CPD S.A. ANNUAL REPORT OF THE COMPANY AND CAPITAL GROUP FOR THE YEAR 2022

CPD S.A.

CPD S.A.
REPORT ON THE COMPANY AND CAPITAL GROUP'S ACTIVITY
FOR THE YEAR ENDED ON 31 DECEMBER 2022

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THE MANAGEMENT BOARD'S LETTER

Warsaw, 27 of April 2023

Ladies and Gentlemen, Dear Shareholders,

We are extremely pleased to present you the Annual Report of the Capital Group CPD S.A. for 2022, another year in the implementation of the group's strategic goals in the monetization of assets and distribution of proceeds to shareholders.

In recent years the Group was functioning in highly variable economic environment. This was especially visible during unexpected situation on residential and financial markets caused by Sars Cov 2 virus epidemic and the Russian aggression on Ukraine. In that period the Management Board's activities were focused on maintaining stable financial situation of the Group while realising the main strategic assumptions for distribution of free funds to the Shareholders.

Consistent realisation of the assumed strategy enabled distribution of 449,1 million zlotys to CPD S.A. Shareholders from 2016 to 2021. In 2022 the Company purchased 1 672 591 its shares for redemption. On this basis, the Shareholders received 50 million zlotys in 2022 and additional 46 million zlotys in the first quarter of 2023.

It was possible thanks to the finalisation 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 20,000 sq. m. in Ursus, called Ursa Sky, began. The success of the previous stages of the Ursa residential project largely contributed to the increase in the value of the neighbouring investment areas owned by the CPD S.A. Group. As a result, the Group monetized Ursus project, which allowed to achieve a net profit of 17,5 million zlotys in 2022 from a joint venture in Ursus.

As in previous years, active steps to maximize rental income on office buildings allowed to prepare them for sale and to achieve gross income of PLN 165,1 million.

Consistent realisation of the strategy concerning monetisation of assets and distribution of income to the Shareholders created the impulse for the Management Board of CPD S.A. to start the process of reviewing strategic options for the Company, which was announced by the Management Board on 1 March 2023. The assessment of the possible directions of the Company's development, including the acquiring of a strategic investor, the initiation of projects in industries where the Company has not been present so far, is currently being carried out by the Management Board of the Company. The result of the review will be an assessment of possible courses of action aimed at maximizing the value of the Company for the Shareholders. At this stage of the process, the Management Board would like to inform you that it does not guarantee that the review will lead to any transaction changing this structure, and furthermore that the review will lead to the selection of any strategic option. We will inform our Shareholders and the Market about any decisions regarding the selection of strategic options for the Company in accordance with applicable law.

Summing up the last intense 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.

I. SUPERVISORY BOARD AND AUDIT COMMITTEE

As at the end of the reported period, 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 October 2021. The term of office of Mr Andrew Pegge expires on 14 October 2024. 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 Superv
isory Board's fourth term on 14 October 2021. The term of office of Mr Wiesław Oleś expires on 14 October 2024. 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 October 2021. The term of office of Mr Mirosław Gronicki expires on 14 October 2024. 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.

- **Mr Emil Tomaszewski (Supervisory Board Member meeting the requirements of independent member of the Supervisory Board)**

Mr Emil Tomaszewski was appointed to the Supervisory Board's fourth term on 28 June 2022. The term of office of Mr Emil Tomaszewski expires on 14 October 2024. Mr Emil Tomaszewski has a university degree in law, he graduated from the Faculty of Law and Administration of Warmińsko-Mazurski University in Olsztyn (major: law). After completing the legal adviser apprenticeship, he obtained the qualifications of an advocate. Mr Emil Tomaszewski has 10 years of experience in advisory and legal services.

- **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. The term of office of Mr Krzysztof Laskowski expires on 14 October 2024. 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 2021, the composition of Supervisory Board of CPD S.A. has changed in following manner:

- 19 April 2022, the Company received a resignation from the Supervisory Board Member. Ms Hanna Karwat-Ratajczak resigned from the function without giving any reason.
- 2 June 2022, Emil Tomaszewski was appointed as a Member of the Supervisory Board.

Audit Committee

In 2022 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 2021, the composition of Audit Committee of CPD S.A. was not changed.

II. MANAGEMENT BOARD OF CPD S.A.

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

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

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

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

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

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

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

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

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

In comparison to the status at the end of 2022, 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.

31 December 2021	1	4
31 December 2022	0	5

Management Board CPD S.A.

31 December 2021	2	2
31 December 2022	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 S.A. (BVI) was performed and in 2008 the listing of the company Celtic Property Developments S.A. (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 14 subsidiaries and two jointly controlled entities, carrying out activities in the office and residential segments, mostly in Poland. In 2022 the Group's activities were focused on continuation of residential development, mainly through the finalisation of its leading project in the Warsaw district of Ursus, and monetization of assets from the Group's portfolio.

In 2022 CPD sold two leased office buildings situated in Warsaw and prepared subsequent assets for sale in 2023 in order to distribute free funds to the Shareholders. It is currently working on Restructuring of the Group to enable selection of direction for the Company's development including attraction of a strategic investor and initiation of projects in businesses, in which the Company was not present so far.

2. CAPITAL GROUP STRUCTURE

As of the day of publication hereof, the CPD Group (hereinafter referred to as "the Group", "CPD Group", "the Capital Group") was composed of a dominant entity – CPD S.A. (hereinafter referred to as "the Company") and 15 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 particular subsidiaries and at the same time is the centre for making decisions on the development strategy. CPD S.A. performs actions aiming at optimising the operating costs of the Capital Group, designs the Group's investment and marketing policies and serves as the coordinator of this activity.

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

- 5 January 2022, the proceedings to dissolve the company 16/88 Gaston Investments sp. z o.o. sp. k. were completed.
- 9 February 2022, the proceedings to dissolve the company 20/140 Gaston Investments sp. z o.o. sp. k. were completed.
- 15 February 2022, proceedings to liquidate the company Challenge Eighteen sp. z o.o. were initiated.
- 26 July 2022, proceedings to liquidate the company Ursus Development sp. z o.o. were initiated.

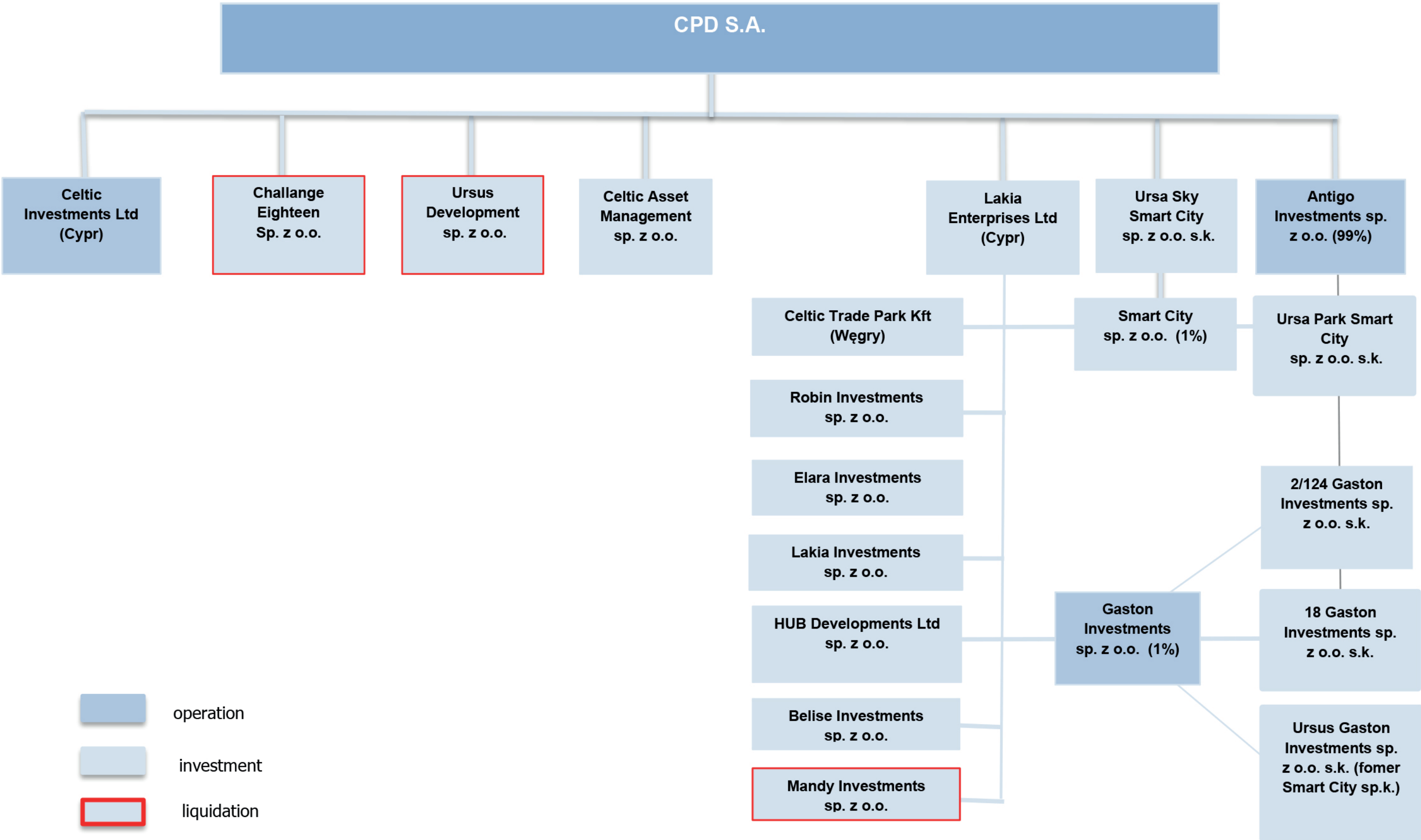
After the balance-sheet date, the following changes occurred in the Company's structure:

- 31 January 2023, CPD S.A. sold 100% of shares in Challenge Eighteen sp. z o.o. in liquidation
- 1 February 2023, CPD S.A. sold 100% of shares in Ursus Gaston sp. z o.o. in liquidation
- 17 March 2023, CPD S.A. sold 100% of shares in Celtic Investments Ltd
- 19 April 2023, the proceedings to dissolve the company 2/124 Gaston Investments sp. z o.o. sp. k. has been started.

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.

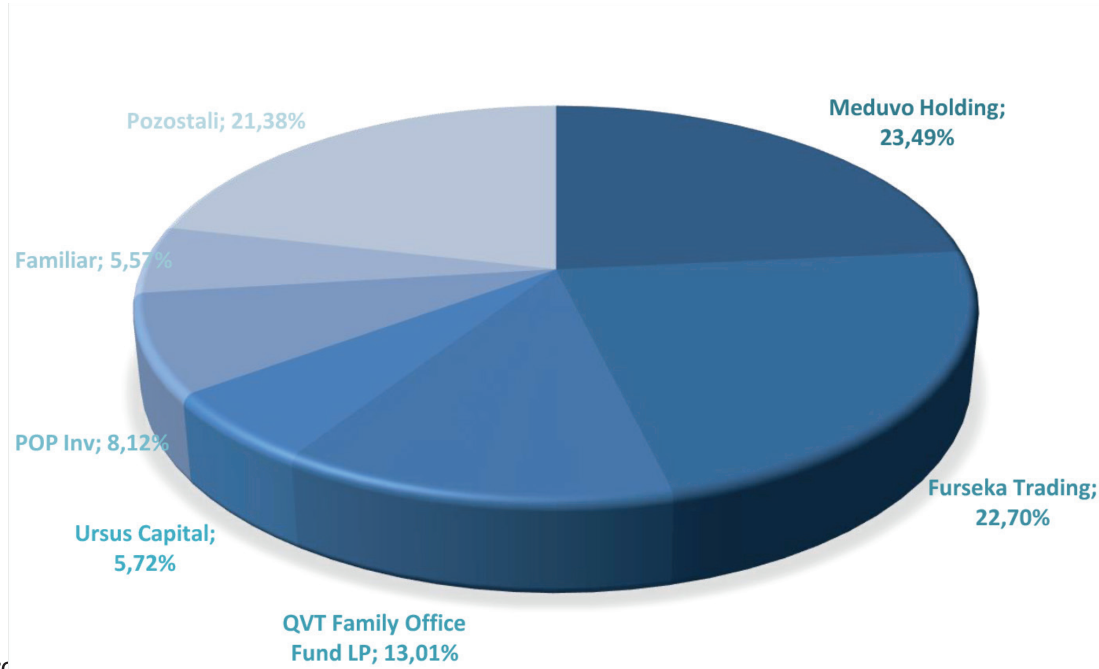
3. SHAREHOLDERS

CPD S.A. Group structure on the 31 December 2022



QUALIFYING SHARES

CPD S.A. shareholding structure



Acc [illegible] s 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:

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

Shareholder	No. Of Shares (2)	Type of Shares	No. Of votes	Shareholder structure (no. of votes) (1)	Shareholder structure (no. of shares)
Meduvo Holding Ltd	1 713 330	Bearer	1 713 330	23.49 %	19.11 %
Furseka Trading and Investments Ltd	1 655 857	Bearer	1 655 857	22.70 %	18.47 %
QVT Family Office Fund LP	948 922	Bearer	948 922	13.01 %	10.58 %
POP Investments Ltd	592 585	Bearer	592 585	8.12 %	6.61 %
Ursus Capital Ltd	417 380	Bearer	417 380	5.72 %	4.66 %
Familiar S.A.	406 396	Bearer	406 396	5.57 %	4.53 %
Others	1 559 124	Bearer	1 559 124	21.38 %	17.39 %
Own shares (3)	1 672 591	Bearer	0	0 %	18.65 %

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.

(3) 29 July 2022, by clearing of the transaction of purchase of shares in CPD S.A. further to call to register for sale of shares in the Company announced on 5 July 2022, the Company purchased 1,672,591 shares in the Company (own shares), corresponding to 18.65% of shareholding without the voting rights.

The above shareholding structure is presented in relation to the total number of shares, amounting to 8,966,185 shares and including series AA shares, which constitute 100% of votes at the Company's general meeting as at 31 December 2022.

Compared to the status presented in the consolidated report for the third quarter of 2022, published on 25 November 2022, there were no changes in the ownership structure of significant blocks of the Company's shares as at the balance sheet date.

On 2 November 2002 the Company announced under article 69.1.2) of the Act of 29 July 205 on public offering and terms for introduction of financial instruments to organised system of trading and on public companies ("the Offering Act") that the share of the Shareholder Familiar S.A., SICAV-SIF, a company organised under the law of the Grand Duchy of Luxembourg in the form of societe anonyme as an investment company – specialist investment fund (societe d'investissement a capital variable – fonds d'investissement specialise) with the corporate seat in Luxembourg, 12, rue Eugene Ruppert, L-2453 Luxembourg, the Grand Duchy of Luxembourg ("the Fund"), further to the transaction of sale on 24 October 2022 (cleared on 26 October 2022) of 8,579 shares in the company CPD S.A. with the corporate seat in Warsaw ("the Company"), in total number of votes in the Company decreased below 5%. The Fund announced that it did not hold the financial instruments mentioned in article 69b.1 of the Offering Act. Moreover, the Fund announced that there are no subsidiaries of the Fund holding any shares in the Company and there are no persons mentioned in article 87.1.3.c of the Offering Act.

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 carried out at the request of the Shareholder by means of a resolution of the Management Board, which should be adopted within seven days from the date of submission of a written request to the Management Board to convert the shares. The request should indicate the number of the bearer shares covered by the request for conversion, together with an indication of their numbers. In the case of conversion of registered shares into bearer shares, the Management Board puts on the agenda of the forthcoming General Meeting the amendment of the Statute in respect of the number of registered shares.

4. CORPORATE GOVERNANCE

- **Rules of corporate governance**

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

In 2022 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 in order 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 RELATED TO THIS AND THE 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 GROUP, ACHIEVED RESULTS AND FUTURE POSSIBILITIES. 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 have the opportunity to participate in the General Meetings of the Company and ask the Management Board questions about the financial results of the Company and its group, as well as about the most important events affecting the activities of the company and its group, achieved results and prospects for the future. The Management Board of the Company plans to organize meetings for investors after the adoption of the Company's strategy document.

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

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

2.2. THE PERSONS MAKING THE DECISIONS ON THE ELECTION OF MEMBERS OF THE MANAGEMENT BOARD OR SUPERVISORY BOARD SHOULD ENSURE THE VERSATILITY OF THESE BODIES BY SELECTING THEIR COMPOSITION OF PERSONS WHICH ENSURE DIVERSE AND DIVERSITY. ACHIEVING THE TARGET MINIMUM SHARE RATE OF MINORITY AT A LEVEL OF NO LESS THAN 30%, IN ACCORDANCE WITH THE OBJECTIVES DEFINED IN THE ADOPTED DIVERSITY POLICY, AS REFERRED TO IN THE PRINCIPLE 2.1.

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.

In order 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.

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

- ## Internal control and risk management systems

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

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

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

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

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

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

- ## Holders of qualifying shares

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

Shareholder	No. of shares (2)	Type of shares	No. of votes	Shareholder structure (no. of votes) (1)	Shareholder structure (no. of shares)
Meduvo Holding Ltd	1 713 330	Bearer	1 713 330	23.49 %	19.11 %
Furseka Trading and Investments Ltd	1 655 857	Bearer	1 655 857	22.70 %	18.47 %
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that

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(3) 29 July 2022, by clearing of the transaction of purchase of shares in CPD S.A. further to the call to register for sale of shares in the Company announced on 5 July 2022, the Company purchased 1,672,591 shares in the Company (own shares), corresponding to 18.65% of shareholding without the voting rights.

The above shareholding structure is presented in relation to the total number of shares, amounting to 8,966,185 shares and including series AA shares, which constitute 100% of votes at the Company's general meeting as at 31 December 2022.

Compared to the status presented in the consolidated report for the third quarter of 2022, published on 28 November 2022, the following changes took place in the ownership structure of significant blocks of the Company's shares as at the balance sheet date:

On 2 November 2002 the Company announced under article 69.1.2) of the Act of 29 July 205 on public offering and terms for introduction of financial instruments to organised system of trading and on public companies ("the Offering Act") that the share of the Shareholder Familiar S.A., SICAV-SIF, a company organised under the law of the Grand Duchy of Luxembourg in the form of societe anonyme as an investment company – specialist investment fund (societe d'investissement a capital variable – fonds d'investissement specialise) with the corporate seat in Luxembourg, 12, rue Eugene Ruppert, L-2453 Luxembourg, the Grand Duchy of Luxembourg ("the Fund"), further to the transaction of sale on 24 October 2022 (cleared on 26 October 2022) of 8,579 shares in the company CPD S.A. with the corporate seat in Warsaw ("the Company"), in total number of votes in the Company decreased below 5%. The Fund announced that it did not hold the financial instruments mentioned in article 69b.1 of the Offering Act. Moreover, the Fund announced that there are no subsidiaries of the Fund holding any shares in the Company and there are no persons mentioned in article 87.1.3.c of the Offering Act

- **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.
- Mr Emil Tomaszewski – 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;

In the reporting period the composition of the Supervisory Board changed in following manner:

- 19 April 2022, the Company received a resignation from a Supervisory Board Member from her position. Ms Hanna Karwat-Ratajczak resigned from the function without giving any reason.
- 28 June 2022, Mr Emil Tomaszewski was appointed as a member of the Supervisory Board.

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

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

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

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

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

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

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

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

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

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

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

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

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

Where appropriate, the Audit Committee issues service guidelines.

Management Board

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

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

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

Audit Committee

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

- Mr 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 not change.

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

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

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

In 2022 the Audit Committee met two times.

5. CORPORATE SOCIAL RESPONSIBILITY

CPD Group perceives its activities in the field of development projects in the broader context of creating a modern, multidimensional urban space, providing new quality of life for residents and users of implemented investments. The Group expresses its responsibility for the environment through the support for various social and cultural initiatives, directly or indirectly related to its investment business. For the last few years CPD Group has been leasing a building to the Arsus Centre for a symbolic amount of PLN 100 per month, which allows the centre to allocate more funds for its statutory activities. The Arsus Centre, operating since 1992, is located at Traktorzystów 14 street on a site belonging currently to CPD Group. It includes a fully equipped cinema with 500 seats, a room with a stage and 120 seats, an

"Arsus" basement for alternative activities (concerts, theatre plays, performance), a modern art gallery "Ad-Hoc", as well as club rooms to conduct artistic amateur activities.

In relation to our key development project on former ZPC Ursus industrial land and being aware of our role in such a comprehensive task as revitalisation of this area, CPD Group has for several years been undertaking initiatives exceeding the scope of typical real estate development and construction. By continuing its long-term commitment to conscious social responsibility in 2020, the Company prolonged the obligation to make a donation to the city of an area of 1.7 ha intended for educational investments till the end of 2025 free of charge. As part of the agreement with the City of Warsaw, the city's authorities committed to build an educational complex for children and young people aged 3-19 in the above area.

In addition, in 2022, the Company co-financed the official celebration commemorating 46th anniversary of ZPC Ursus workers strike of 1976.

