Home is under construction now and consists of 341 flats (153 in the first stage and 188 flats in the second one). As at the balance sheet date sales of 336 flats were contracted (148 in the first stage and all flats in the second stage). The flats are to be handed to the buyers during 2021.

Based on annex dated 22 September 2020 Unidevelopment joined Ursa Sky Smart City Spółka z ograniczoną odpowiedzialnością Sp. k., who bought land and cumulated project outlays related to Ursa Sky from Ursa Park Smart City Spółka z ograniczoną odpowiedzialnością Sp. k. Since that moment the company is accounted for as joint venture. The construction process commenced before the year end and sales contracts were concluded for 36 flats in the first stage. Ursa Sky is to consist of 183 and 201 flats respectively in the first and second stage.

Following requirements of IFRS 10, the joint ventures are accounted for based on property rights to the joint ventures' net assets. The Group's property rights to the net assets of the joint ventures calculations are based on the binding investment agreements.

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

Determination of fair value of investment properties

The fair value of investment class real properties recognized in the balance sheet is calculated based on pricing established annually by third party experts base on Royal Institution of Chartered Surveyors' ("RICS") Valuation – Global Standards 2020 Incorporating the IVSC International Valuation Standards (the "RICS Red Book") . Valuation fees are not related to the value of the real properties or the valuation results. Bearing in mind the market environment as at the balance sheet date, the Management Board reviewed and approved experts' assumptions underlying the valuation approaches applied.

Additional notes and explanations to the consolidated financial statements

4 Major accounting estimates and judgments (cont.)

CPD Group distinguishes the following classes of assets included in its real property portfolio:

(i) non-developed land

(ii) investment properties generating significant rent income (office buildings in Warsaw);

(iii) property with an office building in Warsaw under consideration to convert into residential property.

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

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

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

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

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

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

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

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

The property where conversion for residential purposes is considered was valued based on income approach and residual method.

The residual method determines the property value by deducting costs to completion and expected developer's profit from estimated market value of the completed investment. The market value of the completed investment as well as construction costs and developers profit are estimated by the surveyor based on average market values for similar properties.

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

(All amounts in PLN thousand unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

4 Major accounting estimates and judgments (cont.)

The table below includes information about methods used for and assumptions underlying the valuations of the investment class properties at fair value along with information about major unnoticeable entry data - 31 December 2020.

Investment property	Valuation method / fair value valuation level	Capitalization rate/ construction cost per sqm	Anticipated rent rates per sqm/ sales price per sqm	Developer's profit
Office buildings generating income	income method / level 3	8% - 10,25%	9,0 - 11,0	n/a
Office building with considered change in destination	residual method / level 3	4 500	11 500	15%

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

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

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

Valuation method	Fair value	Judgemental variable	Assumed changed in judgemental variable	Impact on valuation
investment method	131 152	capitalisation rate	+/- 0,25 pp	-4 015 / 4 292
		rent rate	+/- 5%	5 445 / -5 445
residual method	27 230	discount rate	+/-2,5 pp	-1 440 / 1 510
		construction cost per 1 m2	+/-2,2%	-730 / 780
		sales price per 1 m2	+/- 0,9%	530 / -480
other methods	1 970	insensitive for judgemental variables	n/a	n/a
	160 352			

CPD S.A.

4 Major accounting estimates and judgments (cont.)

Income tax

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

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

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

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

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

5 Investment properties

	12 months ended 31 December 2020	12 months ended 31 December 2019
At the beginning of the period	**100 214**	**218 311**
Capital expenditure	20	1 972
Liquidations	0	(442)
Change in the balance of capitalized financial liability concerning the properties transferred to assets held for sale	0	(10 735)
Change in the balance of capitalized financial liability concerning the properties transferred from assets held for sale	1 832	0
Change in the balance of capitalized financial liability	85	(6)
Transfer to assets held for sale	0	(128 976)
Transfer from assets held for sale	47 546	0
Result from fair value adjustment on investment property	15 921	21 616
Other reclassifications	0	(1 526)
	165 618	**100 214**

Investment properties which belong to the CPD Group were valued by independent international professional appraisers as at 31 December 2020 and as at 31 December 2019 in accordance with Royal Institution of Chartered Surveyors' ("RICS") Valuation – Global Standards 2020 Incorporating the International Valuation Standards.

