



HALF YEAR REPORT 2014

CELTIC PROPERTY DEVELOPMENTS S.A.

HALF YEAR REPORT FOR 6 MONTHS ENDED 30 JUNE 2014

TRANSLATORS' EXPLANATORY NOTE

The following document is a free translation of the H1 2013 report of CELTIC PROPERTY DEVELOPMENTS S.A. published on 28 August 2014.

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 adopted 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 CELTIC CAPITAL GROUP

Celtic Capital Group started operations in Poland in 1999 when Celtic Asset Management Sp. z o.o. was established by the current members of the Management Board – Mr Andrew Shepherd and Aled Rhys Jones. In the following years, 1999-2005, the company's operations were focused on building real estate portfolio and managing it for third parties in Poland, Czech Republic, Lithuania, Romania, Hungary and Germany. In 2005, Celtic Asset Management Sp. z o.o. began real estate development operations as a part of cooperation with several funds managed by Laxey Partners. In 2007, capital group was consolidated under the name of Celtic Property Development SA (BVI) and in 2008 Celtic Property Developments SA (BVI) was listed on the stock exchanges on an unregulated free market (Freiverkehr) in Frankfurt. Between 2005 and 2010, the group's most important market was Poland. At the same time, the group conducted and managed projects also in Montenegro, Hungary, Italy, Belgium, the United Kingdom, the Netherlands, Germany and Spain. International experience and practical industrial knowledge of Celtic Group's experts and managers contributed to a strong and stable Capital Group which on 23 December 2010 entered the listing at the Warsaw Stock Exchange.

Currently, Celtic Property Developments S.A. is a holding company controlling a group of 37 subsidiaries focused on conducting real estate management projects in the residential and office buildings segment. The main operating market of Celtic Capital Group is Warsaw, and for its project conducted abroad Celtic Group runs an office in Budapest. The office building segment has played the key role in Celtic Capital Group's operations to date. Current plans of the Group are focused on development of the residential building operations, mainly by delivery of its flag project in Ursus, a district of Warsaw.

2. CAPITAL GROUP'S STRUCTURE

As on 30 June 2014, Celtic Capital Group (hereinafter "the Group", "Celtic Group", "Capital Group") comprised the dominant entity Celtic Property Developments S.A. (hereinafter "the Company", "the Issuer") and 37 subsidiaries. The Group's real estate development operations are conducted through investment companies directly controlled by Buffy Holdings No1 Ltd (Cyprus) and Lokia Enterprises Ltd (Cyprus). The dominant entity – Celtic Property Developments S.A. – coordinates and supervises activities of individual subsidiaries, and is also the centre of decisions concerning development strategy. Celtic Property Developments S.A. takes measures to streamline the Capital Group's operating costs, shapes the Group's investment and marketing policy and fulfills the coordinating role in these operations.

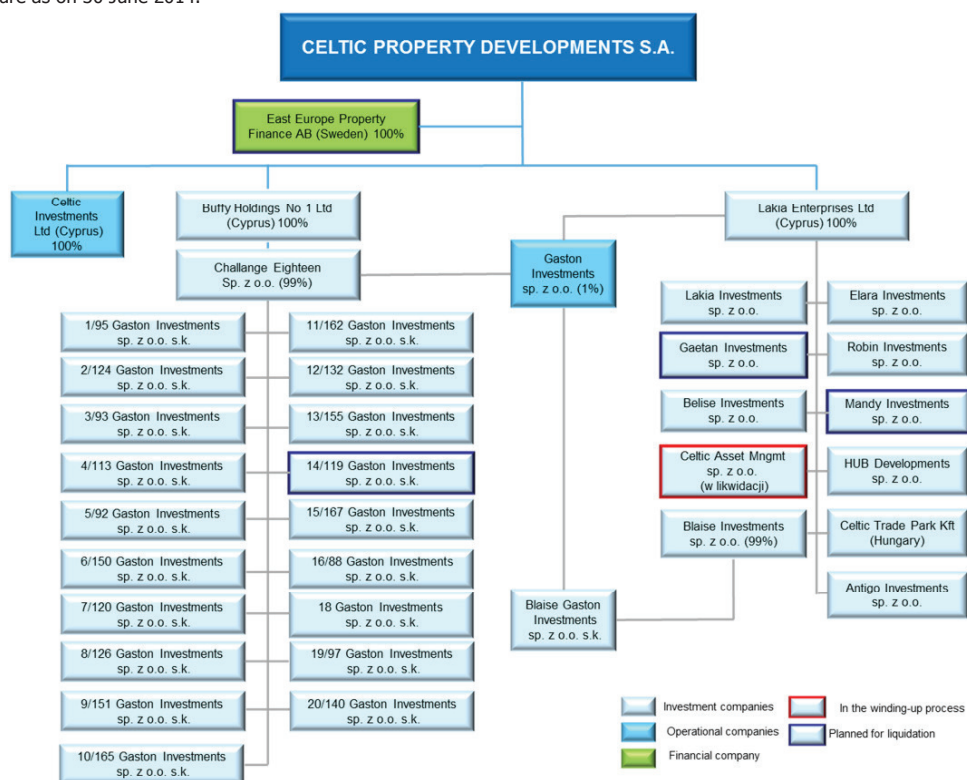
On May 15 the Company started the liquidation of Celtic Asset management Sp. z o.o.

All companies within the Group are subject to full consolidation.

Celtic Group's structure as on 30 June 2014 is presented on the chart below.

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Celtic Group's structure as on 30 June 2014.



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3. SELECTED FINANCIAL DATA

Selected items of the consolidated statement of comprehensive income

	6 months period		Change (%)
	From 01.01.2014	From 01.01.2013	
	to 30.06.2014 (PLN ths.)	to 30.06.2013 (PLN ths.)	
Revenue	7 219	7 838	-7,9%
Cost of sales	-1 260	-8 659	-85,4%
Gross profit	5 959	-821	-825,8%
Administrative expenses - property related	-5 190	-6 116	-15,1%
Other administrative expenses	-3 792	-4 194	-9,6%
Selling and marketing costs	-133	-50	166,0%
Gain (loss) on disposal of investments properties	0	-2 182	-100,0%
Other income	16	355	-95,5%
Gain (loss) on revaluation of investments properties	-2 772	4 680	-159,2%
Gain (loss) on revaluation of assets held for sale	0	1 350	-100,0%
Profit (loss) from operations	-5 912	-6 978	-15,3%
Finance income	156	256	-39,1%
Finance costs	-3 790	-7 271	-47,9%
Profit (loss) before tax	-9 546	-13 993	-31,8%
Income tax	244	-3 017	-108,1%
Profit (loss) for the year	-9 302	-17 010	-45,3%
Earnings per share (PLN)	-0,27	-0,50	-46,2%

At the end of H1 2014, CPD Group recorded an improvement in net result of PLN 7.7 mn year-on-year. The decrease in cost of sales of PLN 7.4 mn was one of the main factors positively affecting the Group's net result in comparison with H1 2013. The drop in finance costs of PLN 3.5 mn and the decrease in administrative expenses of PLN 1.3 mn also had a positive effect on the Group's financial result compared to H1 2013.

On the other hand, the main factor with adverse effect on the result was the loss on revaluation of investment properties in the amount of PLN 2.8 mn (compared to gain of PLN 4.7 mn in H1 2013). Moreover, revenue dropped by PLN 0.6 mn compared to H1 2013.

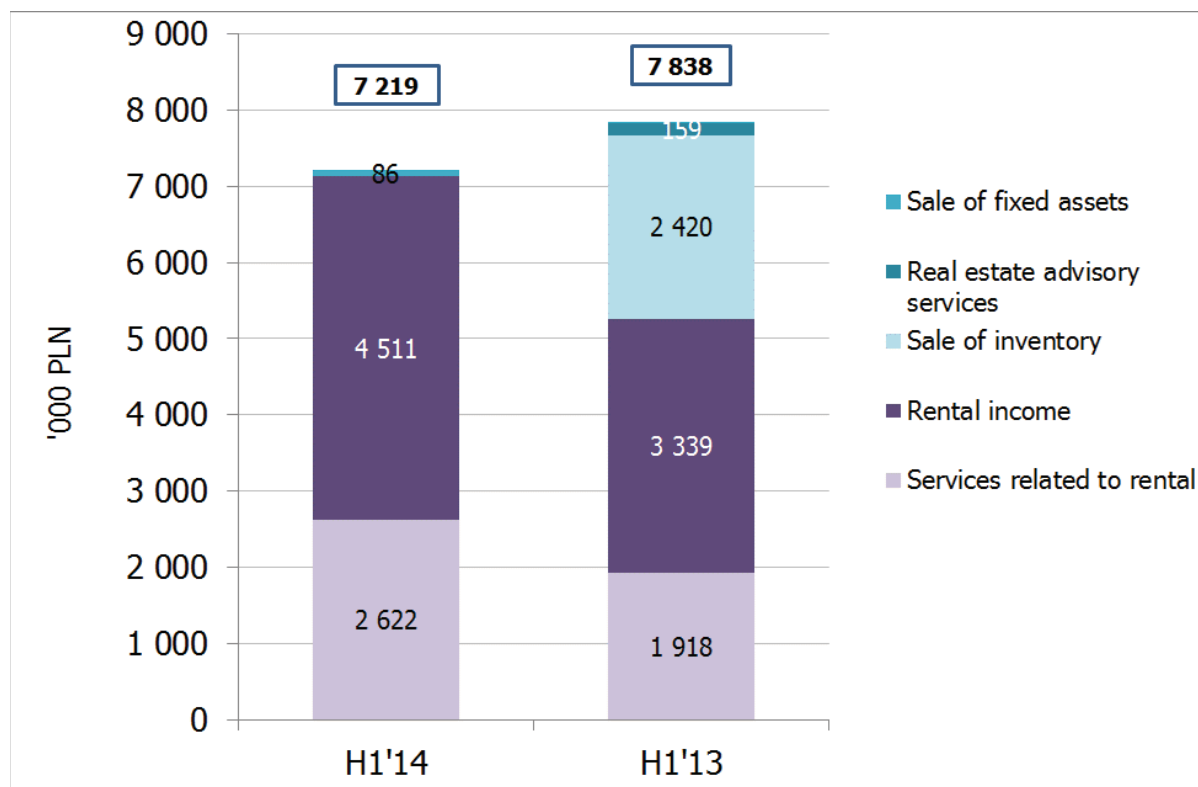
The structure of sales revenue changed considerably in H1 2014 compared to H1 2013. Lease revenue (62% in H1 2014 versus 43% in H1 2013) was the largest part of total sales revenue. The level of lease revenue in H1 2014 increased substantially year-on-year. Lease revenue was generated mainly by 3 office buildings located in Warsaw - Aquarius building (Połczyńska 31A street), Solar building (Cybernetyki 7B street) and Iris building (Cybernetyki 9 street). Iris office building is currently still under commercialization. At the same time, there was a sharp decrease in sale of inventory. In H1 2013, 31% of the Group's revenue was generated by sale of inventory. In H1 2014 there was no sale of inventory.

Sale of building plots, located mainly in Magdalenka, comprised 31% of sales revenue in H1 2013 and amounted to PLN 2.4mn, compared to PLN 0.0mn in H1 2014. The sales in 2013 resulted from abandoning some projects and, consequently, inventory was being sold out regularly to release capital.

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The chart below presents the Group's revenue structure in H1 2014 and H1 2013.



Activities aimed at reducing operating costs were significantly reflected in the results of the Group for the first half of 2014. Reduction in property related administrative expenses (by PLN 0.9 mn) had a positive effect on the Group's financial result. Lower administrative expenses resulted mainly from reduced employment costs (reduction by PLN 0.7 mn compared to H1 2013). The decrease in costs in these categories resulted from actions being part of the Group's strategy and initiated in 2011 and continued in 2012 and 2013, among others by headcount reduction, reduction in salaries and moving the head office to the building at Cybernetyki 7B being part of the Group's real estate portfolio, and streamlining the remaining operating costs.

There was no sale of inventory in H1 2014. However, H1 2013 yielded a negative result on sale of inventory in the amount of PLN 1.7 mn.

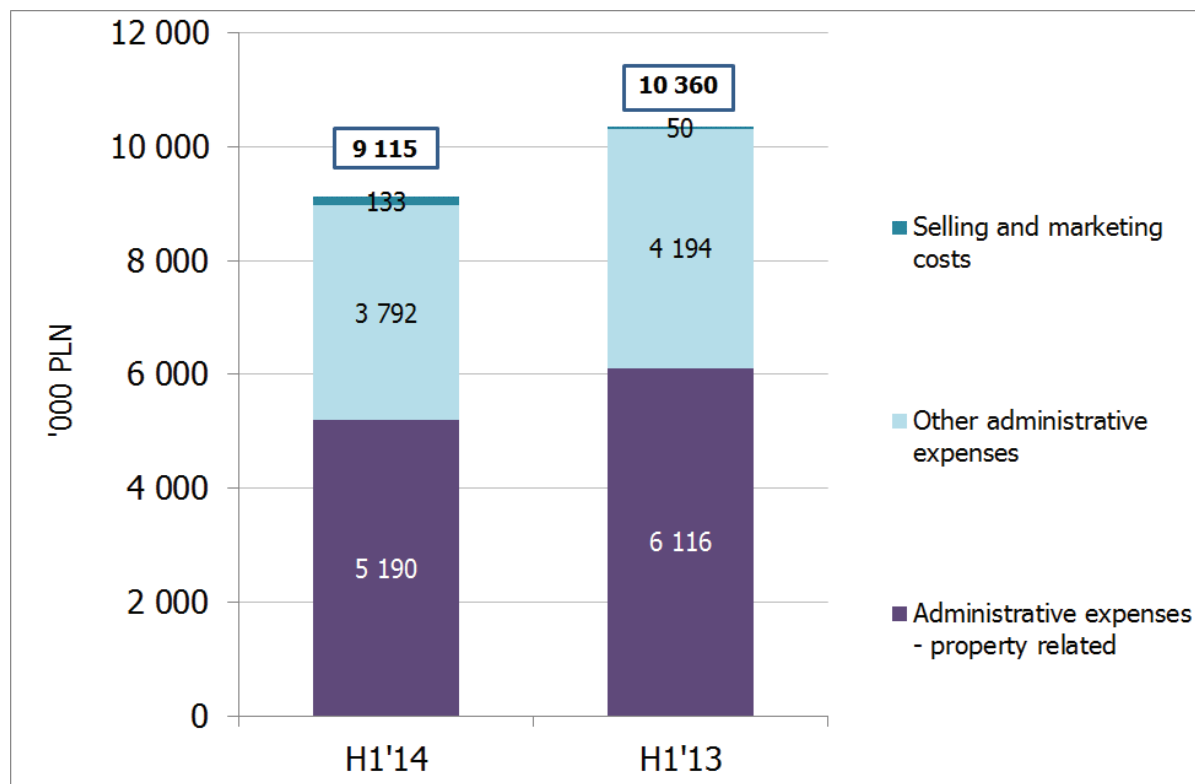
The loss on revaluation of investment properties amounting to PLN 2.8 mn (H1 2013: gain of PLN 4.7 mn) had a negative effect on the Group's financial result. It resulted mainly from considerable fit-out expenses in IRIS office building combined with lack of up-to-date valuation of this project (investment properties are valued only once a year).

As a result of the above-mentioned changes, the Group's net loss decreased by PLN 7.7 mn year on year – from PLN 17.0 mn in H1 2013 to PLN 9.3 mn in H1 2014.

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The chart below presents the Group's costs structure in H1 2014 and H1 2013.



Selected items of the consolidated statement of financial position

	As at:		Change
	30.06.2014	31.12.2013	
	(PLN ths.)	(PLN ths.)	(%)
TOTAL ASSETS	472 362	474 923	-0,5%
Non-current assets, including:	447 940	447 304	0,1%
Investment properties	443 268	442 793	0,1%
Bonds	3 309	3 190	3,7%
Current assets, including:	24 422	27 619	-11,6%
Inventory	7 656	7 773	-1,5%
Trade and other receivables	9 410	7 865	19,6%
Cash and cash equivalents	7 356	11 981	-38,6%
TOTAL EQUITY AND LIABILITIES	472 362	474 923	-0,5%
Equity, including:	319 885	329 362	-2,9%
Share capital	3 460	3 460	0,0%
Own shares	-12 300	-12 300	0,0%
Reserve capital	987	987	0,0%
Translation reserve	-4 022	-3 847	4,5%
Retained earnings	331 760	341 062	-2,7%
Total liabilities, including:	152 477	145 561	4,8%
Non-current liabilities	35 659	35 879	-0,6%
Current liabilities	116 818	109 682	6,5%

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At the end of H1 2014, value of the Group's total assets did not change considerably compared to the value at the end of 2013. The value of current assets dropped substantially (a decrease of 12%), mainly due to a drop in cash balance by PLN 4.6 mn.

