



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



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**REPORT ON THE COMPANY AND CAPITAL
GROUP'S ACTIVITY**

FOR THE YEAR ENDED ON 31 DECEMBER 2022

TABLE OF CONTENTS

I.	SUPERVISORY BOARD AND AUDIT COMMITTEE	7
II.	MANAGEMENT BOARD OF CPD S.A.	10
III.	INFORMATION ON THE PARTICIPATION OF MEN AND WOMEN IN THE MANAGEMENT BOARD AND SUPERVISORY BOARD	12
IV.	MANAGEMENT BOARD'S REPORT ON THE COMPANY AND GROUP'S ACTIVITY	14
1.	INFORMATION ON CPD GROUP	15
2.	GROUP STRUCTURE	15
3.	SHAREHOLDERS	18
4.	CORPORATE GOVERNANCE	20
5.	CORPORATE SOCIAL RESPONSIBILITY	28
6.	STRATEGY AND POLICY REGARDING FURTHER COMPANY AND GROUP DEVELOPMENT DIRECTIONS	29
7.	SIGNIFICANT ACHIEVEMENTS, FAILURES AND THE MOST IMPORTANT EVENTS CONCERNING THE COMPANY IN THE REPORTING PERIOD	30
8.	ASSESSMENT OF INVESTMENT POSSIBILITIES	32
9.	FACTORS AND UNUSUAL EVENTS AFFECTING COMPANY AND GROUP FINANCIAL RESULTS	37
10.	FACTORS IMPORTANT FOR FURTHER COMPANY AND GROUP DEVELOPMENT	38
11.	OVERVIEW OF BASIC ECONOMIC AND FINANCIAL INFORMATION	39
12.	RISK FACTORS AND THREATS	49
13.	SIGNIFICANT COURT, ADMINISTRATIVE AND ARBITRATION PROCEEDINGS	55
14.	THE ISSUER'S ORGANIZATIONAL OR CAPITAL RELATIONSHIPS	55
15.	SIGNIFICANT AGREEMENTS	56
16.	SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES	57
17.	LOAN AND BORROWING AGREEMENTS, SURETIES AND GUARANTEES	57
18.	ISSUES OF SECURITIES, ACQUISITION OF OWN SHARES	58
19.	DESCRIPTION OF DIFFERENCES IN FORECAST FINANCIAL RESULTS	59
20.	FINANCIAL RESOURCES MANAGEMENT ASSESSMENT	59
21.	CHANGES IN MANAGEMENT POLICIES	59
22.	REMUNERATION OF THE MANAGEMENT BOARD, SUPERVISORY BOARD AND THE AUDIT COMMITTEE	60
23.	AGREEMENTS WITH MEMBERS OF THE MANAGEMENT BOARD – COMPENSATIONS	62
24.	SHARES IN POSSESSION OF MEMBERS OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD	62
25.	AGREEMENTS CHANGING OWNERSHIP STRUCTURE	63
26.	CONTROL SYSTEM FOR EMPLOYEE SHARES SCHEMES	63
27.	AGREEMENT WITH AN ENTITY AUTHORISED TO AUDIT FINANCIAL STATEMENTS	63
28.	STRUCTURE OF ASSETS AND LIABILITIES – BY LIQUIDITY	65
29.	CONTINGENT LIABILITIES	66
30.	GRANTED LOANS	67

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

V. MANAGEMENT AND SUPERVISORY BOARD STATEMENTS69

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

SUPERVISORY BOARD

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 Supervisory 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:

CPD S.A.

ANNUAL REPORT OF THE COMPANY AND CAPITAL GROUP FOR THE YEAR 2022

- 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 WICKKOWSKA – 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 Lokia 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.