As at 31 December 2020 the total fair value of real properties owned by the Group and disclosed under the 'Investment Properties' header in the consolidated financial statements was higher than at the end of 2019 by PLN 65 million. The increase resulted mainly from transfers of the properties from assets held for sale. In 2020 the Group recognized a gain from fair value adjustment of investment properties of PLN 15.9 million.

The capital expenditure on investment properties in 2020 amounted to PLN 20 thousand.

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

As at 31 December 2020 all investment properties of the CPD Group were registered in the land and mortgage register.

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

	31 December 2020	31 December 2019
Investment property by external valuation	160 351	96 865
Liabilities in respect of perpetual usufruct	5 267	3 349
Investment property presented in the statement of financial position	**165 618**	**100 214**

Direct operating expenses relating to investment properties:

	12 months ended 31 December 2020	12 months ended 31 December 2019
- generating income from rent	5 127	4 999
- other	200	2 258
	5 327	**7 257**

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

6 Fair value of collaterals

	31 December 2020	31 December 2019
Office buildings	144 345	94 965

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

7 Trade receivables and other receivables

	31 December 2020	31 December 2019
Trade receivables	102	1 363
Prepayments and accruals	1 040	4 359
Receivables from the state budget	18 586	2 572
Receivables from related entities	307	101
Short-term trade receivables and other receivables	**20 035**	**8 395**
Long-term receivables	263	263
Total trade receivables and other receivables	**20 298**	**8 658**

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

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

The CPD Group recognized an income of PLN 46 thousand resulting from movement in impairments and write-offs of receivables in the year ended 31 December 2020 (year ended 31 December 2019: PLN 110 thousand).

Trade receivables	31 December 2020	31 December 2019
Current	102	1 363
Overdue, with recognized impairment (provided for in full)	340	402

Other receivables	31 December 2020	31 December 2019
Overdue, with recognized impairment (provided for in full)	826	826

Impairment of receivables	31 December 2020	31 December 2019
Opening balance	1 228	1 263
- increases	42	0
- decreases	(92)	(35)
- allowance utilisation	(12)	0
Closing balance	**1 166**	**1 228**

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

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

8 Inventories

	31 December 2020	31 December 2019
Finished goods	1 881	1 870
Goods for resale	1 533	1 537
Liabilities in respect of perpetual usufruct	187	187
	3 601	**3 594**

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

	31 December 2020	31 December 2019
At the beginning of the period	**3 594**	**2 915**
Impairment loss	64	590
Recognition of perpetual usufruct	0	187
Foreign exchange differences	(57)	(98)
As at the balance sheet date	**3 601**	**3 594**

9 Cash and cash equivalents

	31 December 2020	31 December 2019
Cash in hand and at bank	166 045	50 515
Restricted cash	3 765	3 370
Short-term bank deposits	336	85 150
	170 146	**139 035**

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

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

10 Joint ventures

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

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

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

As at the balance sheet date the project was completed and in 2021 the investment agreement has been dissolved in the part related to this project.

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

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

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

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

10 Joint ventures (cont.)

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

Ursa Home is under construction now and consists of 341 flats (153 in the first stage and 188 flats in the second one). As at the balance sheet date sales of 336 flats were contracted (148 in the first stage and 188 in the second stage). The flats are to be handed to the buyers after the balance sheet date.

(c) Ursa Sky Smart City Spółka z ograniczoną odpowiedzialnością sp.k.

Based on annex dated 22 September 2020 Unidevelopment joined Ursa Sky Smart City Spółka z ograniczoną odpowiedzialnością Sp. k., who bought land and cumulated project outlays related to Ursa Sky from Ursa Park Smart City Spółka z ograniczoną odpowiedzialnością Sp. k. Since that moment the company is accounted for as joint venture. The construction process commenced before the year end and sales contracts were concluded for 36 flats in the first stage. Ursa Sky is to consist of 183 and 201 flats respectively in the first and second stage.

