CPD S.A.

ANNUAL REPORT

FOR THE YEAR ENDED ON 31 DECEMBER 2021

TRANSLATORS' EXPLANATORY NOTE

The following document is a free translation of the Annual Report of CPD S.A. published on 27 April 2022.

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

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

CONTENTS

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

SUPERVISORY BOARD

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

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

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

- **MR 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 HANNA KARWAT-RATAJCZAK - (SUPERVISORY BOARD MEMBER MEETING THE REQUIREMENTS OF INDEPENDENT MEMBER OF THE SUPERVISORY BOARD)**

Ms Hanna Karwat-Ratajczak was appointed to the Supervisory Board's fourth term on 18 October 2021. Ms Hanna Karwat-Ratajczak graduated from the Faculty of Law and Administration of the University of Warsaw (major: law). After completing the legal adviser apprenticeship, in 1996 she obtained the qualifications of a legal adviser. Ms Karwat-Ratajczak has 30 years of experience in consulting and legal services in Poland.

- **MR KRZYSZTOF LASKOWSKI - (SUPERVISORY BOARD MEMBER MEETING THE REQUIREMENTS OF INDEPENDENT MEMBER OF THE SUPERVISORY BOARD)**

Mr Krzysztof Laskowski was appointed to the Supervisory Board's fourth term on 18 October 2021. Mr Krzysztof Laskowski has a university degree in law, he graduated from the Faculty of Law and Administration of the University of Warsaw (major: law). After completing the legal adviser apprenticeship, in 2011, he obtained the qualifications of a legal adviser. Mr Krzysztof Laskowski has almost 20 years of experience in advisory and legal services.

In comparison to the status at the end of 2020, the composition of Supervisory Board of CPD S.A. has changed in following manner:

- 22 September 2021, the Company received a resignation from the Supervisory Board Member. Ms Gabriela Gryger resigned from the function without giving any reason.
- 18 October 2021, Ms Hanna Karwat-Ratajczak was appointed as a member of the Supervisory Board.
- 18 October 2021, Mr Krzysztof Laskowski was appointed as a Member of the Supervisory Board.
- 31 October 2021, the Company received a resignation from the Supervisory Board Member. Mr Alfonso Kalinauskas resigned from the function without giving any reason.
- 1 November 2021, the Company received a resignation from the Supervisory Board Vice-Chairman. Mr Michael Haxby resigned from the function without giving any reason.

AUDIT COMMITTEE

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

- MR MIROSŁAW GRONICKI - CHAIRMAN OF THE AUDIT COMMITTEE MEETING THE REQUIREMENTS OF INDEPENDENT MEMBER
- MR KRZYSZTOF LASKOWSKI - AUDIT COMMITTEE MEMBER MEETING THE REQUIREMENTS OF INDEPENDENT MEMBER
- MR ANDREW PEGGE - AUDIT COMMITTEE MEMBER

In comparison to the status at the end of 2020, the composition of Audit Committee of CPD S.A. has changed in following manner:

- 31 October 2021, the Company received the resignation of the Audit Committee Member. Mr Alfonso Kalinauskas resigned from the function without giving any reason.
- 24 November 2021, Mr Krzysztof Laskowski was appointed as a Member of the Audit Committee.
- 24 November 2021, Mr Mirosław Gronicki was elected Chairman of the Audit Committee.

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 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 2020, the composition of the Management Board of CPD S.A. has not changed.

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

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

Supervisory Board CPD S.A.

date	women	men
31 December 2020	1	5
31 December 2021	1	4

Management Board CPD S.A.

date	women	men
31 December 2020	2	2
31 December 2021	2	2

IV. MANAGEMENT BOARD REPORT

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

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

Today, CPD S.A. is the holding company controlling a group of 18 subsidiaries and two jointly controlled entities, carrying out activities in the office and residential segments, mostly in Poland. In 2021 the Group's activities were focused on continuation of residential development, mainly through the implementation of its leading project in the Warsaw district of Ursus, and monetization of the land bank located in the Ursus district.

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

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

As of the publication date, CPD S.A. (hereinafter referred to as 'the Company') directly or indirectly held shares and shareholdings in 18 subsidiaries and two jointly controlled entities. CPD S.A. directly controls 7 entities which are responsible for various areas of the Group's operations (hereinafter referred to as 'the CPD Group', 'the Group'):

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

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

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

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

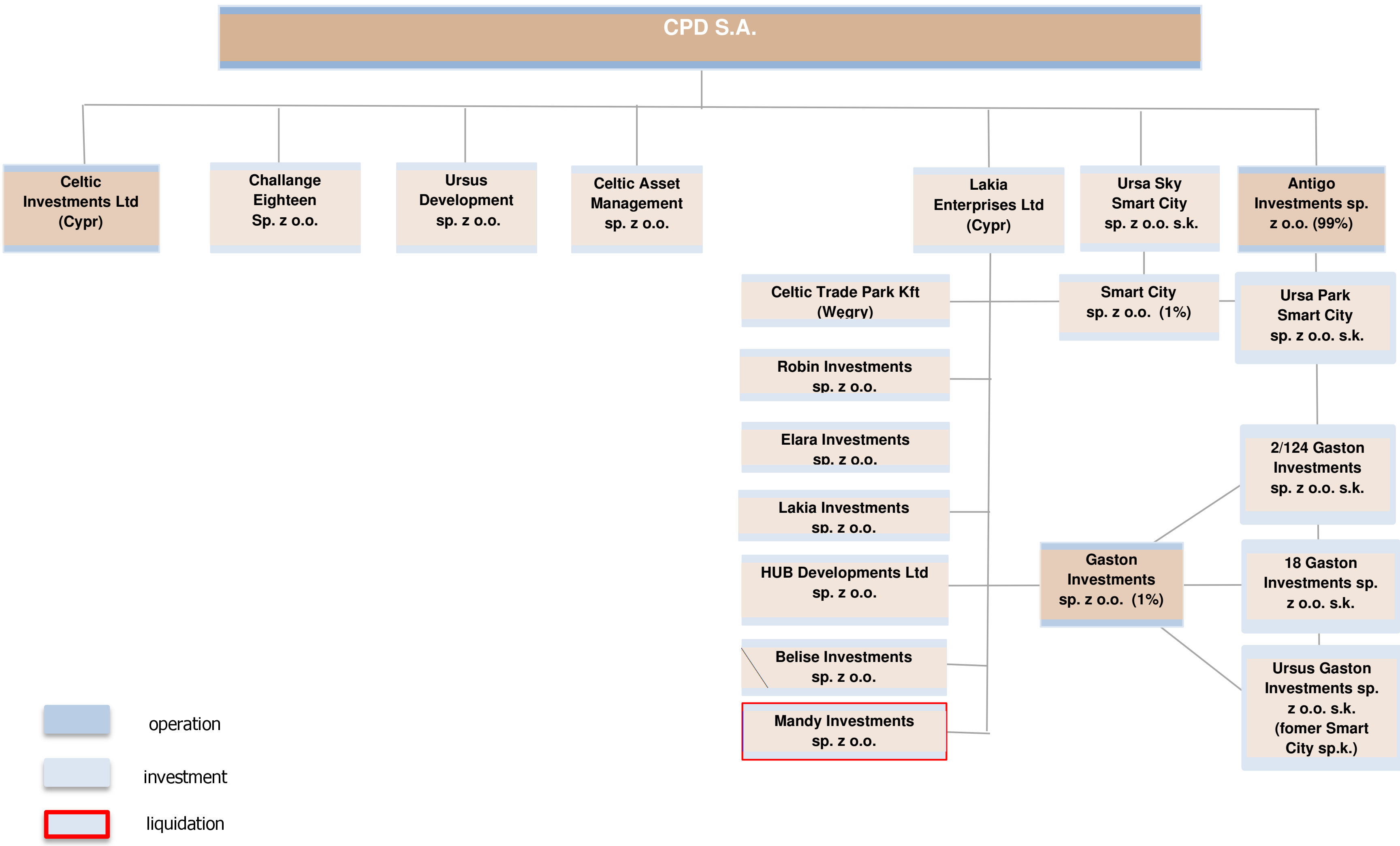
- 31 March 2021 Challange Eighteen sp. z o.o. acquired all the rights and obligations of a limited partner in Smart City sp. z o.o. sp. k.
- 1 April 2021, liquidation proceedings against IMES Poland sp. z o.o. were initiated
- 28 April 2021 CPD S.A. acquired from a subsidiary 100% shares in Antigo Investments sp. z o.o.
- 19 July 2021 Smart City sp. z o.o. sp. k. changed its name to Ursus Gaston Investments sp. z o.o. sp. k.
- 28 July 2021, the procedure of dissolving the company 7/120 Gaston Investments sp. z o.o. sp. k. was completed
- 30 July 2021, proceedings to dissolve the company 12/132 Gaston Investments sp. z o.o. sp. k. were initiated
- 30 July 2021, proceedings to dissolve the company 13/155 Gaston Investments sp. z o.o. sp. k. were initiated
- 4 August 2021, the proceedings terminating the company 19/97 Gaston Investments sp. z o.o. sp. k.
- 17 August 2021, the proceedings terminating the company 5/92 Gaston Investments sp. z o.o. sp. k.

- 19 August 2021, the proceedings to dissolve 3/93 Gaston Investments sp. z o.o. sp. k. have been completed.
- 7 September 2021, proceedings were initiated to dissolve the company 16/88 Gaston Investments sp. z o.o. sp. k.
- 1 October 2021, the procedure was completed to dissolve the company 12/132 Gaston Investments sp. z o.o. sp. k.
- 1 October 2021, CPD SA sold 100% of shares in IMES Poland sp. z o.o.
- 1 October 2021 Antigo Investments sp. z o.o. acquired all the rights and obligations of a limited partner in 2/124 Gaston Investments sp. z o.o. sp. k.
- 25 October 2021, the procedure was completed to dissolve the company 13/155 Gaston Investments sp. z o.o. sp. k.
- 29 October 2021, proceedings were initiated to dissolve the company 6/150 Gaston Investments sp. z o.o. sp. k.
- 29 October 2021, proceedings were initiated to dissolve the company 20/140 Gaston Investments sp. z o.o. sp. k.
- 3 November 2021 Antigo Investments sp. z o.o. acquired all the rights and obligations of a limited partner in 18 Gaston Investments sp. z o.o. sp. k.
- 20 December 2021 Antigo Investments sp. z o.o. acquired all the rights and obligations of a limited partner in Ursa Park Smart City sp. z o.o. sp. k.
- 20 December 2021 Antigo Investments sp. z o.o. acquired all the rights and obligations of a limited partner in Ursus Gaston Investments sp. z o.o. sp. k.

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

15 February 2022, liquidation proceedings of Challange Eighteen sp. z o.o. were initiated.

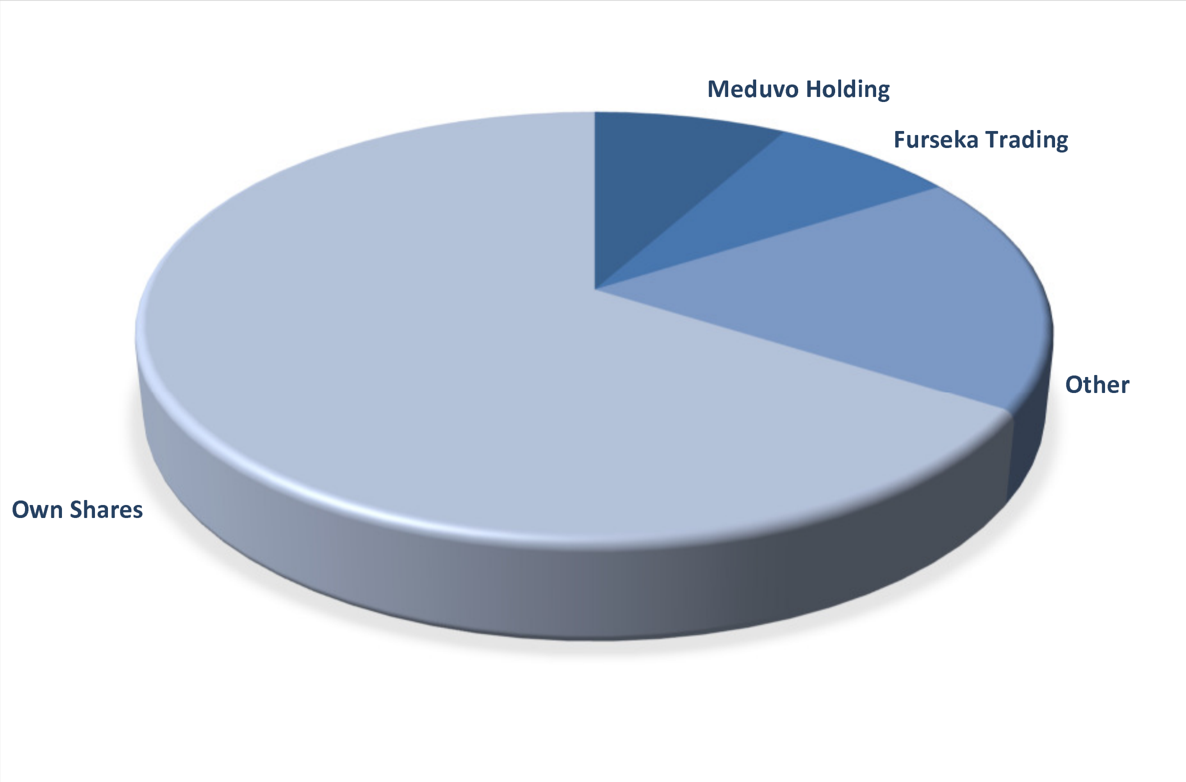
CPD S.A. Group structure on the 31 December 2021



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

Shareholder	No. of Shares	Type of Shares	No. of votes	Shareholder structure (no. of votes) (1)	Shareholder structure (no. of shares)
Meduvo Holding	2 133 604	bearer	2 133 604	23.80 %	8.09 %
Furseka Trading	2 063 234	bearer	2 063 234	23.01 %	7.82 %
Other	4 769 347	bearer	22 174 293	53.19 %	18.09 %
Own Shares (2)	17 404 946	bearer	0 %	0 %	66.00 %

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

(2) 14 March 2022, the District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register issued a decision on registration by the court of amendments to the Issuer's Articles of Association and changes in the Company's share capital, which after the change amounts to 896,618.50 and is divided into 8,966,185 series AA shares with a nominal value of PLN 0.10 each.

The above shareholding structure is presented in relation to the total number of shares, amounting to 26,371,131 shares and including series AA shares, which constitute 100% of votes at the Company's general meeting as of 31 December 2021.

