



QUARTERLY REPORT FOR I QUARTER OF 2020



CPD S.A.

CPD S.A.

QUARTERLY REPORT FOR 1st QUARTER 2020

TRANSLATORS' EXPLANATORY NOTE

The following document is a free translation of the 1Q 2020 report of CPD S.A. published on 29 July 2020.

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

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

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I. OPERATING REPORT**1. INFORMATION OF CPD CAPITAL GROUP**

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

Today, CPD S.A., is the holding company controlling a group of 27 subsidiaries and three jointly controlled companies, carrying on activities in the office and residential segments. The Group's current plans focus on continuation of residential development, mainly through the implementation of its leading project in the Warsaw district of Ursus, as well as the monetization of its land bank in the same district.

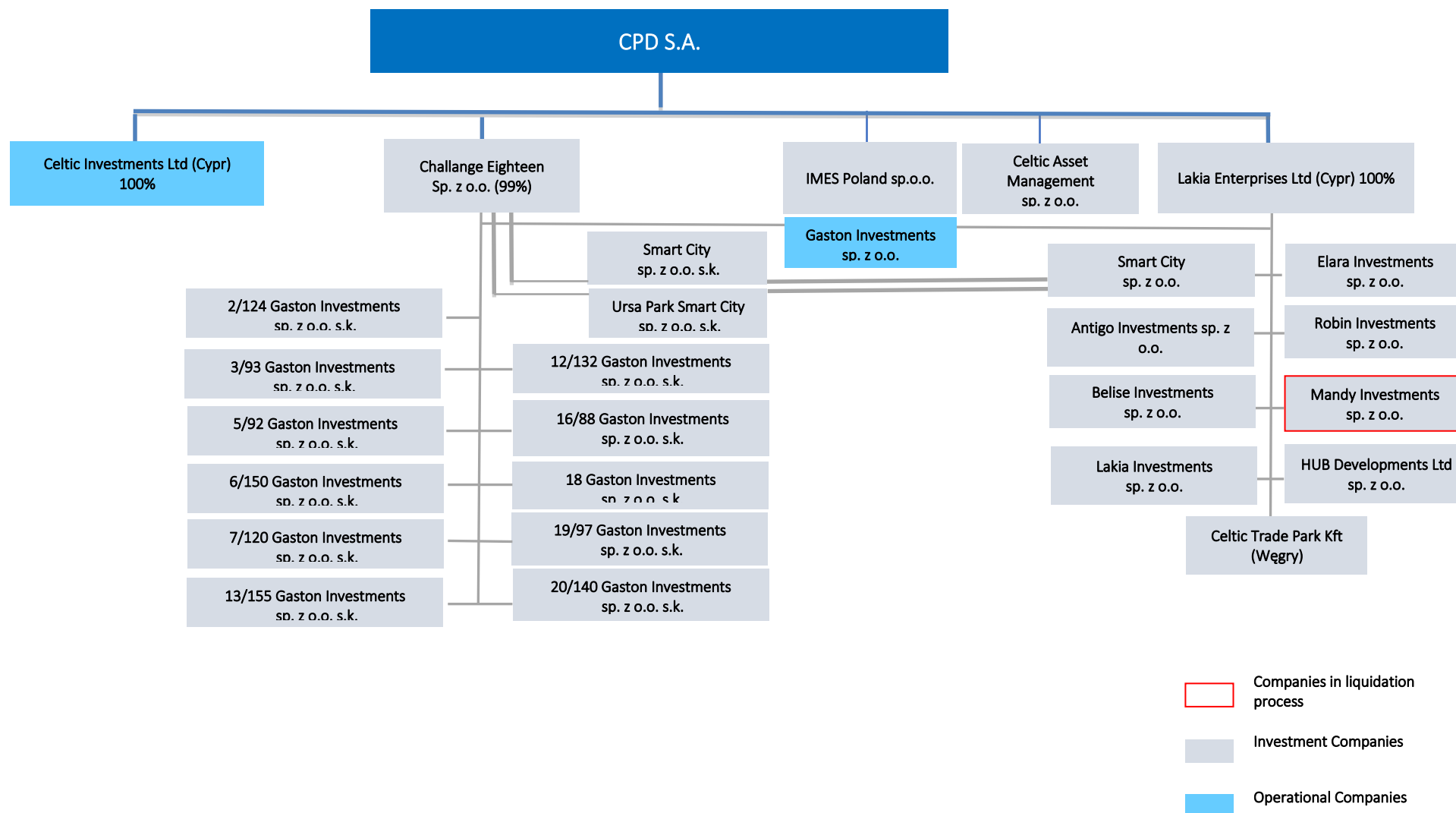
2. CAPITAL GROUP'S STRUCTURE

As of the day of publication hereof, the CPD Group (hereinafter referred to as "the Group", "CPD Group", "the Capital Group") was composed of the parent company – CPD S.A. (hereinafter referred to as "the Company") and 27 subsidiaries and three jointly controlled companies, with one of the companies being in liquidation. The Group's development activities are conducted via investment companies, direct subsidiaries of Challenge Eighteen sp. z o.o. and Lakia Enterprises Ltd (Cyprus). The parent company - 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 not changed. However, after the balance sheet date, two new companies were established, i.e. Ursus Development sp. z o.o. and Ursa Sky Smart City sp. z o.o. sp.k.

All the Group companies are consolidated with the full method, except for two Group companies - Smart City spółka z ograniczoną odpowiedzialnością spółka komandytowa and Ursa Park Smart City spółka z ograniczoną odpowiedzialnością spółka komandytowa, which are consolidated with the equity method in accordance with the requirements of the International Financial Reporting Standards.

CPD Group's structure as on 31 March 2020.



3. SELECTED FINANCIAL DATA

Selected items of the consolidated statement of comprehensive income

	3 months period		Change (%)
	From 01.01.2020 to 31.03.2020	From 01.01.2019 to 31.03.2019	
	(PLN thous.)	(PLN thous.)	
Revenue	4 903	4 875	0,6%
Cost of sales	-1 154	-398	189,9%
Gross profit	3 749	4 477	-16,3%
Administrative expenses - property related	-3 077	-2 218	38,7%
Other administrative expenses	-1 646	-2 069	-20,4%
Selling and marketing costs	-37	-62	-40,3%
Gain (loss) on disposal of investment properties	74	0	
Other income	517	1 123	-54,0%
Gain (loss) on revaluation of investment properties	6 552	460	
Gain (loss) on revaluation of assets held for sale	1 506	-744	
Post-tax share of the profit or loss of the joint-venture accounted for using the equity method	46	4 716	-99,0%
Impairment of receivables	105	-83	
Profit from operations	7 789	5 600	39,1%
Finance income	327	429	-23,8%
Finance costs	-7 326	-1 141	542,1%
Profit before tax	790	4 888	-83,8%
Income tax	-1 241	4 806	
Profit/loss for the period	-451	9 694	

In the first quarter of 2020 CPD SA Group generated a profit before tax of PLN 0.79 M. After taking account of income tax, the result turned into a net loss of PLN 0.45 M. Gross profit amounted to PLN 3.75 M. It dropped by 16.3% in comparison with the analogous period of 2019.

There were two main factors that had a positive impact on CPD Group's financial results in the first quarter of 2020 in comparison with the first quarter of 2019. First of all, the gain on revaluation of investment properties amounted to PLN 6.55 M. What is more, the gain on revaluation of assets held for sale amounted to 1.51 M.

The gain on revaluation of investment properties and assets held for sale resulted from fluctuations in EUR/PLN foreign exchange rate in the first quarter of 2020 (the EUR/PLN exchange rate amounted to 4.5523 at the end of March 2020 in comparison with only 4.2585 at the end of December 2019).

On the other hand, a growth in finance costs in the amount of PLN 6.19 M was the main factor that had a negative impact on CPD Group's financial results in the first quarter of 2020 in comparison with the first quarter of 2019. What is more, the gross profit declined by PLN 0.73 M and total operating costs (the sum of administrative, selling and marketing costs) increased by PLN 0.41 M.

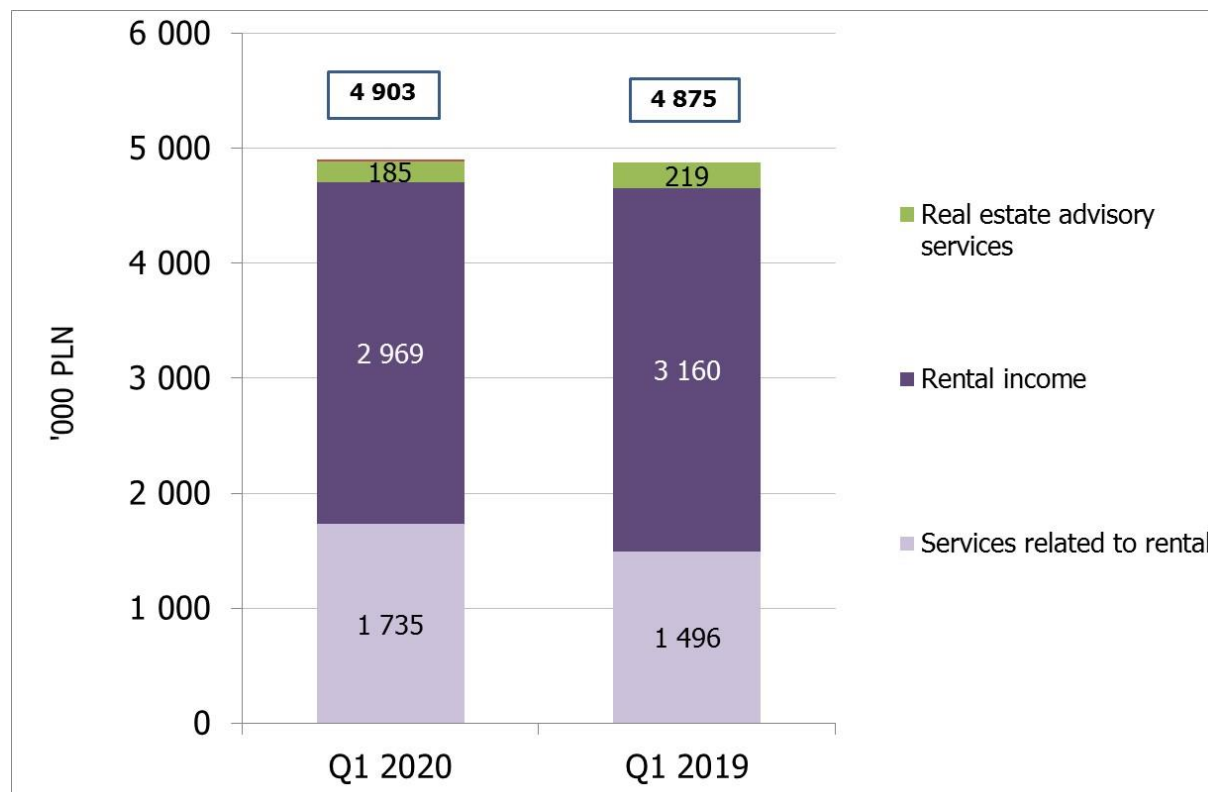
The rise in finance costs was a consequence of unfavourable foreign exchange differences in the amount of PLN 6.4 M, which resulted from fluctuations in EUR/PLN exchange rate in the first quarter of 2020. The decrease in gross profit stemmed from substantial fit-out costs incurred in the first quarter of 2020 in relation to office buildings. The value of total operating costs increased as a result of, among other factors, higher advisory and staff costs.

The following table shows the selected items of the consolidated statement of comprehensive income translated into euro. The figures for the first quarter of 2020 assumed an FX rate published by the National Bank of Poland as at March 31, 2020, i.e. 4.5523. The figures for the first quarter of 2019 assumed an FX rate published by the National Bank of Poland as at March 29, 2019, i.e. 4.3013.