6. STRATEGY AND POLICY REGARDING FURTHER GROUP DEVELOPMENT DIRECTIONS

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

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

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

Consistent realisation of the strategy concerning monetisation of assets and distribution of income to the Shareholders created the impulse for the Management Board of CPD S.A. to start the process of reviewing strategic options for the Company, which was announced by the Management Board on 1 March 2023. The assessment of the possible directions of the Company's development, including the acquiring of a strategic investor, the initiation of projects in industries where the Company has not been present so far, is currently being carried out by the Management Board of the Company. The result of the review will be an assessment of possible courses of action aimed at maximizing the value of the Company for the Shareholders. At this stage of the process, the Management Board would like to inform you that it does not guarantee that the review will lead to any transaction changing this structure, and furthermore that the review will lead to the selection of any strategic option. We will inform our Shareholders and the Market about any decisions regarding the selection of strategic options for the Company in accordance with applicable law.

7. SIGNIFICANT ACHIEVEMENTS, FAILURES AND THE MOST IMPORTANT

EVENTS CONCERNING THE COMPANY IN THE REPORTING PERIOD

- **REGISTRATION OF REDEMPTION OF SHARES, DECREASE OF SHARE CAPITAL AND AMENDMENT OF STATUTE**

On 16 March 2022 the Company received decision of the District Court for the Capital City of Warsaw in Warsaw, 13th Economic Division of the National Court Register, issued on 14/03/2022, on registration by the court of amendment of the Issuer's statute and modification of the Company's share capital further to resolutions adopted by the Extraordinary General Meeting of the Company on 18 October 2021 (published by the Company in its current report no. 32/2021 of 18 October 21):

1. Amendments further to the resolution no. 4 of the Extraordinary General Meeting of the Company of 18 October 2021 on decrease of CPD S.A. share capital and amendment of the Company Statute:
   4.1 of the Company Statute was worded as follows:
   1. The Company's sha capital shall amount to PLN 896,618.50 (in words: eight hundred ninety six thousand six hundred eighteen zlotys and fifty groszys) and shall be divided into 8,966,185 (in words: eight million nine hundred sixty six thousand one hundred eight five) shares of AA series of nominal value PLN 0.10 (ten groszys) each.
   The above amendment became effective from the day of registration in the register of entrepreneurs on 14 March 2022.
2. Modifications in the share capital further to the resolution no. 3 of 18 October 2021 of the Extraordinary General Meeting of the Company on redemption of CPD S.A. own shares – resulting in redemption in total of 17,404,946 (in words: seventeen million four hundred four thousand nine hundred forty six) own shares coded ISIN PLCELPD00013 entitling to cast 17,404,946 voted (in words: seventeen million four hundred four thousand nine hundred forty six).

Therefore, at present the Company's share capital amounts to PLN 896,618.50 (in words: eight hundred ninety six thousand six hundred eighteen zlotys and fifty groszys) and is divided into 8,966,185 (in words: eight million nine hundred sixty six thousand one hundred eight five) shares of AA series of nominal value PLN 0.10 (ten groszys) each, entitling to cast in total 8,966,185 votes (in words: eight million nine hundred sixty six thousand one hundred eight five).

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

On 19 April 2022 the Company received the resignation of a Supervisory Board member from her function.

Ms Hanna Karwat-Ratajczak, previously a Member of the Supervisory Board of the Company, submitted resignation effective on the day of the Ordinary General Meeting examining and accepting the Management Board's report on the Company's activity and the financial statement for 2021 and granting discharge to members of the Company's bodies for fulfilment of her duties in 2021.

Ms Hanna Karwat-Ratajczak was meeting the criteria of independent member of the Board. Ms Hanna Karwat-Ratajczak did not give reasons for her resignation.

- **APPOINTMENT OF MEMBER OF THE SUPERVISORY BOARD**

On 28 June 2022 the Ordinary General Meeting of the Company appointed Mr Emil Tomaszewski as a Member of the Supervisory Board of the Company from 28 June 2022.

Information on education, qualifications and career of Mr Emil Tomaszewski is provided on the company's web site.

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

The Management Board of CPD S.A. acting under the Resolution no. 1/VII/2022 of the Company's Management Board of 5 July 2022 on fixing detailed conditions for purchase of shares in the Company, further to the Resolution No. 21 of the Ordinary General Meeting CPD S.A. with the corporate seat in Warsaw of 28 June 2022 on authorisation of the Company's Management Board to purchase the Company's own shares for the purpose of their redemption, called the Company's Shareholders to register for the sale of these shares for redemption on terms and conditions provided in the Call to Register for the Sale of Shares.

- **ANNOUNCEMENT OF RECONCILIATION OF SHARES TENDER OFFERS**

Further to the Call to submit the Company Shares Tender Offers, by which the Company proposed to purchase not more than 1,672,591 (one million six hundred seventy two thousand five hundred ninety one) ordinary bearer shares in the Company coded ISIN PLCELPD00013 („the Shares"), 152 valid Shares Tender Offers were filed in the period of reception of the Shares Tender Offers from 12 to 25 July 2022 for total 7,554,438 (seven million five hundred fifty four thousand four hundred thirty-eight) shares in the Company.

On 26 July 2022 the Company decided to reconcile all the valid Shares tender offers and to reduce their number following the rules provided in the Call. As more shares were offered than 1,672,591 proposed by the Company, each offer was realised partially – the reduction was carried out following the rules provided in the Call so that the offers were reduced on average by 78%.

- **ACQUISITION OF OWN SHARES FOR THE PURPOSE OF REDEMPTION**

On 29 July 2022 as a result of settlement of the transaction of purchase of shares in CPD S.A. further to the call of 5 July 2022 to submit the Company shares tender offers ("the Call"), the Company purchased 1,672,591 shares in the Company (own shares) through the broking house of Pekao Investment Banking S.A. with the corporate seat in Warsaw and Bank Polska Kasa Opieki S.A. with the corporate seat in Warsaw, Pekao Broking Bureau. The shares were purchased under the Resolution no. 21 of the Extraordinary General Meeting of CPD S.A. of 28 June 2022 on authorisation of the Company's Management Board to purchase the Company's own shares for the purpose of their redemption, under article 362.1.5 of the Commercial Companies Code. The price per one share amounted to PLN 29.90.

All the purchased shares are ordinary shares of nominal value PLN 0.10 each. The purchased shares in CPD S.A. (1,672,591) constitute 18.65% of the Company's share capital and represent 1,672,591 votes at the General Meeting of the Company (18.65% of total number of votes at the General Meeting of the Company), however under applicable laws the Company is not entitled to exercise voting rights attached to its own shares.

- **CONCLUSION OF PROMISSED SALE CONTRACT BY SUBSIDIARY**

On 13 October 2022 the Issuer's subsidiary Belise Investments sp. z o.o. concluded the promised contract of sale of the right of perpetual usufruct of real property composed of developed plot no. 146505_8.0813 situated in Warsaw in Mokotów District at ul. Cybernetyki 9 and encompassing 7,449 sq. m., described in the Land and Mortgage Register no. WA2M/00143456/6 kept by the District Court for Warsaw-Mokotów in Warsaw, VII Division of Land and Mortgage Registers, as well as the right of ownership of IRIS office building erected on the Plot and the right of ownership of structures and other facilities situated on the Plot with all rights related thereto. The sale contract totalling to PLN 104 million gross was concluded with DL Invest Group XXXVII sp. z o.o. with the corporate seat in Katowice. Provisions of the above contract concluded by the Seller do not deviate from standards commonly applied to such type of contracts.

- **CONCLUSION OF PROMISED SALE CONTRACT BY SUBSIDIARY**

On 1 December 2022 the issuer's subsidiary Robin Investments sp. z o.o. concluded the promised contract of sale of the right of ownership of real property containing land with offices/shops building named "Aquarius" situated at ul. Połczyńska 31a in Warsaw, registered in the Land and Mortgage Registers nos WA1M/00223834/8, wa1m/00168851/9, wa1m/00168852/6, wa1m/00168850/2 kept by the district court for Warsaw-Mokotów in Warsaw, vii division of land and mortgage registers. The sale contract totalling to PLN 32 828 065 gross was concluded with POL31 sp. z o.o. with the corporate seat in Warsaw. Provisions of the above contract do not deviate from standards commonly applied to such type of contracts. 8. Assessment of investment possibilities.

8. ASSESSMENT OF POSSIBILITIES TO REALIZE INVESTMENT UNDERTAKINGS

The CPD Group finances its development projects with use of its own funds and bank loans.

According to the current report published on 1 March 2023, at present the Management Board is conducting the process of reviewing strategic options for the Company intended to recognize possible directions of further development of the Company. The result of the review will be an assessment of possible courses of action aimed at maximizing the value of the Company for the Shareholders.

The Company is considering several possible directions of the Company's development including acquiring of a strategic investor or alternative activities, which may result in modification of the Company's shareholding structure. The Management Board does not preclude initiation of projects in businesses, in which the Company was not present so far. However, the Management Board cannot guarantee that the review will lead to any transaction modifying this structure or that the review will lead to selection of any strategic option.

The decision to start the review results from the fact of finalisation of the Group's key project in Ursus district in Warsaw, including completion of the process of monetisation of land situated in that area, as well as sale of the last key assets, as notified by the company in the last reports. The value of the properties owned by the Group, including investment properties, properties held for sale and inventories at the end of 2022 amounted to PLN 32.59 million, compared to PLN 176.30 million at the end of 2021. Valuations of investment properties and inventories located in Poland as at the end of 2022 and 2021 were carried out by an independent appraiser – Cresa Polska sp. z o.o. The values as at the end of 2022 were based on signed sale contracts, received purchase tenders and assessments of the Management Board of CPD S.A.

The table below presents a list of properties belonging to the Group as of 31 December 2022.

URSUS

		Type	Valuation 31.12.2022 (mln PLN)	Valuation 31.12.2021 (mln PLN)
Investment properties			**1.91**	**167.67**
Office and logistics			1.91	162.26
Capitalised perpetual usufruct charges			10.00	5.41
Properties held for sale			**24.05**	**4.74**
Residential, retail and office			22.22	2.50
Capitalised perpetual usufruct charges			1.83	2.24
Inventory (at fair value)			**6.63**	3.89
1	**Poland**	Residential, agricultural land, building plots	3.20	3.19
2	**Hungary**	Warehouse/office	3.24	0.51
Capitalised perpetual usufruct charges			0.19	0.19
PORTFOLIO IN TOTAL			32.59	176.30

- 2006 – 2015 – the CPD Group purchased over 60 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 1st 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 Warszwa, 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 carried out at Hennel Street, in the territories that were donated by CPD S.A.. 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 S.A. 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 the area of 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 S.A. 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. sp. 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 S.A. 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 S.A. 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 the process of construction and sale of Task II of the Ursa Sky project;

The company in CPD Group was returned the final part of contribution in kind of Ursa Sky land at PLN 14.9 million. Shareholders of Ursa Sky Smart City sp. z o.o. distributed among themselves profit on investment in Ursa Sky at total of PLN 22.67 million (companies from CPD Group received PLN 11.67 million and Unidevelopment received PLN 11 million). Completion of sale of Task II of Ursa Sky ended the process of monetisation of Ursus project purchased as an investment land by the company from CPD S.A. Group from 2006 to 2015. At present the Group is focusing its activities on finalisation of works connected with road infrastructure around the housing projects realised in Ursus and settlement of investments with Unideveloper that is the joint venture partner.

Projects in realisation and properties for sale (inventories):

- **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 sale of Iris building in October 2022 was a continuation of monetisation realised by CPD S.A. Group of Cybernetyki Office Park that included Iris, Helion, Luminar and Mokotów Plaza buildings. The Group sold 3 buildings to date: Helion, Luminar and Mokotów Plaza included in that complex.

- **Aquarius building, Połczyńska 31a street, Warsaw**
  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. The project was sold in December 2022.

- **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 project was sold in March 2023 to accomplish monetisation of Cybernetyki Office Park complex realised by CPD S.A. Group.

- **Koszykowa 69**
  The real estate at Koszykowa 69 includes a four-storey row house (Ludwik Szanser's row house) and the outbuilding. The house was renovated and extended by CPD Group, offering 14 apartments and commercial areas, which were sold in 2011. As of 31 December 2022, the Group's investment properties portfolio still included share in the common property in the form of outbuilding. In last years the Group was taking actions to relocate the remaining lessees of the outbuilding. In February 2023 the share in the common property was sold.

- **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. The Group's intentios is to sell the farmland.

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

- **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 whole site was sold.

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

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

The COVID-19 pandemic lasting from 2020 to 2022 had no significant impact on the Group's results for 2022.

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 2022 amounted to PLN 122.8 million and were generated by transactions from about a year ago with payment in instalments. Since II Task of Ursa Sky Smart City project completed in 2022 was the last stage of the residential project realised by CPD S.A. Group, the significant decline of apartments sales after mid-2022 will not affect the Group's results in subsequent periods.

Due to the global pandemic from 2020 to 2022 and Russia's aggression against Ukraine that began in March 2022, the company assumes that its effects may affect the activities of property development companies in the following areas:

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

The Ursa Sky II Task has been realised in accordance with the assumed schedule. The construction works were completed in the first quarter of 2022 and the sales of apartments and retail premises were completed in the first quarter of 2023. Completion of sale of Task II of Ursa Sky ended the process of monetisation of Ursus project purchased as an investment land by the company from CPD S.A. Group from 2006 to 2015.

CPD S.A. and subsidiaries took intensive steps from 2020 to 2021 to adapt their activities to the existing conditions, while maintaining common recommendations of sanitary services and WHO guidelines, and in 2022 actively engaged 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 2022, Poland's GDP grew by 4.9 %. For comparison, in 2021, the Polish economy grew by 6.8 %. 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 economic situation in Poland.

- **Situation on financial markets**

The availability of financing sources and the costs of acquired capital have a direct impact on the interest of institutional investors in investment projects, as they also finance their purchases to a large extent by using debt financing. In addition, it should be noted that the availability of debt financing and the cost of its acquisition have a direct impact on profitability of investment processes in all industries.
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 deepening of imbalance of financial liquidity in individual sectors of economy. . This can translate into a further reduction in the availability of funding sources and an increase in the cost of debt financing obtained. Such a situation may maintain the currently observed negative impact on the acquisition by investors of capital necessary for development of investment projects.

- **Banks' loan policy**

The impact of the credit policy of banks on the Group is twofold. The Company, implementing investment projects, benefits greatly from bank financing. The terms of financing, such as credit margins and required own contribution, determine the return on equity of the Company involved in implementation of a given investment project. Availability of bank financing is also a key factor in determining the size of the population demand for final products, which must be considered when launching subsequent new investment 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 in the end of 2022, the rate was 6.75%.

- **Administrative decisions**

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

11. OVERVIEW OF BASIC ECONOMIC AND FINANCIAL INFORMATION

Description of the financial results of the Company for the period of 12 months from 1 January to 31 December 2022.

Selected items of the statement of comprehensive income

	12 months ended		*Change*
	31.12.2022	**31.12.2021**	***2022/2021***
	(PLN ths.)	(PLN ths.)	*(%)*
Revenue	24	161	*-85%*
Administrative expenses	-3 295	-4 221	*-22%*
Marketing costs	-25	0	
Gain/loss on revaluation of loans	-29 420	11 865	
Other operating income	10	0	
Other operating expenses	0	-2	*-100%*
Profit/loss from operations	**-32 706**	**7 803**	
Finance income	12 910	108 072	*-88%*
Finance costs	-1 993	-16 970	*-88%*
Profit/loss before tax	**-21 789**	**98 904**	
Income tax	-1 293	133	
PROFIT/LOSS FOR THE YEAR	**-23 082**	**99 037**	

In 2022 the Company recorded a net loss in the amount of PLN 23.1 million. The net result dropped by PLN 122.1 million in comparison with 2021.

A drop in finance and administrative costs had the biggest favourable impact on the net result in 2022 in comparison with 2021. Lower finance costs resulted from the fact that the impairment of investments in subsidiaries was lower by PLN 14.77 million. Administrative costs decreased by PLN 0.93 million in comparison with 2021 mainly due to lower staff costs.

A decrease in finance income and worse result on revaluation of loans had the biggest unfavourable impact on the net result in 2022 in comparison with 2021. Finance income went down by PLN 95.2 million, because in 2022 the Company received lower dividends from subsidiaries and jointly controlled entities. The sum of dividends received amounted to PLN 11.5 million in 2022 compared to PLN 106.6 million in 2021. The loss on revaluation of loans amounted to PLN 29.4 million in 2022 as a result of an increase in interest rates.

In 2022 the Company didn't generate any significant revenue.

Selected items of the statement of financial position

	As at:		*Change*
	2022-12-31	2021-12-31	*2022/2021*
	(PLN ths.)	(PLN ths.)	*(%)*
Total assets	**66 495**	**144 505**	***-54%***
Non-current assets, including:	41 806	57 650	*-27%*
Long-term receivables	*38 055*	*37 657*	*1%*
Shares in subsidiaries	*3 751*	*19 993*	*-81%*
Current assets, including:	24 689	86 855	*-72%*
Trade receivables and other receivables	*318*	*22 276*	*-99%*
Income tax receivables	*0*	*195*	*-100%*
Cash and cash equivalents	*24 371*	*64 384*	*-62%*
Total equity and liabilities	**66 495**	**144 505**	***-54%***
Equity, including:	57 176	130 268	*-56%*
Share capital	*897*	*2 637*	*-66%*
Treasury shares for redemption	*-50 010*	*-288 972*	*-83%*
Reserve capital	*987*	*987*	*0%*
Fair value of capital element at inception date	*-27 909*	*-27 909*	*0%*
Share premium	*389 802*	*677 034*	*-42%*
Retained earnings	*-256 591*	*-233 509*	*10%*
Non-current liabilities	6 237	4 944	*26%*
Current liabilities	3 082	9 293	*-67%*

As at the end of December 2022 the value of total assets of the Company dropped by 54% in comparison with the end of 2021 (total assets were lower by PLN 78 million).

The values of both non-current and current assets went down in 2022.

As regards the non-current assets, the value of long-term receivables resulting from loans to related parties did not change considerably. The value of shares in subsidiaries and jointly-controlled entities was lower by PLN 16.2 million, which resulted from a withdrawal of the Company's contribution from a jointly controlled entity Ursa Sky Smart City sp. z o.o. sp. k. in the amount of PLN 14.9 million and an impairment of investments in subsidiaries in the amount of PLN 1.8 million.

As at the end of 2022 the long-term receivables resulting from loans to related parties accounted for 91% of non-current assets.

As regards the current assets, a drop in their value resulted mainly from shares buy-back in the amount of PLN 50 million and the reclassification of part of the loans to related parties from short-term receivables to long-term ones.

At the end of December 2022, the value of equity amounted to PLN 57.2 million, which accounted for 86% of total assets, while the value of total liabilities accounted for only 14% of total assets. These indicators changed slightly compared to the end of 2021 when they amounted to 90% and 10%, respectively. A decrease in the value of equity amounted to 56% in comparison with the end of December 2021.

The value of total liabilities decreased by 35% in comparison with December 2021 mainly due to a decline in the value of liabilities resulting from loans from related parties as a consequence of loan repayments.

As at 31 December 2022 the Company had non-current liabilities in the amount of PLN 6.2 million, which consisted of deferred tax liabilities.

Current liabilities in the amount of PLN 3.1 million accounted for 4.6% of total assets. Loan liability towards a related company Robin Investments sp. z o.o. in the amount of PLN 1.9 million constituted the biggest part of these liabilities. Loan liability towards a related company Lakia Investments sp. z o.o. amounted to PLN 0.9 million.

The table below shows the structure of liabilities at the end of December 2022 and 2021

	2022-12-31	2021-12-31
Liabilities to total assets	**14,0%**	**9,9%**
Non-current liabilities to total assets	**9,4%**	**3,4%**
Borrowings	0,0%	0,0%
Deferred tax liability	9,4%	3,4%
Current liabilities to total assets	**4,6%**	**6,4%**
Borrowings	4,3%	6,3%
Trade and other payables	0,4%	0,2%

The structure of liabilities changed considerably in 2022 compared to the end of 2021.

The share of non-current liabilities in the balance sheet total increased from 3.4% at the end of December 2021 to 9.4% at the end of 2022. The change resulted mainly from a rise in deferred tax liability.

At the end of December 2022, non-current liabilities accounted for 67% of total liabilities, while at the end of December 2021 the share was 35%.

The share of current liabilities in the balance sheet total went down from 6.4% to 4.6%. The change resulted mainly from a partial repayment of loans in 2022.

At the end of December 2022, current liabilities accounted for 33% of total liabilities, while at the end of December 2021 the share was 65%.

Description of the consolidated financial results of the CPD Capital Group for the period of 12 months from 1 January to 31 December 2022.

Selected items of the consolidated statement of comprehensive income

	12 months period		
	From 01.01.2022 to 31.12.2022 (PLN thous.)	From 01.01.2021 to 31.12.2021 (PLN thous.)	*Change* (%)
Revenue	748	1 433	*-47,8%*
Cost of sales	2 616	326	*702,5%*
Sales profit	**3 364**	**1 759**	**91,2%**
Administrative expenses - property related	*-652*	*-745*	*-12,5%*
Other administrative expenses	*-10 534*	*-10 094*	*4,4%*
Selling and marketing costs	*-121*	*-303*	*-60,1%*
Gain (loss) on disposal of investment properties	*382*	*827*	*-53,8%*
Other income	*335*	*1 586*	*-78,9%*
Gain (loss) on revaluation of investment properties	*-199*	*2 639*	
Gain (loss) on revaluation of assets held for sale	*0*	*293*	*-100,0%*
Gain (loss) on disposal of subsidiaries	*0*	*-40*	*-100,0%*
Post-tax share of the profit or loss of the joint-venture accounted for using the equity method	*17 495*	*27 005*	*-35,2%*
Impairment of receivables	*7 409*	*859*	*762,5%*
Profit from operations	**17 479**	**23 786**	**-26,5%**
Finance income	1 002	358	*179,9%*
Finance costs	-891	-668	*33,4%*
Profit/loss before tax	**17 590**	**23 476**	**-25,1%**
Income tax	-5 660	968	
Profit/loss from continued operations	**11 930**	**24 444**	**-51,2%**
Profit/loss from discontinued operations	-25 220	6 729	
Profit/loss for the period	**-13 290**	**31 173**	

In 2022 the CPD S.A. Group generated a profit from continued operations of PLN 11.93 million. The profit from continued operations decreased by PLN 12.51 million compared to the corresponding period in 2021. The Group recorded a net loss of PLN 13.29 million for the period of 12 months ended 31 December 2022.