Compared to the status presented in the consolidated report for the third quarter of 2021, published on 25 November 2021, there were no changes in the ownership structure of significant blocks of the Company's shares as at the balance sheet date.

Shareholders with special rights

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

Restrictions in voting rights

According to par. 4 par. 5 of the Company Statute, the pledgee or user of the shares is not entitled to vote on the shares pledged on its behalf or given for use. In addition, the Company holds 17 404 946 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 2021 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/GPW/files/PDF/dobre_praktyki/DPSN21_BROSZURA.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:

1.4. In order to ensure proper communication with stakeholders, in the scope of the adopted business strategy, the Company publishes information on the assumptions of the strategies, measurable objectives, including long-term goals, planned actions and progress in its implementation, determined by meters, financial and NON-FINANCIAL. INFORMATION ON THE STRATEGY IN THE ESG AREA SHOULD, among others:

At present, the company does not have a formally adopted business strategy, measurable goals, especially long-term goals, planned activities and progress in its implementation, determined by financial and non-financial measures. The Management Board of the Company is considering the development of such a document to present it to the Supervisory Board.

1.4.1. EXPLAIN HOW IN THE DECISION-MAKING PROCESSES OF THE COMPANY AND ITS GROUP ENTITIES, ISSUES RELATED TO CLIMATE CHANGE ARE TAKEN INTO ACCOUNT OF THE RISK RESULTING FROM THIS RISK.

At present, the company does not have a formally adopted business strategy, measurable goals, especially long-term goals, planned activities and progress in its implementation, determined by means of financial and non-financial measures, therefore it does not publicly present the information indicated in rule 1.4.1.

1.4.2. Present the value of the equality ratio of remuneration paid to its employees, calculated as a percentage difference between medium-month remuneration (including premiums, prizes and other, add-ons) of women and men for last year, and present information on activities undertaken to liquidate any inequality in this area, ALONG WITH THE PRESENTATION OF RISKS WITH THIS RELATED AND THE TIME HORIZON IN WHICH THE EQUALITY IS PLANNED.

At present, the company does not have a formally adopted business strategy, measurable goals, especially long-term goals, planned activities and progress in its implementation, determined by financial and non-financial measures, therefore it does not publicly disclose the information indicated in rule 1.4.2.

1.6. IN THE CASE OF A COMPANY BELONGING TO THE INDEX WIG20, MWIG40 OR SWIG80, ONCE PER QUARTER, AND IN THE CASE OF OTHER COMPANIES NOT RELATING THAN ONCE A YEAR, THE COMPANY ORGANIZES A MEETING FOR INVESTOR, WELCOME TO NATIONAL ACCOUNTANCY. DURING THE MEETING, THE MANAGEMENT BOARD PRESENTS AND COMMENTS ON THE ADOPTED STRATEGY AND ITS IMPLEMENTATION, THE FINANCIAL PERFORMANCE OF THE COMPANY AND ITS GROUP, AS WELL AS THE MOST IMPORTANT EVENTS AFFECTING THE ACTIVITY OF THE COMPANY AND ITS AFFECTIVENESS OF THE COMPANY AND ITS AFFECTIVES OF THE COMPANY. DURING THE ORGANIZED MEETINGS, THE MANAGEMENT BOARD PUBLICLY PROVIDES ANSWERS AND EXPLANATIONS TO THE ASKED QUESTIONS.

At present, the company does not have a formally adopted business strategy, therefore it is not possible to present it to investors. The shareholders of the Company can participate in the General Meetings of the Company and ask the Management Board questions about the financial results of the Company and its group, as well as about the most important events affecting the activities of the company and its group, achieved results and prospects for the future. The Management Board of the

Company plans to organize meetings for investors after the adoption of the Company's strategy document.

2.1. THE COMPANY SHOULD HAVE A DIVERSITY POLICY FOR THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD, APPROPRIATELY ADOPTED BY THE SUPERVISORY BOARD OR THE GENERAL MEETING. THE DIVERSITY POLICY DEFINES THE OBJECTIVES AND CRITERIA FOR DIVERSITY, INCLUDING IN THE AREAS SUCH AS GENDER, EDUCATION, SPECIALIST KNOWLEDGE, AGE AND WORK EXPERIENCE, AND INDICATES THE DATE AND METHOD OF MONITORING THE IMPLEMENTATION OF THESE OBJECTIVES. IN THE SCOPE OF GENDER DIVERSITY, THE CONDITION TO PROVIDE THE DIVERSITY OF THE COMPANY'S BODIES IS THE SHARE OF A MINORITY IN A GIVEN BODY AT A LEVEL OF NOT LESS THAN 30%.

The company does not have a document regarding the diversity policy adopted by the supervisory board or the general meeting, respectively, however, in the case of the Management Board, the 50/50 women / men parity is maintained. The diversity policy for the Management Board and the Supervisory Board will soon be developed and proposed for adoption by the relevant bodies of the Company.

2.2. THE PERSONS MAKING THE DECISIONS ON THE ELECTION OF MEMBERS OF THE MANAGEMENT BOARD OR SUPERVISORY BOARD SHOULD ENSURE THE VERSATILITY OF THESE BODIES BY SELECTING THEIR COMPOSITION OF PERSONS WHICH ENSURE DIVERSE AND DIVERSITY. ACHIEVING THE TARGET MINIMUM SHARE RATE OF MINORITY AT A LEVEL OF NO LESS THAN 30%, IN ACCORDANCE WITH THE OBJECTIVES DEFINED IN THE ADOPTED DIVERSITY POLICY, AS REFERRED TO

In the Company, the main criteria for selecting members of the management board or supervisory board are education, knowledge and experience, competences, and versatility of the candidate for a given function. Persons making decisions on the selection of members of the Management Board or Supervisory Board are primarily guided by the above-mentioned criteria. The current composition of the Supervisory Board ensures diversity both in terms of education, specialist knowledge and professional experience, and the current composition of the Management Board in terms of gender, education, specialist knowledge and professional experience.

2.7. PERFORMANCE BY MEMBERS OF THE COMPANY'S MANAGEMENT BOARD OF THE COMPANY'S FUNCTIONS IN THE BODIES OF ENTITIES OUTSIDE THE COMPANY'S GROUP REQUIRES THE APPROVAL OF THE SUPERVISORY BOARD.

To fulfil this rule, it will be necessary to introduce relevant provisions to the internal regulations of the Company, which is the subject of the analysis.

2.11.6. INFORMATION ON THE DEGREE OF IMPLEMENTATION OF THE DIVERSITY POLICY WITH REGARD TO THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD, INCLUDING THE IMPLEMENTATION OF THE OBJECTIVES REFERRED TO IN THE PRINCIPLE 2.1.

Since the Company has not adopted the documents entitled: Diversity Policy in relation to the Management Board and Supervisory Board, this principle has not yet been implemented. The Management Board will soon prepare draft of the above regulations and, after their adoption by the relevant authorities of the Company, it will be possible to implement this rule.

• INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS

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

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

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

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

To further mitigate the Company's exposure to market risks, an appropriate assessment of the potential development projects as well as the control of existing projects is carried out based on the investment models and decision-making procedures. 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 based on shareholders' notices pursuant to Article 69 of the Act on Public Offering or the data included in the prospectus) were:

Shareholder	No. of shares	Type of shares	No. of votes	Shareholder structure (no. of votes) (1)	Shareholder structure (no. of shares)
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Own Shares (2)	17 404 946	bearer	0 %	0 %	66.0 %

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

(2) 14 March 2022, the District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register issued a decision on registration by the court of amendments to the Issuer's Articles of Association and changes in the Company's share capital, which after the change amounts to 896,618.50 and is divided into 8,966,185 series AA shares with a nominal value of PLN 0.10 each.

The above shareholding structure is presented in relation to the total number of shares, amounting to 26,371,131 shares and including series AA shares, which constitute 100% of votes at the Company's general meeting as of 31 December 2021.

Compared to the status presented in the consolidated report for the third quarter of 2021, published on 25 November 2021, there were no changes in the ownership structure of significant blocks of the Company's shares as at the balance sheet date.

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

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

- **RESTRICTIONS IN EXERCISE OF VOTING RIGHTS**

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

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

Not applicable.

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

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

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

- fixing the date and the agenda and convening General Meetings,
- submitting motions to the General Meeting, together with the opinion of the Supervisory Board, on matters covered by the agenda of these Meetings,
- submitting to the Supervisory Board financial statements and the Management Board's written report on its activities during the accounting period and the motion on the distribution of profit or compensation for losses, these documents are examined at the Ordinary General Meeting,

- adoption of the Company's Organizational Regulations and other internal acts governing the operation of the Company's business,
- creating and adopting Company's annual, long-term and strategic plans,
- establishing procuration and granting powers of attorney,
- requesting the Supervisory Board to convene its meetings,
- requesting the Supervisory Board to approve the Management Board By-laws, the Company's Organizational Regulations, annual budgets, and Company's development plans.

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

- **AMENDMENTS TO THE COMPANY STATUTE**

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

- **GENERAL MEETING**

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

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

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

SUPERVISORY BOARD

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

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

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

The composition of the Supervisory Board has changed in following manner:

- 22 September 2021, the Company received a resignation from a Supervisory Board Member from his position. Ms Gabriela Gryger resigned from the function without giving any reason.
- 18 October 2021, Ms Hanna Karwat-Ratajczak was appointed as a member of the Supervisory Board.
- 18 October 2021, Mr Krzysztof Laskowski was appointed as a member of the Supervisory Board.
- 31 October 2021, the Company received a resignation from a Supervisory Board member from his position. Mr Alfonso Kalinauskas resigned from the function without giving any reason.
- 1 November 2021, the Company received a resignation from the Vice-Chairman of the Supervisory Board from his function. Mr Michael Haxby resigned for no reason.

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

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

a) impartiality and independence of the audit company and the auditor,
b) analysis of works to be performed by the audit company and the auditor in the Company beyond the scope of audit of its financial statement, to avoid any conflict of interests (maintaining impartiality and independence),
c) services provided by the audit company and the auditor during the last five years before its selection,
d) highest quality of performed audit works,

e) professional qualifications and experience of persons directly engaged in the audit, including their knowledge of the industry of operation of the companies from the Capital Group of CPD S.A.,

f) the audit company's activity in majority of countries of operation of the companies from the Capital Group of CPD S.A.

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

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

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

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

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

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

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

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

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

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

Where appropriate, the Audit Committee issues service guidelines.

MANAGEMENT BOARD

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

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

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

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

AUDIT COMMITTEE

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

- Mr Mirosław Gronicki - Chairman 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 Krzysztof Laskowski - Member of the Audit Committee (independent member), has knowledge and skills in the field of the Company's industry;
- Mr Andrew Pegge - Member of the Audit Committee, has knowledge and skills in accounting and auditing of financial statements (title of CFA - Licensed Financial Analyst, obtained in the Association for Investment Management Research in the United States and MBA in Finance at City University Business School in the United Kingdom); has knowledge and skills in the Company's industry.

In the reporting period, the composition of the Audit Committee did change as follows:

- 31 October 2021, the Company received the resignation of the Audit Committee member from his function. Mr. Alfonso Kalinauskas resigned from the function without giving any reason.
- 24 November 2021, Mr Krzysztof Laskowski was appointed as a member of the Audit Committee.
- 24 November 2021, Mr Mirosław Gronicki was elected Chairman of the Audit Committee.

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 three 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 chair, 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 chair 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 2021 the Audit Committee met four times.

5. STRATEGY AND POLICY REGARDING FURTHER DEVELOPMENT OF THE GROUP

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

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.

6. SIGNIFICANT ACHIEVEMENTS, FAILURES AND THE MOST IMPORTANT EVENTS CONCERNING THE COMPANY IN THE REPORTING PERIOD

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

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

The geographical structure of the Group's revenues in 2021 reflected the strategy of concentration on the Polish market adopted by the Group. In 2021, 100% of the Group's revenues came from the domestic market. The recipients of the Company and its Capital Group are divided into two basic groups closely related to the type of projects carried out by the Group: specialized real estate funds, residential developers, and individual recipients. Projects for commercial use are ultimately sold to specialized institutional investors operating on the real estate market. Smaller projects are sold to individual investors. Before the sale begins, the Company commercializes the building. Thus, tenants of commercial areas also constitute an indirect group of recipients.

Due to the allocation of a part of the real estate for residential development, the Group's customers are housing developers operating in Warsaw and natural persons looking for a new flat. The characteristics of the target customers depends on the type of individual projects. CPD Group implemented projects for individual clients with a higher purchasing potential (Wilanów Classic housing estate, apartments in a tenement at 69 Koszykowa Street). In 2021 customers interested in popular apartments for decent prices as well as developers looking for investment areas with the above potential are the main group of customers for the Company.

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

➢ EVENTS AFFECTING THE ACTIVITY AND FINANCIAL RESULT

• CONCLUSION OF SALES AGREEMENTS BY THE ISSUER'S SUBSIDIARY

On 4 March 2021, the Issuer's subsidiary Ursus Development sp. z o.o. (hereinafter the "Seller") concluded final agreements for the sale of the right of perpetual usufruct of real estate consisting of developed plots of land no:

- 155/2, located in Warsaw, described in the land and mortgage register no. WA5M/00477861/9, kept by the District Court for Warszawa-Mokotów in Warsaw, XIII Land Registry Division,
- 147, located in Warsaw, described in the land and mortgage register no. WA1M/00338198/6, kept by the District Court for Warszawa-Mokotów in Warsaw, XIII Land Registry Division,

rev. no. ev. 2-09-09, located in Warsaw in the Ursus District, near Gierdziejewskiego i Posag 7 Panien Streets for the company UDI Ursus II sp. z o.o. (hereinafter the "Buyer") with a total value of PLN 14,9 million gross. The contracts were concluded in the performance of preliminary sales contracts.
On that date, the Seller also concluded a conditional agreement (subject to the municipality's failure to exercise the pre-emption right) for the sale of the right of perpetual usufruct of real estate consisting of developed plots of land no:

- 132/2, located in Warsaw, described in the land and mortgage registers no. WA5M/00477860/2, kept by the District Court for Warszawa-Mokotów in Warsaw, XIII Land Registry Division,
- 158/2, located in Warsaw, described in the land and mortgage register no. WA5M/00477864/0, kept by the District Court for Warszawa-Mokotów in Warsaw, XIII Land Registry Division,
- 134, located in Warsaw, described in the land and mortgage register no. WA1M/00233102/1, kept by the District Court for Warszawa-Mokotów in Warsaw, XIII Land Registry Division,

rev. no. ev. 2-09-09, located in Warsaw in the Ursus District, near Gierdziejewskiego and Posag 7 Panien Streets for the Buyer, with a total value of PLN 83,1 million gross. The contract was concluded in the performance of the preliminary sale contract. The total price of the transaction was PLN 98 million gross. In accordance with the provisions of the Local Development Plan, the properties are predominantly intended for multi-family residential areas with services.