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

	31 December 2020	31 December 2019
a) Smart City Spółka z ograniczoną odpowiedzialnością sp.k.	85	0
b) Ursa Park Smart City Spółka z ograniczoną odpowiedzialnością sp.k.	0	32 015
c) Ursa Sky Smart City Spółka z ograniczoną odpowiedzialnością sp.k.	27 136	0
	27 221	**32 015**

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

	31 December 2020	31 December 2019
Opening balance as at 1 January	**0**	**1 620**
Group's share of the net profit or loss of the joint ventures presented in these consolidated financial statements	85	780
Group's share in reduction of the partners' contribution	0	(2 400)
Closing balance as at 31 December	**85**	**0**

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

	31 December 2020	31 December 2019
Opening balance as at 1 January	**32 015**	**35 581**
Group's share in contributions to the joint venture	0	2 000
Group's share in withdrawals of the contributions to the joint venture	(33 474)	(6 014)
Group's share in future contributions to the joint venture	(16 438)	0
Group's share in joint venture's profit distributions	(17 844)	(8 601)
Amendment of the property rights to the joint venture's net assets	6 967	0
Group's share of the net profit or loss of the joint ventures presented in these consolidated financial statements	20 078	9 049
Other adjustments	8 696	0
Closing balance as at 31 December	**0**	**32 015**

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

10 Joint ventures (cont.)

c) Ursa Sky Smart City Spółka z ograniczoną odpowiedzialnością sp.k.

	31 December 2020	31 December 2019
Opening balance as at 1 January	**0**	**0**
Group's share in contributions to the joint venture	27 387	0
Group's share in withdrawals of the contributions to the joint venture	(4 247)	0
Group's share in future contributions to the joint venture	6 088	0
Amendment of the property rights to the joint venture's net assets	(1 841)	0
Group's share of the net profit or loss of the joint ventures presented in these consolidated financial statements	(251)	0
Closing balance as at 31 December	**27 136**	**0**

The financial information of individually material joint ventures of the Group as at 31 December 2020 and for the period from 1 January 2020 to 31 December 2020 is presented in the below table:

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

Financial information from statement of financial position	31 December 2020	31 December 2019
Total non-current assets, including	**7**	**9**
Fixed assets	7	9
Total current assets, including:	**229**	**743**
Inventory	0	223
Trade receivables and other receivables	82	270
Cash and cash equivalents	147	250
Total assets	**236**	**752**
Trade payables and other liabilities	66	780
Net assets	**170**	**(28)**
% held by the Group	*50%*	*50%*
Carrying amount of investment in joint venture presented in the consolidated financial statements	**85**	**(16)**

Financial information from statement of comprehensive income	31 December 2020	31 December 2019
Revenue	732	2 198
Result from continued operations	266	763

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

Financial information from statement of financial position	31 December 2020	31 December 2019
Total non-current assets, including	**0**	**117**
Intangible assets	0	117
Total current assets, including:	**56 690**	**101 932**
Inventory	43 622	66 562
Trade receivables and other receivables	1 100	28 516
Cash and cash equivalents	11 968	6 854
Total assets	**56 690**	**102 049**
Trade payables and other liabilities	73 609	38 019
Net assets	**(16 919)**	**64 030**

Additional notes and explanations to the consolidated financial statements

10 Joint ventures (cont.)

% held by the Group	*50%*	*50%*
Carrying amount of investment in joint venture presented in the consolidated financial statements	**0**	**32 015**

Financial information from statement of comprehensive income	**31 grudnia 2020**	**31 grudnia 2019**
Revenue	131 609	74 774
Interest income	7	1
Interest cost	15	1
Result from continued operations	37 957	18 098

c) Ursa Sky Smart City Spółka z ograniczoną odpowiedzialnością sp.k.

Financial information from statement of financial position	**31 December 2020**	**31 December 2019**
Total non-current assets, including	**141**	**0**
Intangible assets	141	0
Total current assets, including:	**62 614**	**0**
Inventory	49 329	0
Trade receivables and other receivables	10 508	0
Cash and cash equivalents	2 777	0
Total assets	**62 755**	**0**
Non-current liabilities	53	0
Trade payables and other current liabilities	18 601	0
Total liabilities	**18 654**	**0**
Net assets	**44 101**	**0**
% held by the Group	*62%*	*0%*
Carrying amount of investment in joint venture presented in the consolidated financial statements	**27 137**	**0**

Financial information from statement of comprehensive income	**31 December 2020**	**31 December 2019**
Revenue	10	0
Result from continued operations	(408)	0

11 Share capital

	Number of shares in thousands		**Value of shares**	
	31 December 2020	**31 December 2019**	**31 December 2020**	**31 December 2019**
Ordinary shares series AA	26 371	26 371	2 637	2 637
Total	**26 371**	**26 371**	**2 637**	**2 637**

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

11 Share capital (cont.)

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

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

On 22 March 2019, 26 March 2020 and 25 June 2020 CPD SA bought respectively 3.305.886, 614.385 and 4.779.565 own shares.
As a consequence the Company has 8.699.836 own shares at the balance sheet date. The shares represent 32,99% of CPD SA share capital. However based on the relevant regulations the Company is prevented from executing voting rights from own shares.