	3 months period		Change (%)
	From 01.01.2020 to 31.03.2020 (EUR thous.)	From 01.01.2019 to 31.03.2019 (EUR thous.)	
Revenue	1 077	1 133	-5,0%
Cost of sales	-253	-93	174,0%
Gross profit	824	1 041	-20,9%
Administrative expenses - property related	-676	-516	31,1%
Other administrative expenses	-362	-481	-24,8%
Selling and marketing costs	-8	-14	-43,6%
Gain (loss) on disposal of investment properties	16	0	
Other income	114	261	-56,5%
Gain (loss) on revaluation of investment properties	1 439	107	
Gain (loss) on revaluation of assets held for sale	331	-173	
Post-tax share of the profit or loss of the joint-venture accounted for using the equity method	10	1 096	-99,1%
Impairment of receivables	23	-19	
Profit from operations	1 711	1 302	31,4%
Finance income	72	100	-28,0%
Finance costs	-1 609	-265	506,7%
Profit before tax	174	1 136	-84,7%

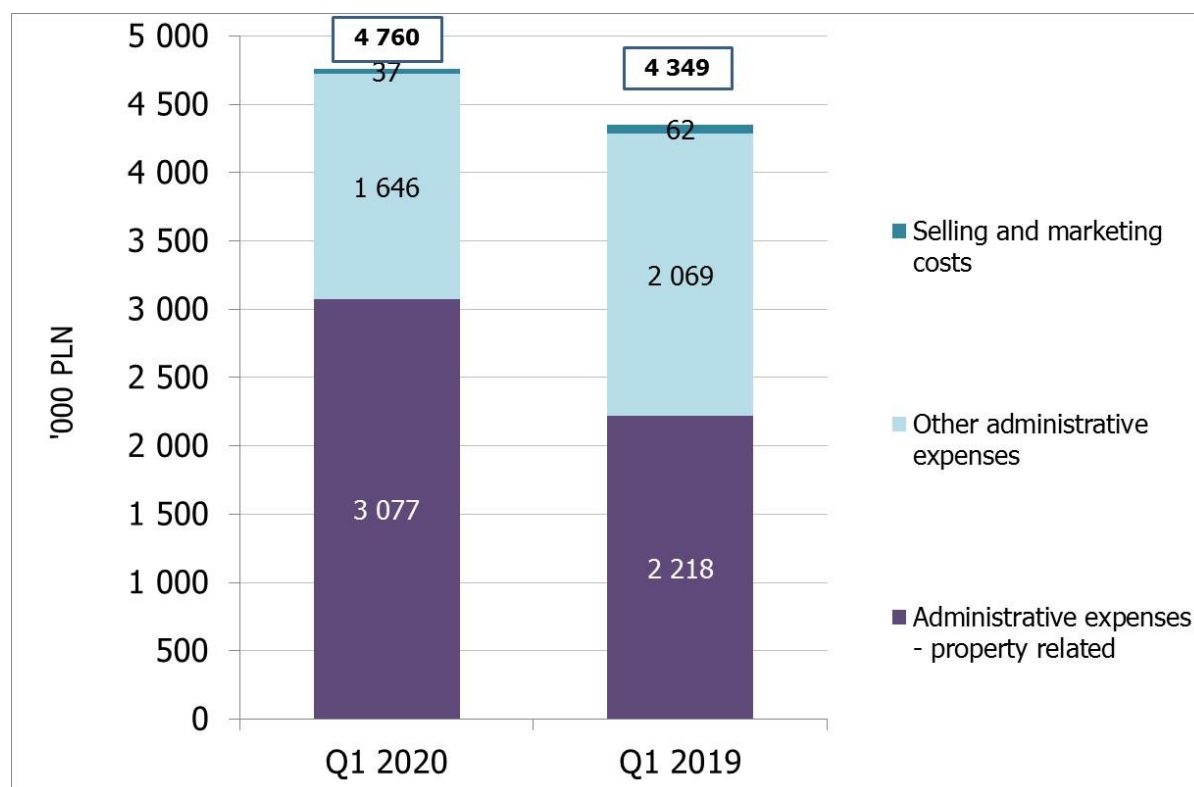
Income tax	-273	1 117
Profit/loss for the period	-99	2 254

The following chart shows the structure of revenue in the first quarter of 2020 and 2019:



Revenue went up slightly in comparison with the first quarter of 2019.

The following chart shows the structure of operating costs in the first quarter of 2020 and 2019:



The value of operating costs rose as a result of, among other factors, higher advisory and staff costs.

Selected items of the consolidated statement of financial position

	As at:		Change (%)
	31.03.2020 (PLN thous.)	31.12.2019 (PLN thous.)	
TOTAL ASSETS	518 306	526 585	-1,6%
Non-current assets, including:	139 409	132 856	4,9%
<i>Investment properties</i>	106 764	100 214	6,5%
<i>Investments in joint ventures accounted for using the equity method</i>	32 060	32 015	0,1%
Current assets, including:	378 897	393 729	-3,8%
<i>Assets held for sale</i>	189 778	242 705	-21,8%
<i>Inventory</i>	3 547	3 594	-1,3%
<i>Trade and other receivables</i>	8 102	8 395	-3,5%
<i>Cash and cash equivalents</i>	177 470	139 035	27,6%
TOTAL EQUITY AND LIABILITIES	518 306	526 585	-1,6%
Equity, including:	339 613	343 858	-1,2%
<i>Share capital</i>	2 637	2 637	0,0%
<i>Reserve capital</i>	987	987	0,0%
<i>Treasury shares for redemption</i>	-46 084	-43 010	7,1%
<i>Fair value of capital element at inception date</i>	-27 909	-27 909	0,0%

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<i>Translation reserve</i>	-6 251	-5 531	13,0%
<i>Retained earnings</i>	416 233	416 684	-0,1%
Total liabilities, including:	178 693	182 727	-2,2%
<i>Non-current liabilities</i>	87 532	82 909	5,6%
<i>Current liabilities</i>	91 161	99 818	-8,7%

At the end of March 2020 the value of assets was 1,6% lower compared to December 2019. This decline resulted from, among other factors, a buyback of shares in the amount of PLN 3.07 M and a sale of 11 plots classified as assets held for sale.

The value of non-current assets was 4.9% higher because the Polish currency weakened considerably in the first quarter of 2020.

The value of current assets went down by 3.8% due to, among other factors, the buyback of shares in the amount of PLN 3.07 M and the sale of 11 plots classified as assets held for sale.

At the end of March 2020 the value of equity amounted to PLN 339.6 M, which accounted for 65.5% of total assets. Total liabilities accounted for 34.5% of total assets. These ratios changed slightly in comparison with December 2019, when they amounted to 65.3% and 34.7% respectively.

The value of liabilities fell by 2.2% (PLN 4.03 M) in the first quarter of 2020 as a consequence of, among other things, a drop in the balance of VAT and other tax liabilities in the amount of PLN 3.55 M.

The following table shows selected items of the consolidated statement of financial position translated into euro. The figures for 31 March 2020 assumed an FX rate published by the National Bank of Poland as at March 31, 2020, i.e. 4.5523. The figures for 31 December 2019 assumed an FX rate published by the National Bank of Poland as at December 31, 2019, i.e. 4.2585.

	As at:		Change (%)
	31.03.2020 (EUR thous.)	31.12.2019 (EUR thous.)	
TOTAL ASSETS	113 856	123 655	-7,9%
Non-current assets, including:	30 624	31 198	-1,8%
<i>Investment properties</i>	23 453	23 533	-0,3%
<i>Investments in joint ventures accounted for using the equity method</i>	7 043	7 518	-6,3%
Current assets, including:	83 232	92 457	-10,0%
<i>Assets held for sale</i>	41 688	56 993	-26,9%
<i>Inventory</i>	779	844	-7,7%
<i>Trade and other receivables</i>	1 780	1 971	-9,7%
<i>Cash and cash equivalents</i>	38 985	32 649	19,4%
TOTAL EQUITY AND LIABILITIES	113 856	123 655	-7,9%
Equity, including:	74 603	80 746	-7,6%
<i>Share capital</i>	579	619	-6,5%
<i>Reserve capital</i>	217	232	-6,5%
<i>Own shares for redemption</i>	-10 123	-10 100	0,2%

<i>Fair value of capital element at inception date</i>	-6 131	-6 554	-6,5%
<i>Translation reserve</i>	-1 373	-1 299	5,7%
<i>Retained earnings</i>	91 434	97 848	-6,6%
Total liabilities, including:	39 253	42 909	-8,5%
<i>Non-current liabilities</i>	19 228	19 469	-1,2%
<i>Current liabilities</i>	20 025	23 440	-14,6%

The following table shows the structure of liabilities as at March 2020 and December 2019:

	31.03.2020	31.12.2019
Liabilities to total assets	34,5%	34,7%
Non-current liabilities to total assets	16,9%	15,7%
Borrowings including leases	12,8%	12,0%
Deferred income tax liabilities	3,6%	3,3%
Trade and other payables	0,5%	0,4%
Current liabilities to total assets	17,6%	19,0%
Borrowings including leases	0,9%	0,9%
Trade and other payables	7,2%	8,3%
Payables linked to assets held for sale	9,4%	9,8%

The structure of liabilities improved in the first quarter of 2020. The share of non-current liabilities in total assets went up from 15.7% as at December 31, 2019 to 16.9% as at March 31, 2020. The share of current liabilities in total assets decreased from 19% to 17.6%.

At the end of March 2020 non-current liabilities accounted for 49% of total liabilities, whereas at the end of December 2019 the ratio amounted to 45%.

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

• CONCLUSION OF SALE AGREEMENTS BY SUBSIDIARIES OF THE COMPANY

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

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

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

• ESTABLISHMENT OF SECURITY

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

This collateral includes the following:

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

- a contractual mortgage up to the amount of PLN 1,466,711.90 established by 13/155 Gaston Investments spółka z ograniczoną odpowiedzialnością sp.k. on perpetual usufruct of developed land plot no. 147 located in Warsaw, described in the land and mortgage register no. WA1M / 00338198/6 kept by the District Court for Warsaw-Mokotów in Warsaw, 13th Land and Mortgage Register Division,
- a contractual mortgage up to the amount of PLN 1,334,453.50 established by 13/155 Gaston Investments spółka z ograniczoną odpowiedzialnością sp.k. on perpetual usufruct of an undeveloped plot of land no. 134 located in Warsaw, described in the land and mortgage register No. WA1M / 00233102/1 kept by the District Court for Warsaw-Mokotów in Warsaw, 13th Land and Mortgage Register Division.

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

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

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

- **INFORMATION ON ACCEPTANCE OF OFFERS TO SELL SHARES**

Pursuant to the Invitation to Submit Offers to Sell Shares of the Company announced on 3 March 2020, by which the Company proposed to acquire up to 5,393,950 ordinary bearer shares under ISIN code PLCELPD00013, in the period for receipt of the Offers to Sell Shares from 13 to 20 March 2020, 3 valid offers amounting to a total of 614 385 shares of the Company were submitted.

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

- **BUYBACK OF TREASURY STOCK FOR REDEMPTION**

On 26 March 2020, as a result of the Invitation to Submit Proposals for Sales of Shares of the Company announced by the Company on 3 March 2020, purchased through the brokerage house Pekao Investment Banking S.A. with its registered seat in Warsaw, CPD S.A. acquired 614,385 of the Company's shares (own shares).

The shares were bought back pursuant to Resolution No. 3 adopted by the Extraordinary General Meeting of CPD S.A. held on 28 February 2019 to acquire Company shares for the purpose of redemption, amended by Resolution no 3 adopted by the Extraordinary General Meeting of CPD S.A. held on 2 March 2020 on the amendment of resolution no 3 adopted by the Extraordinary General Meeting held on 28 February 2019 to acquire Company shares for the purpose of redemption, pursuant to art. 362 § 1 point 5) of the Code of Commercial Companies.

The buyback price per share was 5,00 zł.

All the reacquired shares are ordinary shares with a nominal value of 0.10 zł each. CPD S.A.'s treasury shares (614,385 shares) represent 2.33% of the Company's share capital and 614,385 votes at the General Meeting of the Company (2.33% of the total number of votes at the General Meeting of the Company), although under applicable regulations the Company is not allowed to exercise the voting rights attached to treasury stock.

Prior to this buyback of 614,385 treasury shares, the Company already held another 3,305,886 treasury shares representing 12.54 % of the Company's share capital and 3,305,886 votes at the

General Meeting of the Company (12.54 % of the total number of votes at the General Meeting of the Company).

Therefore, on 31 March 2020 the Company held a total of 3,920,271 treasury shares representing a total of 14.87% of the share capital of the Company, although under applicable regulations the Company is not allowed to exercise the voting rights attached to its own shares.

