CONSOLIDATED ANNUAL REPORT 2021

CPD S.A.

CPD S.A.

REPORT ON THE CAPITAL GROUP'S ACTIVITY

FOR THE YEAR ENDED ON 31 DECEMBER 2021

TRANSLATORS' EXPLANATORY NOTE

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

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THE MANAGEMENT BOARD'S LETTER

Ladies and Gentlemen, Dear Shareholders,

We are pleased to present you the Annual Report of CPD S.A. for 2021, another year of implementation of the group's strategic goals i.e., the monetization of assets and distribution of proceeds to shareholders. It was possible thanks to the continuation of the Ursa Smart City residential project, the implementation of which began in 2014 after the adoption of the Local Spatial Development Plan for the areas located in Ursus. In 2020, the construction of the last stage of the Ursus project, called Ursa Sky, began. It is an additional 20,000 sq. m. of residential and service space, the commissioning in the past at the turn of 2021 and 2022.

The success of the previous stages of the Ursa residential project contributed to the increase in the value of the neighbouring investment areas owned by the CPD SA Group. As a result, the Group partially monetized the land bank, which allowed to achieve a net profit of PLN 31.2 million in 2021.

At the same time, as in previous years, in 2021 we took active steps to maximize rental income. We maintained the elevated level of commercialization of the Iris and Aquarius office buildings located in Warsaw.

In 2016-2021, the Company purchased 30,387,838 own shares for redemption. On this basis, our Shareholders received a total of PLN 449.1 million, of which PLN 171.6 million only in 2021. At the end of the balance sheet period, the value of consolidated net assets per 1 share was PLN 16.13.

The Group's intention for the coming years is to finalize a housing project, transform one of the three office buildings into a housing project and distribute cash to shareholders through further share buyouts, while maintaining a stable financial situation. This was particularly evident during the unpredictable situation in the housing and financial markets in the wake of the Sars Cov 2 virus pandemic and Russia's aggression against Ukraine. Further actions aimed at maintaining a stable financial situation of the Group in the following months of the epidemic will be based on an in-depth analysis of the dynamically changing situation.

Summing up the last intense, but also extremely beneficial year for the Group, we would like to thank all Employees and Associates for the effort put in the implementation of the Group's strategy. We would like to thank our clients for the trust they have placed in us, members of the Supervisory Board of CPD S.A. for the commitment and effort put into building the Company's position as well as individual and institutional shareholders for the trust and capital commitment shown to us in CPD S.A.

Yours sincerely

The Management Board of CPD S.A.

Supervisory Board and Audit Committee

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

SUPERVISORY BOARD

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

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

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

- **MR 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.

MANAGEMENT BOARD

II. MANAGEMENT BOARD OF CPD S.A.

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

- **Mr Colin Kingsnorth – President of the Management Board**

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

- **Ms Elżbieta Wiczkowska – Member of the Management Board**

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

- **Ms Iwona Makarewicz – Member of the Management Board**

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

- **Mr john Purcell - Member of the Management Board**

Mr John Purcell was appointed to the Management Board's fourth term on 27 May 2020. The term of office of Mr John Purcell expires on 27 May 2025. Mr John Purcell trained at Savills and 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 MEN AND WOMEN IN THE MANAGEMENT BOARD AND SUPERVISORY BOARD

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

Supervisory Board CPD S.A.

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

1. INFORMATION ON CPD GROUP

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

Today, CPD S.A. is the holding company controlling a group of 18 subsidiaries and two jointly controlled entities, conducting activities in the office and residential segments, mostly in Poland. In 2021 the Group's activities were focused on continuation of residential development, 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 converting one of its office assets into a residential project.

2. CAPITAL GROUP STRUCTURE

As of the day of publication hereof, the CPD Group (hereinafter referred to as "the Group" or "CPD Group" or "the Capital Group") was composed of a dominant entity – CPD S.A. (hereinafter referred to as "the Company") and 18 subsidiaries and two jointly controlled entities. Development activities of the Group are conducted via investment companies, direct subsidiaries of Antigo Investments sp. z o.o. and Lakia Enterprises Ltd (Cyprus). The dominant entity - CPD S.A. - coordinates and supervises the activities of subsidiaries and at the same time is the centre for making decisions on the development strategy. CPD S.A. performs actions aiming at optimising the operating costs of the Capital Group, designs the Group's investment and marketing policies and serves as the coordinator of this activity.

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

- 31 March 2021 Challange Eighteen sp. z o.o. acquired all the rights and obligations of a limited partner in Smart City sp. z o.o. sp. k.
- 1 April 2021, liquidation proceedings were initiated against IMES Poland sp. z o.o.
- 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 was completed to dissolve the company 7/120 Gaston Investments sp. z o.o. sp. k.

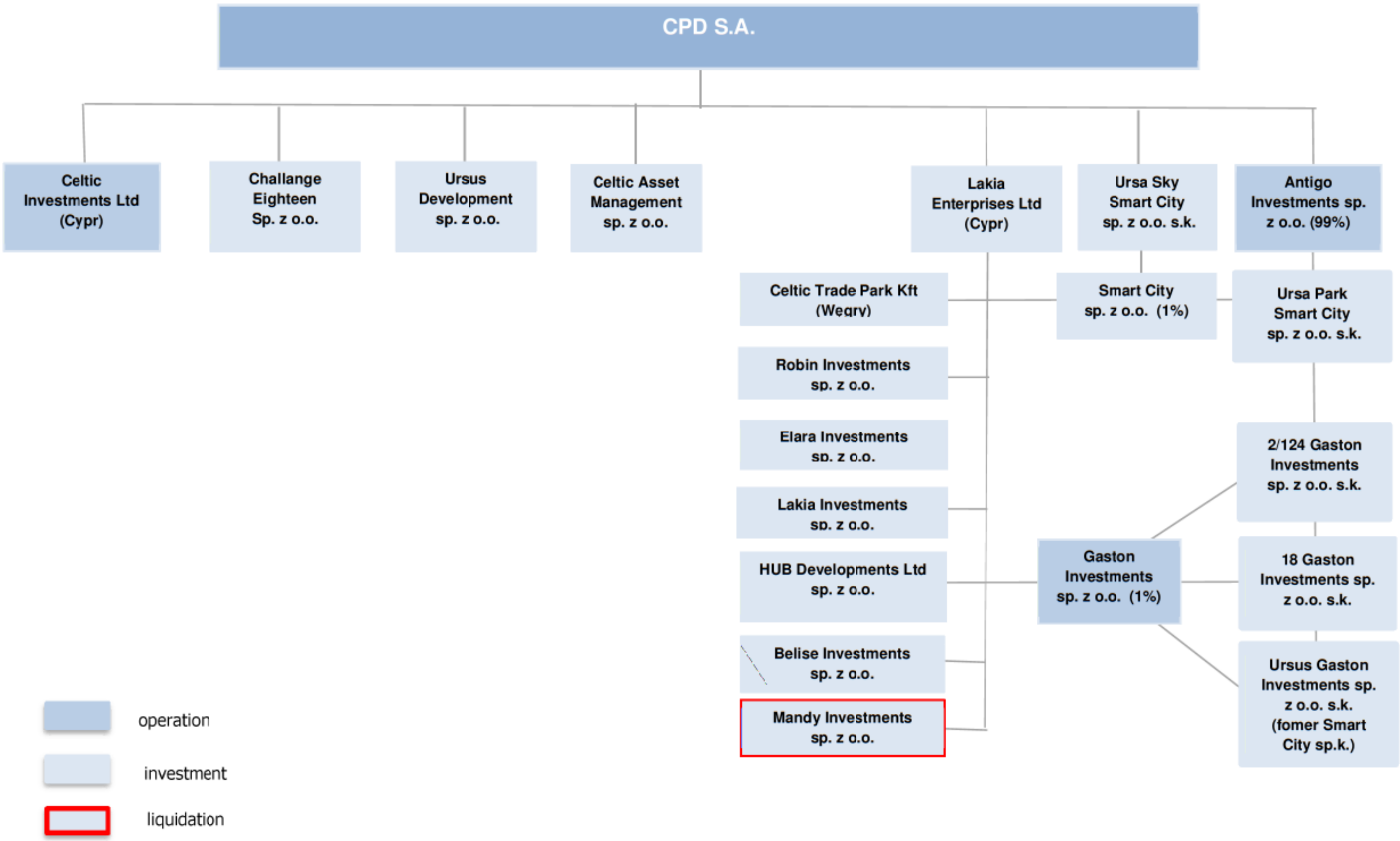
- 30 July 2021, proceedings were initiated to dissolve the company 12/132 Gaston Investments sp. z o.o. sp. k.
- 30 July 2021, proceedings were initiated to dissolve the company 13/155 Gaston Investments sp. z o.o. sp. k.
- 4 August 2021, the proceedings terminating the company 19/97 Gaston Investments 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.

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

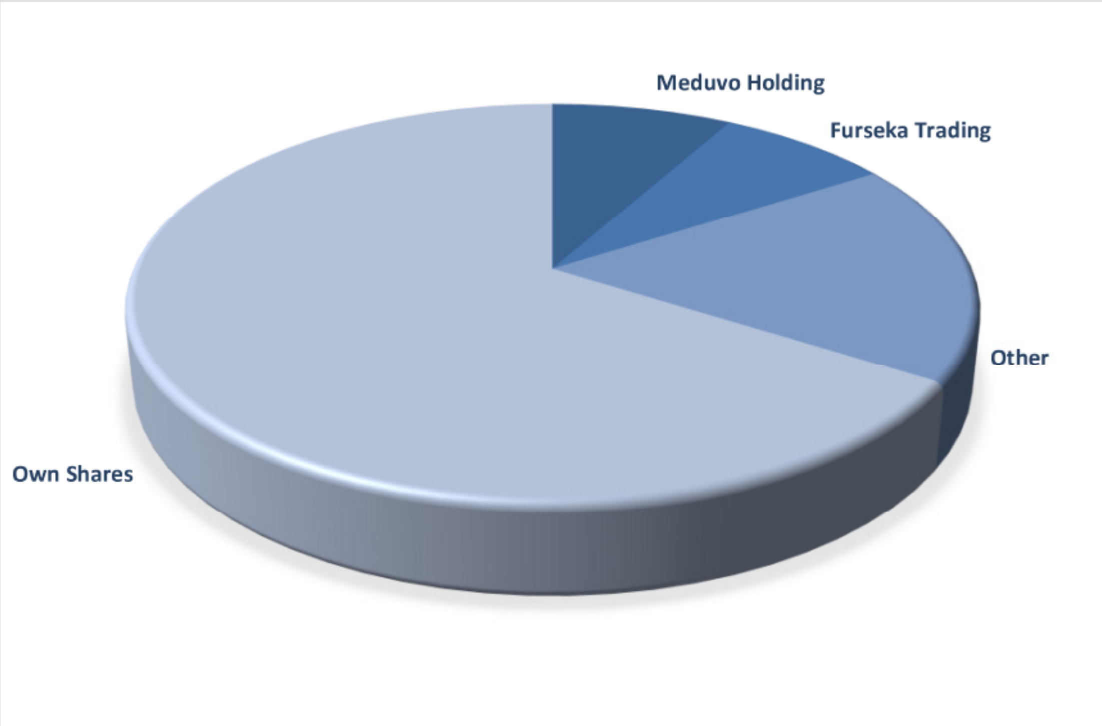
CPD S.A. Group structure on the 31 December 2021



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

- **RESTRICTIONS IN VOTING RIGHTS**

According to par. 4 par. 5 of the Company Statute, the pledgee or user of the shares is not entitled to vote on the shares pledged on its behalf or given for use. In addition, the Company holds 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 conducted 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 notable 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 a determined scope of financial reporting as well as through the definition of the entire process, including division of responsibilities and work organisation. The Management Board of the Company also regularly reviews results of the Company using applicable financial reporting.

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

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

To further mitigate the Company's exposure to market risks, appropriate assessment of the potential development projects as well as the control of existing projects is conducted 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 on the basis of 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 %
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(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 the company's financial statements for 2019 and the appointment of the Management Board for the fourth term) and ends on 27 May 2025. The term of office of the current Management Board is joint and lasts 5 years (§ 13(1) of the Company Statute). Dismissal or suspension of a member of the Management Board may take place only for significant reasons. Article 368(4) of the Code of Commercial Companies also provides the General Meeting's right to dismiss or suspend a member of the Management Board.

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

- fixing the date and the agenda and convening General Meetings,

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

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

• AMENDMENTS TO THE COMPANY STATUTE

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

• GENERAL MEETING

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

• MANAGEMENT, SUPERVISORY AUTHORITIES AND THE AUDIT COMMITTEE

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

SUPERVISORY BOARD

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

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

- Mr Andrew Pegge – President of the Supervisory Board, has knowledge and skills in accounting and auditing of financial statements (obtained the title of CFA - Licensed Financial Analyst in the Association for Investment Management Research in the United States and completed MBA studies in Finance at City University Business School in the United Kingdom); has knowledge and skills in the Company's industry.
- Mr 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 recommendation is prepared after a tendering procedure organised by the Company. The audit company is selected in advance so that the contract on audit of the financial statement can be signed on a date enabling the audit company to attend inventory-taking of significant assets.

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

a) impartiality and independence of the audit company and the auditor,
b) analysis of works to be performed by the audit company and the auditor in the Company beyond the scope of audit of its financial statement, 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 invalid by virtue of law.

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

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

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

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

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

Where appropriate, the Audit Committee issues service guidelines.

MANAGEMENT BOARD

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

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

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

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

AUDIT COMMITTEE

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

- Mr 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 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. CORPORATE SOCIAL RESPONSIBILITY

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

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

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

In 2022, the CPD Group will continue leasing of the building of the Arsus Centre for a symbolic lease rate of PLN 100 per month and, if financial resources are available, will continue the prosocial initiatives taken, convinced that they will bring tangible results to both direct beneficiaries and communities, in which they will be implemented.

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

In addition, in 2021, the Company is revitalized a public park of 3 280 m^2 located in the immediate vicinity of the ongoing housing investment. It complements the offer of recreational areas offering public areas available to residents of the newly created urban area within the Ursus district.

6. STRATEGY AND POLICY REGARDING FURTHER GROUP DEVELOPMENT DIRECTIONS

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

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 cooperation 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. The group's strategy includes striving to distribute the funds available to shareholders.

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

➢ 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 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 five 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 on the basis of 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 conducting 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 function 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.