On 20 August 2020 General Shareholders Meeting resolved on remission of the redeemed shares and consequently reduction of the share capital down to PLN 1.767 thousand. The share capital reduction has not been registered by the Commercial court until the moment of preparation of these interim condensed consolidated financial statements.

12 Trade payables and other payables

Long-term trade payables and other payables

	31 December 2020	31 December 2019
Deposits of tenants	2 820	2 283

Short-term trade payables and other payables

	31 December 2020	31 December 2019
Trade payables	2 282	1 094
Other liabilities	322	181
Advanced sales payments	6 480	12 070
Output VAT and other tax liabilities	22 261	24 997
Deposits of tenants	301	545
Accruals and deferred income	20 094	4 739
Total	**51 740**	**43 626**

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

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

The received advance payments results from preliminary agreements for sale of properties owned by the Group companies. Drop in the value of the received prepayments as compared to the end of 2019 results from ownership transfer of the plots the prepayments related to.

The main item of the tax liabilities related to VAT payable on transfer of the plots between the Group companies.

The accruals relate mainly potential losses of the joint venture to be covered by the Group as well as potential tax risks.

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

13 Borrowings (including leasing)

	31 December 2020	31 December 2019
Long-term		
Bank loans	0	59 494
IRS derivative	0	151
Leasing liabilities	5 454	3 536
	5 454	**63 181**
Short-term		
Bank loans	101 639	4 246
IRS derivative	208	327
	101 847	**4 573**
Total loans and borrowings	**107 301**	**67 754**

As of the balance sheet date bank loans consist of the payables of PLN 65 760 thousand to Santander Bank Polska SA and of PLN 35 879 thousand to mBank Hipoteczny SA.

On 12 August 2011 the subsidiary Belise Investments Sp. o.o. entered into a bank loan agreement with Santander Bank Polska S.A. to finance or refinance part of the fit out cost in the office building IRIS.

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

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

The value of the IRS hedging derivative as at the balance sheet date was estimated at PLN 208 thousand. The method of valuation of IRS transactions is presented in note 4.

On 18 June 2014 the subsidiaries Lakia Investments and Robin Investments entered into loan agreements with mBank Hipoteczny. The above mentioned loan was granted to refinance a loan with HSBC Bank Poland from 2006, which was used to finance the office investments located in Cybernetics 7b and Połczyńska 31a. Mortgage credit in the mBank was launched on 1 July 2014.

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

During 2017 Lakia Investments reported non-compliance with one of credit facility covenants, which entitles the bank to request repayment of the whole outstanding loan amounts of both Lakia Investments Sp. z o.o and Robin investments Sp. z o.o. Until the moment of preparation of these interim condensed consolidated financial statements the bank has not issued such a request. These loans are being serviced in full on a timely basis.

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

	31 December 2020	31 December 2019
Repayment of the principal amount of lease liabilities based on the effective interest rate due within:		
1 year	3	1
from 1 to 5 years	13	7
after more than 5 years	5 438	3 528
	5 454	**3 536**

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

13 Borrowings (including leasing) (cont.)

	31 December 2020	31 December 2019
Par value of minimum lease payments due:		
within 1 year	412	266
from 1 to 5 years	1 647	1 067
after more than 5 years	26 577	17 570
	28 636	**18 903**
Future financial costs	(23 182)	(15 367)
	5 454	**3 536**

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

	31 December 2020	31 December 2019
up to 6 months	101 639	2 386
from 6 months to 1 year	0	1 860
from 1 to 5 years	0	59 494
	101 639	**63 740**