In H1 2014, the structure of the Group's liabilities did not change significantly. At the end of H1 2014, value of the Group's equity was PLN 320 mn, comprising 68% of the Group's total assets while liabilities accounted for 32% of total assets. These indicators slightly deteriorated compared to their level at the end of 2013 (69% and 31% respectively).

The table below presents shares of individual liabilities categories in the balance sheet amount.

	30.06.2014	31.12.2013
Liabilities to total assets	32,3%	30,6%
Non-current liabilities to total assets	7,5%	7,6%
Borrowings including finance leases to total assets	4,7%	4,6%
Deferred income tax liabilities to total assets	2,7%	2,8%
Trade and other payables to total assets	0,2%	0,1%
Current liabilities to total assets	24,7%	23,1%
Borrowings including finance leases to total assets	21,2%	19,8%
Trade and other payables to total assets	3,5%	3,2%
Income tax liabilities to total assets	0,1%	0,1%

The structure of liabilities changed slightly compared to the end of 2013. The share of long-term liabilities in the balance sheet amount decreased from 7.6% at 31 December 2013 to 7.5% at the end of H1 2014. The share of short-term liabilities increased from 23.1% at 31 December 2013 to 24.7% at 30 June 2014.

You should pay attention to the fact that on 3 July 2014 master plan for postindustrial sites in the area of Orłow Piastowski street - Part I was adopted and 15 August 2014 the plan became final. This has a significant impact on the valuation of the assets of the Group's investment capital. Because these events occurred after the balance sheet date of this report, the change in the value of assets is not reflected. This will take place in the next report of the Group, namely the report of the third quarter.

4. IMPORTANT EVENTS IN THE REPORTING PERIOD

- **IRIS PROJECT AT CYBERNETYKI 9 STREET IN WARSAW – COMMERCIAL LEASE**

Building Iris is a six-storey office building with a total leasable area of approximately 14.3 thousand. m² with 233 parking places and is the final stage of the project office and residential located at the intersection of Cybernetics and Progress in Warsaw. At the end of the half of 2014, the building is almost fully letted. Negotiations are under active efforts to commercialize 100% of the building. Therefore, in

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case of any conditions that may affect the approved schedule, for the purpose of preventing the Management Board decided that it will subsidize the IRIS project.

- **COMMERCIAL LEASE OF THE SOLAR BUILDING AT CYBERNETYKI 7B STREET IN WARSAW**

This eight-storey B+ office building with an area of 5,792 sq m was built in 1998 and upgraded by the Group in 2008. The building is currently leased, among others, to such tenants as Beko S.A., Berlin Chemie, Akzo Nobel, Liqui Moly Polska, ZPUE S.A. and Bard Poland. As of the date of this report, the building is leased in 95%. Since September 2011, also Celtic Group's offices are housed in this building.

- **COMMERCIAL LEASE OF THE AQUARIUS BUILDING AT POŁCZYŃSKA 31A STREET IN WARSAW**

Aquarius Office Park comprises: a five-storey B class office building with a total area of 5,211 sq m, land plot for development with a valid building permit decision for an A class office building of approx. 2,500 sq m, and land plot for development of approximately 10,000 sq m designated for a complex of office and warehouse buildings. The office building is currently leased to: VB Leasing, Betacom S.A., Fly Away Travel. As of the date of this report, the building is leased in 86%.

- **THE CONCLUSION OF THE CREDIT AGREEMENT WITH mBANK BY A SUBSIDIARY LAKIA INVESTMENTS SP. Z O.O.. COLLATERAL LOAN AGREEMENT ESTABLISHMENT.**

Due to the fact that the contract with the bank HSBC Bank Poland SA due to expire on 1 July 2014., on June 18, 2014, the Company signed a credit agreement replacing the existing debt financed (hereinafter the "Agreement") was made by and between the subsidiary company Lakia Investments spółka z ograniczoną odpowiedzialnością which is the subsidiary of the Company (hereinafter the "Subsidiary Company", "Borrower") and mBank Hipoteczny S.A., under which Lakia Investments Sp. z o.o. shall be granted a bank loan in the amount of 5,850,000 EUR, designated for refinancing of the office building "Solar", among others by the full and irrevocable repayment of the existing debt of this company following from the bank loan agreement with HSBC Bank Polska S.A.,

Repayment of the Mortgage Loan shall be secured by the following mortgages and pledges:

- 1) Total contractual mortgage up to the amount of 11,700,000 EUR established on:
 - a. right of perpetual usufruct of the land real property located in Warsaw at ul. Cybernetyki 7B, consisting of the plot of land with the survey number 8/7, with the area of 3908 m², for which the District Court for Warszawa-Mokotów in Warsaw, VII Land and Mortgage Register, maintains a land and mortgage book no WA2M/00139786/7 with the ownership title to the office building with the name of Solar located on said plot of land (the "Real Property"), which constitutes the property and object of the perpetual usufruct right of the company Lakia Investments sp. z o.o.;
 - b. Land real property owned by the Borrower located in Warsaw at Połczyńska 31a („Robin Real Property”), consisting of:
 - i. Plots of land with survey numbers: 53/1, 55/1 and 59/3 with the area of 3701 m², for which the District Court for Warszawa-Mokotów in Warsaw, VI Land and Mortgage Division, maintains land and mortgage book no WA1M/00168851/9 with the building located at said plot of land;

- ii. plots of land with survey numbers 53/2, 55/2 and 59/4, with the area of 555 m2 for which the District Court for Warszawa-Mokotów in Warsaw, VI Land and Mortgage Division, maintains land and mortgage book no WA1M/00168852/6;
 - iii. plots of land with survey numbers 54, 55/3, 60/1 and 60/2 with the area of 6317 m2, for which the District Court for Warszawa-Mokotów in Warsaw, VI Land and Mortgage Division, maintains land and mortgage book no WA1M/00223834/8;
 - c. ownership title to the office Building (the "Building") with the name of „Solar" with the total area designated for lease of 5,748.86 m2 along with 128 parking spaces, located on the Real Property;
- 2) registered pledge over all shares in the share capital of the Borrower with the total nominal value of 50000.00 PLN with the declaration of LAKIA ENTERPRISES LIMITED with its registered office in Nicosia (the „Shareholder") on submission to enforcement with respect to said shares, drawn up pursuant to art. 97 of the Banking Law up to the amount of 5,850,000 EUR
 - 3) registered pledges (and as a temporary security – until the registered pledges are entered to the register of pledges – financial pledges) over Borrower's receivables from the Bank Accounts;

Robin Investments sp. z o.o., the company establishing the mortgage security, is an indirect subsidiary of the Company.

Lakia Enterprises Limited, the company establishing the registered pledge over the shares in the share capital of the Borrower, is a direct subsidiary of the Company.

Value of the Robin Real Property as per the account books of Robin Investments sp. z o.o. amounts to 26,696,320 PLN.

Moreover in the Bank loan agreement the following personal securities were established:

- 1) civil law surety, granted by Robin INVESTMENTS sp. z o.o. up to the amount of 5,850,000 EUR with the declaration of Robin INVESTMENTS sp. z o.o. on the voluntary submission to enforcement in favor of the Bank, as regards the obligations following from the surety agreement, prepared pursuant to art. 97 of the Banking Law up to the amount of 5,850,000 EUR;
- 2) Obligation of the Shareholder to assist the Borrower with the additional funds in order to supplement the Debt Servicing Reserve (in the amount constituting the equivalent of 3 capital and interest installments) to the level required under the Bank Loan Agreement with the declaration of the Shareholder on submission to enforcement pursuant to art. 777 of the Code of Civil Procedure up to the amount constituting the Debt Servicing Reserve required hereunder;
- 3) own in blanco promissory note with the promissory note declaration issued by the Borrower and guaranteed by the Shareholder until the moment of entering of the material securities to relevant books and registers;
- 4) subordination of repayment of the Borrower's obligations vis-a-vis the Shareholder with respect to the loans granted (existing and future) to the obligations of the Borrower vis-a-vis the Bank as regards the repayment of debt hereunder.

Other – standard for this type of agreements – bank loan securities are: transfer for the security of debt from the insurance agreement for the Real Property and the Building, transfer of receivables due with

respect to the Lease Agreements, blockade and authorization for Borrower's bank accounts, the Debt Servicing Reserve in the amount constituting the equivalent of 3 capital and interest installments.

Bank Loan shall be made available to the Borrower after the establishment of securities and meeting of other standard conditions for availability. Making the bank loan available shall be also dependent on the refinancing of the HSBC bank loan granted to the Shareholder.

Final repayment of the Mortgage Loan shall be effected by the 20 June 2029 the latest. The amounts due shall be repaid in EUR in accordance with the agreed schedule of repayment. With respect to the bank loan granted, the Subsidiary Company shall pay the interest at the variable interest rate 6M EURIBOR increased by the Bank's margin.

Agreement meets the criteria for considering it as a significant agreement, due to the value of the granted bank loan as well as the value of the objects of security exceeding the value of 10% of the Company's equity. Said value also includes the amount of the bank loan granted by mBank Hipoteczny S.A. to the subsidiary company Robin Investments sp. z o.o. as well as the value of securities for this agreement, pursuant to § 2 par. 1 of the Regulation of the Minister of Finance of 19 February 2009 on the current and periodic information provided by the issuers of securities as well as conditions for recognition as equivalent of information required under the laws of a country which is not a member state (the "Regulation").

There are no associations between the Company or its subsidiaries or company's officers and the entity for the benefit of which the mortgage was established, the pledgee (mBank Hipoteczny S.A.) and the parties managing it.

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Due to the fact that the contract with the bank HSBC Bank Poland SA due to expire on 1 July 2014., on June 18, 2014, the Company signed a credit agreement replacing the existing debt financed (hereinafter the "Agreement") was made by and between the subsidiary company Robin Investments spółka z ograniczoną odpowiedzialnością which is the subsidiary of the Company (hereinafter the "Subsidiary Company", "Borrower") and mBank Hipoteczny S.A., under which Robin Investments Sp. z o.o. shall be granted a bank loan in the amount of 4,450,000 EUR, designated for refinancing of the office building "Aquarius", among others by the full and irrevocable repayment of the existing debt of this company following from the bank loan agreement with HSBC Bank Polska S.A.,

Repayment of the Mortgage Loan shall be secured by the following mortgages and pledges:

- 1) Total contractual mortgage up to the amount of 8,900,000 EUR established on:
 - a. right of perpetual usufruct of the land real property located in Warsaw at ul. Cybernetyki 7B, consisting of the plot of land with the survey number 8/7, with the area of 3908 m², for which the District Court for Warszawa-Mokotów in Warsaw, VII Land and Mortgage Register, maintains a land and mortgage book no WA2M/00139786/7 with the ownership title to the office building with the name of Solar located on said plot of land (the "Lakia's Real Property"), which constitutes the property and object of the perpetual usufruct right of the company Lakia Investments sp. z o.o.;
 - b. Land real property owned by the Borrower located in Warsaw at Połczyńska 31a („Real Property”), consisting of:

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- i. Plots of land with survey numbers: 53/1, 55/1 and 59/3 with the area of 3701 m2, for which the District Court for Warszawa-Mokotów in Warsaw, VI Land and Mortgage Division, maintains land and mortgage book no WA1M/00168851/9 with the building located at said plot of land;
 - ii. plots of land with survey numbers 53/2, 55/2 and 59/4, with the area of 555 m2 for which the District Court for Warszawa-Mokotów in Warsaw, VI Land and Mortgage Division, maintains land and mortgage book no WA1M/00168852/6;
 - iii. plots of land with survey numbers 54, 55/3, 60/1 and 60/2 with the area of 6317 m2, for which the District Court for Warszawa-Mokotów in Warsaw, VI Land and Mortgage Division, maintains land and mortgage book no WA1M/00223834/8;
 - c. ownership title to the office Building (the "Building") with the name of „Aquarius” with the total area designated for lease of 5252.30 m2 along with 155 parking spaces, located on the Real Property
- 2) registered pledge over all shares in the share capital of the Borrower with the total nominal value of 50000.00 PLN with the declaration of LAKIA ENTERPRISES LIMITED with its registered office in Nicosia (the „Shareholder”) on submission to enforcement with respect to said shares, drawn up pursuant to art. 97 of the Banking Law up to the amount of 4,450,000 EUR
 - 3) registered pledges (and as a temporary security – until the registered pledges are entered to the register of pledges – financial pledges) over Borrower’s receivables from the Bank Accounts;

Lakia Enterprises sp. z o.o., the company establishing the mortgage security, is an indirect subsidiary of the Company.

Value of the Lakia’s Real Property as per the account books of Lakia Enterprises sp. z o.o. amounts to 34,621,790 PLN.

Moreover in the Bank loan agreement the following personal securities were established:

- 1) civil law surety, granted by Lakia INVESTMENTS sp. z o.o. up to the amount of 4,450,000 EUR with the declaration of Lakia INVESTMENTS sp. z o.o. on the voluntary submission to enforcement in favor of the Bank, as regards the obligations following from the surety agreement, prepared pursuant to art. 97 of the Banking Law up to the amount of 4,450,000 EUR;
- 2) Obligation of the Shareholder to assist the Borrower with the additional funds in order to supplement the Debt Servicing Reserve (in the amount constituting the equivalent of 3 capital and interest installments) to the level required under the Bank Loan Agreement with the declaration of the Shareholder on submission to enforcement pursuant to art. 777 of the Code of Civil Procedure up to the amount constituting the Debt Servicing Reserve required hereunder;
- 3) own in blanco promissory note with the promissory note declaration issued by the Borrower and guaranteed by the Shareholder until the moment of entering of the material securities to relevant books and registers;
- 4) subordination of repayment of the Borrower’s obligations vis-a-vis the Shareholder with respect to the loans granted (existing and future) to the obligations of the Borrower vis-a-vis the Bank as regards the repayment of debt hereunder.

Other – standard for this type of agreements – bank loan securities are: transfer for the security of debt from the insurance agreement for the Real Property and the Building, transfer of receivables due with respect to the Lease Agreements, blockade and authorization for Borrower's bank accounts, the Debt Servicing Reserve in the amount constituting the equivalent of 3 capital and interest installments.

Bank Loan shall be made available to the Borrower after the establishment of securities and meeting of other standard conditions for availability. Making the bank loan available shall be also dependent on the refinancing of the HSBC bank loan granted to the Shareholder.

Final repayment of the Mortgage Loan shall be effected by the 20 June 2029 the latest. The amounts due shall be repaid in EUR in accordance with the agreed schedule of repayment. With respect to the bank loan granted, the Subsidiary Company shall pay the interest at the variable interest rate 6M EURIBOR increased by the Bank's margin.

Agreement meets the criteria for considering it as a significant agreement, due to the value of the granted bank loan as well as the value of the objects of security exceeding the value of 10% of the Company's equity. Said value also includes the amount of the bank loan granted by mBank Hipoteczny S.A. to the subsidiary company Lakia Investments sp. z o.o. as well as the value of securities for this agreement, pursuant to § 2 par. 1 of the Regulation of the Minister of Finance of 19 February 2009 on the current and periodic information provided by the issuers of securities as well as conditions for recognition as equivalent of information required under the laws of a country which is not a member state (the "Regulation").

There are no associations between the Company or its subsidiaries or company's officers and the entity for the benefit of which the mortgage was established, the pledgee (mBank Hipoteczny S.A.) and the parties managing it.

• **URSUS PROJECT – PLAN APPROVAL PROCESS OF SPACIAL PLANNING FOR FORMER INDUSTRIAL URSUS TRACTOR FACTORY**

The 10 July 2013, the Spatial Commission Governance for Warsaw made a positive opinion on the draft of the resolution of Warsaw city amending the resolution on the accession to the preparation of a master plan for the former industrial Ursus tractor factory.

The next day, ie. 11 July 2013, Warsaw City Council held LXI Session, during which Councillors, passed resolution No. LXI / 1668/2013 amending the resolution on the accession to the preparation of the local development plan postindustrial area of Orłow Piastowskich street.