8. ASSESSMENT OF INVESTMENT POSSIBILITIES

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

The value of the properties owned by the Group, including investment properties, properties held for sale and inventories at the end of 2021 amounted to PLN 176.30 million, compared to PLN 254.47 million at the end of 2020. Valuations of investment properties and inventories located in Poland as at the end of 2020 and 2021, as in the preceding year, were conducted by an independent appraiser - Cresa Polska sp. z o.o.

The table below presents a list of properties belonging to the Group as of 31 December 2021.

		Type	Valuation 31.12.2021 (mln PLN)	Valuation 31.12.2020 (mln PLN)
Investment properties			**167.67**	**165.62**
Office and logistics			162.26	160.35
Capitalised perpetual usufruct charges			5.41	5.27
Properties held for sale			**4.74**	**85.25**
Residential, retail and office			2.50	79.16
Capitalised perpetual usufruct charges			2.24	6.08
Inventory (at fair value)			**3.89**	**3.60**
1	**Poland**	Residential, agricultural land, building plots	3.19	2.86
2	**Hungary**	Warehouse/office	0.51	0.55
Capitalised perpetual usufruct charges			0.19	0.19
PORTFOLIO IN TOTAL			176.30	254.47

- **URSUS**

- ✓ 2006 - 2015 - the CPD Group purchased over sixty hectares of land of the former Ursus Tractor Industry Plant with its own funds and through debt securities, with the intention of implementing a multifunctional urban project;
- ✓ 2014 - the investment process concerning the first phase of the first stage of the residential and service sector was launched under the name of Ursa Smart City;
- ✓ 2015 - the sale of the first phase of the project called Ursa Smart City has started;
- ✓ 2016 - the sale of the second phase of the project called Ursa Smart City has started;
- ✓ 2016 - sale of an organized part of the enterprise under the name Energetyki Ursus sp. z o.o. and its infrastructure, respectively, Innogy Warszawa, Veolia Warszawa and Woda Polska. The above sale contributed to the shutdown of the local heating plant in May 2016, which was run by Energetyka Ursus sp. z o.o. in liquidation bankruptcy and regulating the rules of using the heating, energy and water infrastructure in the areas belonging to the CPD Capital Group, so far used by Energetyka Ursus sp. z o.o. As a result of the above activities, a schedule of gradual release of investment trends belonging to the CPD Capital Group, in some of those previously used by Energetyka Ursus sp. z o.o.;
- ✓ 2016 - the authorities of the Ursus district announce the commencement of a public investment in the form of an educational complex consisting of a kindergarten and a school with a sports hall. The investment will start with the construction of a preschool facility for 150 children. The educational project will be conducted at Hennel Street, in the territories that were donated by CPD SA. in the form of a donation to the capital city as part of the continuation of social responsibility and the need to actively participate in creating public urban space. The handover of land for public investments in the district has a positive impact on the synchronized and sustainable launch of multi-functional urban investments in the above areas and at the same time will be an extremely important impulse for the economic development of the entire district;
- ✓ 2017 - a company from the CPD Group was returned a contribution related to a land contribution in the amount of PLN 18 million and Unidevelopment SA was returned its own contribution in Smart City Sp. z o.o. Sp. k. in the amount of PLN 11 million;
- ✓ 2017 - partners of Smart City Sp. z o.o. Sp. k. they paid themselves a profit on investment in the total amount of PLN 15 million (the profit was divided in half for each party, i.e., the companies from the CPD Group received PLN 7.5 million, Unidevelopment also received PLN 7.5 million);
- ✓ 2017 - in the investment areas directly adjacent to the first stage of Smart City, the second stage of the Smart City residential and service project was launched;
- ✓ 2017 - a company from the CPD Group and MPWiK concluded an agreement for the preparation and free transfer of design documentation for water supply, sewage and sanitary networks, and rain sewage systems in ZPC Ursus. As a result of this agreement, another agreement was concluded between six companies from the development industry (CPD Group, Ronson Group, Robyg Group, Nexity Group, Atal Group, Victoria Dom Group), under which the rules of co-financing the project for MPWiK were agreed. The design works, in accordance with the contract, were completed in June 2020. At the same time, the above activities resulted in the connection of this network to the Warsaw general-city heating network, the Warsaw-wide electricity network and the municipal water and sewage network, which ensured comprehensive modernization of the full technical infrastructure by the above entities for their cost;
- ✓ 2018 - partners of Smart City Sp. z o.o. Sp. k. they paid themselves a profit on investment in the total amount of PLN 7.4 million (the profit was divided in half for each party, i.e., the companies from the CPD Group received PLN 3.7 million, Unidevelopment also received PLN 3.7 million);

- ✓ 2018 - the company from the CPD Group was returned a part of the contribution related to the land contribution in the amount of PLN 12.08 million and the company Unidevelopment SA was returned a part of the own contribution in the company Ursa Park Smart City Sp. z o.o. Sp. k. in the amount of PLN 6.95 million;
- ✓ 2018 - partners of Ursa Park Smart City Sp. z o.o. s. k. paid themselves a profit on investment in the total amount of PLN 12 million (the profit was divided in half for each party, i.e., the companies from the CPD Group received PLN 6 million, Unidevelopment also received PLN 6 million);
- ✓ 2019, the partners of Smart City sp. z o.o. sp. k. paid themselves a profit on investment in the total amount of PLN 4.8 million (the profit was divided in half for each party, i.e., the companies from the CPD Group received PLN 2.4 million, Unidevelopment also received PLN 2.4 million);
- ✓ 2019 - completion of the project called Ursa Smart City;
- ✓ 2019 - the company from the CPD Group was returned a part of the contribution related to the land contribution in the amount of PLN 10.23 million and the company Unidevelopment SA was returned a part of the own contribution in the company Ursa Park Smart City Sp. z o.o. Sp. k. in the amount of PLN 1.8 million;
- ✓ 2019 - partners of Ursa Park Smart City Sp. z o.o. Sp. k. paid themselves a profit on investment in the total amount of PLN 16.8 million (the profit was divided in half for each party, i.e., the companies from the CPD Group received PLN 8.4 million, Unidevelopment also received PLN 8.4 million);
- ✓ 2019 - commencement of the construction of the next stage of the investment, i.e. Task I (of the two planned) of Phase II of Stage II called Ursa Home;
- ✓ 2020 - the partners paid themselves the profit on the Ursa Park investment in the total amount of PLN 0.9 million, each party received PLN 0.45 million;
- ✓ 2020 - the company from the CPD Group was returned the entirety of the contribution related to the contribution of land in the amount of PLN 27 million, and Unidevelopment SA was returned its own contribution in Ursa Park Smart City Sp. z o.o. Sp. k. in the amount of PLN 4 million by the Ursa Home project;
- ✓ 2020 - partners of Ursa Park Smart City Sp. z o.o. sp. k. paid themselves the profit on the Ursa Home investment in the total amount of PLN 28 million (the profit was divided in half for each party, i.e., the companies from the CPD Group received PLN 14 million, Unidevelopment also received PLN 14 million);
- ✓ 2020 - completion of Tasks I and II of the Ursa Home project;
- ✓ 2020 - commencement of the construction of the last stage of the investment called Ursa Sky;
- ✓ 2021 - completion of Task I Ursa Sky;
- ✓ 2021 - the company from the CPD Group was returned the first part of the contribution related to the in-kind contribution of Ursa Sky in the amount of PLN 15.1 million;
- ✓ 2021 - partners of Ursa Sky Smart City Sp. z o.o. Sp. k. paid themselves the profit on Ursa Sky investment in the total amount of PLN 14.65 million PLN (CPD Group received PLN 7.65 million, Unidevelopment also received PLN 7 million);
- ✓ 2021 - partners of Ursa Park Smart City Sp. z o.o. sp. k. they paid themselves a profit on the Ursa Home investment in the total amount of PLN 3.36 million (the profit was divided in half for each party, i.e., the companies from the CPD Group received PLN 1.68 million, Unidevelopment also received PLN 1.68 million);
- ✓ 2022 - the completion of Task II of the Ursa Sky project is planned.

➢ IRIS BUILDING, 9 CYBERNETYKI STREET, WARSAW

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

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

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

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

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

- **WOLBÓRZ, MAZOWIECKIE VOIVODSHIP**

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

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

- **KOSZYKOWA 69**

  The real estate at Koszykowa 69 includes a four-storey row house (Ludwik Szanser's row house) and the outbuilding. The house was renovated and extended by CPD Group, offering fourteen apartments and commercial areas, which were sold in 2011. As of 31 December 2021, the Group's investment properties portfolio still included the outbuilding. The Group is currently taking actions to relocate the present lessees of the outbuilding.

- **CZOSNÓW**

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

- **JAKTORÓW**

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

- **NOWA PIASECZNICA**

  The land in Nowa Piasecznica was acquired by the Group as part of the acquisition of 100% shares in Antigo Investments Sp. z o.o. The land in Nowa Piasecznica had a total area of 1.5 ha. In February 2022 entire site was sold.

- **ALSONEMEDI, HUNGARY**

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

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

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 conducted in accordance with the assumed schedule. Taking into account the fact that 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.

10. FACTORS IMPORTANT FOR FURTHER GROUP DEVELOPMENT

- **MACROECONOMIC AND MICROECONOMIC SITUATION IN POLAND**

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

In 2021, Poland's GDP grew by 7.3 %. For comparison, in 2020, the Polish economy shrank by 2.5 %. The further increase in inflation resulting from the increase in the costs of obtaining energy due to the ongoing war in Ukraine and the sanctions introduced against the Russian Federation significantly affects the cost of obtaining debt financing and has a direct impact on the demand for housing among individual clients.

- **SITUATION ON FINANCIAL MARKETS**

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

In connection with the war in Ukraine and the sanctions introduced against the Russian Federation, a great deal of uncertainty has arisen on the financial markets, which may contribute to an imbalance. This can translate into a reduction in the availability of funding sources and an increase in the cost of debt financing obtained. Such a situation may have a negative impact on the acquisition by individual clients of mortgage bank loans, which may have a direct impact on the decrease in demand for flats among individual customers.

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

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

Since 29 May 2020 to 6 October 2021, the reference rate was 0,1%. On 7 October 2021, the Monetary Policy Council of the NBP started the process of systematically increasing the reference rate. Consequently, at the end of 2021, the reference rate was 1.75%, and from 9 March 2022, the rate was 3.5%.

- **GOVERNMENTAL POLICY SUPPORTING CONSTRUCTION INDUSTRY**

In 2019, the government implemented a new package of solutions - Apartment Plus - divided into two pillars, i.e., market and social. The market pillar enables people with moderate incomes who are not creditworthy to rent an apartment with the option of owning the apartment. The second pillar is the housing segment for the average and lowest earners who can use flats on a lease basis, after fulfilling the criterion of low income per family member and unmet housing needs. This did not cause a significant weakening of the demand for housing offered by the CPD Group and did not negatively affect the recorded sale of apartments offered by the CPD Group in 2021.

- **ADMINISTRATIVE DECISIONS CONCERNING THE HELD LANDS**

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

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

11. OVERVIEW OF BASIC ECONOMIC AND FINANCIAL INFORMATION

Description of the financial results for the period of 12 months from 1 January to 31 December 2021

Selected items of the consolidated statement of comprehensive income

	12 months period		
	From 01.01.2021 to 31.12.2021 (PLN thous.)	From 01.01.2020 to 31.12.2020 (PLN thous.)	*Change* (%)
Revenue	19 080	18 559	*2,8%*
Cost of sales	-3 022	-3 131	*-3,5%*
Sales profit	**16 058**	**15 428**	**4,1%**
Administrative expenses - property related	*-10 715*	*-11 926*	*-10,2%*
Other administrative expenses	*-6 441*	*-6 578*	*-2,1%*
Selling and marketing costs	*-303*	*-270*	*12,2%*
Gain (loss) on disposal of investment properties	*827*	*165*	*401,2%*
Other income	*3 483*	*2 811*	*23,9%*
Gain (loss) on revaluation of investment properties	*3 699*	*15 921*	*-76,8%*
Gain (loss) on revaluation of assets held for sale	*293*	*-116*	
Gain (loss) on disposal of subsidiaries	*-40*	*0*	
Post-tax share of the profit or loss of the joint-venture accounted for using the equity method	*27 005*	*19 735*	*36,8%*
Impairment of receivables	*859*	*46*	*1767,4%*
Profit from operations	**34 725**	**35 216**	**-1,4%**
Finance income	794	1 387	*-42,8%*
Finance costs	-3 736	-12 741	*-70,7%*
Profit/loss before tax	**31 783**	**23 862**	**33,2%**
Income tax	-610	-7 555	*-91,9%*
Profit/loss for the period	**31 173**	**16 307**	**91,2%**

In 2021, the CPD SA Group generated a profit before tax of PLN 31.78 million. Profit before tax increased by PLN 7.92 million compared to the corresponding period in 2020. The net profit increased by PLN 14.87 million.

In 2021, four main factors could be distinguished that had a positive impact on the financial results of the CPD Group compared to the corresponding period of 2020. Financial costs decreased by PLN 9.01 million. Additionally, the share in the profit of joint ventures amounted to PLN 27.01 million and was higher by PLN 7.27 million. Moreover, the administrative costs of property maintenance decreased by PLN 1.21 million. It should also be emphasized that the sales result increased by PLN 0.63 million.