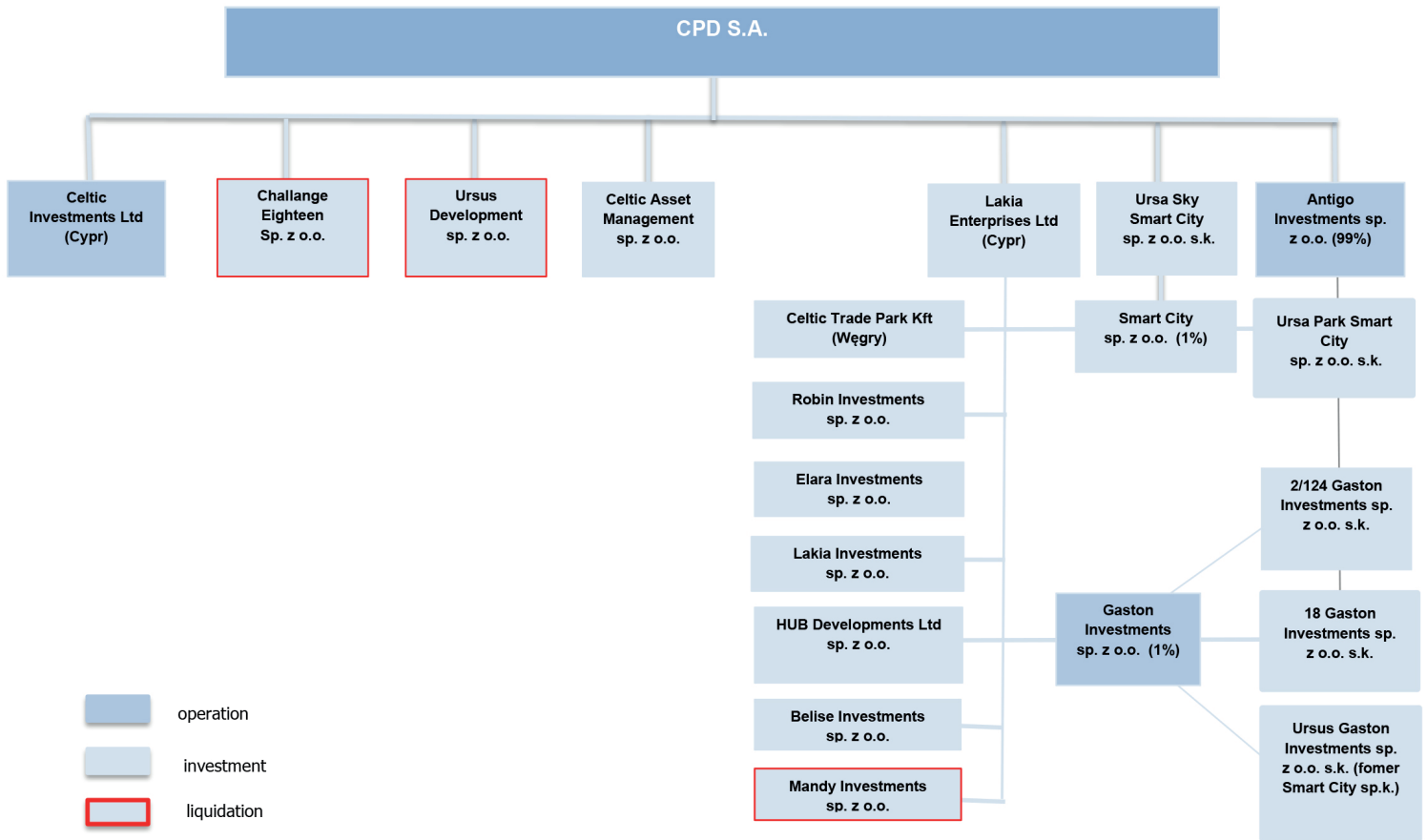
After the balance-sheet date, the following changes occurred in the Company's structure:

- 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.