In 2022 there were three main factors that had a positive impact on the financial results of the CPD Group compared to the corresponding period of 2021. The Group managed to recover PLN 7.41 million worth of receivables that were classified as impaired in prior reporting periods. Additionally, sales profit amounted to PLN 3.36 million and was higher by PLN 1.61 million compared to 2021. Moreover, finance income increased by PLN 0.64 million.

The impairment of receivables could be reversed because the Group received money from an official receiver of Energetyka Ursus (syndyk). Sales profit was higher thanks to a drop in the balance of impairment of inventories in the amount of PLN 2.75 million. Finance income went up because in 2022 the Group received interest in the amount of PLN 0.91 million from banks.

On the other hand, a loss from discontinued operations (rental of office space) in the amount of PLN 25.22 million was one of the main factors that adversely affected the financial results of the CPD Group in 2022 compared to the corresponding period of 2021, when a profit from discontinued operations amounted to PLN 6.73 million. The loss from discontinued operations resulted from the loss on revaluation of an office building in 2022.

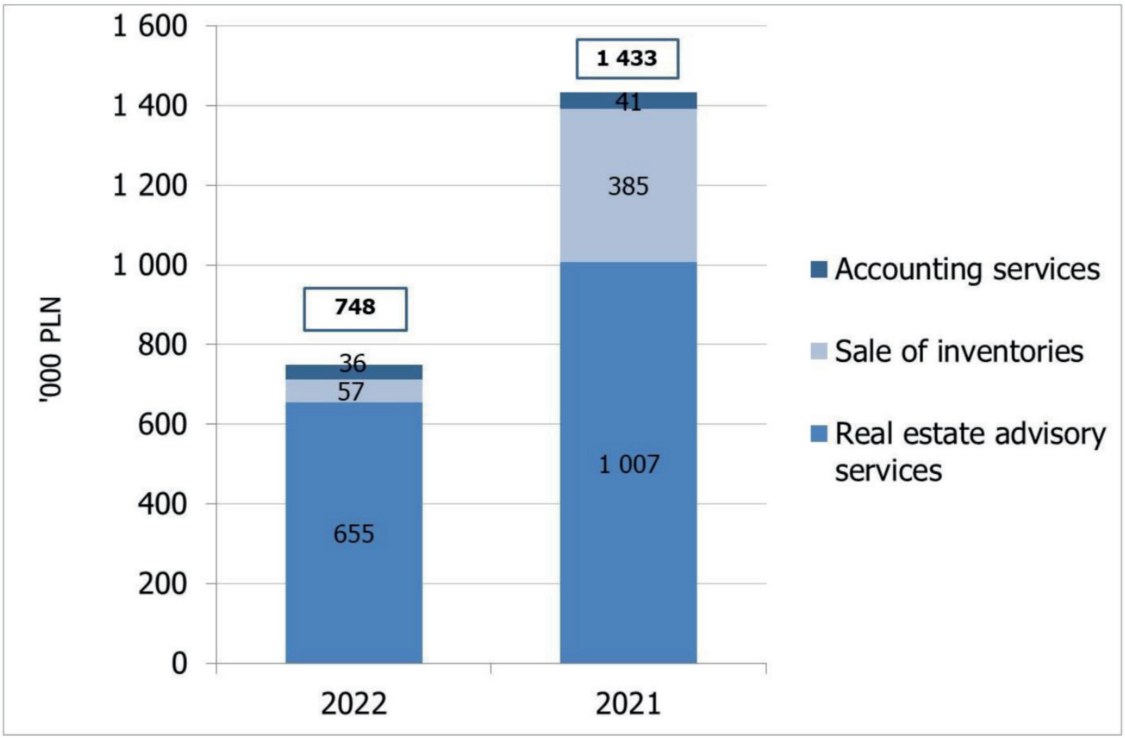
The CPD Group's share in the profits of the joint-venture dropped from PLN 27 million in 2021 to PLN 17.5 million in 2022, which also had a major negative impact on the financial results when compared to 2021.

The table below presents selected items of the consolidated statement of comprehensive income converted into euro. The numbers for 2022 were converted using the weighted average exchange rate of the National Bank of Poland for this period, i.e., 4.6869. The numbers for 2021 have been converted using the weighted average exchange rate of the National Bank of Poland for this period, i.e., 4.5674.

	12 months period		
	From 01.01.2022 to 31.12.2022 (EUR thous.)	**From 01.01.2021 to 31.12.2021** (EUR thous.)	***Change*** *(%)*
Revenue	160	314	*-49,1%*
Cost of sales	558	71	*682,0%*
Sales profit	**718**	**385**	**86,4%**
Administrative expenses - property related	*-139*	*-163*	*-14,7%*
Other administrative expenses	*-2 248*	*-2 210*	*1,7%*
Selling and marketing costs	*-26*	*-66*	*-61,1%*
Gain (loss) on disposal of investment properties	*82*	*181*	*-55,0%*
Other income	*71*	*347*	*-79,4%*
Gain (loss) on revaluation of investment properties	*-42*	*578*	
Gain (loss) on revaluation of assets held for sale	*0*	*64*	*-100,0%*
Gain (loss) on disposal of subsidiaries	*0*	*-9*	*-100,0%*
Post-tax share of the profit or loss of the joint-venture accounted for using the equity method	*3 733*	*5 913*	*-36,9%*
Impairment of receivables	*1 581*	*188*	*740,5%*
Profit from operations	**3 729**	**5 208**	**-28,4%**
Finance income	214	78	*172,8%*
Finance costs	-190	-146	*30,0%*
Profit/loss before tax	**3 753**	**5 140**	**-27,0%**
Income tax	-1 208	212	
Profit/loss from continued operations	**2 545**	**5 352**	**-52,4%**
Profit/loss from discontinued operations	-5 381	1 473	
Profit/loss for the period	**-2 836**	**6 825**	

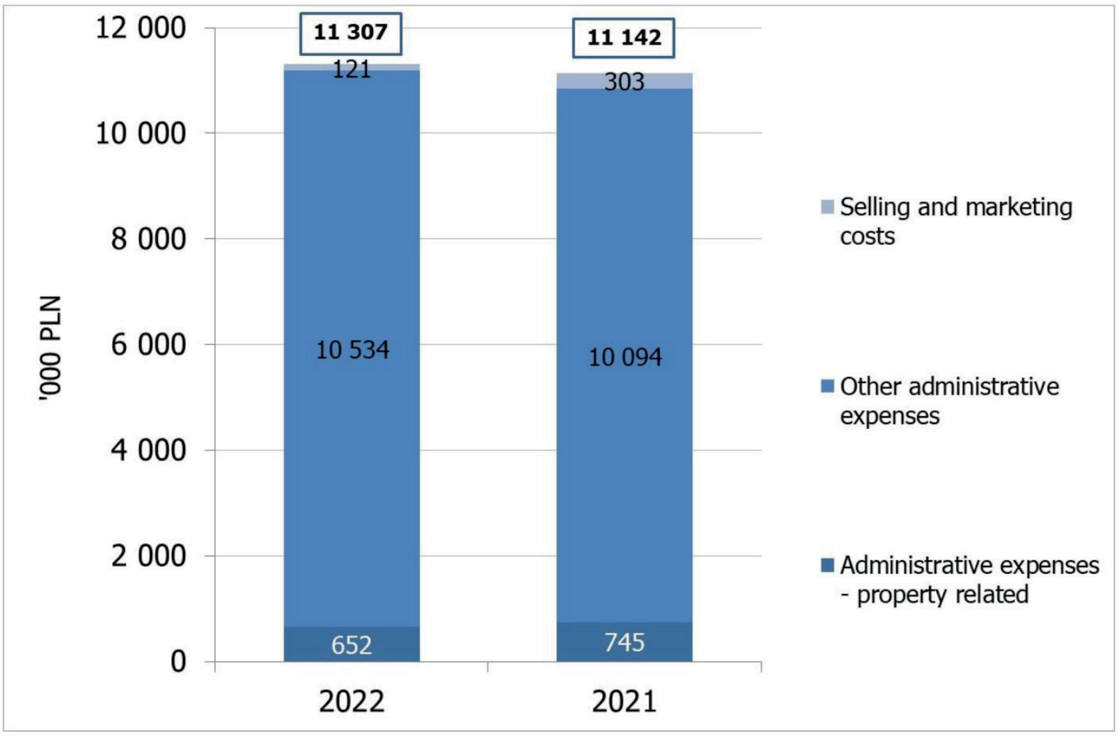
Revenues decreased considerably compared to the corresponding period of 2021 due to much lower revenue from real estate advisory services and sale of inventories.

The chart below shows the structure of revenues generated in 2022 and 2021



Revenues decreased considerably compared to the corresponding period of 2021 due to much lower revenue from real estate advisory services and sale of inventories.

The chart below shows the structure of operating costs incurred in 2022 and 2021



Total operating costs increased slightly due to higher advisory costs.

Selected items of the consolidated statement of financial position

	As at:		Change
	2022-12-31	2021-12-31	
	(PLN thous.)	(PLN thous.)	(%)
TOTAL ASSETS	**115 526**	**275 322**	***-58,0%***
Non-current assets, including:	**5 658**	**181 654**	***-96,9%***
Investment properties	*1 910*	*167 667*	*-98,9%*
Investments in joint ventures accounted for using the equity method	*3 748*	*12 795*	*-70,7%*
Current assets, including:	**109 868**	**93 668**	***17,3%***
Assets held for sale	*24 045*	*4 744*	*406,9%*
Inventory	*6 631*	*3 887*	*70,6%*
Trade and other receivables	*2 899*	*3 264*	*-11,2%*
Cash and cash equivalents	*76 293*	*81 773*	*-6,7%*
TOTAL EQUITY AND LIABILITIES	**115 526**	**275 322**	***-58,0%***
Equity, including:	**81 129**	**144 663**	***-43,9%***
Share capital	*897*	*2 637*	*-66,0%*
Reserve capital	*987*	*987*	*0,0%*
Own shares for redemption	*-50 010*	*-288 973*	*-82,7%*
Fair value of capital element at inception date	*-27 909*	*-27 909*	*0,0%*
Translation reserve	*-6 477*	*-6 243*	*3,7%*
Retained earnings	*163 641*	*464 164*	*-64,7%*
Total liabilities, including:	**34 397**	**130 659**	***-73,7%***
Non-current liabilities	*9 028*	*74 412*	*-87,9%*
Current liabilities	*25 369*	*56 247*	*-54,9%*

At the end of December 2022, the value of total assets was lower by 58% compared to the end of December 2021.

At the end of December 2022, the value of total assets was lower by 58% compared to the end of December 2021.

The value of investment properties dropped by 99% in 2022 mainly due to a reclassification of investment properties into assets held for sale in the amount of PLN 130.36 million.

The value of investments in joint ventures decreased by 71% because the CPD Group received PLN 14.94 million from the special purpose vehicle responsible for the implementation of the joint venture in the form of a return of the contribution and PLN 11.6 million worth of profits.

The value of current assets increased by 17% due to a reclassification of investment properties into assets held for sale in the amount of PLN 130.36 million and inflows from JV in the total amount of PLN 26.54 million.

At the end of December 2022, the value of equity amounted to PLN 81.13 million, which accounted for 70.2% of total assets. The value of total liabilities accounted for 29.8% of total assets.

These indicators changed significantly compared to the end of December 2021 when they amounted to 52.5% and 47.5%, respectively.

The value of total liabilities decreased by 73.7% (PLN 96.26 million) in 2022 mainly due to repayment of bank loans in the amount of PLN 80.91 million.

The table below presents selected items of the consolidated statement of financial position converted into euro. Figures for 31 December 2022 have been converted using the NBP exchange rate as of 31 December 2022, i.e., 4.6899. Figures for 31 December 2021 have been converted using the NBP exchange rate as of 31 December 2021, i.e., 4.5994.

The table below presents selected items of the consolidated statement of financial position converted into euro. Figures for 31 December 2022 have been converted using the NBP exchange rate as of 31 December 2022, i.e., 4.6899. Figures for 31 December 2021 have been converted using the NBP exchange rate as of 31 December 2021, i.e., 4.5994.

	As at:		Change
	2022-12-31 (EUR thous.)	2021-12-31 (EUR thous.)	(%)
TOTAL ASSETS	**24 633**	**59 860**	***-58,8%***
Non-current assets, including:	**1 206**	**39 495**	***-96,9%***
Investment properties	*407*	*36 454*	*-98,9%*
Investments in joint ventures accounted for using the equity method	*799*	*2 782*	*-71,3%*
Current assets, including:	**23 427**	**20 365**	***15,0%***
Assets held for sale	*5 127*	*1 031*	*397,1%*
Inventory	*1 414*	*845*	*67,3%*
Trade and other receivables	*618*	*710*	*-12,9%*
Cash and cash equivalents	*16 268*	*17 779*	*-8,5%*
TOTAL EQUITY AND LIABILITIES	**24 633**	**59 860**	***-58,8%***
Equity, including:	**17 299**	**31 453**	***-45,0%***
Share capital	*191*	*573*	*-66,6%*
Reserve capital	*210*	*215*	*-1,9%*
Own shares for redemption	*-10 663*	*-62 828*	*-83,0%*
Fair value of capital element at inception date	*-5 951*	*-6 068*	*-1,9%*
Translation reserve	*-1 381*	*-1 357*	*1,7%*
Retained earnings	*34 892*	*100 918*	*-65,4%*
Total liabilities, including:	**7 334**	**28 408**	***-74,2%***
Non-current liabilities	*1 925*	*16 179*	*-88,1%*
Current liabilities	*5 409*	*12 229*	*-55,8%*

The table below shows the structure of liabilities at the end of December 2022 and December 2021

	2022-12-31	2021-12-31
Liabilities to total assets	**29,8%**	**47,5%**
Non-current liabilities to total assets	**7,8%**	**27,0%**
Borrowings including leases	0,2%	20,9%
Deferred income tax liabilities	7,7%	5,2%
Trade and other payables	0,0%	1,0%
Current liabilities to total assets	**22,0%**	**20,4%**
Borrowings including leases	0,0%	13,6%
Trade and other payables	20,4%	6,1%
Payables linked to assets held for sale	1,6%	0,8%

The structure of liabilities changed significantly in 2022. The share of non-current liabilities in the balance sheet total decreased substantially from 27% at the end of December 2021 to 7.8% at the end of December 2022. The share of current liabilities in the balance sheet total went up slightly from 20.4% to 22%.

At the end of December 2022, non-current liabilities accounted for 26% of total liabilities, while at the end of December 2021 the share was 57%.

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 relating to re-escalation of world COVID-19 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.

In spite of the pandemic expiration observed in the last months, the management board is monitoring economic and social risks that may have a negative impact on the activities of the CPD S.A. group, timely implementation of projects implemented by companies from the CPD capital group and its related entities, availability and terms of new financing.

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.

- ### Risks relating to continuation of military conflict in Ukraine

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 taken into account that the macroeconomic situation of Poska 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 2022, Poland's GDP increased by 4.9 %. In comparison, in 2021, the Polish economy increased by 6.8 %.

- **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.

- **Risk relating to lack of stability of the Polish legal and tax system**

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

- **risk of increased costs of implementing projects planned by the Group**

Implementation of investment projects is a long-term undertaking. As a result, the waiting period for the first income from monetisation of investments is relatively long. The Company's investment 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 investments, it is possible to increase investment costs, resulting from the specificity of the process, including the fact that: (i) the investments are carried out over a relatively long period, during which costs of employment of qualified employees may change, (ii) the execution of investment works depends largely on the economic environment, which, when this is variable, may lead to delays in the project implementation and the need to bear costs of securing the investment while it is not carried out, (iii) variable conditions of investment projects may require additional capital expenditures. 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 relating to competition**

After starting the process of surveying its strategic options, the Company must take into consideration potential competition by domestic and foreign competitors in a given industry and, therefore, the stagnation of, or drop in, prices. Such a situation may adversely translate into the results generated by CPD Group in future reporting periods.

- **Risk relating to the implementation of investment projects**

The efficient implementation of investment 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 works or may face obstacles in obtaining appropriate contractors for their implementation. Also, a number of factors exist that might cause the contractor or subcontractors to fail to comply with the investment completion deadlines, as well as amendments to the regulating laws . Should any of the above-described risks occur, the project completion might be delayed, the creation costs might increase, the funds invested in the project might be illiquid, and also, in extreme cases, the project completion might be totally prevented. The above-described situations which, should they arise, might also adversely affect the Company's goodwill, which fact would impair its ability to implement further projects.

- **Risk relating to location of investments**

The assessment of the location of investments is one of the most material criteria of determining the expected income from the project. Inaccurate assessment of the location of the investment for its intended use might hinder or prevent monetisation of the project at expected rates. In such a situation the risk exists that the CPD Group will fail to generate the expected sales revenue; or the Company will generate margins at a level lower than predicted; or will be reliant on external financing to a greater extent.

- **Risk relating to lack of liquidity of investments**

New investment projects might be characterised by variable liquidity. The extended period for realisation of projects 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 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 projects in one region will expose the Company to a higher risk of changes in the local market and business environment than that faced by other companies with a greater geographical diversification of their investment projects.

- **Risk relating to unforseen situations**

This risk embraces unforeseen situations where, despite a detailed analysis of the planned project, it might prove during the project implementation phase that unpredictable situations arise. 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**

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

- **Risk relating to changes in selling prices of flats and lease rent rates**

In the case of development and real property projects, the Company's profitability depends largely on the level of the prices of flats and on lease rent rates for retail space 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 of projects and the risk of expropriation**

The Company and other members of its Group conduct relevant analyses and reviews of the legal status of projects prior to purchase, however this does not completely rule out the risk of legal defects of projects, which may emerge during the project implementation process, e.g., in the form of reprivatisation claims, ownership claims or other claims. In the case of real property projects, 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 project.
(as) Risk relating to environmental responsibility

At the time of intensification of environmental protection regulations, the Company and other members of its Group must be especially prudent in analysing new investment opportunities, which, however, does not totally preclude the risk of liability under environmental regulations. 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, 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**

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

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

- **Risk relating to lease agreements**

In the case of real property investment projects, the value of real estate to be leased depends on the time of the lease agreements' term and on the financial standing of the lessees. If the Company and its Group's members are not able to prolong, on favourable conditions, the agreements which are due to expire in the near future or gain and maintain appropriate lessees of good financial standing and willing to enter into long-term lease agreements, this might adversely affect the market value of the real estate. 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 economic situation, which fall outside the Company's control. The Company endeavours to build its strategy on the basis of the current market situation. The Company may not ensure, however, that the strategy has been grounded on a complete and accurate analysis of current and future trends of the market. It cannot be excluded that the activities undertaken by the Company will prove insufficient or mistaken from the point of view of implementation of the assumed strategic goals. An erroneous assessment of market tendencies and any erroneous decisions by the Company might have a significant adverse effect on its financial results.

- **Risk relating to the managerial staff**

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

- **Risk relating to financing development with bank loans and other debt instruments**

Usually, investment 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 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**

In the case of projects denominated or financed in foreign currencies, the Company is exposed to the risk of depreciation of zloty against the currencies, in which the projects are carried out or financed, which could adversely affect the Company's financial position. This risk is partly compensated when revenues and debt financing are realised in the same currency.

- **Risk relating to access of prospective clients of CPD Group to loan financing**

The regulations on mortgage loans issued by the Financial Supervision Authority in 2010 - 2012 (so-called T-recommendation issued in August 2010 and the amended S-recommendation in force since January 2012) continuously monitored by the Financial Supervision Commission in view of the expected increase of interest rates may substantially limit the accessibility of loans designated to finance the investments. 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 COURT, 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 S.A. includes the obligation resulting from the decision.

On 17 March 2023, an agreement was concluded under which the Company sold 100% of the shares it held in the share capital of the company under the business name Celtic Investments Ltd with its registered office in Nicosia ("Agreement"). Due to the conclusion of the Agreement described above, the Company ceased to have share rights in the share capital of Celtic Investments Ltd with its registered office in Nicosia and the above company is no longer part of the "CPD" Capital Group. Celtic Investments Ltd with its registered office in Nicosia did not have any significant assets. The sale price of 100% of shares i.e. 1,000 shares with a value of EUR 1,000, specified in the agreement, amounted to EUR 1,000 (one thousand). Pursuant to the above agreement, the consolidated statement of financial position of the Company will not include the liability described in the item "Significant Court, Administrative and Arbitration Proceedings" in periodic reports published by the Company.

At present there are no judicial, administrative or arbitration proceedings.

