HALF YEAR REPORT FOR THE 1st HALF OF 2012

Condensed interim consolidated financial statements
with condensed interim financial statements of Celtic Property Developments S.A.
for the period of 6 months ended 30 June 2012

CELTIC PROPERTY DEVELOPMENTS S.A.

HALF YEAR REPORT FOR 6 MONTHS ENDED 30 JUNE, 2012

TRANSLATORS' EXPLANATORY NOTE

The following document is a free translation of the H1 2012 report of CELTIC PROPERTY DEVELOPMENTS S.A. published on 31 August 2012.

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.

CONTENTS

I. MANAGEMENT REPORT OF THE CAPITAL GROUP ACTIVITIES

1. CELTIC GROUP HISTORY AND PROFILE OF ACTIVITY

Celtic Group started its activities in Poland in 1999 from the foundation of Celtic Asset Management Sp. z o.o. by current members of the Management Board – Mr. Andrew Shepherd and Mr. Aled Rhys Jones. In subsequent years, 1999-2005, the activities of the company focused on building and managing a real estate portfolio to external institutions in Poland, Czech Republic, Lithuania, Romania, Hungary and Germany. In 2005, Celtic Asset Management Sp. z o.o started development operations in cooperation with several funds managed by Laxey Partners. In 2007, the consolidation of the group under the name Celtic Property Developments SA (BVI) was performed and in 2008 the listing of the company Celtic Property Developments SA (BVI) began on a deregulated market (Freiverkehr) in Frankfurt. In the period from 2005 to 2010, the Company operated and managed projects mainly in Poland. At the same time, the Group has conducted and managed projects also in Montenegro, Hungary, Italy, Belgium, the United Kingdom, the Netherlands, Germany and Spain. International experience and practical knowledge of experts and project managers of the Celtic Group have contributed to the creation of a strong and stable capital group, which debuted on the Warsaw Stock Exchange on December 23, 2010,

Today, Celtic Property Developments S.A. is the holding company controlling a group of 39 subsidiaries, focusing on the development projects in the office and residential segments. The main market of Celtic Group's activities is Warsaw. The Group has also its offices in London, Milan and Budapest. The office segment has been played the primary role in Celtic Group operations, however current Group's plans focus on the residential development, mainly through the implementation of its leading project in the Warsaw's district of Ursus.

Together with development activities, Celtic Group provides consultancy services for the management of commercial premises belonging to external entities and institutions. The Group currently manages commercial real estate portfolio with a total value of ca. EUR 385 million in Italy and Great Britain.

2. CELTIC GROUP STRUCTURE

At 30 June 2012, the Celtic Group (hereinafter the Group, Celtic Group) was composed of a dominant entity – Celtic Property Developments S.A. (hereinafter the Company) and 39 subsidiaries. In the 1st half of 2012 the Celtic Group structure has changed, as result of sale of several subsidiaries being part of the Group

The following sales agreements were concluded in May 2012:

- Sale of all shares in 17/110 Gaston Investments Sp. z o.o. Sp.k., in which 100% of shares were owned by Challange Eighteen Sp. z o.o (99%) and Gaston Investments Sp. z o.o. (1%), Celtic Property Developments S.A.'s subsidiaries:;
- Sale of all shares in Devin Investments Sp. z o.o, in which 100% of shares were owned by Lakia Enterprises Limited, headquartered in Nicosia, Cyprus, a Celtic Property Developments S.A.'s subsidiary. Devin Investments sp. z o.o. has the right of perpetual usufruct for the real estate situated in Warsaw, Włochy district, at Łopuszańska 22 street, with a total area of 4,5 ha;
- Sale of all shares in KMA sp. z o.o, headquartered in Warsaw, in which 100% of shares were owned by Celtic Investments Limited, headquartered in Nicosia, Cyprus, a Celtic Property Developments S.A.'s subsidiary;
- Sale of all shares in Tenth Planet d.o.o headquartered in Kotor, Montenegro in which 100% of shares were owned by Lakia Enterprises Limited, headquartered in Nicosia, Cyprus, a Celtic Property Developments S.A.'s subsidiary. Tenth Planet d.o.o. owned real estate located in municipalities of Risan, Zagora and Dobrota in the Republic of Montenegro.

The above mentioned agreements do not constitute significant agreements within the meaning of the Decree of Minister of Finance of 19 February 2009 on current and periodic information published by issuers of securities and conditions for recognizing as equivalent information required by law of nonmember state (hereinafter the Decree on current and periodic information). They are an integral element of the implementation of the Group's strategy, adopted in the 4Q 2011 and focused at concentration of activities on the Ursus project and sale of other projects from the Group's portfolio.

In June 2012 the District Court for the Capital City of Warsaw, XIII Commercial Division of the National Court Register, with regard to the completion of the liquidation process of *Darvest Investments Sp. z o.o. w likwidacji*, headquartered in Warsaw, (KRS 0000243785; REGON 140282197; NIP 5272487734), a subsidiary of Celtic Property Developments S.A., issued a decision to remove the company from the National Court Register.

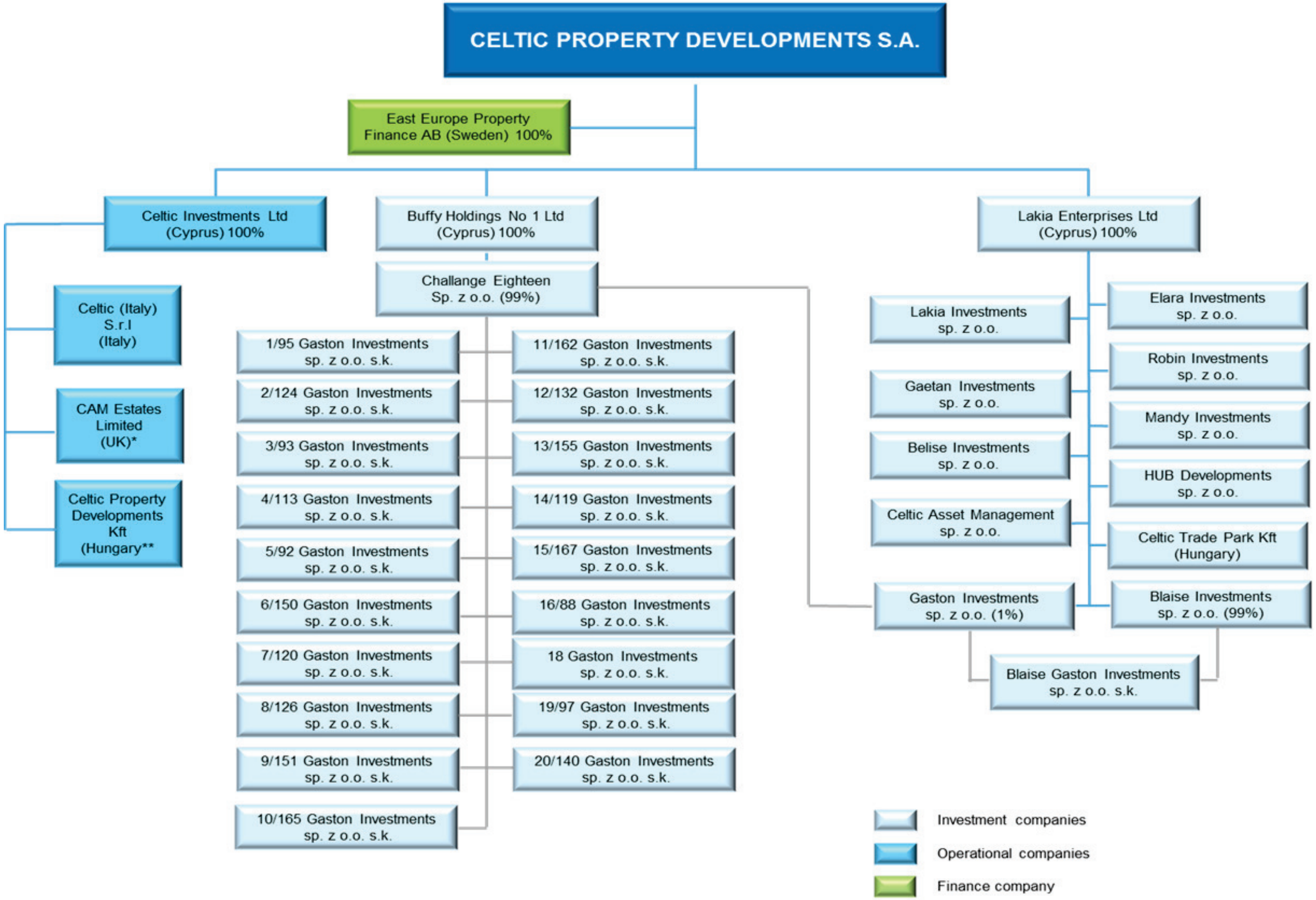
In June 2012, the Board of Directors of CAM Estates Limited, headquartered in the United Kingdom, has taken a resolution on the company's dissolution as the project realized by the company was completed. Appropriate notice was published in London Gazette, Issue 823670 on July 10, 2012. The company shall be resolved on 10 October, 2012.

Additionally, on 7 August 2012, an application to register the liquidation of Celtic Property Developments Kft, headquartered in Budapest, Hungary, (registration number 01-09-906284), was filled in Budapest Court of Registry (*Fővárosi Törvényszék Cégbírósága*). The resolution on Celtic Property Developments Kft dissolution and opening of the liquidation procedure was adopted by the Meeting of Shareholders of Celtic Investments Limited (Issuer's subsidiary) headquartered in Nicosia, Cyprus, held on 1st August 2012. Celtic Investments Limited owns 100% of shares in Celtic Property Developments Kft.

Liquidation of Celtic Property Developments Kft and CAM Estates Limited aims primarily to simplify the Group structure and reduce operational costs.

All Group companies are subject to consolidation according to the full consolidation method.

Celtic Group structure as on 30 June 2012.



* Resolution of the Board of Directors on the company's dissolution taken in June 2012.
** Liquidation procedure started in August 2012.

3. SELECTED FINANCIAL DATA

Selected items of the consolidated statement of comprehensive income

	6 months			6 months		
	From 01.01.2012 to 30.06.2012 (PLN ths.)	From 01.01.2011 to 30.06.2011 (PLN ths.)	Change (%) %	From 01.01.2012 to 30.06.2012 (EUR ths.)	From 01.01.2011 to 30.06.2011 (EUR ths.)	Change (%) %
Revenues	10 457	19 292	*-45,8%*	2 477	4 863	*-49,1%*
Costs of sales	-10 922	-10 466	*4,4%*	-2 587	-2 638	*-1,9%*
Profit on sales	**-465**	**8 826**	***-105,3%***	**-110**	**2 225**	***-105,0%***
Operational costs, including:	**-112 814**	**-26 683**	***322,8%***	**-26 721**	**-6 726**	***297,3%***
Administrative costs - property related	*-12 128*	*-15 857*	*-23,5%*	*-2 873*	*-3 997*	*-28,1%*
Administrative costs - other	*-6 862*	*-7 128*	*-3,7%*	*-1 625*	*-1 797*	*-9,5%*
Selling and marketing expenses	*-960*	*-939*	*2,2%*	*-227*	*-237*	*-3,9%*
Gain/ (loss) on investment property disposal	*-33 356*	-	*n/a*	*-7 901*	-	*n/a*
Other income	*578*	*249*	*132,1%*	*137*	*63*	*118,1%*
Gain (loss) from fair value adjustments on investment property	*-28 153*	*-3 008*	*835,9%*	*-6 668*	*-758*	*779,5%*
Result from sales of subsidiares	*-9 795*	-	*n/a*	*-2 320*	-	*n/a*
Goodwill impairement	*-22 138*	-	*n/a*	*-5 244*	-	*n/a*
Operating result	**-113 279**	**-17 857**	***534,4%***	**-26 831**	**-4 501**	***496,1%***
Financial income	9 012	541	*1565,8%*	2 135	136	*1465,3%*
Financial costs	-3 007	-3 122	*-3,7%*	-712	-787	*-9,5%*
Profit (loss) before income tax	**-107 274**	**-20 438**	***424,9%***	**-25 409**	**-5 152**	***393,2%***
Income tax	2 301	-2 289	-	545	-577	*-194,5%*
Net profit (loss)	**-104 973**	**-22 727**	***361,9%***	**-24 864**	**-5 729**	***334,0%***
Diluted earnings per share (PLN)	-3,08	-0,66	-	-0,73	-0,17	-

The 1st half of the year 2012 Celtic Group closed with a negative net result of PLN 104.9 mln. The net loss in the first half of 2012 was PLN 82.2 million higher than in the same period last year and resulted mainly from the negative result from disposal of investment property of PLN 33.4 million, the negative result of the valuation of the investment property of PLN 28.2 mln and the impairment of goodwill amounting to PLN 22.1 million. A factor that positively affected the Group's H1 2012 financial result was the reduction of total administrative costs by the amount of PLN 4.0 mln.

In respect of the sales revenues in H1 2012 the Group recorded a decline of PLN 8.8 million i.e. by 45.8% comparing to H1 2011, which resulted primarily from lower by PLN 5.9 million revenue from the sale of inventories with regard to the completion of sales of Group's projects with the end of the year 2011 as well as from lower by PLN 4.7 million revenues from advisory activities in connection with the termination of projects realized by the Group's companies in Italy and United Kingdom.