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

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

	31 December 2020	31 December 2019
EUR	101 639	63 740

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

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

14 Changes of indebtedness

	Bank loans	Bonds	Capitalised lease	IRS derivative	Total
31 December 2019	**63 740**	**0**	**3 536**	**478**	**67 754**
Accrued interest	2 046	0	0	0	2 046
Principal repaid	(4 973)	0	0	0	(4 973)
Interest repaid	(2 049)	0	0	0	(2 049)
Other non-cash changes, including:	42 875	0	1 918	(270)	44 523
- Balance sheet reclassifications	*34 952*	*0*	*1 832*	*0*	*36 784*
- Other changes	*29*	*0*	*86*	*0*	*115*
- Balance sheet valuation	*7 894*	*0*	*0*	*(270)*	*7 624*
31 December 2020	**101 639**	**0**	**5 454**	**208**	**107 301**

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

14 Changes of indebtedness (cont.)

	Bank loans	Bonds	Capitalised lease	IRS derivative	Total
31 December 2018	**67 696**	**0**	**14 091**	**595**	**82 382**
Accrued interest	1 240	0	0	0	1 240
Principal repaid	(2 756)	0	0	0	(2 756)
Interest repaid	(1 249)	0	0	0	(1 249)
Other non-cash changes, including:	(1 191)	0	(10 555)	(117)	(11 863)
- Balance sheet reclassifications	*0*	*0*	*(10 735)*	*0*	*(10 735)*
- Other changes	*0*	*0*	*180*	*0*	*180*
- Balance sheet valuation	*(1 191)*	*0*	*0*	*(117)*	*(1 308)*
31 December 2019	**63 740**	**0**	**3 536**	**478**	**67 754**

15 Deferred income tax

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

	31 December 2020	31 December 2019
Deferred tax assets before offset	**10 597**	**10 277**
Offset against deferred tax liability	(10 597)	(10 277)
Deferred tax assets	**0**	**0**
Deferred income tax liabilities before offset	**29 949**	**27 722**
Offset against deferred tax asset	(10 597)	(10 277)
Deferred income tax liabilities after offset	**19 352**	**17 445**
- to be paid after more than 12 months	2 934	904
- to be paid within 12 months	16 418	16 541

	12 months ended	
	31 December 2020	31 December 2019
Change in deferred tax assets	320	1 255
Change in deferred tax liabilities	2 227	(692)
Amount charged/(credited) to profit or loss	**(1 907)**	**1 947**

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

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

15 Deferred income tax (cont.)

Deferred income tax liabilities (before offset)

	2019	Charged to profit/(loss)	Charged to other comprehensive income	2020
Property valuation at fair value	6 649	2 498	0	9 147
Accrued interest on loans	11 783	(253)	0	11 530
Deferred revenue	9 271	(123)	0	9 148
Foreign exchange differences	19	103	0	122
Other	0	2	0	2
Total	27 722	2 227	0	29 949

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

Deferred income tax assets (before offset)

	2019	Charged to profit/(loss)	Charged to other comprehensive income	2020
Accrued interest	881	106	0	987
Foreign exchange differences	75	247	0	322
Provisions	97	57	0	154
Other	9 080	(65)	0	9 015
Tax losses	144	(25)	0	119
	10 277	320	0	10 597

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

	31 December 2020	31 December 2019
Tax losses	626	758
Deductible temporary differences on loans and borrowings (foreign exchange differences and accrued interest)	5 195	4 637
Other deductible temporary differences	49 953	48 695
Total	55 774	54 089
Deferred tax assets before offset	**10 597**	**10 277**
Offset of deferred tax assets and liabilities	(10 597)	(10 277)
Net deferred tax assets	**0**	**0**

(All amounts in PLN thousands unless otherwise stated)

15 Deferred income tax (cont.)

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

Expiry of tax losses as at 31.12.2020

	2021	2022-2023	2024-2025	Total
- Losses on which deferred tax was recognized	0	362	266	628
- Losses on which deferred tax was not recognized	3 414	17 646	1 032	22 092

Expiry of tax losses as at 31.12.2019

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

16 Revenues

Revenues by category:	12 months ended 31 December 2020	12 months ended 31 December 2019
Rental income	11 023	12 212
Sales of inventories	0	1
Real estate advisory services	1 203	30 645
Rent related services	6 280	3 961
Accounting services	53	15
	18 559	**46 834**

In 2020 rental income was the major item in revenues.
In 2019 auxiliary services related to disposed properties were the major item in revenues.
The Group adopted the below described model of standard rental contracts:

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

Future minimum cumulative rental revenues resulting from irrevocable lease agreements:

	12 months ended 31 December 2020	12 months ended 31 December 2019
up to 1 year	10 830	6 157
from 1 to 5 years	22 086	13 802
more than 5 years	29	1 110
	32 945	**21 069**

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

17 Cost of sales

	12 months ended 31 December 2020	12 months ended 31 December 2019
Cost of inventories sold	0	1
Changes in impairment write-downs of inventories	(64)	(590)
Cost of services provided	3 195	4 946
	3 131	**4 357**

18 Administrative expenses – relating to properties

	12 months ended 31 December 2020	12 months ended 31 December 2019
Employee expenses	4 666	2 988
Property maintenance	5 196	4 589
Real estate tax	871	1 326
Perpetual usufruct	1 041	2 125
Depreciation and amortization	152	238
	11 926	**11 266**

19 Other income

	12 months ended 31 December 2020	12 months ended 31 December 2019
Provision released	1 710	2 185
Waived or expired liabilities	163	0
Contractual penalties received	514	111
Other	424	21
	2 811	**2 317**

20 Administrative expenses - other

	12 months ended 31 December 2020	12 months ended 31 December 2019
Advisory services	4 990	3 792
Audit fee	277	183
Transport	8	244
Taxes	56	134
Office maintenance	766	769
Other services	273	890
Costs of not deductible VAT	176	194
Other costs	32	136
	6 578	**6 342**

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

21 Financial income and costs

	12 months ended 31 December 2020	12 months ended 31 December 2019
Costs related to instruments measured at amortised cost:		
Bank loans valuation	(2 512)	(2 412)
Leasing interest	(320)	(649)
Net foreign exchange loss	(7 875)	0
Costs related to instruments measured at fair value:		
Other interest expenses	(802)	(905)
Other financial costs	0	(9)
Other financial costs:		
Other	(1 232)	(800)
Financial costs	**(12 741)**	**(4 775)**
Income related to instruments measured at amortised cost:		
Net foreign exchange gain	0	853
Income related to instruments measured at fair value:		
Bank interest	441	582
Tax interest	675	0
Interest from unrelated entities	0	1
Derivative (IRS) valuation	271	117
Other financial income	0	68
Financial income	**1 387**	**1 621**
Financing activities, net	**(11 354)**	**(3 154)**

22 Income tax expense

	12 months ended 31 December 2020	12 months ended 31 December 2019
Current tax	5 648	3 780
Deferred tax (Note 15)	1 907	(1 947)
	7 555	**1 833**

Polish subsidiaries are subject to Polish corporate income tax, which is accrued at the rate of 19% on the profit or loss adjusted for tax purposes. Under certain conditions the tax rate may be reduced to 9%. Cypriot subsidiaries are subject to Cypriot income tax calculated on taxable profit at the tax rate of 12,5%. Realized gains on the sale of shares and other ownership titles, interest and dividends received from abroad are, as a rule, exempt from taxation in Cyprus. In some circumstances interest and dividends can be taxable.

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

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

22 Income tax expense (cont.)

	12 months ended 31 December 2020	12 months ended 31 December 2019
Profit before tax	**23 862**	**61 833**
Estimated tax liability at 19% tax rate	(4 534)	(11 748)
Tax impact of:		
- various tax rates applicable to Group companies	541	242
- loss of companies where the asset was not recognized	(235)	(272)
- use of prior years losses, where the assets has not recognised	2 807	2 028
- changes in tax rates	0	2 287
- tax on intercompany transactions	(3 091)	0
- joint ventures valuation	(502)	3 010
- other	(2 541)	2 620
Income tax expense	**(7 555)**	**(1 833)**

23 Contingencies

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

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

24 Cash generated from operations

	12 months ended 31 December 2020	12 months ended 31 December 2019
Profit before income tax	23 862	61 833
Adjustments for:		
- depreciation of tangible fixed assets	152	238
– currency translation adjustments	(674)	87
- foreign exchange differences	7 924	(1 595)
- gains (losses) on revaluation to fair value of investment property	(15 921)	(21 616)
– share of the profit or loss of the joint ventures	(19 735)	(15 844)
– loss on change of a subsidiary into joint venture	31	(1 780)
- interest expenses	2 088	2 166
- interest income	(441)	(582)
- impairment of inventories	(64)	(590)
- result in investment property disposal	165	(684)
- result on derivatives valuation	(270)	(117)
- other adjustments	1	3 301
Movements in working capital:		
- change in receivables	(11 640)	1 427
- change in trade payables and other payables	(2 399)	(61 420)
	(16 921)	**(35 176)**

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

25 Transactions with related entities and transactions with employees

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

The CPD Group also concludes transactions with key managers and other related entities controlled by the Group's key managers.
All related party transactions have been at arm's length.