- **TERMINATION OF INVESTMENT AGREEMENT BY THE ISSUER AND THE ISSUER'S SUBSIDIARIES**

31 March 2021, the Issuer, and the Issuer's subsidiaries, i.e. Challange Eighteen sp. z o.o., Lakia Enterprises Ltd based in Nicosia (Cyprus) and Smart City sp. z o.o. sp. k. by mutual consent terminated an investment agreement concluded on 10 September 2014 with Unidevelopment S.A. and Unibep S.A. for the joint venture of a development investment in Warsaw, Ursus district under the name "Smart City" ("Investment Agreement"). In connection with termination of the Investment Agreement, the Issuer's subsidiary (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. from Unidevelopment S.A.

At the same time, the Issuer informed that an investment agreement concerning neighbouring real estates, concluded with the participation of the Issuer and the Issuer's subsidiaries is in force and is being implemented.

Termination of the Investment Agreement took place due to its performance by the parties, i.e. the completion of the development project.

- **ESTABLISHMENT OF SECURITY ON A LOAN AGREEMENT CONCLUDED BY A SUBSIDIARY**

The Company granted security in connection with the signing of the loan agreement on 20 May 2021 between Ursa Sky Smart City sp. z o.o. sp. k., which is a subsidiary of the Company (hereinafter "Subsidiary", "Borrower") and Bank Millenium S.A. (hereinafter the "Agreement"), on the basis of which Ursa Sky Smart City sp. z o.o. sp. k., revolving loan of a maximum amount of PLN 30,000,000 is to be granted, intended for financing the construction of a multi-family residential project "URSA SKY – Stage II" in Warsaw in the Ursus district, consisting in the construction of a multi-family building designated as H ("Loan Agreement"). The investment is being developed with the joint participation of CPD S.A. and Unidevelopment S.A..

The collaterals for the repayment of the Bank's receivables resulting from the Revolving Loan Agreement will be:

– registered pledge with an ordinary pledge as a temporary security for all the rights and obligations of a limited partner of CPD S.A. in connection with the contribution made with a nominal value of PLN 30,008,474.75 in the Borrower's company.

– statement of CPD S.A. on submission to enforcement for the benefit of the Bank pursuant to Art. 777 § 1 point 5 of the Code of Civil Procedure from all property as to the obligation to pay to the Bank any sums of money in respect of obligations under the Agreement, as amended at a given time, up to the maximum amount of PLN 48,000,000;

– debt accession agreement on the part of Ursa Sky Smart City sp. z o.o. sp. k. as to the repayment of the loan;

– agreement on the subordination of receivables of CPD S.A. in loan repayment;

The loan will be made available to the Borrower after collateral has been established and after meeting other typical release conditions.

The final repayment of the Loan took place no later than 31 May 2023. The amounts due were repaid in PLN, according to the agreed repayment schedule. For the loan granted, the Subsidiary will pay interest at the variable WIBOR 1M interest rate, increased by the Bank's margin.

- **ESTABLISHMENT OF SECURITY ON A LOAN AGREEMENT CONCLUDED BY A SUBSIDIARY**

31 May 2021, the Company granted securities in connection with the signing of Annex dated 28 May 2021 to the loan agreement dated 12 August 2011 between Belise Investments sp. z o.o., a subsidiary of the Company and Santander Bank Polska SA based on which Belise Investments sp. z o.o. was refinanced a non-revolving Investment Loan in the amount of EUR 12,523,500 for the Iris building at 9 Cybernetyki Street in Warsaw.

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

- Mortgage on real estate,
- Registered and financial pledges on the rights from the Borrower's bank accounts,
- Registered pledges on shares in the Subsidiary,
- Registered pledge on the Borrower's enterprise,
- Surety agreement concluded with the Company,
- Agreement on the subordination of receivables, incl. Loan repayment companies,
- Declarations of submission to enforcement directly from the notarial deed issued, inter alia, by the Company,
- Assignment of the Borrower's receivables under rental and insurance contracts and contracts with the building manager.

The final repayment of the Loan will take place no later than 30 May 2026. The amounts due will be repaid in EUR, according to the agreed repayment schedule. For the loan granted, the Subsidiary will pay interest at the variable 3M EURIBOR interest rate, increased by the Bank's margin.

- **ANNOUNCEMENT OF CALL TO REGISTER FOR THE SALE OF CD S.A. SHARES**

24 June 2021, pursuant to Resolution No. 18 of the Ordinary General Meeting of the Company of 24 June 2021 on the purchase of the Company's shares for redemption, i.e. amending Resolution No. 3 of the Extraordinary Of the General Meeting of CPD SA of February 28, 2019 on the acquisition of the Company's shares for redemption, the Management Board adopted a resolution on the continuation of the process of acquiring own shares by the Company for redemption, on the basis of which it decided to purchase under a tender offer the maximum number of own shares covered by the authorization granted so far not exercised by the General Meeting and determined the purchase price of shares in the above-mentioned tender offer in the amount of PLN 19.71 per share.

In view of the above, today, i.e. on June 25, 2021, the Company, acting as the summoner, announced through Bank Pekao S.A. – Pekao Brokerage House with its seat in Warsaw and Pekao Investment Banking S.A. a call ("Tender Offer") to subscribe for the sale of 8,705,110 (eight million seven hundred five thousand one hundred and ten) ordinary bearer series AA shares with a nominal value of PLN 0.10 (ten groszy) each share, corresponding to 33.01% of shares in the share capital of the Company and entitling to 33.01% of votes at the General Meeting of the Company ("Shares") traded on the stock exchange. The tender offer was announced based on 73 sec. 1 of the Act of July 29, 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading, and Public Companies (i.e. Journal of Laws of 2020, item 2080, as amended). The entity purchasing the Shares under the Tender Offer will be the Company, and the Shares will be acquired for redemption pursuant to Art. 362 § 1 point 5) of the Commercial Companies Code

As a result of the Tender Offer, the Company intends – together with its own shares already held – as at the balance sheet date held 17,404,946 (seventeen million four hundred four thousand nine hundred forty six) shares corresponding to 66% of the share capital of the Company and entitling to 66% of votes at the General Meeting of the Company.

The price at which the Company acquired the shares specified in the Tender Offer is PLN 19.71 per share.

- **ANNOUNCEMENT OF THE STATEMENT OF THE MANAGEMENT BOARD OF CPD S.A. ON THE CALL TO SUBSCRIBE FOR THE SALE OF CPD S.A. SHARES**

Acting pursuant to Art. 80 sec. 1 of the Act of July 29, 2005, on public offering and the conditions for introducing financial instruments to an organized trading system and on public companies (i.e., Journal of Laws of 2020, item 2080 as amended) published the position of the Management Board of the Company regarding the call to subscribe for the sale of the Company's shares of 25 June 2021.

- **INFORMATION ON THE RESULTS OF THE CALL TO SUBSCRIBE FOR THE SALE OF CPD S.A. SHARES AND PURCHASE OF OWN SHARES OF CPD S.A.**

3 August 2021 the company received from Bank Pekao S.A. – Biuro Maklerskie Pekao with its registered office in Warsaw and Pekao Investment Banking S.A., i.e., entities intermediating in carrying out a call to subscribe for the sale of the Company's shares, information on the results of the Tender Offer. The subject of the Tender Offer was 8,705,110 (eight million seven hundred five thousand one hundred and ten) ordinary bearer series AA shares with a nominal value of PLN 0.10 (ten groszy) each share, corresponding to 33.01% of shares in the share capital of the Company and entitling to 33,01% of votes at the General Meeting of the Company, traded on the stock exchange, at the price of PLN 19.71 per share. The entity purchasing the shares under the Tender Offer was the Company, and the shares were to be acquired for redemption pursuant to Art. 362 § 1 point 5) of the Commercial Companies Code.

During the subscription period for the shares covered by the Tender Offer, i.e., from 15 July 2021 to 29 July 2021, 82 valid subscriptions for the sale of shares were made, for a total of 16,997,844 series AA ordinary bearer shares with a nominal value of PLN 0.10 (ten groszy) each share. As a result of applying the principle of proportional reduction in accordance with point 34 of the Tender Offer, in accordance with the principles set out in the Tender Offer, the Company acquired 8,705,110 ordinary bearer AA series shares with a nominal value of PLN 0.10 (ten groszy) each share, corresponding to 33.01% of the shares in the share capital of the Company and entitling to 8,705,110 votes at the General Meeting of the Company, constituting 33.01% of the total number of votes at the General Meeting of the Company ("Shares") at the price of PLN 19.71 per Share. The transactions for the purchase of the Shares by the Company were concluded today, and their settlement will take place on 5 August 2021.

- **RECONCILIATION OF ACQUISITION OF OWN SHARES OF CPD S.A. FOR REDEMPTION**

5 August 2021 the Tender Offer has been reconciled ("Tender Offer Reconciliation) "), as a result of which, on 3 August 2021, the Company acquired for redemption, i.e. in accordance with Art. 362 § 1 item 5 of the Commercial Companies Code, 8,705,110 (eight million seven hundred five thousand one hundred and ten) own shares, i.e. 8,705,110 (eight million seven hundred five thousand one hundred and ten) ordinary bearer series AA shares with a nominal value of 0.10 PLN (ten groszy) each share, corresponding to 33.01% of shares in the share capital of the Company and entitling to 8,705,110 (eight million seven hundred five thousand one hundred and ten) votes at the General Meeting of the Company, constituting 33.01% of the total number of votes at the General Meeting Companies ("Shares") at the price of PLN 19.71 per one Share.

Prior to the Settlement of the Tender Offer, the Company already held 8,699,836 (eight million six hundred and ninety-nine thousand eight hundred and thirty-six) of the Company's own shares, representing 32.99% of the total number of the Company's shares, entitling to 8,699,836 (eight million six hundred and ninety-nine thousand eight hundred and thirty-six) votes at the General Meeting of the Company, which constitutes 32.99% of the total number of votes at the General Meeting of the Company.

As a result of the acquisition of the Shares and the Settlement of the Tender Offer, the Company holds a total of 17,404,946 (seventeen million four hundred four thousand nine hundred forty six) of the Company's own shares, corresponding to 66.00% of the share capital of the Company and entitling to 17,404,946 (seventeen million four hundred four thousand nine hundred forty-six) votes at the General Meeting of the Company, which constitutes 66.00% of the total number of votes at the General Meeting of the Company, while pursuant to Art. 364 § 2 of the Commercial Companies Code, the Company may not exercise participation rights from the Company's own shares, including voting rights, except for the rights to sell them or perform activities aimed at preserving these rights.

During the subscription period for the shares covered by the Tender Offer, i.e., from 15 July 2021 to 29 July 2021, subscriptions for the sale of shares were made for a total of 16,997,844 ordinary bearer series AA shares, which were 96.19% of the company's shares in trading (i.e., without treasury shares already held by the Company).

- **RESIGNATION OF A MEMBER OF THE SUPERVISORY BOARD**

22 September 2021, the Company received the resignation of a Supervisory Board member from his function. Ms Gabriela Gryger, previously a Member of the Supervisory Board of the Company, resigned with immediate effect, without giving any reason.

- **APPOINTMENT OF MEMBERS OF THE SUPERVISORY BOARD OF CPD S.A.**

18 October 2021 the Extraordinary General Meeting of the Company appointed Ms. Hanna Karwat-Ratajczak and Mr. Krzysztof Laskowski to act as a Member of the Supervisory Board of the Company from 18 October 2021.

- **RESIGNATION OF MEMBERS OF THE SUPERVISORY BOARD**

31 October 2021 the Company received the resignation from the position of Mr. Alfonso Kalinauskas, and on 1 November 2021, the resignation of Mr. Michael Haxby - members of the Supervisory Board. The gentlemen who hitherto held the position of Members of the Supervisory Board of the Company resigned with immediate effect without giving any reason.

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

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

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

Since 2020 the COVID-19 pandemic continues, but it has no significant impact on the Group's results for 2021.

Real estate development is characterized by a long production cycle, therefore the effects of negative events can be felt in the long term. In the jointly controlled company Ursa Sky Smart City Sp. z o.o. Sp. k. revenues from the sale of apartments, service premises and parking spaces for 2021 amounted to PLN 82 million and were generated by transactions from about a year ago with payment in instalments. Therefore, the events that took place in 2021 will be visible in the income statement for subsequent periods. In the jointly controlled company Ursa Park Smart City Sp. z o.o. Sp. k. revenues from the sale of apartments, service premises and parking spaces for 2021 amounted to PLN 68 million and were generated by transactions from about a year ago with payment dates spread in instalments. However, it should be noted that the construction industry, including the development of apartments in multi-family buildings, did not record any declines in sales or a slowdown in the growth dynamics observed in the previous years.

Due to the global pandemic and Russia's aggression against Ukraine that began in March this year, 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 because of changes in the exchange rate of PLN in relation to foreign currencies, especially EUR.

The Ursa Sky stage is being carried out in accordance with the assumed schedule. Because the construction works were completed in the first quarter of 2022 and the sales level of this project is very advanced and the management board of CPD S.A. as at the date of publication of the report, he did not notice the resignation from the already signed development contracts, therefore he expects the project to be completed according to the schedule.

CPD S.A. and subsidiaries have taken intensive steps to adapt their activities to the existing conditions, while maintaining common recommendations of sanitary services and WHO guidelines, and actively engage in helping refugees from Ukraine residing on Polish territory.

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

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

- The macroeconomic situation on the Polish market that shapes the demand for real estate and the purchasing power of customers,
- The situation on financial markets, in particular availability of sources of funding and the cost of capital raised,
- Banks' lending policies and availability of mortgage loans,
- The government's policy to support the construction sector,
- Administrative decisions regarding lands held by subsidiaries,
- Risk connected to COVID - 19 pandemic,
- Risk related to the outbreak of war
- Currency rate risk

10. OVERVIEW OF ESSENTIAL ECONOMIC AND FINANCIAL DATA

	12 months ended		*Change*
	31.12.2021	**31.12.2020**	***2021/2020***
	(PLN ths.)	(PLN ths.)	*(%)*
Revenue	161	157	*3%*
Administrative expenses	-4 221	-4 844	*-13%*
Marketing costs	0	-28	*-100%*
Gain on revaluation of loans	11 865	15 707	*-24%*
Other operating income	0	54	*-100%*
Other operating expenses	-2	-79	*-97%*
Profit from operations	**7 803**	**10 967**	***-29%***
Finance income	108 072	126 352	*-14%*
Finance costs	-16 970	-477	*3458%*
Profit before tax	**98 904**	**136 842**	***-28%***
Income tax	133	273	*-51%*
PROFIT/LOSS FOR THE YEAR	**99 037**	**137 115**	***-28%***

In 2021 CPD SA generated a net profit in the amount of 99 m PLN. The net profit fell by 38.1 m PLN in comparison with 2020.