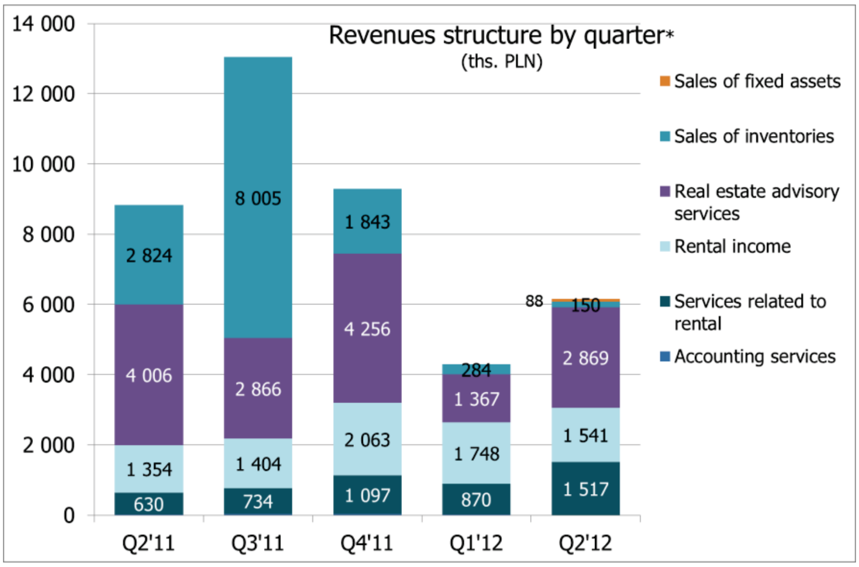
Consequently, comparing to the H1 2011 the structure of the Group's revenues has changed. The greatest part of revenues (more than 40% share) was generated by advisory activity (vs. 46.2% in H1 2011). Due to the increase of the income from rent in H1 2012 by 22.9% compared to the same period of the last year and to the decrease of the total Group revenues, the share of revenues from rent has increased respectively from 13.9% in H1 2011 to 31.5% in H1 2012.

The consequence of the increase in rental revenues is also the significant increase of revenues from services connected with rent, which at the end of H1 2012 amounted to PLN 2.4 million and represented 22.8% of total revenues compared to 6.7% in H1 2011. Rental revenue was generated mainly by 2 buildings in Warsaw – Aquarius at 31A Połczyńska street and Solar at Cybernetyki 7B street. At 30 June 2012, the buildings were rented in 95% and 90% respectively.

At the same time, the Group recorded a significant decrease in revenues from the sale of inventories, which in H1 2011 generated nearly 1/3 of Group revenue while in H1 2012 only 4.2%, which resulted from the finalization of sales of Group's projects.

With regard to quarterly data, revenues of the 2Q 2012 were by 43.6% i.e. by PLN 1.8 mln higher than in Q1 2012 and by PLN 2.7 mln i.e. 30.1% lower than in the same period of the last year.

The following figure presents Group's structure of revenues by quarters:



In relation to the cost of sales, in H1 2012 they were lower than in previous year by PLN 0.5 mln. Following the finalization of sales of Koszykowa 69 project at the end of the year 2011, in H1 2012 the costs of the inventory sold decreased while the change of inventory impairment write downs increased. The inventory impairment write-down at 30 June 2012 was estimated on the basis of sales margins possible to achieve.

In H1 2012 the Group has also registered a decrease in the total administrative costs by the amount of 4.0 mln as compared to H1 2011. The decrease in administrative costs is due to the reduction of employees' costs by PLN 1.5 mln following the reduction of employment in the Group companies, to the decrease by PLN 1.9 mln PLN taxes on real estate following sales of several properties from the Group portfolio and the decrease by PLN 1.6 mln of change of receivables impairment write-down.

With regard to the remaining operational costs, the biggest impact on the Group result had the following factors:

1) Sale of the plot No 113 of the precincts 2-09-09 in Ursus, belonging to the Company's subsidiary 4/113 Gaston Investments Sp. z o.o. The transaction closed with a negative result of PLN 33.4 million. Ultimately, the intention of the Group is to sell the defined portion of the plot, on which there are situated and will be built elements of the infrastructure related to water and sewage systems. Once the process is completed, the part of the plot unused for infrastructure purposes will be transferred back to the Celtic Group. On the day of conclusion of the transaction, it was not possible to subdivide the plot due to the lack of valid Master plan, which is the act constituting the legal basis for the division of the land. The concluded transaction is an integral part of the Group strategy and of its ambition to secure water and sewage management for Ursus terrains.
2) Revaluation of properties to their fair values, resulting from fluctuations in exchange rates and investments not included in the increase of fair values as well as from the properties values review carried out by the Management Board and adjustment of their values to the sales price possible to obtain. These actions had a negative impact on the result from the valuation of investment properties in the amount of PLN 28.2 mln.
3) Analysis of the value of the goodwill at the balance sheet date of 30 June 2012, which led to the recognition of goodwill impairment in the amount of PLN 22.1 mln.

4) Sales of shares in subsidiaries (sale of Devin Investment Sp. z o.o which owned the property located in Warsaw at 22 Łopuszańska street; sale of Tenth Planet-doo which owned properties situated in Montenegro; sale of 17/110 Gaston Investments Sp z o. o Sp. k. holding a terrain of 3.8 ha dedicated to industrial purposes within the master zoning plan in Ursus, sale of the operational company KMA Sp. z o. o.) brought a total negative result of PLN 9.8 mln.

Group's financial costs of the H1 2012 have not significantly changed compared to H1 2011 and amounted to PLN 3.0 mln comparing to PLN 3.1 mln in previous year. With respect to financial revenues, the Group reported a revenue of PLN 8.5 million from dividends received from subsidiary company in Q1 2012.

Changes in the structure of administrative and operational costs are the result of actions initiated in the year 2011 realized within the Group strategy, focusing on the Ursus project realization and sale of the remaining projects from the Group's portfolio and aiming to simplify the Group's organizational structure.

Following the above mentioned changes, the Group's net loss increased by PLN 82.2 mln – from PLN 22.7 mln in H1 2011 to PLN 104.9 mln PLN in H1 2012.

Selected items of the consolidated balance sheet

	As at:		Change	As at:		Change
	30.06.2012 (PLN ths.)	31.12.2011 (PLN ths.)	(%)	30.06.2012 (PLN ths.)	31.12.2011 (PLN ths.)	(%)
Total assets	**571 070**	**677 608**	***-15,7%***	**134 787**	**155 877**	***-13,5%***
Non-current assets, including:	424 042	560 844	*-24,4%*	99 510	126 980	*-21,6%*
Investment properties	*421 075*	*534 404*	*-21,2%*	*98 814*	*120 993*	*-18,3%*
Current assets, including:	147 028	116 764	*25,9%*	34 503	26 436	*30,5%*
Inventories	*68 955*	*66 283*	*4,0%*	*16 182*	*15 007*	*7,8%*
Trade receivables and other receivables	*23 666*	*23 233*	*1,9%*	*5 554*	*5 260*	*5,6%*
Income tax receivables	*149*	*128*	*16,4%*	*35*	*29*	*20,7%*
Cash and cash equivalents	*50 962*	*16 249*	*213,6%*	*11 959*	*3 679*	*225,1%*
Assets held for sale	*3 296*	10 871	*-69,7%*	773	2 461	*-68,6%*
Total equity and liabilities	**571 070**	**677 608**	***-15,7%***	**134 013**	**153 416**	***-12,6%***
Equity, including:	438 153	543 281	*-19,4%*	102 821	123 003	*-16,4%*
Share capital	*3 407*	*3 407*	*0,0%*	*800*	*771*	*3,6%*
Supplementary capital	*0,0%*	*1 161*	*-100,0%*	*0*	*263*	*-100,0%*
Reserve capital	*1 387*	*23 078*	-	*325*	*5 225*	*-93,8%*
Translation reserve	*-4 236*	*-2 694*	*57,2%*	*-994*	*-610*	*63,0%*
Retained earnings/(accumulated losses)	*437 595*	*518 329*	*-15,6%*	*102 690*	*117 354*	*-12,5%*
Total liabilities, including:	132 917	134 327	*-1,0%*	31 192	30 413	*2,6%*
Non-current liabilities	*107 884*	*52 467*	*105,6%*	*25 317*	*11 879*	*113,1%*
Current liabilities	*23 937*	*79 901*	*-70,0%*	*5 617*	*18 090*	*-68,9%*
Liabilities directly associated with assets held for sale	*1 096*	*1 959*	*-44,1%*	*257*	*444*	*-42,0%*

At the end of H1 2012 the total value of non-current assets decreased by PLN 136.8 million PLN i.e. by 24.4% compared to the end of the year 2011. The decrease resulted mainly from lower value of investment properties resulting from sale of several properties or from sale of shares in subsidiaries, in connection with transactions which took place in 2Q 2012. Reduction of the value of investment properties was also the consequence of the revaluation of properties to their fair values in connection with fluctuations in exchanges rates and with investments non reflected in the increase of fair values as well as of the revision of investment properties values conducted by the Management Board and their revaluation to the level of prices possible to obtain.

In relation to the end of the year 2011, the value of Group current assets grew by 25,9% mainly due to the increase of the cash position by PLN 34.7 million in connection with sale transactions of properties and shares in subsidiaries.

In H1 2012 the structure of Group equity and liabilities did not significantly changed compared to the end of the year 2011. At 30 June 2012 Group equity amounted to PLN 438.1 million and accounted for 76.7% of the balance sheet (vs. 80.2% at the end of the year 2011), while the liabilities represented respectively 23.3% of the balance sheet total (vs. 19.8% at the end of the year 2011).

The following table shows the contribution of individual categories of liabilities in the balance sheet total.

	30.06.2012	31.12.2011
Liabilities to total assets	**23,3%**	**19,8%**
Non-current liabilities to total assets	**18,9%**	**7,7%**
Borrowings including finance leases to total assets	16,5%	5,1%
Income tax liabilities to total assets	2,3%	2,5%
Trade and other payables to total assets	0,1%	0,1%
Current liabilities to total assets	**4,2%**	**11,8%**
Borrowings including finance leases to total assets	0,6%	8,4%
Income tax liabilities to total assets	3,4%	3,3%
Trade and other payables to total assets	0,1%	0,1%
Other liabilities to total assets	**0,2%**	**0,3%**

The structure of liabilities has changed compared to the end of the year 2011. The share of long-term liabilities in the overall balance sheet total rose from 7.7% at December 31, 2011 to 18.9% at the end of H1 2012. This change results from the drawdowns of successive tranches of the construction credit granted to the Group by Bank Zachodni WBK S.A. for the realization of the office building IRIS as well as of the reclassification from short to long-term of liabilities regarding the loan granted by the HSBC Bank due to the annex to the credit agreement signed 29 March 2012. On the basis of this annex the Group has commit to repay the loan in equal installments of EUR 94.000 each payable at 27 September 2012, 23 December 2012, 27 March 2013, 27 June 2013, 27 September 2013 and 23 December 2013 as well as of the total repayment of EUR 10.592.000 to 27 March 2014. The above mentioned amounts of the loan installments and of the total repayment take into account the decrease of the loan burden by the part allowable to Devin Investments sp. z o.o which was sold in May 2012. The payment scheduled for 27 June 2012 took place in due time.

4. IMPORTANT EVENTS IN THE REPORTING PERIOD

- ### PROJECT URSUS – PRINCIPAL FACTS AND EVENTS

On the day of the report publication, Warsaw City's authorities did not succeed to close works on the approval of the *Master Plan for the postindustrial area of former ZPC Ursus factory in the area of Orłów Piastowskich Street.* As consequence, Celtic Group did not start the Ursus project. Adoption of the Master Plan by the Capital City Warsaw Council is a key element to initialize the project and start construction works of the first stage. Further delays in Master Plan adoption directly translate into delays to start the investment process and to recognize the revenues from the project. According to the new version of the Plan, the Group will be able to realize investment plans to build over 740 ths. sqm of usable area.

Despite the prolonged process of the Master Plan adoption the Group did not abandon activities related to Ursus project and continued to execute conceptual and project works as well as demolition and order arrangement works. As confirmation of the above facts, the Group has concluded the strategic agreement with Dalkia Poland Sp. z o.o in the scope of revitalization of ZPC Ursus brownfields with particular attention to the cooperation of both parties in the construction of the cogeneration gas heating plant on this terrain.

Within the framework of this agreement, Stołeczne Przedsiębiorstwo Energetyki Cieplnej S.A has started the development of its own heating network in Ursus district with a special intensification of the network on the area of the former ZPC Ursus. In connection to the above, an agreement was signed with the SPEC in April 2012 with regard to the payable transfer to SPEC of conceptual and project works as well as of obtained consents and administrative decisions related to the construction of the heating network with the telecom network from the Zapustna Street to the projected site for heating facilities and equipment and for the residential and commercial developments on the former ZPC Ursus area. The signature of the agreement with Stołeczne Przedsiębiorstwo Energetyki Cieplnej S.A will enable Celtic to launch investment projects immediately after approval of the Master Plan.

In June of this year, Dalkia Polska Sp. z o.o. started the realization of the project of the construction of the cogeneration gas heating plant on former ZPC Ursus terrains, through the acquisition of the land dedicated in the Master Plan for heating and energy investments and initiating project works. Together with the cogeneration gas heating plant, as an accompanying investment in cooperation with RWE Stoen, a modern Regional Power Point with voltage of 15 KV will be created.

The start of these three energy and heating investments projects is important for both present and future inhabitants of Ursus district as well as for investments planned on the revitalized area of former ZPC Ursus. These investments correspond to the needs of residents, businesses and developers associated with ensuring the security of heating and electrical energy supplies not only for Ursus district itself but also for the western area of Warsaw agglomeration.

In May 2012, the Group sold the plot no. 113 from the precinct 2-09-09 to a strategic investor, who, through related parties, intends to carry on activities regarding water and sewage management in the revitalized area.

In addition, the Group also basing on the resolution of the Warsaw City Municipal Council no XXXV/1024/2008 of 29 May 2008, on the letter of the Municipal Roads Investment Board of 30 July 2010 as well as on the Notification of the Minister of Infrastructure of 05 October 2011 transferred respectively to the State Treasury plots no. 168/1, 168/7, 168/8 and plot no. 86/2 from the precinct 2-09-09. These plots, under the Master Plan project are dedicated for the construction of four-lanes collision-free roads connecting the revitalized area to Aleje Jerozolimskie through the construction of Nowolazurowa Street and to Połczyńska Street through the construction of Nowomory Street. The Municipal Roads Investment Board plans to complete both streets by the end of 2012. Construction of these two roads (i.e. Nowowolazurowa and Nowomory) is another important element in revitalizing the area of the former ZPC Ursus through their inclusion in the integral and comprehensive network of urban roads thanks to rapid and collision free road connections.