The CPD group concluded the following transactions with related parties:

	12 months ended 31 December 2020	12 months ended 31 December 2019
a) Transactions with key managers		
Remuneration of the Management Board members	2 324	1 642
Cost of work and services provided by members of the Management Board	3 513	2 920
Cost of remuneration of members of the Supervisory Board	552	552
Sales to Board Members	5	5

	31 December 2020	31 December 2019
Total receivables	24	19
Total payables	1 515	901

		12 months ended 31 December 2020	12 months ended 31 December 2019
b) Transactions with other related parties			
<u>Revenues</u>			
Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.	*- services*	34	95
Ursa Park Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.	*- services*	682	690
Ursa Sky Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.	*- services*	199	0
<u>Costs</u>			
Kancelaria Radców Prawnych Oleś i Rodzynkiewicz	*- costs of legal services*	101	16
Laxey Partners (UK) Ltd	*- services*	16	45
<u>Liabilities</u>			
Kancelaria Radców Prawnych Oleś i Rodzynkiewicz	*- trade payables*	16	18
<u>Receivables</u>			
Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.	*- trade receivables*	7	2
Ursa Park Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.	*- trade receivables*	56	99
Ursa Sky Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.	*- trade receivables*	244	0

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

26 Seasons of activity and unusual events

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

27 Contractual liabilities (commitments)

On 28 December 2019 subsidiaries 12/132 Gaston Investments spółka z ograniczoną odpowiedzialnością sp. k. and 13/155 Gaston Investments spółka z ograniczoną odpowiedzialnością sp. k. concluded preliminary property disposal agreement for their properties in Ursus. Thy were disposed by the Group after the balance sheet date.

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

28 Assets and liabilities held for sale

As at 31 December 2020 properties and leasing creditors of Ursus Development Sp., z o.o. were classified as held for sale.

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

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

(a) Assets held for sale

	31 December 2020	31 December 2019
Investment properties	79 165	226 038
Capitalised leasing liabilities from perpetual usufruct	6 085	16 667
	85 250	**242 705**
(b) Liabilities classified as held for sale		
Borrowings, including leasing	6 085	51 619
Net assets held for sale	**79 165**	**191 086**

29 Auditor remuneration

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

	12 months ended 31 December 2020	12 months ended 31 December 2019
Auditor's fee	277	183

CPD S.A.

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

30 Dividend distribution

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

31 Earnings per share – basic and diluted

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

	12 months ended 31 December 2020	12 months ended 31 December 2019
Profit (loss) attributable to the shareholders in the parent company	16 307	60 000
Weighted average number of ordinary shares (in '000)	20 119	23 790
Earnings per share	0,81	2,52
Diluted profit (loss) attributable to shareholders	16 307	60 000
Weighted average number of ordinary shares (in '000)	20 119	23 790
Diluted earnings per share	0,81	2,52

	31 December 2020		31 December 2019	
	after share capital reduction	actual	after share capital reduction	actual
Net assets at book value	285 048	285 048	343 858	343 858
Number of ordinary shares (in '000)	17 671	26 371	23 065	26 371
Net assets per share	16,13	10,81	14,91	13,04

There were no items diluting the Group earnings in any of 2019 nor 2020.

32 Reporting segments

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

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

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

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

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

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

33 Events after the balance sheet date

On 24 February 2021 CPD SA resolved on opening a liquidation procedure of IMES Poland Sp. z o. o. effective 1 April 2021.

On 4 March 2021subsidiary Ursus Development Sp. z o.o. concluded final property disposal agreement for its property in Ursus.

On 31 March 2021 the part of the investment agreement related to Smart City project was dissolved, as a consequence of completion of the project. As a result Smart City Spółka z ograniczoną odpowiedzialnością Sp. z o.o. returned to be 100% subsidiary.

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

These consolidated financial statements were approved by the CPD SA Management Board on 29 April 2021 and signed by:

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