For the company, it means that Councillors decided to divide a master plan area into three parts - the main part being more than 95% of the master plan area and the other two parts, with sites the owners of which led to the cancellation of the Study of Conditions and Directions of Spatial Development. In the first phase the first part of master plan will be passed, while two other parts will be passed later, after the necessary amendment of study.

The Resolution of Warsaw City Council was a milestone in the further process of adoption of the master plan. Designers of master plan in accordance to division, began its correction.

5 of June 2014, project of master plan with the introduced amendments has been submitted for approval to councilors on the Ursus District Council meeting. As a third point of agenda of the meeting was positive opinion on the draft of resolution on the local development plan of postindustrial area Orłow Piastowskich street part I.

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Draft of master plan will be presented at the meeting of Spatial Commission Governance, which is planned for 1 of July 2014. Finally, the project of master plan will go to vote to the Warsaw City Council that for the next meeting posted a vote on adoption of the master plan in agenda. After the adoption of master plan it requires the approval of Masovian Governor.

To meet the financial problems of the city, the Company, in 2010, declared its readiness to free transfer to the Warsaw City, sites held by the CPD SA and allocated in the local development plan for postindustrial Orlow Piastowskich streets for public roads.

Currently, in accordance with the submitted declarations of the Company Board in advanced negotiations of contract transferring areas intended for public roads located on the postindustrial sites of ZPC Ursus to the Warsaw City, owned by the Group CPD SA and allocated in the local development plan for public roads. Signing the contract is planned for July 2014.

• ORDINARY GENERAL MEETING OF CELTIC PROPERTY DEVELOPMENTS S.A.

On 29 of May 2014 at the registered office of the Company, the Annual General Meeting of Celtic Property Developments SA was held. The Annual General Meeting adopted resolutions:

- 1) on the approval of the Report on the activities of Celtic Property Developments SA for the year 2013.
- 2) on the approval of the Financial Statements of Celtic Property Developments SA for the year 2013.
- 3) on the coverage of losses Celtic Property Developments SA for the year 2013.
- 4) in the case concerning the continued existence of Celtic Property Developments SA
- 5) on the approval of the Report of the Board of the Group's activities Celtic Property Developments SA for the year 2013.
- 6) on the approval of the Consolidated Financial Statements of the Celtic Property Developments SA for the year 2013.
- 7) on the approval of the Board of Celtic Property Developments SA the discharge of their duties in 2013.
- 8) on the approval of the Supervisory Board of Celtic Property Developments SA the discharge of their duties in 2013.
- 9) on the redemption of shares of Celtic Property Developments SA
- 10) on the reduction of the share capital of Celtic Property Developments SA and changes to the Articles of Association of the Company.
- 11) on the amendment of the Company status.

5. FACTORS AND EVENTS OF UNUSUAL NATURE

In the reporting period there were no factors or events of unusual nature.

6. SEASONALITY AND PERIODICITY OF THE GROUP ACTIVITIES

The Celtic's Group activities are not subject to seasonality or periodicity.

7. WRITE-DOWNS OF INVENTORIES TO FAIR VALUES

In determining the recoverable inventory management considers property valuations prepared by independent appraiser as of 31 of December 2013, including changes dictated by changes in the value of the real estate market. In the first half of 2014, the balance of inventory write-downs decreased by PLN 0.01 million pln.

8. WRITE-DOWNS OF INVESTMENT PROPERTIES TO FAIR VALUES

In the first half of 2014, the Group recorded a negative result from the revaluation of investment property to fair value in the amount of PLN 2.8 million resulting from expenditures for the project IRIS in the first half of 2014 in the absence of revaluation of office building for 30 June 2014. In the same period of 2013 Group's profit from the revaluation of investment property to fair value amounted to PLN 4.7 million.

9. CREATION, INCREASE, UTILISATION AND REVERSEAL OF PROVISIONS

In the first half of 2014, the value of accrued expenses increased by PLN 0.96 mn. Provisions for property tax and perpetual usufruct cost were increased.

10. PROVISIONS AND DEFFERAED TAX ASSETS

In relation to deferred tax assets, the recoverable amount is determined based on the probability of the assets in the future, taking into account the business plans of individual companies included in the consolidation. This value is determined based on management's estimates. On 30 June 2014 the Group recognized in the balance of deferred tax assets in the amount of PLN 0.4 mn PLN.

On 30 June 2014 the Group's liability for deferred tax assets amounted to PLN 12.5 mn PLN. The value of these liabilities in the first quarter of 2014 created mainly to adjustments of fair value of investment properties.

11. ACQUISITION AND SALE OF PROPERTY, PLANT AND EQUIPMENT

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

12. IMPORTANT COMMITMENTS FOR PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

Not occurred.

13. IMPORTANT SETTLEMENTS OF LAWSUITS

Not occurred.

14. PREVIOUS PERIODS ERRORS' CORRECTION

Not occurred.

15. CHANGES IN THE ECONOMIC SITUATION AND BUSINESS CONDITIONS AFFECTING THE FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES OF THE COMPANY

During the first half of 2014, there not occurred changes in the economic situation which could affect the fair value of the Group's assets and liabilities.

16. DEFAULTS ON THE LOAN OR CREDIT OR THE LOAN OR CREDIT AGREEMENT INFRINGEMENT FOR WHICH ANY REMEDIAL ACTION HAVE BEEN TAKEN TO THE END OF THE REPORTING PERIOD

Not occurred.

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

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

18. INFORMATION ON THE CHANGES IN THE APPROACH USED TO DETERMINE THE FAIR VALUE OF FINANCIAL INSTRUMENTS

During the reporting period the Group did not make any changes in the approach used to determine the fair value of financial instruments.

19. CHANGES IN THE CLASSIFICATION OF FINANCIAL ASSETS

During the reporting period the Group did not make any changes in the classification of financial assets.

20. ISSUANCE, REDEMPTION AND REPAYMENT OF NON-STOCK AND EQUITY SECURITIES

February 6, 2014, the Company filed a request for an F-series shares to trading on the Stock Exchange in Warsaw. On 14 February 2014, received Resolution No. 188/14 of the National Depository for Securities, in which the Board of the National Depository decided to accept the deposit of securities 199 333 (one hundred ninety-nine thousand three hundred thirty-three) ordinary bearer shares of series F shares, with a nominal value of 0.10 PLN (ten cents) each.

February 19, 2014, the Management Board of the Stock Exchange in Warsaw SA adopted Resolution No. 178/2014 of 17 February 2014 concerning the admission and introduction to trading on the WSE 199,333 shares of common bearer F Celtic Property Developments SA nominal value of 0,10 PLN each.

WSE Management Board decided to introduce with effect from 19 February 2014, in an ordinary procedure to exchange trading on the parallel market shares provided by the National Depository for Securities On 19 February 2014 the registration of these.

21. INFORMATION RELATED TO DIVIDEND

In the reporting period the Company did not pay or declare dividend.

22. EVENTS AFTER THE DATE OF PREPARATION OF FINANCIAL STATEMENTS

• VOTE OF SPATIAL PLANNING COMMISSION

After Ursis District Council meeting held on 5 June 2014, the 1 July of 2014 a meeting of Spatial Planning Commission in relation to vote a draft of resolution on passing the master plan for postindustrial area on the Orłów Piastowskich street - Part I, was held.

As a result of voting, opinion on draft of resolution of the Warsaw City Council according passing the master plan postindustrial area on the Orłów Piastowskich street - Part I, was positive.

As a consequence of positive results of vote, draft of master plan was passed to vote of Warsaw City Council held 3 July 2014. In result Warsaw City Council passed a resolution on passing the master plan for postindustrial area on Orłów Piastowskich street - Part I.

• PASSING OF MASTER PLAN FOR POSTINDUSTRIAL AREA ON ORŁÓW PIASTOWSKICH STREET - PART I

Works on master plan since the enactment of study of conditions and directions of spatial development of Warsaw City, with amendments, and adoption of a resolution on passing the master plan for postindustrial area on Orłów Piastowskich street - Part I, lasted nearly eight years.

Finally, the culmination of those years was voting on passing the master plan for postindustrial area on Orłów Piastowskich street - Part I held on 3 July 2014 at Warsaw City Council session.

Warsaw City Council, following a vote passing resolution on approval of master plan for postindustrial area on Orłów Piastowskich street - Part I.

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This document allows to start the revitalization of postindustrial sites and urban arrangement of area of about 220 hectares, which represents 25% of the entire Ursus district. Currently, it is the area with the greatest investment potential in Warsaw covered by master plan with excellent modern infrastructure solutions in the field of public transport: rail and road, only 9 km away from the center of Warsaw and a 5 min drive from the airport Frederic Chopin.

The final stage of works on master plan for postindustrial area on Orłów Piastowskich street - Part I is its legitimacy and therefore it becomes a local law that will be applied 30 days after notice by the empowered subject in the Official Journal of the Masovian Voivodship.

• NOTARIAL DEEDS

As a result of negotiations lasting almost four years, 3 July 2014, the Issuer's subsidiaries, ie:

- Eighteen Challenge Limited Liability Company, 2/124 Gaston Investments Limited Liability Company LLP, 3/93 Gaston Investments Limited Liability Company LLP, 5/92 Gaston Investments Limited Liability Company LLP, 6/150 Gaston Investments limited Liability Company LLP, 8/126 Gaston Investments limited Liability Company LLP, 9/151 Gaston Investments limited Liability Company LLP, 10/165 Gaston Investments company limited responsibility LLP, 11/162 Gaston Investments limited Liability Company LLP, 12/132 Gaston Investments limited Liability Company LLP, 13/155 Gaston Investments limited Liability Company LLP, 15 / 167 Gaston Investments limited Liability Company LLP, 18 Gaston Investments limited Liability Company LLP (referred to as the "Subsidiaries")

and

- City of Warsaw,

and

- Challenge Eighteen limited liability company (the "Subsidiary")

and

- The Treasury,

entered into a contract in the form of notarial acts, including the transfer of perpetual usufruct of land for the City of Warsaw and the Treasury. Ww. areas in the draft master plan for postindustrial area on Orłów Piastowskich street - Part I, are intended for public areas.

Subsidiaries entered into the following agreements:

- preliminary sales agreement signed July 3, 2014, in the form of a notarial deed between a 18 Gaston Investments Limited Liability Company LLP and the Capital City of Warsaw for the sale by the Subsidiary, the right of perpetual usufruct of immovable property with the following numbers KW WA1M/00228713/9, WA1M/00283412/2, WA1M/00338241/3, WA1M/00359139/8, WA1M/00453511/9, WA5M / 00444063/5, WA5M/00444810/7, WA5M/00460144/5, located in Ursus district of Warsaw. The total book value of the perpetual usufruct of real estate on the books of companies is 5 687 012.99 PLN. Sale price amounts to PLN 1 for the right of perpetual usufruct of each property.
- donation agreement signed 3 July 2014, in the form of a notarial deed between companies Eighteen Challenge Limited Liability Company, 2/124 Gaston Investments Limited Liability Company LLP, 3/93 Gaston Investments Limited Liability Company LLP, 5/92 Gaston Investments

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limited Liability Company LLP, 6/150 Gaston Investments limited Liability Company LLP, 8/126 Gaston Investments limited Liability Company LLP, 9/151 Gaston Investments company limited responsibility LLP, 10/165 Gaston Investments limited Liability Company LLP, 11/162 Gaston Investments limited Liability Company LLP, 12/132 Gaston Investments limited Liability Company LLP, 13 / 155 Gaston Investments limited Liability Company LLP, 15/167 Gaston Investments limited Liability Company LLP and the Capital City of Warsaw refers to free transfer of the right of perpetual usufruct of immovable property numbered KW WA5M/00444808/0, WA5M/00473247/1, WA5M/00470813/9, WA5M/00470814/6, WA1M/00283410/8, WA1M/00283123/9, WA1M/00283128/4, WA1M/00338197/9, WA1M/00454073/3, WA1M/00283125/3, WA1M/00060388/5, WA1M/00359150/1, WA5M/00443952/7, WA1M/00060218/3, WA1M / 00060294/9, WA5M/00444064/2, WA5M/00444065/9, WA1M/00233103/8, WA1M/00377082/5, WA1M/00432820/5, WA5M/00443951/0, WA5M/00444066/6, located in Warsaw Ursus district. The total book value of the right of perpetual usufruct of immovable property in the books is 23 462 396.59 PLN.

- Contract solutions perpetual usufruct signed 3 July 2014 in the form of a notarial deed between a Challenge Eighteen limited liability company and the Treasury, concerned termination of perpetual usufruct numbered KW WA1M/00228714/6 and WA5M/00444807/3, located in Ursus district of Warsaw. The total value of the land in the books is 3 372 163,96 PLN.

The conclusion of these agreements is the next step in enabling the adoption of master plan for postindustrial area on Orłów Piastowskich street - Part I. Free obtaining the right of perpetual usufruct of land above the town, is the next step of bringing the Ursus district for the comprehensive revitalization of the postindustrial areas of Ursus Factory. This enhances synchronized and sustainable multifunctional launch an urban investment in the above areas and at the same time is extremely important impulse for the economic development of the district.

There is no relationship between the Company and its directors or supervisors and purchasing assets.

Celtic Group as the largest investor in the area wishes to start an investment in the area covered by the newly adopted plan, which is part of a new chapter of cooperation between the municipality and the developer in the field of rural development under public facilities - roads, educational, cultural, including organize a museum dedicated to the history of Ursus. At the same time company emphasize the importance of master plan of these areas, not only for the residents of the district, but the whole Warsaw. The adoption of master plan is the culmination of all the other public investment in this area: among others, Western Warsaw Bypass, Salomea hub and the newly constructed thoroughfares 4 czerwca 1989 r. street and Nowomory street as well as the railway tracts.

• VALIDATION OF MASTER PLAN FOR POSTINDUSTRIAL AREA ON ORŁÓW PIASTOWSKICH STREET - PART I

The last stage of formal validation and obligation of the local master plan for redevelopment of postindustrial area on Orłów Piastowskich street - Part I, occurred on 15th of August of 2014.

3rd of July of 2014, the Warsaw City Council passed a resolution on the adoption of postindustrial area on Orłów Piastowskich street - Part I. Adoption of a resolution by the City Council launched the final stage of implementation of this plan.

On 15th of July of 2014 resolution was published in the Official Journal of the Mazowian Voivodship.

The resolution, together with all the documentation has been forwarded to the Mazowian Governor who published Boards Settlement on 5th of July of 2014 in the Official Journal of Mazowian Voivodship.

Therefore, the resolution, as amended by the Mazovian Governor, shall enter into force after 30 days from the date of its publication in the Official Journal, i.e. on 15th of August of 2014.

Works on the Master Plan since the moment of enactment of study of conditions and directions of spatial development of the Warsaw City with the amendments, and adoption of resolution on the accession of master plan for Orłów Piastowskich street lasted nearly eight years.

This document allows to start revitalization of postindustrial sites and urban arrangement of an area of about 220 hectares, which constitutes 25% of the entire district of Ursus. Currently, the area has the most potential for investment in Warsaw covered with the Master Plan having an excellent modern infrastructure solutions in the sector of public transport completed in 2013 and placed only 9 km from the city center.

In accordance to the Master Plan, the area owned by Celtic Group gives capabilities of building modern urban spatial investment with a usable area of approximately 740 thousand square meters where approximately 550 thousand square meters can be used for housing and 190 thousand for commercial service. The Company intends to modify the above assumptions, in order to optimize buildings area and increase the attractiveness of the location for prospective residents and thereby maximize the value of the project.

Celtic Group is planning to develop a multifunctional urban area of residential buildings comprising mainly 40 -80 sq.m. flats. Apartments built under the project will be designed mainly for young, working people or families looking for their first apartment. Price of apartments suitable for moderate wages, and easy and convenient access to the city center will be a particular advantage of the project for the clients. Existing, easy access by public transport will remain ensured in the future due to:

- access by rail - the location of the project between stations Warsaw Ursus and Warsaw Ursus North, Gołębki and Niedziwiadek lying on two main railway routes, allows access to the center in about 14 minutes;
- accessible by car / bus - the direct neighborhood of the project, with twelve bus lines as well as western bypass of Warsaw built as connection of streets Nowomory and 4 Czerwca 1989 guarantees proximity of major transportation hubs.

Current market trends indicate large market demand for small surfaces and moderately priced housing. Ursus project has been designed to fit perfectly with the products to the needs of the market, therefore the Company expects strong demand for supplied housing. In addition, the Company expects a large target interest in the project due to the competitive advantage resulting from the location, design flexibility, innovative solutions and attractive prices.