A decrease in administrative expenses was a factor that had the biggest positive impact on the net results for 2021 in comparison with 2020. Administrative expenses went down by 0.6 m PLN in comparison with 2020 due to lower staff costs.

A drop in finance income and a rise in finance costs had the biggest negative impact on the net results for 2021 in comparison with 2020. Finance income decreased by 18.3 m PLN because in 2021 the company received smaller dividends from its subsidiaries (106.6 m PLN), whereas in 2020 Challange Eighteen Sp. z o.o. paid 125.1 m PLN to the Company. Finance costs rose by 16.5 m PLN due to an impairment in value of investment in subsidiaries Antigo Investments Sp. z o.o. (15 m PLN) and Challange Eighteen Sp. z o.o. (1.6 m PLN).

In 2021 the company did not generate any substantial operating revenue.

Selected items of the statement of financial position

	As at:		Change
	2021-12-31	2020-12-31	2021/2020
	(PLN ths.)	(PLN ths.)	(%)
Total assets	**144 505**	**250 662**	***-42%***
Non-current assets, including:	57 650	119 344	*-52%*
Long-term receivables	*37 657*	*84 301*	*-55%*
Shares in subsidiaries	*19 993*	*35 043*	*-43%*
Current assets, including:	86 855	131 318	*-34%*
Trade receivables and other receivables	*22 276*	*115 789*	*-81%*
Income tax receivables	*195*	*0*	
Cash and cash equivalents	*64 384*	*15 529*	*315%*
Total equity and liabilities	**144 505**	**250 662**	***-42%***
Equity, including:	130 268	202 808	*-36%*
Share capital	*2 637*	*2 637*	*0%*
Treasury shares for redemption	*-288 972*	*-117 395*	*146%*
Reserve capital	*987*	*987*	*0%*
Fair value of capital element at inception date	*-27 909*	*-27 909*	*0%*
Share premium	*677 034*	*677 034*	*0%*
Retained earnings	*-233 509*	*-332 546*	*-30%*
Non-current liabilities	4 944	42 702	*-88%*
Current liabilities	9 293	5 152	*80%*

As of December 2021, the value of total assets was 42% lower in comparison with December 2020 (the decrease in the value of total assets amounted to 106.2 m PLN).

In 2021 there were a drop in value of both non-current and current assets.

As far as the non-current assets are concerned, the value of long-term receivables resulting from intra-group loans was lower by 46.6 m PLN due to the repayment of loans made in 2021. The value of shares in subsidiaries was lower by 15.1 m PLN, which was a consequence of a partial withdrawal of equity from a jointly controlled company Ursa Sky Smart City Sp. z o.o. Sp. k. in 2021.

As at the end of 2021 long-term receivables resulting from intra-group loans accounted for 65% of total non-current assets.

As far as the current assets are concerned, the drop in their value resulted from repayments of loans made in 2021.

As of December 2021, total equity amounted to 130.3 m PLN, which accounted for 90% of total equity and liabilities, whereas total liabilities accounted for just 10% of total equity and liabilities. The ratios changed in comparison with the end of 2020 (81% and 19% respectively). A decrease in equity amounted to 36% in comparison with the end of December 2020.

The value of total liabilities decreased by 70% in comparison with 2020 since the value of liabilities resulting from intra-group loans dropped because of repayment or set-off.

At the end of 2021, the Company's long-term liabilities amounted to 4.9 m PLN, which consisted of deferred tax liabilities.

Short-term liabilities in the amount of 9.3 m PLN accounted for 6.4% of total assets. Loan liability towards a related company Lakia Enterprises Ltd in the amount of 3.8 m PLN constituted the biggest part of these liabilities. Loan liability towards a related company Lakia Investments Sp. z o.o. amounted to 3.5 m PLN and towards Robin Investments Sp. z o.o. 1.8 m PLN.

The following table shows the structure of liabilities.

	2021-12-31	2020-12-31
Liabilities to total assets	**9,9%**	**19,1%**
Non-current liabilities to total assets	**3,4%**	**17,0%**
Borrowings	0,0%	12,8%
Deferred tax liability	3,4%	4,2%
Current liabilities to total assets	**6,4%**	**2,1%**
Borrowings	6,3%	2,0%
Trade and other payables	0,2%	0,1%

The structure of liabilities changed in comparison with 2020.

The share of non-current liabilities in total equity and liabilities went down from 17% as at the end of December 2020 to 3.4% as at the end of December 2021. The change resulted from the fact that a loan liability towards a related company IMES Poland Sp. z o.o. was set off and all liabilities resulting from intra-group loans were classified as short-term ones.

Non-current liabilities accounted for 35% of total liabilities as of December 2021 compared to 89% as at December 2020.

The share of current liabilities in total equity and liabilities rose from 2.1% to 6.4%. The change resulted from the fact that in 2021 all liabilities resulting from intra-group loans were classified as short-term ones.

Current liabilities accounted for 65% of total liabilities as of December 2021 compared to 11% as at December 2020.

11. RISK FACTORS AND THREATS

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

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

• RISK RELATED TO THE DEVELOPMENT OF A WORLD PANDEMIC

At the end of 2019, China reported the first cases of SARS-CoV-2 coronavirus infection that caused COVID-19. Currently, the COVID-19 pandemic is evolving rapidly, and statistics on epidemiological changes are the basis for decision making. In view of declining statistics on health and mortality in Europe, countries in the European Region are reducing restrictions to limit the transmission of the virus based on specific situations and statistics.

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

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

• RISK RELATED TO THE OUTBREAK OF WAR

The invasion of Ukraine by the Russian Federation began on February 24, 2022. It is believed to be the result of an escalation of the war that has been ongoing since 2014. It was preceded by the Russian demand to exclude the possibility of further NATO enlargement and to reduce the alliance's military potential in Central and Eastern Europe to the state prior to 1997.

As a result of the escalation of hostilities in Ukraine, most of the men working in many branches of the Polish economy returned to Ukraine. This caused labour shortages, especially felt in the construction industry.

In addition, the instability in the eastern region of Europe contributed to the increase in energy production prices, which was exacerbated by the economic sanctions imposed on the Russian Federation.

This situation raises many doubts on the financial markets as to the stable economic situation in Poland.

It should be considered that the macroeconomic situation of Poland may undergo dynamic changes due to the escalation of hostilities in Ukraine and the economic sanctions imposed on the Russian Federation. This will undoubtedly affect all branches of the Polish economy and increase the risks described below.

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

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

In 2021, Poland's GDP increased by 7.3 %. In comparison, in 2020, the Polish economy shrank by 2.5 %.

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

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

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

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

- **RISK RELATED TO COMPETITION**

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

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

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

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

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

The Company cannot guarantee that its strategic goals will be attained and it cannot guarantee the expected significant expansion of the scale of its business. Successful implementation of the strategy depends on many factors beyond the Company's control, which nevertheless determine the situation on the real estate market. The Company endeavours to build its strategy based on the current market situation. The Company cannot ensure, however, that its strategy is based on a complete and accurate analysis of current and future market trends. Moreover, one cannot exclude that the activities undertaken by the Company may turn out to be insufficient or missed from the perspective of its strategic goals. An erroneous assessment of market prospects and any erroneous decisions may have a significant adverse effect on the financial performance of the Company and the Group.

- **RISK RELATED TO MANAGERIAL STAFF**

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

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

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

- **FOREIGN EXCHANGE RISK**

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

- **LIQUIDITY RISK**

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

12. SIGNIFICANT JUDICIAL, ADMINISTRATIVE AND ARBITRATION PROCEEDINGS

On 6 February 2019, a customs and tax inspection were initiated against Celtic Investments Limited with its registered office in Cyprus, which belongs to 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 because of a cross-border merger completed on 31 December 2017. On 29 June 2020, Celtic Investments Limited received a decision to transform the customs and tax control into tax proceedings. The proceedings were closed by the decision of 26 February 2021, delivered to Celtic Investments Limited based in Cyprus on 29 March 2021. The consolidated statement of financial position of CPD SA includes the obligation resulting from the decision.

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

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

14. SIGNIFICANT AGREEMENTS

In the financial year 2021, the Company and other companies from the Capital Group concluded following 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:

- Promised and conditional agreements for the sale of the right to land real estate concluded on 4 March 2021 between the subsidiary Ursus Development Sp. z o.o. and UDI Ursus II sp. z o.o The agreements were significant due to their total value of PLN 79.7 million net, which exceeded the value of 10% of CPD S.A. equity as of 31 December 2020.

- Loan agreement concluded on 20 May 2021, between Ursa Sky Smart City sp. z o.o. sp. k., which is jointly controlled by CPD S.A., and Bank Millennium S.A., pursuant to which Bank Millennium granted Ursa Sky a revolving loan in the maximum amount of PLN 30 million. The loan was intended to finance the construction of a multi-family residential project "URSA SKY – Stage II" in Warsaw in the Ursus district comprising the construction of a multi-family building H. The investment is being developed with the joint participation of CPD S.A. and Unidevelopment S.A.

In addition, at the end of the agricultural period, the Company and its subsidiaries are parties to the following agreements considered significant within the meaning of the above Regulation:

- Investment agreement for a joint venture between CPD S.A., Antigo Investments 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 2021,
- 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 2021,
- 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 2021, amounting to 55 597 PLN (according to the average EUR exchange rate published by the National Bank of Poland on 31 December 2021, amounting to 4.5994 PLN / EUR), which exceeds the value of 10% of CPD S.A. equity. as of 31 December 2021,
- 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 2021, amounting to 18 974 PLN (according to the average EUR exchange rate published by the National Bank of Poland on 31 December 2021, amounting to 4.5994 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 2021, amounting to 14 694 PLN (according to the average EUR exchange rate published by the National Bank of Poland on 31 December 2021, amounting to 4.5994 PLN / EUR).

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

15. SIGNIFICANT DEALS BETWEEN RELATED PARTIES

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

16. CREDIT AND LOAN AGREEMENTS, WARRANTIES AND GUARANTEES

The loan commitments on 31 December 2021 relate to the following loans: the loan granted by the Company's subsidiary i.e., Lakia Enterprises (interest rate on the loan is 3M WIBOR + margin 0.50%), the loan granted by the Company's subsidiary i.e., Lakia Investments (interest rate on the loan is 3M

WIBOR + margin 1.55%) and the loan granted by the subsidiary i.e., Robin Investments (interest rate on the loan is 3M WIBOR + margin 1.55%). As on 31 December 2021 loan balances are as follows: Lakia Enterprises: 3 763 thousand PLN (capital: 1 148 thousand PLN, interest: 2 615 thousand PLN); Lakia Investments: 3 479 thousand PLN (capital: 2 694 thousand PLN, interest: 785 thousand PLN); Robin Investments: 1 827 thousand PLN (capital: 1 600 thousand PLN, interest: 227 thousand PLN).

As of 31 December 2021, CPD SA guaranteed to Santander Bank Polska SA payable and due amounts that are required (or may be required) to cover debt service or any other payments due to be paid to Bank Santander by the subsidiary Belise Investments sp. z o.o. based on a payment request up to a maximum of EUR 20,666,000.

On 31 December 2021, the balance of the guaranteed loan was EUR 12.147.795.

The guarantee period ends on the day on which Bank Santander considers that the secured claims have been irrevocably, unconditionally, and fully repaid and satisfied, but in any case, no later than 31 May 2029.

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

As of 31 December 2021, CPD SA was a party of the agreement on accessing the debt of the jointly controlled company Ursa Sky Smart City Sp. z o.o. Sp. k. towards Bank Millennium S.A. The claim comprised the principal amount of PLN 30,000,000 and the interest, commissions, fees, and costs related to this claim.

The value of Ursa Sky's debt towards Bank Millennium amounted to PLN 213,466.10 as at the end of 2021. The remuneration of CPD SA for the granted surety amounts to PLN 225,000 per year.

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

- ### ANNOUNCEMENT OF CALL TO REGISTER FOR THE SALE OF CPD S.A. SHARES

24 June 2021, pursuant to Resolution No. 18 of the Ordinary General Meeting of the Company of 24 June 2021 on the purchase of the Company's shares for redemption, i.e. amending Resolution No. 3 of the Extraordinary Of the General Meeting of CPD SA of February 28, 2019 on the acquisition of the Company's shares for redemption, the Management Board adopted a resolution on the continuation of the process of acquiring own shares by the Company for redemption, on the basis of which it decided to purchase under a tender offer the maximum number of own shares covered by the authorization granted so far not exercised by the General Meeting and determined the purchase price of shares in the above-mentioned tender offer in the amount of PLN 19.71 per share.

In view of the above, today, i.e. on June 25, 2021, the Company, acting as the summoner, announced through Bank Pekao S.A. – Pekao Brokerage House with its seat in Warsaw and Pekao Investment Banking S.A. a call ("Tender Offer") to subscribe for the sale of 8,705,110 (eight million seven hundred five thousand one hundred and ten) ordinary bearer series AA shares with a nominal value of PLN 0.10 (ten groszy) each share, corresponding to 33.01% of shares in the share capital of the Company and entitling to 33.01% of votes at the General Meeting of the Company ("Shares") traded on the stock exchange. The tender offer was announced based on 73 sec. 1 of the Act of July 29, 2005, on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading, and Public Companies (i.e., Journal of Laws of 2020, item 2080, as amended). The entity purchasing the Shares under the Tender Offer will be the Company, and the Shares will be acquired for redemption pursuant to Art. 362 § 1 point 5) of the Commercial Companies Code

As a result of the Tender Offer, the Company intends – together with its own shares already held – to hold 17,404,946 (seventeen million four hundred four thousand nine hundred forty-six) shares corresponding to 66% of the share capital of the Company and entitling to 66% of votes at the General Meeting of the Company.

The price at which the Company acquired the shares specified in the Tender Offer is PLN 19.71 per share.

- **ANNOUNCEMENT OF THE STATEMENT OF THE MANAGEMENT BOARD OF CPD S.A. ON THE CALL TO SUBSCRIBE FOR THE SALE OF CPD S.A. SHARES**

Acting pursuant to Art. 80 sec. 1 of the Act of July 29, 2005, on public offering and the conditions for introducing financial instruments to an organized trading system and on public companies (i.e., Journal of Laws of 2020, item 2080 as amended) published the position of the Management Board of the Company regarding the call to subscribe for the sale of the Company's shares of 25 June 2021.