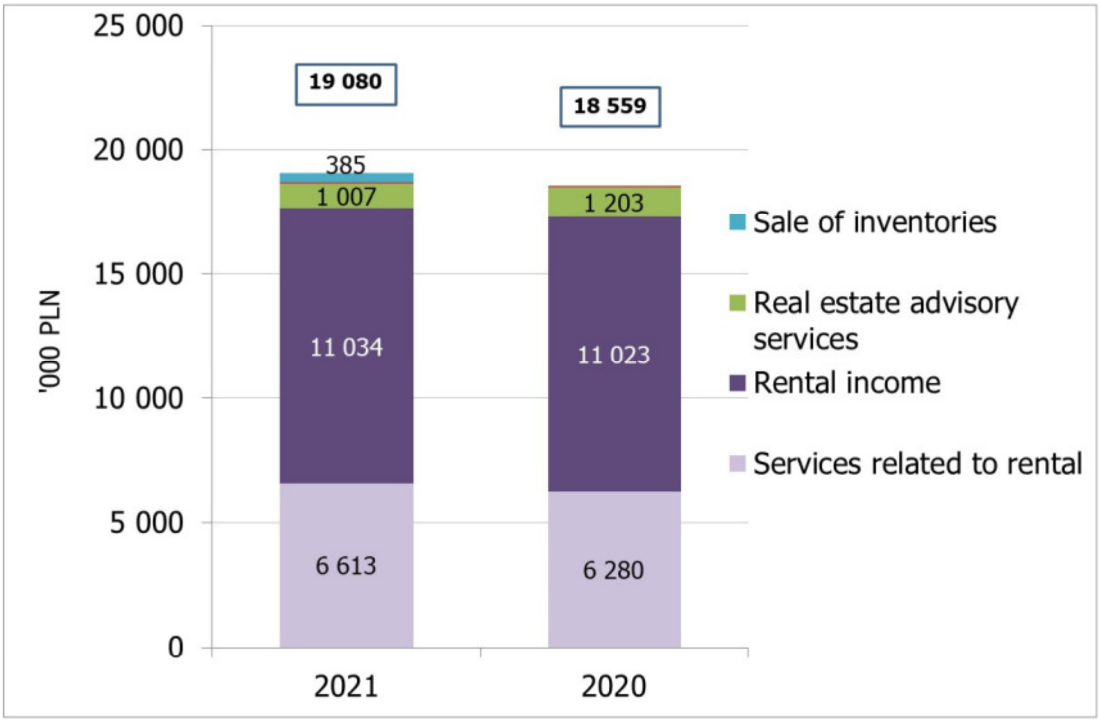
The financial costs decreased because there were no unfavourable exchange differences in 2021, while in the corresponding period of 2020, the unfavourable exchange differences amounted to PLN 7.88 million. The share in the profit of joint ventures resulted from the fact that the special-purpose companies responsible for the Ursa Home and Ursa Sky projects transferred a considerable number of apartments to buyers in 2021. The decrease in the administrative costs of real estate maintenance was the result of lower employee costs and lower costs of perpetual usufruct. Profit on sales increased thanks to higher sales revenues and lower cost of sales.

On the other hand, the lower profit on the valuation of investment properties in the amount of PLN 3.7 million was the main factor that adversely affected the financial results of the CPD Group in 2021 compared to the corresponding period of 2020, when the discussed profit amounted to PLN 15.92 million. The decrease in profit on the valuation amounted to PLN 12.22 million compared to 2020. This profit was a consequence of, inter alia, the revaluation of the perpetual usufruct right to educational plots belonging to the Group in accordance with the signed agreement for the sale of this right for the total price of PLN 2.5 million. The carrying value of these plots at the end of 2020 was zero, and at the end of 2021, PLN 2.5 million.

The table below presents selected items of the consolidated statement of comprehensive income converted into euro. The numbers for 2021 were converted using the weighted average exchange rate of the National Bank of Poland for this period, i.e., 4.5674. The numbers for 2020 have been converted using the weighted average exchange rate of the National Bank of Poland for this period, i.e., 4.4448.

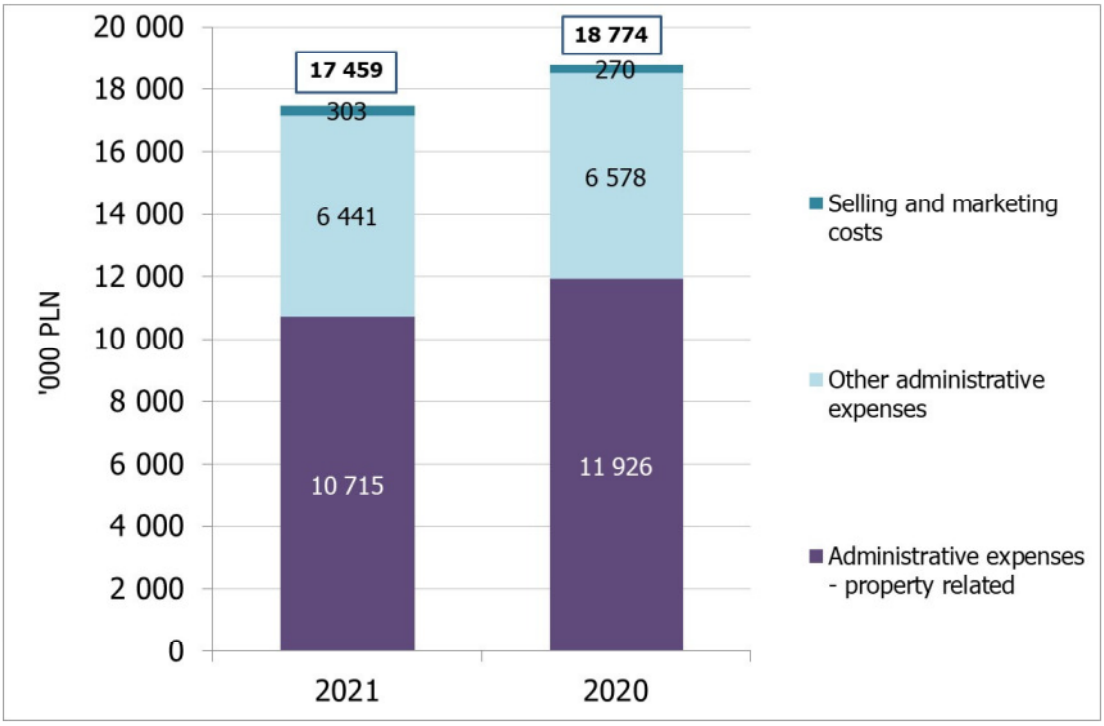
	12 months period		
	From 01.01.2021 to 31.12.2021 (EUR thous.)	From 01.01.2020 to 31.12.2020 (EUR thous.)	*Change (%)*
Revenue	4 177	4 175	*0,0%*
Cost of sales	-662	-704	*-6,1%*
Sales profit	**3 516**	**3 471**	**1,3%**
Administrative expenses - property related	*-2 346*	*-2 683*	*-12,6%*
Other administrative expenses	*-1 410*	*-1 480*	*-4,7%*
Selling and marketing costs	*-66*	*-61*	*9,2%*
Gain (loss) on disposal of investment properties	*181*	*37*	*387,8%*
Other income	*763*	*632*	*20,6%*
Gain (loss) on revaluation of investment properties	*810*	*3 582*	*-77,4%*
Gain (loss) on revaluation of assets held for sale	*64*	*-26*	
Gain (loss) on disposal of subsidiaries	*-9*	*0*	
Post-tax share of the profit or loss of the joint-venture accounted for using the equity method	*5 913*	*4 440*	*33,2%*
Impairment of receivables	*188*	*10*	*1717,3%*
Profit from operations	**7 603**	**7 923**	**-4,0%**
Finance income	174	312	*-44,3%*
Finance costs	-818	-2 866	*-71,5%*
Profit/loss before tax	**6 959**	**5 369**	**29,6%**
Income tax	-134	-1 700	*-92,1%*
Profit/loss for the period	**6 825**	**3 669**	**86,0%**

The chart below shows the structure of revenues generated in 2021 and 2020



Revenues slightly increased compared to the corresponding period of 2020, among others, due to the sale of inventories.

The chart below shows the structure of operating costs incurred in 2021 and 2020



Total operating costs decreased due to, inter alia, lower staff costs and costs of perpetual usufruct

Selected items of the consolidated statement of financial position

	As at:		Change
	2021-12-31 (PLN thous.)	2020-12-31 (PLN thous.)	(%)
TOTAL ASSETS	**275 322**	**472 346**	***-41,7%***
Non-current assets, including:	**181 654**	**193 314**	***-6,0%***
Investment properties	*167 667*	*165 618*	*1,2%*
Investments in joint ventures accounted for using the equity method	*12 795*	*27 221*	*-53,0%*
Current assets, including:	**93 668**	**279 032**	***-66,4%***
Assets held for sale	*4 744*	*85 250*	*-94,4%*
Inventory	*3 887*	*3 601*	*7,9%*
Trade and other receivables	*3 264*	*20 035*	*-83,7%*
Cash and cash equivalents	*81 773*	*170 146*	*-51,9%*
TOTAL EQUITY AND LIABILITIES	**275 322**	**472 346**	***-41,7%***
Equity, including:	**144 663**	**285 048**	***-49,2%***
Share capital	*2 637*	*2 637*	*0,0%*
Reserve capital	*987*	*987*	*0,0%*
Own shares for redemption	*-288 973*	*-117 396*	*146,2%*
Fair value of capital element at inception date	*-27 909*	*-27 909*	*0,0%*
Translation reserve	*-6 243*	*-6 262*	*-0,3%*
Retained earnings	*464 164*	*432 991*	*7,2%*
Total liabilities, including:	**130 659**	**187 298**	***-30,2%***
Non-current liabilities	*74 412*	*27 626*	*169,4%*
Current liabilities	*56 247*	*159 672*	*-64,8%*

At the end of December 2021, the value of assets was lower by 41.7% compared to the end of December 2020.

The value of investment properties did not change much in 2021.

The value of investments in joint ventures decreased by 53% because of the implementation of part of the project in 2021 and the CPD Group received PLN 15.07 million from the special purpose vehicle responsible for the implementation of the joint venture as a return of the contribution.

The value of current assets decreased by 66.4% due to the purchase of treasury shares in the amount of PLN 171.58 million and the payment of income tax by the CPD Group in the amount of PLN 5.73 million.

At the end of December 2021, the value of equity amounted to PLN 144.66 million, which accounted for 52.5% of total assets. The value of total liabilities accounted for 47.5% of total assets. These indicators have changed significantly compared to the end of December 2020, when they amounted to 60.3% and 39.7%, respectively.

The value of total liabilities decreased by 30.2% (PLN 56.64 million), among others, due to a decrease in the balance of VAT and other tax liabilities by PLN 12.03 million, a decrease in the balance of accruals and accruals of PLN 17,93 million, a decrease in the balance of advances received by PLN 3.97 million, a decrease in the balance of deferred income tax liabilities by PLN 5.12 million, a decrease in the balance of liabilities due to credits and loans (including leasing) by the amount of 12.44 PLN million, a PLN 3.84 million lower balance of liabilities related to assets held for sale and a decrease in trade liabilities by PLN 1.23 million.

The table below presents selected items of the consolidated statement of financial position converted into euro. Figures for 31 December 2021 have been converted using the NBP exchange rate as of 31 December 2021, i.e., 4.5994. Figures for 31 December 2020 have been converted using the NBP exchange rate as of 31 December 2020, i.e., 4.6148.

	As at:		*Change*
	2021-12-31 (EUR thous.)	2020-12-31 (EUR thous.)	*(%)*
TOTAL ASSETS	**59 860**	**102 355**	***-41,5%***
Non-current assets, including:	**39 495**	**41 890**	***-5,7%***
Investment properties	*36 454*	*35 888*	*1,6%*
Investments in joint ventures accounted for using the equity method	*2 782*	*5 899*	*-52,8%*
Current assets, including:	**20 365**	**60 465**	***-66,3%***
Assets held for sale	*1 031*	*18 473*	*-94,4%*
Inventory	*845*	*780*	*8,3%*
Trade and other receivables	*710*	*4 341*	*-83,7%*
Cash and cash equivalents	*17 779*	*36 870*	*-51,8%*
TOTAL EQUITY AND LIABILITIES	**59 860**	**102 355**	***-41,5%***
Equity, including:	**31 453**	**61 768**	***-49,1%***
Share capital	*573*	*571*	*0,3%*
Reserve capital	*215*	*214*	*0,3%*
Own shares for redemption	*-62 828*	*-25 439*	*147,0%*
Fair value of capital element at inception date	*-6 068*	*-6 048*	*0,3%*
Translation reserve	*-1 357*	*-1 357*	*0,0%*
Retained earnings	*100 918*	*93 827*	*7,6%*
Total liabilities, including:	**28 408**	**40 586**	***-30,0%***
Non-current liabilities	*16 179*	*5 986*	*170,3%*
Current liabilities	*12 229*	*34 600*	*-64,7%*

The table below presents the structure of liabilities at the end of December 2021 and December 2020

	2021-12-31	2020-12-31
Liabilities to total assets	**47,5%**	**39,7%**
Non-current liabilities to total assets	**27,0%**	**5,8%**
Borrowings including leases	20,9%	1,2%
Deferred income tax liabilities	5,2%	4,1%
Trade and other payables	1,0%	0,6%
Current liabilities to total assets	**20,4%**	**33,8%**
Borrowings including leases	13,6%	21,6%
Trade and other payables	6,1%	11,0%
Payables linked to assets held for sale	0,8%	1,3%

The structure of commitments changed significantly in 2021. The share of long-term liabilities in the balance sheet total increased from 5.8% at the end of December 2020 to 27.0% at the end of December 2021. The share of short-term liabilities in the balance sheet total fell from 33.8% to 20.4%. The above change resulted from the signing on May 28, 2021, by the Issuer's subsidiary Belise Investments Sp. z o.o. of Annex 7 to the loan agreement of August 12,2011 concluded with Santander Bank Polska S.A., under which the Investment Loan in the amount of EUR 12,523,500 was refinanced. Since the final repayment of the loan will take place no later than May 30, 2026, this liability has been reclassified from short-term liabilities to long-term liabilities.

At the end of December 2021, long-term liabilities accounted for 57% of total liabilities, while at the end of December 2020 this share was 15%.

The table below shows the value of consolidated net asset value (NAV) per share for each year in which a share buyback took place.

No	Date of share buyback	No. of shares in buyback	Price per share	Amount distributed to shareholders	Consolidated NAV per share at year end
1	2013-04-15	1 732 394	7,10	12 299 997	9,52
2	2017-10-26	1 401 792	12,27	17 199 988	12,43
3	2018-06-20	11 581 100	12,34	142 910 774	12,40
4	2019-03-22	3 305 886	13,01	43 009 577	14,91
5	2020-03-26	614 385	5,00	3 071 925	16,13
6	2020-06-25	4 779 565	14,92	71 311 110	16,13
7	2021-08-03	8 705 110	19,71	171 577 718	16,13
Total		**32 120 232**	**14,36**	**461 381 089**	

12. RISK FACTORS AND THREATS

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

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

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

At the end of 2019, China reported the first cases of SARS-CoV-2 coronavirus infection that caused COVID-19. Currently, the COVID-19 pandemic is evolving rapidly, and statistics on epidemiological changes are the basis for decision making. 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 a number of 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 RELATING TO THE MACROECONOMIC SITUATION ON THE MARKETS, ON WHICH THE COMPANY AND ITS GROUP OPERATES**

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

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

- **REGULATORY RISK**

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

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

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

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

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

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

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

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

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

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

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

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

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

- **RISK RELATING TO COMPETITION**

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

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

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

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

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

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

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

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

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

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

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

- **RISK RELATING TO UNFAVOURABLE SOIL CONDITIONS**

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

- **RISK RELATING TO UNFAVOURABLE WEATHER CONDITIONS**

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

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

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

- **Risk relating to legal defects in the real estates and the risk of expropriation**

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

- **Risk relating to environmental responsibility**

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

- **Risk relating to contracts concluded with contractors and subcontractors of construction works**

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

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

- **Risk relating to lease agreements**

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

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

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

- **RISK RELATING TO THE MANAGERIAL STAFF**

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

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

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

- **FOREIGN EXCHANGE RISK**

CPD Group's debt denominated in foreign currencies on 31 December 2021 amounted to equivalent of PLN 89,3 million. In view of the above, the Company and the Group are exposed to the risk of depreciation of zloty against the currencies, in which they incurred loans, which could adversely affect the Company's financial position. This risk is partly compensated by the fact that proceeds from rental and sale of office projects are settled in foreign currencies.