Above figures demonstrate the irrefutable fact that the adoption of master plan and infrastructure investments have opened a new chapter in the history of the Ursus district. Development of such a large area and returning to residents are not only the revitalization process. It's a great start of the investment process, creating hundreds of new jobs, new residents settle and realization of many investments are important for the district.

It is also the implementation of a new model of cooperation between the city, district and investors. In the process of adopting a master plan, Celtic Group donated to the city more than 8 hectares of land allocated for public investment. This action also exclude from the budget of the local government high expense related to the redemption of the land while money could be spent on investments district in the area.

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Later this year, Celtic Group will begin the first phase of its investment program. Details will be given at the next press conference.

- **DECISION ON THE BONDS ISSUANCE**

In order to secure the financial needs of the Group in coming years, mainly preparation of investment in the areas covered by master plan, the board of CPD S.A. plans financing of the Group by the Company's shareholders. As a result, on 5 August 2014 Extraordinary General Meeting of Shareholders decided to carry out the Company's issuance of bonds convertible into shares for a total amount not exceeding 160 units with the nominal value of 50 thousand EUR per unit. The total nominal value of bonds amount to no more than 8 thousand EUR. The bonds will be issued in tranches, subject to the latter issue will take place no later than 31 December 2015. Bond issue will be addressed in the first instance to selected investors from among the existing shareholders and will not constitute a public offering. Management believes the acquisition of the Group's capital by issuing bonds is the best way to raise the necessary funds on favorable terms.

Rules for submission by CPD SA shareholders declaration of interest in acquiring the bonds was published 18 August 2014 year. Declarations of interest in acquiring the bonds will be accepted until 1 September 2014. Date of initial allotment is scheduled for 8 September 2014. Notification of the results of an initial allocation will take place on 11 September 2014.

- **SALE OF SUBSIDIARY SHARES**

As a continuation of consolidation processes and portfolio managing costs optimization, launched in early 2012, the Group initiated process of selling shares of Gaetan Investments.

At the date of this report these activities were not reflected in the company's registration documents. The Company has not conducted any operations or investing in the current year.

23. CHANGES RELATED TO CONDITIONAL LIABILITIES OR ASSETS

During the reporting period the Group did not make any material changes related to conditional liabilities or assets.

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

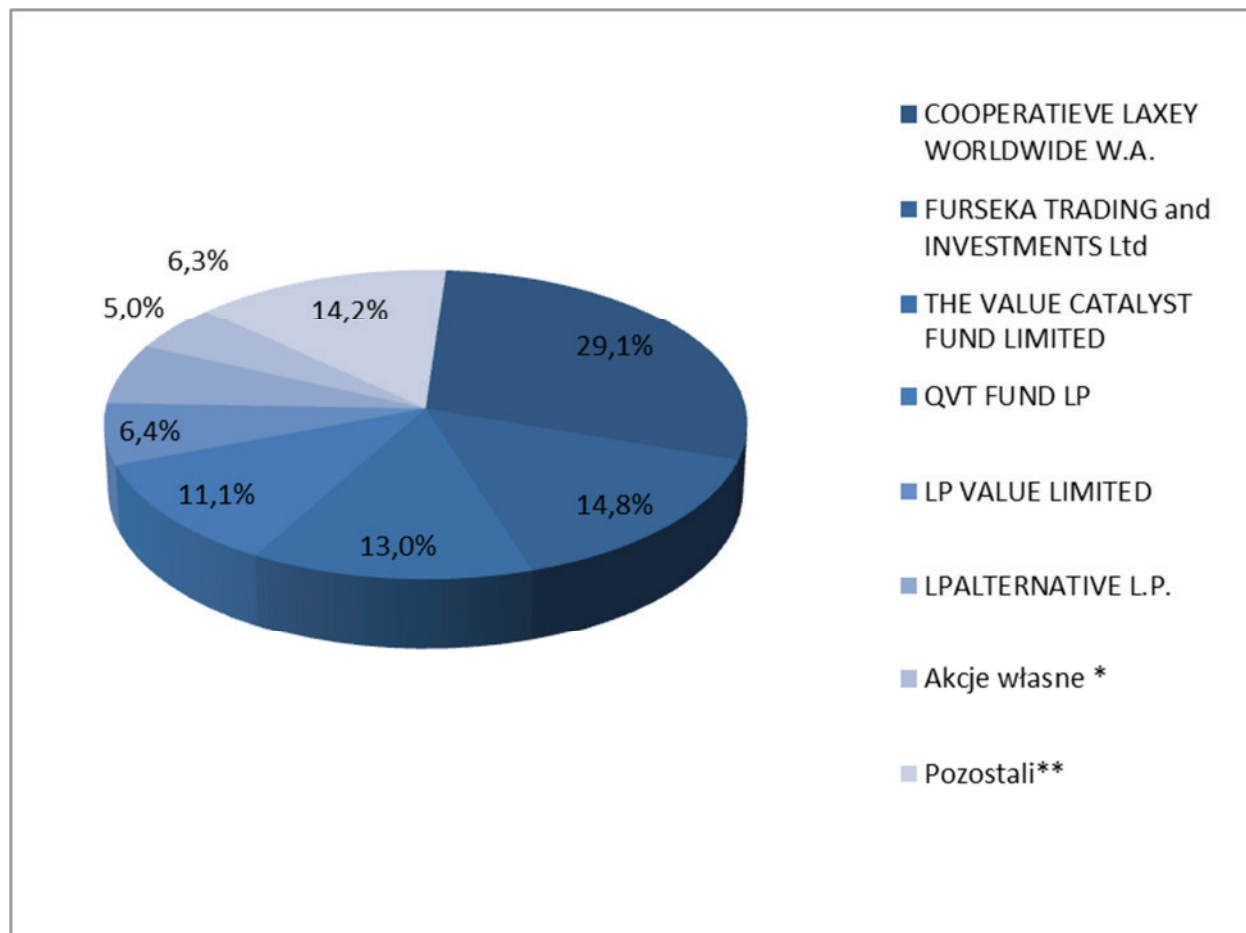
Neither Celtic Group nor its dominant entity – Celtic Property Developments S.A. – published any forecasts of financial results.

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

Shareholding structure of Celtic Property Developments S.A.



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

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	Posiadacz akcji	Rodzaj akcji	Liczba akcji	Udział w kapitale zakładowym (%)
1	COOPERATIEVE LAXEY WORLDWIDE W.A.	Na okaziciela	10 082 930	29,15%
2	FURSEKA TRADING and INVESTMENTS Ltd	Na okaziciela	5 137 222	14,85%
3	THE VALUE CATALYST FUND LIMITED	Na okaziciela	4 490 475	12,98%
4	QVT FUND LP	Na okaziciela	3 843 635	11,11%
5	LP VALUE LIMITED	Na okaziciela	2 198 450	6,35%
6	LPALTERNATIVE L.P.	Na okaziciela	2 193 931	6,34%
7	Akcje własne *	Na okaziciela	1 732 394	5,01%
8	Pozostali**	Na okaziciela	4 916 560	14,21%
TOATAL			34 595 597	100%
całkowita liczba akcji			34 595 597	

* On April 15, 2013, the Company acquired in the transaction 1,732,394 shares buy-back of own redemption. The Company, in accordance with applicable law, may not exercise the voting rights of the shares.

** Shareholders, none of which holds 5% or more shares (votes).

26. THE COMPANY'S SHARES HELD BY THE MANAGING AND SUPERVISING PARTIES

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

Akcjonariusz		Liczba akcji posiadanych na dzień publikacji raportu	Wartość nominalna posiadanych akcji (PLN)	Jako % całkowitej liczby akcji*	Jako % całkowitej liczby głosów*
Elżbieta Wiczowska	Prezes Zarządu	42 498	4 250	0,12%	0,12%
Iwona Makarewicz	Członek Zarządu	4 734	473	0,01%	0,01%
TOTAL		47 232	4 723	0,14%	0,14%

*Total number of shares after share capital increase, i.e. 34,396,264 shares.

The Company has no information on the fact of holding the Company's shares by other persons being members of the managing or supervising bodies.



27. COURT, ADMINISTRATIVE AND ARBITRATION PROCEEDINGS FOR A VALUE HIGHER THAN 10% OF THE COMPANY'S EQUITY

As at the date of this report, neither Celtic Property Developments S.A. nor any of its subsidiaries was a party to proceedings pending at courts, bodies competent for arbitration proceedings or a public administration body, the total value of which would exceed 10% of equities of Celtic Property Developments S.A.

28. MAJOR LOAN AGREEMENTS, LOAN WARRANTIES AND GUARANTEES GRANTED

As at 30 June 2014, the Group presented in the consolidated financial statements, loan liabilities incurred in the following banks:

- Loans granted by HSBC bank in the amount of 40 407 PLN;
- Loans granted by the Bank of the West BZ WBK in the amount of 59 777 PLN;

In accordance with the terms of the credit agreement with HSBC Bank, to finance two investment properties, 18 June 2014 the subsidiaries Robin Investments sp. z o.o. and Lakia Investments sp. z o.o. (owners of those properties), have signed the agreements with mBank Hipoteczny S.A. to refinance this loan. Earlier, 29 May 2014 the annex to the HSBC Bank agreement was signed and it assumes the final repayment of loan 27 June 2014. Real refinance (drown-down from mBank Hipoteczny as well as repayment of loan from HSBC) is dated 1 July 2014.

Loan agreements with mBank Hipoteczny S.A., signed 18 June 2014, to a total maximum amount of credit of EUR 10.3 million. The final repayment due date is in June 2029.

The loan was granted on market terms and is secured through the establishment of a mortgage on investment properties owned by Robin Investments sp. z o.o and Lakia Investments Sp. z o.o and establishing a registered pledge on the shares of these companies.

In accordance to the loan granted by the Bank Zachodni WBK, the deadline for repayment of the loan or its conversion to long-term investment loan due on 12 August 2014. Simultaneously, on 12 August 2014 was signed third annex to the loan agreement, which extended repayment date to 31 December 2014.

With regard to the final VAT Loan final repayment will be made not later than 31 December 2014.

One of the conditions for conversion of the loan and thus postpone of the deadline date is to achieve a certain level of leasing progress. Priority for the management of the Group is to complete the commercialization of the Iris building and convert the construction loan into an investment loan in accordance with the current timetable, ie. Latest in December 2014. According to the board by the end of 2014 stage of commercialization of the building shall reach the expected level. In case of the factors that prevent the achievement of the assumed level of rent, the Board will consider negotiating with the bank to extend the deadline for the conversion of the loan.

In reporting period did not change guarantees granted connected with significant credit agreement signed 12 August 2011 between the Bank Zachodni WBK SA and the subsidiary Belise Investments Sp.

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z o.o. as borrower and guarantor, which are Celtic Property Developments S.A., Lakia Enterprises Ltd. and East Europe Property Financing AB, concerning the financing of the project IRIS.

In the reporting period there were no changes of warranties and guarantees granted in relation to another major loan agreement signed on 12 August 2011 between Bank Zachodni WBK S.A. and Blaise Investments sp. z o.o. subsidiary as the borrower and Celtic Property Developments S.A., Blaise Investments sp. z o.o., Devin Investments sp. o.o., Lakia Investments sp. z o.o., Mandy Investments sp. z o.o., Robin Investments sp. z o.o. as guarantors for funding of the IRIS project.

29. THE SUPERVISORY BOARD AND THE MANAGEMENT BOARD

At 30 June 2014, the composition of the Supervisory Board of the Company was as follows:

- Mrs. Marzena Bielecka – President of the Supervisory Board (Supervisory Board member meeting the requirements of independent member of the Supervisory Board)
- Mr. Wiesław Oleś – Vice President of the Supervisory Board
- Mr. Andrew Pegge – Secretary of the Supervisory Board
- Mr. Mirosław Gronicki – Member of the Supervisory Board (Supervisory Board member meeting the requirements of independent member of the Supervisory Board)
- Mr. Wiesław Rozłucki - Member of the Supervisory Board (Supervisory Board member meeting the requirements of independent member of the Supervisory Board)

The above composition of the Supervisory Board of the 2nd term was appointed by the Ordinary General Meeting held on 24 May, 2012. The term of office of the Supervisory Board expires 24 May, 2015.

At 30 June 2014, the composition of the Management Board of the Company was as follows:

- Mrs. Elżbieta Wiczowska – President of the Management Board;
- Mr. Piotr Turchoński – Member of the Management Board;
- Mrs. Iwona Makarewicz – Member of the Management Board
- Mr. Colin Kingsnorth - Member of the Management Board.

The composition of the Management Board of Celtic Property Developments S.A. at the end of H1 2014 did change in comparison to the end of the year 2013.

30. OTHER IMPORTANT INFORMATION

No other except those mentioned above.

31. FACTORS AFFECTING RESULTS OF THE FOLLOWING QUARTERS

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

- adoption of the local zoning plan for land in Ursus by the Warsaw authorities which will let the Group commence construction works under the Ursus project;
- renting IRIS building
- situation on financial markets which may affect valuation of the Group's real property portfolio.

II. MANAGEMENT BOARD STATEMENT

The Management Board of Celtic Property Developments S.A. ("The Company") confirms that to the best of its knowledge condensed interim consolidated financial statements of the Group Celtic Property Developments S.A. ("The Group") and condensed interim financial statements of the Company for the period of 6 months ended 30 June 2014 as well as comparative figures have been prepared in accordance with applicable accounting principles and give a true and fair financial and asset situation of the Group and its financial results and that the half-year report of activities of the Group includes the true situation of the achievements and the situation of the Group including principal threats and risks.

The Management of Celtic Property Developments S.A. confirms that the entity authorized to audit financial statements, which has reviewed Group's condensed interim consolidated financial statements and the Company's condensed interim financial statements was selected in accordance with the law, that entity as well as the auditor who has carried out the review fulfilled the conditions required by law to issue an independent and unbiased review report, in accordance with applicable regulations and professional standards.

Warsaw, 28 August, 2014

Elżbieta Wiczowska

President of the Management Board

Colin Kingsnorth

Member of the Management Board

Iwona Makarewicz

Member of the Management Board

Piotr Turchoński

Member of the Management Board

CELTIC PROPERTY DEVELOPMENTS S.A.

HALF YEAR REPORT FOR 6 MONTHS ENDED 30 JUNE 2014 R.

**III. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT
FOR H1 FY2014 ALONG WITH CONDENSED FINANCIAL
STATEMENTS OF CELTIC PROPERTY DEVELOPMENTS S.A.**

CELTIC PROPERTY DEVELOPMENTS S.A.

Condensed interim consolidated financial statements
for the period of months ended 30 June 2014

and the condensed financial statements of
CELTIC PROPERTY DEVELOPMENTS S.A.
for the period of months ended 30 June 2014

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

(unaudited financial data)

CELTIC PROPERTY DEVELOPMENTS S.A.

Condensed interim consolidated financial statements for the period of 6 months ended 30 June 2014

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CELTIC PROPERTY DEVELOPMENTS S.A.

Condensed interim consolidated financial statements for the period of 6 months ended 30

(All amounts in PLN thousands unless otherwise stated)

I Interim condensed consolidated financial statements

Condensed consolidated statement of comprehensive income

	Note	For the 6 month period ended	
		14-06-30 (unaudited)	13-06-30 (unaudited)
Revenues	12	7 219	7 838
Cost of sales	13	(1 260)	(8 659)
PROFIT ON SALES		5 959	(821)
Administrative costs property related	14	(5 190)	(6 116)
Administrative expenses-other	15	(3 792)	(4 194)
Selling and marketing expenses		(133)	(50)
Result on disposal of investment properties		0	(2 182)
Other income	16	16	355
Net (loss)/ gain from fair value adjustments on investment properties	4	(2 772)	4 680
Foreign exchange (loss) / gain on Assets held for sale		0	1 350
OPERATING RESULT		(5 912)	(6 978)
Financial income	17	156	256
Financial costs	17	(3 790)	(7 271)
PROFIT (LOSS) BEFORE INCOME TAX		(9 546)	(13 993)
Income tax	18	244	(3 017)
PROFIT (LOSS) FOR THE PERIOD		(9 302)	(17 010)
Currency translation adjustment		(175)	(681)
TOTAL COMPREHENSIVE INCOME		(9 477)	(17 691)
DILUTED EARNINGS PER SHARE	22	(0,27)	(0,50)

Total comprehensive income is attributable to the shareholders of the parent company.

Elżbieta Donata Wiczowska
Chairman of the Board

Colin Kingsnorth
Board Member

Piotr Turchoński
Board Member

Iwona Makarewicz
Board Member

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

CELTIC PROPERTY DEVELOPMENTS S.A.