5. IMPORTANT ACHIEVEMENTS, FAILURES, AND THE MOST IMPORTANT EVENTS CONCERNING THE COMPANY AFTER THE REPORTING PERIOD

• APPOINTMENT OF THE MANAGEMENT BOARD FOR THE NEXT TERM

On 24 April 2020, the Supervisory Board decided that the Company's Management Board would consist of four members and appointed the following persons to serve on the Management Board in its fourth joint term of office:

1. Mr. Colin Kingsnorth,
2. Ms. Elżbieta Wiczowska,
3. Ms. Iwona Ewa Makarewicz,
4. Mr. John Purcell.

Moreover, the Supervisory Board appointed Colin Kingsnorth to continue serving in his capacity as the President of the Management Board.

This resolution entered into force on the date when the Annual General Meeting approving the Company's financial statements for 2019 was held.

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

On 2 June 2020 the Management Board of the Company invited the Company's shareholders to submit Offers to Sell Shares on the terms specified in the Invitation to Submit Sale Offers.

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

• INFORMATION ON ACCEPTANCE OF OFFERS TO SELL SHARES

Pursuant to the Invitation to Submit Offers to Sell Shares of the Company announced on 2 June 2020, by which the Company proposed to buy back up to 4,779,565 ordinary bearer shares under ISIN code PLCELPD00013, in the period for receipt of Offers to Sell Shares from 8 to 22 June 2020, 60 valid offers amounting to a total of 19,224,181 shares of the Company were submitted.

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

• BUYBACK OF TREASURY SHARES FOR REDEMPTION

On 25 June 2020, as a result of the Invitation to Submit Offers to Sell Shares of the Company announced by the Company on 2 June 2020, acquired through a brokerage house Pekao Investment Banking S.A. with its registered seat in Warsaw, CPD SA bought back 4,779,565 shares in the Company (treasury shares).

The shares were bought back pursuant to Resolution no. 3 adopted by the Extraordinary General Meeting of CPD S.A. held on 28 February 2019 to buy back the Company's shares for the purpose of redemption, which has been amended twice, i.e. in Resolution no. 3 adopted by the Extraordinary General Meeting of CPD S.A. held on 2 March 2020 and Resolution no. 18 adopted by the Ordinary General Meeting of CPD S.A. held on 27 May 2020 pursuant to art. 362 § 1 point 5) Code of Commercial Companies.

The buyback price per share was 14.92 zł.

All the buyback shares are ordinary shares with a nominal value of 0.10 zł each. CPD S.A.'s treasury shares (numbering 4,779,565 shares) represent 18.12% of the Company's share capital and represent 4,779,565 votes at the General Meeting of the Company (18.12% of the votes at the General Meeting of the Company).

Prior to the above mentioned buyback of 4,779,565 treasury shares, the Company already held 3,920,271 treasury shares representing 14.87% of the Company's share capital and representing 3,920,271 votes at the General Meeting of the Company (14.87% of the votes at the General Meeting of the Company).

In connection with the above, the Company holds a total of 8,699,836 treasury shares, representing jointly 32.99% of the share capital of the Company, except that in accordance with applicable regulations, the Company is not allowed to exercise the voting rights attached to the treasury shares.

6. FACTORS AND EVENTS OF AN UNUSUAL NATURE HAVING AN IMPORTANT INFLUENCE ON THE FINANCIAL STATEMENT

In the Management Board's opinion, there were no unusual events affecting the Group's results in the reporting period.

In 2019, the first cases of infection with SARS-CoV-2 coronavirus causing COVID-19 appeared in China. On 11 March 2020, the World Health Organization reclassified the coronavirus epidemic as a pandemic. As of the date of publication hereof, this virus has spread around the world, and the Western Europe is one of the most infected areas. In Poland an epidemic emergency was declared on 14 March 2020.

Since the official declaration of the state of epidemiological threat was made at the end of the reporting period, it did not have a major impact on the Group's result in Q1 2020. However, the Management Board of CPD S.A. considers the situation to be an event that may affect the Group's result in future periods.

The property development business is characterized by a long production cycle, which means that the effects of negative events are felt in the long term. The revenues in I quarter of 2020 were generated by purchase transactions from about 1 year earlier with payment dates spread over instalments. And the events of II quarter 2020 will be visible in the income statement of subsequent periods.

The areas, in which the virus may affect the business of development companies are:

- 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 protracted economic downturn,
- level and deadline for meeting contractors' financial obligations

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

Considering the progress of construction works on projects carried out this year and the level of sales on these projects, the Management Board of CPD S.A. expects the completion of construction projects in accordance with the schedule in 2021 and as of the date of publication of the report not observe resignation from already signed development contracts.

The Company's Management Board regularly monitors and analyses the situation of the CPD capital group in connection with the spread of the SARS-CoV-2 virus and undertakes multiple actions to minimize the impact of the negative effects exerted by the pandemic on the CPD group's activities.

The governmental financial support program for enterprises "PFR Financial Shield for Small and Medium Enterprises" is the program referred to in art. 21a. paragraph 1 of the Act of 4th of July 2019 on the system of development institutions (Journal of Laws of 2019, item 1572, of 21st of August 2019, as amended), amended by the Act of 31st of March 2020 amending the Act on the system of development institutions, according to which the Council of Ministers, in connection with the effects of COVID-19, may entrust PFR with the implementation of the governmental program to provide financial support to commercial undertakings, also in non-returnable form.

„PFR Financial Shield for Small and Medium Enterprises“ („the Programme“) assumes that the main instrument of financial support for enterprises will be financial subsidies.

After fulfilling the Conditions, a Program Beneficiary will have the right to apply for financial support from PFR under the conditions specified therein, provided that it submits an appropriate application for financial subsidy under the recruitment process, through the banks, the list of which will be published by PFR in near future.

However, due to the nature of the business, entities from the Company group currently do not meet the conditions for being covered by financial support in the form of PFR subsidies.

7. ACQUISITION AND SALE OF PROPERTY, PLANT AND EQUIPMENT

During the reporting period the Group did not make any significant acquisitions or disposals of property, plant or equipment.

8. TRANSACTIONS WITH RELATED PARTIES CONCLUDED ON OTHER THAN MARKET CONDITIONS

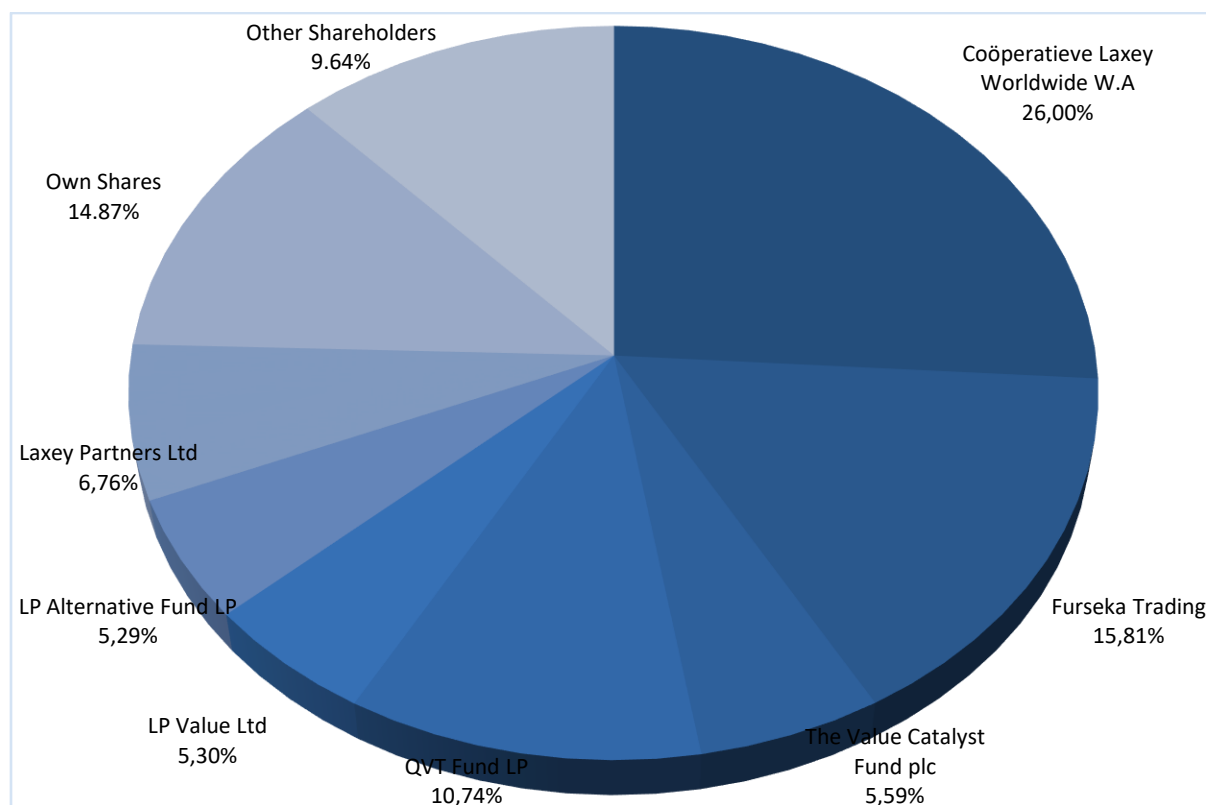
During the reporting period, the Company did not conclude any transactions with related parties on terms other than the market.

9. THE MANAGEMENT BOARD'S POSITION ON PREVIOUSLY PUBLISHED FINANCIAL FORECASTS

Neither the CPD Group nor its parent company – CPD S.A. – has published any forecasts of financial results.

10. SHAREHOLDERS ENTITLED TO AT LEAST 5% OF VOTES AT THE GENERAL MEETING OF SHAREHOLDERS

According to the Company's information in reporting period, shareholders who own, either directly or indirectly through subsidiaries, at least 5 % of the total votes at the General Meeting of Shareholders (number of shares on the basis of notices provided by shareholders pursuant to art. 69 of the Act on Public Offering or the information contained in the prospectus).



Shareholder	Number of held shares	Type of shares	Number of held votes	Shareholding structure by held votes	Shareholding structure by held shares
Coöperatieve Laxey Worldwide W.A	6 857 277	bearer shares	6 857 277	30.54 %	26.00 %
Furseka Trading	4 169 667	bearer shares	4 169 667	18.57 %	15.81 %
The Value Catalyst Fund plc	1 475 434	bearer shares	1 475 434	6.57 %	5.59 %
QVT Fund LP	2 831 755	bearer shares	2 831 755	12.61 %	10.74 %
LP Value Ltd	1 396 538	bearer shares	1 396 538	6.22 %	5.30 %
LP Alternative Fund LP	1 395 508	bearer shares	1 395 508	6.22 %	5.29 %
Laxey Partners Ltd	1 782 969	bearer shares	1 782 969	7.94 %	6.76 %
Other	2 541 712	bearer shares	2 541 712	11.32 %	9.64 %
Own shares	3 920 271	bearer shares	0 %	0 %	14.87 %

- On 2 June 2020, the Company announced the buyback of treasury shares, as a result of which, on 25 June 2020, the Company bought back 4,779,565 shares for PLN 14.92 each (representing 18.12% of the Company's share capital).

The company aims to carry out further buybacks at a share price related to the Company's net asset value.

The above shareholding structure has been presented in relation to the total number of shares, amounting to 26 371 131 shares and covering series AA shares which constitute 100% of votes at the General Meeting of the Company as of 31 March 2020.

Compared to the state presented in the consolidated annual report for 2019, published on April 28, 2020, no other changes in the ownership structure of significant blocks of the Company's shares took place in the reporting period ending on 31 March 2020.

11. COMPANY SHARES HELD BY MANAGING AND SUPERVISING PARTIES

The table below presents the Company's shares held by Management Board members as at the date of this report according to the Company's information:

Name	Function	No. of owned shares	Nominal value of shares (PLN)	% of total no. of shares	% of total no. of votes
Elżbieta Wiczowska	Member	37 060	3706	0.13%	0.13%
Iwona Makarewicz	Member	4 734	473	0.01%	0.01%
Colin Kingsnorth	President	0	0	0	0
John Purcell	Member	0	0	0	0
RAZEM		41 794	4 179	0,14%	0,14%

* To calculate the above, the total number of shares of 26 371 131 and the total number of votes of 23 065 245 were used, i.e. the number of votes as at 31 March 2020 prior to incorporating the effect of the buyback accomplished in June 2020.