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

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

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

13. 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.

14. THE ISSUER'S ORGANIZATIONAL OR CAPITAL RELATIONSHIPS

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

15. SIGNIFICANT AGREEMENTS

In the fiscal 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.

16. SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES

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

17. LOAN AND BORROWING AGREEMENTS, SURETIES AND GUARANTEES

As at the balance sheet date, commitments resulting from contracts were implemented as described below:

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

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

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

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

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

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

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

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

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

  1) a joint mortgage up to the amount of EUR 11,700,000 established on,

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

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

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

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

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

- As of the downturn in the rental of office space in Mokotów in 2017, Lakia Investments reported failure to meet one of the financial covenants agreed in the loan agreement, which gives the bank the right to demand repayment of the total amount of debt. Until the date of these consolidated financial statements, the bank has not issued such a request. One of the workable solutions considered is partial repayment of the debt to the level guaranteeing compliance with the financial covenants agreed in the loan agreement. The entire value of the Lakia Investments loan (zł 18 974 thousand) was disclosed as a current liability.

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

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

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

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

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

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

  Other essential provisions resulting from the Agreement remained unchanged.

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

  28 May 2021, the Issuer's subsidiary Belise Investments sp. z o.o. signed Annex 7 to the loan agreement of 12 August 2011 concluded with Santander Bank Polska S.A., under which the Investment Loan in the amount of EUR 12,523,500 was refinanced. The final repayment of the loan will take place no later than 30 May 2026.

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

  As of 31 December 2021, the balance of the guaranteed loan was EUR 12,147,795.

  The surety period ends on the date on which Bank Santander deems the secured receivables to be irrevocably, unconditionally, and fully repaid and satisfied, but in any case, no later than 31 May 2029.

  CPD SA's remuneration for the granted surety amounts to 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. As at the date of publication of this report, the debt of the jointly controlled company Ursa Sky Smart City Sp. z o.o. Sp. k. towards Bank Millennium SA has been fully repaid.

18. ISSUES OF SECURITIES, ACQUISITION OF OWN SHARES

➢ 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 – 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 conducting 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).

19. DESCRIPTION OF DIFFERENCES IN FORECAST FINANCIAL RESULTS

CPD Group and its dominant entity did not publish financial result forecasts for the year 2021.

20. FINANCIAL RESOURCES MANAGEMENT ASSESSMENT

The CPD Group finances its operations with equity and external capitals. Equity as at the balance sheet date constituted 53% of the total balance sheet of the Group and was the main source of financing the Group's operating activities. In the fiscal year 2021, the Group's financial resources were used in accordance with plans, purpose, and current needs. The Group yearly met its obligations to counterparties, banks, and obligatory charges to the State. Financial flows are monitored on an ongoing basis, which allows for safe management of the Group's finances. Additionally, in the long-term projection of cash flows, provisions for various risks have been created, which means that liabilities constituting 47% of the total balance sheet of the Group do not pose a threat to the liquidity of the Group.

The supplementary source of financing the CPD Group's operations are loans and borrowings. At the end of 2021, the total value of liabilities due to loans and borrowings, including leasing, was PLN 97 million compared to PLN 113 million at the end of 2020. Among its loan and borrowing liabilities, the CPD Group also recognizes liabilities due to lease, which is the capitalized liability of the Group for perpetual usufruct of land. At the end of 2021, these liabilities amounted to PLN 7,8 million, which accounted for approximately 8% of the total amount of liabilities under loans and borrowings, including leasing.

21. CHANGES IN MANAGEMENT POLICIES

Except changes in the Group's structure in 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.

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

- **SUPERVISORY 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, 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	
RAZEM		**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
Andrew Pegge	Member	PLN	40 834	01.2021 - 12.2021	-
Mirosław Gronicki	President	PLN	40 834	01.2021- 12.2021	-
Alfonso Kalinauskas	President	PLN	60 000	01.2021 - 10.2021	resignation
Krzysztof Laskowski	Member	PLN	0	11.2021.-12.2021	
RAZEM		**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**		

23. AGREEMENTS WITH MEMBERS OF THE MANAGEMENT BOARD – COMPENSATIONS

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

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

The following table presents the number of shares of the Company owned by the members of the Management Board holding their function on 31 December 2021, 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.

25. AGREEMENTS CHANGING 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.

26. CONTROL SYSTEM FOR EMPLOYEE SHARES SCHEMES

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

27. AGREEMENT WITH AN ENTITY AUTHORISED TO AUDIT FINANCIAL STATEMENTS

On 15 September 2020, the Supervisory Board of the Company, after hearing the recommendation of the Company's Audit Committee, adopted a resolution on selection of Grant Thornton Polska sp. z o.o. sp. k. with its registered office in Poznań, at ul. Abpa Antoniego Baraniaka 88 E, entered 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 fiscal year ended 31 December 2020,
- audit of the stand-alone financial statements of CPD S.A. for the fiscal 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 fiscal year ended 31 December 2021,
- audit of the stand-alone financial statements of CPD S.A. for the fiscal 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 fiscal year ended 31 December 2022,
- auditing the separate financial statements of CPD S.A. for the fiscal 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 conduct the work indicated therein.

Main assumptions of the policy of selecting an audit company

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

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

Main assumptions of the Policy of providing by the audit company

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

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

In 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 166.000 net, of which:

- PLN 65,000 was the remuneration for reviewing the financial statements of CPD S.A. and the consolidated financial statements of the Capital Group for the period from 1 January 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);
- PLN 16,000 was the remuneration for auditing the financial statements of Challange Eighteen sp. z o.o. for the period from 1 January 2021 to 31 December 2021;

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

28. STRUCTURE OF ASSETS AND LIABILITIES – BY LIQUIDITY

The structure of CPD Group's assets as of 31 December 2021 and changes from the end of 2020:

	As at:				Change
	2021-12-31 (PLN thous.)	2020-12-31 (PLN thous.)	% in total assets 2021	% in total assets 2020	2021/2020 (%)
Investment properties	167 667	165 618	60,9%	35,1%	*1,2%*
Property, plant and equipment	103	212	0,04%	0,04%	*-51,4%*
Investments in joint ventures accounted for using the equity method	12 795	27 221	4,6%	5,8%	*-53,0%*
Long-term financial assets in other entities	595	0	0,22%	0,00%	-
Long-term receivables	494	263	0,18%	0,06%	*87,8%*
Non-current assets	**181 654**	**193 314**	**66,0%**	**40,9%**	***-6,0%***
Inventories	3 887	3 601	1,4%	0,8%	*7,9%*
Trade and other receivables	3 264	20 035	1,2%	4,2%	*-83,7%*
Cash and cash equivalents	81 773	170 146	29,7%	36,0%	*-51,9%*
Assets held for sale	4 744	85 250	1,7%	18,0%	*-94,4%*
Current assets	**93 668**	**279 032**	**34,0%**	**59,1%**	***-66,4%***
TOTAL ASSETS	**275 322**	**472 346**	**100%**	**100%**	***-41,7%***

	As at: 2021-12-31 (PLN thous.)	2020-12-31 (PLN thous.)	% in total assets 2021	% in total assets 2020	Change 2021/2020 (%)
Share capital	2 637	2 637	1,0%	0,6%	*0,0%*
Other reserves	987	987	0,4%	0,2%	*0,0%*
Fair value of capital element at inception date	-27 909	-27 909	-10,1%	-5,9%	*0,0%*
Translation reserve	-6 243	-6 262	-2,3%	-1,3%	*-0,3%*
Own shares repurchased in order to be cancelled	-288 973	-117 396	-105,0%	-24,9%	*146,2%*
Retained earnings	464 164	432 991	168,6%	91,7%	*7,2%*
Equity	**144 663**	**285 048**	**52,5%**	**60,3%**	***-49,2%***
Trade and other payables	2 629	2 820	1,0%	0,6%	*-6,8%*
Borrowings, including finance leases	57 551	5 454	20,9%	1,2%	*955,2%*
Deferred income tax liabilities	14 232	19 352	5,2%	4,1%	*-26,5%*
Non-current liabilities	**74 412**	**27 626**	**27,0%**	**5,8%**	***169,4%***
Trade and other payables	16 694	51 740	*6,1%*	11,0%	*-67,7%*
Borrowings, including finance leases	37 309	101 847	*13,6%*	21,6%	*-63,4%*
Liabilities related to assets held for sale	2 244	6 085	*0,8%*	1,3%	*-63,1%*
Current liabilities	**56 247**	**159 672**	**20,4%**	**33,8%**	***-64,8%***
Total liabilities	**130 659**	**187 298**	**47,5%**	**39,7%**	***-30,2%***
TOTAL EQUITY AND LIABILITIES	**275 322**	**472 346**	**100,0%**	**100,0%**	***-41,7%***

29. CONTINGENT LIABILITIES

Did not occur.

30. 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. confirms that according to its best knowledge the consolidated financial statements of the CPD Capital Group for the financial year ending on 31 December 2021 and all comparative figures were prepared in accordance with the applicable accounting principles and give a true, fair and clear financial and assets situation of the Capital Group and its financial results, and that the Capital Group's annual activity report includes the true picture of the Capital Group's development, achievements and situation, including threats and risks.

The Management Board of CPD S.A. confirms that the entity authorized to audit the annual consolidated financial statements and auditing the annual consolidated financial statements was selected in accordance with the law, and that both the entity and the chartered auditors carrying out the audit met the conditions for issuing an impartial and independent opinion on the audited annual consolidated financial statements, in accordance with the applicable regulations and professional standards. In 2021 the financial statements of CPD S.A. and the Group were reviewed and audited by Grant Thornton Polska Sp. z o.o. sp. k., an audit company with the corporate seat in Warsaw.

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

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

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

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

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

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

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

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

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

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

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

ANDREW PEGGE
CHAIRMAN OF THE SUPERVISORY BOARD

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 CAPITAL GROUP AND CPD S.A. AND INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS

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

according to the assessment made by the Supervisory Board of CPD S.A., the report of the Management Board on the activities of the CPD Capital Group and CPD S.A. for 2021 and the individual and consolidated financial statements for the period from 1st of January 2021 to 31st of 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 fiscal year, in terms of their compliance with the books and documents, as well as the actual state. The Management Board of the Company is responsible for preparing the financial statements of CPD S.A. and the report of the Management Board on the activities of the CPD S.A. and CPD Capital Group. The Management Board of the parent company is responsible for the preparation of the consolidated financial statements of the CPD Capital Group in accordance with the International Financial Reporting Standards approved by the European Union and other applicable laws. Based on Article 4a of the Act of 29 September 1994 on Accounting (Journal of Laws of 2018, item 395, as amended), the Supervisory Board together with the Management Board are obliged to ensure that the above-mentioned reports met the requirements provided for in the Accounting Act, executive regulations and other applicable legal provisions issued under this Act. The Supervisory Board of CPD S.A., acting under the Statute and the Supervisory Board By-laws, selected Grant Thornton Polska sp. o.o. sp. k. as the audit company to audit the annual financial statements of CPD S.A. and the annual consolidated financial statements of the CPD S.A. Capital Group.

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

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

1) the financial statements of CPD S.A. for the year ended on 31 December 2021, including:

   a) the 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,

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

   e) the statement of cash flows for the period from 1 January 2021 to 31 December 2021,

   f) the explanatory notes to the financial statements for the year ended 31 December 2021.

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

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

   a) the 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,

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

   f) the 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 the CPD Capital Group and CPD S.A. for 2021 together with the report on non-financial data of the 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 Capital Group and CPD S.A. and the individual and consolidated financial statements in terms of compliance of their contents with the books, documents, and actual status.

ANDREW PEGGE
PRESIDENT OF THE SUPERVISORY BOARD

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 CHARTERED AUDITOR'S REPORT

Grant Thornton

Independent Auditor's Report on Annual Consolidated Financial Statements

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

Report on the Annual Consolidated Financial Statements

Opinion

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

In our opinion, the accompanying annual consolidated financial statements:

- give a true and fair view of the financial position of the Group as of December 31, 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),
- comply with the laws affecting the content and form of the annual consolidated financial statements and the provisions of the Parent's articles of association.

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

Basis for Opinion

We conducted our audit in accordance with

- the Act of May 11, 2017 on statutory auditors, audit firms, and public supervision (uniform text: Journal of Laws of 2020, item 1415, 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 Consolidated Financial Statements* section of our report.
We are independent of the entities comprising the Group in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants* (including *International Independence Standards*) (IESBA Code) adopted by the National Council of Statutory Auditors' resolution No. 3431/52a/2019 of March 25, 2019 together with the ethical requirements that are relevant to our audit of the financial statements in Poland. In particular, in conducting the audit the Key Audit Partner and the Audit Firm remained independent of the entities comprising the Group in accordance with the provisions of the Act on Statutory Auditors and the Regulation 537/2014. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Key Audit Matters

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

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

Emphasis of Matter - Subsequent events

We draw your attention to the note 33 of the annual consolidated financial statements in which Management Board described the preliminary sales agreement of the office property. Our opinion is not modified in this respect.

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the annual consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board of the Parent.
- Conclude on the appropriateness of the Management Board of the Parent's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual consolidated financial statements, including the disclosures, and whether the annual consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the annual consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Other Information including the Report on the Group's operations

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

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

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

Responsibilities of the Auditor

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

Opinion on the Report on the Group's operations

In our opinion, the Report on the Group's operations has been prepared in accordance with the applicable legal regulations, i.e. Article 55 clause 2a of the Accounting Act and Paragraph 71 of the Regulation of the Minister of Finance of March 29, 2018 on current and periodic information disclosed by issuers of securities and the conditions for recognition as equivalent of the information required by law of a non-member state (Journal of Laws of 2018, item 757) (the Regulation on current and periodic information), and information included therein is consistent with the accompanying annual consolidated financial statements. Moreover, taking into account our knowledge of the Group and its environment obtained during the audit of the annual consolidated financial statements, we state that we have not identified any material misstatements in the Report on the Group's operations.