The sale of the above projects or plots to strategic investors had as objective the launch of investment projects to such entities as the Municipal Roads Investment Board, Dalkia, SPEC or RWE in Ursus district area. These actions are part of the conceptual and design works of the Group realized during several years and aimed at achieving the full and structural revitalization of brownfields of former ZPC Ursus, through the construction of modern roads, energy, heating and sewage infrastructures allowing to the revitalized sector covering ca. 20% of Ursus district to became modern and multifunctional urban tissue. The localization of the above mentioned investment projects in the immediate vicinity of the planned Celtic Group's investment project is essential for their realization, because it will not only allow to start their realization immediately after the adoption of the Master Plan, but also will significantly optimize the infrastructural costs of projects.

- **REALISATION OF THE IRIS PROJECT (CYBERNETYKI 9, WARSAW)**

The IRIS project includes the development of a six-storey office building of the total lease area of about 14.3 ths. sqm altogether with 233 parking lots. The construction and the fit-out phases will be financed by an investment loan up to EUR 20.1 million and a revolving VAT loan up to PLN 2.0 mln. These loans were given to a subsidiary Belise Investments Sp. z o.o (company responsible for the realization of the IRIS project) based on the loan agreement concluded on 12 August 2011 between Belise Investments sp. z o.o and Bank Zachodni BZ WBK S.A.

In H1 2012 construction works realized by Eiffage Budownictwo Mitex S.A. were continued. As of the date the report publication concrete works of the building structure were completed while façade and paving works were in the final stage of completion. Inside the building installation and other internal works are conducted together with the start of fit-outs works for tenants. The project realization progressed in accordance with the established timetable. The completion of the building and its occupation permit are planned for the Q4 2012.

As on the day of the report publication, the IRIS building was leased in 42%, and for another 50% of the area the Group is conducting negotiations with potential tenants. The Group continues also to commercialize and to marketing the remaining rentable surface.

- **Celtic Group reorganization and implementation of the strategy adopted in 2011**

During the reporting period, the Group has implemented a strategy adopted in 4Q 2011 of 2011, aimed at concentrating activities on the Ursus project and sale of other companies and projects from the Group's portfolio. In H1 2012 the Group sold shares in the following three companies in Poland: 17/110 Gaston Investments Sp. z o.o. sp.k, Devin Investments Sp. z o.o and KMA sp. z o.o. In June 2012, the liquidation procedure of Darvest Investments Sp. z o.o. w likwidacji has been finalized and the company was removed from the National Court Register on 15 June 2012. Furthermore, in respect of foreign Group's companies the following changes have occurred: 1) in May 2012, the agreement of sale of shares in Tenth Planet d.o.o, headquartered in Montenegro was signed, 2) in June 2012 the Board of Directors of CAM Estates Limited, headquartered in United Kingdom decided on the company's dissolution as the project which has been realized by the company has been finalized; 3) in August 2012, the procedure of liquidation of the Hungarian branch of the group - Celtic Property Developments Kft, headquartered in Budapest – was initiated. The details on the above changes have been described in *Section 2, The Structure of the Group* of this report.

- **Ordinary General Meeting of Celtic Property Developments S.A.**

The Ordinary General Meeting of Celtic Property Developments S.A. was held on 24 May 2012 in the Company's headquarters. The Ordinary General Meeting adopted resolutions in the following matters:

- On the approval of the financial statements and Management Board activity reports of Celtic Property Developments S.A. and Celtic Group for the financial year 2011;
- On the cover the loss of Celtic Property Developments S.A. for the year 2011;
- On the further existence of the Celtic Property Developments S.A.
- On granting the vote of acceptance to members of Management Board, for the performance of their duties in financial year 2011;
- On granting the vote of acceptance to members of Supervisory Board, for the performance of their duties in financial year 2011;

- On establishing the number of members of the Supervisory Board of the second cadence, on the election of members of the Supervisory Board and their remuneration;
- On the issue of subscription warrants series A with the right to take up the Company's shares Series C and deprivation of current shareholders of the pre-emption right with respect to subscription warrants series A;
- On the conditional increase of the Company's share capital with the exclusion of the pre-emption right with respect to shares Series C, amendment to the Company Statute, deprivation of current shareholders of the pre-emption right with respect to the shares Series C, dematerialization of the shares Series C and application to admit and introduce the shares Series C to the regulated market

- **SERIES A SUBSCRIPTION WARRANTS ISSUE AND CONDITIONAL CAPITAL INCREASE**

On 24 May 2012 the Ordinary General Meeting of Shareholders adopted resolution No. 22 on the issue of subscription warrants series A with the right to take up the Company's shares Series C and deprivation of current shareholders of the pre-emption right with respect to subscription A series warrants and resolution no. 23 On the conditional increase of the Company's share capital with the exclusion of the pre-emption right with respect to shares Series C, amendment to the Company Statute, deprivation of current shareholders of the pre-emption right with respect to the shares Series C, dematerialization of the shares Series C and application to admit and introduce the shares Series C to the regulated market.

On the basis of the resolution No. 22 the Company has issued 163.214 registered A series subscription warrants (hereinafter: „Subscription Warrants"), with the right to take-up in total 163.214 Company's ordinary bearer shares Series C, with the nominal value of 0.10 zlotys (in words: ten groszy) each and total nominal value of PLN 16.321,40. Subscription Warrants were offered only to the entitled Management Board's members, who performed their functions at the day of presenting the declaration of taking-up Subscription Warrants:

- Mr. Andrew Morrison Shepherd, President of the Management Board, was offered 54.919 Subscription Warrants;
- Mr. Aled Rhys Jones, Member of the Management Board, was offered 54.919 Subscription Warrants;
- Mr. Christopher Bruce, Member of the Management Board, was offered 26.688 Subscription Warrants;
- Mrs. Elżbieta Wiczkowska, Member of the Management Board, was offered 26.688 Subscription Warrants.

Subscription Warrants were issued free of charge and the issue price of one C series share taken-up in the execution of rights from Subscription Warrant was established as equivalent of its nominal value i.e. 0.10 PLN (ten groszy). Each Subscription Warrant gave the right to take-up one C series share and the right to take-up C series shares has been realized in the manner specified in Art. 451 of the Code of Commercial Companies, i.e. by way of written statements submitted on forms prepared by the Company.

The issue of Subscription Warrants was carried out without a public offer referred to in Art. 3.3 of the Act of 29 July 2005 on Public Offering and Conditions for the Introduction of Financial Instruments to the Organized Trading System, and on Public Companies (Journal of Laws No. 184, section 1539 with further changes) due to the fact that the number of persons to whom the proposal to acquire Subscription Warrants was addressed did not exceed 99 (in words: ninety nine) persons.

On 19 June 2012 the District Court for the Capital City of Warsaw, XIII Commercial Division of the National Court Register has registered the conditional Company's share capital increase by the amount not higher than PLN 16,321.40. The conditional share capital increase was executed through the issue of up to 163 214 Company's ordinary bearer shares Series C, with the nominal value of 0.10 zlotys (in words: ten groszy) each and was carried out to enable entitled persons holding the Subscription Warrants series A to exercise their rights to take up no more than 163 214 C series shares.

Subscription Warrants were offered to entitled persons on 12 July 2012 and they were taken up by entitled persons the same day. Entitled persons have taken up all offered Subscription Warrants and after that they exercised rights resulting from Subscription Warrants and took up 163 214 of C series bearer shares with a nominal value of 0.10 PLN each. As C series shares were taken up, Subscription Warrants have expired. The issue of C series shares is described in Section 7 *ISSUANCE, REDEMPTION AND REPAYMENT OF NON-STOCK AND EQUITY SECURITIES* of this report.

- **GROWTH OF THE RENTAL AND RENTAL RELATED INCOME**

In the H1 2012 revenues from rent and from rental related services amounted to a total of PLN 5.7 million and were higher than in the similar period of the last year by PLN 1.7 mln. Revenues from rent were generated mainly by 2 buildings in Warsaw – Aquarius building at Połczyńska 31A street and Solar building at Cybernetyki 7B street. At 30 June 2012, the buildings were rented respectively in 90% and 95% to reputed Polish and foreign companies. In H1 2012, revenues from rent and rent related services represented 53.4% of the total Group revenues.

- **ADMINISTRATIVE COSTS REDUCTION**

In H1 2012 Group's administrative costs were by PLN 4.0 mln lower than in H1 2011, mainly due to the decrease of the propriety taxes and the decrease of employee costs. Administrative costs reduction is the consequence of activities initiated in 2011 related to Group's strategy and aiming at Ursus project realization and sale of remaining projects and properties from Group's portfolio as well as at the simplification of the Group organizational structure.

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

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

On 24 May 2012 the Ordinary General Meeting of Shareholders adopted resolution No. 22 on the issue of subscription warrants series A with the right to take up the Company's shares Series C and deprivation of current shareholders of the pre-emption right with respect to subscription A series warrants and resolution no. 23 On the conditional increase of the Company's share capital with the exclusion of the pre-emption right with respect to shares Series C, amendment to the Company Statute, deprivation of current shareholders of the pre-emption right with respect to the shares Series C, dematerialization of the shares Series C and application to admit and introduce the shares Series C to the regulated market.

On the basis of the resolution No. 22 the Company has issued 163.214 registered A series subscription warrants (hereinafter: „Subscription Warrants"), with the right to take-up in total 163.214 Company's ordinary bearer shares Series C, with the nominal value of 0.10 zlotys (in words: ten groszy) each and total nominal value of PLN 16.321,40. Subscription Warrants were offered only to the entitled Management Board's members, who performed their functions at the day of presenting the declaration of taking-up Subscription Warrants:

- Mr. Andrew Morrison Shepherd, President of the Management Board, was offered 54.919 Subscription Warrants;
- Mr. Aled Rhys Jones, Member of the Management Board, was offered 54.919 Subscription Warrants;
- Mr. Christopher Bruce, Member of the Management Board, was offered 26.688 Subscription Warrants;
- Mrs. Elżbieta Wiczkowska, Member of the Management Board, was offered 26.688 Subscription Warrants.

Subscription Warrants were issued free of charge and the issue price of one C series share taken-up in the execution of rights from Subscription Warrant was established as equivalent of its nominal value i.e. 0.10 PLN (ten groszy). Each Subscription Warrant gave the right to take-up one C series share and the right to take-up C series shares has been realized in the manner specified in Art. 451 of the Code of Commercial Companies i.e. by way of written statements submitted on forms prepared by the Company.

The issue of Subscription Warrants was carried out without a public offer referred to in Art. 3.3 of the Act of 29 July 2005 on Public Offering and Conditions for the Introduction of Financial Instruments to the Organized Trading System, and on Public Companies (Journal of Laws No. 184, section 1539 with further changes) due to the fact that the number of persons to whom the proposal to acquire Subscription Warrants was addressed did not exceed 99 (in words: ninety nine) persons.

On 19 June 2012 the District Court for the Capital City of Warsaw, XIII Commercial Division of the National Court Register has registered the conditional Company's share capital increase by the amount not higher than PLN 16,321.40. The conditional share capital increase was executed through the issue of up to 163,214 Company's ordinary bearer shares Series C, with the nominal value of 0.10 zlotys (in words: ten groszy) each and was carried out to enable entitled persons holding the Subscription Warrants series A to exercise their rights to take up no more than 163,214 C series shares.

Subscription Warrants were offered to entitled persons on 12 July 2012. Entitled persons owning A series Subscription Warrants have executed their rights and presented declarations of taking-up C series shares.

The Company's share capital increase occurred on 31 July 2012 as result of the registration of C series shares on securities accounts of entitled persons and of the creation of rights from these shares according to art. 452 of the Code of Commercial Companies. Consequently, Celtic Property Developments S.A. share capital was increased on 31 July 2012 by the amount of PLN 16,321.40 PLN up to the amount of PLN 3,423,146.60 PLN (in words: three million four hundred and twenty-three thousand one hundred and forty-six zloty and 60 groszy).

As a result of the increase, the share capital of the Celtic Property Developments S.A. are divided into 34,231,466 (in words: thirty-four million two hundred and thirty-one thousand four hundred and sixty-six) shares with a nominal value of PLN 0.10 (ten groszy) each, representing 100% of the votes at Company general meeting. On 31 July 2012, C series shares were introduced to the listing on the parallel market of the Warsaw Stock Exchange S.A. on the basis of the resolution No 739/2012 of the WSE Management Board.

Except the above described issue of A series Subscription Warrants and C series shares, the Company did not proceeded to issuance, redemption and repayment of other non-stock and equity securities.

8. INFORMATION RELATED TO DIVIDEND

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

9. EVENTS AFTER THE DATE OF PREPARATION OF FINANCIAL STATEMENTS

• Sale of the plot on the former ZPC Ursus area

In July 2012, the Group sold the parcel No. 119 from the precincts 2-09-09, belonging to the Company's subsidiary 14/119 Gaston Investments Sp. z o.o. S.k., to a strategic investor. This is a continuation of actions taken in H1 2012, in which period the Group sold the plot No. 113 to the same investor. The investor intends to carry out activities related to water and sewage management on the revitalized area of former ZPC Ursus.

• Start of dissolution and liquidation procedures of subsidiaries

Respectively in July and August 2012 the dissolution procedures for operational entities in UK (CAM Estates Limited) and in Hungary (Celtic Property Developments Kft), were initiated, as described in Section 2 *The Structure of the Group* of this report.

• The choice of Auditor

At its meeting on 12 July 2012 the Supervisory Board has taken a resolution on selection of PricewaterhouseCoopers Sp. z o.o. based in Warsaw, al. Armii Ludowej 14, entered on the list of entities authorized to audit accounts under the number 144, as the auditor entitled to:

- Audit the consolidated financial statements of Celtic Property Developments S.A for the financial year ending on 31 December 2012;
- Audit the stand-alone financial statements of Celtic Property Developments S.A. for the financial year ending on 31 December 2012;
- Review the interim consolidated financial statements of Celtic Property Developments S.A. as of 30 June 2012;
- Review the interim stand-alone financial statements of Celtic Property Developments S.A. as of 30 june 2012.