Compared to the state presented in the consolidated annual report for 2019, published on 28 April 2020, no changes have occurred in the statement of shares held by managing and supervising persons in the reporting period as of 31 March 2020.

The Company does not hold any other information regarding the fact of holding shares in the Company by other persons being members of the management or supervisory bodies.

12. IMPORTANT COURT, ADMINISTRATIVE AND ARBITRATION PROCEEDINGS

- On 9 November 2017 Challenge Eighteen sp. z o.o., a subsidiary belonging to the Group received the result of the tax audit. In the opinion of the tax authorities, the Company did not pay the withholding tax due on interest for a loan contracted from EEPF AB (a company formerly owned by the Group). The amount of arrears includes overdue tax in the amount of PLN 9,113 thousand plus interest. In the opinion of the management board, this claim is unjustified. However, it cannot be ruled out that it will be necessary to pay that amount. Based on its risk analysis, the Management Board decided not to establish a provision. The deadline for the tax proceedings is 30 June 2020.

On 18 June 2020 Challenge Eighteen sp. z o.o. received an enforceability warrant issued according to the provisions of the administrative enforcement proceedings. The enforceability warrant was issued by the Head of the Second Masovian Tax Office in Warsaw to secure the

amounts of PLN 15 470 158.53 and PLN 167 894.47 on the bank account of Challenge Eighteen sp. z o. o. The enforceability warrant is connected with the tax proceedings conducted against Challenge Eighteen sp. z o.o. by the Head of the Małopolski Customs and Tax Office in Cracow and relates to the collection of withholding tax on interest in FY 2012.

The above does not establish that there are any tax arrears on the part of Challenge Eighteen sp. z o.o. It constitutes a temporary mechanism to secure funds which may potentially become due in case of issuance of future assessment decision. According to the Company's estimates, currently – i.e. not taking into account future interest – the collateral fully covers the possible amount of the above tax together with interest, in the event of establishing in the above tax proceedings the most unfavourable for Challenge Eighteen sp. z o.o. variant. At the same time, the Company indicates that the management board of Challenge Eighteen sp. z o.o., among others based on the opinions of a professional tax adviser, disagrees with the above and intends to utilize all possible legal means of challenging the security.

The Management Board of the Company is publishing this information because a final unfavorable decision of the abovementioned ongoing tax proceedings could affect the financial results of CPD S.A. At the same time, the Company's Management Board maintains that in its opinion the abovementioned claim resulting from the tax audit is unjustified. In addition, the establishment of this collateral does not have a significant impact on the Group's current financial and liquidity position or on its ability to implement its strategic development plans.

- On 6 February 2019, a custom and fiscal inspection was initiated against Celtic Investments Limited with its registered office in Cyprus belonging to the Group. The scope of this inspection includes the accuracy of the declared taxable income and the correctness of calculating and paying corporate income tax for 2016 by Blaise Investments sp. z o.o., which as a result of a cross-border merger ended on 31 December 2017 was taken over by Celtic Investments Limited. The deadline for completing the custom and fiscal inspection was set at the latest on 6 September 2019. The inspection was not completed, and the Company was informed about the new date of its completion, which was to be on 31 December 2019. The company did not receive any other notifications after this date.

13. LOAN GUARANTEES

As of 31 March 2020 CPD SA guaranteed to Santander Bank Polska SA payable and due amounts that are required (or may be required) to cover debt service or any other payments due to be paid to Bank Santander by its subsidiary doing business as Belise Investments sp. z o.o. based on a payment request up to a maximum of EUR 20,666,000.

On 31 March 2020 the balance of the secured loan was EUR 14,800,000. The guarantee period ends on the day on which Bank Santander considers that the secured claims have been irrevocably, unconditionally and fully repaid and satisfied, but in any case not later 12 August 2022.

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

14. THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

At 31 March 2020, the composition of the Management Board of the Company was as follows:

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

At 31 March 2020, the composition of the Supervisory Board of the Company was as follows:

- Mr. Andrew Pegge – President of Supervisory Board
- Mr. Michael Haxby – Vice President of Supervisory Board
- Mr. Wiesław Oleś – Secretary of Supervisory Board
- Mr. Mirosław Gronicki - Supervisory Board Member
- Ms. Gabriela Gryger - Supervisory Board Member
- Mr. Alfonso Kalinauskas - Supervisory Board Member

At 31 March 2020, the composition of the Audit Committee of the Company was as follows:

- Mr. Alfonso Kalinauskas - Chairman of the Audit Committee
- Mr. Mirosław Gronicki - Member of the Audit Committee
- Mr. Andrew Pegge - Member of the Audit Committee.

15. OTHER IMPORTANT INFORMATION

Nothing other than the information provided above.

**16. FACTORS AFFECTING RESULTS OF THE FOLLOWING
QUARTERS**

The most important factors which will affect the results of the following quarters are as follows:

- The situation on the financial markets which may affect the valuation of properties in the Group's portfolio.
- Start and conducting construction works in the subsequent phase of the Smart City Ursus project;
- Commercialization of the IRIS project;
- The economic trend in the housing market, on which the Company operates,
- The state of global financial markets and their impact on the Polish economy and the national banking system,

- Availability of mortgages, and in particular their attractiveness to potential customers,
- Timely, compliant with schedules, completion of the following phase of the Smart City Ursus project,
- The availability of external financing (loans, bonds) for real estate development entities,
- Changes in the legal and tax regulations that may influence the market demand for products offered by the Company in an uncontrollable manner;
- Maintaining a stable political situation and creating a positive economic climate by the government and local authorities,
- The economic situation affecting regular income from the rental of office space,
- Selling, general and administrative expenses,
- Quarterly revaluation at fair value of the Group's properties and receivables,
- Higher prices of construction work observed on the development market,
- Risk related to the outbreak of the COVID-19 pandemic in the world.

**II. INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENT FOR THE PERIOD OF 3 MONTHS ENDED 31
MARCH 2020 ALONG WITH CONDENSED FINANCIAL
STATEMENTS OF CPD S.A.**

CPD S.A.

Condensed interim consolidated financial statements
for the period of 3 months ended 31 March 2020

and the condensed financial statements of CPD S.A.
for the period of 3 months ended 31 March 2020

prepared in accordance with the International Financial Reporting Standards
approved by the European Union concerning the interim reporting

(unaudited financial data)

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Condensed consolidated statement of comprehensive income

	Note	For the 3 month period ended	
		31/03/2020 (unaudited)	31/03/2019 (unaudited)
Revenues	13	4 903	4 875
Cost of sales	14	(1 154)	(398)
PROFIT ON SALES		3 749	4 477
Administrative costs property related	15	(3 077)	(2 218)
Administrative expenses-other	16	(1 646)	(2 069)
Selling and marketing expenses		(37)	(62)
Loss on investment property disposal		74	0
Other income	17	517	1 123
Net gain/(loss) from fair value adjustments on investment properties	4		
		6 552	460
Post-tax share of the profit or loss of the joint-venture accounted for using the equity method	8	46	4 716
Receivables valuation allowances		105	(83)
Net gain/(loss) from value adjustments on assets held for sale		1 506	(744)
OPERATING RESULT		7 789	5 600
Financial income	18	327	429
Financial costs	18	(7 326)	(1 141)
PROFIT (LOSS) BEFORE INCOME TAX		790	4 888
Income tax		(1 241)	4 806
PROFIT (LOSS) FOR THE PERIOD		(451)	9 694
Currency translation adjustment		(720)	14
TOTAL COMPREHENSIVE INCOME		(1 171)	9 708
Profit attributable to:			
Equity holders of the Group		(451)	9 694
Total comprehensive income attributable to:			
Equity holders of the Group		(1 171)	9 708
Total comprehensive income for the period attributable to owners of the Group arises from:			
Continuing operations		(1 171)	9 708
Discontinued operations		0	0
BASIC EARNINGS PER SHARE (PLN)	23	(0,02)	0,37
DILUTED EARNINGS PER SHARE (PLN)		(0,02)	0,37

Colin Kingsnorth
Chairman of the Board

John Purcell
Board Member

Elżbieta Donata Wiczowska
Board Member

Iwona Makarewicz
Board Member

The notes are an integral part of these condensed interim consolidated financial statements

Condensed consolidated statement of financial position

	Note	31/03/2020 (unaudited)	31/12/2019
ASSETS			
Non-current assets			
Investment properties	4	106 764	100 214
Property, plant and equipment		322	364
Investments in joint ventures accounted for using the equity method	8	32 060	32 015
Long-term receivables		263	263
Non-current assets		139 409	132 856
Current assets			
Inventories	6	3 547	3 594
Trade receivables and other receivables, including:	5	8 102	8 395
- receivables and loans		2 108	4 036
- prepayments		5 994	4 359
Cash and cash equivalents	7	177 470	139 035
Current assets excluding assets held for sale		189 119	151 024
Assets held for sale	27	189 778	242 705
Current assets		378 897	393 729
Total assets		518 306	526 585

Condensed consolidated statement of financial position - cont.

	Note	31/03/2020 (unaudited)	31/12/2019
EQUITY			
Equity attributable to owners of the parent company			
Share capital	9	2 637	2 637
Own shares for redemption		(46 084)	(43 010)
Other reserves		987	987
Embedded element at inception date	11	(27 909)	(27 909)
Translation reserve		(6 251)	(5 531)
Retained earnings/(accumulated losses)		416 233	416 684
Total equity		339 613	343 858
LIABILITIES			
Non-current liabilities			
Trade and other payables		2 513	2 283
Borrowings, including leasing	11	66 483	63 181
Deferred income tax liabilities	12	18 536	17 445
Non-current liabilities		87 532	82 909
Current liabilities			
Trade and other payables		37 455	43 626
Borrowings, including leasing	11	4 802	4 573
Current liabilities		42 257	48 199
Liabilities directly associated with assets held for sale		48 904	51 619
Total liabilities		178 693	182 727
Total Equity and liabilities		518 306	526 585

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Board Member

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Board Member

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Board Member

The notes are an integral part of these condensed interim consolidated financial statements

CPD S.A.

Condensed interim consolidated financial statements for the period of 3 months ended 31 March 2020

(All amounts in PLN thousands unless otherwise stated)

Condensed consolidated statement of changes in equity

	Share capital CPD S.A.	Embedded element at inception date	Own shares for redemption	Translation reserve	Reserve capital	Retained earnings	Total
Balance as at 01/01/2019	3 935	(27 909)	(160 110)	(5 520)	987	515 496	326 879
<u>Transactions with owners</u>							
Own shares acquired for redemption	0	0	160 110	0	0	0	160 110
Share capital reduction	(1 298)	0	(43 010)	0	0	(158 812)	(203 120)
<u>Comprehensive income</u>							
Currency translation adjustment	0	0	0	14	0	0	14
Profit (loss) for the period	0	0	0	0	0	9 694	9 694
Balance as at 31/03/2019 /unaudited	2 637	(27 909)	(43 010)	(5 506)	987	366 378	293 577
Balance as at 01/01/2019	3 935	(27 909)	(160 110)	(5 520)	987	515 496	326 879
<u>Transactions with owners</u>	(1 298)		160 110	0	0	(158 812)	0
Own shares acquired for redemption	0	0	(43 010)	0	0	0	(43 010)
<u>Comprehensive income</u>							
Currency translation adjustment	0	0	0	(11)	0	0	(11)
Profit (loss) for the period	0	0	0	0	0	60 000	60 000
Balance as at 31/12/2019	2 637	(27 909)	(43 010)	(5 531)	987	416 684	343 858
Balance as at 01/01/2020	2 637	(27 909)	(43 010)	(5 531)	987	416 684	343 858
<u>Transactions with owners</u>							
Share capital reduction	0	0	0	0	0	0	0
Own shares acquired for redemption	0	0	(3 074)	0	0	0	(3 074)
<u>Comprehensive income</u>							
Currency translation adjustment	0	0	0	(720)	0	0	(720)
Profit (loss) for the period	0	0	0	0	0	(451)	(451)
Balance as at 31/03/2020 /unaudited	2 637	(27 909)	(46 084)	(6 251)	987	416 233	339 613

The Group does not have any minority shareholders. All the equity is attributable to the shareholders of the parent company.