Condensed interim consolidated financial statements for the period of 6 months ended 30 June 2014

(All amounts in PLN thousands unless otherwise stated)

Condensed consolidated statement of financial position

	Note	14-06-30 (unaudited)	13-12-31
ASSETS			
Non-current assets			
Investment properties	4	443 268	442 793
Property, plant and equipment		821	853
Intangible assets, excluding goodwill		107	108
Bonds		3 309	3 190
Deferred tax assets	11	435	360
		447 940	447 304
Current assets			
Inventories	6	7 656	7 773
Trade receivables and other receivables	5	9 410	7 865
Cash and cash equivalents	7	7 356	11 981
		24 422	27 619
Total assets		472 362	474 923

CELTIC PROPERTY DEVELOPMENTS S.A.

Condensed interim consolidated financial statements for the period of 6 months ended 30 June 2014

(All amounts in PLN thousands unless otherwise stated)

Condensed consolidated statement of financial position - cont.

	Note	14-06-30 (unaudited)	13-12-31
EQUITY			
Equity attributable to owners of the parent company			
Share capital	8	3 460	3 460
Own shares		(12 300)	(12 300)
Reserve capital		987	987
Translation reserve		(4 022)	(3 847)
Retained earnings		331 760	341 062
Total equity		319 885	329 362
LIABILITIES			
Non-current liabilities			
Trade payables and other liabilities	9	1 118	384
Borrowings, including financial leasing	10	22 020	22 027
Deferred tax liabilities	11	12 521	13 468
		35 659	35 879
Current liabilities			
Trade payables and other liabilities	9	16 369	15 370
Current income tax liabilities		265	267
Borrowings, including financial leasing	10	100 184	94 045
		116 818	109 682
Total liabilities		152 477	145 561
Total Equity and liabilities		472 362	474 923

Elżbieta Donata Wiczowska
Chairman of the Board

Colin Kingsnorth
Board Member

Piotr Turchoński
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Iwona Makarewicz
Board Member

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CELTIC PROPERTY DEVELOPMENTS S.A.

Condensed interim consolidated financial statements for the period of 6 months ended 30 June 2014

(All amounts in PLN thousands unless otherwise stated)

Condensed consolidated statement of changes in equity

	Note	Share capital	Own shares	Translation reserve	ntary capital	Reserve capital	Retained earnings	Total equity
Balance as at 01/01/2013		3 431	0	(3 933)	0	4 399	379 724	383 621
<u>Transactions with owners</u>								
Own shares			(12 300)	0	0	0	0	(12 300)
		0	(12 300)	0	0	0	0	(12 300)
<u>Comprehensive income</u>								
Currency translation adjustment		0	0	(681)	0	0	0	(681)
Profit (loss) for the period		0	0	0	0	0	(17 010)	(17 010)
		0	0	(681)	0	0	(17 010)	(17 691)
Balance as at 30/06/2013 /unaudited			(12 300)	(4 614)	0	4 399	362 714	353 630
Balance as at 01/01/2014		3 460	(12 300)	(3 847)	0	987	341 062	329 362
<u>Transactions with owners</u>								
		0	0	0	0	0	0	0
<u>Comprehensive income</u>								
Currency translation adjustment		0	0	(175)	0	0	0	(175)
Profit (loss) for the period		0	0	0	0	0	(9 302)	(9 302)
		0	0	(175)	0	0	(9 302)	(9 477)
Balance as at 30/06/2014		3 460	(12 300)	(4 022)	0	987	331 760	319 885

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

Elżbieta Donata Wiczowska
Chairman of the Board

Colin Kingsnorth
Board Member

Piotr Turchoński
Board Member

Iwona Makarewicz
Board Member

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

CELTIC PROPERTY DEVELOPMENTS S.A.

Condensed interim consolidated financial statements for the period of 6 months ended 30 June 2014

(All amounts in PLN thousands unless otherwise stated)

Condensed consolidated statement of cash flows

		For the 6 month period ended	
	Note	14-06-30	13-06-30
		(unaudited)	(unaudited)
Cash flow from operating activities			
Cash generated from operations	19	(5 693)	2 725
Interest paid		(429)	(1 329)
Income tax paid		0	(120)
Net cash generated from investing activities		(6 122)	1 276
Cash flows from investing activities			
Capital expenditure on investment properties		(3 254)	(2 173)
Purchase of property, plant and equipment		(111)	(257)
Revenue from sale of investment property		0	13 130
Interest received		44	0
Net cash used in investing activities		(3 321)	10 700
Cash flows from financing activities			
Proceeds from borrowings		5 820	3 493
Acquisition of bonds		0	(3 000)
Acquisition of own shares		0	(12 300)
Repayments of borrowings		(1 003)	(4 734)
Net cash used in financing activities		4 817	(16 541)
Net (decrease)/increase in cash and cash equivalents			
		(4 625)	(4 565)
Cash and cash equivalents at beginning of year		11 981	27 101
Cash and cash equivalents at the end of the period		7 356	22 536

Elżbieta Donata Wiczowska
Chairman of the Board

Colin Kingsnorth
Board Member

Piotr Turchoński
Board Member

Iwona Makarewicz
Board Member

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

CELTIC PROPERTY DEVELOPMENTS S.A.

Condensed interim consolidated financial statements for the period of 6 months ended 30 June 2014

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

1 General Information

Celtic Property Developments 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 2 September 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 20 December 2010, the combined company's shares are admitted to trading on the stock exchange in Warsaw, and the first listing took place three days later.

With effect from 1 January 2010, the currency of the presentation of consolidated financial statements is PLN (previously €).

Information about CPD Group

At the reporting date the Capital Group consists of CPD SA as the parent company and 37 subsidiaries.

In the period from 1 January 2014 to 30 June 2014 there were no changes in the Group structure.

2 The accounting principles

Accounting principles are consistent with the principles applied in the annual consolidated financial statements for the year ended 31 December 2013.

These interim condensed consolidated financial statements of the CPD were prepared in accordance with international accounting standard approved by the EU-IAS 34 Interim financial reporting.

At the reporting date, liabilities amounted to 116 818 thousand PLN (including bank loans liabilities amounting to 100 184 thousand PLN) and exceed current assets by 92 396 thousand PLN. As described in Note 10, the Board has taken appropriate action in order to extend the repayment terms of these loans. Liabilities in respect of the loan granted by HSBC, which at the balance sheet date amounted to 40 407 thousand PLN, on 1 July 2014 were refinanced by long-term loan taken in the bank m-bank Hipoteczny SA, the deadline for repayment is June 2029. With regard to the obligations under the loan granted by the Zachodni bank BZ WBK, which as at the balance sheet date amounted to 59 777 thousand PLN, on 12 August 2014. an annex to the credit agreement was signed which extended the deadline for the final payment of the loan or its conversion to long-term investment loan until 31 December 2014. One of the conditions for conversion of the loan and thus postpone the final repayment period by 2019 is to achieve a certain rent level which is set in the bank agreement. The priority for the Group Management Board is to complete the commercialization of Iris building and convert the construction loan into an investment loan under the current schedule, ie., in December 2014. According to the Board by the end of 2014 the stage of commercialization of the building will reach the expected level; in case if the factors that prevent the achievement of the target will appear, the Management Board will consider negotiations with the bank to extend the deadline for the conversion of the loan.

In the opinion of the Board, the risk that none of the above options will take place and as a consequence the loan will have to be paid back immediately is very low.

CELTIC PROPERTY DEVELOPMENTS S.A.

Condensed interim consolidated financial statements for the period of 6 months ended 30 June 2014

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

At the same time, based on an analysis of projected cash flows during the next 12 months from the balance sheet date, the Board sees the need to obtain additional financing, which would provide funding for the Group's key projects and improved financial structure of the Group.

As presented in Note 26 "Subsequent Events" on 15 August 2014 was finalised the last stage of formal validation of Local Development Plan (LDP) for brownfield sites in the area of street Orłów Piastowskich (Ursus areas, which are held by the Group) , which allows to start construction projects in the near future.

In order to secure the financial needs of the Group for the next 12 months, including preparation of investment in the areas covered by the plan, the Board of CPD SA plans to finance plans of the Group by the Company's shareholders. As a result, on 5 August 2014 the Extraordinary General Meeting of Shareholders decided to carry out the Company's issuance of bonds convertible into shares for a total amount not exceeding 160 units and the nominal value of 50 thousand EUR per unit. The total nominal value of bonds amount to no more than 8,000 thousand EUR. The bonds will be issued in tranches, the last issue will take place no later than 31 December 2015. Bond issue will be addressed to selected investors being the current shareholders first and will not constitute a public offering. Management believes the acquisition of the Group's capital by issuing bonds is the best way to raise the necessary funds.

In the opinion of the Board, taking into account that the planned bond issue is addressed to the current selected shareholders of CPD, the risk that the Group will not be able to raise funds to ensure its funding is low.

2.1 Basis of preparation

Applied new and revised standards and interpretations:

In these consolidated financial statements, the following new and amended standards and interpretations that came into force on 1 January 2014 have been adopted:

IFRS 10 "Consolidated Financial Statements"

IFRS 10, Consolidated Financial Statements (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), replaces all of the guidance on control and consolidation in IAS 27 "Consolidated and separate financial statements" and SIC-12 "Consolidation - special purpose entities". IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. This definition is supported by extensive application guidance.

The group has applied the amendments to IFRS 13 from 1 January 2014.

IFRS 11 "Joint Arrangements"

IFRS 11, Joint Arrangements, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), replaces IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly Controlled Entities—Non-Monetary Contributions by Ventures". Changes in the definitions have reduced the number of types of joint arrangements to two: joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. Equity accounting is mandatory for participants in joint ventures.

Amendment of this standard has not affected the financial statements.

CELTIC PROPERTY DEVELOPMENTS S.A.

Condensed interim consolidated financial statements for the period of 6 months ended 30 June 2014

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

IAS 27 - " Condensed financial statements"

Amendments to IAS 27 published again as IAS 27 "Condensed Financial Statements" effective for annual periods beginning on or after 1 January 2013 or later. Provisions relating to the consolidation of previously forming part of IAS 27 (2008) have been revised and are now included in IFRS 10. In the EU, the amendments are effective for annual periods beginning on or after 1 January 2014 or later.

Application of the standard had no impact on these consolidated financial statements.

IFRS 12 "Disclosure of shares in other entities"

IFRS 12 was issued by the International Accounting Standards Board in May 2011., And is valid in the European Union for annual periods beginning on or after 1 January 2014., Or after that date.

The new standard applies to entities that have an interest in a subsidiary, joint venture, an associate or an unconsolidated structured entity. The standard replaces the disclosure requirements currently contained in IAS 27 "Consolidated and Separate Financial Statements", IAS 28 "Investments in Associates" and IAS 31 "Interests in Joint Ventures". IFRS 12 requires entities to disclose information that helps users of financial statements to evaluate the nature, risks and financial effects of investments in subsidiaries, associates, joint ventures and unconsolidated structured entities. To this end, the new standard requires disclosure of information concerning a number of areas, including significant judgments and assumptions made in determining whether an entity controls, jointly controls or has significant influence over another entity; detailed information concerning the non-controlling interest in the business and cash flows; summary financial information of subsidiaries with significant non-controlling interests, as well as detailed information concerning interests in unconsolidated structured entities.

The Group applies the provisions resulting from standard in the consolidated financial statements.

Amended IAS 28 "Investments in Associates and Joint Ventures"

Amended IAS 28 "Investments in Associates and Joint Ventures" was published by the International Accounting Standards Board in May 2011., And valid in the European Union for annual periods beginning on or after 1 January 2014., Or after that date. Amendments to IAS 28 resulted from the IASB's project on joint ventures. The Board decided to include the principles for recognizing joint ventures using the equity method in IAS 28 because this method is applicable to both joint ventures and associates. Aside from this exception, other guidelines have not changed.

Application of the standard had no impact on these consolidated financial statements.

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32

Amendments to IAS 32 "Financial Instruments: Presentation" on offsetting financial assets and financial liabilities have been published by the International Accounting Standards Board in December 2011., And effective for annual periods beginning on or after 1 January 2014., Or after that date.

The amendments introduce additional explanations application of IAS 32 to clarify the inconsistencies encountered in the application of certain criteria for netting. They include the clarify what is meant by "has a legally enforceable right to set off," and that some gross settlement systems may be regarded as settled net in case certain conditions are met.

Application of the standard had no impact on these consolidated financial statements.

CELTIC PROPERTY DEVELOPMENTS S.A.

Condensed interim consolidated financial statements for the period of 6 months ended 30 June 2014

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

Transition Guidance Amendments to IFRS 10, IFRS 11 and IFRS 12

Transition Guidance Amendments to IFRS 10, IFRS 11 and IFRS 12 (issued on 28 June 2012 and effective for annual periods beginning 1 January 2013). The amendments clarify the transition guidance in IFRS 10 Consolidated Financial Statements. Entities adopting IFRS 10 should assess control at the first day of the annual period in which IFRS 10 is adopted, and if the consolidation conclusion under IFRS 10 differs from IAS 27 and SIC 12, the immediately preceding comparative period (that is, year 2012 for a calendar year-end entity that adopts IFRS 10 in 2013) is restated, unless impracticable. The amendments also provide additional transition relief in IFRS 10, IFRS 11, Joint Arrangements, and IFRS 12, Disclosure of Interests in Other Entities, by limiting the requirement to provide adjusted comparative information only for the immediately preceding comparative period. Further, the amendments will remove the requirement to present comparative information for disclosures related to unconsolidated structured entities for periods before IFRS 12 is first applied.

The group has applied the amendments to IFRS 13 from 1 January 2014.

Amendments to IFRS 10, IFRS 12 and IAS 27 - Investment entities

Amendments to IFRS 10, IFRS 12 and IAS 27 - Investment entities (issued on 31 October 2012 and effective for annual periods beginning 1 January 2014). The amendment introduced a definition of an investment entity as an entity that (i) obtains funds from investors for the purpose of providing them with investment management services, (ii) commits to its investors that its business purpose is to invest funds solely for capital appreciation or investment income and (iii) measures and evaluates its investments on a fair value basis. An investment entity will be required to account for its subsidiaries at fair value through profit or loss, and to consolidate only those subsidiaries that provide services that are related to the entity's investment activities. IFRS 12 was amended to introduce new disclosures, including any significant judgements made in determining whether an entity is an investment entity and information about financial or other support to an unconsolidated subsidiary, whether intended or already provided to the subsidiary.

The group has applied the amendments to IFRS 13 from 1 January 2014.

Amendments to IAS 36 - Recoverable amount disclosures for non-financial assets

Amendments to IAS 36 - Recoverable amount disclosures for non-financial assets (issued on 29 May 2013 and effective for annual periods beginning 1 January 2014; earlier application is permitted if IFRS 13 is applied for the same accounting and comparative period). The amendments remove the requirement to disclose the recoverable amount when a CGU contains goodwill or indefinite lived intangible assets but there has been no impairment.

Amendments to IAS 39 - Novation of Derivatives and Continuation of Hedge Accounting

Amendments to IAS 39 - Novation of Derivatives and Continuation of Hedge Accounting (issued on 27 June 2013 and effective for annual periods beginning 1 January 2014). The amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated (i.e parties have agreed to replace their original counterparty with a new one) to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met.

Amendment of this standard has not affected the financial statements.

CELTIC PROPERTY DEVELOPMENTS S.A.

Condensed interim consolidated financial statements for the period of 6 months ended 30 June 2014

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

Accounting standards, amendments and interpretations which are not yet effective

The following new standards, amendments and interpretations to existing standards that are not applicable in 2014 and the Group has not used before, have already been published:

- IFRS 9 "Financial Instruments" entry into force has been postponed by the Council. IFRS without indicating the planned date of approval. IFRS 9 is the phase I of the IASB project to replace IAS 39, IFRS 9 introduces improved and simplified approach to the classification and measurement of financial assets compared with the requirements of IAS 39 This standard has not yet been approved by the EU.
- IFRIC 21 "Fees" - effective for annual periods beginning on or after 1 January 2014., Or later.
- Amendments to IAS 19 Defined benefit plans: Employee contributions (published on November 21, 2013) - effective for annual periods beginning on or after 1 July 2014 or later. The changes have not yet been approved by the EU.

'- Improvements to IFRSs 2010-2012 - some of the changes are effective for annual periods beginning on or after 1 July 2014 or later, and some prospectively for transactions occurring on July 1, 2014 or later. The changes have not yet been approved by the EU.