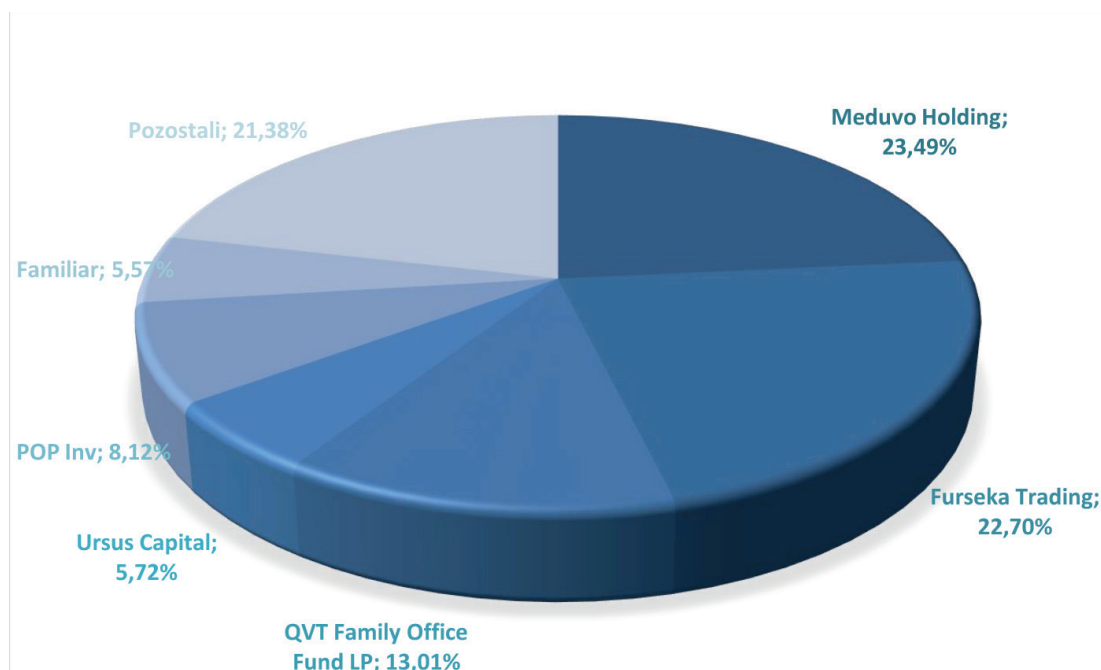
3. SHAREHOLDERS

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



QUALIFYING SHARES

CPD S.A. shareholding structure



Account holders 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 2005 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.cpsa.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 %
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 %

that

- (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 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 2005 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 Wiczowska – 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 shortened the 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 share 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 votes (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 PROMISED 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 Warszawa, Veolia Warszawa and Woda Polska. The above sale contributed to the shutdown of the local heating plant in May 2016, which was run by Energetyka Ursus sp. z o.o. in liquidation bankruptcy and regulating the rules of using the heating, energy and water infrastructure in the areas belonging to the CPD Capital Group, so far used by Energetyka Ursus sp. z o.o. As a result of the above activities, a schedule of gradual release of investment trends belonging to the CPD Capital Group, in some of those previously used by Energetyka Ursus sp. z o.o.;

- ✓ 2016 – the authorities of the Ursus district announce the commencement of a public investment in the form of an educational complex consisting of a kindergarten and a school with a sports hall. The investment will start with the construction of a preschool facility for 150 children. The educational project will be 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%
<i>Long-term receivables</i>	38 055	37 657	1%
<i>Shares in subsidiaries</i>	3 751	19 993	-81%
Current assets, including:	24 689	86 855	-72%
<i>Trade receivables and other receivables</i>	318	22 276	-99%
<i>Income tax receivables</i>	0	195	-100%
<i>Cash and cash equivalents</i>	24 371	64 384	-62%
Total equity and liabilities	66 495	144 505	-54%
Equity, including:	57 176	130 268	-56%
<i>Share capital</i>	897	2 637	-66%
<i>Treasury shares for redemption</i>	-50 010	-288 972	-83%
<i>Reserve capital</i>	987	987	0%
<i>Fair value of capital element at inception date</i>	-27 909	-27 909	0%
<i>Share premium</i>	389 802	677 034	-42%
<i>Retained earnings</i>	-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		Change (%)
	From 01.01.2022 to 31.12.2022 (PLN thous.)	From 01.01.2021 to 31.12.2021 (PLN thous.)	
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.