The agreement with PricewaterhouseCoopers Sp. z o.o. shall be concluded for the period necessary to complete the works provided therein.

- **RESIGNATION OF THE MANAGEMENT BOARD MEMBER**

On 13 July 2012 Mr. Christopher Bruce, Member of the Management Board of Celtic Property Developments S.A., has resigned from his function with effect from 13 July 2012.

- **ISSUE OF C SERIES SHARES, SHARE CAPITAL INCREASE AND INTRODUCTION OF C SERIES SHARES IN TRADING**

The Company's share capital increase occurred on 31 July 2012 as result of the registration of C series shares on securities accounts of entitled persons and of the creation of rights from these shares according to art. 452 of the Code of Commercial Companies. Company's share capital increase was described in Section 7 *ISSUANCE, REDEMPTION AND REPAYMENT OF NON-STOCK AND EQUITY SECURITIES* of this report. On 31 July 2012, C series shares were introduced to the listing on the parallel market of the Warsaw Stock Exchange S.A. on the basis of the resolution No 739/2012 of the WSE Management Board.

- **EXTRAORDINARY GENERAL MEETING – RESOLUTION ON THE ACQUISITION OF THE COMPANY'S SHARES FOR THE PURPOSE OF REDEMPTION**

On 10 August 2012 the Extraordinary General Meeting adopted the resolution on the acquisition of the Company's shares for the purpose of redemption. The EGM have authorized the Company's Management Board to purchase from Company's shareholders up to 11,541,891 (in words: eleven million five hundred forty-one thousand eight hundred and ninety-one) of Company's shares, with the nominal value of 0.10 zł (ten groszy) each and total nominal value up to 1,154,189.10 zł (in words: one million one hundred and fifty four thousand one hundred and eighty-nine zł and 10 groszy). The Shares could be purchased on the regulated market (during a stock exchange session or outside session) as well as outside of the regulated market.

The Shares shall be purchased by the Company pursuant to Art. 362 § 1 point 5) of C.C.C. for the purpose of redemption, for the price no lower than its nominal value and no higher than 15.89 zł (in words: fifteen złotych and eighty nine groszy) for one share. Additionally, the Extraordinary General Meeting has authorized the Management Board to establish detailed terms and conditions of share's purchase and to carry out all practical and legal actions aiming to the realization of the EGM resolution, including the conclusion of the agreement with an investment firm. In the purpose of redemption of shares, immediately after the finalization of their purchase procedure, the Company's Management Board shall convene the General Meeting with an agenda including at least the adoption of resolutions on the redemption of the Company's shares, on the decrease of the Company's share capital and amendments to the Company's statute. The Company's Management Board is authorized to purchase shares for the purpose of redemption no later than by until the 31 December 2013.

The rationale of the Management Board with regard to the resolution on the acquisition of Company's shares in the purpose of redemption is the current unfavourable situation on the Stock Exchange, being a part of worldwide trends on capital markets and resulting in a decrease of the market price of shares of Celtic Property Developments S.A. In the Management Board's opinion, this valuation diverges from the fundaments of the Company's value increase in long term perspective. Shares' buy-back is then optimal from the perspective of interests of all Company's shareholders.

10. CHANGES RELATED TO CONTINGENT LIABILITIES AND CONTINGENT ASSETS

In the reporting period there were no substantial changes with regard to contingent liabilities or contingent assets.

11. THE MANAGEMENT BOARD POSITION RELATED TO PUBLISHED FINANCIAL FORECASTS

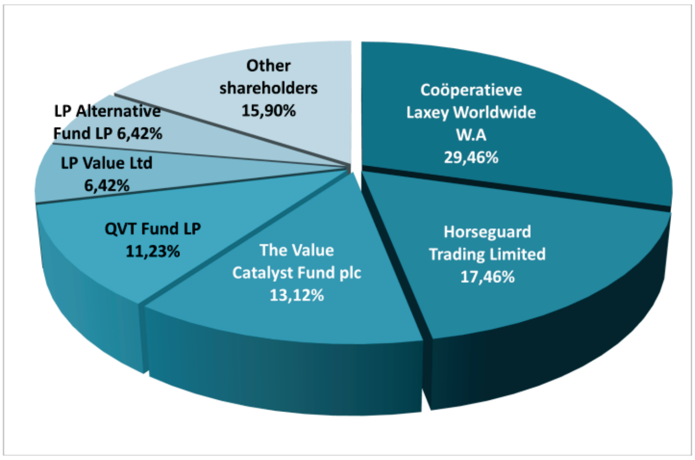
Neither the Celtic Group nor its holding company Celtic Property Developments S.A. published any forecasts of financial results.

12. SHAREHOLDERS HOLDING AT LEAST 5% OF THE TOTAL NUMBER OF VOTES AT THE GENERAL MEETING

Following the Company's share capital increase on 31 July 2012 by the amount of PLN 16,321.40 through the issue of 163,214 C series shares, on the day of the publication of this report Celtic Property Developments S.A.'s share capital amounts to PLN 3,423,146.60 PLN and is divided in 34,231,466 ordinary bearer shares of B and C series.

The following graph and table show the shareholding structure, taking into account the increase of the Company's share capital.

Celtic Property Developments S.A. shareholding structure



In accordance with the information held by the Company, the shareholders who hold directly or indirectly through subsidiaries at least 5% of the total number of votes at the Company's General Meeting of Shareholders on the day of the report publication were:

Shareholders	Number of shares	Number of votes	As % of total number of shares	As % of total number of votes
Coöperatieve Laxey Worldwide W.A	10 082 930	10 082 930	29,46%	29,46%
Horseguard Trading Limited	5 975 692	5 975 692	17,46%	17,46%
The Value Catalyst Fund plc	4 490 475	4 490 475	13,12%	13,12%
QVT Fund LP	3 843 635	3 843 635	11,23%	11,23%
LP Value Ltd	2 198 450	2 198 450	6,42%	6,42%
LP Alternative Fund LP	2 196 668	2 196 668	6,42%	6,42%

13. COMPANY'S SHARES OWNED BY THE MANAGEMENT BOARD AND SUPERVISORY BOARD MEMBERS

The following table shows the status of the holding of Company's shares by the members of the Management Board at the date of report publication and according to information held by the Company:

Shareholder		Number of shares owned	As % of total number of shares	As % of total number of votes
Andrew Morrison Shepherd	Chairman of the Management Board	54 919	0,16%	0,16%
Aled Rhys Jones	Member of the Management Board	54 919	0,16%	0,16%
Elżbieta Wiczkowska	Member of the Management Board	26 688	0,08%	0,08%
Christopher Bruce**	Member of the Management Board	65 587	0,19%	0,19%
TOTAL		**202 113**	**0,59%**	**0,59%**

*The total number of Company's shares after the increase of the share capital, i.e. 34.231.466 shares
** Mr. Christopher Bruce resigned from his function in the Company Management Board on 13 July 2012

Comparing to the previous reporting period, as the consequence of the take-up of C series shares on 12 July 2012 and their registration on securities accounts on 31 July 2012, following the execution of rights from A series Subscription Warrants:

- the number of shares held by Mr. Andrew Morrison Shepherd increased by 54.919 shares;
- the number of shares held by Mr. Aled Rhys Jones increased by 54.919 shares
- the number of shares held by Mrs. Elżbieta Wiczkowska increased by 26.688 shares;
- the number of shares held by Mr. Christopher Bruce increased by 26.688 shares.

14. COURT, ARBITRAGE AND ADMINISTRATIVE PROCEEDINGS WITH VALUE ABOVE 10% OF THE COMPANY'S EQUITY

At the report publication date Celtic Property Developments S.A. nor any of its subsidiaries are not party in proceedings before the Court, the authority competent for arbitration or a public authority, with total value being higher than 10% of Celtic Property Developments S.A. equity.

15. 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. Transactions with related parties are described in the explanatory note No. 20 to the Interim Condensed Consolidated financial statements.

16. SIGNIFICANT LOAN AGREEMENTS AND GUARANTEES GIVEN

- ### CHANGES IN THE SIGNIFICANT LOAN AGREEMENT

In Q1 2012 an amendment was signed to the significant loan agreement in which companies from Celtic Group were parties. The Amendment concerned the loan agreement from 21 December 2006. Parties to this agreement are: the Bank HSBC (HSBC Bank Plc and HSBC Bank Polska S.A.) and Celtic Property Developments S.A.'s subsidiaries: 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 borrowers 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 and Lakia Enterprises Ltd (Cyprus) as guarantors. The Amendment was signed with regard to the existing loan matured on March 27, 2012, to refinance the existing loan in the amount of EUR 12.500.000.

Pursuant to the abovementioned Amendment, the following changes were introduced:

- The parties agreed the term of repayment, including interest and other costs, on the March 27, 2014;
- Subsidiaries are jointly and severally liable for payments of the mandatory installments of 104.000 EUR, payables on 27 June 2012, 27 September 2012, 23 December 2012, 27 March 2013, 27 June 2013, 27 September 2013 and 23 December 2013. The one-time final payment amounting to EUR 11.772.000 EUR will be paid on 27 March 2014.

- Interests will be calculated on quarterly basis. The interest rate was set at a variable rate of three-month interbank EURIBOR for deposits in EUR, increased by the margin of the Bank. The mandatory prepayment clause was introduced in case of sale of a property. If a Borrower decides to sell the whole or any part of the property to any person other then another Borrower, then such Borrower shall designate the proceeds from such sale for prepayment of the loans (together with accrued interests and applicable costs) in part or in full on the date when a Property is disposed of. Full repayment of the loans will be required if after such sale conditions set at the Financial Conditions Clause are not fulfilled.

The loan is secured among other, by joint maximum mortgages up to the amount of EUR 21,000,000 established on the real estate held by Company's subsidiaries being party of the above mentioned agreement together with registered pledges on 100% of shares of each of the Company's subsidiaries.

Other clauses, including these on loan security, arising from the Agreement and from amendments signed earlier, remain unchanged.

Criterion for the recognition of agreement as significant is the value of the loan, amounting to PLN 51,658,750.00 (calculated on the basis of the average rate of EUR published by NBP on 3 April 2012 of 4.1327 PLN/EUR), representing 10% of the Celtic Property Developments S.A. equity as at 31 December 2011.

Following the sale of the subsidiary company Devin Investments Sp. z o.o. in May 2012 and reduction of the credit burden by the part related to this company, the amount of subsequent mandatory installments decreased to EUR 94,000.00 and the amount of the final repayment decreased to EUR 10,592,000.00.

- **BZ WBK S.A. LOAN AGREEMENT – REGISTRATION OF PLEDGES IN THE REGISTER OF PLEDGES**

During the reporting have not changed the guarantees provided in connection with second significant loan agreement signed on 12 August 2011 between Bank Zachodni WBK S.A. and the Company's subsidiary Belise Investments Sp. z o.o. as borrower and Celtic Property Developments S.A., Lakia Enterprises Ltd. and East Europe Property Financing A.B. as guarantors. The loan agreement is related to IRIS project financing. On 22 May 2012 the entry in the Register of Pledges has been made on the shares of Belise Investments Sp. z o.o., Company's subsidiary, based in Warsaw, Poland.

The agreement on the establishment of registered and financial pledges on Belise Investments Sp. z o.o. shares ("the Agreement") was concluded on 4 April 2012 by and between Bank Zachodni WBK S.A., based in Wrocław, Poland ("Pledgee") and Lakia Enterprises Limited, based in Nicosia, Cyprus ("Pledgor") with regard to the execution of provisions of the loan agreement concluded on 12 August 2011 ("Loan Agreement"), reported by the Company in the Current Report No. 20/2011 and associated to the execution of the IRIS office building project, at Cybernetyki 9 street, in Warsaw. The pledge is to secure the payment of the Company's obligation, i.e the VAT loan, arising from the Loan Agreement.

The registered pledge was established on 1000 (one thousand) of shares in the share capital of Belise Investments sp. z o.o., with the nominal value of PLN 50.00 each. 1000 of shares in the share capital represent approximately 91% of the total number of shares (amounting to 1100) in the share capital of this company. Total nominal value of the 1000 shares amounts to PLN 50,000.00.

The registered pledge was established to the highest amount of security – VAT loan of PLN 4,200,000.00 in order to secure obligations arising from the Loan Agreement. The book value of shares which are subject to the pledge amounts to PLN 5,000,000.00 and is higher than the amount of EUR 1,000,000.00.

Neither the Company and their managing persons nor the Bank Zachodni WBK S.A. and their managing persons are related parties within the meaning of Article 2.1.32 of the Decree of Minister of Finance dated 19th of February 2009 on current and periodic information published by issuers of securities and conditions for recognizing as equivalent information required by law of nonmember state.

The shares in the company Belise Investments Sp. z o.o. are considered by the Issuer and its subsidiary company Lakia Enterprises Limited, as a long-term investment. The Company's subsidiary - Lakia Enterprises Limited - owns in total 1.100 shares in Belise Investments Sp. z o.o share capital, which represent 100% of the share capital and 100% of votes in the General Meeting of Belise Investments Sp. z o.o.

- **CHANGES IN THE SIGNIFICANT AGREEMENT RELATED TO THE LOAN GRANTED BY CELTIC PROPERTY DEVELOPMENTS S.A. TO ITS SUBSIDIARY**

On 31 May 2012 the Management Board of Celtic Property Developments S.A. received signed agreements ("Agreements") for assumption of debt and set-off. The Agreements are related to the loan granted by Celtic Property Developments S.A to its subsidiary East Europe Property Financing AB headquartered in Stockholm, Sweden („EEPF"), on the basis of the agreement signed on 31 December 2009 („the Loan"). The principal amount of the Loan, including accrued and unpaid interests, amounted to PLN 389,874,573.30 as at 1st May 2012. With regard to the above, liabilities of EEPF to Celtic Property Developments S.A. were assumed by other subsidiaries from the Celtic Group on the basis of Agreements for assumption of debt and set-off. The above steps are part of actions taken by the Group aimed to simplify its organizational structure and optimize its operating costs.