- **INFORMATION ON THE RESULTS OF THE CALL TO SUBSCRIBE FOR THE SALE OF CPD S.A. SHARES AND PURCHASE OF OWN SHARES OF CPD S.A.**

3 August 2021 the company received from Bank Pekao S.A. – Biuro Maklerskie Pekao with its registered office in Warsaw and Pekao Investment Banking SA, i.e., entities intermediating in carrying out a call to subscribe for the sale of the Company's shares, information on the results of the Tender Offer. The subject of the Tender Offer was 8,705,110 (eight million seven hundred five thousand one hundred and ten) ordinary bearer series AA shares with a nominal value of PLN 0.10 (ten groszy) each share, corresponding to 33.01% of shares in the share capital of the Company and entitling to 33,01% of votes at the General Meeting of the Company, traded on the stock exchange, at the price of PLN 19.71 per share. The entity purchasing the shares under the Tender Offer was the Company, and the shares were to be acquired for redemption pursuant to Art. 362 § 1 point 5) of the Commercial Companies Code.

During the subscription period for the shares covered by the Tender Offer, i.e., from 15 July 2021 to 29 July 2021, 82 valid subscriptions for the sale of shares were made, for a total of 16,997,844 series AA ordinary bearer shares with a nominal value of PLN 0.10 (ten groszy) each share. As a result of applying the principle of proportional reduction in accordance with point 34 of the Tender Offer, in accordance with the principles set out in the Tender Offer, the Company acquired 8,705,110 ordinary bearer AA series shares with a nominal value of PLN 0.10 (ten groszy) each share, corresponding to 33.01% of the shares in the share capital of the Company and entitling to 8,705,110 votes at the General Meeting of the Company, constituting 33.01% of the total number of votes at the General Meeting of the Company ("Shares") at the price of PLN 19.71 per Share. The transactions for the purchase of the Shares by the Company were concluded today, and their settlement will take place on 5 August 2021.

- **RECONCILIATION OF ACQUISITION OF OWN SHARES OF CPD S.A. FOR REDEMPTION**

5 August 2021 the Tender Offer has been reconciled ("Tender Offer Reconciliation) "), as a result of which, on 3 August 2021, the Company acquired for redemption, i.e. in accordance with Art. 362 § 1 item 5 of the Commercial Companies Code, 8,705,110 (eight million seven hundred five thousand one hundred and ten) own shares, i.e. 8,705,110 (eight million seven hundred five thousand one hundred and ten) ordinary bearer series AA shares with a nominal value of 0.10 PLN (ten groszy) each share,

corresponding to 33.01% of shares in the share capital of the Company and entitling to 8,705,110 (eight million seven hundred five thousand one hundred and ten) votes at the General Meeting of the Company, constituting 33.01% of the total number of votes at the General Meeting Companies ("Shares") at the price of PLN 19.71 per one Share.

Prior to the Settlement of the Tender Offer, the Company already held 8,699,836 (eight million six hundred and ninety-nine thousand eight hundred and thirty-six) of the Company's own shares, representing 32.99% of the total number of the Company's shares, entitling to 8,699,836 (eight million six hundred and ninety-nine thousand eight hundred and thirty-six) votes at the General Meeting of the Company, which constitutes 32.99% of the total number of votes at the General Meeting of the Company.

As a result of the acquisition of the Shares and the Settlement of the Tender Offer, the Company holds a total of 17,404,946 (seventeen million four hundred four thousand nine hundred forty six) of the Company's own shares, corresponding to 66.00% of the share capital of the Company and entitling to 17,404,946 (seventeen million four hundred four thousand nine hundred forty-six) votes at the General Meeting of the Company, which constitutes 66.00% of the total number of votes at the General Meeting of the Company, while pursuant to Art. 364 § 2 of the Commercial Companies Code, the Company may not exercise participation rights from the Company's own shares, including voting rights, except for the rights to sell them or perform activities aimed at preserving these rights.

During the subscription period for the shares covered by the Tender Offer, i.e., from 15 July 2021 to 29 July 2021, subscriptions for the sale of shares were made for a total of 16,997,844 ordinary bearer series AA shares, which were 96.19% of the company's shares in trading (i.e., without treasury shares already held by the Company).

18. DESCRIPTION OF DIFFERENCES IN FINANCIAL RESULTS FORECASTS

The Company did not publish financial performance forecasts for 2021.

19. ASSESSMENT OF FINANCIAL RESOURCES MANAGEMENT

CPD SA finances its operations mainly based on equity. Equity capitals as at the balance sheet date constituted 90% of the total balance sheet of the Group. In 2021, the Company's financial resources were used in accordance with the plans, intended use and current needs. The company has regularly met its obligations to counterparties, banks, and obligatory charges to the State. Financial flows are monitored on an ongoing basis, which allows for safe management of the Company's finances. Liabilities constituting 10% of the total balance sheet of the Company do not pose a threat to its financial condition.

20. CHANGES IN MANAGEMENT POLICIES

In 2021, continuing the strategy of focusing the Group's activities on the Polish market, on the Ursus project, the structure of the Group underwent changes.

The liquidation of a company not conducting investment or operational activity (Mandy Investments sp. z o.o.) is still ongoing further to the sale of its properties and cessation of its operating activities. The reduction of the number of subsidiaries to 18 at the end of the settlement period contributed to the simplification of the Group's management rules.

In addition to changes in the Group's structure in 2021 (described in detail in point VI.2 CAPITAL GROUP STRUCTURE of this report) and further simplification of organizational procedures, there were no major changes in the Group's management policies.

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

- ### SUPERVISORY BOARD MEMBERS REMUNERATION

In 2021, 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 based on bonds with pre-emptive rights, convertible bonds, subscription warrants, in cash, in kind or in any other form. In 2021, 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	51 668	01.2021 - 12.2021	-
Andrew Pegge	President	PLN	71 668	01.2021 - 12.2021	-
Mirosław Gronicki	Member	PLN	51 668	01.2021 - 12.2021	-
Gabriela Gryger	Member	PLN	43 667	01.2021 - 09.2021	resignation
Michael Haxby	Vice-president	PLN	50 000	01.2021 - 10.2021	resignation
Alfonso Kalinauskas	Member	PLN	50 000	01.2021 - 10.2021	resignation
Hanna Karwat-Ratajczak	Member	PLN	3 926	11.2021 - 12.2021	
Krzysztof Laskowski	Member	PLN	3 926	11.2021 - 12.2021	
TOTAL		**PLN**	**326 523**		

- ### AUDIT COMMITTEE REMUNERATION

In 2021, 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	60 000	01.2021 – 10.2021	-
Andrew Pegge	Member	PLN	40 834	01.2021 - 12.2021	-
Mirosław Gronicki	Member	PLN	40 834	01.2021 - 12.2021	-
Krzysztof Laskowski	Member	PLN	0	11.2021 - 12.2021	
TOTAL		**PLN**	**141 668**		

- ### MANAGEMENT BOARD REMUNERATION

In 2021, 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, based on bonds with pre-emptive rights, convertible bonds, subscription warrants, in cash, in kind or in any other form. In 2021 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	690 035	0	690 035	01.2021- 12.2021	-
Iwona Makarewicz	Member	403 722	12 000	415 722	01.2021 - 12.2021	-
Elżbieta Wiczkowska	Member	629 230	12 000	641 230	01.2021 - 12.2021	-
John Purcell	Member	45 271	601 477	646 747	01.2021 - 12.2021	-
RAZEM		**1 768 258**	**625 477**	**2 393 735**		

22. AGREEMENTS WITH MANAGING STAFF – INDEMNITIES

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

23. COMPANY SHARES HELD BY MANAGING AND SUPERVISORY STAFF

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

Name	Function	No. of owned shares	Nominal value of owned shares (PLN)	% of total no. of shares	% of total no. of votes
Elżbieta Wiczkowska	Member	14 002	1400	0,05%	0,08%
Iwona Makarewicz	Member	2 310	231	0,01%	0,01%
Colin Kingsnorth	President	0	0	0	0
John Purcell	Member	0	0	0	0
TOTAL		**16 312**	**1 631**	**0,06%**	**0,09%**

In relation to the status presented in the consolidated report for the third quarter of 2021, published on 25 November 2021, there were no changes in the list of shares held by managing and supervising persons in the reporting period.

The Company has no other information regarding the fact that the Company's shares are owned by other persons belonging to the managing or supervising bodies.

24. AGREEMENTS CHANGING THE OWNERSHIP STRUCTURE

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

25. CONTROL SCHEME FOR EMPLOYEE STOCK PROGRAMMES

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

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

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

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

and

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

and

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

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

The main assumptions of the policy of selecting an audit company

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

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

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

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

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

In 2021, 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 2021 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 2021 amounted to PLN 150.000 net, of which:

- PLN 65,000 was the remuneration for reviewing the financial statements of CPD S.A. and the consolidated financial statements of the Capital Group for the period from 1 January 2021 to 30 June 2021 (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 2021 to 31 December 2021 (contract of 16 September 2020);

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

27. STRUCTURE OF ASSETS AND LIABILITIES – BY LIQUIDITY

	As at:		*Change*		
	2021-12-31 (PLN ths.)	2020-12-31 (PLN ths.)	2021/2020 *(%)*	% in total assets 2021	% in total assets 2020
Shares in subsidiaries	19 993	35 043	*-43%*	14%	14%
Long term receivables	37 657	84 301	*-55%*	26%	34%
Non-current assets	**57 650**	**119 344**	***-52%***	**40%**	**48%**
Trade and other receivables	22 276	115 789	*-81%*	15%	46%
Income tax receivables	195	0		0,1%	0,0%
Cash and cash equivalents	64 384	15 529	*315%*	45%	6%
Current assets	**86 855**	**131 318**	***-34%***	**60%**	**52%**
TOTAL ASSETS	**144 505**	**250 662**	***-42%***	**100%**	**100%**

	As at:		*Change*		
	2021-12-31 (PLN ths.)	2020-12-31 (PLN ths.)	2021/2020 *(%)*	% in total assets 2021	% in total assets 2020
Share capital	2 637	2 637	*0%*	1,8%	1,1%
Reserve capital	987	987	*0%*	0,7%	0,4%
Treasury shares for redemption	-288 972	-117 395	*146%*	-200%	-47%
Fair value of capital element at inception date	-27 909	-27 909	*0%*	-19%	-11%
Share premium	677 034	677 034	*0%*	469%	270%
Retained earnings	-233 509	-332 546	*-30%*	-162%	-133%
Equity	**130 268**	**202 808**	***-36%***	**90%**	**81%**
Borrowings	0	32 073	*-100%*	0%	13%
Deferred tax liability	4 944	10 629	*-53%*	3%	4%
Non-current liabilities	**4 944**	**42 702**	***-88%***	**3%**	**17%**
Borrowings	9 069	4 903	*85%*	6,3%	2,0%
Trade and other payables	224	249	*-10%*	0,2%	0,1%
Current liabilities	**9 293**	**5 152**	***80%***	**6%**	**2%**
TOTAL EQUITY AND LIABILITIES	**144 505**	**250 662**	***-42%***	**100%**	**100%**

28. GRANTED LOANS

Information about loans granted by CPD SA as of 31 December 2021

Borrower	Loan currency	Book value (PLN thous.)	Reference rate	Margin	Repayment date
Ursus Development	PLN	0	3M WIBOR	2,00%	On demand, not later than 2025-09-29
Antigo Investments	PLN	2 185	3M WIBOR	1,55%	On demand, not later than 2022-10-16
Belise Investments	PLN	9 915	3M WIBOR	1,55%	On demand, not later than 2024-09-24
Belise Investments	PLN	14 997	3M WIBOR	1,55%	On demand, not later than 2022-05-01
Celtic Asset Management	PLN	459	3M WIBOR	1,55%	On demand, not later than 2025-02-12
Gaston Investments	EUR	0	3M LIBOR	0,75%	On demand
Celtic Investments Ltd	EUR	0	3M LIBOR	0,75%	On demand
Elara Investments	PLN	1 074	3M WIBOR	1,55%	On demand, not later than 2023-01-24
Elara Investments	PLN	1 027	3M WIBOR	1,55%	On demand, not later than 2022-05-01
Gaston Investments	PLN	0	3M WIBOR	1,55%	On demand, not later than 2023-10-01
HUB Developments	PLN	1 077	3M WIBOR	1,55%	On demand, not later than 2022-05-01
HUB Developments	PLN	976	3M WIBOR	1,55%	On demand, not later than 2022-04-12
Dobalin Trading	PLN	0	fixed 8%		
Mandy Investments	PLN	0	3M WIBOR	1,55%	On demand, not later than 2022-05-01
Mandy Investments	PLN	0	3M WIBOR	1,55%	On demand, not later than 2022-04-12
Lakia Enterprises Limited	PLN	4 031	3M WIBOR	1,55%	On demand
Lakia Enterprises Limited	PLN	7 143	3M WIBOR	1,55%	On demand
Lakia Enterprises Limited	PLN	15 036	3M WIBOR	1,55%	On demand
TOTAL	**PLN**	**57 919**			

Management and Supervisory Board Statements

V. MANAGEMENT BOARD STATEMENT

The Management Board of CPD S.A. hereby confirms that to its best knowledge the Company's financial statements for the accounting year ended 31 December 2021 and all comparative data have been drawn up in accordance with the applicable accounting principles and give a true, fair and clear view of the Company's assets and financial situation and its financial results, and that the Management Board report provides a true picture of the Company's growth and achievements as well as the Company's situation, including threats and risks.

The Management Board of CPD S.A. confirms that the entity authorised to audit the annual financial statements which reviews of the annual financial statements was selected in compliance with the law, and that the entity and individual auditors who carry out the audit do meet the legal requirements to issue an impartial and independent opinion on the annual financial statements under review, in accordance with applicable regulations and professional standards. In 2021 the financial statements of CPD S.A. and of the Group were reviewed and audited by Grant Thornton Polska sp. z o.o. sk., an audit company with its seat in Warsaw.

COLIN KINGSNORTH
PRESIDENT OF THE MANAGEMENT BOARD

ELŻBIETA WICZKOWSKA
MEMBER OF THE MANAGEMENT BOARD

IWONA MAKAREWICZ
MEMBER OF THE MANAGEMENT BOARD

JOHN PURCELL
MEMBER OF THE MANAGEMENT BOARD

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

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

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

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

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

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

B. DECLARATION BY THE SUPERVISORY BOARD OF CPD S.A. ON THE FUNCTIONING OF THE AUDIT COMMITTEE IN CONNECTION WITH PUBLICATION OF THE INDIVIDUAL AND CONSOLIDATED ANNUAL REPORT FOR 2021 YEAR

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

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

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

ANDREW PEGGE
CHAIRMAN OF THE SUPERVISORY BOARD

WIESŁAW OLEŚ
SECRETARY OF THE SUPERVISORY BOARD

MIROSŁAW GRONICKI
MEMBER OF THE SUPERVISORY BOARD

HANNA KARWAT- RATAJCZAK
MEMBER OF THE SUPERVISORY BOARD

KRZYSZTOF LASKOWSKI
MEMBER OF THE SUPERVISORY BOARD

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

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

according to the assessment made by the Supervisory Board of CPD S.A. the report of the Management Board on the activities of the CPD and CPD Capital Group S.A. for 2021 and the individual and consolidated financial statements for the period from 1 January 2021 to 31 December 2021 are consistent with the books, documents, and actual status.