Opinion on the Corporate Governance Statement

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

Report on Other Legal and Regulatory Requirements

Opinion on the compliance of marking up of the consolidated financial statements prepared in a single electronic reporting format with the requirements of the regulation on technical standards on the specification of a single electronic reporting format

In connection with the audit of the annual consolidated financial statements, we have been engaged to perform a reasonable assurance engagement to express an opinion on whether the annual consolidated financial statements of the Group as at and for the year ended December 31, 2021, prepared in a single electronic reporting format contained in the file named *cpd_2021-12-31_pl* (consolidated financial statements in the ESEF format) have been marked up in accordance with the requirements set out in the Commission Delegated Regulation (EU) 2019/815 of December 17, 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (ESEF Regulation).

Identification of the criteria and description of the subject matter of the engagement

The consolidated financial statements in the ESEF format were prepared by the Management Board of the Parent in order to meet the marking requirements and technical requirements for the specification of a single electronic reporting format, as set out in the ESEF Regulation.

The subject matter of our assurance engagement is to verify the compliance of marking up of the consolidated financial statements in the ESEF format with the requirements of the ESEF Regulation, and we believe that the requirements set out in the regulations form appropriate criteria for expressing our opinion.

Responsibility of the Parent's Management Board and Supervisory Board

The preparation of consolidated financial statements in the ESEF format in accordance with the marking requirements and technical requirements for the specification of a single electronic reporting format, as set out in the ESEF Regulation, is the responsibility of the Parent's Management Board. The responsibility includes the selection and application of appropriate XBRL markups with the use of the taxonomy defined in those regulations.
The responsibility of the Parent's Management Board also includes the design, implementation and maintenance of an internal control system to ensure the preparation of consolidated financial statements in the ESEF format free from material non-conformities with the requirements of the ESEF Regulation.
Members of the Parent's Supervisory Board are responsible for overseeing the financial reporting process, including the preparation of financial statements in accordance with the format resulting from applicable laws.

Auditor's Responsibility

Our objective was to express an opinion, on the basis of a reasonable assurance engagement, whether the consolidated financial statements in the ESEF format have been marked up in accordance with the requirements of the ESEF Regulation.
We performed the engagement in accordance with National Standard for Assurance Engagements other than Audits or Reviews 3001PL *Audit of Financial Statements Prepared in a Single Electronic Reporting Format*, which was adopted by resolution of the National Council of Statutory Auditors No. 1975/32a/2021 of December 17, 2021 (NSAE 3001PL) and, where relevant, in accordance with National Standard for Assurance Engagements other than Audits or Reviews 3000 (R) in the wording of International Standard on Assurance Engagements (ISAE) 3000 (revised) *Assurance Engagements other than Audits or Reviews of Historical Financial Information*, which was adopted by resolution of the National Council of Statutory Auditors No. 3436/52e/2019 of 8 April 8, 2019, as amended (NSAE 3000 (R)).
The standard imposes on a statutory auditor an obligation to plan and perform procedures in such a manner as to obtain reasonable assurance that consolidated financial statements in the ESEF format have been prepared in accordance with the specified criteria. Reasonable assurance means a high level of assurance, but it does not guarantee that an engagement performed in accordance with NSAE 3001PL and, where relevant, in accordance with NSAE 3000 (R), would always detect an existing material misstatement.
The selection of the procedure depends on the statutory auditor's judgement, including their estimation of the risks of material misstatement, whether due to fraud or error. When assessing the risk, the statutory auditor considers internal control associated with the preparation of consolidated financial statements in the ESEF format in order to plan the relevant procedures which are to provide the auditor with sufficient and appropriate evidence. The assessment of the functioning of the internal control system was not conducted for the purpose of expressing an opinion on the effectiveness of its functioning.

Summary of the work performed

The procedures planned and performed by us included, among others:

- obtaining an understanding of the process of preparation of consolidated financial statements in the ESEF format, covering the process of the Parent's Management Board's selection and application of XBRL markups and ensuring compliance with the ESEF Regulation, including understanding of the internal control system mechanisms related to the process;
- reconciliation of the marked up information on a selected sample contained in the consolidated financial statements in the ESEF format with the audited annual consolidated financial statements;
- assessment of compliance with technical standards on the specification of a single electronic reporting format, including the application of the XHTML format, using specialist IT tools
- assessment of the completeness of marking of information in the consolidated financial statements in the ESEF format with XBRL markups;

- assessment whether the XBRL markups from the taxonomy defined in the ESEF Regulation have been properly applied and whether extension taxonomies have been used in situations where the core taxonomy specified in the ESEF Regulation has not identified the relevant elements;
- assessment whether the applied extension taxonomies have been properly anchored in the core taxonomy defined in the ESEF Regulation.

We believe that the evidence we have obtained provides sufficient and appropriate basis for us to express an opinion on the compliance of marking up with the requirements of ESEF Regulation.

Ethical requirements, including independence

In performing the engagement, the statutory auditor and the audit firm complied with the independence requirements and other ethical requirements set out in the IESBA Code. The IESBA Code is based on fundamental principles relating to integrity, objectivity, professional competencies and due diligence, confidentiality and professional conduct. We also complied with other independence and ethics requirements that apply to this assurance engagement in Poland.

Quality control requirements

The audit firm applies national quality control standards in the wording of the International Quality Control Standard 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements and Other Assurance and Related Services*, adopted by resolution of the National Council of Statutory Auditors No 2040/37a/2018 of March 3, 2018, as amended (NQCS).
In accordance with the NQCS requirements, the audit firm maintains a comprehensive quality control system that includes documented policies and procedures for compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Opinion on the compliance with the requirements of ESEF Regulation

The statutory auditor's opinion is based on the matters described above, therefore, the opinion should be read in consideration of these matters.
In our opinion, the consolidated financial statements in the ESEF format have been marked up, in all material respects, in accordance with the requirements of the ESEF Regulation.

Statement on non-audit services

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

Appointment of the Audit Firm

We were appointed to audit the annual consolidated financial statements of the Group for the years 2020 - 2022 by the Parent's Supervisory Board's resolution of September 15, 2020. We have been auditors of the Group since the financial year ended December 31, 2018, i.e. for 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. CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2021

CPD S.A.

Consolidated financial statements

for the year ended 31 December 2021

Consolidated financial statements

(All amounts in PLN thousand unless otherwise stated)

Consolidated statement of comprehensive income

	Note	12 months ended 31 December 2021	12 months ended 31 December 2020
Revenue	16	19 080	18 559
Cost of sales	17	(3 022)	(3 131)
GROSS PROFIT		16 058	15 428
Administrative expenses - property related	18	(10 715)	(11 926)
Administrative expenses - other	20	(6 441)	(6 578)
Selling and marketing expenses		(303)	(270)
Net gain (loss) on sale of investment property		827	165
Other income	19	3 483	2 811
Net gain from fair value adjustments of investment property		3 699	15 921
Post-tax share of the profit or loss of the joint-ventures accounted for using the equity method		27 005	19 735
Receivables valuation allowances		859	46
Net profit (loss) from assets held for sale valuation		293	(116)
Net gain (loss) on sale of subsidiaries	28	(40)	0
OPERATING PROFIT		34 725	35 216
Finance income	21	794	1 387
Finance costs	21	(3 736)	(12 741)
PROFIT BEFORE INCOME TAX		31 783	23 862
Income tax expense	22	(610)	(7 555)
PROFIT FROM CONTINUED OPERATIONS		31 173	16 307
Result of discontinued operations		0	0
PROFIT FOR THE YEAR		31 173	16 307
- attributable to the Group equity holders		*31 173*	*16 307*
- attributable to non controlling interest		*0*	*0*
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss upon condition		19	(731)
Other comprehensive income not to be reclassified to profit nor loss		0	0
Other comprehensive income		**19**	**(731)**
TOTAL COMPREHENSIVE INCOME		**31 192**	**15 576**
- attributable to the Group equity holders		*31 192*	*15 576*
- attributable to non controlling interest		*0*	*0*
BASIC EARNINGS PER SHARE (PLN)	30	**2,20**	**0,81**
- from continued operations		*2,20*	*0,81*
- from discontinued operations		*0,00*	*0,00*
DILUTED EARNINGS PER SHARE (PLN)	30	**2,20**	**0,81**
- from continued operations		*2,20*	*0,81*
- from discontinued operations		*0,00*	*0,00*

(All amounts in PLN thousand unless otherwise stated)

Consolidated statement of financial position

	Note	As at 31 December 2021	As at 31 December 2020
ASSETS			
Non-current assets			
Investment properties	5	167 667	165 618
Property, plant and equipment		103	212
Investments in joint ventures accounted for using the equity method	10	12 795	27 221
Long-term financial investments		595	0
Non-current receivables	7	494	263
Non-current assets		**181 654**	**193 314**
Current assets			
Inventory	8	3 887	3 601
Trade and other receivables	7	3 264	20 035
Cash and cash equivalents	9	81 773	170 146
Current assets excluding assets held for sale		**88 924**	**193 782**
Assets held for sale	28	4 744	85 250
Current assets		**93 668**	**279 032**
Total assets		**275 322**	**472 346**

(All amounts in PLN thousand unless otherwise stated)

Consolidated statement of financial position - cont.

	Note	As at 31 December 2021	As at 31 December 2020
EQUITY			
Capital and reserves attributable to the Group equity holders			
Share capital	11	2 637	2 637
Own shares for redemption		(288 973)	(117 396)
Other reserves		987	987
Embedded element at inception date	13	(27 909)	(27 909)
Translation reserve		(6 243)	(6 262)
Retained earnings/(accumulated losses)		464 164	432 991
Capital and reserves attributable to the Group equity holders		144 663	285 048
Non-controlling interest		0	0
Total equity		144 663	285 048
LIABILITIES			
Non-current liabilities			
Trade and other payables	12	2 629	2 820
Borrowings, including leases	13	57 551	5 454
Deferred income tax liabilities	15	14 232	19 352
Non-current liabilities		74 412	27 626
Current liabilities			
Trade and other payables	12	16 694	51 740
Borrowings, including leases	13	37 309	101 847
Current liabilities excluding liabilities directly associated with assets held for sale		54 003	153 587
Liabilities directly associated with assets held for sale	28	2 244	6 085
Current liabilities		56 247	159 672
Total liabilities		130 659	187 298
Total equity and liabilities		275 322	472 346

(All amounts in PLN thousand unless otherwise stated)

Consolidated statement of changes in equity

	Note	Share capital CPD S.A.	Embedded element at inception date	Own shares	Translation reserve	Reserve capital	Retained earnings	Capital and reserves attributable to the Group equity holders	Non-controlling interest	Total equity
Balance at 1 January 2021		**2 637**	**(27 909)**	**(117 396)**	**(6 262)**	**987**	**432 991**	**285 048**	**0**	**285 048**
Own shares acquired for redemption	11	0	0	(171 577)	0	0	0	(171 577)	0	(171 577)
Transactions with shareholders		0	0	(171 577)	0	0	0	(171 577)	0	(171 577)
Profit of the year		0	0	0	0	0	31 173	31 173	0	31 173
Currency translation differences		0	0	0	19	0	0	19	0	19
Total comprehensive income		0	0	0	19	0	31 173	31 192	0	31 192
Total changes in equity		0	0	(171 577)	19	0	31 173	(140 385)	0	(140 385)
Balance at 31 December 2021		**2 637**	**(27 909)**	**(288 973)**	**(6 243)**	**987**	**464 164**	**144 663**	**0**	**144 663**
Balance at 1 January 2020		**2 637**	**(27 909)**	**(43 010)**	**(5 531)**	**987**	**416 684**	**343 858**	**0**	**343 858**
Acquisition of own shares	11	0	0	(74 386)	0	0	0	(74 386)	0	(74 386)
Transactions with shareholders		0		(74 386)	0	0	0	(74 386)	0	(74 386)
Profit for the year		0	0	0	0	0	16 307	16 307	0	16 307
Currency translation differences		0	0	0	(731)	0	0	(731)	0	(731)
Total comprehensive income		0	0	0	(731)	0	16 307	15 576	0	15 576
Total changes in equity		0	0	(74 386)	(731)	0	16 307	(58 810)	0	(58 810)
Balance at 31 December 2020		**2 637**	**(27 909)**	**(117 396)**	**(6 262)**	**987**	**432 991**	**285 048**	**0**	**285 048**

(All amounts in PLN thousand unless otherwise stated)

Consolidated cash flow statement

	Note	12 months ended 31 December 2021	12 months ended 31 December 2020
Cash flows from operating activities			
Profit before income tax		31 783	23 862
Total operating activity adjustments		(29 103)	(40 783)
Basic cash generated from (used in) operations	24	2 680	(16 921)
Interest paid		(2 076)	(2 091)
Income tax paid		(5 730)	(5 648)
Net cash used in operating activities		(5 126)	(24 660)
Cash flows from investing activities			
Capital expenditure on investment property		(708)	(54)
Purchases of property, plant and equipment		(13)	0
Proceeds from sale of investment properties		76 311	93 574
Cash of joint venture transformed into subsidiary		143	0
Proceeds from withdrawal of contributions in joint ventures		15 069	57 318
Received dividends and profits in joint ventures		9 333	20 763
Interest received		0	441
Contributions to joint ventures		0	(36 912)
Net cash generated from investing activities		100 135	135 130
Cash flows from financing activities			
Acquisition of derivatives		(580)	0
Repayments of borrowings		(11 225)	(4 973)
Share redemption		(171 577)	(74 386)
Net cash used in financing activities		(183 382)	(79 359)
Total cash flow before exchange differences		(88 373)	31 111
Exchange differences		0	0
Net change in cash and cash equivalents		(88 373)	31 111
Cash and cash equivalents at beginning of the year		**170 146**	**139 035**
Cash and cash equivalents at end of the year		81 773	170 146

Additional notes and explanations to the consolidated financial statements

1 General information

1.1. Information about the parent entity

Name of the reporting entity: CPD SA Capital Group

Explanation of changes in the name of the reporting entity: CPD S.A. (the "Company", "CPD") was established on the basis of the Articles of Association on 23 February 2007 (as Celtic Development Corporation S.A., then on 22 February 2008 the Company changed its name to POEN S.A.). On 23 March 2007 District Court in Cracow, XI Business Department of the National Court Register entered the Company into the Register of Businesses with the KRS number 0000277147. The Company's shares are quoted on the Warsaw Stock Exchange. On 2 September 2010 the Extraordinary General Shareholder's Meeting adopted a resolution changing the Company's name from Poen S.A. to Celtic Property Developments S.A. On 29 May 2014 Extraordinary Shareholders Meeting resolved on 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.