The Agreements constitute a significant agreement in the meaning of Decree of Minister of Finance dated 19th of February 2009 on current and periodic information published by issuers of securities and conditions for recognizing as equivalent information required by law of nonmembers of state, due to their total value of 389,874,573.30 PLN. This amount exceeds 10% of Celtic Property Developments S.A. equity which at 31 March 2012 amounted to PLN 550,870.00 ths.

17. THE SUPERVISORY BOARD AND THE MANAGEMENT BOARD

At 30 June 2012, 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. Colin Kingsnorth – 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 2012, the composition of the Management Board of the Company was as follows:

- Mr. Andrew Morrison Shepherd – President of the Management Board;
- Mr. Aled Rhys Jones – Member of the Management Board;
- Mrs. Elżbieta Wiczkowska – Member of the Management Board
- Mr. Christopher Bruce - Member of the Management Board.

The composition of the Management Board of Celtic Property Developments S.A. at the end of H1 2012 did not changed in comparison to the end of the year 2011. On 13 July 2012, Mr. Christopher Bruce resigned from his function in the Management Board of the Company with effect from 13 July 2012.

18. OTHER IMPORTANT INFORMATION

Nie wystąpiły poza wyżej ujawnionymi.

19. FACTORS HAVING IMPACT ON THE NEXT QUARTER RESULTS

Amongst the most important factors which will have an impact on the Group results in the incoming quarters are:

- Enacting of the Master Plan for Ursus by authorities of Capital City of Warsaw, which will enable the Group to begin construction work in Ursus project;
- Construction works according to schedule and timely completion of the IRIS project;
- Commercialization of IRIS project;
- Sale of real estate held by Celtic Group, in accordance with the strategy adopted in 4Q 2011;
- Continuation of activities in asset management;
- General economic situation with special focus on financial markets, which may affect evaluation of the Group properties 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 2012 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, 31 August, 2012

Andrew Morrison Shepherd
President of the Management Board

Aled Rhys Jones
Member of the Management Board

Elżbieta Donata Wiczkowska
Member of the Management Board

TRANSLATORS' EXPLANATORY NOTE

The following document is a free translation of the registered auditor's report of the below-mentioned Polish Company. 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 report has 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.

III. INDEPENDENT REGISTERED AUDITOR'S REPORT ON THE REVIEW OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2012

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

We have reviewed the accompanying condensed consolidated interim financial statements of Celtic Property Developments S.A. Group (hereinafter called *the Group*), with its registered office in Warsaw, Cybernetyki St. 7B, comprising the condensed consolidated statement of financial position as at 30 June 2012, 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 2012 and selected explanatory notes.

The Parent Entity's Management Board is responsible for the preparation of condensed consolidated interim 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 condensed consolidated interim 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 condensed consolidated interim 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 Parent Entity's Management Board and persons responsible for financial and accounting matters in the Company.

The scope and methodology of the review of condensed consolidated interim 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.

Independent registered auditor's report on the review of the condensed consolidated interim financial statements for the period from 1 January to 30 June 2012

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 condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with International Accounting Standard 34: Interim Financial Reporting.

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

Wojciech Maj

Key Registered Auditor

No. 6128

Warsaw, 31st August 2012

TRANSLATORS' EXPLANATORY NOTE

The following document is a free translation of the registered auditor's report of the below-mentioned Polish Company. 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 report has 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.

IV. INDEPENDENT REGISTERED AUDITORS' REPORT ON THE REVIEW OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2012

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

We have reviewed the accompanying condensed interim financial statements of Celtic Property Developments S.A. (hereinafter called *the Company*), with its registered office in Warsaw, Cybernetyki St. 7B, comprising the condensed statement of financial position as at 30 June 2012, 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 2012 and selected explanatory notes.

The Company's Management Board is responsible for the preparation of condensed interim 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 condensed interim 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 condensed interim 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 condensed interim 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.

Independent registered auditor's report on the review of the condensed interim financial statements for the period from 1 January to 30 June 2012

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 condensed interim financial statements have not been prepared, in all material respects, in accordance with International Accounting Standard 34: Interim Financial Reporting.

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

Wojciech Maj

Key Registered Auditor

No. 6128

Warsaw, 31st August 2012

V. CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS WITH CONDENSED INTERIM FINANCIAL STATEMENTS OF CELTIC PROPERTY DEVELOPMENTS S.A. FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2012.

CELTIC PROPERTY DEVELOPMENTS S.A.

Condensed interim consolidated financial statements

for the period of 6 months ended 30 June 2012

and the condensed parent company financial statements of
CELTIC PROPERTY DEVELOPMENTS S.A.
for the period of 6 months ended 30 June 2012

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

(reviewed, unaudited financial data)

Celtic

(All amounts in PLN thousands unless otherwise stated)

Condensed consolidated statement of comprehensive income

	Note	For the 6 month period ended 30 June 2012	30 June 2011
		(unaudited)	*(unaudited)*
Revenues	13	10 457	19 292
Cost of sales	14	(10 922)	(10 466)
(LOSS)/PROFIT ON SALES		**(465)**	**8 826**
Administrative costs property related	15	(12 128)	(15 857)
Administrative expenses-other	16	(6 862)	(7 128)
Selling and marketing expenses		(960)	(939)
Loss on investment properties disposal	19	(33 356)	0
Other income	17	578	249
Net (loss)/ gain from fair value adjustments on investment properties	4	(28 153)	(3 008)
Result from sales of subsidiaries	18	(9 795)	0
Goodwill impairment	5	(22 138)	0
OPERATING RESULT		**(113 279)**	**(17 857)**
Financial income	20	9 012	541
Financial costs	20	(3 007)	(3 122)
(LOSS) BEFORE INCOME TAX		**(107 274)**	**(20 438)**
Income tax	21	2 301	(2 289)
(LOSS) FOR THE PERIOD		**(104 973)**	**(22 727)**
Currency translation adjustment		(1 542)	388
TOTAL COMPREHENSIVE INCOME		**(106 515)**	**(22 339)**
DILUTED EARNINGS PER SHARE	25	(3.08)	(0.66)

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

Andrew Morrison Shepherd
Chairman of the Board

Aled Rhys Jones
Board Member

Elżbieta Donata Wiczkowska
Board Member

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

(All amounts in PLN thousands unless otherwise stated)

Condensed consolidated statement of financial position

	Note	30-06-2012 (unaudited)	31-12-2011
ASSETS			
Non-current assets			
Investment properties	4	421 075	534 404
Property, plant and equipment		992	1 032
Intangible assets, excluding goodwill		5	95
Investment in subsidiaries		38	37
Goodwill	5	0	22 967
Deferred tax assets	12	1 932	2 264
Long-term receivables		0	45
		424 042	**560 844**
Current assets			
Inventories	7	68 955	66 283
Trade receivables and other receivables	6	23 666	23 233
Income tax receivables		149	128
Cash and cash equivalents	8	50 962	16 249
		143 732	**105 893**
Assets held for sale	29	3 296	10 871
		147 028	**116 764**
TOTAL ASSETS		**571 070**	**677 608**

(All amounts in PLN thousands unless otherwise stated)

Condensed consolidated statement of financial position - cont.

	Note	30-06-2012	31-12-2011
EQUITY			
Equity attributable to owners of the parent company			
Share capital	9	3 407	3 407
Supplementary capital		0	1 161
Reserve capital		1 387	23 078
Translation reserve		(4 236)	(2 694)
Retained earnings		437 595	518 329
Total equity		**438 153**	**543 281**
LIABILITIES			
Non-current liabilities			
Trade payables and other liabilities	10	456	638
Borrowings, including financial leasing	11	94 304	34 608
Deferred tax liabilities	12	13 124	17 221
		107 884	**52 467**
Current liabilities			
Trade payables and other liabilities	10	19 627	22 627
Current income tax liabilities		831	672
Borrowings, including financial leasing	11	3 479	56 602
		23 937	**79 901**
Liabilities directly associated with assets held for sale	29	1 096	1 959
		25 033	**81 860**
Total liabilities		**132 917**	**134 327**
TOTAL EQUITY AND LIABILITIES		**571 070**	**677 608**

Andrew Morrison Shepherd
Chairman of the Board

Aled Rhys Jones
Board Member

Elżbieta Donata Wiczkowska
Board Member

(All amounts in PLN thousands unless otherwise stated)

Condensed consolidated statement of changes in equity

	Note	Share capital	Translation reserve	Accumulated profit (loss) Supplementary capital	Reserve capital	Retained earnings	Total equity
Balance as at 01-01-2011		**3 483**	**(8 946)**	**0**	**0**	**830 941**	**825 478**
Transactions with owners							
2010 profit allocation		0	0	1 161	21 922	(23 083)	0
Shares cancelled		(76)	0	0	0	76	0
		(76)	**0**	**1 161**	**21 922**	**(23 007)**	**0**
Comprehensive income							
Currency translation adjustment		0	388	0	0	0	388
Profit (loss) for the period		0	0	0	0	(22 727)	(22 727)
		0	388	0	0	(22 727)	(22 339)
Balance as at 30-06-2011 /unaudited	**8**	**3 407**	**(8 558)**	**1 161**	**21 922**	**785 207**	**803 139**
Balance as at 01-01-2012		**3 407**	**(2 694)**	**1 161**	**23 078**	**518 329**	**543 281**
Transactions with owners							
2011 profit allocation		0	0	(1 161)	(23 078)	24 239	0
Reserve for issue of share warrants		0	0	0	1 387	0	1 387
		0	0	(1 161)	(21 691)	24 239	1 387
Comprehensive income							
Currency translation adjustment		0	(1 542)	0	0	0	(1 542)
Profit (loss) for the period		0	0	0	0	(104 973)	(104 973)
		0	(1 542)	0	0	(104 973)	(106 515)
Balance as at30-06-2012 /unaudited		**3 407**	**(4 236)**	**0**	**1 387**	**437 595**	**438 153**

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

Andrew Morrison Shepherd	Aled Rhys Jones	Elżbieta Donata Wiczkowska
Chairman of the Board	*Board Member*	*Board Member*

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

(All amounts in PLN thousands unless otherwise stated)

Condensed consolidated statement of cash flows

	Note	For the 6 month period ended 30 June 2012 (unaudited)	30 June 2011 (unaudited)
Cash flow from operating activities			
Cash generated from operations	22	(16 166)	(1 751)
Interest paid		(1 096)	(1 197)
Income tax paid		119	262
Net cash generated from investing activities		**(17 143)**	**(2 686)**
Cash flows from investing activities			
Capital expenditure on investment properties		(1 301)	(3 991)
Purchase of property, plant and equipment		(239)	(65)
Proceeds from the sale of subsidiaries		39 254	0
Net cash used in investing activities		**37 714**	**(4 056)**
Cash flows from financing activities			
Proceeds from borrowings		20 090	172
Repayment of borrowings		(5 948)	(1 495)
Net cash used in financing activities		**14 142**	**(1 323)**
Net (decrease)/increase in cash and cash equivalents		**34 713**	**(8 065)**
Cash and cash equivalents at beginning of the year		**16 249**	**37 306**
Cash and cash equivalents at the end of the period		**50 962**	**29 241**

Andrew Morrison Shepherd
Chairman of the Board

Aled Rhys Jones
Board Member

Elżbieta Donata Wiczkowska
Board Member

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), Cybernetyki 7B, 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 shares of the Company are listed on the Warsaw Stock Exchange.

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

From June 2008 to August 2010 the shares of the Company were listed on stock exchange in Frankfurt, on the over -the -counter market. On 20 December 2010 the shares were admitted to trading on the parallel market on Warsaw Stock Exchnage, three days late they were introduced to the continuous trading system.

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

Information about Capital Group
As at balance sheet date CPD Group comprised CPD S.A. as a parent entity and 39 subsidiaries. In the first half of 2012 four subsidiaries were disposed: Devin Investments Sp. z o.o., 17/110 Gaston Investments Sp. z o.o. S.k., Tenth Planet Sp. z o.o., KMA Sp. z o.o., and the disolussion of one of the subsidiaries - Darvest Investments Sp. z o.o. w likwidacji was terminated.

2 The accounting principles

These condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ending 31 December 2011, drawn up in accordance with IFRS adopted for application within the European Union.

Accounting principles are consistent with the principles applied in the annual consolidated financial statements for the year ended 31 December 2011.

2.1 Basis of preparation

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.

In these consolidated financial statements the Group CPD has decided not to advance the following published standards or interpretations before their date of entry into force:

IFRS 9 "Financial instruments"

IFRS 9 "financial instruments" was originally issued in November 2009, reissued in October 2010, incorporating new requirements on accounting for financial liabilities and carrying over from IAS 39 the requirements for derecognition of financial assets and financial liabilities. IFRS 9 applies to annual periods beginning on or after 1 January 2015.

The Standard introduces one model, providing for only two categories of the classification of financial assets: valued at fair value and valued at amortised cost. The classification is made at the moment of the initial recognition and is dependent on the model of enterprise's management of financial instruments and the characteristics of the contractual cash flows of these instruments.

Most of the requirements of IAS 39 for the classification and measurement of financial liabilities was transferred to IFRS 9 in unchange manner. A key change is the requirement imposed on the unit of presentation in other total income effects of own credit risk valuation of financial liabilities designated at fair value through profit or loss.

The group will apply IFRS 9 from 1 January 2015.

Notes to the interim condensed consolidated financial statements

IFRS 7 "Transfers of financial assets"

The amendments to IFRS 7 "transfers of financial assets" have been published by the international accounting standards on October 2010 and are valid for annual periods beginning on or after July 1, 2011 or after that date.