- Improvements to IFRSs 2011-2013 - effective for annual periods beginning on or after 1 July 2014 or later. The changes have not yet been approved by the EU.

- IFRS 14 regulatory accruals - effective for annual periods beginning on or after 1 January 2016 or later. This standard has not yet been approved by the EU.

- Amendments to IAS 16 and IAS 38 "Explanation of acceptable methods of depreciation" - effective for annual periods beginning on or after 1 January 2016 or later. The changes have not yet been approved by the EU.

- Amendments to IFRS 11 "Recognition of acquisition of shares in joint activity" - effective for annual periods beginning on or after 1 January 2016 or later. The changes have not yet been approved by the EU.

- IFRS 15 "Agreements with customers" - effective for annual periods beginning on or after 1 January 2017 or later. This standard has not yet been approved by the EU.

Management is currently assessing the impact of these standards and interpretations on the reporting of the Company.

3 Significant changes in accounting estimates

Determination of the fair value of investment property

Carried at fair value of investment property is determined based on valuations prepared annually by independent valuers Savills Sp. z oo, in accordance with the Practice Statements of the Royal Institution of Chartered Surveyors' (RICS) Appraisal and Valuation Standards (the "Red Book"), published in February 2003., in force since 1 May 2003. Valuation fees are not associated with value of the property and the result of the measurement. Taking into account the market conditions at the balance sheet date The Board has reviewed and confirmed the assumptions appraisers used as a basis for valuation models.

As part of Level 3 fair value of investment properties, which are significant rental income (Aquarius, Cybernetics 7B, IRIS) was carried out using the income method "Top Slice" using the equivalent yield.

Future net operating income were estimated separately for each investment property based on existing at the balance sheet leases contracted revenue (or in the case of real estate IRIS partly based on market conditions for a given property determined by an independent appraiser) and the expected costs of the property. Adopted for calculating usable areas resulted from the applicable construction documents. Due to the fact that the majority of lease agreements entered into by the Group are denominated in euros, the valuation of investment properties have been prepared in euros and converted into PLN according to the average exchange rate as at the balance sheet date.

CELTIC PROPERTY DEVELOPMENTS S.A.

Condensed interim consolidated financial statements for the period of 6 months ended 30 June 2014

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

Yields were estimated by independent appraisers individually for each relevant investment property considering the location and type of property.

The capitalization rate is verified by independent appraisers at least once a year and the net operating income is updated on the basis of existing lease agreements.

For the purpose of valuation adopted in the financial statements at 30 June 2014, capitalization rates in the range of 7.70% - 9.25% were used.

As part of the Level 2 fair value of undeveloped land (Ursus, Wolbórz) was determined using a comparative approach.

Value of the property was determined based on the average real estate transaction prices similar to the property being valued, adjusted for transaction characteristics taken into account by potential market participants and relating, inter alia, the location, size of the plot and its legal status. In particular, the current valuation, real estate situated in the area of Ursus were valued taking into account the current situation of planning (not the plan, the current study, the existing environment). In the proposed plan a lot of properties have similar purposes and possibilities of building, so they could have a similar market value. The valuation reflects the diversity of individual properties and predicted the possibility of their development planning in the absence of findings arising from the local plan. Variable having the largest impact on the outcome of the evaluation is the price per square meter

In the first half of 2014 CPD Group recorded a loss from the revaluation of investment property to fair value in the amount of PLN 2,773 thousand, resulting from fluctuations in foreign exchange rates and capital investment in the growth not reflected in fair value.

Balance sheet valuation of shares in subsidiaries and loans granted to subsidiaries

At the balance sheet date, the Company performed an analysis of impairment of shares in subsidiaries, by comparing the book value of the shares to its recoverable amount. The recoverable amount is the higher of an asset's fair value of assets, less costs to sell or value in use. The Company believes there are no grounds to consider that the value in use materially differ from the balance sheet date at fair value. As a result, the analysis of the loss of value of the shares based on the fair value.

In the case of shares in subsidiaries Buffy Holdings No 1 Ltd, Lakia Enterprises Ltd, the fair value was estimated based on the net assets of these companies representing an approximation of the expected future cash flows available to shareholders in respect of shares held. The value of these cash flows was estimated to include based on the fair value of property owned by their subsidiaries.

In the case of shares in subsidiaries Celtic Investments Limited and East Europe Property Financing AB, which as at 30 June 2014 had extinguished activities and did not have significant assets, the fair value was estimated based on the net assets of these companies.

At the same time the balance sheet date, the Company performed an analysis of the recoverability of receivables from loans to subsidiaries. Company made an impairment loss in respect of loans granted to subsidiaries, which on 30 June 2014 showed a negative net asset value. The Company believes that due to the negative value of the net assets of these subsidiaries there is a real risk that these companies will not be able to fully repay the borrowings.

Tax settlements / deferred tax and tax losses activation

Due to the fact that the subject of the consolidation of several jurisdictions are subject to the tax, the degree of complexity of their transactions, and uncertainties in the interpretation of regulations, tax settlements, including determination of right or obligation and how to take into account the individual transactions in the income tax of the individual Group may require a substantial dose of judgment . For more complex issues the board's judgment is supported by the opinions of tax advisors.

Income taxes for the interim periods are accrued using the tax rate that reflects the expected total profit or loss for the year. The difference between tax expense and the tax rate is 19% results mainly from unrecognized deferred tax assets from tax losses and temporary differences surplus of positive over negative temporary differences in companies that do not provide for the recognition of the assets of deferred tax for the full financial year. At each balance sheet date, the Management Board analyzes the recoverability of tax losses, based on the business plans of individual companies within the Group and the expected tax projections for these entities, and on this basis decisions are made on how to activate or do not activate tax losses from previous years.

CELTIC PROPERTY DEVELOPMENTS S.A.

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(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

4 Investment properties

	2014-01-01- 14-06-30	2013-01-01- 13-06-30
At the beginning of the reporting period	442 793	438 017
Capital expenditure	3 254	2 173
Investment property disposal	0	(15 100)
Change in value of Capitalised Liability resulting from sale of investment property	0	(2 084)
Net gain/(loss) from fair value adjustments on investment properties	(2 772)	4 599
Change in Balance of Capitalised Liability (RPU)	(7)	(7)
	443 268	427 598

In the first half of 2014 the Group did not conclude any sale transaction of investment property.

In June 2013, investment property located in Warsaw at Jana Kazimierza street was sold by a subsidiary Mandy Investments Sp. z o.o..

Capital expenditure on investment properties, which in the first half of 2014 amounted to PLN 3 254 thousand, consisted mainly of fit-out works for the tenants in IRIS building.

Operating expenses of investment properties:

	For the 6 month period ended	
	14-06-30	13-06-30
- generating income from rents	1 968	1 835
- other expenses	69	85
	2 037	1 920

5 Trade receivables and other receivables

	30-06-2014	31-12-2013
Trade receivables	707	295
Short-term loans	11	95
Receivables from the state budget	2 060	2 881
Receivables from related parties	51	0
Deferred income	1 163	1 407
Prepaid expenses	5 109	2 422
Other trade receivables	309	765
Short-term receivables	9 410	7 865
Long-term receivables	0	0
Receivables	9 410	7 865

Accrued expenses relate mainly to the settlement of annual property tax fees and perpetual usufruct.

CELTIC PROPERTY DEVELOPMENTS S.A.

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(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

6 Inventories

	30-06-2014	31-12-2013
At the beginning of the reporting period	7 773	15 496
Capital expenditure	0	244
Disposal	0	(4 329)
Revaluation of Inventory	10	(3 674)
Foreign exchange gains/ (losses)	(127)	36
	7 656	7 773

In the first half of 2014 the Group did not enter into transactions of sale of inventory. In the first half of 2013, plots located in a sub-Warsaw district Magdalenka were sold (by a subsidiary Geatan Investments Sp. z o.o.) and plots in Jaktorów and Nowa Piasecznica were sold (by a subsidiary Antigo Investments Sp. z o.o.).

7 Cash and cash equivalents

	30-06-2014	31-12-2013
Cash at bank and on hand	7 342	1 771
Short term bank deposits	13	10 210
	7 356	11 981

8 Share capital

	Number of shares		Value of shares	
	30-06-2014	31-12-2013	30-06-2014	31-12-2013
Ordinary shares (in thousands)	34 595	34 595	3 460	3 460

At the reporting date share capital amounted to 3.460 thousand PLN. Until the date of this report, there were no changes in the share capital.

At the date of 30.06.2014, the Company has 1,732,394 own shares with a value of PLN 12,299,997.40. The shares were acquired on November on April 15, 2013 r. through a brokerage house UniCredit CAIB Poland SA with its registered office in Warsaw. Purchase price per share amounted to 7.10 zł. All the purchased shares are ordinary shares with a nominal value of PLN 0.10 each. The own shares represent 5.01% of the share capital of the Company and 5.01% of the total number of votes in the Company, except that in accordance with applicable regulations, the Company is not entitled to exercise the voting rights attached to shares. On May 29, 2014 the shareholders' Meeting adopted the resolution No. 21 on the redemption of shares and reduction of share capital. On the basis of the above-mentioned resolution, the share capital will be reduced by PLN 173,239.40 by way of redemption of 1,732,394 shares with a nominal value of PLN 0.10 per share.

CELTIC PROPERTY DEVELOPMENTS S.A.

Condensed interim consolidated financial statements for the period of 6 months ended 30 June 2014

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

9 Trade payables and other liabilities

Non-current liabilities

	30-06-2014	31-12-2013
Deposits of tenants	1 118	384

Current liabilities

	30-06-2014	31-12-2013
Trade payables	1 075	1 540
VAT and other taxes	1 405	455
Deposits of tenants	0	512
Other liabilities	243	179
Accrued expense	13 646	12 684
	16 369	15 370

The "accrued expenses" item did not change significantly compared to 31 December 2013 and includes mainly provisions for potential tax risks.

10 Borrowings, including financial leasing

	30-06-2014	31-12-2013
Non-current		
Financial leasing	22 020	22 027
	22 020	22 027
Current		
Bank loans	100 184	94 004
Loans from unrelated parties	0	41
	100 184	94 045
Total borrowings	122 204	116 072

As at 30 June 2014. Group showed in the consolidated financial statements liabilities from loans received from the following banks:

- loans granted by HSBC in the amount of 40 407 thousand PLN;
- loans granted by the Zachodni Bank BZ WBK in the amount of 59 777 thousand PLN.

In respect of the loan granted by the bank HSBC to finance two investment properties, on 18 June 2014 CPD subsidiaries Robin Investments Sp. z o.o and Lakia Investments Sp. z o.o (owners of these properties), signed an agreement with mBank Hipoteczny SA to refinance this loan. Earlier, on 29 May 2014 an annex to the loan agreement with HSBC was signed, which provided the final repayment on 27 June 2014. Actual refinancing (incurring obligations to mBank Hipoteczny and repayment of debt in relation to HSBC) took place on 1 July 2014.

Credit agreements signed with mBank Hipoteczny SA on 18 June 2014 amount to a total maximum amount of credit of EUR 10.3 million. The final repayment is due in June 2029.

The loan was granted on market terms and is secured by, inter alia, through the establishment of a mortgage on real estate investment company owned by Robin Investments Sp. z o.o and Lakia Investments Sp. z o.o and establishing a registered pledge on the shares of these companies.

In respect of the loan granted by the Zachodni Bank BZ WBK, the deadline for repayment of the loan or its conversion to long-term investment loan was due on August 12, 2014. Simultaneously, on 12 August 2014 third annex to the loan agreement was signed which extended the maturity date to December 31, 2014.

With respect to the VAT Loan (credit line under contract with BZ WBK) the final repayment will take place no later than on 31 December 2014.

One of the conditions for conversion of the loan and thus postpone the date of the final repayment of the loan is to achieve a certain level of rent level determined in the bank agreement. The priority for the Management of the Group is to complete the commercialization of the Iris building and convert the construction loan into an investment loan in accordance with the current timetable, ie. not later than in December 2014. According to the Board by the end of 2014 stage of commercialization of the building will reach the expected level. In case of the factors that prevent the achievement of the assumed level of rent, the Board considers negotiating with the bank to extend the deadline for the conversion of the loan.

During the reporting period did not change guarantees granted in connection with the significant credit agreement signed on August 12, 2011 between the Bank Zachodni WBK SA and the subsidiary Belise Investments Sp. z o.o as a borrower and the guarantors, which are: Celtic Property Developments SA, Lakia Enterprises Ltd. and East Europe Property Financing AB, concerning financing of the project IRIS

CELTIC PROPERTY DEVELOPMENTS S.A.

Condensed interim consolidated financial statements for the period of 6 months ended 30 June 2014

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

11 Deferred income taxes

	30-06-2014	31-12-2013		
Deferred tax assets	435	360		
Deferred tax liabilities	12 521	13 468		
Expiration of tax losses as at 30.06.2014				
	2014	2015-2016	2017-2018	Razem
- Od których rozpoznano podatek odroczony	568	5 522	4 555	10 645
- Od których nie rozpoznano podatku odroczonego	4 773	36 770	170 347	211 890

12 Revenue by nature

	For the 6 month period ended	
	30-06-2014	30-06-2013
Rent income	4 511	3 339
Sales of inventories	0	2 420
Sale of fixed assets	86	2
Real estate advisory services	0	159
Services relating to rental	2 622	1 918
	7 219	7 838

The Group generates rental income from its office properties located in Warsaw: Aquarius building at Polczyńska street and buildings Lakia and Iris located at Cybernetics street.

The increase in revenues from rental and services related to rental in the first half of 2014 compared to the same period last year is mainly due to the increasing level of commercialization of Iris building, which has been adopted for use in December 2012 and since then gradually new tenants are acquired.

In the first half of 2014, CPD Group did not conclude sale transactions of inventories.

13 Cost of sales

	For the 6 month period ended	
	30-06-2014	30-06-2013
Cost of inventories sold	14	4 132
Cost of fixed assets sold	39	38
Changes in impairment write-downs of inventories	0	(240)
Cost of services provided	1 207	4 729
	1 260	8 659

Na koszty wykonanych usług składały się głównie koszty usług związanych z utrzymaniem wynajmowanych budynków biurowych oraz innych usług refakturowanych na najemców.

14 Administrative costs property related

	For the 6 month period ended	
	30-06-2014	30-06-2013
Employee expenses	689	1 358
Property maintenance	2 033	1 914
Real estate tax	1 528	1 522
Perpetual usufruct	851	1 205
Depreciation and amortization	89	117
	5 190	6 116

In the first half of 2014 the Company recorded a significantly lower employee costs due to reduction of salaries and bonuses for the Board as decided by the Supervisory Board by resolution.

CELTIC PROPERTY DEVELOPMENTS S.A.

Condensed interim consolidated financial statements for the period of 6 months ended 30 June 2014

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

15 Administrative expenses-other

	For the 6 month period ended	
	30-06-2014	30-06-2013
Advisory services	2 204	1 233
Transportation	23	(41)
Taxes	41	102
Office maintenance	1 064	1 807
Other services	265	804
Non-deductible VAT	169	273
Impairment write-down in respect of receivables	26	16
	3 792	4 194

16 Other income

	For the 6 month period ended	
	30-06-2014	30-06-2013
Other income	16	355
	16	355

17 Financial income and expenses

	For the 6 month period ended	
	30-06-2014	30-06-2013
Interest expense:		
- Bank loans	(1 513)	(1 722)
- Interest from financial leases	(826)	(725)
- Other interest	(459)	(90)
- Other	(156)	(54)
Net exchange differences	(494)	(4 661)
Other financial expenses	(23)	(19)
Write-downs	(319)	0
Financial costs	(3 790)	(7 271)
Interest income:		
- Bank interest	34	180
- interest from related parties	0	2
- interest from unrelated parties	122	74
Financial income	156	256

In the first half of 2014, CPD Group reported a loss from unrealized foreign exchange differences on the valuation of HSBC and BZ WBK loans granted in EUR.

18 Income tax

	For the 6 month period ended	
	30-06-2014	30-06-2013
Current income tax	778	0
Deferred taxes	(1 022)	3 017
	(244)	3 017

CELTIC PROPERTY DEVELOPMENTS S.A.