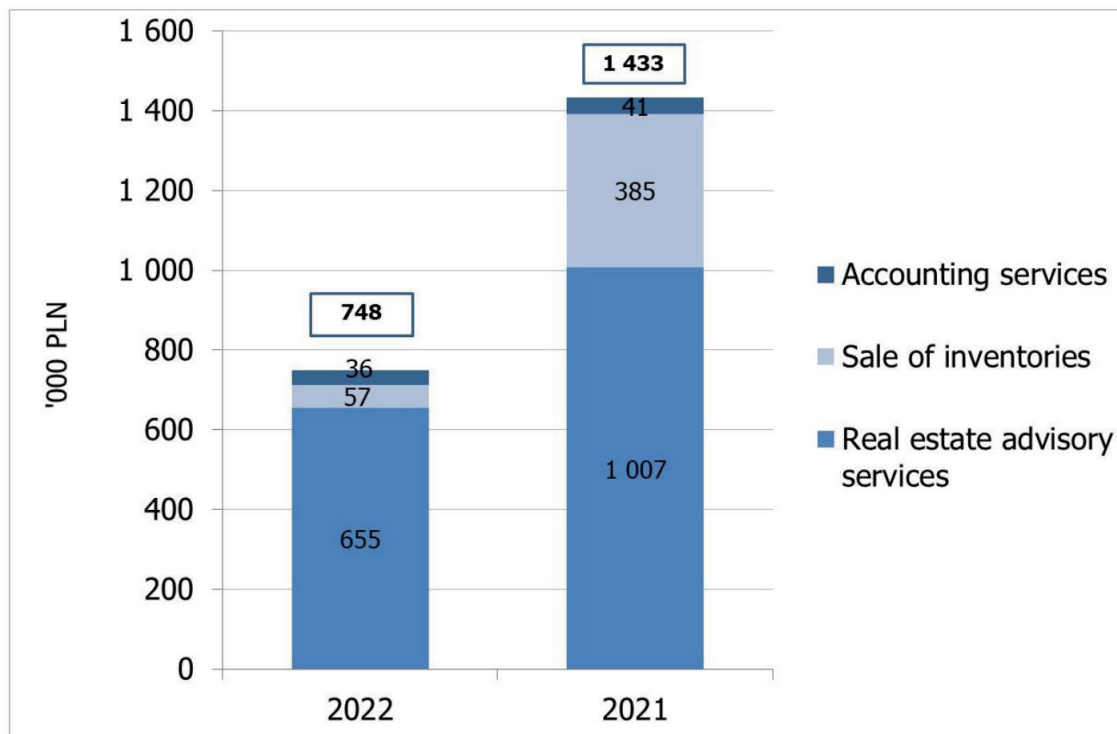
The CPD Group's share in the profits of the joint-venture dropped from PLN 27 million in 2021 to PLN 17.5 million in 2022, which also had a major negative impact on the financial results when compared to 2021.

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		Change (%)
	From 01.01.2022 to 31.12.2022 (EUR thous.)	From 01.01.2021 to 31.12.2021 (EUR thous.)	
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	

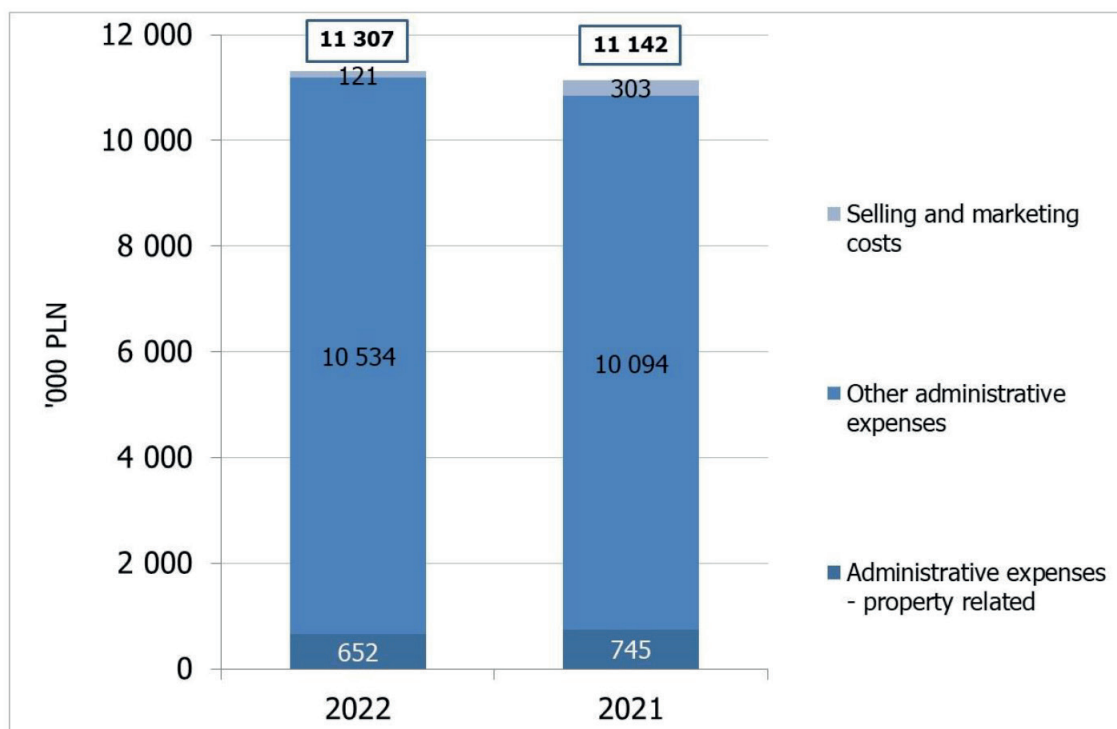
Revenues decreased considerably compared to the corresponding period of 2021 due to much lower revenue from real estate advisory services and sale of inventories.