The amendments to IFRS 7 require the disclosure of additional information about the risks arising from the transfer of financial assets. Include the requirement of disclosure, according to the nature of assets, the carrying amount and description of the risks and benefits of financial assets transferred to another entity, but which is still in the balance sheet. Disclosure of information is also required to enable a user to know the amount of possible related obligations and the relationship between the financial assets and the relevant obligation. In the case where financial assets have been removed from the balance sheet, but the body is still vulnerable to certain risks and can obtain some advantages of the transferred asset is required in addition to the disclosure of information to understand the consequences of such risks.

The Group has applied the changes to IFRS 7 from 1 January 2012. Amendment of this standard has not affected the interim condensed consolidated financial statements.

IFRS 10 "Consolidated financial statements"

IFRS 10 was published by the Board of the international accounting standards in May 2011 and shall be applicable for annual periods beginning on or after 1 January 2013 or after that date.

The new standard replaces the guidance on the inspection and consolidation contained in IAS 27 "consolidated and separate financial statements" and in interpretation SIC-12 consolidation-special purpose entities ". IFRS 10 redefines checks in such a way that for all the units were subject to the same criteria for the establishment of control. The amended definition is accompanied by extensive guidance on the application.

The group will apply IFRS 10 from 1 January 2013. The group is analysising the effect of this standard on the interim condensed consolidated financial statements.

At the date of preparation of these condensed interim consolidated financial statements, IFRS 10 has not yet been authorized by the European Union.

IFRS 11 "Joint ventures"

IFRS 11 was published by the Board of the international accounting standards in May 2011 and shall be applicable for annual periods beginning on or after 1 January 2013 or after that date.
The new standard replaces IAS 31 "interests in joint ventures" and the interpretation SIC-13 jointly controlled entities-nonmonetary contributions by venturers. Changes in definitions restrict the number of types of joint ventures to two: joint operations and joint ventures. At the same time avoiding the traditional choice of proportionate consolidation in respect of units under common control. All participants in the joint ventures they now have an obligation to their consolidation under the equity method.

The group will apply IFRS 11 from 1 January 2013. At the date of preparation of this consolidated financial statements, IFRS 11 has not yet been approved by the European Union.

IFRS 12 "Disclosure of involvement in other units "

IFRS 12 was published by the Board of the international accounting standards in May 2011 and applies to annual periods beginning on or after January 1, 2013 or after that date.
New standard applies to individuals who have participated in the subsidiary, joint venture, an associate or unconsolidated structure. The Standard replaces the requirements for the disclosure of the information currently contained in IAS 28 investments in associates. IFRS 12 requires that entities disclose information that will help users of financial statements to assess the nature, risks and financial impact of investments in subsidiaries, associates, joint ventures and unconsolidated structured entities. To this end, the new standard requires disclosure of information on many areas, including significant judgements and assumptions adopted in determining whether an entity has control or joint control of, or significant influence over, another entity; comprehensive information about the importance of non-controlling interest in the group operations and cash flows of the Group; summary financial information of subsidiaries with significant non-controlling interest as well as detailed information about the shares in the unconsolidated stuctured entities.

The group will apply IFRS 12 from 1 January 2013. At the date of preparation of this consolidated financial statements, IFRS 12 has not yet been approved by the European Union.

Notes to the interim condensed consolidated financial statements

IFRS 13 "Valuation at fair value"

IFRS 13 was published by the Board of the international accounting standards in May 2011 and applies to annual periods beginning on or after January 1, 2013 or after that date.
The new standard is intended to improve consistency and reduce complexity through the formulation of a precise definition of fair value and concentrating in one standard requirements for fair value and the disclosure of relevant information.

The group applies the amendments to IFRS 13 from 1 January 2013. At the date of preparation of these condensed interim consolidated financial statements, IFRS 13 has not yet been approved by the European Union.

Amendments to IAS 1 "Presentation of financial statements"

Amendments to IAS 1 "presentation of financial statements have been published by the international accounting standards in June 2011 and are valid for annual periods beginning on or after 1 July 2012 or after that date.
The changes require; profit or loss and Other Comprehensive Income to be presented together, i.e. either as a single 'statement of profit or loss and comprehensive income', or a separate 'statement of profit or loss' and a 'statement of comprehensive income'; Require entities to group items presented in Other Comprehensive Income based on whether they are potentially reclassifiable to profit or loss subsequently. i.e. those that might be reclassified and those that will not be reclassified; Require tax associated with items presented before tax to be shown separately for each of the two groups of OCI items.

At the date of the report of the present consolidated financial statements, the amendment to IAS 1 has not yet been approved by the European Union.

Amendments to IAS 12 "Recovery of the carrying amount of assets"

Amendments to IAS 12 "recovery of the carrying amount of assets" have been published by the international accounting standards in December 2010 and are valid for annual periods beginning on or after 1 January 2012 or after that date.

The changes relate to the valuation of the liabilities and deferred tax assets from investment property measured at fair value in accordance with IAS 40 "investment property" and introduce a refutable presumption that the value of the property investment can be recovered completely by selling. This presumption can be rebutted when the investment property is held in business model, which is designed to exploit substantially all economic benefits represented by an investment in time and not at the time of sale. SIC-21 "tax-recovery of revalued assets, which are not subject to depreciation" referring to the similar questions relating to the assets not subject to depreciation, which are valued in accordance with the model to update the values set out in IAS 16 "property, plant and equipment" was included in the IAS 12 after the exclusion of the guidelines on investment property measured at fair value.

The group will apply the amendments to IAS 12 from 1 January 2012.

Amendments to IAS 19 "Employee benefits"

Amendments to IAS 19 "employee benefits" was published by the Board of the international accounting standards in June 2011 and are valid for annual periods beginning on or after January 1, 2013 or after that date.

Changes to introduce new requirements for recognising and measuring the costs of the programmes referred to the benefits and benefits in respect of the termination, which also changes the required disclosure for all employee benefits.

The group applies the changes to IAS 19 from 1 January 2013, the group is in the analysis of the impacts of this standard on the interim condensed consolidated financial statements. On the day of the drawing up of this report on the interim condensed consolidated financial statements, amendments to IAS 19 have not yet been approved by the European Union.

Amendments to IAS 27 "Separate financial statements "

The amended IAS 27 "Separate financial statements" was published by the Board of the international accounting standards in May 2011 and applies to annual periods beginning on or after 1 January 2013 or after this date. IAS 27 was amended in connection with the publication of the IFRS 10 consolidated financial statements ". The purpose of the amended IAS 27 is to define the requirements for the recognition and presentation of investments in subsidiaries, joint ventures and associates in a situation where the body shall draw up separate financial statements. Guidelines on control and consolidated accounts were replaced by IFRS 10.

Notes to the interim condensed consolidated financial statements

The company will apply the changes to IAS 27 from 1 January 2013. The company is in the process of analysis of the impact of changes of this standard for financial statements. On the day of the drawing up of this financial report, changes to IAS 27 have not yet approved by the European Union.

Amendments to IAS 28 "Investments in associates and joint ventures"

Amended IAS 28 "Investments in associates and joint ventures" was published by the Board of the international accounting standards in May 2011 and applies to annual periods beginning on or after 1 January 2013 or after this date.

Amendments to IAS 28 resulted from the IASB project on joint ventures. The Council decided to include rules on the recognition of joint ventures under the equity method to IAS 28, because this method is applicable to both joint ventures and associates. Apart from this exception, the other guidance had not changed.

The company applies the change to IAS 28 from 1 January 2013. the company is in the process of analysis of the impact of changes of this standard for financial statements. On the day of the drawing up of this financial report, amendments to IAS 28 have not yet been approved by the European Union.

Other changes do not concern the interim condensed consolidated financial statements of the group.

3 Significant changes in accounting estimates

Determination of the fair value of investment property

Shown in the balance sheet, the fair value of investment property is determined on the basis of the valuation prepared annually by independent valuers Savills SP. z o.o., 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, the charges are not related to the value of real estate valuation and result valuation. Taking into account the considerations of the market at the balance sheet date, the Board has reviewed and has recognized the decline in real estate values in relation to the evaluation carried out by the experts at December 31, 2012.

The properties which generate significant revenues from rent (Aquarius, Cybernetyki 7b) were valued by the discounted cash flow method. Land not intended for development (Wolbórz, Jana Kazimierza, part of the Ursus property) was valued by the comparative method.

Depending on the circumstances, the rates of current and future rents and sale prices of apartments resulted from rental agreements signed or market conditions determined by an independent expert. Usable areas used in the calculations resulted from the existing construction documents or, in their absence, from the binding or announced spatial planning conditions. The costs of construction project execution used in the residual method resulted from the adopted budgets or, in their absence, from the estimated cost efficiency ratios determined by the expert for comparable market projects.
For valuation purposes capitalization rates of 7.25% to 8% and discount rates of 7.5% to 8% were used.

For the purposes of the evaluation were interest capitalisation in the range of 7.25%-8% and the discount rate in the range of 7,5%-9%.

In the first half of 2012. the Group noted the loss on revaluation of investment property to the fair values of PLN 28.2 mln. The Loss was mainly due to the revaluation of real estate values by the Management Board on the basis of the conducted negotiations with potential buyers, the deterioration of the real estate market, as well as fluctuations in rates of Exchange In 2011 the group loss on revaluation of investment property to fair values amounted to PLN 214.7 mln, of which in the first half, there was a loss of PLN 3 mln.

Assessment of the recovery value of assets

For the purposes of the evaluation on the balance sheet date, impairment of assets, the Management Board shall take into account the value of recoverables and can obtain the sales prices for individual assets.
When determining the value of the recoverable items, the Board shall take into account the valuation of real estate made by independent valuers at 31.12.2011., taking into account possible changes in values dictated by changes in the real estate market. In the case of real estate, teh value of property located in Hungary, has estimated the value of the Management Board on the realiseable sales prices. But in the case of properties available for immediate sale (Koszykowa, Magdalenka) the valuer determined the fair value based on the comparative method, while for the project Iris (Mokotów Plaza II) residual method was used. Changes in the current period impairment value of inventories are described in note 7.

The second important category, on the valuation of which have a significant impact in the current period, the Board of Directors estimates were deferred tax assets. The recoverable amount is determined on the basis of the likelihood of the implementation of the assets in the future, taking into account the business plans of each of the companies included in the consolidation. Due to a lack of reasonable certainty as to the future implementation, the value of unrecognized deferred tax assets and liabilities at the balance sheet date amounted to 12,1 mln PLN.

Tax accounts

The tax provisions of the Group have many areas that require a significant amount of judgement, including: jurisdiction choice and rules; complexity of activities; uncertainties in the interpretation of the provisions; establishment of the right to tax and the accounting of the actual transactions undertaken. In the more complicated matters of judgement, the Board of Direcctors is supported by the opinion of specialised tax consultants.

Impairment of goodwill

significant amount of judgment is required to estimate impairment of intangible assets. Also, to determine the fair value of each CPD Group project it is necessary to estimate the amount and timing of future cash flows, forecasted sales and profitability of the existing and new projects, future capital expenditure, growth ratios and discount rates which reflect the current market conditions. The total recoverable amount is compared with the carrying amount, which includes goodwill. The CPD Group performs annual testing to assess whether goodwill is impaired or not, in accordance with the accounting policy described in Note 2.10. Goodwill is assigned to a cash-generating unit, which comprises the whole CPD Group, because it is expected that all CPD Group entities will benefit from business combination. The goodwill was generated in 2007 on the acquisition of a group of entities, which included providers of management services.

Cash flow calculation is based on a valid assumption concerning the amount of preference dividend resulting from the contract portfolio management. In the first half of 2012 the Group received a dividend in the amount of PLN 8.4 mln. In 2012 a renewed contract was signed on the changed conditions, which, however, still provides for remuneration for the management of the investment portfolio in the years 2012-2013. However, the consequences of the deterioration of the real estate market in the mid 2012, the Group cannot be certain of further significant cash flow from this source and recognize the write down of goodwill to zero.

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

4 Investment properties

	01/01/2012/ 6/30/2012	01/01/2011/ 12/31/2011
At the beginning of the reporting period	**534 404**	**754 216**
Capital expenditure	1 301	5 684
Disposal	(37 750)	0
Disposal of property in course of sales of subsidiary	(40 860)	0
Transfer to assets held for sale	(2 200)	(8 820)
Net (loss)/ gain from fair value adjustments on investment properties	(28 153)	(214 710)
Change of capitalised financial liabilities	(5 667)	(1 966)
At the end of the reporting period	**421 075**	**534 404**

In May 2012 investment property in Warsaw, Łopuszańska str, has been disposed as a result of sales of shares in a subsidiary Devin Investments Sp. z o.o.. In may 2012, the subsidiary 4/113 Gaston Investments Sp. z o.o. Sp.k. disposed its investment property located in Ursus, Warsaw.

At 30 June 2012, investment property, located in Ursus, Warsaw, owned by subsidiary 14/119 Gaston Investments Sp. z o.o. S.k. was measured in sales prices and classified as assets held for sale. Sales transaction took place July 2, 2012. The details are described in note 30.

Direct operating costs for investment properties:	For the 6 month period ended 6/30/2012	6/30/2010
- rent income bearing	1 720	1 650
- other	1 055	2 759
	2 775	**4 409**

5 Goodwill

Goodwill is a result from the business combination transaction, which took place in 2007. Goodwill originated in EUR and it is translated into PLN at every balance sheet date at the exchange rate as at the balance sheet date. Foreign exchange differences on such translation are recognized in equity under foreign exchange differences on translation.

An assessment of the recoverable amount of goodwill performed by the CPD Management Board as at the first half of 2012 showed an impairment in amount of PLN 22.3 mln.