Colin Kingsnorth
Chairman of the Board

Elzbieta Donata Wiczowska
Board Member

Iwona Makarewicz
Board Member

John Purcell
Board Member

The notes are an integral part of these condensed interim consolidated financial statements

Condensed consolidated statement of cash flows

	Note	For the 3 month period ended	
		31/03/2020 (unaudited)	31/03/2019 (unaudited)
Cash flow from operating activities			
Cash generated from operations	20	(342)	(10 202)
Interest paid		(514)	(554)
Net cash generated from investing activities		(856)	(10 756)
Cash flows from investing activities			
Capital expenditure on investment properties		0	(110)
Expenses for assets held for sale		(34)	(1 610)
Proceeds from disposal of investment properties		43 622	0
Proceeds from reduction of the own contribution in joint venture		0	15 111
Net cash used in investing activities		43 588	13 391
Cash flows from financing activities			
Acquisition of own shares		(3 074)	(43 010)
Repayments of borrowings		(1 223)	(1 341)
Net cash used in financing activities		(4 297)	(44 351)
Net (decrease)/increase in cash and cash equivalents		38 435	(41 716)
Cash and cash equivalents at beginning of year		139 035	102 405
Cash and cash equivalents at the end of the period	7	177 470	60 689

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Board Member

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Board Member

The notes are an integral part of these condensed interim consolidated financial statements

Notes to the interim condensed consolidated financial statements

1 General information

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

On September 2, 2010 the General Shareholder's Meeting adopted a resolution changing the Company's name from Poen S.A. to Celtic Property Developments S.A.

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

The currency of the presentation of consolidated financial statements is Polish Zloty.

Information about the Capital Group

As at balance sheet date CPD Group comprised CPD S.A. as a parent entity, 26 subsidiaries and 2 under common control.

2 The accounting principles

The accounting principles in these interim consolidated financial statements are consistent with those applied in the annual consolidated financial statements for the year ended 31 December 2019, except for the application of the following new or revised standards and interpretations applicable for annual periods beginning on or after 1 January 2020.

The interim consolidated financial statements as at 31 March 2020 have been prepared under going concern assumption in the foreseeable future.

2.1 Basis of preparation

These interim condensed consolidated financial statements of the CPD group were prepared in accordance with international accounting standard approved by the EU-IAS 34 Interim financial reporting and in accordance with all applicable the application of IFRS adopted by the European Union.

The following new standards, interpretations and amendments which came into force in 2020 and description of the impact of applying the amendments:

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

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

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

New standards and interpretations that have been published, and, have not yet entered into force

The Group has not early adopted of the following standards, amendments to existing standards and interpretations have not been adopted by the European Union or are not applicable on 1 January 2020:

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

The new IFRS 17 will replace current IFRS 4, allowing inconsistent accounting practices related to insurance contracts. IFRS 17 implements major changes for entities dealing with insurance contracts and investment contracts.

Notes to the interim condensed consolidated financial statements

2.1 Basis of preparation - cont.

Amendments to IFRS 10 and IAS 28 — Sales or contributions of assets between an investor and its associates/joint ventures (The effective date of the amended provisions has not been established by the International Accounting Standards Board).

The amendments address the inconsistency between the requirements of IFRS 10 and IAS 28. Accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or a joint venture constitute a business.

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

2.2 Changes in Group structure

During the period covered by these interim condensed consolidated financial statements there were no changes in the structure of the CPD Group.

3 Significant changes in major accounting estimates and judgments

During preparation of these condensed consolidated financial statements the Board has made an assessment of the significant estimates and judgments, which have an impact on the accounting principles applied and the amounts recognised in the financial statements for a period of 3 months ended 31 March 2020.

Major estimates and judgments are based on past experience and other factors including anticipation of future events that seem reasonable in a given case. Resulting accounting estimates, by definition, bear inherent risk.

Major estimates and judgments adopted for the purpose of preparation of these condensed consolidated financial statements are consistent with the those applied in the annual consolidated financial statements for the period ended 31 December 2019.

Estimates and assumptions involving significant risk of a major adjustment of the carrying value of assets and liabilities during the following financial year being required are discussed below.

Determination of the fair value of investment properties

The fair value of investment properties recognized in the balance sheet is calculated based on pricing established for annual financial statements by Savills Sp. z o.o. - third party experts - as per Practice Statements of the Royal Institution of Chartered Surveyors' (RICS) Appraisal and Valuation Standards (the 'Red Book') published in June 2017 and valid as of 1 July 2017. Pricing fees are not related to the value of the real properties or the outcome of pricing. Bearing in mind the market environment, the Management Board reviewed and confirmed experts' assumptions underlying the valuation models applied for the last annual financial statements being valid as at the end of the period covered by these condensed consolidated financial statements.

Notes to the interim condensed consolidated financial statements**3 Significant changes in accounting estimates - cont.**

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

- (i) non-developed land
- (ii) investment properties generating significant rent income (office building in Warsaw);

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

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

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

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

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

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

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

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

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

In the first quarter of 2020, the Group recorded profit on the revaluation of investment properties to their fair values, which amounted to PLN 6 552 thousand.

During the period, the methods of valuation of investment properties did not change.

During the period, there were no changes in the levels of valuation of investment properties.

Investment properties transferred to assets held for sale are valued at expected sales price reduced by sales costs.

Accounting treatment of joint ventures

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

As at the balance sheet date the project was completed.

Notes to the interim condensed consolidated financial statements**3 Significant changes in accounting estimates - cont.**

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

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

The first one - Ursa Park - has been completed in 2019 and comprised of 385 flats. Ursa Home is under construction now and consists of 341 flats (153 in the first stage and 188 flats in the second one). As at December 31, 2019 sales of 169 flats were contracted (116 in the first stage and 53 in the second stage). The flats are to be handed to the buyers during 2021. The third joint venture is to be initiated during 2020.

In order to settle the above-mentioned transaction in these financial statements, the Management Board of the Company – in conformity with the provisions of IFRS 10 – decided to adopt the following approach regarding the investment in Smart City and Ursa Park Smart City:

- assets and liabilities under the investment agreement were recognized as the joint venture and were valued in the consolidated financial statements according to the property rights method and the joint venture partners have equal 50% share in profits, assets and liabilities,
- land excluded by the investment agreement from the joint ventures as well as related assets and liabilities were included in the joint ventures accounted for based on property rights method, with CPD group entitled to 100% of profits, assets and liabilities related to these plots, while Unidevelopment Group has no respective rights.

Further details of the valuation of the joint ventures were presented in Note 8.

Determination of fair value of derivatives

In February 2016 Belise Investments Sp. z o.o., the Group subsidiary, concluded interest rate swap (IRS) contract. The contract is settled in monthly periods based on EURIBOR 1M.

IRS transaction is valued by Santander bank (prior name BZ WBK) at fair value. The result of the valuation is recognised as financial costs and revenues, in the statement of comprehensive income.

Balance sheet valuation of shares in subsidiaries and loans granted to subsidiaries (related to the standalone financial statements)

As at the balance sheet date, the Company analysed the impairment indicators regarding shares in subsidiaries by comparing the book value of shares and their recoverable amount. The recoverable amount is established as the higher of the two amounts: the fair value of assets less the costs of sale or the value in use. In the Company's opinion the value in use is similar to the fair value as at the balance sheet date. In consequence, the analysis of impairment of shares' value was based on the fair value.

In case of investment in Challenge Eighteen Sp. z o.o., IMES Poland Sp. z o.o. and Lakia Enterprises Ltd, their fair value was estimated based on net assets of these companies, constituting an approximate value of future cashflows available for shareholders related to the shares held by them. The value of these cash flows was estimated, among others, based on either book value (not lower than fair value) or based on fair value of properties owned by subsidiaries.

With respect to shares in Celtic Investments Ltd, the operating activity of which was suspended as at the balance sheet date and which did not have any significant assets, the fair value of these shares was estimated based on the net assets of subsidiary.

Notes to the interim condensed consolidated financial statements**3 Significant changes in accounting estimates - cont.**

Based on the analysis performed no impairment indicators were identified with respect to shares in Challenge Eighteen Sp. z o.o. With respect to shares in IMES Poland Sp. z o.o., which is written down partially, and Lakia Enterprises Ltd and Celtic Investments Ltd which are written down in full, no indicators of impairment reversal were observed.

At the same time, as at the balance sheet date, the Company analysed the possibility of recovering receivables from loans granted to its subsidiaries. The Company impairs the value of loans granted to its subsidiaries if the value of their net assets was negative as at 31 March 2020. In the Company's opinion, due to the negative value of net assets of these subsidiaries, there is a substantial risk that these companies will not be able to repay the loans in full.

Tax settlements/deferred tax and activation of tax losses

Resulting from the fact that the companies subject to consolidation reside in various fiscal jurisdictions, which complicates transactions between them and results in ambiguities in the interpretation of the provisions of law, tax settlements, including the determination of the right or obligation to include as well as the way of including separate transactions in the tax bill of individual Group entities, require extremely thorough consideration. In complicated cases, the decision of the Management Board is based on opinions of specialist tax advisers.

Income tax for interim periods is calculated using the tax rate reflecting the total foreseeable annual profit or loss. The difference between the income tax expenses and the tax rate of 19% results primarily from unrecognized deferred income tax assets due to tax losses and the surplus of positive temporary differences over negative temporary differences in the subsidiaries in which recognizing deferred income tax assets for the full financial year is not planned. As at each balance sheet date, the Management Board analyses the possibility of recovering tax losses based on business plans of individual companies forming part of the Group and tax forecasts for these entities, and based on this, decisions on recognition of tax losses for previous years are made.

3.1 Managing financial risk***Financial risk factors***

CPD Group is exposed to the following financial risks in connection with its business activity: market risk (including the risk of changes in exchange rates, risk of the change of goodwill or cash flows in consequence of a change of interest rates), credit risk and liquidity risk.

Risk of changes in interest rates

The Group's exposure to the risk caused by changes in interest rates relates primarily to the fact that the cash flows are subject to change as a result of changes in market interest rates. The Group partly finances its operations and investment of foreign capital with interest-bearing variable rate. In connection with the current debt level, the Group is exposed to the risk of changes in interest rates in terms of the obligations arising from the issue of debt securities and credit on the nature of the supported products.

Within the Group, only Belise Investments hedges the risk of fluctuations in cash flows resulting from debt incurred based on the reference rate EURIBOR with IRS transaction.

Other financial risks CPD Group have been presented in the consolidated financial statements for the year ended 31 December 2019.

Liquidity risk

Increase in cash balance as compared to 31 December 2019 results mainly from disposals of investment properties presented as assets held for sale. The details of the current borrowings were presented in the consolidated financial statements for the year ended 31 December 2019.