14. THE ISSUER'S ORGANIZATIONAL OR CAPITAL RELATIONSHIPS

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

15. SIGNIFICANT AGREEMENTS

In the financial year 2022, 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:

- On 29 July 2022 as a result of settlement of the transaction of purchase of shares in CPD S.A. further to the call of 5 July 2022 to submit the Company shares tender offers ("the Call"), the Company purchased 1,672,591 shares in the Company (own shares) through the broking house of Pekao Investment Banking S.A. with the corporate seat in Warsaw and Bank Polska Kasa Opieki S.A. with the corporate seat in Warsaw, Pekao Broking Bureau. The shares were purchased under the Resolution no. 21 of the Extraordinary General Meeting of CPD S.A. of 28 June 2022 on authorisation of the Company's Management Board to purchase the Company's own shares for the purpose of their redemption, under article 362.1.5 of the Commercial Companies Code. The price per one share amounted to PLN 29.90. All the purchased shares are ordinary shares of nominal value PLN 0.10 each. The purchased shares in CPD S.A. (1,672,591) constitute 18.65% of the Company's share capital and represent 1,672,591 votes at the General Meeting of the Company (18.65% of total number of votes at the General Meeting of the Company), however under applicable laws the Company is not entitled to exercise voting rights attached to its own shares.
- On 13 October 2002 the Issuer's subsidiary Belise Investments sp. z o.o. concluded the promised contract of sale of the right of perpetual usufruct of real property composed of developed plot no. 146505_8.0813 situated in Warsaw in Mokotów District at ul. Cybernetyki 9 and encompassing 7,449 sq. m., described in the Land and Mortgage Register no. WA2M/00143456/6 kept by the District Court for Warsaw-Mokotów in Warsaw, VII Division of Land and Mortgage Registers, as well as the right of ownership of IRIS office building erected on the Plot and the right of ownership of structures and other facilities situated on the Plot with all rights related thereto. The sale contract totalling to PLN 104 million gross was concluded with DL Invest Group XXXVII sp. z o.o. with the corporate seat in Katowice. Provisions of the above contract concluded by the Seller do not deviate from standards commonly applied to such type of contracts.
- On 1 December 2022 the Issuer's subsidiary Robin Investments sp. z o.o. concluded the promised contract of sale of the right of ownership of real property containing land with offices/shops building named "Aquarius" situated at ul. Połczyńska 31a in Warsaw, registered in the Land and Mortgage Registers nos WA1M/00223834/8, WA1M/00168851/9, WA1M/00168852/6, WA1M/00168850/2 kept by the District Court for Warsaw-Mokotów in Warsaw, VII Division of Land and Mortgage Registers. The sale contract totalling to PLN 32,828,065 gross was concluded with POL31 sp. z o.o. with the corporate seat in Warsaw. Provisions of the above contract do not deviate from standards commonly applied to such type of contracts.

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,

16. SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES

In the reporting period, the Company did not enter into transactions with related parties on non-arm's length terms. Transactions with related parties are described in Note 23 to the Financial statement of Company and Note 24 to the Consolidated financial statement.

17. LOAN AND BORROWING AGREEMENTS, SURETIES AND GUARANTEES

Loans payable as at 31 December 2022 relate to loans from the following subsidiaries: from the subsidiary Lakia Investments (loan interest rate is 3M Wibor + margin 1.55%) and loan from the subsidiary Robin Investments (loan interest rate is 3M Wibor + margin 1.55%). As at 31 December 2022, the balance of the loan from Lakia Investments is PLN 893 thousand (principal: PLN 68 thousand, interest: PLN 825 thousand); the balance of the loan from Robin Investments is PLN 1,939 thousand (principal: PLN 1,600 thousand, interest: PLN 339 thousand).

As at the balance sheet date, the Company had no liabilities under sureties and guarantees.

As at the balance sheet date, the Group had no liabilities under loan and borrowing agreements, sureties and guarantees as a result of actions described below:

- On 16 February 2022 the liability of the company, which was jointly controlled by CPD S.A. and for which CPD S.A. was the party to the agreement on accessing the debt, Ursa Smart City sp. z o.o. sp. k., towards Bank Millenium S.A., was repaid in full. The liability included capital at PLN 30,000,000 and related interest, commissions, fees and costs. The value of Ursa Sky's debt to Bank Millenium amounted to PLN 213,466.10 in the end of 2021. The fee of CPD S.A. for its surety amounted to PLN 225,000 per annum.
- On 13 October 2022 the liability under the loan agreement signed on 12 August 2011 between Bank Zachodni WBK S.A. (at present Santander Bank Polska S.A.), the subsidiary Belise Investments sp. z o.o. as the borrower, and CPD S.A. and Lakia Enterprises Ltd of Nicosia *Cyprus) as the surety providers, was repaid in 100%. The agreement concerned financing of construction and finishing of Iris office building situated at ul. Cybernetyki 9 in Warsaw, which was opened in October 2012. The loan agreement provided for delivery of Investment Loan at EUR 20,077,458 to finance and refinance part of costs of the project or costs of finishing the leased areas. As at the day of publication of this report, further to the repayment of the above liability all the collaterals under this agreement were released by the lending bank.
- On 22 August 2022 the liability under the loan agreement signed on 18 June 2014 between Lakia Investments sp. z o.o. and mBank Hipoteczny S.A, under which Lakia Investments sp. z o.o. was granted the mortgage loan at EUR 5,850,000 to refinance "Solar" office building, was repaid in 100%, i.a. by total and irrevocable repayment of the existing debt of this company under the loan agreement with HSBC Bank Polska S.A. As at the day of publication of this report, further to the repayment of the above liability all the collaterals under this agreement were released by the lending bank.

- On 1 December 2022 the liability under the loan agreement signed on 18 June 2014 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, was repaid in 100%, 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. As at the date of publication of this report, further to the repayment of the above liability all the collaterals under this agreement were released by the lending bank.

18. ISSUES OF SECURITIES, ACQUISITION OF OWN SHARES

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

The Management Board of CPD S.A. acting under the Resolution no. 1/VII/2022 of the Company's Management Board of 5 July 2022 on fixing detailed conditions for purchase of shares in the Company, further to the Resolution No. 21 of the Ordinary General Meeting CPD S.A. with the corporate seat in Warsaw of 28 June 2022 on authorisation of the Company's Management Board to purchase the Company's own shares for the purpose of their redemption, called the Company's Shareholders to register for the sale of these shares for redemption on terms and conditions provided in the Call to Register for the Sale of Shares.

- **ANNOUNCEMENT OF RECONCILIATION OF SHARES TENDER OFFERS**

Further to the Call to submit the Company Shares Tender Offers announced on 5 July 2022, by which the Company proposed to purchase not more than 1,672,591 (one million six hundred seventy two thousand five hundred ninety one) ordinary bearer shares in the Company coded ISIN PLCELPD00013 („the Shares"), 152 valid Shares Tender Offers were filed in the period of reception of the Shares Tender Offers from 12 to 25 July 2022 for total 7,554,438 (seven million five hundred fifty four thousand four hundred thirty-eight) shares in the Company.

On 26 July 2022 the Company decided to reconcile all the valid Shares tender offers and to reduce their number following the rules provided in the Call. As more shares were offered than 1,672,591 proposed by the Company, each offer was realised partially - the reduction was carried out following the rules provided in the Call so that the offers were reduced on average by 78%.

- **ACQUISITION OF OWN SHARES FOR THE PURPOSE OF REDEMPTION**

On 29 July 2022 as a result of settlement of the transaction of purchase of shares in CPD S.A. further to the call of 5 July 2022 to submit the Company shares tender offers ("the Call"), the Company purchased 1,672,591 shares in the Company (own shares) through the broking house of Pekao Investment Banking S.A. with the corporate seat in Warsaw and Bank Polska Kasa Opieki S.A. with the corporate seat in Warsaw, Pekao Broking Bureau. The shares were purchased under the Resolution no. 21 of the Extraordinary General Meeting of CPD S.A. of 28 June 2022 on authorisation of the Company's Management Board to purchase the Company's own shares for the purpose of their redemption, under article 362.1.5 of the Commercial Companies Code. The price per one share amounted to PLN 29.90.

All the purchased shares are ordinary shares of nominal value PLN 0.10 each. The purchased shares in CPD S.A. (1,672,591) constitute 18.65% of the Company's share capital and represent 1,672,591 votes at the General Meeting of the Company (18.65% of total number of votes at the General Meeting of the Company), however under applicable laws the Company is not entitled to exercise voting rights attached to its own shares.

19. DESCRIPTION OF DIFFERENCES IN FORECAST FINANCIAL RESULTS

CPD Group and its dominant entity did not publish financial result forecasts for the year 2022.

20. FINANCIAL RESOURCES MANAGEMENT ASSESSMENT

Company's financial resources management assessment

The Company finances its operations mainly with equity. Equity as at the balance sheet date constituted 86% of the total balance sheet of the Company. In the financial year 2022, the Company's financial resources were used in accordance with plans, purpose and current needs. The Company regularly met its obligations to counterparties, banks and obligatory charges to the State. Financial flows are monitored on an ongoing basis, which allows for safe management of the Company's finances. Liabilities constituting 14% of the total balance sheet of the Company do not pose a threat to the liquidity of the Company.

CPD Group's financial resources management assessment

The CPD Group finances its operations with equity and external capitals. Equity as at the balance sheet date constituted 70% of the total balance sheet of the Group and was the main source of financing the Group's operating activities. In the financial year 2022, the Group's financial resources were used in accordance with plans, purpose and current needs. The Group regularly met its obligations to counterparties, banks and obligatory charges to the State. Financial flows are monitored on an ongoing basis, which allows for safe management of the Group's finances. Additionally, in the long-term projection of cash flows, provisions for various risks have been created, which means that liabilities constituting 30% of the total balance sheet of the Group do not pose a threat to the liquidity of the Group.

The significant source of financing the CPD Group's operations in 2022 were loans and borrowings. In 2022 the Group repaid all its loans and therefore at the end of 2022, the total value of liabilities due to loans and borrowings, including leasing, was PLN 2 million compared to PLN 97 million at the end of 2021. 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 2022, these liabilities amounted to PLN 2 million, which accounted for approximately 100% 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 2022 (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 2022, neither the Company nor its subsidiaries paid any prizes or benefits, including those resulting from incentive or bonus schemes based on the issuer's capital, in particular based on bonds with pre-emptive rights, convertible bonds, subscription warrants, in cash, in kind or in any other form. In 2022, 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	10 008	01.2022 - 12.2022	-
Andrew Pegge	President	PLN	10 008	01.2022- 12.2022	-
Mirosław Gronicki	Member	PLN	10 008	01.2022 - 12.2022	-
Emil Tomaszewski	Member	PLN	5 087.4	31.05.2022 - 12.2022	
Hanna Karwat-Ratajczak	Member	PLN	5 004	01.2022-05.2022	resignation in the end of May
Krzysztof Laskowski	Member	PLN	11 768.3	01.2022-12.2022	
TOTAL		**PLN**	**51 883.7**		

- **AUDIT COMMITTEE REMUNERATION**

In 2022, 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	5 004	01.2022 - 12.2022	-
Mirosław Gronicki	President	PLN	5 004	01.2022- 12.2022	-
Krzysztof Laskowski	Member	PLN	5 884.15	01.2022.-12.2022	
TOTAL		**PLN**	**15 892.15**		

- **MANAGEMENT BOARD REMUNERATION**

In 2022, neither the Company nor its subsidiaries paid any prizes or benefits, including those resulting from incentive or bonus schemes based on the issuer's capital, in particular based on bonds with pre-emptive rights, convertible bonds, subscription warrants, in cash, in kind or in any other form. In 2022 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	707 196	328 500	1 034 696	01.2022- 12.2022	-
Iwona Makarewicz	Member	413 177	1 808 035	2 221 212	01.2022 - 12.2022	-
Elżbieta Wiczkowska	Member	643 966	3 481 005	4 124 971	01.2022 - 12.2022	-
John Purcell	Member	46 331	562 000	608 331	01.2022 - 12.2022	-
RAZEM		**1 809 670**	**6 179 540**	**7 989 210**		

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 2022, 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	11 192	1 119	0,12%	0,15%
Iwona Makarewicz	Member	1 847	184	0,02%	0,03%
Colin Kingsnorth	President	0	0	0	0
John Purcell	Member	0	0	0	0
TOTAL		**13 039**	**1 303**	**0,14%**	**0,18%**

On 2 August 2022 the Company received the letter from Elżbieta Wiczkowska and Iwona Makarewicz, members of the Management Board of CPD S.A., informing of transactions concluded on 29 July 2022 mentioned in article 19.3 of MAR Regulation.

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.

In relation to the status presented in the consolidated report for the third quarter of 2022, published on 28 November 2022, 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. (Grant Thornton Polska P.S.A. after the change of legal form) with its registered office in Poznań, at ul. Abpa Antoniego Baraniaka 88 E, entered into the list of entities authorized to audit financial statements under number 4055, for the certified auditor entitled to:

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

and

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

and

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

The contract with Grant Thornton Polska sp. z o.o. sp. k. (Grant Thornton Polska P.S.A. after the change of legal form) was concluded for the period necessary to carry out the work indicated therein.

Main assumptions of the policy of selecting an audit company

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

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

Main assumptions of the Policy of providing by the audit company

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

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

In 2022, 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 2022 were reviewed and audited by an audit firm Grant Thornton Polska P.S.A.

The total remuneration of auditor Grant Thornton for 2022 amounted to PLN 176.000 net, of which:

- PLN 66,287 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 2022 to 30 June 2022 (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 2022 to 31 December 2022 (contract of 16 September 2020);
- PLN 10,198 was the remuneration for auditing the report of the Supervisory Board of CPD S.A. on remunerations of members of the Management Board and the Supervisory Board for 2019 to 2020.

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

28. STRUCTURE OF ASSETS AND LIABILITIES – BY LIQUIDITY

The structure of Company's assets and liabilities as of 31 December 2022 and changes compared to the end of 2021:

The structure of CPD Group's assets and liabilities as of 31 December 2022 and changes

	As at:		Change		
	2022-12-31 (PLN ths.)	2021-12-31 (PLN ths.)	2022/2021 (%)	% in total assets 2022	% in total assets 2021
Shares in subsidiaries	3 751	19 993	-81%	6%	14%
Long term receivables	38 055	37 657	1%	57%	26%
Non-current assets	**41 806**	**57 650**	**-27%**	**63%**	**40%**
Trade and other receivables	318	22 276	-99%	0,5%	15%
Income tax receivables	0	195	-100%	0,0%	0,1%
Cash and cash equivalents	24 371	64 384	-62%	37%	45%
Current assets	**24 689**	**86 855**	**-72%**	**37%**	**60%**
TOTAL ASSETS	**66 495**	**144 505**	**-54%**	**100%**	**100%**

	As at:		Change		
	2022-12-31 (PLN ths.)	2021-12-31 (PLN ths.)	2022/2021 (%)	% in total assets 2022	% in total assets 2021
Share capital	897	2 637	-66%	1,3%	1,8%
Reserve capital	987	987	0%	1,5%	0,7%
Treasury shares for redemption	-50 010	-288 972	-83%	-75%	-200%
Fair value of capital element at inception date	-27 909	-27 909	0%	-42%	-19%
Share premium	389 802	677 034	-42%	586%	469%
Retained earnings	-256 591	-233 509	10%	-386%	-162%
Equity	**57 176**	**130 268**	**-56%**	**86%**	**90%**
Borrowings	0	0		0%	0%
Deferred tax liability	6 237	4 944	26%	9%	3%
Non-current liabilities	**6 237**	**4 944**	**26%**	**9%**	**3%**
Borrowings	2 831	9 069	-69%	4,3%	6,3%
Trade and other payables	251	224	12%	0,4%	0,2%
Current liabilities	**3 082**	**9 293**	**-67%**	**5%**	**6%**
TOTAL EQUITY AND LIABILITIES	**66 495**	**144 505**	**-54%**	**100%**	**100%**

compared to the end of 2021:

	As at: 2022-12-31 (PLN thous.)	2021-12-31 (PLN thous.)	% in total assets 2022	% in total assets 2021	Change 2022/2021 (%)
Investment properties	1 910	167 667	1,7%	60,9%	*-98,9%*
Property, plant and equipment	0	103	0,00%	0,04%	*-100,0%*
Investments in joint ventures accounted for using the equity method	3 748	12 795	3,2%	4,6%	*-70,7%*
Long-term financial assets in other entities	0	595	0,00%	0,22%	-
Long-term receivables	0	494	0,00%	0,18%	*-100,0%*
Non-current assets	**5 658**	**181 654**	**4,9%**	**66,0%**	***-96,9%***
Inventories	6 631	3 887	5,7%	1,4%	*70,6%*
Trade and other receivables	2 899	3 264	2,5%	1,2%	*-11,2%*
Cash and cash equivalents	76 293	81 773	66,0%	29,7%	*-6,7%*
Assets held for sale	24 045	4 744	20,8%	1,7%	*406,9%*
Current assets	**109 868**	**93 668**	**95,1%**	**34,0%**	***17,3%***
TOTAL ASSETS	**115 526**	**275 322**	**100%**	**100%**	***-58,0%***

	As at: 2022-12-31 (PLN thous.)	2021-12-31 (PLN thous.)	% in total assets 2022	% in total assets 2021	Change 2022/2021 (%)
Share capital	897	2 637	0,8%	1,0%	*-66,0%*
Other reserves	987	987	0,9%	0,4%	*0,0%*
Fair value of capital element at inception date	-27 909	-27 909	-24,2%	-10,1%	*0,0%*
Translation reserve	-6 477	-6 243	-5,6%	-2,3%	*3,7%*
Own shares repurchased in order to be cancelled	-50 010	-288 973	-43,3%	-105,0%	*-82,7%*
Retained earnings	163 641	464 164	141,6%	168,6%	*-64,7%*
Equity	**81 129**	**144 663**	**70,2%**	**52,5%**	***-43,9%***
Trade and other payables	0	2 629	0,0%	1,0%	*-100,0%*
Borrowings, including finance leases	187	57 551	0,2%	20,9%	*-99,7%*
Deferred income tax liabilities	8 841	14 232	7,7%	5,2%	*-37,9%*
Non-current liabilities	**9 028**	**74 412**	**7,8%**	**27,0%**	***-87,9%***
Trade and other payables	23 539	16 694	*20,4%*	6,1%	*41,0%*
Borrowings, including finance leases	0	37 309	*0,0%*	13,6%	*-100,0%*
Liabilities related to assets held for sale	1 830	2 244	*1,6%*	0,8%	*-18,4%*
Current liabilities	**25 369**	**56 247**	**22,0%**	**20,4%**	***-54,9%***
Total liabilities	**34 397**	**130 659**	**29,8%**	**47,5%**	***-73,7%***
TOTAL EQUITY AND LIABILITIES	**115 526**	**275 322**	**100,0%**	**100,0%**	***-58,0%***

29. CONTINGENT LIABILITIES

Did not occur.

30. GRANTED LOANS

Detailed information on the loans is presented in Notes no. 4 and 6 to the financial statement of the Company.

Information about loans granted by CPD S.A. as at 31 December 2022

Borrower	Loan currency	Book value in PLN 000	Reference rate	Margin	Maturity
Ursus Development	PLN	0	3M WIBOR	2,00%	On demand, not later than 2025-09-29
Lakia Investments	PLN	13 796	3M WIBOR	2,00%	On demand, not later than 2027-08-04
Belise Investments	PLN	11 117	3M WIBOR	1,55%	On demand, not later than 2024-09-24
Belise Investments	PLN	10 032	3M WIBOR	1,55%	On demand, not later than 2027-05-01
Celtic Asset Management	PLN	484	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	1 221	3M WIBOR	1,55%	On demand, not later than 2028-01-24
Elara Investments	PLN	146	3M WIBOR	1,55%	On demand, not later than 2027-05-01
Gaston Investments	PLN	234	3M WIBOR	1,55%	On demand, not later than 2023-10-01
HUB Developments	PLN	185	3M WIBOR	1,55%	On demand, not later than 2027-05-01

HUB Developments	PLN	759	3M WIBOR	1,55%	On demand, not later than 2027-04-12
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	0	3M WIBOR	1,55%	On demand
Lakia Enterprises Limited	PLN	0	3M WIBOR	1,55%	On demand
Lakia Enterprises Limited	PLN	312	3M WIBOR	1,55%	On demand
TOTAL	**PLN**	**38 289**			

V. MANAGEMENT AND SUPERVISORY BOARD STATEMENTS

The Management Board of CPD S.A. confirms that according to its best knowledge the financial statements of the Company and consolidated financial statements of the CPD Capital Group for the financial year ending on 31 December 2022 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 Company and Capital Group and its financial results, and that the Company and Capital Group's annual activity report includes the true picture of the Company and 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 financial statements and the audited annual consolidated financial statements, in accordance with the applicable regulations and professional standards. In 2022 the financial statements of CPD S.A. and the Group were reviewed and audited by Grant Thornton Polska P.S.A., 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 2022

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

Emil Tomaszewski
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 2022 and the individual and consolidated financial statements for the period from 1st of January 2022 to 31st of December 2022 are consistent with the books, documents and actual status.

Substantiation

According to art. 382 § 3 of the Code of Commercial Companies, the special duties of the Supervisory Board include the assessment of the management board's report on the company's operations and financial statements for the previous financial year, in terms of their compliance with the books and documents, as well as the actual state. The Management Board of the Company is responsible for preparing the financial statements of CPD S.A. and the report of the Management Board on the activities of the CPD S.A. and CPD Capital Group. The Management Board of the parent company is responsible for the preparation of the consolidated financial statements of the CPD Capital Group in accordance with the International Financial Reporting Standards approved by the European Union and other applicable laws. Based on Article 4a of the Act of 29 September 1994 on Accounting (Journal of Laws of 2018, item 395, as amended), the Supervisory Board together with the Management Board are obliged to ensure that the above-mentioned reports 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 P.S.A. 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 P.S.A., on the basis of rights resulting from generally applicable laws and internal regulations.