	01/01/2012/ 6/30/2012	01/01/2011/ 12/31/2011
Opening balance	**22 967**	**49 504**
Foreign exchange gains (losses)	(829)	5 720
Impairment write down	(22 138)	(32 257)
At the end of the reporting period	**0**	**22 967**

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

6 Trade receivables and other receivables

	30-06-2012	31-12-2011
Trade receivables	7 131	3 380
Receivables from the state budget	4 817	6 416
Receivables from related parties	46	2 103
Deferred income	195	198
Prepaid expenses	8 186	5 471
Other receivables	3 291	5 665
Short-term receivables	**23 666**	**23 233**
Long-term receivables	0	45
Total receivables	**23 666**	**23 278**

7 Inventories

	30-06-2012	31-12-2011
At the beginning of the reporting period	**66 283**	**76 298**
Capital expenditure	17 622	10 080
Disposal	(555)	(24 071)
Reclassification to other receivables	0	1 222
Disposal in course of sale of subsidiary	(7 491)	0
Reversed write-downs	0	8 109
Write-downs	(6 362)	(7 249)
Exchange differences	(542)	1 894
At the end of the reporting period	**68 955**	**66 283**

Capital expenditure incurred in the first half of 2012 concerned the implementation of IRIS project in Warsaw.

Write-down of inventories as at June 30, 2012 has been estimated on the basis of sales margin possible to achieve.

In May 2012 as a result of the sale of shares in subsidiary Tenth Planet d.o.o. properties located in Montenegro have been disposed of with an equivalent value of PLN 7.5 mln.

8 Cash and cash equivalents

	30-06-2012	31-12-2011
Cash at bank and on hand	16 208	16 098
Cash and cash equivalents with restricted availability for use	0	0
Short-term bank deposits	34 754	151
	50 962	**16 249**

Notes to the interim condensed consolidated financial statements

9 Share capital

	Number of shares		Value of shares	
	30-06-2012	31-12-2011	30-06-2012	31-12-2011
Ordinary shares (in thousands)	34 068	34 068	3 407	3 407

On 12 July, 2012 A series subscription warrants were offered to entitled persons, according to the resolution No. 22 of the Annual General Meeting of CELTIC PROPERTY DEVELOPMENTS S.A. held on 24 May 2012. The entitled persons took-up all offered subscription warrants. Afterwards the entitled persons have exercised rights from subscription warrants and took-up 163.214 C series bearer shares of the Company of the nominal value 10 gr (ten groszy) each. The entitled persons were the persons who were performing a function in the Management Board of the Company's Management Board on 12 July 2012 and owned A series subscription warrants, entitling to take-up in total up to 163.214 C series shares. Following the take-up of C series shares, the subscription warrants have lost their validity.

The C series shares issue was done on the basis of the resolution No. 23 of the Annual General Meeting of CELTIC PROPERTY DEVELOPMENTS S.A. held on 24 May 2012, on: conditional shares capital increase with exclusion of the pre-emption right with respect to C series shares, amendments to Company's statute, deprivation of current shareholders of the pre-emption right with respect to C series shares, dematerialization of the C series shares and application to admit and introduce the C series shares to the regulated market, communicated by the Company by the current report No.12/2012. The conditional share capital increase by the amount not higher than 16.321,40 PLN was registered by the District Court for the Capital City of Warsaw, XIII Commercial Division of the National Court Register on 19 June 2012.

On 31 July 2012 the Company's share capital was increased as a result of the registration of C series shares on the securities accounts of entitled persons, by the amount of PLN 16.321,40, to total amount of PLN 3.423.146,60.

10 Trade payables and other liabilities

Non-current liabilities

	30-06-2012	31-12-2011
Deposits of tenants	457	638

Current liabilities

	30-06-2012	31-12-2011
Trade payables	6 340	7 382
Payables to related parties	0	8
Social security and other taxes	1 566	2 984
Deposits of tenants	50	90
Other liabilities	2 045	2 153
Accrued expense	9 626	10 010
	19 627	**22 627**

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

11 Borrowings, including financial leasing

	30-06-2012	30-06-2011
Non-current		
Bank loans	73 267	7 905
Financial leasing	21 037	26 703
	94 304	**34 608**
Current		
Bank loans	3 401	56 512
Loans from unrelated parties	78	90
	3 479	**56 602**
Total borrowings	**97 783**	**91 210**

The change of bank borrowings in the first half of 2012 results mainly from drawing new tranches in the framework of the investments loan granted to the Group by BZ WBK, decrease in liabilities owed to HSBC, in the part of its subsidiary, whose shares were disposed in May 2012, as well as reclassification of HSBC credit from current to non-current liabilities. On March 26, 2012 an annex to the credit agreement was signed with HSBC, on the base of which the Group undertakes to repay the whole credit in the following instalments: after 94.000 € to 27 September 2012, December 23, 2012, 27 March 2013, 27 June 2013, September 27, 2013 and December 23, 2013, and 10.592.000 € to 27 March 2014.

12 Deferred income taxes

	30-06-2012	31-12-2011
Deferred tax assets	**1 932**	**2 264**
Deferred tax liabilities	**13 124**	**17 220**

Expiry of tax losses as at 30-06-2012

	2012	2013-2014	2015-2016	Total
- Losses on which deferred tax was recognized	129	3 077	8 458	11 664
- Losses on which deferred tax was not recognized	15 245	26 173	22 701	64 119

13 Revenue by nature

	6 months ended	
	6/30/2012	6/30/2011
Rent income	3 289	2 676
Sales of inventories	434	6 376
Sales of fixed assets	88	0
Real estate advisory services	4 236	8 921
Property related services	2 387	1 296
Accounting services	23	23
	10 457	**19 292**

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

14 Cost of sales

	6 months ended	
	6/30/2012	6/30/2011
Cost of inventories sold	555	8 348
Cost of fixed assets sold	110	0
Change of inventory impairment write downs	6 363	450
The cost of services rendered	3 894	1 668
	10 922	**10 466**

15 Administrative costs property related

	6 months ended	
	6/30/2012	6/30/2011
Personnel costs	7 629	9 102
Property maintenance	1 523	1 587
Property taxes	1 234	3 151
Perpetual usufruct	1 515	1 766
Depreciation of fixed assets and intangible assets	227	251
	12 128	**15 857**

16 Administrative expenses-other

	6 months ended	
	6/30/2012	6/30/2011
Advisory services	2 577	1 278
Audit fee	171	155
Transportation	284	671
Taxes	132	0
Office maintenance	2 196	2 336
Other services	1 014	740
Costs of not deductible VAT	301	162
Impairment write-down in respect of receivables	187	1 786
	6 862	**7 128**

17 Other income

	6 months ended	
	6/30/2012	6/30/2011
Forgiven or expired liabilities	53	106
Other	525	143
	578	**249**

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

18 Result from sales of subsidiaries

In the first half of 2012 the Group realised the following results on the disposal of shares in the various subsidiaries:

Devin Investments Sp. z o.o.	
Income on sales of shares in subsidiary	28 535
Cost of shares sold	(35 436)
Result from sales of subsidiary	(6 901)
Tenth Planet d.o.o.	
Income on sales of shares in subsidiary	994
Cost of shares sold	(3 992)
Result from sales of subsidiary	(2 998)
17/110 Gaston Investments Sp. z o.o. S.k.	
Income on sales of shares in subsidiary	9 469
Cost of shares sold	(9 161)
Result from sales of subsidiary	308
KMA Sp. z o.o.	
Income on sales of shares in subsidiary	257
Cost of shares sold	(461)
Result from sales of subsidiary	(204)
Total result from sales of subsidiaries	**(9 795)**

19 Loss on investment properties disposal

On 23 May 2012 the Group Celtic sold one of the plots located in Ursus, Warsaw for the price of PLN 4.4 mln, providing the loss on this transaction in the amount of PLN 33.3 mln (PLN 37.7 mlm book value of land amounted to PLN). Ultimately, the intention of the group is selling the extracted portion of plots, on which there are and will be built elements of water and sewage infrastructure. Once the process is complete, the unused part of the plots will be transferred back to the Group. On the day of conclusion of the transaction, it was not possible to subdivide the plots owing to the lack of existing space zoning plane - the act constituting the legal basis for the Division of the land. Concluded the transaction shall be entered in the strategy of the Group and its aspiration to secure water and sewage for the sites of Ursus.

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

20 Financial income and expenses

	6 months ended	
	6/30/2012	**6/30/2011**
Interest expense:		
- Bank loans	(1 096)	(1 193)
- Interest from financial leases	(1 075)	(1 075)
- Other interest	(117)	(771)
- Other	(711)	0
Net exchange differences	0	(74)
Other financial Costs	(8)	(9)
Financial costs	**(3 007)**	**(3 122)**
Interest income:		
- Bank interest	124	124
- interest from unrelated parties	0	417
- dividends received	8 468	0
Net exchange differences	420	0
Financial income	**9 012**	**541**

In connection with the management of Spazio Industriale project in the first half of 2012, the Group received a preference dividend in the amount of PLN 8.4 mln.

21 Income tax

	6 months ended	
	6/30/2012	**6/30/2011**
Current income tax	18	964
Deferred taxes	(2 319)	1 325
	(2 301)	**2 289**

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

22 Cash flow from operating activities

	6 months ended	
	6/30/2012	6/30/2011
Profit/loss before tax	(107 274)	(20 438)
Adjustments for:		
- depreciation of tangible fixed assets	227	251
– currency translation adjustments	(2 277)	(125)
- gains (losses) on revaluation to fair value of investment property	28 153	3 008
– gains/(losses) on disposal of subsidiaries	9 795	0
- gains/(losses) on disposal of investment property	33 356	0
– interest costs	1 056	1 173
– foreign exchange differences	0	342
– impairment of inventories	6 362	450
– impairment of Goodwill	22 138	0
– changes in provisions	1 387	0
– other adjustments	(302)	0
Changes in working capital		
- changes in receivables	(388)	4 485
- changes in inventories	(5 217)	5 309
- change in trade liabilities and other	(3 182)	3 794
	(16 166)	**(1 751)**

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

23 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.

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:

	6 months ended	
	6/30/2012	**6/30/2011**
(a)) Transactions with key management personnel		
The cost of the salaries of members of the Board of Directors	393	0
The cost of the salaries of the members of the Supervisory Board	125	220
The cost of services rendered by the members of the Board of Directors	697	1 607
Value of warrants for the board members	1 387	0
Total receivables	9	16
(b) Transactions with the other related parties		
Revenues		
Braslink Ltd	0	7
Vigo Investments Sp. z o.o..	4	5
Antigo Investments Sp. z o.o.	12	3
Prada Investments Sp. z o.o.	12	3
Quant Investments Sp. z o.o.	0	3
Laxey Cooperative - from shares disposal	994	0
Costs		
Kancelaria Radców Prawnych Oleś i Rodzynkiewicz	16	78
Experior Sp. z o. o.	0	0
Sterling Corporate Services Sp. z o. o.	729	0
Payables		
Kancelaria Radców Prawnych Oleś i Rodzynkiewicz	0	8
Receivables	**30-06-2012**	**31-12-2011**
Palladian Finance	0	342
Vigo Investments Sp. z o.o..	2	3
Antigo Investments Sp. z o.o.	2	9
Prada Investments Sp. z o.o.	14	9
Prada Investments Sp. z o.o. -loan	71	74
Quant Investments Sp. z o.o.	0	6
Spazio Investments N.V.	0	1 660
Doubtful debts cover by the bad debt provision		
Braslink Ltd	1 250	1 250

Notes to the interim condensed consolidated financial statements

24 Payment of dividends

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

25 Earnings per share

	6 months ended	
	6/30/2012	6/30/2011
Profit attributable to shareholders of the company	(104 973)	(22 727)
Ordinary shares (in thousands)	34 068	34 619
Earnings per share in PLN	(3.08)	(0.66)

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

For the purposes of calculating earnings per share, the number of shares issued as part of the business combination was used as comparative data.

26 Contingent liabilities

In the first quarter of 2012 there were no significant changes in contingent liabilities.

27 Reporting segments

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

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

28 Seasons of activity and unusual events

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

29 Assets and liabilities held for sale

One of the plots owned by the Group No. 119, located in Ursus, together with the perpetual usefruct right has been classified as intended for sale as at June 30, 2012. The contract of sale was signed in July 2012, the plot was disposed of at a price of PLN 2.2 mln.

Assets held for sale	**30-06-2012**	**31-12-2011**
Investment property	3 296	10 779
Trade and other receivables	0	74
Cash and cash equivalents	0	18
Liabilities classified as held for sale		
Borrowings, including finance leases	1 096	1 959
Net assets	**2 200**	**8 912**

Notes to the interim condensed consolidated financial statements

30 Events after the end of the reporting period

On July 2, 2012 there has been a sale of the parcel 14/119, located in Warsaw, in dzielicy Ursus, the price of PLN 2.200.000.

On July 12, 2012 r. Mr. Christopher Bruce has resigned from the function of the member of the Management Board of CELTIC PROPERTY DEVELOPMENTS S.A.

On July 31, 2012 CPD S.A share capital was increased as a result of the registration of C series shares on the securities accounts of entitled persons and creation of rights from these shares by the amount of 16.321,40 PLN, to the total amount of 3.423.146,60 PLN.

On August 7, 2012 the application to register the liquidation of Celtic Property Developments Kft with its registered office in Budapest, Hungary, was filled in Budapest Court of Registry (Fővárosi Törvényszék Cégbírósága). The resolution on Celtic Property Developments Kft dissolution and opening of the liquidation procedure was adopted by the Meeting of Shareholders of Celtic Investments Limited with its registered office in Nicosia, Cyprus, held on 1st August 2012.

On August 10, 2012 the Extraordinary General Meeting of CPD S.A. adpoted the resolution authorising the Board of Directors to buy the own shares of the Company uptp 11.541.891 CPD S.A. shares at nominal value of 0,10 PLN each and total nominal value not greater than 1.154.189,10 PLN. The shares would be purchased by CPD S.A for the price not lower than nominal value per share and not greated than 15,89 PLN. Share capital redumption would be not later than December 31, 2013.

On August 24, 2012 the Board was informed of the initiation of the process of liquidation of CAM Estates in Great Britain. A notice of the liquidation has been published on July 10, 2012. the company shall be terminated with effect from October 10, 2012.