Headquarters: Warsaw

Legal form: The parent of the Group has a form of joint-stock company.

Country of registration: Poland

Registered office: Cybernetyki 7B, 02-677 Warsaw

Principal place of running the business: headquarters of the parent entity

Principal scope of activity: The core business of CPD Group comprises:

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

Name of the parent entity: CPD Spółka Akcyjna

Name of the highest level parent entity: CPD Spółka Akcyjna

Other information:

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

(All amounts in PLN thousand unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

1.1. Information about the parent entity (cont.)

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

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

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

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

<u>Management Board:</u>	
Colin Kingsnorth	President of the Management Board
Elżbieta Donata Wiczkowska	Board Member
Iwona Makarewicz	Board Member
John Purcell	Board Member
<u>Supervisory Board:</u>	
Andrew Pegge	Chairman of the Supervisory Board
Wiesław Oleś	Secretary of the Supervisory Board
Mirosław Gronicki	Member of the Supervisory Board
Krzysztof Laskowski	Member of the Supervisory Board

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

Company	Country	No. of shares	% owned capital	% of voting rights
Meduvo Holding Ltd	Netherlands	2 133 604	8,09%	23,80%
Furseka Trading and Investments Ltd	Cyprus	2 063 234	7,82%	23,01%
Shareholders with stakes below 5%		4 769 347	18,09%	53,19%
		8 966 185	34,00%	100%
Own shares for redemption		17 404 946	66,00%	0%
Total		26 371 131	100%	100%

CPD SA, based on earlier decision of General Shareholders' Meeting, has been acquiring own shares in tranches, between 2019 and 2021.
As a consequence the Company has 17.404.946 own shares at the balance sheet date. The shares represent 66,00% of CPD SA share capital. However based on the relevant regulations the Company is prevented from executing voting rights from own shares.
On 18 October 2021 shareholders resolved on redemption of all the acquired own shares and resulting share capital reduction down to PLN 896,6 thousand. The equity reduction has been registered by the court subsequent to year end.

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

Additional notes and explanations to the consolidated financial statements

1.2. Information about Capital Group

As at balance sheet date CPD Group comprised CPD S.A. as a parent entity, 19 subsidiaries and 2 entities under common control.

Additional information concerning consolidated subsidiaries is included in Note 2.2.

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

The financial year of CPD and its entities is the calendar year.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

These consolidated financial statements of CPD S.A. were prepared as at 31 December 2021 and for the period since 1 January 2021 till 31 December 2021, while comparative data are for the period since 1 January 2020 till 31 December 2020.

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

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

New and amended standards and interpretations which came into force in 2021:

Amendments to **IFRS 9, IAS 39, IFRS 7, IFRS 4** and **IFRS 16 Interest Rate Benchmark Reform.**

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

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

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

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

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

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

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

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

Amendments to IAS 12 **Deferred Tax related to Assets and Liabilities arising from a Single Transaction -** issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023.

(All amounts in PLN thousand unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

2.1 Basis of preparation (cont.)

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

The abovementioned standards and their amendments do not relate to the activities of the Group or relate only remotely . As a result their adoption will not affect the consolidated financial statements of the Group significantly.

2.2 Consolidation

Subsidiaries are all entities (including special purpose entities) for which the Group has rights to variable returns from its involvement and has the ability to affect those returns through its power. Typically power results from a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible into shares are considered when assessing whether the Group controls an entity.

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

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

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

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

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

Jointly controlled entities are consolidated using the property rights method.

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

	Name	Country	Shareholder	31 December 2021	31 December 2020
1	Mandy Investments Sp. z o.o. w likwidacji	Poland	Lakia Enterprises Limited	100%	100%
2	Lakia Enterprises Limited	Cyprus	CPD S.A.	100%	100%
3	Lakia Investments Sp. z o.o.	Poland	Lakia Enterprises Limited	100%	100%
4	Celtic Asset Management Sp. z o.o.	Poland	CPD S.A.	100%	100%
5	Robin Investments Sp. z o.o.	Poland	Lakia Enterprises Limited	100%	100%

(All amounts in PLN thousand unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

2.2 Consolidation (cont.)

	Name	Country	Shareholder	31 December 2021	31 December 2020
6	IMES Poland Sp. z o.o.	Poland	CPD S.A.	0%	100%
7	Hub Developments Ltd Sp. z o.o.	Poland	Lakia Enterprises Limited	100%	100%
8	Elara Investments Sp. z o.o.	Poland	Lakia Enterprises Limited	100%	100%
9	Celtic Investments Limited	Cyprus	CPD S.A.	100%	100%
10	Gaston Investments Sp. z o.o.	Poland	Lakia Enterprises Limited	100%	100%
11	Challange Eighteen Sp. z o.o.	Poland	CPD S.A.	100%	100%
12	Celtic Trade Park Kft	Hungary	Lakia Enterprises Limited	100%	100%
13	Ursus Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o.	0%	49%
			Smart City Sp. z o.o.	0%	1%
			Antigo Investments Sp. z o.o.	99%	0%
			Gaston Investments Sp. z o.o.	1%	0%
14	2/124 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o.	0%	99%
			Antigo Investments Sp. z o.o.	99%	0%
			Gaston Investments Sp. z o.o.	1%	1%
15	3/93 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o.	0%	99%
			Gaston Investments Sp. z o.o.	0%	1%
16	Ursa Park Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o.	0%	49%
			Antigo Investments Sp. z o.o.	49%	0%
			Smart City Sp. z o.o.	1%	1%
17	5/92 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o.	0%	99%
			Gaston Investments Sp. z o.o.	0%	1%
18	6/150 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o.	0%	99%
			Gaston Investments Sp. z o.o.	0%	1%
19	7/120 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o.	0%	99%
			Gaston Investments Sp. z o.o.	0%	1%
20	12/132 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o.	0%	99%
			Gaston Investments Sp. z o.o.	0%	1%
21	13/155 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o.	0%	99%
			Gaston Investments Sp. z o.o.	0%	1%
22	16/88 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o.	0%	99%
			Gaston Investments Sp. z o.o.	0%	1%
23	18 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o.	0%	99%
			Antigo Investments Sp. z o.o.	99%	0%
			Gaston Investments Sp. z o.o.	1%	1%
24	19/97 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o.	0%	99%
			Gaston Investments Sp. z o.o.	0%	1%
25	20/140 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o.	99%	99%
			Gaston Investments Sp. z o.o.	1%	1%
26	Belise Investments Sp. z o.o.	Poland	Lakia Enterprises Limited	100%	100%
27	Antigo Investments Sp. z o.o.	Poland	CPD S.A.	100%	100%
28	Smart City Sp. z o.o.	Poland	Lakia Enterprises Limited	100%	100%
29	Ursus Development Sp. z o.o.	Poland	CPD S.A.	100%	100%
30	Ursa Sky Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	CPD S.A.	49%	49%
			Smart City Sp. z o.o.	1%	1%

Additional notes and explanations to the consolidated financial statements

2.3 Changes in the Group structure

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

On 29 April 2021CPD acquired 100% of Antigo Investments spółka z ograniczoną odpowiedzialnością shares from Lakia Enterprises Ltd.

On 29 April 2021 Smart City Spółka z ograniczoną odpowiedzialnością Sp.k. was renamed into Ursus Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp. k.

Moreover the process of liquidation of the company's structure for Ursus project has been started. During 2021 KRS cancelled 7/120 Gaston Investments spółka z ograniczoną odpowiedzialnością sp. k., 19/97 Gaston Investments spółka z ograniczoną odpowiedzialnością sp. k., 3/93 Gaston Investments spółka z ograniczoną odpowiedzialnością sp. k. and 5/92 Gaston Investments spółka z ograniczoną odpowiedzialnością sp. k., 12/132 Gaston Investments spółka z ograniczoną odpowiedzialnością sp. k. and 13/155 Gaston Investments spółka z ograniczoną odpowiedzialnością sp. k. from the entrepreneurs register. Moreover subsequent to the balance sheet date 20/140 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k. has been cancelled as well.

As continued internal restructuring Antigo investment Sp. z o.o. purchased limited partner's rights in 2/124 Gaston Investments spółka z ograniczoną odpowiedzialnością sp. k. and 18 Gaston Investments spółka z ograniczoną odpowiedzialnością sp. k.

On 1 October the Group has disposed IMES Poland Sp. z o.o. since the moment of disposal of its property the subsidiary did not run any operating activities.

2.4 Foreign currency translation

(a) Functional and presentation currency

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

(b) CPD Group Companies

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

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

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

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

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

2.5 Investment properties

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

2.5 Investment properties (cont.)

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

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

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

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

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

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

2.6 Property, plant and equipment

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

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

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

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

2.7 Leases

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

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

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

As at the commencement date, the Group measures the lease liability at the present value of the remaining lease payments using the lease interest rate, if it can be easily determined. Otherwise, the lessee's marginal interest rate applies. Lease payments included in the value of the lease liability consist of fixed lease payments, variable lease payments dependent on the index or rate, amounts expected as a guaranteed residual value and payments for call options if they are reasonably certain.

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

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

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

The lands perpetual usufruct rights are treated as leasing according to IFRS 16. The leasing period is assessed based on general principles, but possible disposal plan is not treated as an end of a lease contract. At the first application of IFRS 16 the Group decided to apply practical simplification and did not reassessed perpetual usufruct rights against the leasing criteria. As a result the accounting treatment of the perpetual usufruct rights acquired before 2019 remained unchanged, as previously applied Group policies were consistent with requirements of IFRS16.

2.8 Intangible assets, excluding goodwill

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

2.9 Goodwill

The rules for evaluating the goodwill at the moment of acquisition of subsidiary are presented in Note 2.2.

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

Additional notes and explanations to the consolidated financial statements

2.9 Goodwill (cont.)

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

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

2.10 Impairment of non-financial assets

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

2.11 Financial assets

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

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

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

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

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

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

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

2.12 Inventories

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

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

Additional notes and explanations to the consolidated financial statements

2.12 Inventories (cont.)

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

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

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

Project construction costs include:

a) land or leasehold rights for land,

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

c) planning and design costs,

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

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

f) construction overheads and other directly related costs.

2.13 Assets held for sale

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

The sale is determined to be highly probable if:

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

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

2.14 Equity

Share capital consists of ordinary shares presented at par value.

Own shares purchased with an intention of redemption are presented at acquisition cost as reduction of equity.

Resulting from issuance of bonds convertible into shares, embedded derivative has been recognised representing option of conversion at fixed ratio. Since all the convertible bonds were issued to the shareholders, day-one-loss resulting from a difference between derivatives fair value and the purchase price is reduces equity presented as "embedded element at inception date".

2.15 Trade payables

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

2.16 Borrowings

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

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

Additional notes and explanations to the consolidated financial statements

2.17 Borrowing costs

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

2.18 Income tax

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

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

2.19 Deferred income tax

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

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

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

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

(b) deferred tax assets and deferred tax liabilities relate to income tax imposed by the same tax authority:

(i) on the same taxpayer; or

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

2.20 Employee benefits

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

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

Additional notes and explanations to the consolidated financial statements

2.21 Provisions

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

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

2.22 Revenue recognition

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

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

(a) Rental income

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

(b) Service and management charges

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

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

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

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

(d) Interest Income

Interest income is recognised using the effective interest rate method.

2.23 Expenses

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

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

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

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

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

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

(All amounts in PLN thousand unless otherwise stated)

2.24 Dividend distribution

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

2.25 Interest expense

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

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

3 Financial risk management

3.1 Financial risk factors

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

(a) Currency risk

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

	Year ended at 31 December 2021	Year ended at 2020
PLN valuation of debt denominated in foreign currencies	89 266	98 974
Assumed change in PLN/EUR exchange rate	+/-1%	+/-1%
FX gains/losses due to change in FX rate	893	990
Tax shield	170	188
Effect on net profit/(loss)	723	802
Effect on total equity	723	802

(All amounts in PLN thousand unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

3.1 Financial risk factors (cont.)

(b) Price risk

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

(c) Interest rate risk

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

	Year ended at 31 December 2021	**Year ended at 2020**
Variable interest rate loans	86 797	96 733
Interest rate derivatives	(595)	208
Cost of instruments dependent on variable interest rates	2 469	2 241
Assumed change in interest rates	+/-1pp	+/-1pp
Effect of the change on the cost	868	967
Tax shield	165	184
Effect on net profit/(loss)	703	784
Effect on total equity	703	784

(d) Credit risk

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

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

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

(e) Liquidity risk

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

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

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

(All amounts in PLN thousand unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

3.1 Financial risk factors (cont.)

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

As at 31.12.2021	Within 1 year	Over 1 up to 5 years	Over 5 years
Loans and leases	37 732	53 646	26 847
Trade payables and other payables	6 458	2 629	0
	44 190	56 275	26 847
As at 31.12.2020			
Loans and leases	102 259	1 647	26 577
Trade payables and other payables	29 479	2 820	0
	131 738	4 467	26 577

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

Due to the global pandemic, the Group management 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 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 group and its related entities, i.e., resulting from the pace of processing administrative decisions leading to obtaining building permits and admission of ready facilities to use,
- process of extracting and transferring ownership of premises to buyers and selling real estate,
- availability and terms of new financing if banks and other lenders are severely affected by the protracted economic downturn,
- level and deadline for meeting contractors' financial obligations,
- obtaining administrative decisions,
- fluctuations in the value of assets as a result of changes in the exchange rate of PLN in relation to foreign currencies, especially EUR.

Real estate development is characterized by a long production cycle, therefore the effects of negative events crystallise in the long term. The revenues from the sale of apartments, commercial premises and parking spaces achieved by the Group's joint ventures in 2021 were generated by transactions from about a year ago with the payment terms split into instalments. Therefore, the events that took place in 2021 will be visible in the Groups profits and losses in subsequent years. 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 previous years.

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

In the Management Board's opinion the COVID-19 pandemic did not have a significant impact on the Group's results for the period covered by these consolidated financial statements.

It should be stressed the pace of construction has not slowed down in CPD Group during 2021. The commenced next stage of Ursa Sky is being implemented in accordance with the assumed schedule. Taking into account the advancement of construction works and the level of sales of this project, the Management expects to complete the construction projects in accordance with the schedule and as at the date of publication of the report, has not noticed resignations from the already signed development contracts. The Management monitors and analyses the situation of the CPD capital group on an ongoing basis in connection with the spread of the SARS-CoV-2 virus and takes a number of measures to minimize the impact of the negative effects of the pandemic on the activities of the CPD group.