Substantiation

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

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

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

1) Financial statements of CPD S.A. for the year ended on 31 December 2021, including:
   a) the financial statement of comprehensive income for the period from 1 January 2021 to 31 December 2021,
   b) the statement of financial position prepared as of 31 December 2021,
   c) the statement of changes in equity for the period from 1 January 2021 to 31 December 2021,
   d) statement of cash flows for the period from 1 January 2021 to 31 December 2021,
   e) notes to the financial statements for the year ended 31 December 2021.

2) Independent auditor's report on the audit of the annual financial statements for the year ended 31 December 2021.

3) Consolidated financial report of CPD Capital Group for the year ended on 31 December 2021, including:

   a) consolidated statement of comprehensive income for the period from 1 January 2021 to 31 December 2021,

   b) the consolidated statement of financial position prepared as of 31 December 2021,

   c) the consolidated statement of changes in equity for the period from 1 January to 31 December 2021,

   d) the consolidated cash flow statement for the period from 1 January to 31 December 2021,

   e) explanatory notes to the consolidated financial statements for the year ended on 31 December 2021.

4) The independent auditor's report on the audit of the annual consolidated financial statements for the year ended 31 December 2021.

5) the Management Board's report on the activities of CPD S.A. and CPD Capital Group for 2021 together with the report on non-financial data of CPD Capital Group and CPD S.A. for 2021.

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

ANDREW PEGGE
CHAIRMAN OF THE SUPERVISORY BOARD

WIESŁAW OLEŚ
SECRETARY OF THE SUPERVISORY BOARD

MIROSŁAW GRONICKI
MEMBER OF THE SUPERVISORY BOARD

HANNA KARWAT-RATAJCZAK
MEMBER OF THE SUPERVISORY BOARD

KRZYSZTOF LASKOWSKI
MEMBER OF THE SUPERVISORY BOARD

VI. INDEPENDENT AUDITOR'S REPORT

Independent Auditor's Report on Annual Financial Statements

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For the Shareholders of CPD S.A.

Report on the Annual Financial Statements

Opinion

We have audited the annual financial statements of CPD S.A. (the Company) with its registered office in Warsaw, 7B Cybernetyki Street, which comprise the statement of financial position as of December 31, 2021, and the statement of comprehensive income, statement of changes in equity, statement of cash flows for the financial year then ended, and notes, comprising a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying annual financial statements:

- give a true and fair view of the financial position of the Company as of December 31, 2021 and of its financial performance and of its cash flows for the financial year then ended in accordance with the International Accounting Standards, International Financial Reporting Standards and related interpretations published in the form of European Commission regulations and adopted accounting principles (policy),
- were prepared on the basis of properly maintained books of account,
- comply with the laws affecting the content and form of the annual financial statements and the provisions of the Company's articles of association.

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

Basis for Opinion

We conducted our audit in accordance with

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

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

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

Key Audit Matters

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Other Information including the Report on the Company's operations

The other information comprises the Report on the Company's operations for the financial year ended December 31, 2021, the Corporate Governance Statement which is a separate part of the Report on the Company's operations and the Annual Report for the year ended December 31, 2021 (but does not include the financial statements and our auditor's report thereon).

Responsibilities of the Management Board and the Supervisory Board

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

Responsibilities of the Auditor

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

Opinion on the Report on the Company's operations

In our opinion, the Report on the Company's operations has been prepared in accordance with the applicable legal regulations, i.e. Article 49 of the Accounting Act and Paragraph 70 of the Regulation of the Minister of Finance of March 29, 2018 on current and periodic information disclosed by issuers of securities and the conditions for recognition as equivalent of the information required by law of a non-member state (Journal of Laws of 2018, item 757) (the Regulation on current and periodic information), and information included therein is consistent with the accompanying annual financial statements. Moreover, taking into account our knowledge of the Company and its environment obtained during the audit of the annual financial statements, we state that we have not identified any material misstatements in the Report on the Company's operations.

Opinion on the Corporate Governance Statement

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

Report on Other Legal and Regulatory Requirements

Statement on non-audit services

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

Appointment of the Audit Firm

We were appointed to audit the annual financial statements of the Company for the years 2020-2022 by the Supervisory Board's resolution of September 15, 2020. We have been auditors of the Company since the financial year ended December 31, 2018, i.e. for 4 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

Warszawa, …………………. 2022.
(data zgodna z datą oświadczenia jednostki badanej)

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

VII. FINANCIAL STATEMENTS FOR THE ACCOUNTING YEAR FROM 1 JANUARY TO 31 DECEMBER 2021

CPD S.A.

Financial statements

for the year ended 31 December 2021

CPD S.A.

(All amounts in PLN thousands unless otherwise stated)

Statement of comprehensive income

	Notes	12 months ended 31/12/2021	12 months ended 31/12/2020
Revenues	13	161	157
Administrative costs	14	(4 221)	(4 844)
Marketing costs		0	(28)
Result from revaluation of loans to fair value	17	11 865	15 707
Other operating income	15	0	54
Other operating cost	16	(2)	(79)
OPERATING RESULT		**7 803**	**10 967**
Financial income	18	108 072	126 352
Financial costs	18	(16 970)	(477)
PROFIT (LOSS) BEFORE INCOME TAX		**98 904**	**136 842**
Income tax	19	133	273
PROFIT (LOSS) FOR THE YEAR		**99 037**	**137 115**
OTHER COMPREHENSIVE INCOME		0	0
TOTAL COMPREHENSIVE INCOME		**99 037**	**137 115**
BASIC EARNINGS PER SHARE (PLN)	**25**	**7,00**	**6,82**
DILUTED EARNINGS PER SHARE (PLN)	**25**	**7,00**	**6,82**

The notes on pages 7 - 31 are an integral part of these financial statements.

Colin Kingsnorth
Chairman of the Board

Elżbieta Donata Wiczkowska
Board Member

John Purcell
Board Member

Iwona Makarewicz
Board Member

(All amounts in PLN thousands unless otherwise stated)

Statement of financial position

		As of	
ASSETS	Notes	31/12/2021	31/12/2020
Non-current assets			
Long-term receivables	4	37 657	84 301
Shares in subsidiaries and jointly controlled entities	5	19 993	35 043
Total non-current assets		**57 650**	**119 344**
Current assets			
Trade receivables and other receivables	6	22 276	115 789
- trade receivables and loans		22 270	115 786
- prepaid expenses		6	3
Income tax receivables		195	0
Cash and cash equivalents	7	64 384	15 529
Total current assets		**86 855**	**131 318**
Total assets		**144 505**	**250 662**
EQUITY			
Share capital	8	2 637	2 637
Treasury shares	8	(288 972)	(117 395)
Share premium		677 034	677 034
Embedded element at inception date		(27 909)	(27 909)
Reserve capital	9	987	987
Accumulated profit (loss)		(233 509)	(332 546)
Total equity		**130 268**	**202 808**
LIABILITIES			
Non-current liabilities			
Borrowings	11	0	32 073
Deferred tax liability	12	4 944	10 629
Total non-current liabilities		**4 944**	**42 702**
Current liabilities			
Borrowings	11	9 069	4 903
Trade payables and other liabilities	10	224	249
Total current liabilities		**9 293**	**5 152**
Total equity and liabilities		**144 505**	**250 662**
Net assets value per share in PLN, excluding treasury shares		**14,53**	**11,48**

The notes on pages 7 - 31 are an integral part of these financial statements.

Colin Kingsnorth
Chairman of the Board

Elżbieta Donata Wiczkowska
Board Member

John Purcell
Board Member

Iwona Makarewicz
Board Member

(All amounts in PLN thousands unless otherwise stated)

Statement of changes in equity

	Notes	Share capital	Treasury shares	Share premium	Embedded element at inception date	Reserve capital	Accumulated profit (loss)	Total
Balance as at 1/1/2021		2 637	(117 395)	677 034	(27 909)	987	(332 546)	202 808
Acquisition of treasury shares	8	0	(171 577)	0	0	0	0	(171 577)
		0	(171 577)	0	0	0	0	(171 577)
Comprehensive income for the period		0	0	0	0	0	99 037	99 037
		0	0	0	0	0	99 037	99 037
Balance as at 31/12/201		2 637	(288 972)	677 034	(27 909)	987	(233 509)	130 268
Balance as at 1/1/2020		2 637	(43 010)	677 034	(27 909)	987	(469 661)	140 078
Acquisition of treasury shares	8	0	(74 385)	0	0	0	0	(74 385)
		0	(74 385)	0	0	0	0	(74 385)
Comprehensive income for the period		0	0	0	0	0	137 115	137 115
		0	0	0	0	0	137 115	137 115
Balance as at 31/12/2020		2 637	(117 395)	677 034	(27 909)	987	(332 546)	202 808

The notes on pages 7 - 31 are an integral part of these financial statements.

Colin Kingsnorth
Chairman of the Board

Elżbieta Donata Wiczkowska
Board Member

John Purcell
Board Member

Iwona Makarewicz
Board Member

(All amounts in PLN thousands unless otherwise stated)

Cash flow statement

	Notes	12 months ended 31/12/2021	12 months ended 31/12/2020
Cash flow from operating activities			
Cash generated from operations	21	102 546	121 696
Income tax paid		(5 747)	0
Net cash generated from operating activities		**96 799**	**121 696**
Cash flows from investing activities			
Investment into a subsidiary and jointly controlled entity	5	(16 614)	(30 013)
Repayment of capital contribution made by a jointly controlled entity	5	15 069	0
Loans granted		(11 562)	(98 645)
Loan repayments received		111 512	43 093
Interest received		32 693	4 076
Net cash generated from investing activities		**131 098**	**(81 489)**
Cash flows from financing activities			
Acquisition of treasury shares	8	(171 577)	(74 385)
Loans received	11	0	20 441
Borrowings repayments	11	(7 415)	(885)
Payment of interest on loan	11	(50)	(82)
Net cash generated from financing activities		**(179 042)**	**(54 912)**
Change in net cash and cash equivalents		**48 855**	**(14 705)**
Cash and cash equivalents at the beginning of year		**15 529**	**30 234**
Cash and cash equivalents at the end of the period		**64 384**	**15 529**

The notes on pages 7 - 31 are an integral part of these financial statements.

Colin Kingsnorth
Chairman of the Board

Elżbieta Donata Wiczkowska
Board Member

John Purcell
Board Member

Iwona Makarewicz
Board Member

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

1 General information

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

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

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

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

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

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

In order to fully understand the financial position and results of operations of CPD S.A., as the parent company of the Group, these financial statements should be read in conjunction with the annual consolidated financial statements for the period ended 31 December 2021. These reports are available on the Company's website at www.cpdsa.pl.

The Company's share capital as of 31 December 2021 amounted to PLN 2,637,113.10 and is divided into 26,371,131 AA series, with shares nominal value of PLN 0.10 (ten groszy) each, which entitle to exercise 26.371.131 votes.

These financial statements have been adopted by the Management Board on 27 April 2022.

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

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

The Supervisory Board of the Company consists of:
Andrew Pegge - Chairman of Supervisory Board
Wiesław Oleś - Secretary of the Supervisory Board
Mirosław Gronicki - Member of the Supervisory Board
Hanna Karwat - Ratajczak - Member of the Supervisory Board
Krzysztof Laskowski - Member of the Supervisory Board

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

2 The accounting principles

2.1 Basis of preparation

The Company's financial statements have been prepared on a going concern basis. There are no circumstances indicating a threat to the continued activity of the Company in the foreseeable future.
The company's financial statements have been drawn up in accordance with International Financial Reporting Standards ("IFRS") adopted by the European Commission and applicable at the reporting date of these financial statements. IFRS include standards and interpretations accepted by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee.

New and amended standards and interpretations which came into force on 1 January 2021 and description of its impact on these financial statements:

The accounting policies used in preparing these financial statements are consistent with those used in preparing the Company's financial statements for the year ended 31 December 2020, except for the application of the following new standards, amendments to standards and new interpretations effective for annual periods beginning on 1 January 2021:
- Amendments to IFRS 4 "Insurance Contracts" - Deferral of application of IFRS 9 "Financial Instruments" (applicable to annual periods beginning on or after 1 January 2021),
- Amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16: Reform of the Index of Reference Rates (IBOR) (applicable to annual periods beginning on 1 January 2021 or thereafter, with earlier application),
- Amendments to IFRS 16 Leases: Rent Relief Associated with Covid-19 after 30 June 2021, published on 31 March 2021 (applicable to annual periods beginning on or after 1 April 2021). As a practical expedient, a lessee may elect not to evaluate whether rent relief granted directly in connection with a Covid-19 pandemic that meets certain conditions constitutes a lease modification. A lessee that makes this election shall recognize any change in lease payments resulting from the rent relief in the same manner as it would recognize the change under IFRS 16 if the change did not constitute a lease modification. In March 2021, the Board extended the availability of the practical expedient for rent abatement until June 2022. The amendment is effective 1 April 2021 with early application permitted.

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

Published standards and interpretations that are not yet effective and have not been early adopted by the Company:

In these financial statements, the Company has not decided to early apply the following published standards, interpretations or amendments to existing standards before their effective date:

IFRS 14 Regulatory accruals (published on 30 January 2014)
In accordance with the decision of the European Commission, the process of approval of the standard in the preliminary version will not be initiated before the standard in the final version is published - not approved by the EU until the date of approval of these financial statements - applicable to annual periods beginning on or after 1 January 2016.

Amendments to IFRS 10 and IAS 28: Transactions for the sale or contribution of assets between an investor and its associate or joint venture (published on 11 September 2014)
The work leading to the approval of these amendments has been postponed indefinitely by the EU - the effective date has been postponed indefinitely by the IASB.

IFRS 17 Insurance contracts (published on 18 May 2017) including Amendments to IFRS 17 (published on 25 June 2020)

Applicable for annual periods beginning on or after 1 January 2023.

Amendments to IAS 1: Presentation of financial statements - Separation of liabilities into current and non-current liabilities and Separation of liabilities into current and non-current liabilities

Deferred effective date (published on 23 January 2020 and 15 July 2020, respectively) - not endorsed by the EU until the date of approval of these financial statements - effective for annual periods beginning on or after 1 January 2023.