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

1) the financial statements of CPD Spółka Akcyjna for the year ended on 31 December 2022, including:
   a) the statement of comprehensive income for the period from 1 January 2022 to 31 December 2022,
   b) the statement of financial position prepared as of 31 December 2022,
   c) the statement of changes in equity for the period from 1 January 2022 to 31 December 2022,
   d) the statement of cash flows for the period from 1 January 2022 to 31 December 2022,
   e) the explanatory notes to the financial statements for the year ended 31 December 2022;

2) the independent auditor's report on the audit of the annual financial statements for the year ended 31 December 2022;
3) the consolidated financial report of the CPD Capital Group for the year ended on 31 December 2022, including:
    a) the consolidated statement of comprehensive income for the period from 1 January 2022 to 31 December 2022,
    b) the consolidated statement of financial position prepared as of 31 December 2022,
    c) the consolidated statement of changes in equity for the period from 1 January to 31 December 2022,
    d) the consolidated cash flow statement for the period from 1 January to 31 December 2022,
    e) the explanatory notes to the consolidated financial statements for the year ended on 31 December 2022;
4) the independent auditor's report on the audit of the annual consolidated financial statements for the year ended 31 December 2022;
5) the Management Board's report on the activities of the CPD Capital Group and CPD S.A. for 2022 together with the report on non-financial data of the CPD Capital Group and CPD S.A. for 2022;

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
CHAIRMAN OF THE SUPERVISORY BOARD

WIESŁAW OLEŚ
SECRETARY OF THE SUPERVISORY BOARD

MIROSŁAW GRONICKI
MEMBER OF THE SUPERVISORY BOARD

Emil Tomaszewski
MEMBER OF THE SUPERVISORY BOARD

Krzysztof Laskowski
MEMBER OF THE SUPERVISORY BOARD

VI. INDEPENDENT AUDITOR'S REPORT ON ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

Independent Auditor's Report on Annual Consolidated Financial Statements

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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, 2022, 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 2022, item 1302, 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.

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

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

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

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

In accordance with the Accounting Act of September 29, 1994 (uniform text: Journal of Laws of 2023, item 120, 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, 2022, 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, 2022 (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, 2022, prepared in a single electronic reporting format contained in the file named *esef_cpd_2022-12-31_pl.zip* (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 management requirements

The audit firm applies national quality control standards in the wording adopted by resolution of the Council of the Polish Audit Oversight Agency No 38/I/2022 of November 15, 2022, which requires the audit firm to design, implement and operate a system of quality management including policies or procedures regarding 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 5 consecutive financial years.

Marcin Diakonowicz

Statutory Auditor No. 10524
Key Audit Partner performing the audit on behalf of
Grant Thornton Polska Prosta spółka akcyjna,
Poznań, ul. Abpa Antoniego Baraniaka 88 E, Audit Firm No. 4055

Warszawa, 27 of April 2023.

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. INDEPENDENT AUDITOR’S REPORT ON ANNUAL FINANCIAL STATEMENTS

CPD S.A.

Consolidated financial statements

for the year ended 31 December 2022

Consolidated financial statements

(All amounts in PLN thousand unless otherwise stated)

Consolidated statement of comprehensive income

	Note	12 months ended 31 December 2022	12 months ended 31 December 2021
Revenue	15	748	1 433
Cost of sales	16	2 616	326
GROSS PROFIT		3 364	1 759
Administrative expenses - property related	17	(652)	(745)
Administrative expenses - other	19	(10 534)	(10 094)
Selling and marketing expenses		(121)	(303)
Net gain (loss) on sale of investment property		382	827
Other income	18	335	1 586
Net gain from fair value adjustments of investment property	5	(199)	2 639
Post-tax share of the profit or loss of the joint-ventures accounted for using the equity method		17 495	27 005
Receivables valuation allowances		7 409	859
Net profit (loss) from assets held for sale valuation		0	293
Net gain (loss) on sale of subsidiaries		0	(40)
OPERATING PROFIT		17 479	23 786
Finance income	20	1 002	358
Finance costs	20	(891)	(668)
PROFIT BEFORE INCOME TAX		17 590	23 476
Income tax expense	21	(5 660)	968
PROFIT FROM CONTINUED OPERATIONS		11 930	24 444
Result of discontinued operations	27	(25 220)	6 729
PROFIT (LOSS) FOR THE YEAR		(13 290)	31 173
- attributable to the Group equity holders		*(13 290)*	*31 173*
- attributable to non controlling interest		*0*	*0*
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss upon condition		(234)	19
Other comprehensive income not to be reclassified to profit nor loss		0	0
Other comprehensive income		**(234)**	**19**
TOTAL COMPREHENSIVE INCOME		**(13 524)**	**31 192**
- attributable to the Group equity holders		*(13 524)*	*31 192*
- attributable to non controlling interest		*0*	*0*
BASIC EARNINGS PER SHARE (PLN)	29	**(1,61)**	**2,20**
- from continued operations		*1,45*	*1,73*
- from discontinued operations		*(3,06)*	*0,47*
DILUTED EARNINGS PER SHARE (PLN)	29	**(1,61)**	**2,20**
- from continued operations		*1,45*	*1,73*
- from discontinued operations		*(3,06)*	*0,47*

(All amounts in PLN thousand unless otherwise stated)

Consolidated statement of financial position

	Note	As at 31 December 2022	As at 31 December 2021
ASSETS			
Non-current assets			
Investment properties	5	1 910	167 667
Property, plant and equipment		0	103
Investments in joint ventures accounted for using the equity method	9	3 748	12 795
Long-term financial investments		0	595
Non-current receivables	6	0	494
Non-current assets		**5 658**	**181 654**
Current assets			
Inventory	7	6 631	3 887
Trade and other receivables	6	2 899	3 264
Cash and cash equivalents	8	76 293	81 773
Current assets excluding assets held for sale		**85 823**	**88 924**
Assets held for sale	26	24 045	4 744
Current assets		**109 868**	**93 668**
Total assets		**115 526**	**275 322**

(All amounts in PLN thousand unless otherwise stated)

Consolidated statement of financial position - cont.

	Note	As at 31 December 2022	As at 31 December 2021
EQUITY			
Capital and reserves attributable to the Group equity holders			
Share capital	10	897	2 637
Own shares for redemption		(50 010)	(288 973)
Other reserves		987	987
Embedded element at inception date	12	(27 909)	(27 909)
Translation reserve		(6 477)	(6 243)
Retained earnings/(accumulated losses)		163 641	464 164
Capital and reserves attributable to the Group equity holders		**81 129**	**144 663**
Non-controlling interest		0	0
Total equity		**81 129**	**144 663**
LIABILITIES			
Non-current liabilities			
Trade and other payables	11	0	2 629
Borrowings, including leases	12	187	57 551
Deferred income tax liabilities	14	8 841	14 232
Non-current liabilities		**9 028**	**74 412**
Current liabilities			
Trade and other payables	11	23 539	16 694
Borrowings, including leases	12	0	37 309
Current liabilities excluding liabilities directly associated with assets held for sale		**23 539**	**54 003**
Liabilities directly associated with assets held for sale	26	1 830	2 244
Current liabilities		**25 369**	**56 247**
Total liabilities		**34 397**	**130 659**
Total equity and liabilities		**115 526**	**275 322**

(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 2022		**2 637**	**(27 909)**	**(288 973)**	**(6 243)**	**987**	**464 164**	**144 663**	**0**	**144 663**
Share capital reduction		(1 740)	0	288 973	0	0	(287 233)	0	0	0
Own shares acquired for redemption		0	0	(50 010)	0	0	0	(50 010)	0	(50 010)
Profit of the year		0	0	0	0	0	(13 290)	(13 290)	0	(13 290)
Currency translation differences		0	0	0	(234)	0	0	(234)	0	(234)
Total comprehensive income		0	0	0	(234)	0	(13 290)	(13 524)	0	(13 524)
Total changes in equity		(1 740)	0	238 963	(234)	0	(300 523)	(63 534)	0	(63 534)
Balance at 31 December 2022		**897**	**(27 909)**	**(50 010)**	**(6 477)**	**987**	**163 641**	**81 129**	**0**	**81 129**
Balance at 1 January 2021		**2 637**	**(27 909)**	**(117 396)**	**(6 262)**	**987**	**432 991**	**285 048**	**0**	**285 048**
Acquisition of own shares		0	0	(171 577)	0	0	0	(171 577)	0	(171 577)
Profit for 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**

CPD S.A.

(All amounts in PLN thousand unless otherwise stated)

Consolidated cash flow statement

	Note	12 months ended 31 December 2022	12 months ended 31 December 2021
Cash flows from operating activities			
Profit before income tax		**17 590**	**23 476**
Loss from discontinued operations before tax		(31 136)	8 307
Total operating activity adjustments		14 718	(28 988)
Basic cash generated from (used in) operations	23	1 172	2 795
Interest paid		(1 954)	(2 076)
Income tax paid		(5 135)	(5 730)
Net cash used in operating activities		**(5 917)**	**(5 011)**
Cash flows from investing activities			
Capital expenditure on investment property		(3 621)	(708)
Purchases of property, plant and equipment		0	(13)
Proceeds from sale of investment properties		106 309	76 311
Cash of joint venture transformed into subsidiary		0	143
Proceeds from withdrawal of contributions in joint ventures		14 938	15 069
Received dividends and profits in joint ventures		11 604	9 333
Interest received		911	0
Net cash generated from investing activities		**130 141**	**100 135**
Cash flows from financing activities			
Acquisition of derivatives		0	(580)
Disposal of derivatives		832	0
Repayments of borrowings		(80 914)	(11 225)
Share redemption		(50 010)	(171 577)
Net cash used in financing activities		**(130 092)**	**(183 382)**
Total cash flow before exchange differences		(5 868)	(88 258)
Exchange differences		388	(115)
Net change in cash and cash equivalents		**(5 480)**	**(88 373)**
Cash and cash equivalents at beginning of the year		**81 773**	**170 146**
Cash and cash equivalents at end of the year		**76 293**	**81 773**

(All amounts in PLN thousand unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

1 General information

1.1. Information about the parent entity

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 : Poland

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.

These consolidated financial statements of CPD S.A. were prepared as at 31 December 2022 and for the period since 1 January 2022 till 31 December 2022, while comparative data are for the period since 1 January 2021 till 31 December 2021.

These consolidated financial statements are presented in Polish Zloty (PLN) rounded to full thousands.

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

<u>Management Board:</u>

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

(All amounts in PLN thousand unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

1.1. Information about the parent entity (cont.)

Supervisory Board:

Andrew Pegge	Chairman of the Supervisory Board
Wiesław Oleś	Secretary of the Supervisory Board
Mirosław Gronicki	Member of the Supervisory Board
Krzysztof Laskowski	Member of the Supervisory Board
Emil Tomaszewski	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		1 713 330	19,11%	23,49%
Furseka Trading and Investments Ltd		1 655 857	18,47%	22,70%
QVT Fund LP		948 922	10,58%	13,01%
POP Investments Ltd		592 585	6,61%	8,12%
Familiar S.A.		406 396	4,53%	5,57%
Ursus Capital Ltd		417 380	4,66%	5,72%
Shareholders with stakes below 5%		1 559 124	17,39%	21,38%
		7 293 594	81,35%	100%
Own shares for redemption		1 672 591	18,65%	0%
Total		8 966 185	100%	100%

1.2. Information about Capital Group

As at balance sheet date CPD Group comprised CPD S.A. as a parent entity, 18 subsidiaries and 2 entities under common control.

On 31 January 2022 20/140 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k. has been cancelled from the entrepreneurs' register. Liquidations were opened for Challange Eighteen Sp. z o.o. on 22 February 2022 and for Ursus Development Sp. z o.o. on 29 July 2022.

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

(All amounts in PLN thousand unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

1.2. Information about Capital Group (cont.)

	Name	Country	Shareholder	31 December 2022	31 December 2021
Subsidiaries					
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%
6	Hub Developments Ltd Sp. z o.o.	Poland	Lakia Enterprises Limited	100%	100%
7	Elara Investments Sp. z o.o.	Poland	Lakia Enterprises Limited	100%	100%
8	Celtic Investments Limited	Cyprus	CPD S.A.	100%	100%
9	Gaston Investments Sp. z o.o.	Poland	Lakia Enterprises Limited	100%	100%
10	Challange Eighteen Sp. z o.o. w likwidacji	Poland	CPD S.A.	100%	100%
11	Celtic Trade Park Kft	Hungary	Lakia Enterprises Limited	100%	100%
12	Ursus Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Antigo Investments Sp. z o.o.	99%	99%
			Gaston Investments Sp. z o.o.	1%	1%
13	2/124 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Antigo Investments Sp. z o.o.	99%	99%
			Gaston Investments Sp. z o.o.	1%	1%
14	18 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o.	99%	99%
			Antigo Investments Sp. z o.o.	1%	1%
15	20/140 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	Belise Investments Sp. z o.o.	Poland	Lakia Enterprises Limited	100%	100%
17	Antigo Investments Sp. z o.o.	Poland	CPD S.A.	100%	100%
18	Smart City Sp. z o.o.	Poland	Lakia Enterprises Limited	100%	100%
19	Ursus Development Sp. z o.o. w likwidacji	Poland	CPD S.A.	100%	100%
Entities under common control					
20	Ursa Park Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Antigo Investments Sp. z o.o.	49%	49%
			Smart City Sp. z o.o.	1%	1%
21	Ursa Sky Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	CPD S.A.	49%	49%
			Smart City Sp. z o.o.	1%	1%

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.

(All amounts in PLN thousand unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

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. 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. Particularly the CPD Management does not intend to liquidate the entity nor discontinue its business activity.

New and amended standards and interpretations which came into force in 2022:

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. The amendment clarifies that the production carried out as part of the tests of the fixed asset before the use of the fixed asset should be recognized as (1) inventory in accordance with IAS 2 and (2) revenue when it is sold (and not affect the value of the fixed asset). Testing of a fixed asset is an element of its cost, while the cost of production is recognized in the result at the moment of recognizing the income from the sale of the inventory created during testing.

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. The amendment clarifies that the costs of fulfilling onerous contracts include incremental costs (e.g. labour costs) and the allocated portion of other costs directly related to the cost of fulfilment, e.g. depreciation.

Amendments to **IFRS 3 Business Combinations** - issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022. References to the definition of liabilities contained in the conceptual framework and the definition of contingent liabilities from IAS 37 have been clarified.

Amendments to **IFRS 16 Leasing** - issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022.

In 2020, the IAS Council published simplifications for lessees receiving relief due to the COVID-19 pandemic. One of the conditions was that the reliefs would apply only to payments due by the end of June 2021. As a result of the change, this date was postponed to June 2022. The change is effective for annual periods beginning on April 1, 2021 or later, with the possibility of earlier application.

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

• IFRS 1: additional exemption for the determination of accumulated exchange differences on consolidation;

• IFRS 9: (1) in the 10% test to determine whether a modification should result in the removal of an obligation, only fees that are exchanged between the obligor and the creditor should be included; (2) it was clarified that fees incurred in the event of removal of the liability are recognized in the result, and in the event that the liability is not removed, they should be charged to the value of the liability;

• IFRS 16: from example 13, the issue of incentives from the lessor in the form of covering the costs of fit-outs incurred by the lessee, which raised interpretation doubts, was removed;

• IAS 41: the prohibition of including tax flows in the valuation of biological assets has been deleted.

The abovementioned standard amendments do not affect the consolidated financial statements of the Group significantly.

(All amounts in PLN thousand unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

2.1 Basis of preparation (cont.)

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

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

IFRS 17 Insurance Contracts, issued by the International Accounting Standards Board on 18 May 2017, is effective for annual periods beginning on or after 1 January 2023. 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.

The IFRS Council clarified the rules for classifying liabilities as long-term or short-term mainly in two aspects: it was clarified that the classification depends on the rights held by the entity as at the balance sheet date and management's intentions to accelerate or delay payment of the liability are not taken into account.

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.

The Board introduced a definition of an accounting estimate into the standard: Accounting estimates are monetary amounts in the financial statements that are subject to measurement uncertainty.

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.

The IFRS Board clarified which information regarding the accounting policy applied by the entity is significant and requires disclosure in the financial statements. The Principles focus on tailoring disclosures to the individual circumstances of the entity. The Board warns against the use of standardized provisions copied from IFRS and expects that the basis of valuation of financial instruments will be considered as material information.

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. The Council introduced the principle that if as a result of a transaction both positive and negative temporary differences in the same amount arise, assets and a deferred tax liability should be recognized even if the transaction does not result from the merger and does not affect the accounting or tax result. This means the need to recognize deferred tax assets and provisions, e.g. when temporary differences in equal amounts occur in the case of leases (a separate temporary difference from the liability and right-of-use) or in the case of restoration liabilities. The principle that deferred tax assets and liabilities are offset if current tax assets and liabilities are offset has not been changed.

Amendments to **IFRS 16 Lease Liability in a Sale and Leaseback -** issued on 22 September 2022 and effective for annual periods beginning on or after 1 January 2024. The amendment clarifies the requirements for the valuation of a lease liability arising from a sale and leaseback transaction. It is intended to prevent incorrect recognition of the result on the transaction in the part relating to the retained right of use in the event that lease payments are variable and do not depend on an index or rate.

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.

(All amounts in PLN thousand unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

2.2 Consolidation (cont.)

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.

Entities under common control are consolidated using the property rights method.

2.3 Foreign currency translation

(a) Functional 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").

(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.

(All amounts in PLN thousand unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

2.4 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).

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.

2.5 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) 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).

(All amounts in PLN thousand unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

2.6 Leases

For each contract 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.

2.7 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.

2.8 Goodwill

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.

(All amounts in PLN thousand unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

2.8 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.

2.9 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.

2.10 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.

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.

2.11 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.

(All amounts in PLN thousand unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

2.11 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).

2.12 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.

2.13 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.

2.14 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.

2.15 Borrowings

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

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

2.16 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.

2.17 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.

2.17 Income tax(cont.)

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.

2.18 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.

2.19 Employee benefits

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

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

2.20 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.

(All amounts in PLN thousand unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

2.21 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.

2.22 Expenses

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

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

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

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

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

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

2.23 Dividend distribution

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

(All amounts in PLN thousand unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

2.24 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 involved in any hedging transactions; however, this could change should the Management Board decide that the situation so requires.

	Year ended at 31 December 2022	**Year ended at 2021**
PLN valuation of debt denominated in foreign currencies	0	89 266
Assumed change in PLN/EUR exchange rate	+/-1%	+/-1%
FX gains/losses due to change in FX rate	0	893
Tax shield	0	170
Effect on net profit/(loss)	0	723
Effect on total equity	0	723

(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.

(All amounts in PLN thousand unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

3.1 Financial risk factors (cont.)

(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. 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 of the bank credit received by subsidiary Belise has been hedged with the CAP contract. As at the year end CPD Group does not use other interest rate hedges.

	Year ended at 31 December 2022	**Year ended at 2021**
Variable interest rate loans	0	86 797
Interest rate derivatives	0	-595
Cost of instruments dependent on variable interest rates	0	2 469
Assumed change in interest rates	+/-1pp	+/-1pp
Effect of the change on the cost	0	868
Tax shield	0	165
Effect on net profit/(loss)	0	703
Effect on total equity	0	703

(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, BNP Paribas).

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

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

(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 2022 short-term liabilities amounted to PLN 23.539 thousand (including financial payables of PLN 0) and are lower than current assets which amount to PLN 85.823 thousand.

Some drop in cash was noted during 2022. Proceeds from disposal of investment properties and from the joint ventures allowed full repayment of the bank loans and next tranche of own shares acquisition.

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:

(All amounts in PLN thousand unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

3.1 Financial risk factors (cont.)

As at 31.12.2022	Within 1 year	Over 1 up to 5 years	Over 5 years
Loans and leases	14	56	1 095
Trade payables and other payables	3 238	0	0
	3 252	56	1 095
As at 31.12.2021			
Loans and leases	102 259	1 647	26 577
Trade payables and other payables	6 458	2 629	0
	108 717	4 276	26 577

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

During the course of the global pandemics, the Group management assumed 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 2022 were generated by transactions from about a year ago with the payment terms split into instalments. It should be noted however that the Groups' development projects did not record any declines in sales and were completed as planned.

Moreover the COVID-19 pandemics supressed demand for the office investments.

In the Management Board’s opinion the COVID-19 pandemics caused slow down in realised office properties disposals and most likely drop in prices achieved. But it is difficult to quantify those impacts.

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.

(All amounts in PLN thousand unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

3.2 Financing structure management (cont.)

The long-term CPD Group strategy is to maintain the financing structure ratio at a level below 40%, however as at the end of 2022 repayment of all the bank debt caused, in conjunction with relatively high cash balances, the value of the coefficient to drop below nil.

	31 December 2022	31 December 2021
Total borrowings, including leasing	2 017	97 104
Trade payables and other payables	23 539	19 323
Less: cash and cash equivalents	(76 293)	(81 773)
Net debt	**(50 737)**	**34 654**
Equity	81 129	144 663
Total capital	**30 392**	**179 317**
Financing structure ratio	**-166,9%**	**19,3%**

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*

Belise Investments Sp. z o.o., the Group subsidiary, used IRS and CAP contracts as interest rate hedging.

Both instruments were 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 the end of 2022 the Group does not use any derivatives.