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Notes to the interim condensed consolidated financial statements

19 Cash flow from operating activities

	For the 6 month period ended	
	30-06-2014	30-06-2013
Profit/loss before tax	(9 546)	(13 993)
Adjustments for:		
- depreciation of tangible fixed assets	102	120
- currency translation adjustments	(175)	(681)
- (gains) losses on revaluation to fair value of investment property	2 772	(4 599)
- result from the disposal of investment properties	0	2 182
- result from the disposal of tangible fixed assets	39	0
- interest costs	1 516	2 382
- interest income	(181)	0
- f/x differences	606	3 496
- inventory impairment	(10)	(240)
- other adjustments	3	0
Changes in working capital		
- changes in receivables	(1 603)	5 501
- changes in inventories	0	3 805
- change in trade liabilities and other	784	4 752
	(5 693)	2 725

20 Transakcje z jednostkami powiązаныmi

Celtic Property Developments SA does not have a direct parent or parent senior. Coöperatieve Laxey Worldwide W.A. is a major 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:

	For the 6 month period ended	
	30-06-2014	30-06-2013
(a) Transactions with key management personnel		
Remuneration of the Management Board members	120	120
Remuneration of the Supervisory Board members	119	97
Salaries and Cost of services provided by the Management Board members	708	96
Total receivables	0	16
(b) Transactions with the other related parties		
Revenues		
<i>Vigo Investments Sp. z o.o.</i>	0	3
<i>Wolf Investments Sp. z o.o.</i>	3	3
<i>Prada Investments Sp. z o.o.</i>	0	3
<i>Laxey Cooperative</i>	0	3

CELTIC PROPERTY DEVELOPMENTS S.A.

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(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

20 Related party transactions - cont.

	For the 6 month period ended	
	30-06-2014	30-06-2013
Costs		
<i>Kancelaria Radców Prawnych Oleś i Rodzyńkiewicz</i>	10	47
	30-06-2014	31-12-2013
Liabilities		
<i>Kancelaria Radców Prawnych Oleś i Rodzyńkiewicz</i>	0	58

21 Payment of dividends

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

22 Earnings per share

	For the 6 month period ended	
	14-06-30	13-06-30
Profit attributable to shareholders of the company	(9 302)	(17 010)
Weighted average number of ordinary shares (in thousands)	34 595	34 307
Earnings per share in PLN	(0,27)	(0,50)

Diluted earnings per share does not differ from the basic earnings per share.

23 Contingent liabilities

In the first half of 2014 there were no significant changes in contingent liabilities.

24 Segment reporting

In accordance with IFRS 8, the Group CPD is and it shall be considered by the Board of Directors as a single operating segment.

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

25 Seasons of activity and unusual events

The activity of the Group of the CPD is not seasonal or cyclical. In the current interim period there was no unusual events.

26 Events after the end of the reporting period

The adoption of the land development plan

On 3rd July 2014 the Council of the City of Warsaw passed a resolution on approval of the zoning plan of brownfield sites in the area of street Orłów Piastowskich (Ursus areas, which are held by the Group).

On 5th August 2014 Settlement Boards of the Governor of Mazowieckie Voivoidship was published regarding plan of land development, and then after 30 days from the date of publication in the Official Journal of the Province, on August 15th 2014, the Development Plan came into force.

In accordance with the local plan for this area only Celtic Group, as the largest investor can realize investment area of about 740 thousand m² of which about 450 thousand m² can be used for housing, and 250 thousand for building commercial service and 40 thousand m² for public building. The Company intends to modify these assumptions to optimize the building and increase the attractiveness of a location for potential residents and thus achieve maximum project value for its shareholders.

The adoption of the Plan will enable the Celtic Group to start in Warsaw district Ursus the development of multifunctional urban area of residential buildings comprising mainly housing. According to the intention of the Board later this year Celtic Group will begin the first phase of its investment program.

CELTIC PROPERTY DEVELOPMENTS S.A.

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Notes to the interim condensed consolidated financial statements

Transfer of land to the city

In the process of adopting the plan Celtic Group donated to the city more than 8 hectares of land assigned in the plan for public investment. This action also freed from the budget of the local government a serious expense related to the redemption of the land, the money will be spent on investments district in the area. Transfer of land took place in the following transactions entered into after the balance sheet date:

- preliminary sales agreement signed on 3 July 2014 between a 18 Gaston Investments Limited Liability Company LLP and the capital city of Warsaw for the sale by the Subsidiary the right of perpetual usufruct of immovable property located in Ursus district of Warsaw. The total book value of the right of perpetual usufruct in the books of companies is 5 687 012.99 PLN. Selling price amounts to EUR 1 per property.
- Donation agreement signed on 3rd July 2014 between companies: Challenge Eighteen spółka z ograniczoną odpowiedzialnością, 2/124 Gaston Investments spółka z ograniczoną odpowiedzialnością sp.k., 3/93 Gaston Investments spółka z ograniczoną odpowiedzialnością sp.k., 5/92 Gaston Investments spółka z ograniczoną odpowiedzialnością sp.k., 6/150 Gaston Investments spółka z ograniczoną odpowiedzialnością sp.k., 8/126 Gaston Investments spółka z ograniczoną odpowiedzialnością sp.k., 9/151 Gaston Investments spółka z ograniczoną odpowiedzialnością sp.k., 10/165 Gaston Investments spółka z ograniczoną odpowiedzialnością sp.k., 11/162 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., 15/167 Gaston Investments spółka z ograniczoną odpowiedzialnością sp.k. and the capital city of Warsaw concerns the free transfer of the right of perpetual usufruct of immovable property located in Ursus district of Warsaw. The total book value of the right of perpetual usufruct of immovable property in the books is 23 462 396.59 PLN.

- Contract of termination of perpetual usufruct signed on 3rd July 2014 between Challenge Eighteen and the Treasury, relates to termination of the contract of perpetual usufruct of real estate located in Ursus district of Warsaw. The total book value of real estate in the books is 3 372 163.96 PLN.

The conclusion of these agreements is the next step in enabling the adoption of local zoning plan area street Orłów Piastowskich - Part I. Free achieves the above areas by the city, is the next step in Ursus district approximates the comprehensive regeneration of degraded brownfield sites of the former Industrial Plant Ursus. This enhances synchronized launch of multifunctional and sustainable investments in the urban character of these areas and at the same time is extremely important impulse for the economic development of the entire district.

The CPD Board is currently analyzing the impact of these events (the adoption of the land use plan and the transfer of land) on the fair value of properties located in Ursus, which the Group owns. In the opinion of the Board, the adoption of the plan will have a positive impact on the value of investment properties (despite the gratuitous transfer of part of the land commune). Another fair value measurement will be conducted on 31st December 2014 and on this date the impact of these events on financial statement will be recognized.

Issue of convertible bonds

On 5 August 2014 the Extraordinary General Meeting of Shareholders decided to carry out the Company's Series A bonds convertible into shares of Series G and custodial existing shareholders pre-emptive rights of convertible bonds series A, a conditional increase of the share capital of the Company, depriving existing shareholders as a whole pre-emptive rights to the shares of series G and amendments to the Articles of the Company, dematerialisation of the shares of Series G and apply for admission and introduction of series G shares to trading on a regulated market. According to the resolution is anticipated issuance of shares for a total amount not exceeding 160 units and the nominal value of 50 thousand. EUR per unit. The total nominal value of bonds amount to no more than 8,000 thousand. EUR. The bonds will be issued in tranches, subject to the latter issue will take place no later than 31 December 2015. Bond issue will be addressed in the first instance to selected investors from among the existing shareholders and will not constitute a public offering. Management believes the acquisition of the Group's capital by issuing bonds is the best way to raise the necessary funds on favorable terms.

As a consequence, the Board has developed the content of the "Regulations for submission by the shareholders of Celtic Property Developments SA declaration of interest in the purchase of bonds". Regulations were announced on 18th August 2014.

Until the date of preparing this consolidated financial statements, bonds have not been taken up by investors.

Bank loan

On June 18th, 2014 two subsidiaries Robin Investments Sp. z o.o and Lakia Investments Sp. z o.o signed an agreement with mBank Hipoteczny SA to refinance a loan from HSBC. The actual refinancing (incurring obligations mBank Hipoteczny and repayment of debt in relation to HSBC) took place on 1 July 2014. Details of this transaction are described in Note 10.

Sale of shares of subsidiary

As a result of the continuation of the consolidation processes and optimizing costs of managing the real estate portfolio started in early 2012, the Group has initiated the process of selling shares of Gaetan Investments. At the date of this report these activities were not reflected in the company's registration documents. The Company has not conducted any operating or investing activities in current year.

CELTIC PROPERTY DEVELOPMENTS S.A.

Condensed interim consolidated financial statements for the period of months ended 30 June 2014

and the condensed financial statements of
CELTIC PROPERTY DEVELOPMENTS S.A.
for the period of months ended 30 June 2014

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

(unaudited financial data)

CELTIC PROPERTY DEVELOPMENTS S.A.

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(All amounts in PLN thousands unless otherwise stated)

II Interim financial information of the parent

27 Interim financial information of the parent company

27.1 Condensed statement of comprehensive income

	Note	For the 6 month period ended	
		14-06-30 (unaudited)	13-06-30 (unaudited)
Revenues		298	499
Administrative costs	27.10	(937)	(1 320)
Selling and marketing expenses		(82)	(77)
Impairment loss on investments in subsidiaries		(16 694)	(16 015)
Interest income on loans		9 190	11 593
OPERATING RESULT		(8 225)	(5 320)
Financial income	27.11	554	937
Financial costs	27.11	(130)	(185)
PROFIT (LOSS) BEFORE INCOME TAX		(7 801)	(4 568)
Income tax		0	0
PROFIT (LOSS) FOR THE PERIOD		(7 801)	(4 568)
DILUTED EARNINGS PER SHARE		(0,23)	(0,13)

Elżbieta Donata Wiczowska
Chairman of the Board

Colin Kingsnorth
Board Member

Piotr Turchoński
Board Member

Iwona Makarewicz
Board Member

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

CELTIC PROPERTY DEVELOPMENTS S.A.

Condensed interim consolidated financial statements for the period of 6 months ended 30 June 2014

(All amounts in PLN thousands unless otherwise stated)

27.2 Condensed statement of financial position

ASSETS	Note	30-06-2014 (unaudited)	31-12-2013
Non-current assets			
Property, plant and equipment		5	7
goodwill		8	10
Long-term receivables	27.7	313 702	315 065
Bonds	27.6	3 309	3 190
		317 024	318 272
Current assets			
Trade receivables and other receivables	27.8	125	196
Cash and cash equivalents		2 076	6 355
		2 201	6 551
Total assets		319 225	324 823
EQUITY			
Share capital		3 460	3 460
Own shares		(12 300)	(12 300)
Other Reserves		987	987
Share premium		796 643	796 643
Retained earnings		(483 192)	(475 391)
Total equity		305 598	313 398
LIABILITIES			
Non-current liabilities			
Loans and borrowings, including finance leases		11 560	9 304
		11 560	9 304
Current liabilities			
Trade payables and other liabilities		2 067	2 121
		2 067	2 121
Total liabilities		319 225	324 823

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CELTIC PROPERTY DEVELOPMENTS S.A.

Condensed interim consolidated financial statements for the period of 6 months ended 30 June 2014

(All amounts in PLN thousands unless otherwise stated)

27.3 Condensed statement of changes in equity

	Share capital	Share premium	Supplementary capital	Other Reserves	Own shares	Retained earnings	Razem
Balance as at 01/01/2013	3 431	796 643	0	4 399	0	(431 522)	372 951
<u>Transactions with owners</u>							
Own shares	0	0		0	(12 300)	0	(12 300)
	0	0	0	0	(12 300)	0	(12 300)
<u>Comprehensive income</u>							
Profit (loss) for the period	0	0	0	0	0	(4 568)	(4 568)
	0	0	0	0	0	(4 568)	(4 568)
Balance as at 30/06/2013 /unaudited	3 431	796 643	0	4 399	(12 300)	(436 090)	356 083
Balance as at 01/01/2014	3 460	796 643	0	987	(12 300)	(475 391)	313 398
<u>Transactions with owners</u>							
	0	0	0	0	0	0	0
<u>Comprehensive income</u>							
Profit (loss) for the period	0	0	0	0	0	(7 801)	(7 801)
	0	0	0	0	0	(7 801)	(7 801)
Balance as at 30/06/2014	3 460	796 643	0	987	(12 300)	(483 192)	305 598

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Board Member

Iwona Makarewicz
Board Member

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CELTIC PROPERTY DEVELOPMENTS S.A.

Condensed interim consolidated financial statements for the period of 6 months ended 30 June 2014

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27.4 Condensed statement of cash flows

	Note	Okres 6 miesięcy zakończony	
		14-06-30 (unaudited)	13-06-30 (unaudited)
Cash flow from operating activities			
Cash generated from operations	27.12	(94)	(454)
Net cash generated from investing activities		(94)	(454)
Cash flows from investing activities			
Loans granted		(11 958)	(12 815)
Loan repayments received		5 154	9 382
Bonds		0	(3 000)
Interest received		490	1 564
Net cash used in investing activities		(6 315)	(4 869)
Cash flows from financing activities			
Loans received		2 500	0
Repayment of loans		(372)	0
Own shares		0	(12 300)
Net cash used in financing activities		2 128	(12 300)
Net (decrease)/increase in cash and cash equivalents		(4 279)	(17 623)
Cash and cash equivalents at the beginning of year		6 355	17 874
Cash and cash equivalents at the end of the period		2 076	251

Elżbieta Donata Wiczowska
Chairman of the Board

Colin Kingsnorth
Board Member

Piotr Turchoński
Board Member

Iwona Makarewicz
Board Member

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

CELTIC PROPERTY DEVELOPMENTS S.A.

Condensed interim consolidated financial statements for the period of 6 months ended 30

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

27.5 Shares in subsidiaries

Name	Country	Share	30-06-2014	31-12-2013
Buffy Holdings No1 Ltd	Cyprus	100%	184 000	184 000
Impairment, the value of the shares Buffy Holdings			(184 000)	(184 000)
Celtic Investments Ltd	Cyprus	100%	48 000	48 000
Impairment, the value of the shares Celtic Investments Ltd			(48 000)	(48 000)
Lakia Enterprises Ltd	Cyprus	100%	105 000	105 000
Impairment, the value of the shares Lakia Enterprises Ltd			(105 000)	(105 000)
East Europe Property Financing AB	Sweden	100%	8 249	601
Impairment, the value of the shares-East Europe Property Financing AB			(8 249)	(601)
			0	0

Raising capital in the company EEPF was related to the restructuring of the company's indebtedness. This operation was necessary to be able to carry out in the future the liquidation process of the company EEPF. Liquidation of the company is intended to reduce the administrative costs of the Group CPD.

27.6 Bonds

On March 18, 2013. the company acquired bonds issued by the company Bolzanus Limited registered in in Cyprus (bonds-3 million PLN, interest on June 30, 2014-309 thousand. zł.). Bond interest rate is 8% per annum. Maturity date falls on day 17 February 2016.

27.7 Long-term receivables

	30-06-2014	31-12-2013*
Long-term loans with related parties:		
- loans	433 315	426 888
- interest	81 733	73 675
- impairment on loans	(201 346)	(185 498)
	313 702	315 065

Details of the loans granted to related parties

Related party	Principal amount	Accrued interest	Interest Rate	Margin	Maturity
1/95 Gaston Investments	2 915	376	3M WIBOR	1,55%	on demand
2/124 Gaston Investments	1 946	260	3M WIBOR	1,55%	on demand
3/93 Gaston Investments	1 889	224	3M WIBOR	1,55%	on demand
4/113 Gaston Investments	5 258	739	3M WIBOR	1,55%	on demand
Impairment on 4/113 Gaston Investments loan	(5 259)	(739)			
5/92 Gaston Investments	2 345	257	3M WIBOR	1,55%	on demand
6/150 Gaston Investments	1 599	227	3M WIBOR	1,55%	on demand
7/120 Gaston Investments	1 180	152	3M WIBOR	1,55%	on demand
8/126 Gaston Investments	3 405	380	3M WIBOR	1,55%	on demand
9/151 Gaston Investments	782	100	3M WIBOR	1,55%	on demand
10/165 Gaston Investments	966	103	3M WIBOR	1,55%	on demand
11/162 Gaston Investments	845	96	3M WIBOR	1,55%	on demand
12/132 Gaston Investments	2 417	295	3M WIBOR	1,55%	on demand
13/155 Gaston Investments	2 449	256	3M WIBOR	1,55%	on demand
15/167 Gaston Investments	1 258	106	3M WIBOR	1,55%	on demand

CELTIC PROPERTY DEVELOPMENTS S.A.