Amendments to IFRS 3: Amendments to references to the Conceptual Framework (published on 14 May 2020)
Applicable to annual periods beginning on 1 January 2022 or later.

Notes to the financial statements

2.1 Basis of preparation (continued)

Amendments to IAS 16: Property, plant and equipment: income before use (published on 14 May 2020)
Applicable to annual periods beginning on or after 1 January 2022.

Amendments to IAS 37: Burdensome contracts - Costs of fulfilling contractual obligations (published on 14 May 2020)

Applicable for annual periods beginning on or after 1 January 2022.

Amendments resulting from the review of IFRS 2018-2020 (published on 14 May 2020)
Applicable to annual periods beginning on or after 1 January 2022.

Amendments to IAS 1 and Practice Statement 2: Disclosures about accounting principles (policies) (published on 12 February 2021)
Not approved by the EU until the date of approval of these financial statements - applicable to annual periods beginning on 1 January 2023 or later.

Amendments to IAS 8: Definition of Accounting Estimates (published on 12 February 2021)
Not approved by the EU until the date of approval of these financial statements - applicable to annual periods beginning on 1 January 2023 or later.

Amendments to IAS 12: Deferred tax on assets and liabilities arising from a single transaction (published on 7 May 2021)

Not approved by the EU until the date of approval of these financial statements - applicable to annual periods beginning on 1 January 2023 or later.

Amendments to IFRS 17 Insurance Contracts: First-time Adoption of IFRS 17 and IFRS 9 - Comparative Information (published on 9 December 2021)
Not approved by the EU until the date of approval of these financial statements - applicable to annual periods beginning on 1 January 2023 or later.

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

2.2 Tangible fixed assets

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

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

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

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

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

2.3 Shares in subsidiaries

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

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

Notes to the financial statements

2.4 Financial assets

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

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

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

2.5 Cash and equivalents

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

2.6 Share capital

Share capital is the nominal value of the issued shares.

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

2.7 Trade liabilities

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

2.8 Credits and loans

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

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

2.9 Compound financial instruments

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

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

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

2.10 Embedded derivatives

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

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

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

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

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

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

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

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

Notes to the financial statements

2.11 Deferred income tax

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

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

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

2.12 Employee benefits

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

2.13 Provisions

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

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

2.14 Revenues

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

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

2.15 Other income

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

(a) Rental income

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

(b) Services related to the hiring and management services

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

(c) Cost of inventories sold

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

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

2.16 Costs

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

2.17 Interest costs

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

2.18 Foreign currencies

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

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

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

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

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

3 Financial risk management

3.1 Financial risk factors

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

(a) Market risk

(i) Risk of exchange rate changes

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

As of 31 December 2021 and 31 December 2020, the Company did not have any significant balances denominated in foreign currencies and as a result was not significantly exposed to currency exchange risk.

	31 December 2021	31 December 2020
Loans in EUR	2 334	2 404
Assumed change in PLN/EUR exchange rate	+/-10%	+/-10%
The result of change	233	240
Tax shield	44	46
Effect on net profit/(loss)	189	195
Impact on equity	189	195

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

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

Interest rate risk is the risk to which the Company is exposed, resulting from changes in market interest rates. The Company is exposed to this risk with regards to loans granted and loans received (note 4, note 6 and note 11). Interest rate loans are based on variable interest rates what exposes the Company to the interest rate risk. The Company does not hedge the risk of interest rates. The Board constantly monitors fluctuations in interest rates and acts accordingly.

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

	31 December 2021	31 December 2020
Loans received at variable interest rates	9 069	36 976
Assumed change in interest rate	+/-1pp	+/-1pp
The result of changes in interest cost	91	370
Tax shield	17	70
Effect on net profit/(loss)	-/+73	-/+300
Impact on equity	-/+73	-/+300

	31 December 2021	31 December 2020
Loans received at variable interest rates	9 069	36 976
Assumed change in interest rate	+/-2pp	+/-2pp
The result of changes in interest cost	181	740
Tax shield	34	141
Effect on net profit/(loss)	-/+147	-/+599
Impact on equity	-/+147	-/+599

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

3.1 Financial risk factors (continued)

(c) Credit risk

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

Cash is deposited with banks with high credibility rating (ING, PEKAO SA, Pekao Investment Banking, mBank). With respect to trade and other receivables, the Company has procedures in place to assess the creditworthiness of its customers.

(d) Liquidity risk

Liquidity risk is the risk that arises when the payment periods of assets and liabilities do not coincide. This condition potentially increases profitability, but also increases the risk of loss. CPD has procedures in place to minimize such losses by maintaining adequate cash levels and monitoring and forecasting cash flows on an ongoing basis. The Company has sufficient current assets to pay all liabilities in a timely manner. The Company's liquidity levels are monitored by management on an ongoing basis.

Translated with www.DeepL.com/Translator (free version)

As at 31 December 2021	Within 1 year	1 - 5 years	More than 5 years
Borrowings	9 069	0	0
Trade payables and other payables	224	0	0
	9 293	0	0

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

3.2 Capital management

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

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

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

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

	31 December 2021	31 December 2020
Loans received	9 069	36 976
Trade and other payables	224	249
Less cash and cash equivalents	-64 384	-15 529
Net debt	**-55 091**	**21 696**
Equity	**130 268**	**202 808**
Net position	**75 177**	**224 504**
Gearing ratio	**-73%**	**10%**

The gearing ratio as of 31 December 2021 indicated a negative value as the cash held by CPD at the balance sheet date exceeded the Company's liabilities.

Notes to the financial statements

3.3 Significant estimates

(a) Balance sheet valuation of shares in subsidiaries and jointly controlled entities as well as loans granted to subsidiaries

(i) As at the balance sheet date, the Company analysed indications of impairment of shares in subsidiaries and jointly controlled entities by comparing the book value of the shares to their recoverable amount. The recoverable amount is the higher of the fair value of the assets, less costs to sell, or the value in use. In the Company's opinion, there is no reason to believe that the value in use significantly deviated from the fair value as at the balance sheet date. As a result, the analysis of reasons for impairment of shares was based on the fair value.

In the case of shares in subsidiaries and jointly-controlled entities, their fair value was estimated on the basis of net assets of these companies representing an approximation of the expected future cash flows available to the shareholders from the shares held. The key element having a decisive influence on the value of estimated cash flows is the fair value of real estate owned by subsidiaries and jointly controlled companies.

Properties held by CPD's subsidiaries and jointly controlled companies are measured at fair value using the following valuation methods:
- investment properties held for sale - valued at the lower of their carrying amount or fair value less costs to sell;
- undeveloped land and tenement houses with apartments - valued using the comparative method;
- investment property with substantial rental income (office buildings located in Warsaw) - valued using the income approach
- investment property located in Warsaw, in the Mokotów district, which in the future is intended for residential and commercial development - valued using the residual method
- investment property located in Wolbórz - valued using the comparative method.

The Company performs an analysis of indications that its shares are impaired. The determination of the level of the impairment loss on the shares as of December 31, 2021 in each company was performed in accordance with the approach described above and was the same as the approach adopted as of 31 December 2020. As of 31 December 2021, the net value of shares in subsidiaries Celtic Investments and Lakia Enterprises was zero and unchanged from the same period in the prior year. The value of the shares in the subsidiary Challange Eighteen was not subject to write-down at year-end 2020. In 2021, the Company identified indications for an impairment loss, which was created in the amount of PLN 1,566 thousand. In 2021, the Company acquired new shares in Antigo Investments. As at the end of 2021, shares in the company were partially written-down by PLN 15,026 thousand. No evidence of impairment of Ursa Sky Smart City shares was found. Shares in Ursus Development and IMES Poland were 100% written-down both as at 31 December 2021 and 31 December 2020.
Detailed information on shares in subsidiaries and jointly controlled entities is presented in Note 5.

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

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

Cash flows:

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

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

Future interest consists of interest accrued through December 31, 2021 and interest that will accrue from December 31, 2021 to the maturity date of the loan.

Interest after December 31, 2021 was estimated at forward rates (based on the current term structure of the interest rate curve).

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

Discount rate:

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

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

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

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

3.3 Significant estimates (continued)

(b) Income tax

CPD SA is an income tax payer in Poland. The CPD Group recognizes liabilities for anticipated tax issues based on an estimate of whether additional tax will be required. If the final tax settlements differ from the amounts initially recognized, the differences affect current and deferred tax assets and liabilities in the period in which the final tax determination is made.

Deferred tax assets are recognized only when it is probable that future taxable income will be available against which temporary differences or tax losses can be utilized.

In addition, in light of the applicable provisions of the General Anti-Abuse Clause ("GAAR"), which is intended to prevent the creation and use of artificial legal structures created in order to avoid the payment of tax in Poland, the Management Board performed a comprehensive analysis of the tax position of the Group entities with respect to the identification and assessment of transactions and operations that could potentially be subject to the provisions of GAAR and considered the impact on these financial statements. Management believes that these risks have been properly reflected in these financial statements; however, there is an inherent uncertainty in the Company's interpretation of tax laws that may affect the realizability of deferred tax assets in future periods and the payment of additional tax for past periods.

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

4 Long-term receivables

	31/12/2021	31/12/2020
Long-term loans to related parties (note 23), including:		
- loan	63 073	119 168
- result from revaluation to fair value	(25 416)	(34 867)
	37 657	**84 301**

Details of the loans granted to related parties as of 31 December 2021

Related party	Agreement date	Currency of the loan	Fair value of loan	Interest Rate	Margin	Maturity
Belise Investments	2014	PLN	9 914	3M WIBOR	1,55%	on demand, no later than 24.09.2024
Elara Investments	2013	PLN	1 074	3M WIBOR	1,55%	on demand, no later than 24.01.2023
Celtic Asset Management	2015	PLN	459	3M WIBOR	1,55%	on demand, no later than 12.02.2025
Lakia Enterprises Limited	2012	PLN	4 031	3M WIBOR	1,55%	on demand
Lakia Enterprises Limited	2014	PLN	7 143	3M WIBOR	1,55%	on demand
Lakia Enterprises Limited	2015	PLN	15 036	3M WIBOR	1,55%	on demand
			37 657			

Details of the loans granted to related parties as of 31 December 2020

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

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

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

Accumulated allowance for loans impairment as at 31.12.2019	**75 692**
Fair value revaluation impact for 2020	-12 987
Accumulated allowance for loans impairment as at 31.12.2020	**62 705**
Fair value revaluation impact for 2021	-9 847
Accumulated allowance for loans impairment as at 31.12.2021	**52 858**

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

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

5 Shares in subsidiaries and jointly controlled entities

Name	Country	Share	31/12/2021	31/12/2020
Lakia Enterprises Ltd	Cyprus	100%	105 000	105 000
Impairment			(105 000)	(105 000)
Celtic Investments Ltd	Cyprus	100%	48 000	48 000
Impairment			(48 000)	(48 000)
Celtic Asset Management (*)	Poland	100%	0	0
Challange Eighteen sp. z o.o.	Poland	100%	5 032	5 032
Impairment			(1 566)	0
Imes Poland sp. z o.o.	Poland	99,99%	23 769	23 769
Impairment			(23 769)	(23 766)
Ursa Sky Smart City	Poland	49%	14 939	30 008
Antigo Investments	Poland	100%	16 614	0
Impairment			(15 026)	0
Ursus Development	Poland	100%	5	5
Impairment			(5)	(5)
			19 993	**35 043**

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

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

On 25 June 2020 CPD S.A. (as the seller) and its subsidiary Imes Poland sp. z o.o. (as the buyer) concluded a preliminary agreement on sale of shares in Imes Poland Sp. z o.o. in order to redeem them. The selling price agreed by the parties amounted to PLN 20 370 thousand. Following the transaction CPD S.A. will hold 0.01% of shares in Imes Poland and the remaining shares are going to be held by Imes Poland as treasury shares, however, in accordance with the binding regulations Imes Poland is not entitled to exercise voting rights attached to its own shares, hence CPD S.A. will continue to hold 100% of votes at the General Meeting of Shareholders of Imes Poland.

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

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

On 29 April 2021, the Company acquired, from its related party Lakia Enterprises Ltd, 100% of shares in another entity of the CPD Group, Antigo Investments sp. z o.o. for the price of PLN 2 000. On the same day, the capital of Antigo Investments sp. z o.o. was increased with a cash contribution made by CPD S.A. in the amount of PLN 16,612 thousand.

On 9 June 2021, the Company received a refund of the contribution made to Ursa Sky Smart City in the amount of PLN 15,069 thousand.

On 1 October 2021, 5 shares (0.01%) in Imes Poland were sold for PLN 100. The remaining shares in Imes Poland were sold on 1 April 2022, as a result of execution of the preliminary sale agreement concluded on 25 June 2020. The sale price was settled between the parties on 1 October 2021 by a set-off of their mutual accounts receivable.

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

6 Trade receivables and other receivables

	31/12/2021	31/12/2020
Short-term loans (related party), including:	20 262	94 395
- loan	47 698	122 227
- result from revaluation to fair value	(27 437)	(27 832)
Other receivables from related parties	1 985	21 343
Other receivables from other parties	23	48
Prepayments	6	3
Short-term receivables	**22 276**	**115 789**

Details of the loans granted to related parties as of 31 December 2021

Related party	Agreement date	Currency	Fair value of the loan	Interest Rate	Margin	Maturity
Antigo Investments	2012	PLN	2 185	3M WIBOR	2,00%	on demand, no later than 16.10.2022
HUB Developments	2012	PLN	2 053	3M WIBOR	1,55%	on demand, no later than 01.05.2022
Belise Investments	2012	PLN	14 997	3M WIBOR	1,55%	on demand, no later than 01.05.2022
Elara Investments	2012	PLN	1 027	3M WIBOR	1,55%	on demand, no later than 01.05.2022
			20 262			

Details of the loans granted to related parties as of 31 December 2020

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

7 Cash and equivalents

	31/12/2021	31/12/2020
Cash in bank accounts	64 384	15 529
	64 384	**15 529**

Cash and cash equivalents include cash in bank accounts in ING, PEKAO SA, Pekao Investment Banking and mBank.
The maximum value of the credit risk associated with cash equals to their carrying amount.

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

8 Share capital

	Number of shares		Value of shares	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Ordinary shares AA series	26 371	26 371	2 637	2 637

As at 31 December 2020 and 31 December 2021 the share capital amounts to PLN 2,637 thousand.