(All amounts in PLN thousand unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

3.2 Financing structure management

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

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

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

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

	31 December 2021	31 December 2020
Total loans, including leasing (notes 13 and 28)	97 104	113 386
Trade payables and other payables (Note 12)	19 323	54 560
Less: cash and cash equivalents (Note 9)	(81 773)	(170 146)
Net debt	**34 654**	**(2 200)**
Equity	144 663	285 048
Total capital	**179 317**	**282 848**
Financing structure ratio	**19,3%**	**-0,8%**

4 Major accounting estimates and judgments

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

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

4.1 *Estimating derivatives fair value*

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

During 2021 IRS contract expired, instead CAP contract has been acquired.

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

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

As at 31 December 2021 the CAP instrument is valued at PLN 595 thousand.

4.2 *Accounting treatment of joint ventures*

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

Additional notes and explanations to the consolidated financial statements

4.2 *Accounting treatment of joint ventures (cont.)*

On 31 March 2021 the part of the investment agreement related to Smart City project was dissolved, as a consequence of completion of the project. As a result Smart City Spółka z ograniczoną odpowiedzialnością Sp. z o.o. returned to be 100% subsidiary. No goodwill arose on this transaction as acquisition price consisting on cash compensation and joint venture valuation equalled the sum of net assets' fair values.

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

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

The first one - Ursa Park - has been completed in 2019 and comprised of 385 flats. Ursa Home consists of 341 flats (153 in the first stage and 188 flats in the second one). As at the balance sheet date all flats in this project are sold.

Based on annex dated 22 September 2020 Unidevelopment joined Ursa Sky Smart City Spółka z ograniczoną odpowiedzialnością Sp. k., who bought land and cumulated project outlays related to Ursa Sky from Ursa Park Smart City Spółka z ograniczoną odpowiedzialnością Sp. k. Since that moment the company is accounted for as joint venture. Ursa Sky is to consist of 183 and 201 flats respectively in the first and second stage. Sales contracts were concluded for all the flats in the first stage and 115 flats in the later one.

Following requirements of IFRS 11, the joint ventures are accounted for based on property rights to the joint ventures' net assets. The Group's property rights to the net assets of the joint ventures calculations are based on the binding investment agreements.

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

4.3 *Determination of fair value of investment properties*

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

<u>CPD Group distinguishes the following classes of assets included in its real property portfolio:</u>

(i) non-developed land

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

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

<u>The Group valued individual investment properties using the following methods:</u>

The Group has real estate valued annually at fair value as at the balance sheet date. External valuations determine fair value adjustments.

Fair value changes of investment properties are recognized in the profit and loss under 'Net result from fair value adjustments on investment property' header.

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

(All amounts in PLN thousand unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

4.3 *Determination of fair value of investment properties (cont.)*

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

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

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

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

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

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

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

The table below includes information about methods used for and assumptions underlying the valuations of the investment class properties at fair value along with information about major unnoticeable entry data - 31 December 2021:

Investment property	Valuation method / fair value valuation level	Capitalization rate/ construction cost per sqm	Anticipated rent rates per sqm/ sales price per sqm	Developer's profit
Office buildings generating income	income method / level 3	8% - 10,25%	9,0 - 11,5	n/a
Office building with considered change in destination	residual methcd / level 3	5 500	13 500	18%

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

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

(All amounts in PLN thousand unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

4.3 *Determination of fair value of investment properties (cont.) (cont.)*

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

Valuation method	Fair value	Judgemental variable	Assumed changed in judgemental variable	Impact on valuation
investment method	131 543	capitalisation rate	+/- 0,25 pp	-4 185 / 4 369
		rent rate	+/- 5%	5 105 / -5 197
residual method	27 900	developer profit	+/-2,5 pp	-1 630 / 1 620
		construction cost per 1 m2	+/-1,8%	-760 / 740
		sales price per 1 m2	+/- 0,7%	500 / -500
other methods	2 109	insensitive for judgemental variables	n/a	n/a
	161 552			

4.4 *Income tax*

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

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

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

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

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

5 Investment properties

	12 months ended 31 December 2021	12 months ended 31 December 2020
At the beginning of the period	**165 618**	**100 214**
Capital expenditure	708	20
Change in the balance of capitalized financial liability concerning the property disposed	(75)	0
Change in the balance of capitalized financial liability concerning the properties transferred to assets held for sale	(2 244)	0
Change in the balance of capitalized financial liability concerning the properties transferred from assets held for sale	0	1 832
Change in the balance of capitalized financial liability	(3)	85
Change in the balance of capitalized financial liability concerning the properties transferred from joint ventures	2 464	0
Transfer to assets held for sale	(2 500)	0
Transfer from assets held for sale	0	47 546
Result from fair value adjustment on investment property	3 699	15 921
	167 667	**165 618**

Investment properties which belong to the CPD Group were valued by independent international professional appraisers as at 31 December 2021 and as at 31 December 2020 in accordance with Royal Institution of Chartered Surveyors' ("RICS") Valuation – Global Standards 2020 Incorporating the International Valuation Standards.

As at 31 December 2021 the total fair value of real estate owned by the Group and presented in the consolidated financial statements as investment properties is comparable to prior year. The increase resulted mainly from transfers of the properties from joint venture and fair value adjustments has been offset by transfer to assets held for sale. In 2021 the Group recognized a gain from fair value adjustments of investment properties of PLN 3.7 million.

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

As at 31 December 2021 all investment properties of the CPD Group were registered in the land and mortgage register.

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

	31 December 2021	31 December 2020
Investment properties by external valuation	162 260	160 351
Liabilities in respect of perpetual usufruct	5 407	5 267
Investment property presented in the statement of financial position	**167 667**	**165 618**

Direct operating expenses relating to investment properties:

	12 months ended 31 December 2021	12 months ended 31 December 2020
- generating income from rent	5 351	5 127
- other	110	200
	5 461	**5 327**

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

6 Fair value of collaterals

	31 December 2021	31 December 2020
Office buildings	159 441	144 345

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

7 Trade receivables and other receivables

	31 December 2021	31 December 2020
Trade receivables	1 160	102
Prepayments and accruals	602	1 040
Tax receivables	1 271	18 586
Receivables from related entities	231	307
Short-term trade receivables and other receivables	**3 264**	**20 035**
Long-term receivables	494	263
Total trade receivables and other receivables	**3 758**	**20 298**

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

The most significant receivable of prior year receivables related to VAT refunds, which were received during 2021.

The CPD Group recognized an income of PLN 859 thousand resulting from movement in impairments and write-offs of receivables in the year ended 31 December 2021 (year ended 31 December 2019: PLN 46 thousand).

Trade receivables	31 December 2021	31 December 2020
Current	1 160	907
Overdue, with recognized impairment (provided for in full)	68	153

Other receivables	31 December 2021	31 December 2020
Overdue, with recognized impairment (provided for in full)	6	208

Impairment of receivables	31 December 2021	31 December 2020
Opening balance	1 166	1 228
- increases	25	42
- decreases	(915)	(92)
- allowance utilisation	(202)	(12)
Closing balance	**74**	**1 166**

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

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

8 Inventories

	31 December 2021	31 December 2020
Finished goods	2 552	1 881
Goods for resale	1 148	1 533
Capitalised leasing liabilities	187	187
	3 887	**3 601**

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

	31 December 2021	31 December 2020
At the beginning of the period	**3 601**	**3 594**
Disposals	(353)	0
Impairment loss	679	64
Foreign exchange differences	(40)	(57)
As at the balance sheet date	**3 887**	**3 601**

9 Cash and cash equivalents

	31 December 2021	31 December 2020
Cash in hand and at bank	75 254	166 045
Restricted cash	3 234	3 765
Short-term bank deposits	3 285	336
	81 773	**170 146**

Restricted cash relates to amounts transferred as a result of the implementation of the credit agreement with Santander Bank and mBank Hipoteczny.

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

10 Joint ventures

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

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

On 9 March 2015 Unidevelopment SA joined Smart City spółka z ograniczoną odpowiedzialnością sp.k. as a limited partner. As at the balance sheet date the project was completed and in 2021 the investment agreement has been dissolved in the part related to this project. At the same time Smart City Spółka z ograniczoną odpowiedzialnością sp. k. become 100% subsidiary again.

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

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

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

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

The second one - Ursa Home - consists of 341 flats (153 in the first stage and 188 flats in the second one). As at the balance sheet date all flats from this project are sold.

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

10 Joint ventures (cont.)

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

Based on annex dated 22 September 2020 Unidevelopment joined Ursa Sky Smart City Spółka z ograniczoną odpowiedzialnością Sp. k., who bought land and cumulated project outlays related to Ursa Sky from Ursa Park Smart City Spółka z ograniczoną odpowiedzialnością Sp. k. Since that moment the company is accounted for as joint venture. Ursa Sky is to consist of 183 and 201 flats respectively in the first and second stage. By the year end sales agreements were concluded for all flats in stage one and 115 flats in stage two.

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

	31 December 2021	31 December 2020
a) Smart City Spółka z ograniczoną odpowiedzialnością sp.k.	0	85
b) Ursa Park Smart City Spółka z ograniczoną odpowiedzialnością sp.k.	1 105	0
c) Ursa Sky Smart City Spółka z ograniczoną odpowiedzialnością sp.k.	11 690	27 136
	12 795	**27 221**

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

	31 December 2021	31 December 2020
Opening balance as at 1 January	**85**	**0**
Group's share of the net profit or loss of the joint ventures presented in these consolidated financial statements	26	85
Group's participation in profit distributions	0	0
Conversion into subsidiary	(111)	0
Closing balance as at 31 December	**0**	**85**

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

	31 December 2021	31 December 2020
Opening balance as at 1 January	**0**	**32 015**
Group's share in withdrawals of the contributions to the joint venture	0	(33 474)
Group's share in future contributions to the joint venture	0	(16 438)
Group's share in joint venture's profit distributions	0	(17 844)
Amendment of the property rights to the joint venture's net assets	0	6 967
Group's share of the net profit or loss of the joint ventures presented in these consolidated financial statements	18 025	20 078
Other adjustments	(16 920)	8 696
Closing balance as at 31 December	**1 105**	**0**

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

10 Joint ventures (cont.)

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

	31 December 2021	31 December 2020
Opening balance as at 1 January	**27 136**	**0**
Group's share in contributions to the joint venture	3 514	27 387
Group's share in withdrawals of the contributions to the joint venture	(11 253)	(4 247)
Group's share in future contributions to the joint venture	(5 278)	6 088
Group's share in joint venture's profit distributions	(8 545)	0
Amendment of the property rights to the joint venture's net assets	(1 415)	(1 841)
Group's share of the net profit or loss of the joint ventures presented in these consolidated financial statements	7 531	(251)
Closing balance as at 31 December	**11 690**	**27 136**

The financial information of individually material joint ventures of the Group as at 31 December 2021 and for the period from 1 January 2021 to 31 December 2021 is presented in the below table:

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

Financial information from statement of financial position	31 December 2021	31 December 2020
Total non-current assets, including	**0**	**7**
Fixed assets	0	7
Total current assets, including:	**0**	**229**
Trade receivables and other receivables	0	82
Cash and cash equivalents	0	147
Total assets	**0**	**236**
Trade payables and other liabilities	0	66
Net assets	**0**	**170**
% held by the Group	*50%*	*50%*
Carrying amount of investment in joint venture presented in the consolidated financial statements	**0**	**85**

Financial information from statement of comprehensive income	31 December 2021	31 December 2020
Revenue	0	732
Result from continued operations	(58)	266

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

Financial information from statement of financial position	31 December 2021	31 December 2020
Total non-current assets, including	**659**	**0**
Intangible assets	659	0
Total current assets, including:	**6 108**	**56 690**
Inventory	354	43 622
Trade receivables and other receivables	1 962	1 100
Cash and cash equivalents	3 792	11 968
Total assets	**6 767**	**56 690**
Trade payables and other liabilities	4 557	73 609
Net assets	**2 210**	**(16 919)**

Additional notes and explanations to the consolidated financial statements

10 Joint ventures (cont.)

% held by the Group	*50%*	*50%*
Carrying amount of investment in joint venture presented in the consolidated financial statements	**1 107**	**0**

Financial information from statement of comprehensive income	31 grudnia 2021	31 grudnia 2020
Revenue	68 047	131 609
Interest income	0	7
Interest cost	3	15
Result from continued operations	22 492	37 957

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

Financial information from statement of financial position	31 December 2021	31 December 2020
Total non-current assets, including	**261**	**141**
Intangible assets	261	141
Total current assets, including:	**84 346**	**62 614**
Inventory	73 809	49 329
Trade receivables and other receivables	539	10 508
Cash and cash equivalents	9 998	2 777
Total assets	**84 607**	**62 755**
Non-current liabilities	3 273	53
Trade payables and other current liabilities	61 291	18 601
Total liabilities	**64 564**	**18 654**
Net assets	**20 043**	**44 101**
% held by the Group	*58%*	*62%*
Carrying amount of investment in joint venture presented in the consolidated financial statements	**11 690**	**27 136**

Financial information from statement of comprehensive income	31 December 2021	31 December 2020
Revenue	82 046	10
Interest cost	8	0
Result from continued operations	12 912	(408)

11 Share capital

	Number of shares in thousands		Value of shares	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Ordinary shares series AA	26 371	26 371	2 637	2 637
Total	**26 371**	**26 371**	**2 637**	**2 637**

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

11 Share capital (cont.)

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

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

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

On 24 June 2021 General Shareholders Meeting increased up to 17.404.946 the number of own shares with Management Board authorisation to acquire and redeem until 31 December 2022. The maximum unit acquisition price has been determined at PLN 19,71. The acquisition of the whole stake was executed on 5 August 2021.

As a consequence the Company has 17.404.946 own shares at the balance sheet date. The shares represent 66,00% of CPD SA share capital. However based on the relevant regulations the Company is prevented from executing voting rights from own shares.

On 18 October 2021 shareholders resolved on redemption of all the acquired own shares and resulting share capital reduction down to PLN 896,6 thousand. The reduction has been registered by the court already in 2022.

12 Trade payables and other payables

Long-term trade payables and other payables

	31 December 2021	31 December 2020
Deposits of tenants	2 629	2 820

Short-term trade payables and other payables

	31 December 2021	31 December 2020
Trade payables	1 053	2 282
Other liabilities	503	322
Advanced sales payments	2 506	6 480
Output VAT and other tax liabilities	10 236	22 261
Deposits of tenants	230	301
Accruals and deferred income	2 166	20 094
Total	**16 694**	**51 740**

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

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

The received advance payments results from preliminary agreements for sale of properties owned by the Group companies. Drop in the value of the received prepayments as compared to the end of 2020 results from ownership transfer of the plots the prepayments related to.