4.2 *Accounting treatment of joint ventures*

During 2014 - 2021 based on investment agreement signed by CPD S.A. and its subsidiaries (Smart City Spółka z ograniczoną odpowiedzialnością Sp.k., Lakia Enterprises Ltd), of the one part, and third parties i.e. Unidevelopment S.A. and Unibep S.A. the Group participated in the joint venture consisting of 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.

During 2017 - 2022 based on investment agreement signed by CPD S.A. and its subsidiaries (Smart City Spółka z ograniczoną odpowiedzialnością Sp.k., Challange Eighteen Sp. z o.o., 4/113 Gaston Investments z ograniczoną odpowiedzialnością Sp.k., Lakia Enterprises Ltd), of the one part, and third parties i.e. Unidevelopment S.A. and Unibep S.A. the Group participated in subsequent joint ventures. 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.

(All amounts in PLN thousand unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

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

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. Also here all flats were sold by the end of 2022.

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 9.

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. 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.

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

(i) non-developed land

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

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

The Group valued individual investment properties using the following methods:

The Group had real estate valued annually at fair value as at the balance sheet date. External valuations determined 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.

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.

(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.)*

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.

As at the end of 2022 the investment properties portfolio consisted of one estate only. The Management determined it's balance sheet value based on prior year external comparative method valuation, adjusted by additional 9,5% discount.

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	10%	9,0 - 11,5	n/a

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

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
comparative with discount	1 910	discount rate	+/- 1 pp	+/- 210

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).

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

4.4 Income tax(cont.)

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.

5 Investment properties

	Nine-month 12 months ended 31 December 2022	12 months ended 31 December 2021
At the beginning of the period	**167 667**	**165 618**
Capital expenditure	3 621	708
Change in the balance of capitalized financial liability concerning the property disposed	(506)	(75)
Change in the balance of capitalized financial liability concerning the properties transferred to assets held for sale	(4 899)	(2 244)
Change in the balance of capitalized financial liability	(3)	(3)
Change in the balance of capitalized financial liability concerning the properties transferred from joint ventures	0	2 464
Transfer to assets held for sale	(130 360)	(2 500)
Result from fair value adjustment on investment property	(35 402)	3 699
Other reclassifications	1 792	0
	1 910	**167 667**

As at 31 December 2022 the total fair value of real estate owned by the Group and presented in the consolidated financial statements as investment properties dropped resulting mainly from disposals and reclassifications. In 2022 the Group recognized a loss from fair value adjustments of investment properties of PLN 35.4 million.

As at 31 December 2022 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 2022	31 December 2021
Investment properties by valuation	1 910	162 260
Liabilities in respect of perpetual usufruct	0	5 407
Investment property presented in the statement of financial position	**1 910**	**167 667**

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

5 Investment properties - cont.

Direct operating expenses relating to investment properties:

	12 months ended 31 December 2022	12 months ended 31 December 2021
- generating income from rent	4 986	5 351
- other	53	110
	5 039	**5 461**

6 Trade receivables and other receivables

	31 December 2022	31 December 2021
Trade receivables	571	1 160
Prepayments and accruals	216	602
Tax receivables	2 081	1 271
Receivables from related entities	31	231
Short-term trade receivables and other receivables	**2 899**	**3 264**
Long-term receivables	0	494
Total trade receivables and other receivables	**2 899**	**3 758**

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.

During 2022, after few years of proceeding, the Group recovered other receivables, considered unrecoverable in prior years. As a result the Group showed income of PLN 7.4 million from derecognition of related valuation allowance.

Trade receivables	31 December 2022	31 December 2021
Current	571	1 160
Overdue, with recognized impairment (provided for in full)	132	68

Other receivables	31 December 2022	31 December 2021
Overdue, with recognized impairment (provided for in full)	6	6

Impairment of receivables	31 December 2022	31 December 2021
Opening balance	74	1 166
- increases	64	25
- decreases	0	(915)
- allowance utilisation	0	(202)
Closing balance	**138**	**74**

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

7 Inventories

	31 December 2022	31 December 2021
Finished goods	2 624	2 552
Goods for resale	3 820	1 148
Capitalised leasing liabilities	187	187
	6 631	**3 887**

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

	31 December 2022	31 December 2021
At the beginning of the period	**3 887**	**3 601**
Disposals	(57)	(353)
Impairment loss	2 801	679
Foreign exchange differences	0	(40)
As at the balance sheet date	**6 631**	**3 887**

8 Cash and cash equivalents

	31 December 2022	31 December 2021
Cash in hand and at bank	45 149	75 254
Restricted cash	3	3 234
Short-term bank deposits	31 141	3 285
	76 293	**81 773**

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.

9 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.

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

9 Joint ventures (cont.)

The second one - Ursa Home - consists of 341 flats (153 in the first stage and 188 flats in the second one) and was completed in 2021.

(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. During 2022 the sales of flats in this joint venture was also completed.

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

		31 December 2022	31 December 2021
a)	Smart City Spółka z ograniczoną odpowiedzialnością sp.k.	0	0
b)	Ursa Park Smart City Spółka z ograniczoną odpowiedzialnością sp.k.	658	1 105
c)	Ursa Sky Smart City Spółka z ograniczoną odpowiedzialnością sp.k.	3 090	11 690
		3 748	**12 795**

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

	31 December 2022	31 December 2021
Opening balance as at 1 January	**1 105**	**0**
Group's share of the net profit or loss of the joint ventures presented in these consolidated financial statements	(447)	18 025
Other adjustments	0	(16 920)
Closing balance as at 31 December	**658**	**1 105**

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

	31 December 2022	31 December 2021
Opening balance as at 1 January	**11 690**	**27 136**
Group's share in contributions to the joint venture	0	3 514
Group's share in withdrawals of the contributions to the joint venture	(11 093)	(11 253)
Group's share in future contributions to the joint venture	0	(5 278)
Group's share in joint venture's profit distributions	(11 336)	(8 545)
Amendment of the property rights to the joint venture's net assets	(1 669)	(1 415)
Group's share of the net profit or loss of the joint ventures presented in these consolidated financial statements	15 498	7 531
Closing balance as at 31 December	**3 090**	**11 690**

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

9 Joint ventures (cont.)

The financial information of individually material joint ventures of the Group as at 31 December 2022 and for the period from 1 January 2022 to 31 December 2022 is presented in the below table:

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

Financial information from statement of financial position	31 December 2022	31 December 2021
Total non-current assets, including	**745**	**659**
Intangible assets	745	659
Total current assets, including:	**5 008**	**6 108**
Inventory	0	354
Trade receivables and other receivables	159	1 962
Cash and cash equivalents	4 849	3 792
Total assets	**5 753**	**6 767**
Trade payables and other liabilities	4 437	4 557
Net assets	**1 316**	**2 210**
% held by the Group	*50%*	*50%*
Carrying amount of investment in joint venture presented in the consolidated financial statements	**658**	**1 105**

Financial information from statement of comprehensive income	31 grudnia 2022	31 grudnia 2021
Revenue	474	68 047
Interest cost	1	3
Result from continued operations	(894)	22 492

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

Financial information from statement of financial position	31 December 2022	31 December 2021
Total non-current assets, including	**1 133**	**261**
Intangible assets	0	261
Deferred tax assets	1 133	0
Total current assets, including:	**12 827**	**84 346**
Inventory	533	73 809
Trade receivables and other receivables	98	539
Cash and cash equivalents	12 196	9 998
Total assets	**13 960**	**84 607**
Non-current liabilities	420	3 273
Trade payables and other current liabilities	7 360	61 291
Total liabilities	**7 780**	**64 564**
Net assets	**6 180**	**20 043**
% held by the Group	*50%*	*58%*
Carrying amount of investment in joint venture presented in the consolidated financial statements	**3 090**	**11 690**

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

9 Joint ventures (cont.)

Financial information from statement of comprehensive income	31 December 2022	31 December 2021
Revenue	124 025	82 046
Interest cost	29	8
Result from continued operations	30 996	12 912

10 Share capital

	Number of shares in thousands		Value of shares	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Ordinary shares series AA	8 966	26 371	897	2 637
Total	**8 966**	**26 371**	**897**	**2 637**

As of the date of these condensed consolidated financial statements share capital amounts to PLN 897 thousand. 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.

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 on 14 March 2022.

On 29 July 2022 CPD SA acquired another 1.672.591 of own shares for redemption. The unit redemption price amounted to PLN 29,90, The shares represent 18,65% of CPD SA share capital. However based on the relevant regulations the Company is prevented from executing voting rights from own shares.

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".

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

11 Trade payables and other payables

Long-term trade payables and other payables

	31 December 2022	31 December 2021
Tenant deposits	0	2 629

Short-term trade payables and other payables

	31 December 2022	31 December 2021
Trade payables	1 421	1 053
Other liabilities	262	503
Advanced sales payments	0	2 506
Output VAT and other tax liabilities	20 301	10 236
Deposits of tenants	0	230
Accruals and deferred income	1 555	2 166
Total	**23 539**	**16 694**

Trade payables bear no interest and are payable within one 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.

As at the end of both 2022 and 2021 VAT was the individual most significant contributor to the short term payables amount.

12 Borrowings (including leasing)

	31 December 2022	31 December 2021
Long-term		
Bank loans	0	51 957
Leasing liabilities	187	5 594
	187	**57 551**
Short-term		
Bank loans	0	37 309
Total loans and borrowings	**187**	**94 860**

During 2022 CPD Group fully repaid all the prior bank loans.

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.

	31 December 2022	31 December 2021
Repayment of the principal amount of lease liabilities based on the effective interest rate due within:		
1 year	0	3
from 1 to 5 years	0	12
after more than 5 years	187	5 579
	187	**5 594**

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

12 Borrowings (including leasing) (cont.)

	31 December 2022	31 December 2021
Par value of minimum lease payments due:		
within 1 year	14	423
from 1 to 5 years	56	1 690
after more than 5 years	1 095	26 847
	1 165	**28 960**
Future financial costs	(978)	(23 366)
	187	**5 594**

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 2022	31 December 2021
up to 6 months	0	35 508
from 6 months to 1 year	0	1 802
from 1 to 5 years	0	51 956
	0	**89 266**

13 Changes of indebtedness

	Bank loans	Capitalised lease	Derivatives	Total
1 January 2022	**89 266**	**5 594**	**0**	**94 860**
Accrued interest	1 809	0	0	1 809
Principal repaid	(80 914)	(3)	0	(80 917)
Interest repaid	(1 954)	0	0	(1 954)
Other non-cash changes, including:	(8 207)	(5 404)	0	(13 611)
- Balance sheet reclassifications	*0*	*(4 899)*	*0*	*(4 899)*
- Other changes	*0*	*(505)*	*0*	*(505)*
- Balance sheet valuation	*(8 207)*	*0*	*0*	*(8 207)*
31 December 2022	**0**	**187**	**0**	**187**

	Bank loans	Capitalised lease	Derivatives	Total
1 January 2021	**101 639**	**5 454**	**325**	**107 418**
Recognition	0	2 464	0	2 464
Accrued interest	2 096	0	0	2 096
Principal repaid	(11 225)	(3)	(325)	(11 553)
Interest repaid	(2 076)	0	0	(2 076)
Other non-cash changes, including:	(1 168)	(2 321)	0	(3 489)
- Balance sheet reclassifications	*0*	*(2 244)*	*0*	*(2 244)*
- Other changes	*0*	*(77)*	*0*	*(77)*
- Balance sheet valuation	*(1 168)*	*0*	*0*	*(1 168)*
1 January 2022	**89 266**	**5 594**	**0**	**94 860**

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

14 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 2022	31 December 2021
Deferred tax assets before offset	**961**	**1 379**
Offset against deferred tax liability	(961)	(1 379)
Deferred tax assets	**0**	**0**
Deferred income tax liabilities before offset	**9 802**	**15 611**
Offset against deferred tax asset	(961)	(1 379)
Deferred income tax liabilities after offset	**8 841**	**14 232**
- to be settled beyond 12 months	5 720	8 615
- to be settled within 12 months	3 121	5 617

	12 months ended 31 December 2022	12 months ended 31 December 2021
Change in deferred tax assets	(418)	(9 218)
Change in deferred tax liabilities	(5 809)	(14 338)
Amount charged/(credited) to profit or loss	**5 391**	**5 120**

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

Deferred income tax liabilities (before offset)

	2021	Charged to profit/(loss)	Charged to other comprehensive income	2022
Property valuation to fair value	9 712	(6 650)	0	3 062
Accrued interest on loans	5 709	959	0	6 668
Deferred revenue	128	(115)	0	13
Foreign exchange differences	62	(19)	0	43
Other	0	16	0	16
Total	15 611	(5 809)	0	9 802

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

14 Deferred income tax (cont.)

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

Deferred income tax assets (before offset)

	2021	Charged to profit/(loss)	Charged to other comprehensive income	2022
Accrued interest	961	(256)	0	705
Foreign exchange differences	294	(283)	0	11
Provisions	79	55	0	134
Other	36	64	0	100
Tax losses	9	2	0	11
	1 379	(418)	0	961

	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

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 31.12.2022

	2023	2024-2025	2026-2027	Total
Losses on which deferred tax was recognized	15	53	41	109
Losses on which deferred tax was not recognized	6 489	1 279	19 152	26 920

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 Revenues

Revenues by category:	12 months ended 31 December 2022	12 months ended 31 December 2021
Sales of inventories	57	385
Real estate advisory services	655	1 007
Accounting services	36	41
	748	**1 433**

Future minimum cumulative rental revenues resulting from irrevocable lease agreements:

	12 months ended 31 December 2022	12 months ended 31 December 2021
up to 1 year	0	9 120
from 1 to 5 years	0	17 292
more than 5 years	0	1 339
	0	**27 751**

16 Cost of sales

	12 months ended 31 December 2022	12 months ended 31 December 2021
Cost of inventories sold	131	353
Changes in impairment write-downs of inventories	(2 747)	(679)
	(2 616)	**(326)**

17 Administrative expenses – property related

	12 months ended 31 December 2022	12 months ended 31 December 2021
Property maintenance	5	0
Real estate tax	90	118
Perpetual usufruct	551	505
Depreciation and amortization	6	122
	652	**745**

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

18 Administrative expenses - other

	12 months ended 31 December 2022	12 months ended 31 December 2021
Advisory services	5 669	4 032
Employee expenses	2 884	3 664
Audit fee	176	180
Transport	27	10
Taxes	334	191
Office maintenance	596	849
Other services	213	620
Costs of not deductible VAT	0	228
Other costs	635	320
	10 534	**10 094**

19 Other income

	12 months ended 31 December 2022	12 months ended 31 December 2021
Provision released	262	1 098
Disposal of PPE	0	(16)
Contractual penalties received	60	0
Other	13	504
	335	**1 586**

20 Financial income and costs

	12 months ended 31 December 2022	12 months ended 31 December 2021
Costs related to instruments measured at fair value:		
Tax interest	(891)	(668)
Income related to instruments measured at fair value:		
Bank interest	911	0
Tax interest	63	262
Other financial income	28	96
Financial income	**1 002**	**358**

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

21 Income tax expense

	12 months ended 31 December 2022	12 months ended 31 December 2021
Current tax	5 135	5 730
Deferred tax	(5 391)	(5 120)
Tax effect of discontinued operations	5 916	(1 578)
	5 660	**(968)**

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 2022	12 months ended 31 December 2021
Profit before tax	**17 590**	**23 476**
Loss from discontinued operations before tax	(31 136)	8 307
Estimated tax liability at 19% tax rate	2 574	(6 039)
Tax impact of:		
- various tax rates applicable to Group companies	634	205
- reassessment of prior years deferred tax assets recoverability	0	26
- loss of companies where the asset was not recognized	(5 283)	(117)
- use of prior years losses, where the assets has not recognised	0	0
- not recognised tax effect of provisions and write-offs	1 411	3 215
- tax on intercompany transactions	1 110	2 000
- tax effect of discontinued operations	(5 916)	1 578
- other	(190)	100
Income tax expense	**(5 660)**	**968**

22 Contingencies

According to the best knowledge of the Management of the CPD Group 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

23 Basic operating cash flows

	12 months ended 31 December 2022	12 months ended 31 December 2021
Adjustments of operating cash flows for:		
- depreciation of tangible fixed assets	(6)	121
– currency translation adjustments	(234)	60
- foreign exchange differences	(8 810)	(1 083)
- result on investment properties valuation	35 357	(3 699)
– share of the profit or loss of the joint ventures	(17 495)	(10 087)
- result on investment valuation of asset held for sale	(2 929)	(293)
- interest expenses	2 025	2 124
- interest income	(911)	0
- impairment of inventories	(2 801)	(679)
- result on investment property disposal	1 925	(827)
- result on derivatives disposal	425	0
- result on derivatives valuation	(662)	(223)
Movements in working capital:		
- change in receivables	(875)	16 683
- change in inventories	57	353
- change in trade payables and other payables	9 652	(31 438)
	14 718	**(28 988)**

24 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 2022	12 months ended 31 December 2021
a) Transactions with key managers		
Remuneration of the Management Board members	1 844	1 792
Cost of work and services provided by members of the Management Board	6 157	601
Cost of remuneration of members of the Supervisory Board	68	468

	31 December 2022	31 December 2021
Total receivables	19	19
Total payables	793	0

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

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

		12 months ended 31 December 2022	12 months ended 31 December 2021
b) Transactions with other related parties			
Revenues			
Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.	*- services*	0	8
Ursa Park Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.	*- services*	33	167
Ursa Sky Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.	*- services*	694	966
Costs			
Kancelaria Radców Prawnych Oleś i Rodzynkiewicz	*- services*	47	102
Laxey Cooperative	*- interest*	19	0
Liabilities			
Kancelaria Radców Prawnych Oleś i Rodzynkiewicz	*- trade payables*	0	7
Receivables			
Ursa Park Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.	*- trade receivables*	6	16
Ursa Sky Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.	*- trade receivables*	25	215

25 Seasons of activity and unusual events

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

26 Assets and liabilities held for sale

As at 31 December 2022 part of properties and leasing liabilities of Lakia Investments Sp., z o.o. were classified as 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.

Assets held for sale	31 December 2022	31 December 2021
Investment properties	22 215	2 500
Capitalised leasing liabilities from perpetual usufruct	1 830	2 244
	24 045	**4 744**
Liabilities classified as held for sale		
Borrowings, including leasing	1 830	2 244
Net assets held for sale	**22 215**	**2 500**

27 Discontinued operations

During 2022 the Group discontinued part of it's business, being lease of office properties. Majority of lease related assets were disposed and relevant financing liabilities repaid. The last office building and related liabilities are presented as assets and liabilities held for sale.

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

27 Discontinued operations (cont.)

The result of office lease related activity is as follows:

	12 months ended 31 December 2022	12 months ended 31 December 2021
Revenue	17 010	17 647
Cost of sales	(1 015)	(3 348)
GROSS PROFIT	**15 995**	**14 299**
Administrative expenses - property related	(5 539)	(6 317)
Net gain (loss) on sale of investment property	(2 244)	0
Other income	0	1 897
Net gain (loss) from fair value adjustments of investment property	(35 126)	1 060
Net profit (loss) from assets held for sale valuation	2 929	0
OPERATING PROFIT (LOSS)	**(23 985)**	**10 939**
Finance income	817	437
Finance costs	(7 968)	(3 069)
PROFIT (LOSS) BEFORE INCOME TAX	**(31 136)**	**8 307**
Income tax expense	5 916	(1 578)
PROFIT (LOSS) AFTER INCOME TAX	**(25 220)**	**6 729**

As a result of discontinuation of the office lease related activities, the comparative data in the consolidated statement of comprehensive income were restated as follows:

	published	restated
Revenue	19 080	1 433
Cost of sales	(3 022)	326
GROSS PROFIT	**16 058**	**1 759**
Administrative expenses - property related	(10 715)	(745)
Administrative expenses - other	(6 441)	(10 094)
Selling and marketing expenses	(303)	(303)
Net gain (loss) on sale of investment property	827	827
Other income	3 483	1 586
Net gain from fair value adjustments of investment property	3 699	2 639
Post-tax share of the profit or loss of the joint-ventures accounted for using the equity method	27 005	27 005
Receivables valuation allowances	859	859
Net profit (loss) from assets held for sale valuation	293	293
Net gain (loss) on sale of subsidiaries	(40)	(40)
OPERATING PROFIT (LOSS)	**34 725**	**23 786**
Finance income	794	358
Finance costs	(3 736)	(668)
PROFIT (LOSS) BEFORE INCOME TAX	**31 783**	**23 476**
Income tax expense	(610)	968

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

27 Discontinued operations (cont.)

PROFIT FROM CONTINUED OPERATIONS	**31 173**	**24 444**
Result of discontinued operations	0	6 729
PROFIT (LOSS) FOR THE YEAR	**31 173**	**31 173**
- attributable to the Group equity holders	*31 173*	*31 173*
- attributable to non controlling interest	*0*	*0*
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss upon condition	19	19
Other comprehensive income not to be reclassified to profit or loss	0	0
Other comprehensive income	**19**	**19**
TOTAL COMPREHENSIVE INCOME	**31 192**	**31 192**
Total comprehensive income for the year		
- attributable to the Group equity holders	*31 192*	*31 192*
- attributable to non controlling interest	*0*	*0*
BASIC EARNINGS PER SHARE (PLN)	**2,20**	**2,20**
- from continued operations	*2,20*	*1,73*
- from discontinued operations	*0,00*	*0,47*
DILUTED EARNINGS PER SHARE	**2,20**	**2,20**
- from continued operations	*2,20*	*1,73*
- from discontinued operations	*0,00*	*0,47*

28 Auditor remuneration

Remuneration for the Group auditor amounted to PLN 176 thousand in the current year and PLN 180 thousand in prior year.