On 3 August 2021, the Company acquired 8,705,110 (eight million seven hundred and five thousand one hundred and ten) treasury shares for redemption, i.e. 8,705,110 (eight million seven hundred and five thousand one hundred and ten) series AA ordinary bearer shares with the nominal value of PLN 0.10 each, corresponding to 33.01% of the Company's share capital and entitling to 8. 705,110 (eight million seven hundred and five thousand one hundred and ten) votes at the Company's General Meeting, representing 33.01% of the total number of votes at the Company's General Meeting ("Shares"), at the price of PLN 19.71 per purchased Share. Prior to the Settlement of the Call to Subscribe, the Company already held 8,699,836 (eight million six hundred and ninety-nine thousand eight hundred and thirty-six) treasury shares in the Company, representing 32.99% of the total number of the Company's shares, carrying 8,699,836 (eight million six hundred and ninety-nine thousand eight hundred and thirty-six) votes at the Company's General Meeting, which represents 32.99% of the total number of votes at the Company's General Meeting. As a result of shares purchase, the Company owns in total 17,404,946 (seventeen million four hundred and four thousand nine hundred and forty six) own shares of the Company, representing 66.00% of shares in the Company's share capital and entitling to 17,404. 946 (seventeen million four hundred and four thousand nine hundred and forty six) votes at the Company's General Meeting, which represents 66.00% of the total number of votes at the Company's General Meeting, with the reservation that, pursuant to Art. 364.2 of the Commercial Companies Code, the Company may not exercise any shareholding rights attached to the Company's own shares, including voting rights, except for the right to sell them or perform actions aiming at preserving such rights.

All shares issued by the Company to date are ordinary bearer shares. The Company's Articles of Association do not grant any special rights to the Company's shares, including voting privileges and preferences with respect to the appointment of members of the Company's bodies. The Company's shareholders do not hold shares conferring special control rights.

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

8 Share capital (continued)

Shareholding structure of CPD S.A. determined as of 31 December 2021:

Party	Country	number of shares	capital %	voting rights %
Meduvo Holding	Cyprus	2 133 604	8,1%	23,8%
Furseka Trading and Investments Ltd	Cyprus	2 063 234	7,8%	23,0%
Shareholders holding below 5% stake		4 769 347	18,1%	53,2%
		8 966 185	34,0%	100,0%
Treasury shares for redemption		17 404 946	66,0%	0,0%
Total number of shares		26 371 131	100,0%	100,0%

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

9 Reserve capital

	31/12/2021	31/12/2020
Reserve capital	987	987
	987	**987**

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

10 Trade payables and other payables

	31/12/2021	31/12/2020
Accrued expenses, including:	89	93
- accrual for audit	89	93
Trade payables	12	21
Tax payables	53	87
Other payables	69	49
	224	**249**

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

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

11 Borrowings

	31/12/2021	31/12/2020
Long-term loans from related parties	0	32 073
Short-term loans from related parties	9 069	4 903
	9 069	**36 976**

Loan liabilities as at 31 December 2021 and 31 December 2020 relate to loans from subsidiaries: from a subsidiary Lakia Enterprises (loan interest rate is 3M Wibor + margin 0.50%), a loan from a subsidiary Lakia Investments (loan interest rate is 3M Wibor + margin 1.55%) and a loan from a subsidiary Robin Investments (loan interest rate is 3M Wibor + margin 1.55%). As at 31 December 2021 the balance of the loan from Lakia Enterprises is PLN 3,763 thousand (principal: PLN 1,148 thousand, interest: PLN 2,615 thousand), during the period PLN 5,943 thousand of the principal was repaid. The balance of the loan from Lakia Investments amounts to PLN 3,479 thousand (principal: PLN 2,694 thousand, interest: PLN 785 thousand), during the period PLN 1,472 thousand of principal was repaid; the balance of the loan from Robin Investments amounts to PLN 1,827 thousand (principal: PLN 1,600 thousand, interest: PLN 227 thousand).
In addition, during the year the Company settled in full the loan from the subsidiary Imes Poland Sp. z o.o. in the amount of PLN 20,370 thousand (loan interest rate was 3M Wibor + margin 1.55%).

As of 31 December 2021, all loans are classified as short-term.

The loans are not secured.

For the period ended 31 December 2021	
Opening balance	**36 976**
Loans received	**0**
Interests accrued	**376**
Repayments:	**(28 284)**
- capital repayments	(7 415)
- set-off	(20 370)
- interests repayments	(50)
- redemption	(449)
Closing balance	**9 068**

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

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

12 Deferred income tax

	31/12/2021	31/12/2020
Deferred tax liability		
Interest accrued on loans granted	5 618	11 487
Exchange rate differences	45	11
As of 31 December - before offset	**5 663**	**11 498**
Offset	(719)	(869)
As of 31 December - after offset	**4 944**	**10 629**

	31/12/2021	31/12/2020
Deferred tax asset		
Other accruals	17	29
Provisions for unused vacations	13	9
Interests accrued on loans received	689	712
Tax losses	0	119
As of 31 December - before offset	**719**	**869**
Offset	(719)	(869)
As of 31 December - after offset	**0**	**0**
Deferred tax liability	**4 944**	**10 629**

Unrecognized deferred tax assets:

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

	31/12/2021	31/12/2020
Impairment of investments in related parties	32 223	29 071
Impairment of loans granted to related parties	10 043	11 914
Unrecognized deferred tax assets	**42 267**	**40 985**

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

13 Revenue from sales

	12 months ended 31/12/2021	12 months ended 31/12/2020
Proceeds from sales:		
- domestic sales	161	157
	161	**157**

14 Administrative costs

	12 months ended 31/12/2021	12 months ended 31/12/2020
Consulting services	567	430
Payroll costs	2 910	3 818
Non deductible VAT	162	134
Audit costs	150	150
Other costs	432	312
	4 221	**4 844**

15 Other operating income

	12 months ended 31/12/2021	12 months ended 31/12/2020
COVID-19 related state subsidies	0	54
	0	**54**

16 Other operating costs

	12 months ended 31/12/2021	12 months ended 31/12/2020
Other	2	79
	2	**79**

17 Result from revaluation of loans to fair value

	12 months ended 31/12/2021	12 months ended 31/12/2020
Result from revaluation of loans to fair value	11 865	15 707
	11 865	**15 707**

Effective 1 January 2018, the Company, for the purpose of measuring loans granted, applies IFRS 9 "Financial Instruments". The Company presents the cumulative effect of accrual of interest on loans granted and the effect of measurement of loans to fair value in one line of the statement of comprehensive income as the result of revaluation of loans to fair value.

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

18 Financial income and expenses

	12 months ended 31/12/2021	12 months ended 31/12/2020
Interest income:	0	69
- Interest on deposits	0	69
- Other interest	0	0
Dividends received	106 612	125 087
Other financial income	1 454	899
Net exchange differences	7	297
Financial income	**108 072**	**126 352**

On 21 June 2021, the Extraordinary Meeting of Shareholders of Challange Eighteen Sp. z o.o., a subsidiary of CPD S.A., resolved to pay a dividend of PLN 99,100,000.00. The remaining dividend income in 2021 in the amount of PLN 7,511,531.48 comes from payments from the co-subsidiary Ursa Sky Smart City. Dividends received in 2020 relate to distributions from the subsidiary Challange Eighteen Sp. z o.o.

	12 months ended 31/12/2021	12 months ended 31/12/2020
Interest costs:	376	472
- Interest from related parties (Note 23)	376	472
Impairment of investments	16 595	5
Net exchange differences	0	0
Financial costs	**16 970**	**477**

19 Income tax

	12 months ended 31/12/2021	12 months ended 31/12/2020
Current income tax	5 552	0
Deferred income tax	(5 685)	(273)
	(133)	**(273)**

20 Effective tax rate

	12 months ended 31/12/2021	12 months ended 31/12/2020
Profit (Loss) before taxes	**98 904**	**136 842**
Tax rate	19%	19%
Income tax rate 19%	**(18 792)**	**(26 000)**
Impairment value of loans receivable	1 871	2 468
Interest on merger with a subsidiary	(3 153)	(1)
Dividends received	20 256	23 766
Other	(49)	40
Tax	**133**	**273**

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

21 Cash flow from operating activities

	12 months ended 31/12/2021	12 months ended 31/12/2020
Profit/loss before tax	98 904	136 842
Adjustments for:		
– interest costs	376	472
– income from interest redemption	(449)	0
– impairment of investments in subsidiaries	16 595	84
– result from revaluation of loans to fair value	(11 865)	(15 707)
Changes in working capital:		
– changes in receivables	19 380	(41)
– changes in receivables, as a result of set-off	(20 370)	0
– change in trade liabilities and other	(25)	46
	102 546	**121 696**

22 Commitments and guarantees secured by the assets of the unit

In 2021 and 2020, CPD Group companies - subsidiary Belise Investments Sp. z o.o. as borrower and CPD S.A. as guarantor - were parties to a loan agreement with Santander Bank Polska. CPD S.A. is the guarantor of due and payable payments under the above credit facility and has subjected itself to execution as to its payment obligations to Santander Bank Polska and/or the borrower.
In 2021, the Company assumed the debt of the jointly controlled entity Ursa Sky Smart City. The loan was repaid by the jointly controlled entity in January 2022, releasing the Company from the contingent liability on this account.

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

23 Related party transactions

CPD S.A. has no direct parent company or ultimate parent company. Meduvo Holding and Furseka Trading are significant investors with significant influence on the Company.

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

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

a) Transactions with key management personnel	12 months ended 31/12/2021	12 months ended 31/12/2020
Remuneration of members of the Board of Directors	1 768	2 300
Remuneration of members of the Supervisory Board	468	552

b) Transactions with subsidiaries		12 months ended 31/12/2021	12 months ended 31/12/2020
Revenues			
Ursa Park Smart City	jointly controlled entity	94	0
5/92 Gaston Investments	subsidiary	0	121
6/150 Gaston Investments	subsidiary	0	8
7/120 Gaston Investments	subsidiary	0	8
12/132 Gaston Investments	subsidiary	0	109
13/155 Gaston Investments	subsidiary	0	104
16/88 Gaston Investments	subsidiary	5	19
18 Gaston Investments	subsidiary	6	26
19/97 Gaston Investments	subsidiary	0	7
20/140 Gaston Investments	subsidiary	0	6
Antigo Investments	subsidiary	65	55
Belise Investments	subsidiary	1 215	1 209
Celtic Asset Management	subsidiary	18	26
Celtic Investments Ltd	subsidiary	4	420
Challange Eighteen	subsidiary	39	7
Elara Investments	subsidiary	58	76
Gaston Investments	subsidiary	241	273
Hub Developments	subsidiary	44	59
Lakia Enterprises Ltd	subsidiary	464	628
Lakia Investments	subsidiary	24	24
Mandy Investments	subsidiary	301	403
Ursus Development	subsidiary	605	187
IMES Poland	subsidiary	449	0

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

23 Related party transactions (continued)

	12 months ended 31/12/2021	12 months ended 31/12/2020
Costs		
Lakia Investments	58	106
Lakia Enterprises Ltd	22	97
Gaston Investments	7	6
Imes Poland	268	310
Robin Investments	28	38

	31/12/2021	31/12/2020
Liabilities		
Lakia Enterprises Ltd	3 763	9 674
Lakia Investments	3 479	4 903
Robin Investments	1 827	1 799
Imes Poland	0	20 601
Gaston Investments	9	2

	31/12/2021	31/12/2020
Receivables		
Ursa Sky Smart City	94	0
Antigo Investments	2 185	0
Belise Investments	26 750	18 430
Celtic Asset Management	459	535
Challange Eighteen	0	35 310
Elara Investments	2 100	1 547
Gaston Investments	48	42
Hub Developments	2 053	1 701
Lakia Enterprises Ltd	26 210	27 701
Lakia Investments	2	7
Ursus Development	0	94 395
Imes Poland	0	20 370

c) Transactions with other related party	**31/12/2021**	**31/12/2020**
Costs		
Laxey Partners	0	16
Kancelaria Radców Prawnych Oleś&Rodzynkiewicz sp. komandytowa	119	101

24 Fair values

The company measures loans granted to subsidiaries at fair value at each balance sheet date (level 3 of the fair value hierarchy both at the end of 2020 and 2021). Details of the valuation techniques are provided in note 3.3. The analysis of the sensitivity of the valuation to the change of the key unobservable valuation parameter, i.e. the credit margin, is presented below.

credit margin level	fair value as at 31 December 2021	change in value	percentage change in value
+2 pp	54 994	(2 924)	-5%
+1 pp	56 422	(1 497)	-3%
credit margin level applied in the calculation	57 918		
-1 pp	59 490	1 571	3%
-2 pp	61 139	3 220	6%

For financial assets and liabilities measured at amortized cost, their fair value approximates fair value.

25 Earnings (loss) per share

Earnings per common share are computed by dividing the profit (loss) for the year by the weighted average number of common shares outstanding during the year.

Earnings (loss) and shares used in the calculation of earnings (loss) per share are presented below:

	12 months ended 31/12/2021	12 months ended 31/12/2020
Profit attributable to the shareholders	99 037	137 115
Weighted average number of ordinary shares (in '000)	14 142	20 119
Earnings per share	**7,00**	**6,82**
Diluted profit attributable to shareholders	99 037	137 115
Weighted average number of ordinary shares (in '000)	14 142	20 119
Diluted earnings per share	**7,00**	**6,82**

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

26 Operating segments

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

27 Employment

As of the 31 December 2021, the Company had 3 employees. As of 31 December 2020, the Company had 4 employees.

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

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

The Company did not make any loans or enter into any other transactions with members of the Board of Directors or supervisory bodies in 2021 and 2020, except as disclosed in Note 23.

29 Auditor's remuneration

	12 months ended 31/12/2021	12 months ended 31/12/2020
Remuneration paid or payable to the entity authorized to audit financial statements for the year	150	150

30 Events after the balance sheet date

On 15 February 2022, a resolution was adopted on dissolution of the subsidiary Challange Eighteen Sp. z o.o. and opening of its liquidation process.

On 14 March 2022, amendments to the Articles of Association and changes to the Company's share capital were registered by the court in connection with the content of resolutions adopted by the Extraordinary General Meeting of the Company on 18 October 2021 on redemption of treasury shares. As a result, the Company's share capital currently amounts to PLN 896,618.50 (in words: eight hundred and ninety-six thousand, six hundred and eighteen and fifty) and is divided into 8,966,185 (in words: eight million, nine hundred and sixty-six thousand, one hundred and eighty-five) series AA shares with a nominal value of PLN 0.10 each, entitling to exercise 8,966,185 (in words: eight million, nine hundred and sixty-six thousand, one hundred and eighty-five) votes in total.

These financial statements were approved by the Company's Management Board on 27 April 2022 and signed on its behalf by:

Colin Kingsnorth
Chairman of the Board

Elżbieta Donata Wiczkowska
Board Member

John Purcell
Board Member

Iwona Makarewicz
Board Member

Marzena Kaczmarska
The person responsible for accounting records