Notes to the interim condensed consolidated financial statements

4 Investment properties

	01/01/2020 - 31/03/2020	01/01/2019 - 31/12/2019
At the beginning of the reporting period	100 214	218 311
Capital expenditure	0	1 972
Liquidation	0	(442)
Change in the balance of capitalized financial liability concerning the properties transferred to assets held for sale	0	(10 735)
Change in Balance of Capitalised Liability (RPU)	(2)	(6)
Transfer to assets held for sale	0	(128 976)
Other reclasses	0	(1 526)
Net gain/(loss) from fair value adjustments on investment properties	6 552	21 616
At the end of the reporting period	106 764	100 214
	01/01/2020 - 31/03/2020	01/01/2019 - 31/03/2019
Direct operating costs for investment properties:		
- generating rental incomes	1 396	1 236
- other	15	127
	1 411	1 363

5 Trade receivables and other receivables

	31/03/2020	31/12/2019
Trade receivables	1 042	1 363
Receivables from the state	845	2 572
Receivables from related parties	150	101
Prepaid expenses	5 994	4 359
Other receivables	71	0
Short-term receivables	8 102	8 395
Long-term receivables	263	263
Total receivables	8 365	8 658

6 Inventories

	31/03/2020	31/12/2019
At the beginning of the reporting period	3 594	2 915
Revaluation of Inventory	0	590
Recognition of perpetual usufruct right	0	187
Foreign exchange gains/ (losses)	(47)	(98)
At the end of the reporting period	3 547	3 594

Notes to the interim condensed consolidated financial statements**7 Cash and cash equivalents**

	31/03/2020	31/12/2019
Cash at bank and on hand	110 581	50 515
Cash on escrow account	3 599	3 370
Short term bank deposits	63 290	85 150
	177 470	139 035

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

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

8 Joint ventures

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

	31/03/2020	31/12/2019
a) Smart City Spółka z ograniczoną odpowiedzialnością sp.k.	235	0
b) Ursa Park Smart City Spółka z ograniczoną odpowiedzialnością sp.k.	31 825	32 015
	32 060	32 015

	31/03/2020	31/12/2019
a) <u>Smart City Spółka z ograniczoną odpowiedzialnością sp.k.</u>		
Opening balance as at 1 January	0	1 620
Group's share of the net profit or loss of the joint ventures presented in these interim condensed consolidated financial statements	235	780
Reduction of the joint venture contribution	0	(2 400)
Closing balance	235	0

	31/03/2020	31/12/2019
b) <u>Ursa Park Smart City Spółka z ograniczoną odpowiedzialnością sp.k.</u>		
Opening balance as at 1 January	32 015	35 581
Group's share in contributions to the joint venture	0	2 000
Group's share in withdrawals of the contributions to the joint venture	0	(6 014)
Group's share in joint venture's profit distributions	0	(8 601)
Amendment of the property rights to the joint venture's net assets	0	0
Group's share of the net profit or loss of the joint ventures presented in these interim consolidated financial statements	(190)	9 049
Closing balance	31 825	32 015

Notes to the interim condensed consolidated financial statements**8 Joint ventures - cont.**

Condensed financial information of individually material joint ventures of the Group is presented in the below table:

a) Smart City Spółka z ograniczoną odpowiedzialnością sp.k.*Financial information coming from statement of financial position*

	31/03/2020	31/12/2019
Total non-current assets, including	9	9
<i>Fixed assets</i>	9	9
Total current assets, including:	535	743
<i>Inventory</i>	70	223
<i>Trade receivables and other receivables</i>	263	270
<i>Cash and cash equivalents</i>	202	250
Total assets	544	752
Total current liabilities, including:	74	780
<i>Trade payables and other liabilities</i>	74	780
Total liabilities	74	780
Net assets	470	(28)
% held by the Group	50%	50%
Carrying amount of investment in joint venture presented in the interim	235	0

Financial information from statement of comprehensive income

	31/03/2020	31/12/2019
Revenue	732	2 198
Result from continued operations	500	763

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

	31/03/2020	31/12/2019
Total non-current assets, including	87	117
<i>Intangible assets</i>	87	117
Total current assets, including:	142 835	101 932
<i>Inventory</i>	84 834	66 562
<i>Trade receivables and other receivables</i>	27 649	28 516
<i>Cash and cash equivalents</i>	30 352	6 854
Total assets	142 922	102 049
Total current liabilities, including:	79 214	38 019
<i>Trade payables and other liabilities</i>	79 214	38 019
Total non-current liabilities	58	0
<i>Bank loans</i>	58	0
Total liabilities	79 272	38 019
Net assets	63 650	64 030
% held by the Group	50%	50%
Carrying amount of investment in joint venture presented in the consolidated financial statements	31 825	32 015

Notes to the interim condensed consolidated financial statements**8 Joint ventures - cont.**

<i>Financial information from statement of comprehensive income</i>	31/03/2020	31/12/2019
Revenue	1 079	74 774
Interest income	6	1
Interest cost	3	1
Result from continued operations	(380)	18 098

9 Share capital

	Number of shares		Par value of shares	
	31/03/2020	31/12/2019	31/03/2020	31/12/2019
Ordinary shares (in thousands)	26 371	26 371	2 637	2 637

As at the moment of preparation of these condensed interim financial statements share capital amounts to PLN 2.637 thousand.

On January 25, 2019 the National Court Register registered reduction of share capital and change of the articles of the association of CPD S.A. in accordance with the wording of the resolutions taken by the Extraordinary General meeting of the Company on September 14, 2018. The share capital of the Company as at January 25, 2019 amounts to PLN 2.637.113,10, and is divided into 26.371.131 ordinary shares.

On 28 February 28, 2019 Extraordinary General Meeting of CPD S.A. authorised the Management Board of the Company to purchase from Company's shareholders up to 8.700.000 of Company's shares for the purpose of retirement no later than by January 31, 2021.

On March 22, 2019 the Company purchased 3.305.886 own shares. All the purchased shares are ordinary shares with a nominal value of PLN 0.10 each. The purchased shares represent 12,54 % of the Company's share capital and represent 12,54% of voting rights at the General Meeting of the Company.

On 26 March, 2020, as a result of the invitation to submit purchase offers of the Company's shares announced on 3 March, 2020, the Company purchased 614,385 shares of the Company (own shares), which constitute 2.33% of the share capital of the Company and represent 614,385 votes at the General Meeting of the Company (2.33% of the total number of votes at the General Meeting of the Company).

In accordance with the existing legislation, the Company is not entitled to exercise voting rights attached to its own shares.

10 Trade and other payables**Non-current liabilities**

	31/03/2020	31/12/2019
Deposits of tenants	2 513	2 283

Current liabilities

	31/03/2020	31/12/2019
Trade payables	537	1 094
Output VAT and other tax liabilities	21 450	24 997
Deposits of tenants	540	545
Other liabilities	83	181
Advanced sales payments	10 546	12 070
Accruals and deferred income	4 299	4 739
	37 455	43 626

Notes to the interim condensed consolidated financial statements

10 Trade and other payables - cont.

The received advance payments result from preliminary agreements for sale of properties owned by 5/92 Gaston Investments Spółka z ograniczoną odpowiedzialnością sp.k., 12/132 Gaston Investments Spółka z ograniczoną odpowiedzialnością sp.k., 13/155 Gaston Investments Spółka z ograniczoną odpowiedzialnością sp.k.

11 Borrowings, including lease

	31/03/2020	31/12/2019
Non-current		
Bank loans	62 807	59 494
Derivatives (IRS)	141	151
Lease liabilities	3 535	3 536
	66 483	63 181
Current		
Bank loans	4 504	4 246
Derivatives (IRS)	298	327
	4 802	4 573
Total borrowings	71 285	67 754

As of March 31, 2020 bank credits consist of:

- payable of PLN 67,311 thousand to Santander Bank S.A. (PLN 4,504 thousand being short-term and PLN 62,807 thousand as long-term).

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

The value of hedging derivatives - the IRS as at the balance sheet date was estimated at PLN 439 thousand.

As at 31 March 2020 bank loans received by Lakia Investments and Robin investments are presented as liabilities associated with assets held for sales, resulting from transferring the relevant investment properties to assets held for sale. As at 31 March 2020 the bank loans payables to mBank Hipoteczny amount to PLN 36.890 thousand.

Lease liabilities relate to the right to perpetual usufruct and are recognized due to the increase in the fair value of investment property for accounting purposes (note 4).

12 Deferred income taxes

	31/03/2020	31/12/2019
Deferred tax assets before offset	5 537	10 277
Offset against deferred tax liability	(5 537)	(10 277)
Deferred tax assets	0	0
Deferred income tax liabilities before offset	24 073	27 722
Offset against deferred tax asset	(5 537)	(10 277)
Deferred income tax liabilities after offset	18 536	17 445

Notes to the interim condensed consolidated financial statements

13 Revenue by nature

	01/01/2020 - 31/03/2020	01/01/2019 - 31/03/2019
Rent income	2 969	3 160
Real estate advisory services	185	219
Services relating to rental	1 735	1 496
Accounting services	14	0
	4 903	4 875

Rental income is earned by office properties in Warsaw: Aquarius (Polczyńska St.), Solar and Iris (both Cybernetyki St.).

14 Cost of sales

	01/01/2020 - 31/03/2020	01/01/2019 - 31/03/2019
Cost of services provided	1 154	398
	1 154	398

15 Administrative costs property related

	01/01/2020 - 31/03/2020	01/01/2019 - 31/03/2019
Employee expenses	1 128	321
Property maintenance	1 405	1 252
Real estate tax	223	337
Perpetual usufruct	278	259
Depreciation and amortization	43	49
	3 077	2 218

16 Administrative expenses-other

	01/01/2020 - 31/03/2020	01/01/2019 - 31/03/2019
Advisory services	1 315	948
Legal fees	63	160
Audit fees	89	6
Transportation	6	8
Taxes	6	30
Office maintenance	108	138
Other services	40	98
Costs of not deductible VAT	19	36
Derecognition of elements of investment properties and assets held for sale	0	645
	1 646	2 069

Notes to the interim condensed consolidated financial statements**17 Other income**

	01/01/2020 - 31/03/2020	01/01/2019 - 31/03/2019
Provisions reversal	513	1 103
Other income	4	20
	517	1 123

18 Financial income and expenses

	01/01/2020 - 31/03/2020	01/01/2019 - 31/03/2019
Interest expense:		
- Bank loans	(520)	(552)
- Interest from financial leases	(63)	(264)
- Other interest	(315)	(234)
- Other	(23)	(7)
Revaluation of derivatives (IRS)	0	(21)
Valuation of amortized cost	(6)	(29)
Net exchange differences	(6 399)	(34)
Financial costs	(7 326)	(1 141)
Interest income:		
- Bank interest	288	133
Revaluation of derivatives (IRS)	39	0
Other financial income	0	296
Financial income	327	429

19 Income tax

	01/01/2020 - 31/03/2020	01/01/2019 - 31/03/2019
Current income tax	149	119
Deferred taxes	1 092	(4 925)
	1 241	(4 806)

Notes to the interim condensed consolidated financial statements**20 Cash flow from operating activities**

	01/01/2020 - 31/03/2020	01/01/2019 - 31/03/2019
Profit/loss before tax	790	4 888
Adjustments for:		
- depreciation of tangible fixed assets	43	49
- foreign exchange differences	6 718	49
- (gains) losses on revaluation to fair value of investment property	(6 552)	(460)
venture	(46)	(4 716)
- gain/(loss) from value adjustments on assets held for sale	(1 506)	0
- currency translation adjustments	(673)	(8)
- interest costs	520	552
- loss on investment property disposal	(186)	0
- loss on derivatives valuation	(39)	21
- other adjustments	(141)	587
Changes in working capital		
- changes in receivables	293	(4 609)
- change in trade liabilities and other	437	(6 555)
	(342)	(10 202)

21 Related party transactions

CPD S.A. does not have a direct parent nor ultimate controlling entity. Coöperatieve Laxey Worldwide W.A. is a significant investor.

CPD Group also includes transactions with key management personnel and other related parties, controlled by key staff of the Group.

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

	01/01/2020 - 31/03/2020	01/01/2019 - 31/03/2019
(a) Transactions with key management personnel		
Remuneration of the Management Board members	572	66
Salaries and services provided by the Management Board members	255	255
Remuneration of the Supervisory Board members	138	138
(b) Transactions with the other related parties		
<u>Revenues</u>		
Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.	8	0
Ursa Park Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.	189	68
<u>Costs</u>		
Kancelaria Radców Prawnych Oleś i Rodzyńkiewicz	0	1
	31/03/2020	31/12/2019
Total liabilities		
Kancelaria Radców Prawnych Oleś i Rodzyńkiewicz	18	18
Total receivables		
Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.	2	2
Ursa Park Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.	148	99

Notes to the interim condensed consolidated financial statements

22 Payment of dividends

During the reporting period CPD did not pay nor declare dividends.