The accruals relate mainly to potential tax risks, while provision for potential losses of the joint venture to be covered by the Group were it's biggest item as at the end of prior year.

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

13 Borrowings (including leasing)

	31 December 2021	31 December 2020
Long-term		
Bank loans	51 957	0
Leasing liabilities	5 594	5 454
	57 551	**5 454**
Short-term		
Bank loans	37 309	101 639
IRS derivative	0	208
	37 309	**101 847**
Total loans and borrowings	**94 860**	**107 301**

As of the balance sheet date bank loans consist of the payables of PLN 55 597 thousand to Santander Bank Polska SA and of PLN 33 669 thousand to mBank Hipoteczny SA.

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

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

In February 2016 Belise Investments entered into a swap transaction rate IRS, in order to hedge the interest payments, for an amount corresponding to 80% of the loan Santander Bank. The IRS expired during the second quarter of 2021 and CAP type interest rate option has been acquired on 31 May 2021 in order to continue the heading. The instrument is presented as long term investment in the balance sheet.

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

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

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

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

	31 December 2021	31 December 2020
Repayment of the principal amount of lease liabilities based on the effective interest rate due within:		
1 year	3	3
from 1 to 5 years	12	13
after more than 5 years	5 579	5 438
	5 594	**5 454**

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

13 Borrowings (including leasing) (cont.)

	31 December 2021	31 December 2020
Par value of minimum lease payments due:		
within 1 year	423	412
from 1 to 5 years	1 690	1 647
after more than 5 years	26 847	26 577
	28 960	**28 636**
Future financial costs	(23 366)	(23 182)
	5 594	**5 454**

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

	31 December 2021	31 December 2020
up to 6 months	35 508	101 639
from 6 months to 1 year	1 802	0
from 1 to 5 years	51 956	0
	89 266	**101 639**

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

All the Group's bank loans are denominated in EUR.

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

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

14 Changes of indebtedness

	Bank loans	Bonds	Capitalised lease	IRS derivative	Total
1 January 2021	**101 639**	**0**	**5 454**	**325**	**107 418**
Accrued interest	2 096	0	0	0	2 096
Principal repaid	(11 225)	0	(3)	(325)	(11 553)
Interest repaid	(2 076)	0	0	0	(2 076)
Other non-cash changes, including:	(1 168)	0	(2 321)	0	(3 489)
- Balance sheet reclassifications	*0*	*0*	*(2 244)*	*0*	*(2 244)*
- Other changes	*0*	*0*	*(77)*	*0*	*(77)*
- Balance sheet valuation	*(1 168)*	*0*	*0*	*0*	*(1 168)*
31 December 2021	**89 266**	**0**	**5 594**	**0**	**94 860**

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

14 Changes of indebtedness (cont.)

	Bank loans	Bonds	Capitalised lease	IRS derivative	Total
1 January 2020	**63 740**	**0**	**3 536**	**478**	**67 754**
Accrued interest	2 046	0	0	0	2 046
Principal repaid	(4 973)	0	0	0	(4 973)
Interest repaid	(2 049)	0	0	0	(2 049)
Other non-cash changes, including:	42 875	0	1 918	(153)	44 640
- Balance sheet reclassifications	*34 952*	*0*	*1 832*	*0*	*36 784*
- Other changes	*0*	*0*	*86*	*0*	*86*
- Balance sheet valuation	*7 923*	*0*	*0*	*(153)*	*7 770*
1 January 2021	**101 639**	**0**	**5 454**	**325**	**107 418**

15 Deferred income tax

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

	31 December 2021	31 December 2020
Deferred tax assets before offset	**1 379**	**10 597**
Offset against deferred tax liability	(1 379)	(10 597)
Deferred tax assets	**0**	**0**
Deferred income tax liabilities before offset	**15 611**	**29 949**
Offset against deferred tax asset	(1 379)	(10 597)
Deferred income tax liabilities after offset	**14 232**	**19 352**
- to be paid after more than 12 months	8 615	2 934
- to be paid within 12 months	5 617	16 418

	12 months ended 31 December 2021	12 months ended 31 December 2020
Change in deferred tax assets	(9 218)	320
Change in deferred tax liabilities	(14 338)	2 227
Amount charged/(credited) to profit or loss	**5 120**	**(1 907)**

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

Deferred income tax liabilities (before offset)

	2020	Charged to profit/(loss)	Charged to other comprehensive income	2021
Property valuation at fair value	9 147	565	0	9 712
Accrued interest on loans	11 530	(5 821)	0	5 709
Deferred revenue	9 148	(9 020)	0	128
Foreign exchange differences	122	(60)	0	62
Other	2	(2)	0	0
Total	29 949	(14 338)	0	15 611

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

15 Deferred income tax (cont.)

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

Deferred income tax assets (before offset)

	2020	Charged to profit/(loss)	Charged to other comprehensive income	2021
Accrued interest	987	(26)	0	961
Foreign exchange differences	322	(28)	0	294
Provisions	154	(75)	0	79
Other	9 015	(8 979)	0	36
Tax losses	119	(110)	0	9
	10 597	(9 218)	0	1 379

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

	31 December 2021	31 December 2020
Tax losses	47	626
Deductible temporary differences on loans and borrowings (foreign exchange differences and accrued interest)	5 058	5 195
Other deductible temporary differences	2 153	49 953
Total	7 258	55 774
Deferred tax assets before offset	**1 379**	**10 597**
Offset of deferred tax assets and liabilities	(1 379)	(10 597)
Net deferred tax assets	**0**	**0**

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

Expiry of tax losses as at 31.12.2021

	2022	2023-2024	2025-2026	Total
Losses on which deferred tax was recognized	26	41	36	103
Losses on which deferred tax was not recognized	1 868	7 643	1 012	10 523

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

15 Deferred income tax (cont.)

Expiry of tax losses as at 31.12.2020

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

16 Revenues

Revenues by category:	12 months ended 31 December 2021	12 months ended 31 December 2020
Rental income	11 034	11 023
Sales of inventories	385	0
Real estate advisory services	1 007	1 203
Rent related services	6 613	6 280
Accounting services	41	53
	19 080	**18 559**

In both 2021 and 2020 rental income was the main item in revenues.

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

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

Future minimum cumulative rental revenues resulting from irrevocable lease agreements:

	12 months ended 31 December 2021	12 months ended 31 December 2020
up to 1 year	9 120	10 830
from 1 to 5 years	17 292	22 086
more than 5 years	1 339	29
	27 751	**32 945**

17 Cost of sales

	12 months ended 31 December 2021	12 months ended 31 December 2020
Cost of inventories sold	353	0
Changes in impairment write-downs of inventories	(679)	(64)
Cost of services provided	3 348	3 195
	3 022	**3 131**

18 Administrative expenses – relating to properties

	12 months ended 31 December 2021	12 months ended 31 December 2020
Employee expenses	3 703	4 666
Property maintenance	5 452	5 196
Real estate tax	834	871
Perpetual usufruct	604	1 041
Depreciation and amortization	122	152
	10 715	**11 926**

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

19 Other income

	12 months ended 31 December 2021	12 months ended 31 December 2020
Provision released	1 098	1 710
Waived or expired liabilities	0	163
Disposal of PPE	(16)	0
Contractual penalties received	1 897	514
Other	504	424
	3 483	**2 811**

20 Administrative expenses - other

	12 months ended 31 December 2021	12 months ended 31 December 2020
Advisory services	4 032	4 990
Audit fee	180	277
Transport	10	8
Taxes	202	56
Office maintenance	849	766
Other services	620	273
Costs of not deductible VAT	228	176
Other costs	320	32
	6 441	**6 578**

21 Financial income and costs

	12 months ended 31 December 2021	12 months ended 31 December 2020
Costs related to instruments measured at amortised cost:		
Bank loans valuation	(2 490)	(2 512)
Leasing interest	(578)	(320)
Net foreign exchange loss	0	(7 875)
Costs related to instruments measured at fair value:		
Tax interest	(668)	(802)
Other financial costs:		
Other	0	(1 232)
Financial costs	**(3 736)**	**(12 741)**
Income related to instruments measured at amortised cost:		
Net foreign exchange gain	416	0
Income related to instruments measured at fair value:		
Bank interest	0	441
Tax interest	262	675
Interest from unrelated entities	1	0
Derivatives valuation	21	271
Other financial income	94	0
Financial income	**794**	**1 387**
Financing activities, net	**(2 942)**	**(11 354)**

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

22 Income tax expense

	12 months ended 31 December 2021	12 months ended 31 December 2020
Current tax	5 730	5 648
Deferred tax (Note 15)	(5 120)	1 907
	610	**7 555**

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

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

	12 months ended 31 December 2021	12 months ended 31 December 2020
Profit before tax	**31 783**	**23 862**
Estimated tax liability at 19% tax rate	(6 039)	(4 534)
Tax impact of:		
- various tax rates applicable to Group companies	205	541
- loss of companies where the asset was not recognized	(117)	(235)
- use of prior years losses, where the assets has not recognised	0	2 807
- changes in tax rates	3 215	(3 215)
- tax on intercompany transactions	2 000	(3 091)
- joint ventures valuation	0	0
- other	100	172
Income tax expense	**(610)**	**(7 555)**

23 Contingencies

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

On 20 May 2021 Ursa Sky Smart City Sp. z o.o sp. k concluded an investment loan agreement with Millenium bank with a maximum amount of PLN 30 million. As a collateral CPD SA concluded debt participation agreement. As a t the end of 2021 the outstanding loan amounted to PLN 213 thousand. Subsequent to the year end the loan has been repaid, related agreement cancelled resulting in expiry of the contingent liability.

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

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

24 Basic operating cash flows

	12 months ended 31 December 2021	12 months ended 31 December 2020
Adjustments of operating cash flows for:		
- depreciation of tangible fixed assets	121	152
– currency translation adjustments	60	(674)
- foreign exchange differences	(1 198)	7 924
- result on investment properties valuation	(3 699)	(15 921)
– share of the profit or loss of the joint ventures	(10 087)	(19 735)
- result on investment valuation of asset held for sale	(293)	31
- interest expenses	2 124	2 088
- interest income	0	(441)
- impairment of inventories	(679)	(64)
- result on investment property disposal	(827)	165
- result on derivatives valuation	(223)	(270)
- other adjustments	0	1
Movements in working capital:		
- change in receivables	16 683	(11 640)
- change in inventories	353	0
- change in trade payables and other payables	(31 438)	(2 399)
	(29 103)	(40 783)

25 Transactions with related entities and transactions with employees

CPD S.A. does not have a direct parent company or the ultimate parent company. Meduvo Holding and Furseka Trading are significant investors , having significant influence on the Company.

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

The CPD group concluded the following transactions with related parties:

	12 months ended 31 December 2021	12 months ended 31 December 2020
a) Transactions with key managers		
Remuneration of the Management Board members	1 792	2 324
Cost of work and services provided by members of the Management Board	601	3 513
Cost of remuneration of members of the Supervisory Board	468	552
Sales to Board Members	0	5

	31 December 2021	31 December 2020
Total receivables	19	24
Total payables	0	1 515

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

25 Transactions with related entities and transactions with employees (cont.)

		12 months ended 31 December 2021	12 months ended 31 December 2020
b) Transactions with other related parties			
Revenues			
Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.	*- services*	8	34
Ursa Park Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.	*- services*	167	682
Ursa Sky Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.	*- services*	966	199
Costs			
Kancelaria Radców Prawnych Oleś i Rodzynkiewicz	*- services*	102	101
Laxey Partners (UK) Ltd	*- services*	0	16
Liabilities			
Kancelaria Radców Prawnych Oleś i Rodzynkiewicz	*- trade payables*	7	16
Receivables			
Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.	*- trade receivables*	0	7
Ursa Park Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.	*- trade receivables*	16	56
Ursa Sky Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.	*- trade receivables*	215	244

26 Seasons of activity and unusual events

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

27 Contractual liabilities (commitments)

On 23 September 2021 subsidiary Antigo Investments spółka z ograniczoną odpowiedzialnością concluded preliminary property disposal agreement for part of Ursus property.
As at the balance sheet date the above properties are presented as assets held for sale.

28 Assets and liabilities held for sale

As at 31 December 2021 part of properties and leasing liabilities of Antigo Investments Sp., z o.o. were classified as held for sale.

As at 31 December 2021 properties and leasing liabilities of Ursus Developments Sp., z o.o. were classified as held for sale.

Assets held for sale	31 December 2021	31 December 2020
Investment properties	2 500	79 165
Capitalised leasing liabilities from perpetual usufruct	2 244	6 085
	4 744	**85 250**
Liabilities classified as held for sale		
Borrowings, including leasing	2 244	6 085
Net assets held for sale	**2 500**	**79 165**

Additional notes and explanations to the consolidated financial statements

29 Auditor remuneration

Remuneration for the Group auditor amounted to PLN 166 thousand in the current year and PLN 277 thousand in prior year.

30 Dividend distribution

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

31 Earnings per share – basic and diluted

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

	12 months ended 31 December 2021	12 months ended 31 December 2020
Profit (loss) attributable to the shareholders in the parent company	31 173	16 307
Weighted average number of ordinary shares (in '000)	14 141	20 119
Earnings per share	**2,20**	**0,81**
Diluted profit (loss) attributable to shareholders	31 173	16 307
Weighted average number of ordinary shares (in '000)	14 141	20 119
Diluted earnings per share	**2,20**	**0,81**

There were no items diluting the Group earnings in any of 2020 nor 2021.

	31 December 2021	31 December 2020
Net assets at book value	144 663	285 048
Number of ordinary shares (in '000)	8 966	17 671
Net assets per share	**16,13**	**16,13**

Number of ordinary shares in the net assets per share calculation is reduced by the own shares possessed by the Group.

32 Reporting segments

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

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

At the end of the year, the CPD Group's parent company had its registered office in Warsaw.

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

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

Additional notes and explanations to the consolidated financial statements

33 Events after the balance sheet date

On 31 January 2022 20/140 Gaston Investments Sp. z o.o. sp. k. has been cancelled from the entrepreneurs register.

On 15 February shareholders resolved on opening liquidation of Challange Eighteen Sp. z o.o.

On 14 March KRS registered reduction of share capital in CPD SA.

On 24 March Belise Investments concluded preliminary conditional agreement to dispose its office property in Warsaw. The agreements provides for the disposal to take place within 45 days since the suspending condition i.e. obtaining of individual binding ruling, however no later than 15 October 2022.The agreements stipulates for the conditions when parties are entitled to withdraw from the transaction. If executed, the disposal will result in a loss of estimated PLN 21 million.

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