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Notes to the interim condensed consolidated financial statements

27.7 Long-term receivables - cont.

16/88 Gaston Investments	316	57	3M WIBOR	1,55%	on demand
18 Gaston Investments	1 925	188	3M WIBOR	1,55%	on demand
19/97 Gaston Investments	395	54	3M WIBOR	1,55%	on demand
20/140 Gaston Investments	448	64	3M WIBOR	1,55%	on demand
Antigo Investments	4 661	355	3M WIBOR	1,55%	on demand
<i>Impairment on Antigo Investments loan</i>	(4 661)	(355)			
Blaise Gaston Investments	3 468	487	3M WIBOR	1,55%	on demand
Blaise Investments	25 056	4 656	3M WIBOR	1,55%	on demand
Belize Investments	29 433	6 663	3M WIBOR	1,55%	on demand
<i>Impairment on Belize Investments loan</i>	(2 885)	(6 663)			
Buffy Holdings No 1 Ltd	137 947	26 595	3M WIBOR	0,75%	on demand
<i>Impairment on Buffy Holdings loan</i>	(132 874)	(24 231)			
Celtic Investments Ltd	1 730	25	3M LIBOR	0,75%	on demand
<i>Impairment on CIL loan</i>	(1 575)	(25)			
Challange 18	163 777	32 694	3M WIBOR	1,55%	on demand
Elara Investments	3 158	357	3M WIBOR	0,75%	on demand
<i>Impairment on Elara Investments loan</i>	(3 157)	(357)			
Gaston investments	6 002	625	3M WIBOR	1,55%	on demand
<i>Impairment on Gaston Investments loan</i>	(276)	(491)			
HUB Developments	2 306	255	3M WIBOR	1,55%	on demand
<i>Impairment on HUB loan</i>	0	(241)			
Lakia Enterprises Limited	22 116	4 871	3M WIBOR	1,55%	on demand
<i>Impairment on Lakia Enterprises loan</i>	(12 684)	(4 871)			
Robin	1 321	216	3M WIBOR	1,55%	on demand
	269 943	43 760			

According to the intention of the Board, granted loans will be repaid in the period from 3 to 5 years.
The maximum credit risk associated with loans and trade receivables is equal to their carrying value.
Granted loans are not secured.

27.8 Trade receivables and other receivables

	30-06-2014	31-12-2013
Trade receivables from related parties	0	30
Short-term loans:	26	54
- loan	27 934	34 236
- interest	7 132	7 978
- Impairment	(35 040)	(42 161)
Other receivables from related parties	0	16
Other receivables from other parties	60	81
Accrued costs	39	15
Short-term receivables	125	196

CELTIC PROPERTY DEVELOPMENTS S.A.

Condensed interim consolidated financial statements for the period of 6 months ended 30

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

Details of the loans granted to related parties

Related party	Principal amount	Accrued interest	Interest Rate	Margin	Maturity
Gaetan Investments	10 880	2 292	3M WIBOR	1,55%	on demand
<i>Impairment on Gaetan Investments loan</i>	<i>(10 879)</i>	<i>(2 292)</i>			
Mandy Investments	15 951	4 737	3M WIBOR	1,55%	on demand
<i>Impairment on Mandy Investments loan</i>	<i>(15 951)</i>	<i>(4 737)</i>			
Celtic Asset Management	1 103	103	3M WIBOR	1,55%	on demand
<i>Impairment on Celtic Asset Management loan</i>	<i>(1 078)</i>	<i>(103)</i>			

27.9 Borrowings, including financial leasing

	30-06-2014	31-12-2013
Loans from related parties	11 560	9 304
	11 560	9 304

Loan balance at 30 June 2014 relate to a loan from a subsidiary Lakia Enterprises (interest rate on the loan is Wibor 3M + Margin 0.50%) and a loan from a subsidiary Lakia Investments (interest rate on the loan is Wibor 3M + Margin 1.55%). As at 30 June 2014 balance of a loan from the company Lakia Enterprises is 9 428 PLN ths (capital: 7 853 PLN ths, interest: 1 575 PLN ths.); the balance of the loan from the company Lakia Investments is 2 132 PLN ths (capital of 2 128 PLN ths, interest: 4 PLN ths).

27.10 Administrative costs

	01-01-2014 - 30-06-2014	01-01-2013 -30-06-2013
Consultancy services	96	215
Remuneration	529	601
-the cost of salaries	529	601
Auditor's fee	29	3
non-deductible VAT	80	129
Other services	203	372
Transport	22	7
Taxes	3	8
Office supplies	163	299
Other costs	4	4
	937	1 320

27.11 Financial income and expenses

	01-01-2014 - 30-06-2014	01-01-2013 -30-06-2013
Interest income:		
- Bank interest	0	1
-Interest of the related parties	0	129
-Interest of the unrelated parties	13	82
Other financial income	536	496
Net exchange differences	5	229
Financial income	554	937

CELTIC PROPERTY DEVELOPMENTS S.A.

Condensed interim consolidated financial statements for the period of 6 months ended 30

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

27.11 Financial income and expenses - cont.

	01-01-2014 - 30-06-2014	01-01-2013 -30- 06-2013
Interest expense:		
-Interest from related parties	128	166
- Other expenses	2	19
Financial costs	130	185

The result from financial activities is mainly affected by the interest on loans granted to related parties.

27.12 Cash flow from operating activities

	01-01-2014 - 30-06-2014	01-01-2013 -30- 06-2013
Profit/loss before tax	(7 801)	(4 568)
Adjustments for:		
– exchange differences	220	(101)
– depreciation of tangible assets	4	4
– interest costs	128	185
– interest income	(9 323)	(11 679)
– impairment on shares	7 643	2 025
– impairment on loans	9 046	13 990
Changes in equity:		
- changes in receivables	43	(238)
- change in trade liabilities and other	(54)	(72)
	(94)	(454)

27.13 Related party transactions

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

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

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

	01-01-2014 - 30-06-2014	01-01-2013 -30- 06-2013
a) Transactions with key management personnel		
Remuneration of members of the Supervisory Board	119	97
The cost of the salaries of the members of the Board	120	120
b) Transactions with significant investor		
Costs		
receivables from the members of the Board	16	16
Loan granted to Laxey Worldwide W.A.	319	0
<i>Impairment on Laxey Worldwide W.A. loan</i>	<i>(319)</i>	<i>0</i>

CELTIC PROPERTY DEVELOPMENTS S.A.

Condensed interim consolidated financial statements for the period of 6 months ended 30

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

27.13 Related party transactions - cont.

	01-01-2014 - 30-06-2014	01-01-2013 -30- 06-2013
b) Transactions with subsidiaries		
Revenue		
1/95 Gaston Investments	60	55
2/124 Gaston Investments	40	41
3/93 Gaston Investments	39	36
4/113 Gaston Investments	111	128
5/92 Gaston Investments	47	42
6/150 Gaston Investments	32	30
7/120 Gaston Investments	24	23
8/126 Gaston Investments	68	58
9/151 Gaston Investments	15	15
10/165 Gaston Investments	20	19
11/162 Gaston Investments	17	16
12/132 Gaston Investments	49	47
13/155 Gaston Investments	49	39
14/119 Gaston Investments	0	21
15/167 Gaston Investments	25	21
16/88 Gaston Investments	6	8
18 Gaston Investments	39	33
19/97 Gaston Investments	8	8
20/140 Gaston Investments	9	10
Blaise Gaston Investments	69	61
Blaise Investments	528	655
Belise Investments	621	1 177
Buffy Holdings No1 Ltd	2 363	3 081
Celtic Asset Management	23	36
Celtic Investments Ltd	9	5
Challange 18	2 956	4 258
East Europe Property Financing AB	67	304
Elara Investments	66	83
Gaetan Investments	191	316
Gaston Investments	114	566
Hub Developments	37	49
Lakia Enterprises Ltd	389	582
Mandy Investments	281	734
Robin Investments	40	99
Antigo	97	121
Costs		
Lakia Investments	4	0
Lakia Enterprises Ltd	125	166
	30-06-2014	31-12-2013
Liabilities		
Celtic Asset Management Sp. z o.o.	0	0
Lakia Investments	2 132	0
Lakia Enterprises Ltd	9 428	9 304
Receivables		
1/95 Gaston Investments	3 291	2 795
2/124 Gaston Investments	2 207	1 848
3/93 Gaston Investments	2 113	1 796
4/113 Gaston Investments	5 997	5 876
Impairment on 4/113 Gaston Investments loan	(5 998)	(5 877)
5/92 Gaston Investments	2 602	2 102

CELTIC PROPERTY DEVELOPMENTS S.A.

Condensed interim consolidated financial statements for the period of 6 months ended 30

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Notes to the interim condensed consolidated financial statements

27.13 Related party transactions - cont.

6/150 Gaston Investments	1 826	1 500
7/120 Gaston Investments	1 333	1 109
8/126 Gaston Investments	3 785	3 219
9/151 Gaston Investments	882	703
10/165 Gaston Investments	1 069	873
11/162 Gaston Investments	941	744
12/132 Gaston Investments	2 712	2 203
13/155 Gaston Investments	2 704	2 157
15/167 Gaston Investments	1 364	1 050
16/88 Gaston Investments	373	356
18 Gaston Investments	2 113	1 672
19/97 Gaston Investments	449	387
20/140 Gaston Investments	512	450
Antigo Investments	5 016	4 760
Impairment on Antigo Investments loan	(5 016)	(4 760)
Blaise Gaston Investments	3 955	3 031
Blaise Investments	29 712	29 158
Belize Investments	36 096	35 475
Impairment on Belize Investments loan	(9 549)	(5 805)
Buffy Holdings No1 Ltd	164 542	162 152
Odpis na pożyczkę Buffy Holdings No1 Ltd loan	(157 105)	(157 105)
Celtic Asset Management	1 205	1 122
Impairment on Celtic Asset Management loan	(1 180)	(1 094)
Celtic Investments Ltd	1 755	1 700
Impairment on Celtic Investments Ltd loan	(1 600)	(1 573)
Challenge 18	196 472	193 618
East Europe Property Financing AB	0	7 802
Impairment on EEPF loan	0	(7 802)
Elara Investments	3 515	3 374
Impairment on Elara Investments loan	(3 514)	(3 020)
Gaetan Investments	13 172	12 938
Impairment on Gaetan Investments loan	(13 172)	(12 913)
Gaston Investments	6 627	5 217
Impairment on Gaston Investments loan	(767)	(767)
Hub Developments	2 561	2 252
Impairment on HUB Investments loan	(241)	0
Lakia Enterprises Ltd	26 987	26 520
Impairment on Lakia Enterprises Ltd loan	(17 555)	(6 590)
Mandy Investments	20 689	20 352
Impairment on Mandy Investments loan	(20 688)	(20 352)
Robin Investments	1 537	2 466

c) Transactions with other related parties

	01-01-2014 - 30-06-2014	01-01-2013 -30- 06-2013
Costs		
Kancelaria Radców Prawnych Oleś&Rodzynekiewicz sp. komandytowa	10	47

27.14 Share capital

At the reporting date share capital amounted to 3.460 thousand PLN. Until the date of this report, there were no changes in the share capital.

Warsaw, 28 August 2014

**Independent registered auditor's report
on the review of the interim condensed consolidated financial statements
for the period from 1 January to 30 June 2014**

**To the Shareholders and the Supervisory Board of Celtic Property
Developments S.A.**

We have reviewed the accompanying interim condensed consolidated financial statements of Celtic Property Developments S.A. (hereinafter called "the Group"), having Celtic Property Developments S.A., Cybernetyki 7B Street, Warsaw as its Parent Company (hereinafter called "the Parent Company") comprising the condensed consolidated statement of financial position as at 30 June 2014, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity, the condensed consolidated statement of cash flows for the period from 1 January to 30 June 2014 and explanatory notes.

The Parent Company's Management Board is responsible for the preparation of interim condensed consolidated financial statements which comply with the International Financial Reporting Standards adopted by the European Union concerning interim reporting (IAS 34). Our responsibility was to issue a report on these interim condensed consolidated financial statements based on our review.

We conducted our review in accordance with the requirements of the national standards of auditing issued by the National Chamber of Registered Auditors. These standards require us to plan and perform the review to obtain moderate assurance that the interim condensed consolidated financial statements are free of material misstatements. We conducted the review mainly by analysing the data in the consolidated financial statements, inspecting the consolidation documentation, and making use of information obtained from the Parent Company's Management Board and persons responsible for financial and accounting matters in the Group.

The scope and methodology of the review of interim condensed consolidated financial statements is significantly different from the scope of an audit aimed at expressing an opinion on compliance of the consolidated financial statements with the applicable accounting policies and their fairness and clarity, therefore we cannot express an opinion on the attached consolidated financial statements.

Translation note:

This version of our report is a translation from the original, which was prepared in Polish language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

**Independent registered auditor's report
on the review of the interim condensed consolidated financial statements
for the period from 1 January to 30 June 2014**

**To the Shareholders and the Supervisory Board of Celtic Property
Developments S.A. (cont.)**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements have not been prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

Without qualifying, we draw attention to the fact, that as at the balance sheet date short term liabilities of the Group amounted to PLN 116 118 thousand (including bank loan liabilities in the amount of PLN 100 184 thousand) and exceeded current assets of the Group by PLN 92 396 thousand. As indicated in note 2, there is uncertainty if the Group will have appropriate funds for further financing of its activity within the next twelve months from the date of the financial statements from other sources than through sale of part of its fixed assets. As a result there is uncertainty that the Group won't be able to realize its significant fixed assets in a normal course of business.

The condensed consolidated financial statements do not include adjustments that would be required, if the fixed assets constituting Group's properties have to be disposed of immediately.

Conducting the review on behalf of PricewaterhouseCoopers Sp. z o.o., Registered Audit Company No. 144:

Wojciech Maj

Key Registered Auditor
No. 6128

Warsaw, 28 August 2014

Translation note:

This version of our report is a translation from the original, which was prepared in Polish language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

**Independent registered auditor's report
on the review of the interim condensed financial statements
for the period from 1 January to 30 June 2014**

**To the Shareholders and the Supervisory Board of Celtic Property
Developments S.A.**

We have reviewed the accompanying interim condensed financial statements of Celtic Property Developments S.A. (hereinafter called *the Company*), with its registered office in Warsaw, Cybernetyki 7B Street, comprising the condensed statement of financial position as at 30 June 2014, the condensed statement of comprehensive income, the condensed statement of changes in equity, the condensed statement of cash flows for the period from 1 January to 30 June 2014 and selected explanatory notes.

The Company's Management Board is responsible for the preparation of interim condensed financial statements which comply with the International Financial Reporting Standards adopted by the European Union concerning interim reporting (IAS 34). Our responsibility was to issue a report on these interim condensed financial statements based on our review.

We conducted our review in accordance with the requirements of the national standards of auditing issued by the National Chamber of Registered Auditors. These standards require us to plan and perform the review to obtain moderate assurance that the interim condensed financial statements are free of material misstatements. We conducted the review mainly by analysing the data in the financial statements, inspecting the accounting records, and making use of information obtained from the Company's Management Board and persons responsible for financial and accounting matters in the Company.

The scope and methodology of the review of interim condensed financial statements is significantly different from the scope of an audit aimed at expressing an opinion on compliance of the financial statements with the applicable accounting policies and their fairness and clarity, therefore we cannot express an opinion on the attached financial statements.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements have not been prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

Translation note:

This version of our report is a translation from the original, which was prepared in Polish language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

**Independent registered auditor's report
on the review of the interim condensed financial statements
for the period from 1 January to 30 June 2014**

**To the Shareholders and the Supervisory Board of Celtic Property
Developments S.A. (cont.)**

Without qualifying, we draw attention to the fact, that as at the balance sheet date the Company presented long term receivables, comprising loans granted to its subsidiaries in the amount of PLN 313 702 thousand. As indicated in note 2, there is uncertainty if the subsidiaries have appropriate funds for further financing of their activity within the next twelve months from the date of the financial statements and as a consequence uncertainty that the subsidiaries won't be able to realize their significant fixed assets in a normal course of business. As a result there is uncertainty that the Company may be unable to recover the value of its investments in subsidiaries.

The condensed financial statements do not include adjustments that would be required, if the fixed assets possessed by subsidiaries have to be disposed of immediately

Conducting the review on behalf of PricewaterhouseCoopers Sp. z o.o., Registered Audit Company No. 144:

Wojciech Maj

Key Registered Auditor
No. 6128

Warsaw, 28 August 2014

Translation note:

This version of our report is a translation from the original, which was prepared in Polish language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.