23 Earnings per share

	01/01/2020 - 31/03/2020	01/01/2019 - 31/03/2019
Profit attributable to the shareholders in the parent company	(451)	9 694
Weighted average number of ordinary shares (in '000)	23 025	26 004
Earnings per share	(0,02)	0,37
Diluted profit attributable to shareholders	(451)	9 694
Weighted average number of ordinary shares (in '000)	23 025	26 004
Diluted earnings per share	(0,02)	0,37

	31/03/2020 after share capital reduction	actual	31/12/2019 after share capital reduction	actual
Net assets at book value	339 613	339 613	343 858	343 858
Number of ordinary shares (in '000)	22 451	26 371	23 065	26 371
Net assets per share	15,13	12,88	14,91	13,04

24 Contingent liabilities

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

These securities include:

- 1) a contractual mortgage up to the amount of PLN 9,197,046.68 established by 12/132 Gaston Investments limited liability company sp.k. on perpetual usufruct of an undeveloped plot of land No. 132/2, located in Warsaw, described in land and mortgage registers No. WA5M / 00477860/2,
- 2) a contractual mortgage up to the amount of PLN 833 397.58 established by 13/155 Gaston Investments limited liability company sp.k. on perpetual usufruct of an undeveloped plot of land No. 158/2, located in Warsaw, described in land and mortgage register No. WA5M / 00477864/0,
- 3) a contractual mortgage up to the amount of PLN 3,108,072.74 established by 13/155 Gaston Investments limited liability company sp.k. on perpetual usufruct of built-up land plot no. 155/2, located in Warsaw, described in land and mortgage register no. WA5M / 00477861/9,
- 4) a contractual mortgage up to the amount of PLN 1,466,711.90 established by 13/155 Gaston Investments limited liability company sp.k. on perpetual usufruct of built-up land plot no. 147, located in Warsaw, described in land and mortgage register no. WA1M / 00338198/6,
- 5) a contractual mortgage up to the amount of PLN 1,334,453.50 established by 13/155 Gaston Investments limited liability company sp.k. on perpetual usufruct of an undeveloped plot of land No. 134, located in Warsaw, described in land and mortgage register No. WA1M / 00233102/1.

Apart from the ones mentioned above, in the first quarter of 2020 there were no other significant changes in contingent liabilities.

Notes to the interim condensed consolidated financial statements**25 Segment reporting**

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

Therefore, both revenue and profit segment are equal revenue and profits of the group mentioned in the report of the CPD total revenue.

26 Seasons of activity and unusual events

The activity of the Group of the CPD is not seasonal or cyclical. There were no untypical events in the first quarter of 2020.

27 Assets and liabilities held for sale

As at 31 March 2020 assets and liabilities of these subsidiaries were presented as held for sale:

- Lakia Investments Sp. z o.o.
- Robin Investments Sp. z o.o.
- 5/92 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.
- 12/132 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.
- 13/155 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.

Assets held for sale

	31/03/2020	31/03/2019
Investment property	177 764	226 038
Capitalised financial leases from perpetual usufruct	12 014	16 667
	189 778	242 705

Liabilities classified as held for sale

Borrowings, including leases	48 904	51 619
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Net assets

	140 874	191 086
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In the reporting period the subsidiaries 6/150 Gaston Investments spółka z ograniczoną odpowiedzialnością sp. k., 7/120 Gaston Investments spółka z ograniczoną odpowiedzialnością sp. k., 18 Gaston Investments spółka z ograniczoną odpowiedzialnością sp. k., 19/97 Gaston Investments spółka z ograniczoną odpowiedzialnością sp. k. and 20/140 Gaston Investments spółka z ograniczoną odpowiedzialnością sp. k. concluded final sales agreements for the perpetual usufructs rights of their plots, resulting in a drop of net asset held for sale as compared to the end of 2019.

Notes to the interim condensed consolidated financial statements

28 Events after the end of the reporting period

In connection with the tax proceedings initiated by the Head of the Małopolska Customs and Tax Office in Kraków initiated in 2017 against the subsidiary Challenge Eighteen Sp. z o.o. concerning the withholding tax for 2012, on May 14, 2020 the company executed payment of the disputed tax with interest, in the total amount of PLN 15 626 thousand to show by the Company that there are no tax liabilities. As at the date of signing these condensed consolidated financial statements, the proceeding is still in progress.

On June 25 CPD purchased 4 779 565 own shares of PLN 14,92 each. As a result stake of own shares amounts to 8 699 836, represent 32,99% of the Company's share capital.

Moreover after the end of the reporting period tax proceeding has been initiated against Celtic Investments Ltd, as the legal succesor of Blaise Investments Sp. z o. o., related to 2016 corporate income tax. This interim condensed consolidated financial statements contain provision for the related liability of PLN 8 372 thousand.

There were no other significant post balance sheet events.

29 Interim financial information of the parent

These interim condensed financial statements of CPD S.A. were prepared in accordance with International Accounting Standard approved by the European Union - IAS 34 Interim financial reporting and in accordance with all applicable IFRS adopted by the European Union.

Information required by IAS 34 is presented in note 2.1 to the consolidated condensed financial statements of CPD Group.

29.1 Condensed statement of comprehensive income

	Note	1/1/2020 - 31/3/2020 (unaudited)	1/1/2019 - 31/3/2019 (unaudited)
Revenues		38	0
Administrative costs	29.11	(1 007)	(384)
Marketing costs		0	(1)
Fair value adjustment on loans granted	29.12	2 339	3 446
OPERATING RESULT		1 370	3 061
Financial income	29.12	292	134
Financial costs	29.12	(91)	(102)
PROFIT (LOSS) BEFORE INCOME TAX		1 571	3 093
Income tax		(16)	2 224
PROFIT (LOSS) FOR THE PERIOD		1 555	5 317
OTHER COMPREHENSIVE INCOME		0	0
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		1 555	5 317
BASIC EARNINGS PER SHARE (IN PLN)	29.10	0,07	0,20
DILUTED EARNINGS PER SHARE (IN PLN)	29.10	0,07	0,20

Colin Kingsnorth
Chairman of the Board

Elżbieta Donata Wiczowska
Board Member

John Purcell
Board Member

Iwona Makarewicz
Board Member

Condensed interim consolidated financial statements for the period of 3 months ended 31 March 2020

(All amounts in PLN thousands unless otherwise stated)

29.2 Condensed statement of financial position

	Note	31/3/2020 (unaudited)	31/12/2019
ASSETS			
Non-current assets			
Long-term receivables	29.6	107 349	110 799
Shares in subsidiaries	29.5	25 484	25 484
Total non-current assets		132 833	136 283
Current assets			
Trade receivables and other receivables, including:	29.7	1 076	1 696
- receivables and loans		1 000	1 688
- prepayments		76	8
Cash and cash equivalents		32 511	30 234
Total current assets		33 587	31 930
Total assets		166 420	168 213
EQUITY			
Share capital	29.8	2 637	2 637
Treasury shares	29.8	(46 084)	(43 010)
Share premium		677 034	677 034
Embedded element at inception date		(27 909)	(27 909)
Other reserves		987	987
Retained earnings		(468 106)	(469 661)
Total equity		138 559	140 078
LIABILITIES			
Non-current liabilities			
Borrowings	29.9	11 550	11 657
Deferred tax liabilities		10 918	10 902
Total non-current liabilities		22 468	22 559
Current liabilities			
Borrowings	29.9	5 292	5 373
Trade payables and other payables		101	203
Total current liabilities		5 393	5 576
Total equity and liabilities		166 420	168 213

Colin Kingsnorth
Chairman of the Board

John Purcell
Board Member

Elżbieta Donata Wiczowska
Board Member

Iwona Makarewicz
Board Member

Condensed interim consolidated financial statements for the period of 3 months ended 31 March 2020

(All amounts in PLN thousands unless otherwise stated)

29.3 Condensed statement of changes in equity

	Note	Share capital	Treasury shares	Share premium	Embedded element at inception date	Other reserves	Retained earnings	Total
As of 1/1/2019		3 935	(160 110)	835 846	(27 909)	987	(495 756)	156 993
Treasury shares redemption	29.8	(1 298)	160 110	(158 812)	0	0	0	0
Treasury shares acquisition		0	(43 010)	0	0	0	0	(43 010)
		(1 298)	117 100	(158 812)	0	0	0	(43 010)
<u>Comprehensive income:</u>								
Profit (loss) for the period		0	0	0	0	0	5 317	5 317
		0	0	0	0	0	5 317	5 317
As of 31/03/2019/unaudited		2 637	(43 010)	677 034	(27 909)	987	(490 439)	119 300
As of 1/1/2019		3 935	(160 110)	835 846	(27 909)	987	(495 756)	156 993
Treasury shares redemption	29.8	(1 298)	160 110	(158 812)	0	0	0	0
Treasury shares acquisition		0	(43 010)	0	0	0	0	(43 010)
		(1 298)	117 100	(158 812)	0	0	0	(43 010)
<u>Comprehensive income:</u>								
Profit (loss) for the period		0	0	0	0	0	26 095	26 095
		0	0	0	0	0	26 095	26 095
As of 31/12/2019		2 637	(43 010)	677 034	(27 909)	987	(469 661)	140 078
As of 1/1/2020		2 637	(43 010)	677 034	(27 909)	987	(469 661)	140 078
Treasury shares acquisition	29.8	0	(3 074)	0	0	0	0	(3 074)
		0	(3 074)	0	0	0	0	(3 074)
<u>Comprehensive income:</u>								
Profit (loss) for the period		0	0	0	0	0	1 555	1 555
		0	0	0	0	0	1 555	1 555
As of 31/03/2020/unaudited		2 637	(46 084)	677 034	(27 909)	987	(468 106)	138 559

Colin Kingsnorth
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Board Member

Condensed interim consolidated financial statements for the period of 3 months ended 31 March 2020

(All amounts in PLN thousands unless otherwise stated)

29.4 Condensed statement of cash flows

	Note	1/1/2020 - 31/3/2020 (unaudited)	1/1/2019 - 31/3/2019 (unaudited)
Cash flow from operating activities			
Cash generated from operations	29.13	(872)	(430)
Net cash generated from investing activities		(872)	(430)
Cash flows from investing activities			
Loans granted		(192)	(807)
Loan repayments received		5 612	9 536
Interest received		1 083	14
Net cash used in investing activities		6 503	8 743
Cash flows from financing activities			
Treasury shares acquisition		(3 074)	(43 010)
Loans received		71	0
Loans repaid		(332)	0
Interest repaid		(19)	0
Net cash used in financing activities		(3 354)	(43 010)
Net (decrease)/increase in cash and cash equivalents		2 277	(34 697)
Cash and cash equivalents at beginning of year		30 234	35 952
Cash and cash equivalents at the end of the period		32 511	1 255

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Elżbieta Donata Wiczowska
Board Member

John Purcell
Board Member

Iwona Makarewicz
Board Member

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed financial statements**29.5 Shares in subsidiaries**

			31/3/2020	31/12/2019
Name	Country	Share		
Celtic Investments Ltd	Cyprus	100%	48 000	48 000
Impairment			(48 000)	(48 000)
Lakia Enterprises Ltd	Cyprus	100%	105 000	105 000
Impairment			(105 000)	(105 000)
Celtic Asset Management (*)	Poland	100%	0	0
Challange Eighteen sp. z o.o.	Poland	100%	5 032	5 032
Imes Poland sp. z o.o.	Poland	100%	23 769	23 769
Impairment			(3 317)	(3 317)
			25 484	25 484

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

29.6 Long-term receivables

	31/3/2020	31/12/2019
Long-term loans with related parties, including:		
- loans	158 142	162 609
- fair value adjustment	(50 793)	(51 811)
	107 349	110 799
Long-term loans to other parties, including:		
- loans	6	6
- fair value adjustment	(6)	(6)
	0	0

Details of the loans granted to related parties 31.03.2020

Related party	Currency of the loan	Date of agreement	Fair value of granted loans	The Interest Rate	Margin	Maturity
5/92 Gaston Investments	PLN	2 013	6 607	3M WIBOR	1,55%	on demand
12/132 Gaston Investments	PLN	2 012	121	3M WIBOR	1,55%	on demand
12/132 Gaston Investments	PLN	2 013	4 144	3M WIBOR	1,55%	on demand
13/155 Gaston Investments	PLN	2 012	5 214	3M WIBOR	1,55%	on demand
19/97 Gaston Investments	PLN	2 012	301	3M WIBOR	1,55%	on demand
19/97 Gaston Investments	PLN	2 013	583	3M WIBOR	1,55%	on demand
Belise Investments	PLN	2 012	12 332	3M WIBOR	1,55%	on demand
Belise Investments	PLN	2 014	3 187	3M WIBOR	1,55%	on demand
Celtic Asset Management	EUR	2 015	713	3M WIBOR	1,55%	on demand
Challange Eighteen	PLN	2 012	25 740	3M WIBOR	1,55%	on demand
Challange Eighteen	PLN	2 013	20 461	3M WIBOR	1,55%	on demand
Elara Investments	PLN	2 012	1 235	3M WIBOR	1,55%	on demand
HUB Developments	PLN	2 012	1 415	3M WIBOR	1,55%	on demand
Lakia Enterprises Limited	PLN	2 012	4 025	3M WIBOR	1,55%	on demand
Lakia Enterprises Limited	PLN	2 014	6 844	3M WIBOR	1,55%	on demand
Lakia Enterprises Limited	PLN	2 015	14 424	3M WIBOR	1,55%	on demand
			107 349			

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed financial statements**29.6 Long-term receivables - continued****Details of the loans granted to other parties 31.03.2020**

Other party	Currency of the loan	Fair value of granted loans	The Interest Rate	Maturity
Dobalin	PLN	0	8%	on demand
		0		

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

29.7 Trade receivables and other receivables

	31/3/2020	31/12/2019
Trade receivables from related parties	0	0
Short-term loans with related parties, including:	0	713
- loans	23 542	24 589
- fair value adjustment	(23 542)	(23 875)
VAT receivables	0	0
Other tax receivables	0	0
Other receivables from related parties	953	854
Other receivables from other parties	47	120
Prepayments	76	8
Short-term receivables	1 076	1 696

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed financial statements**29.8 Share capital**

	The number of shares (in thousands), including treasury shares		Value of shares	
	31/3/2020	31/12/2019	31/3/2020	31/12/2019
Ordinary shares (in thousands)	26 371	26 371	2 637	2 637

As of 31 December 2018 the share capital amounted to PLN 3 935 thousand. During 2019 12 982 892 treasury shares were redeemed (entitling to same number of voting rights, shares code: ISIN PLCELPD00013). The redemption was the result of the resolution of the Extraordinary General Meeting of the Company dated 14 September 2018, regarding the redemption of own shares. Share capital as at 31 December 2019, as at 31 March 2020 and as at the date of these financial statements amounts to PLN 2 637 thousand.