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 (PLN thous.)	2021-12-31 (PLN thous.)	
TOTAL ASSETS	115 526	275 322	-58,0%
Non-current assets, including:	5 658	181 654	-96,9%
<i>Investment properties</i>	1 910	167 667	-98,9%
<i>Investments in joint ventures accounted for using the equity method</i>	3 748	12 795	-70,7%
Current assets, including:	109 868	93 668	17,3%
<i>Assets held for sale</i>	24 045	4 744	406,9%
<i>Inventory</i>	6 631	3 887	70,6%
<i>Trade and other receivables</i>	2 899	3 264	-11,2%
<i>Cash and cash equivalents</i>	76 293	81 773	-6,7%
TOTAL EQUITY AND LIABILITIES	115 526	275 322	-58,0%
Equity, including:	81 129	144 663	-43,9%
<i>Share capital</i>	897	2 637	-66,0%
<i>Reserve capital</i>	987	987	0,0%
<i>Own shares for redemption</i>	-50 010	-288 973	-82,7%
<i>Fair value of capital element at inception date</i>	-27 909	-27 909	0,0%
<i>Translation reserve</i>	-6 477	-6 243	3,7%
<i>Retained earnings</i>	163 641	464 164	-64,7%
Total liabilities, including:	34 397	130 659	-73,7%
<i>Non-current liabilities</i>	9 028	74 412	-87,9%
<i>Current liabilities</i>	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%
<i>Investment properties</i>	407	36 454	-98,9%
<i>Investments in joint ventures accounted for using the equity method</i>	799	2 782	-71,3%
Current assets, including:	23 427	20 365	15,0%
<i>Assets held for sale</i>	5 127	1 031	397,1%
<i>Inventory</i>	1 414	845	67,3%
<i>Trade and other receivables</i>	618	710	-12,9%
<i>Cash and cash equivalents</i>	16 268	17 779	-8,5%
TOTAL EQUITY AND LIABILITIES	24 633	59 860	-58,8%
Equity, including:	17 299	31 453	-45,0%
<i>Share capital</i>	191	573	-66,6%
<i>Reserve capital</i>	210	215	-1,9%
<i>Own shares for redemption</i>	-10 663	-62 828	-83,0%
<i>Fair value of capital element at inception date</i>	-5 951	-6 068	-1,9%
<i>Translation reserve</i>	-1 381	-1 357	1,7%
<i>Retained earnings</i>	34 892	100 918	-65,4%
Total liabilities, including:	7 334	28 408	-74,2%
<i>Non-current liabilities</i>	1 925	16 179	-88,1%
<i>Current liabilities</i>	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 preemptive 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 Wiczowska	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 Wiczowska	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 Wiczowska 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	% in total assets 2022	% in total assets 2021
	2022-12-31	2021-12-31	2022/2021		
	(PLN ths.)	(PLN ths.)	(%)		
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	% in total assets 2022	% in total assets 2021
	2022-12-31	2021-12-31	2022/2021		
	(PLN ths.)	(PLN ths.)	(%)		
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:		% in total assets 2022	% in total assets 2021	Change 2022/ 2021 (%)
	2022-12-31 (PLN thous.)	2021-12-31 (PLN thous.)			
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:		% in total assets 2022	% in total assets 2021	Change 2022/ 2021 (%)
	2022-12-31 (PLN thous.)	2021-12-31 (PLN thous.)			
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 Wiczowska
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 Wiczowska
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