29 Dividend distribution

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

30 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 2022	**12 months ended 31 December 2021**
Profit (loss) attributable to the shareholders in the parent company	(13 290)	31 173
Weighted average number of ordinary shares (in '000)	8 256	14 141
Earnings per share	**(1,61)**	**2,20**
Diluted profit (loss) attributable to shareholders	(13 290)	31 173
Weighted average number of ordinary shares (in '000)	8 256	14 141
Diluted earnings per share	**(1,61)**	**2,20**

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

30 Earnings per share – basic and diluted (cont.)

There were no items diluting the Group earnings in any of 2022 nor 2021.

	31 December 2022	31 December 2021
Net assets at book value	81 129	144 663
Number of ordinary shares (in '000)	7 293	8 966
Net assets per share	**11,12**	**16,13**

31 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 15.

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.

32 Events after the balance sheet date

On 31 January 2023, CPD S.A. entered into an agreement with Securities Trust Sp. z o.o. for the sale of 100% of the shares in the share capital of its subsidiary Challange Eighteen Sp. z o.o. w likwidacji.

On 1 February 2023, CPD S.A. entered into an agreement with Securities Trust Sp. z o.o. for the sale of 100% of the shares in the share capital of its subsidiary Ursus Development Sp. z o.o. w likwidacji.

On 28 February 2023 Elara Investments Sp. z o.o. disposed a property in Warsaw for PLN 3.075 thousand including VAT.

On 1 March 2023 Lakia Investments Sp. z o.o. disposed the office building in Warsaw for PLN 28.290 thousand including VAT.

The Group disposed 100% shares in the subsidiary Celtic Investments Ltd PLN with its headquarters in Nicosia on 17 March 2023.

On 24 March 2023 CPD SA acquired 1.535.558 of own shares for redemption. The unit redemption price amounted to PLN 29,90.

On 1 March 2023 CPD SA informed it decided to start the process of reviewing strategic options , the purpose of which is to identify possible directions of development of the Company and the Group. The review will result in an assessment of possible courses of action aimed at maximizing shareholder value. The Management is considering a few possible courses of action, which may include acquiring a strategic investor or carrying out alternative actions, which may result in a change in the Company's shareholding structure. The Management Board also does not rule out initiating projects in industries where the Group has not been present so far. However, the Management does not guarantee that the review will lead to any transaction changing this structure, and furthermore that the review will lead to the selection of any strategic option.

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

These consolidated financial statements were approved by the CPD SA Management Board on 27 April 2023.

VIII. INDEPENDENT AUDITOR’S REPORT ON ANNUAL FINANCIAL STATEMENTS

Grant Thornton

Independent Auditor's Report on Annual Financial Statements

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For the Shareholders of CPD S.A.

Report on the Annual Financial Statements

Opinion

We have audited the annual financial statements of CPD S.A. (the Company) with its registered office in Warsaw, 7B Cybernetyki Street, which comprise the statement of financial position as of December 31, 2022, and the statement of comprehensive income, statement of changes in equity, statement of cash flows for the financial year then ended, and notes, comprising a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying annual financial statements:

- give a true and fair view of the financial position of the Company as of December 31, 2022 and of its financial performance and of its cash flows for the financial year then ended in accordance with the International Accounting Standards, International Financial Reporting Standards and related interpretations published in the form of European Commission regulations and adopted accounting principles (policy),
- were prepared on the basis of properly maintained books of account,
- comply with the laws affecting the content and form of the annual financial statements and the provisions of the Company's articles of association.

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

Basis for Opinion

We conducted our audit in accordance with:

- the Act of May 11, 2017 on statutory auditors, audit firms, and public supervision (uniform text: Journal of Laws of 2022, item 1302, as amended) (the Act on Statutory Auditors),
- International Standards on Auditing adopted as National Standards on Auditing (NSA) by the National Council of Statutory Auditors' resolution No. 3430/52a/2019 of March 21, 2019, as amended and
- Regulation (EU) No. 537/2014 of the European Parliament and of the Council of April,16 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC (OJ L 158, 27.5.2014, p. 77 and OJ L 170, 11.6.2014, p. 66) (the Regulation 537/2014).

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

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

Key Audit Matters

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

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

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

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

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

In accordance with the Accounting Act of September 29, 1994 (uniform text: Journal of Laws of 2023, item 120, as amended) (the Accounting Act), the Management Board and the Supervisory Board of the Company are obliged to assure compliance of the annual financial statements with the requirements of the Accounting Act. The Supervisory Board is responsible for overseeing the Company's financial reporting process.

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

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

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

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

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

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

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

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

Other Information including the Report on the Company's operations

The other information comprises the Report on the Company's operations for the financial year ended December 31, 2022, the Corporate Governance Statement which is a separate part of the Report on the Company's operations and the Annual Report for the year ended December 31, 2022 (but does not include the financial statements and our auditor's report thereon).

Responsibilities of the Management Board and the Supervisory Board

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

Responsibilities of the Auditor

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

Opinion on the Report on the Company's operations

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

Opinion on the Corporate Governance Statement

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

As required by the Act on Statutory Auditors, we report that the Company has prepared the Statement on non-financial information specified in Article 49b clause 1 of the Accounting Act and presented it as a separate part of the Report on the Company's operations.

Report on Other Legal and Regulatory Requirements

Statement on non-audit services

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

Appointment of the Audit Firm

We were appointed to audit the annual financial statements of the Company for the years 2020-2022 by the Supervisory Board's resolution of September 15, 2020. We have been auditors of the Company since the financial year ended December 31, 2018, i.e. for 5 consecutive financial years.

Marcin Diakonowicz

Statutory Auditor No. 10524
Key Audit Partner performing the audit on behalf of
Grant Thornton Polska Prosta spółka akcyjna,
Poznań, ul. Abpa Antoniego Baraniaka 88 E, Audit Firm No. 4055

Warszawa, April 27, 2023.

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.

IX. CPD S.A. FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

CPD S.A.

Financial statements
for the year ended 31 December 2022

(All amounts in PLN thousands unless otherwise stated)

Statement of comprehensive income

	Notes	12 months ended 31/12/2022	12 months ended 31/12/2021
Revenues	13	24	161
Administrative costs	14	(3 295)	(4 221)
Marketing costs		(25)	0
Result from revaluation of loans to fair value	17	(29 420)	11 864
Other operating income	15	10	0
Other operating cost	16	0	(2)
OPERATING RESULT		**(32 706)**	**7 802**
Financial income	18	12 910	108 072
Financial costs	18	(1 993)	(16 970)
PROFIT (LOSS) BEFORE INCOME TAX		**(21 789)**	**98 904**
Income tax	19	(1 293)	133
PROFIT (LOSS) FOR THE YEAR		**(23 082)**	**99 037**
OTHER COMPREHENSIVE INCOME		0	0
TOTAL COMPREHENSIVE INCOME		**(23 082)**	**99 037**
BASIC EARNINGS PER SHARE (PLN)	**25**	**-2,80**	**7,00**
DILUTED EARNINGS PER SHARE (PLN)	**25**	**-2,80**	**7,00**

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

Colin Kingsnorth
Chairman of the Board

Elżbieta Donata Wiczkowska
Board Member

John Purcell
Board Member

Iwona Makarewicz
Board Member

(All amounts in PLN thousands unless otherwise stated)

Statement of financial position

ASSETS	Notes	As of 31/12/2022	As of 31/12/2021
Non-current assets			
Long-term receivables	4	38 055	37 657
Shares in subsidiaries and jointly controlled entities	5	3 751	19 993
Total non-current assets		**41 806**	**57 650**
Current assets			
Trade receivables and other receivables	6	318	22 276
- trade receivables and loans		273	22 270
- prepaid expenses		45	6
Income tax receivables		0	195
Cash and cash equivalents	7	24 371	64 384
Total current assets		**24 689**	**86 855**
Total assets		**66 495**	**144 505**
EQUITY			
Share capital	8	897	2 637
Treasury shares	8	(50 010)	(288 972)
Share premium		389 802	677 034
Embedded element at inception date		(27 909)	(27 909)
Reserve capital	9	987	987
Accumulated profit (loss)		(256 591)	(233 509)
Total equity		**57 176**	**130 268**
LIABILITIES			
Non-current liabilities			
Borrowings	11	0	0
Deferred tax liability	12	6 237	4 944
Total non-current liabilities		**6 237**	**4 944**
Current liabilities			
Borrowings	11	2 831	9 069
Trade payables and other liabilities	10	251	224
Total current liabilities		**3 082**	**9 293**
Total equity and liabilities		**66 495**	**144 505**
Net assets value per share in PLN, excluding treasury shares		**7,84**	**14,53**

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

Colin Kingsnorth
Chairman of the Board

Elżbieta Donata Wiczkowska
Board Member

John Purcell
Board Member

Iwona Makarewicz
Board Member

(All amounts in PLN thousands unless otherwise stated)

Statement of changes in equity

	Notes	Share capital	Treasury shares	Share premium	Embedded element at inception date	Reserve capital	Accumulated profit (loss)	Total
Balance as at 1/1/2022		**2 637**	**(288 972)**	**677 034**	**(27 909)**	**987**	**(233 509)**	**130 268**
Acquisition of treasury shares	8	0	(50 010)	0	0	0	0	(50 010)
Redemption of treasury shares	8	(1 740)	288 972	(287 232)	0	0	0	0
		(1 740)	238 962	(287 232)	0	0	0	(50 010)
Comprehensive income for the period		0	0	0	0	0	(23 082)	(23 082)
		0	0	0	0	0	(23 082)	(23 082)
Balance as at 31/12/202		**897**	**(50 010)**	**389 802**	**(27 909)**	**987**	**(256 591)**	**57 176**
Balance as at 1/1/2021		**2 637**	**(117 395)**	**677 034**	**(27 909)**	**987**	**(332 546)**	**202 808**
Acquisition of treasury shares	8	0	(171 577)	0	0	0	0	(171 577)
		0	(171 577)	0	0	0	0	(171 577)
Comprehensive income for the period		0	0	0	0	0	99 037	99 037
		0	0	0	0	0	99 037	99 037
Balance as at 31/12/2021		**2 637**	**(288 972)**	**677 034**	**(27 909)**	**987**	**(233 509)**	**130 268**

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

Colin Kingsnorth
Chairman of the Board

Elżbieta Donata Wiczkowska
Board Member

John Purcell
Board Member

Iwona Makarewicz
Board Member

(All amounts in PLN thousands unless otherwise stated)

Cash flow statement

	Notes	12 months ended 31/12/2022	12 months ended 31/12/2021
Cash flow from operating activities			
Cash generated from operations	21	11 581	102 546
Income tax paid		195	(5 747)
Net cash generated from operating activities		**11 776**	**96 799**
Cash flows from investing activities			
Investment into a subsidiary and jointly controlled entity	5	(524)	(16 614)
Repayment of capital contribution made by a jointly controlled entity	5	14 938	15 069
Loans granted		(18 924)	(11 562)
Loan repayments received		7 660	111 512
Interest received		1 475	32 693
Net cash generated from investing activities		**4 625**	**131 098**
Cash flows from financing activities			
Acquisition of treasury shares	8	(50 010)	(171 577)
Loans received	11	0	0
Borrowings repayments	11	(3 774)	(7 415)
Payment of interest on loan	11	(2 630)	(50)
Net cash generated from financing activities		**(56 414)**	**(179 042)**
Change in net cash and cash equivalents		**(40 013)**	**48 855**
Cash and cash equivalents at the beginning of year		**64 384**	**15 529**
Cash and cash equivalents at the end of the period		**24 371**	**64 384**

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

Colin Kingsnorth
Chairman of the Board

Elżbieta Donata Wiczkowska
Board Member

John Purcell
Board Member

Iwona Makarewicz
Board Member

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

1 General information

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

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

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

The objects of the Company (according to the Company's Articles of Association) are the activities of financial holdings, real estate activities, activities of head offices.

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

In order to fully understand the financial position and results of operations of CPD S.A., as the parent company of the Group, these financial statements should be read in conjunction with the annual consolidated financial statements for the period ended 31 December 2022. These reports are available on the Company's website at www.cpdsa.pl.

The Company's share capital as at 31 December 2022 amounted to PLN 896,618.50 (in words: eight hundred and ninety-six thousand, six hundred and eighteen zloty and fifty groszy) and was divided into 8,966,185 (in words: eight million, nine hundred and sixty-six thousand, one hundred and eighty-five) series AA shares with a nominal value of PLN 0.10 (ten groszy) each, which entitle to exercise a total of 8,966,185 votes (in words: eight million, nine hundred and sixty-six thousand, one hundred and eighty-five).

These financial statements have been adopted by the Management Board on 27 April 2023.

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

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

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

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

2 The accounting principles

2.1 Basis of preparation

The Company's financial statements have been prepared on a going concern basis. There are no circumstances indicating a threat to the continued activity of the Company in the foreseeable future. As at the date of approval of these financial statements, the Company's Management Board does not intend to liquidate the entity or discontinue its business activity.

The company's financial statements have been drawn up in accordance with International Financial Reporting Standards ("IFRS") adopted by the European Commission and applicable at the reporting date of these financial statements. IFRS include standards and interpretations accepted by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee.

New and amended standards and interpretations which came into force on 1 January 2022 and description of its impact on these financial statements:

The accounting policies applied in the preparation of these financial statements are consistent with those applied in the preparation of the Company's financial statements for the year ended 31 December 2021, except for the application of the following new standards, amendments to standards and new interpretations effective for annual periods beginning on 1 January 2022. Since the beginning of the reporting period, amendments to IFRS 3, IAS 16, IAS 37 and Annual Improvements 2018-2020 are effective.

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

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

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

IFRS 17 Insurance Contracts (published 18 May 2017) including Amendments to IFRS 17 (published 25 June 2020)
Applicable for annual periods beginning on or after 1 January 2023.

Amendments to IAS 1 and Practice Statement 2: Disclosures about accounting policies (published 12 February 2021)
Applicable for annual periods beginning on or after 1 January 2023.

Amendments to IAS 8: Definition of Accounting Estimates (issued 12 February 2021)

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

Amendments to IAS 12: Deferred tax on assets and liabilities arising from a single transaction (issued 7 May 2021)
Applicable for annual periods beginning on or after 1 January 2023

Amendments to IFRS 17 Insurance Contracts: First-time Adoption of IFRS 17 and IFRS 9 - Comparative Information (issued 9 December 2021)
Applicable for annual periods beginning on or after 1 January 2023

Amendments to IFRS 16 Leases - Lease commitment under sale and leaseback (issued 22 September 2022)
Not endorsed by the EU up to the date of approval of these financial statements, effective for annual periods beginning on or after 1 January 2024.

Amendments to IAS 1: Presentation of financial statements - Separation of current and non-current liabilities - deferral of effective date (published on 23 January 2020 and 15 July 2020, respectively)

Not endorsed by the EU until the date of approval of these financial statements, applicable for annual periods beginning on or after 1 January 2024.

Management is in the process of reviewing the impact of these standards on the Company's financial position, results of operations and the scope of information presented in the financial statements. The Company's Management Board does not anticipate that the new standards and amendments to the current standards may have a material impact on the Company's financial statements for the period in which they are first applied.

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

2.2 Tangible fixed assets

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

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

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

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

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

2.3 Shares in subsidiaries

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

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

2.4 Financial assets

Financial assets are either classified as financial assets measured at fair value through profit or loss or as financial assets measured at amortized cost.
Financial assets measured at amortized cost are classified as financial assets if both of the following conditions are met:
(a) the financial asset is held in accordance with a business model that seeks to hold the financial asset to produce contractual cash flows,
(b) The terms of the contract for the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding (so called SPPI test).
The Company classifies the following into the category of financial assets measured at amortized cost: trade receivables, and cash and cash equivalents.
Financial assets, due to the business model and the nature of the flows associated with them, are assessed at each balance sheet date for expected credit losses, regardless of whether there is any indication of impairment. The method of making this assessment and estimating the allowance for expected credit losses differs for each class of financial assets. The estimate of the allowance is based primarily on historical past due amounts and the relationship of past due amounts to actual repayments over the past five years, taking into account available forward looking information.

Loans granted, in the Company's opinion, do not meet the described requirements to be classified as financial assets measured at amortized cost (failed SPPI test) and are therefore measured at fair value through profit or loss.

Financial assets are classified as current assets provided their maturity does not exceed 12 months from the balance sheet date. Assets with maturities exceeding 12 months are classified as non-current assets.

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

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

2.5 Cash and equivalents

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

2.6 Share capital

Share capital is the nominal value of the issued shares.

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

2.7 Trade liabilities

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

2.8 Credits and loans

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

2.9 Compound financial instruments

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

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

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

After initial recognition, the liability component of a compound financial instrument is carried at amortised cost using the effective interest method. The equity component of a compound financial instrument is not subject to measurement after initial recognition until conversion or expiry.

2.10 Deferred income tax

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

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

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

2.11 Employee benefits

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

2.12 Provisions

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

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

2.13 Revenues

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

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

2.14 Other income

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

(a) Rental income

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

(b) Services related to the hiring and management services

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

(c) Cost of inventories sold

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

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

2.15 Costs

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

2.16 Interest costs

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

2.17 Foreign currencies

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

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

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

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

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

3 Financial risk management

3.1 Financial risk factors

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

(a) Market risk
(i) Risk of exchange rate changes

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

As at 31 December 2022 and 31 December 2021, the Company did not have any significant balances of receivables and payables in foreign currencies and, as a result, was not exposed to significant exchange rate risk.

	31 December 2022	31 December 2021
Loans in EUR	2 431	2 334
Assumed change in PLN/EUR exchange rate	+/-10%	+/-10%
The result of change	243	233
Tax shield	46	44
Effect on net profit/(loss)	197	189
Impact on equity	197	189

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

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

Interest rate risk is the risk to which the Company is exposed as a result of changes in market interest rates. In the case of the Company, interest rate risk is related to loans granted and received (note 4, note 6 and note 11). Loans granted and received with variable interest rates expose the Company to the risk of fluctuations in the amount of future cash flows. The Company does not hedge against changes in interest rates. Management monitors interest rate fluctuations on an ongoing basis and acts accordingly. Changes in market interest rates do not affect the fair value of the loans, as the loans bear interest on a variable rate basis.

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

	31 December 2022	31 December 2021
Loans received at variable interest rates	2 831	9 069
Assumed change in interest rate	+/-1pp	+/-1pp
The result of changes in interest cost	28	91
Tax shield	5	17
Effect on net profit/(loss)	-/+23	-/+73
Impact on equity	-/+23	-/+73

	31 December 2022	31 December 2021
Loans received at variable interest rates	2 831	9 069
Assumed change in interest rate	+/-2pp	+/-2pp
The result of changes in interest cost	57	181
Tax shield	11	34
Effect on net profit/(loss)	-/+46	-/+147
Impact on equity	-/+46	-/+147

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

3.1 Financial risk factors (continued)

(b) Credit risk

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

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

(c) Liquidity risk

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

As at 31 December 2022	Within 1 year	1 - 5 years	More than 5 years
Borrowings	2 831	0	0
Trade payables and other payables	251	0	0
	3 082	0	0

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

3.2 Capital management

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

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

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

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

	31 December 2022	**31 December 2021**
Loans received	2 831	9 069
Trade and other payables	251	224
Less cash and cash equivalents	-24 371	-64 384
Net debt	**-21 289**	**-55 091**
Equity	**57 176**	**130 268**
Net position	**35 887**	**75 177**
Gearing ratio	**-59%**	**-73%**

The financing structure ratio at both 31 December 2022 and 31 December 2021 indicated a negative value, as the cash held by CPD at the balance sheet date exceeded the Company's liabilities.

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

3.3 Significant estimates

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

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

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

Properties held by CPD's subsidiaries and jointly owned subsidiaries are measured at fair value using the following valuation methods:
- investment properties held for sale - valued at the fair value, determined on the basis of offers for sale obtained, less costs of bringing them to sale;
- other real estate, including undeveloped land and tenement houses with residential units - valued using the comparative method based on sales offers obtained and estimates of the Company's Management Board.

The Company carries out an analysis of the rationale for the impairment of shares. The determination of the level of the impairment of shares as at 31 December 2022 in each company was carried out in accordance with the approach described above and was the same as that adopted as at 31 December 2021. As at 31 December 2022, the net value of the shares in the subsidiaries Celtic Investments and Lakia Enterprises was zero and unchanged from the same period of the previous year. The value of the shares in the subsidiary Challange Eighteen was not subject to write-down at the end of 2020. In 2021, the Company identified indications of a write-down, which was created in the amount of PLN 1,566 thousand, and during 2022, the Company created an additional write-down in the amount of PLN 671 thousand. In 2021, the Company acquired new shares in Antigo Investments. At the end of 2021, the shares in the company were subject to a partial write-down in the amount of PLN 15,026 thousand. At the end of 2022, the write-down was increased by PLN 633 thousand. There were no indications of impairment losses on the Ursa Sky Smart City shares. The shares in Ursus Development were subject to a 100% write-down both as at 31 December 2021 and as at 31 December 2022.
Detailed information on interests in subsidiaries and jointly controlled entities is presented in note 5.

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

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

Cash flows:

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

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

Future interest consists of interest accrued through 31 December 2022 and interest that will accrue from 31 December 2022 to the maturity date of the loan.