The Management Board of CPD S.A., acting on the basis of Resolution No. 1/III/2020 of the Management Board of the Company dated 2 March 2020 on the buy-back of the Company's shares, in connection with the Resolution No. 3 of the Extraordinary General Meeting of CPD S.A. dated 28 February 2019 on acquisition of the shares of the Company for the purpose of redemption, amended by the Resolution No. 3 of the Extraordinary General Meeting of CPD S.A. dated 2 March 2020, invited the Company's shareholders to submit proposals for the sales of shares in accordance with the terms and conditions specified in the Invitation to Submit Proposals for Sales of Shares. On 26 March 2020, the Company, as a result of the announced Invitation to Submit Proposals for Sales of Shares of the Company, purchased through a brokerage house Pekao Investment Banking S.A., 614,385 shares of the Company (treasury shares). All the purchased shares are ordinary shares with a nominal value of 0.10 zł each. The purchased treasury shares of CPD S.A. (number of the 614,385 shares) represent 2.33% of the Company's share capital and represent 614,385 votes at the General Meeting of the Company (2.33% of voting rights at the General Meeting of the Company). Prior to the above mentioned purchase of 614,385 shares, the Company already owned other than those indicated above, number of 3,305,886 treasury shares representing 12,54 % of the Company's share capital and representing 3,305,886 votes at the General Meeting of the Company (12,54 % of voting rights at the General Meeting of the Company). After the acquisition, the Company jointly holds 3,920,271 treasury shares, representing jointly 14.87% of the share capital of the Company, except that in accordance with applicable regulations, the Company is not allowed to exercise the voting rights attached to treasury shares.

All shares issued by the Company are ordinary shares. The Company's Articles of Association do not grant special rights to the Company's shares, including preference for voting rights or appointing members of the Company's governing bodies. The Company's shareholders do not hold any shares granting special control rights.

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed financial statements**29.9 Borrowings**

	31/3/2020	31/12/2019
Bank borrowings	0	0
Loans from related parties	16 842	17 030
- long-term	11 550	11 657
- short-term	5 292	5 373
	16 842	17 030

Loan payables as of 31 March 2020 and 31 December 2019 relate to a loan from a subsidiary Lakia Enterprises (interest rate on the loan is 3M WIBOR + margin 0.50%), loan from a subsidiary Lakia Investments (interest rate on the loan is 3M WIBOR + margin 1.55%) and loan from the subsidiary Robin Investments (interest rate on the loan is 3M WIBOR + margin 1.55%). As at 31 March 2020 loan balances are as follows: Lakia Enterprises: PLN 9 796 thousand (capital: PLN 7 260 thousand , interest: PLN 2 536 thousand), during the period PLN 213 thousand of principal was repaid; Lakia Investments: PLN 5 292 thousand (capital: PLN 4 550 thousand, interest: PLN 742 thousand), during the period PLN 119 thousand of principal was repaid; Robin Investments: PLN 1 755 thousand (capital: PLN 1 600 thousand, interest PLN 155 thousand), during the period PLN 19 thousand of interest was repaid.

Loans from related parties will be repaid in the period from 1 to 3 years.

The loans are not secured.

29.10 Earnings (loss) per share

	1/1/2020 - 31/3/2020	1/1/2019 - 31/3/2019
Profit attributable to the shareholders	1 555	5 317
Weighted average number of ordinary shares (in '000)	23 025	26 004
Earnings per share (in PLN)	0,07	0,20
Diluted profit attributable to shareholders	1 555	5 317
Weighted average number of ordinary shares (in '000)	23 025	26 004
Diluted earnings per share (in PLN)	0,07	0,20

29.11 Administrative costs

	1/1/2020 - 31/3/2020	1/1/2019 - 31/3/2019
Advisory services	49	42
Salaries	941	280
Auditor's remuneration	0	6
Costs of non-deductible VAT	17	18
Other services	0	38
	1 007	384

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed financial statements**29.12 Financial income and expenses and fair value adjustment on loans granted**

	1/1/2020 - 31/3/2020	1/1/2019 - 31/3/2019
Fair value adjustment on loans granted	2 339	3 446

Since 1 January 2018, the Company applies IFRS 9 "Financial Instruments" for the purpose of loans granted presentation and valuation. As a result of the application of the standard the method of valuation of loans granted changed. The Company used to recognize loans granted under amortized cost method, while since 1 January 2018 loans are measured at fair value through profit and loss. The company presents the cumulative effect of interest income on loans granted and the effect of revaluation in one line of the statement of comprehensive income as a fair value adjustment on loans granted. More information on the application of IFRS 9 for the first time is presented in the Company's annual report for the year ended 31 December 2018.

	1/1/2020 - 31/3/2020	1/1/2019 - 31/3/2019
Interest income:		
- Bank interest	58	65
Other financial income	0	68
Net exchange differences	234	1
Financial income	292	134
Interest costs:		
- Interest from related parties	91	102
Net exchange differences	0	0
Other financial costs	0	0
Financial costs	91	102

29.13 Cash flow from operating activities

	1/1/2020 - 31/3/2020	1/1/2019 - 31/3/2019
Profit/loss before tax	1 571	3 093
Adjustments for:		
- exchange differences	0	0
- depreciation	0	0
- interest costs	91	102
- fair value adjustment on loans granted	(2 339)	(3 446)
Changes in working capital:		
- changes in trade receivables and other	(93)	(126)
- change in trade liabilities and other	(102)	(53)
	(872)	(430)

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed financial statements

29.14 Related party transactions

CPD SA does not have a direct parent or parent senior. Coöperatieve Laxey Worldwide W.A. is a major investor.

The CPD also makes transactions with key management staff, subsidiaries and other affiliated entities, controlled by key staff of the CPD Group.

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

a) Transactions with key management personnel

	1/1/2020 - 31/3/2020	1/1/2019 - 31/3/2019
Remuneration of members of the Supervisory Board	138	138
Remuneration of members of the Board of Directors	566	60

b) Transactions with major investor

	31/3/2020	31/12/2019
Laxey - loans	0	329
Laxey - fair value adjustment	0	(92)

The loan was repaid in April 2019.

c) Transactions with subsidiaries

	1/1/2020 - 31/3/2020	1/1/2019 - 31/3/2019
Revenues		
2/124 Gaston Investments	0	35
3/93 Gaston Investments	0	32
Ursa Park Smart City	0	68
5/92 Gaston Investments	60	59
6/150 Gaston Investments	8	16
7/120 Gaston Investments	8	17
12/132 Gaston Investments	38	34
13/155 Gaston Investments	44	39
16/88 Gaston Investments	6	6
18 Gaston Investments	10	9
19/97 Gaston Investments	7	7
20/140 Gaston Investments	6	8
Antigo Investments	19	19
Belise Investments	105	105
Celtic Asset Management	9	9
Celtic Investments Ltd	2	2
Challenge Eighteen	218	279
Elara Investments	26	25
Gaston Investments	81	50
Hub Developments	20	20
Lakia Enterprises Ltd	213	211
Lakia Investments	6	0
Mandy Investments	137	130

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed financial statements**29.14 Related party transactions - continued**

Costs	1/1/2020 - 31/3/2020	1/1/2019 - 31/3/2019
<i>Lakia Enterprises Ltd</i>	41	42
<i>Lakia Investments</i>	38	42
<i>Robin Investments</i>	13	13
<i>Gaston Investments</i>	1	1
Liabilities	31/3/2020	31/12/2019
<i>Lakia Enterprises Ltd</i>	9 796	9 897
<i>Lakia Investments</i>	5 292	5 373
<i>Robin Investments</i>	1 755	1 760
<i>Gaston Investments</i>	2	2
Receivables	31/3/2020	31/12/2019
<i>5/92 Gaston Investments</i>	6 607	6 505
<i>6/150 Gaston Investments</i>	0	2 134
<i>7/120 Gaston Investments</i>	0	2 192
<i>12/132 Gaston Investments</i>	4 265	4 080
<i>13/155 Gaston Investments</i>	5 214	5 134
<i>19/97 Gaston Investments</i>	884	296
<i>20/140 Gaston Investments</i>	0	364
<i>Belise Investments</i>	16 430	12 985
<i>Celtic Asset Management</i>	713	713
<i>Challenge Eighteen</i>	46 201	25 287
<i>Elara Investments</i>	1 235	1 235
<i>Gaston Investments</i>	40	0
<i>Hub Developments</i>	1 415	1 415
<i>Lakia Enterprises Ltd</i>	25 294	14 441
<i>Lakia Investments</i>	2	2

d) Transactions with other related party

Costs	1/1/2020 - 31/3/2020	1/1/2019 - 31/3/2019
<i>Kancelaria Radców Prawnych Oleś&Rodzyńkiewicz sp. komandytowa</i>	0	3

29.15 Events after the balance sheet date

Acting on the basis of Resolution No. 1/VI/2020 of the Company's Management Board dated 1 June 2020 regarding the establishment of detailed conditions for the acquisition of the Company's shares, in connection with Resolution No. 3 of the Extraordinary General Meeting of CPD dated 28 February 2019 regarding the acquisition of the Company's shares for redemption, which has been amended twice, by Resolution No. 3 of the Extraordinary General Meeting of CPD SA dated 2 March 2020 and Resolution No. 18 of the Ordinary General Meeting of CPD S.A. dated 27 May 2020, the Management Board invited the Company's shareholders to submit offers for the sale of its shares under the conditions set out in the Invitation to Submit Sales Offers. On 25 June 2020, the Company purchased, through a brokerage house Pekao Investment Banking S.A. with its registered seat in Warsaw and Bank Polska Kasa Opieki S.A. with its registered seat in Warsaw, Biuro Maklerskie Pekao 4,779,565 shares of the Company (treasury shares). The purchase price per share amounted to 14.92 zł. All the purchased shares are ordinary shares with a nominal value of 0.10 zł each.

Notes to the interim condensed financial statements**29.15 Events after the balance sheet date - continued**

The purchased treasury shares of CPD S.A. (number of the 4,779,565 shares) represent 18.12% of the Company's share capital and represent 4,779,565 votes at the General Meeting of the Company (18.12% of voting rights at the General Meeting of the Company). Prior to the above mentioned purchase of 4,779,565 treasury shares, the Company already owned other than those indicated above, number of the 3,920,271 shares representing 14.87% of the Company's share capital and representing 3,920,271 votes at the General Meeting of the Company (14.87% of voting rights at the General Meeting of the Company). In connection with the above, the Company jointly holds 8,699,836 treasury shares, representing jointly 32.99% of the share capital of the Company, except that in accordance with applicable regulations, the Company is not allowed to exercise the voting rights attached to treasury shares.