Interest after 31 December 2022 was estimated at forward rates (based on the current term structure of the interest rate curve).

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

Discount rate:

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

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

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

The credit margin (credit risk premium) was estimated as an implied credit margin on interest on CPD SA bonds issued in 2015, amounting to 7,6%.
Detailed information on loans grated is presented in note 4 and note 6, while the sensivity analisys of the fair value in note 24.

3.3 Significant estimates (continued)

(b) Income tax

CPD SA is an income tax payer in Poland. The CPD Group recognizes liabilities for anticipated tax issues based on an estimate of whether additional tax will be required. If the final tax settlements differ from the amounts initially recognized, the differences affect current and deferred tax assets and liabilities in the period in which the final tax determination is made.
Deferred tax assets are recognized only when it is probable that future taxable income will be available against which temporary differences or tax losses can be utilized.
In addition, in light of the applicable provisions of the General Anti-Abuse Clause ("GAAR"), which is intended to prevent the creation and use of artificial legal structures created in order to avoid the payment of tax in Poland, the Management Board performed a comprehensive analysis of the tax position of the Group entities with respect to the identification and assessment of transactions and operations that could potentially be subject to the provisions of GAAR and considered the impact on these financial statements. Management believes that these risks have been properly reflected in these financial statements; however, there is an inherent uncertainty in the Company's interpretation of tax laws that may affect the realizability of deferred tax assets in future periods and the payment of additional tax for past periods.

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

4 Long-term receivables

	31/12/2022	31/12/2021
Long-term loans to related parties (note 23), including:		
- loan	100 231	63 073
- result from revaluation to fair value	(62 176)	(25 416)
	38 055	**37 657**

Details of the loans granted to related parties as of 31 December 2022

Related party	Agreement date	Currency of the loan	Fair value of loan	Interest Rate	Margin	Maturity
Lakia Investments	2022	PLN	13 796	3M WIBOR	2,00%	on demand, no later than 04.08.2027
Belise Investments	2012	PLN	10 032	3M WIBOR	1,55%	on demand, no later than 01.05.2027
Belise Investments	2014	PLN	11 117	3M WIBOR	1,55%	on demand, no later than 24.09.2024
Elara Investments	2012	PLN	146	3M WIBOR	1,55%	on demand, no later than 01.05.2027
Elara Investments	2013	PLN	1 221	3M WIBOR	1,55%	on demand, no later than 24.01.2028
Celtic Asset Management	2015	PLN	484	3M WIBOR	1,55%	on demand, no later than 12.02.2025
HUB Developments	2012	PLN	944	3M WIBOR	1,55%	on demand, no later than 01.05.2027
Lakia Enterprises Limited	2015	PLN	312	3M WIBOR	1,55%	on demand
			38 055			

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

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

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

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

4 Long-term receivables (continued)

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

Accumulated allowance for loans impairment as at 31.12.2020	**62 705**
Fair value revaluation impact for 2021	-9 847
Accumulated allowance for loans impairment as at 31.12.2021	**52 858**
Fair value revaluation impact for 2022	35 254
Accumulated allowance for loans impairment as at 31.12.2022	**88 112**

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

5 Shares in subsidiaries and jointly controlled entities

Name	Country	Share	31/12/2022	31/12/2021
Lakia Enterprises Ltd	Cyprus	100%	105 524	105 000
Impairment			(105 524)	(105 000)
Celtic Investments Ltd	Cyprus	100%	48 000	48 000
Impairment			(48 000)	(48 000)
Celtic Asset Management (*)	Poland	100%	0	0
Challange Eighteen sp. z o.o. in liquidation	Poland	100%	5 032	5 032
Impairment			(2 237)	(1 566)
Imes Poland sp. z o.o.	Poland		0	23 769
Impairment			0	(23 769)
Ursa Sky Smart City	Poland	49%	1	14 939
Antigo Investments	Poland	100%	16 614	16 614
Impairment			(15 659)	(15 026)
Ursus Development	Poland	100%	5	5
Impairment			(5)	(5)
			3 751	**19 993**

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

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

During the first quarter of 2022, the Ursa Sky Smart City co-subsidiary refunded PLN 14,938 thousand of the contribution.

On 24 May 2022, Lakia Enterprises Ltd issued 1,000 new shares with a nominal value of EUR 1 each, which were subscribed for by CPD S.A. for PLN 400 thousand. On 21 July 2022, Lakia Enterprises Ltd again issued a further 1,000 new shares with a nominal value of EUR 1 each, which were subscribed by CPD S.A. for PLN 124,000.

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

6 Trade receivables and other receivables

	31/12/2022	31/12/2021
Short-term loans (related party), including:	234	20 262
- loan	26 177	47 698
- result from revaluation to fair value	(25 942)	(27 437)
Other receivables from related parties	11	1 985
Other receivables from other parties	28	23
Prepayments	45	6
Short-term receivables	**318**	**22 276**

Details of the loans granted to related parties as of 31 December 2022

Related party	Agreement date	Currency	Fair value of the loan	Interest Rate	Margin	Maturity
Gaston Investments	2013	PLN	234	3M WIBOR	1,55%	on demand, no later than 01.10.2023
			234			

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

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

7 Cash and equivalents

	31/12/2022	31/12/2021
Cash in bank accounts	24 371	64 384
	24 371	**64 384**

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

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

8 Share capital

	Number of shares		Value of shares	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
Ordinary shares AA series	8 966	26 371	897	2 637

The share capital as at 31 December 2021 amounted to PLN 2,637 thousand. On 14 March 2022, the District Court for the capital city of Warsaw in Warsaw, 13th Commercial Division of the National Court Register, registered a reduction in the Company's share capital as a result of the redemption of treasury shares. As a result of the above, the Company's share capital currently amounts to PLN 896,618.50 (in words: eight hundred and ninety-six thousand six hundred and eighteen zloty 50/100) and is divided into 8,966,185 (in words: eight million nine hundred and sixty-six thousand one hundred and eighty-five) series AA shares with a nominal value of PLN 0.10 (ten groszy) each, which entitle to exercise a total of 8,966,185 votes (in words: eight million nine hundred and sixty-six thousand one hundred and eighty-five).

On 29 July 2022, the Company acquired 1,672,591 shares in CPD S.A. (treasury shares) as a result of the settlement of the acquisition of CPD S.A.'s shares as a result of the Company's tender offer announced on 5 July 2022. The shares were acquired in accordance with Resolution No. 21 of the Extraordinary General Meeting of CPD S.A. of 28 June 2022 on authorising the Company's Management Board to acquire own shares for cancellation. The purchase price per share was PLN 29.90.

All acquired shares are ordinary shares with a nominal value of PLN 0.10 each. The acquired shares of CPD S.A. (in the number of 1,672,591 shares) represent 18.65% of the Company's share capital and 1,672,591 votes at the Company's General Meeting (18.65% of the total number of votes at the Company's General Meeting), with the proviso that, in accordance with the applicable regulations, the Company is not entitled to exercise voting rights from its own shares.

All shares issued by the Company to date are ordinary bearer shares. The Company's Articles of Association do not confer any special rights on the Company's shares, including preference as to voting or the appointment of members of the Company's bodies. The Company's shareholders do not hold shares conferring special control rights.

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

8 Share capital (continued)

Shareholding structure of CPD S.A. determined as of 31 December 2022:

Party	Country	number of shares	capital %	voting rights %
Meduvo Holding	Cyprus	1 713 330	19,1%	23,5%
Furseka Trading and Investments Ltd	Cyprus	1 655 857	18,5%	22,7%
QVT Family Office Fund LP	United States of America	948 922	10,6%	13,0%
POP Investments Ltd	Isle of Man	592 585	6,6%	8,1%
Ursus Capital Ltd	United Kingdom	417 380	4,7%	5,7%
Familiar S.A.	Grand Duchy of Luxembourg	406 396	4,5%	5,6%
Shareholders holding less than 5% of shares		1 559 124	17,4%	21,4%
		7 293 594	81,3%	100,0%
Treasury shares for redemption		1 672 591	18,7%	0,0%
Total number of shares		8 966 185	100,0%	100,0%

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

9 Reserve capital

	31/12/2022	31/12/2021
Reserve capital	987	987
	987	**987**

10 Trade payables and other payables

	31/12/2022	31/12/2021
Accrued expenses, including:	84	89
- accrual for audit	84	89
Trade payables	73	12
Tax payables	51	53
Other payables	42	69
	251	**224**

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

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

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

11 Borrowings

	31/12/2022	31/12/2021
Long-term loans from related parties	0	0
Short-term loans from related parties	2 831	9 069
	2 831	**9 069**

Loans payable as at 31 December 2022 and 31 December 2021 relate to loans from the following subsidiaries: from the subsidiary Lakia Enterprises (loan interest rate is 3M Wibor + margin 0.50%), loan from the subsidiary Lakia Investments (loan interest rate is 3M Wibor + margin 1.55%) and loan from the subsidiary Robin Investments (loan interest rate is 3M Wibor + margin 1.55%).

As at 31 December 2022, the loan from Lakia Enterprises has been repaid; the balance of the loan from Lakia Investments is PLN 893 thousand (principal: PLN 68 thousand, interest: PLN 825 thousand), PLN 2,626 thousand of principal was repaid during the period; the balance of the loan from Robin Investments is PLN 1,939 thousand (principal: PLN 1,600 thousand, interest: PLN 339 thousand).

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

The loans are not secured.

For the period ended 31 December 2022	
Opening balance	**9 069**
Loans received	0
Interests accrued	166
Repayments:	(6 404)
- capital repayments	(3 774)
- interests repayments	(2 630)
Closing balance	**2 831**

For the period ended 31 December 2021	
Opening balance	**36 976**
Loans received	**0**
Interests accrued	**376**
Repayments:	**(28 283)**
- capital repayments	**(7 414)**
- offset	**(20 370)**
- interests repayments	(50)
- redemption	(449)
Closing balance	**9 069**

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

12 Deferred income tax

	31/12/2022	31/12/2021
Deferred tax liability		
Interest accrued on loans granted	6 447	5 618
Exchange rate differences	43	45
As of 31 December - before offset	**6 490**	**5 663**
Offset	(253)	(719)
As of 31 December - after offset	**6 237**	**4 944**

	31/12/2022	31/12/2021
Deferred tax asset		
Other accruals	16	17
Exchange rate differences	9	0
Provisions for unused vacations	7	13
Interests accrued on loans received	221	689
Tax losses	0	0
As of 31 December - before offset	**253**	**719**
Offset	(253)	(719)
As of 31 December - after offset	**0**	**0**
Deferred tax liability	**6 237**	**4 944**

Unrecognized deferred tax assets:

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

	31/12/2022	31/12/2021
Impairment of investments in related parties	32 571	32 223
Impairment of loans granted to related parties	16 741	10 043
Unrecognised tax losses	553	0
Unrecognized deferred tax assets	**49 312**	**42 267**

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

13 Revenue from sales

	12 months ended 31/12/2022	12 months ended 31/12/2021
Proceeds from sales:		
- domestic sales	24	161
	24	**161**

14 Administrative costs

	12 months ended 31/12/2022	12 months ended 31/12/2021
Consulting services	424	567
Payroll costs	2 247	2 910
Non deductible VAT	142	162
Audit costs	158	150
Other costs	324	432
	3 295	**4 221**

15 Other operating income

	12 months ended 31/12/2022	12 months ended 31/12/2021
Other	10	0
	10	**0**

16 Other operating costs

	12 months ended 31/12/2022	12 months ended 31/12/2021
Other	0	2
	0	**2**

17 Result from revaluation of loans to fair value

	12 months ended 31/12/2022	12 months ended 31/12/2021
Result from revaluation of loans to fair value	(29 420)	11 864
	(29 420)	**11 864**

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

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

18 Financial income and expenses

	12 months ended 31/12/2022	12 months ended 31/12/2021
Interest income:	613	0
- Interest on deposits	613	0
- Other interest	0	0
Dividends received	11 452	106 611
Other financial income	773	1 454
Net exchange differences	72	7
Financial income	**12 910**	**108 072**

On 21 June 2021, the Extraordinary Shareholders' Meeting of Challange Eighteen Sp. z o.o., a subsidiary of CPD S.A., decided to pay a dividend of PLN 99,100,000.00. The remaining dividend income in 2021 in the amount of PLN 7,511,531.48 comes from distributions from the jointly owned entity Ursa Sky Smart City. The dividends received in 2022 relate entirely to the jointly owned entity Ursa Sky Smart City.

	12 months ended 31/12/2022	12 months ended 31/12/2021
Interest costs:	166	376
- Interest from related parties (Note 23)	166	376
Impairment of investments	1 827	16 595
Net exchange differences	0	0
Financial costs	**1 993**	**16 970**

19 Income tax

	12 months ended 31/12/2022	12 months ended 31/12/2021
Current income tax	0	5 552
Deferred income tax	1 293	(5 685)
	1 293	**(133)**

20 Effective tax rate

	12 months ended 31/12/2022	12 months ended 31/12/2021
Profit (Loss) before taxes	**(21 789)**	**98 904**
Tax rate	19%	19%
Income tax rate 19%	**4 140**	**(18 792)**
Impairment value of loans receivable	(6 700)	1 871
Interest on merger with a subsidiary	(347)	(3 153)
Dividends received	2 176	20 256
Other	(9)	(49)
Tax	**(1 293)**	**133**

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

21 Cash flow from operating activities

	12 months ended 31/12/2022	12 months ended 31/12/2021
Profit/loss before tax	(21 789)	98 904
Adjustments for:		
– interest costs	166	376
– income from interest redemption	0	(449)
– impairment of investments in subsidiaries	1 827	16 595
– result from revaluation of loans to fair value	29 420	(11 865)
Changes in working capital:		
– changes in receivables	1 930	19 380
– changes in receivables, as a result of set-off	0	(20 370)
– change in trade liabilities and other	27	(25)
	11 581	**102 546**

22 Commitments and guarantees secured by the assets of the unit

In 2022 and 2021, CPD Group companies - the subsidiary Belise Investments Sp. z o.o. as borrower and CPD S.A. as guarantor - were party to a loan agreement with Santander Bank Polska. The loan was repaid during 2022 and the contingent liabilities were therefore extinguished.

In 2021, the Company acceded to the debt of the co-subsidiary Ursa Sky Smart City. The loan was repaid by the co-subsidiary in January 2022, releasing the Company from the contingent liability on this account.

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

23 Related party transactions

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

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

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

a) Transactions with key management personnel	**12 months ended 31/12/2022**	**12 months ended 31/12/2021**
Remuneration of members of the Board of Directors	1 810	1 768
Remuneration of members of the Supervisory Board	68	468

b) Transactions with subsidiaries		**12 months ended 31/12/2022**	**12 months ended 31/12/2021**
Revenues			
Ursa Sky Smart City	jointly controlled entity	28	94
16/88 Gaston Investments	subsidiary	0	5
18 Gaston Investments	subsidiary	0	6
Antigo Investments	subsidiary	15	65
Belise Investments	subsidiary	2 137	1 215
Celtic Asset Management	subsidiary	67	18
Celtic Investments Ltd	subsidiary	16	4
Challange Eighteen	subsidiary	0	39
Elara Investments	subsidiary	235	58
Gaston Investments	subsidiary	177	241
Hub Developments	subsidiary	177	44
Lakia Enterprises Ltd	subsidiary	1 834	464
Lakia Investments	subsidiary	679	24
Mandy Investments	subsidiary	1 190	301
Ursus Development	subsidiary	81	605
IMES Poland	subsidiary	0	449

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

23 Related party transactions (continued)

		12 months ended 31/12/2022	12 months ended 31/12/2021
Costs			
Lakia Investments	subsidiary	40	58
Lakia Enterprises Ltd	subsidiary	15	22
Gaston Investments	subsidiary	7	7
Imes Poland	subsidiary	0	268
Robin Investments	subsidiary	112	28

		31/12/2022	31/12/2021
Liabilities			
Lakia Enterprises Ltd	subsidiary	0	3 763
Lakia Investments	subsidiary	893	3 479
Robin Investments	subsidiary	1 939	1 827
Imes Poland	subsidiary	0	0
Gaston Investments	subsidiary	2	9

		31/12/2022	31/12/2021
Receivables			
Ursa Sky Smart City	subsidiary	1	94
Antigo Investments	subsidiary	0	2 185
Belise Investments	subsidiary	21 150	26 750
Celtic Asset Management	subsidiary	484	459
Challange Eighteen	subsidiary	0	0
Elara Investments	subsidiary	1 368	2 100
Gaston Investments	subsidiary	242	48
Hub Developments	subsidiary	944	2 053
Lakia Enterprises Ltd	subsidiary	312	26 210
Lakia Investments	subsidiary	13 799	2
Ursus Development	subsidiary	0	0
Imes Poland	subsidiary	0	0

c) Transactions with other related party	**31/12/2022**	**31/12/2021**
Costs		
Kancelaria Radców Prawnych Oleś&Rodzynkiewicz sp. komandytowa	48	119

(All amounts in PLN thousands unless otherwise stated)
Notes to the financial statements

24 Fair values

The Company measures loans receivable from subsidiaries at fair value (level 3 of the fair value hierarchy at both 2022 and 2021 year-end). Details of the Management's estimates related to the valuation of loans are described in note 3.3. The sensitivity analysis of the valuation to a change in a key unobservable valuation parameter, i.e. the credit spread, is presented below.

credit margin level	fair value as at 31 December 2022	change in value	percentage change in value
+2 pp	35 662	(2 627)	-7%
+1 pp	36 946	(1 343)	-4%
credit margin level applied in the calculation	38 289		
-1 pp	39 693	1 404	4%
-2 pp	41 162	2 873	8%

credit margin level	fair value as at 31 December 2021	change in value	percentage change in value
+2 pp	54 994	(2 925)	-5%
+1 pp	56 422	(1 497)	-3%
credit margin level applied in the calculation	57 919		
-1 pp	59 490	1 571	3%
-2 pp	61 139	3 220	6%

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

25 Earnings (loss) per share

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

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

	12 months ended 31/12/2022	12 months ended 31/12/2021
Profit attributable to the shareholders	(23 082)	99 037
Weighted average number of ordinary shares (in '000)	8 256	14 142
Earnings per share	**(2,80)**	**7,00**
Diluted profit attributable to shareholders	(23 082)	99 037
Weighted average number of ordinary shares (in '000)	8 256	14 142
Diluted earnings per share	**(2,80)**	**7,00**

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

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

26 Operating segments

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

27 Employment

As of the 31 December 2022, the Company had 3 employees. As of 31 December 2021, the Company had 3 employees.

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

The Company did not make any loans or enter into any other transactions with members of the Board of Directors or supervisory bodies in 2022 and 2021, except as disclosed in note 23.

29 Auditor's remuneration

	12 months ended 31/12/2022	12 months ended 31/12/2021
Remuneration paid or payable to the entity authorized to audit financial statements for the year	158	150

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

30 Events after the balance sheet date

On 31 January 2023, CPD S.A. entered into an agreement with Securities Trust Sp. z o.o. for the sale of 100% of the shares in the share capital of its subsidiary Challange Eighteen Sp. z o.o. in liquidation in exchange for a sale price of PLN 1 thousand. On 1 February 2023, CPD S.A. entered into an agreement with Securities Trust Sp. z o.o. for the sale of 100% of the shares in the share capital of its subsidiary Ursus Developement Sp. z o.o. in liquidation in exchange for a sale price equal to PLN 1 thousand. On 17 March 2023, CPD S.A. entered into an agreement with Securities Trust Sp. z o.o. for the sale of 100% of the shares in the share capital of its subsidiary Celtic Investments Limited in exchange for a sale price equal to EUR 1 thousand.

The buyback of treasury shares was concluded and settled on 24 March 2023. The treasury shares were purchased outside the regulated market through the National Depository for Securities.

Treasury shares were purchased at a price of PLN 29.90 (twenty-nine zlotys 90/100 groszy) per one share and for a total price of PLN 45,913,184.20 (forty-five million nine hundred thirteen thousand one hundred and eighty-four zlotys 20/100 groszy). The total nominal value of the purchased treasury Shares amoutns to PLN 153,555.80 (one hundred and fifty three thousand five hundred and fifty five zlotys and 80/100 groszy).

Acquired by CPD S.A. treasury shares constitute 17.13% of the Company’s share capital and 21.05% of the total number of votes at the Company’s general meeting (prior to the buyback, the Company already possesed 1,672,591 treasury shares). The Company will not exercise the share rights attached to treasury shares, except for the right to sell them or perform activities aimed at retaining these rights. Treasury shares were purchased for redemption.

On 1 March 2023 the Company informed it decided to start the process of reviewing strategic options (“Review”), the purpose of which is to identify possible directions of development of the Company. The review will result in an assessment of possible courses of action aimed at maximizing shareholder value. The Company is considering a few possible courses of action, which may include acquiring a strategic investor or carrying out alternative actions, which may result in a change in the Company’s shareholding structure. The Management Board also does not rule out initiating projects in industries where the Company has not been present so far. However, the Company does not guarantee that the review will lead to any transaction changing this structure, and furthermore that the review will lead to the selection of any strategic option.

The decision to start the Review results from the finalization of the Company's key project in the Ursus district in Warsaw, including the completion of the process of monetization of the land located there, as well as the sale of the last key assets.

These financial statements were approved by the Company's Management Board on 27 April 2023 and signed on its behalf by:

Colin Kingsnorth
Chairman of the Board

Elżbieta Donata Wiczkowska
Board Member

John Purcell
Board Member

Iwona Makarewicz
Board Member

Marzena Kaczmarska
The person responsible for accounting records