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

II Interim financial statements of the parent

31 Interim financial information of the parent

31.1 Condensed statement of comprehensive income

	Note	01-01-2012 - 30-06-2012 *(unaudited)*	01-01-2011 - 30-06-2011 *(unaudited)*
Revenues		2 981	800
Administrative costs	31.10	(5 931)	(2 518)
Cost of sales		(512)	(122)
Dividends from related parties		0	3 134
Impairment of investments in subsidiaries		(121 981)	0
Interest income on loans		14 950	12 934
OPERATING RESULT		**(110 493)**	**14 228**
Financial income	31.11	426	8
Financial costs	31.11	(1 094)	(297)
PROFIT (LOSS) BEFORE INCOME TAX		**(111 161)**	**13 939**
Income tax		0	(2 360)
PROFIT (LOSS) FOR THE PERIOD		**(111 161)**	**11 579**
TOTAL COMPREHENSIVE INCOME		**(111 161)**	**11 579**
DILUTED EARNINGS PER SHARE		(3.26)	0.34

Andrew Morrison Shepherd
Chairman of the Board

Aled Rhys Jones
Board Member

Elżbieta Donata Wiczkowska
Board Member

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

31.2 Condensed statement of financial position

ASSETS	Note	30-06-2012 (unaudited)	31-12-2011
Non-current assets			
Tangible assets		5	6
Long-term receivables		363 426	479 816
Shares in subsidiaries	31.5	27 272	76 887
		390 717	**556 709**
Current assets			
Trade receivables and other receivables	31.8	24 769	4 344
Cash and cash equivalents		40 155	1 025
		64 924	**5 369**
Total assets		**455 641**	**562 078**
EQUITY			
Share capital		3 407	3 407
Supplementary capital		0	1 161
Reserve capital		1 387	23 078
Share premium		796 643	796 643
Retained earnings		(367 050)	(280 128)
Total equity		**434 387**	**544 161**
LIABILITIES			
Non-current liabilities			
Trade payables and other liabilities		0	0
		0	**0**
Current liabilities			
Trade payables and other liabilities		8 531	5 415
Borrowings, including financial leasing	31.9	12 723	12 502
		21 254	**17 917**
Total liabilities		**455 641**	**562 078**

Andrew Morrison Shepherd
Chairman of the Board

Aled Rhys Jones
Board Member

Elżbieta Donata Wiczkowska
Board Member

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

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

31.3 Condensed statement of changes in equity

	Share capital	Share premium	Supple-mentary capital	Reserve capital	Accumulated profit (loss) Retained earnings	Total
Balance as at 01-01-2011	**3 483**	**796 643**	**0**	**0**	**23 083**	**823 209**
Transactions with owners						
2010 profit allocation	0	0	1 161	21 922	(23 083)	0
Shares cancelled	(76)	0	0	0	76	0
	(76)	0	1 161	21 922	(23 007)	0
Comprehensive income						
Profit (loss) for the period	0	0	0	0	11 579	11 579
	0	0	0	0	11 579	11 579
Balance as at 30-06-2011 /unaudited	**3 407**	**796 643**	**1 161**	**21 922**	**11 655**	**834 788**
Balance as at 01-01-2011	**3 407**	**796 643**	**1 161**	**23 078**	**(280 128)**	**544 161**
Transactions with owners						
2011 loss cover	0	0	1 161	21 922	(23 083)	0
Reserve for issue of share warrants	0	0	0	1 387	0	1 387
	0	0	1 161	23 309	(23 083)	1 387
Comprehensive income						
Profit (loss) for the period			0	0	(111 161)	(111 161)
	0	0	0	0	(111 161)	(111 161)
Balance as at 30-06-2012 /unaudited	**3 407**	**796 643**	**2 322**	**46 387**	**(414 372)**	**434 387**

Andrew Morrison Shepherd
Chairman of the Board

Aled Rhys Jones
Board Member

Elżbieta Donata Wiczkowska
Board Member

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

31.4 Condensed statement of cash flows

	Note	01-01-2012 - 30-06-2012	01-01-2011 - 30-06-2011
		(unaudited)	*(unaudited)*
Cash flow from operating activities			
Cash generated from operations	31.12	793	1 506
Interest paid		0	0
Net cash generated from investing activities		**793**	**1 506**
Cash flows from investing activities			
Loans		(4 277)	(401)
Loan repayments received		38 800	871
Interest received		3 902	27
Net cash used in investing activities		**38 425**	**497**
Cash flows from financing activities			
Issuance of bills of Exchange		0	0
Repayment of loans		(88)	(1 383)
Net cash used in financing activities		**(88)**	**(1 383)**
Net (decrease)/increase in cash and cash equivalents		**39 130**	**620**
Cash and cash equivalents at beginning of year		**1 025**	**163**
Cash and cash equivalents at the end of the period		**40 155**	**783**

Andrew Morrison Shepherd
Chairman of the Board

Aled Rhys Jones
Board Member

Elżbieta Donata Wiczkowska
Board Member

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

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed financial statements

31.5 Shares in subsidiaries

Name	Country	Share	30-06-2012	31-12-2011
Buffy Holdings No1 Ltd	Cypr	100%	184 000	184 000
Impairment of the shares			(184 000)	(184 000)
Celtic Investments Ltd	Cypr	100%	48 000	48 000
Impairment of the shares			(48 000)	(25 033)
Lakia Enterprises Ltd	Cypr	100%	105 000	105 000
Impairment of the shares			(77 728)	(51 080)
East Europe Property Financing AB	Szwecja	100%	601	601
Impairment of the shares			(601)	(601)
			27 272	**76 887**

31.6 Long-term receivables

	30-06-2012	31-12-2011
Long-term loans to related parties		
- loans	308 873	356 863
- interest	53 577	50 587
Long-term loans to other parties (KMA Sp. z o.o.)		
- loans	851	0
- interest	125	0
	362 450	**407 450**

Details of the loans granted to related parties

Related party	Principal amount	Accrued interest	The Interest Rate	Margin	Maturity
1/95 Gaston Investments	1 159	170	3M WIBOR	1.55%	on demand
2/124 Gaston Investments	746	109	3M WIBOR	1.55%	on demand
3/93 Gaston Investments	644	93	3M WIBOR	1.55%	on demand
4/113 Gaston Investments	1 935	279	3M WIBOR	1.55%	on demand
5/92 Gaston Investments	712	104	3M WIBOR	1.55%	on demand
6/150 Gaston Investments	763	110	3M WIBOR	1.55%	on demand
7/120 Gaston Investments	676	61	3M WIBOR	1.55%	on demand
8/126 Gaston Investments	1 138	151	3M WIBOR	1.55%	on demand
9/151 Gaston Investments	406	43	3M WIBOR	1.55%	on demand
10/165 Gaston Investments	239	32	3M WIBOR	1.55%	on demand
11/162 Gaston Investments	233	34	3M WIBOR	1.55%	on demand
12/132 Gaston Investments	779	114	3M WIBOR	1.55%	on demand
13/155 Gaston Investments	658	94	3M WIBOR	1.55%	on demand
14/119 Gaston Investments	916	121	3M WIBOR	1.55%	on demand
15/167 Gaston Investments	222	31	3M WIBOR	1.55%	on demand
16/88 Gaston Investments	222	29	3M WIBOR	1.55%	on demand
18 Gaston Investments	423	60	3M WIBOR	1.55%	on demand
19/97 Gaston Investments	245	22	3M WIBOR	1.55%	on demand
20/140 Gaston Investments	306	27	3M WIBOR	1.55%	on demand
Blaise Gaston Investments	1 748	242	3M WIBOR	1.55%	on demand
Blaise Investments	23 571	3 453	3M WIBOR	1.55%	on demand
Belise Investments	25 843	3 790	3M WIBOR	1.55%	on demand

(All amounts in PLN thousands unless otherwise stated)

31.6 Long-term receivables - cont.

Related party	Principal amount	Accrued interest	The Interest Rate	Margin	Maturity
Buffy Holdings No 1 Ltd	137 679	14 746	3M WIBOR	0.75%	on demand
Loan Impairment Buffy Holdings No 1 Ltd	(82 588)				
Celtic Asset Management	1 635	240	3M WIBOR	1.55%	on demand
Celtic Investments Ltd	343	0	3M LIBOR	0.75%	on demand
Challange 18	165 941	25 650	3M WIBOR	1.55%	on demand
East Europe Property Financing AB	9 557	1 382	3M WIBOR	1.55%	on demand
Loan Impairment East Europe Property Financing AB	(9 557)	(1 382)			
Elara Investments	3 128	459	3M WIBOR	0.75%	on demand
Loan Impairment Elara Investments	(2 895)				
Gaston Investments	2 565	376	3M WIBOR	1.55%	on demand
HUB Developments	1 780	259	3M WIBOR	1.55%	on demand
Loan Impairment HUB Developments	(710)				
Lakia Enterprises Limited	18 410	2 678	3M WIBOR	1.55%	on demand
	308 873	**53 578**			

In accordance with the intention of Board Members the loans will be repaid over a period of from 3 to 5 years.

On May 1, 2012 in accordance with the contract of acquisition debt the company took over all loans granted by the company East Europe Property Financing AB other related parties. Amount of the acquired loans totalled 389.875 PLN plus interest in the amount of PLN 46.650. The proportion of debt in accordance with what was settled to the principal and interest in individual Companies was the ratio of the amount of interest to the loan amount (46.650/389.875) and amounted to 11,97%.

31.7 Impairment of investments in subsidiaries

Status of the impairment of loans at 31.12.2011	**260,713**
Impairment for the period of 01/01/12-30/06/12	49 615
Status of the impairment of loans at 30.06.2012	**310,328**
	0
Status of the impairment of shares at 31.12.2011	**55,026**
Impairment for the period of 01/01/12-30/06/12	72 366
Status of the impairment of shares at 30.06.2012	**127,392**
	0
Total	**121 981**

(All amounts in PLN thousands unless otherwise stated)

31.8 Trade receivables and other receivables

	30-06-2012	31-12-2011
Trade receivables from related parties	552	345
Trade receivables from other parties	588	0
Short-term loans to related parties	20 843	705
- loans	44 608	698
- interest	6 495	7
- impairment of loans	(30 260)	0
Short-term loans to other parties	69	0
- loans	61	0
- interest	8	0
Duties of public-legal	10	183
Other receivables from related parties	625	641
Other receivables from other parties	1 999	1 983
Prepaid expenses	83	487
Short-term receivables	**24 769**	**4 344**

Details of the loans granted to related parties

Related party	**amount**	**Accrued interest**	**The Interest Rate**	**Margin**	**Maturity**
Gaetan Investments	12 565	1 843	3M WIBOR	1.55%	On demand
Loan Impairment Gaetan Investments	*(11 141)*	*0*			
Mandy Investments	27 532	4 028	3M WIBOR	1.55%	On demand
Loan Impairment Mandy Investments	*(19 061)*	*0*			
Robin Investments	4 511	624	3M WIBOR	1.55%	On demand
Loan Impairment Robin Investments	(58)	0			

31.9 Borrowings, including financial leasing

	30-06-2012	30-06-2011
Loans from related parties	12 723	12 502
	12 723	**12 502**

Borrowings in total comprise of loan received from Lakia Enterprises Ltd.

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed financial statements

31.10 Administrative costs

	01-01-2012 - 30-06-2012	01-01-2011 - 30-06-2011
Consultancy services	2 671	225
Remuneration	2 764	1 393
- cost of wages	1 376	1 393
- cost of remuneration in shares	1 388	0
Remuneration of the auditor	140	64
Non-deductable VAT	112	45
Costs of guarantees	0	1 244
Cover of guarantees costs	0	(1 244)
Other services	244	791
	5 931	**2 518**

On 22 December 2011 Board of Directors the company has taken a resolution on the establishment of rules for the remuneration of the members of the Board. On a proposal from the Executive Board remuneration will be paid to the members of the Board of Directors in a part of the shares offered to cover the issue of a reduced price to the market price.

Supervisory Board proposed to a meeting of Shareholders to take the resolutions to increase share capital by the amount of 16.321, 40 PLN (note 27.13) by the issue of 163.214 bearer shares of series C, having a par value PLN 0.10 per share. At the same time, the Supervisory Board proposed the free subscription series A warrants issue, in the amount of 163.214 pieces, for which issue shall be entitled only to the members of the Management Board. The holders of the warrants will be the only people eligible for the purchase of shares of series C, in a proportion of one warrant for one share. In effect, the members of the Management Board will have the right to purchase the shares at a price of par ($ 0.10 per share).

Condition of payment of remuneration shall serve on the Board of the company by the holder of the warrants at the time of the lodging of the Declaration of placing of shares, C series.

The total value of the remuneration in shares is PLN 2.775 k, of which attributable to the results of the first quarter 2012 is 0.7 million PLN (fiscal year 2011-1.156 tys. zł). The value was determined on the basis of the difference between the maximum and the reduced remuneration of the Executive Board defined by the Supervisory Board.

To calculate the amount of the remuneration of the company has adopted the average exchange rate NBP of 22 December 2011 of 4,4438 PLN and the price per share, corresponding to the closing course of share equal to 17 on the stock exchange in Warsaw on December 20, 2011.

31.11 Financial income and expenses

	01-01-2012 - 30-06-2012	01-01-2011 - 30-06-2011
Interest income:		
-Interest of the unrelated parties	1	8
Other financial income	426	0
Financial income	**427**	**8**
Interest expense:		
-Interest from related parties	310	279
Net exchange differences	775	17
Write-off of loan	9	0
Financial costs	**1 094**	**297**

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed financial statements

31.12 Cash flow from operating activities

	01-01-2012 - 30-06-2012	01-01-2011 - 30-06-2011
Profit/loss before tax	(111 161)	13 939
Adjustments for:		
– exchange differences	325	(39)
– acqusition of fixed assets	(15)	(7)
– depreciation of tangible assets	1	0
– write-off of loan	9	0
– interest costs	310	279
– interest income	(14 936)	(13 010)
– impairment of shares	49 615	0
– impairment of loans	72 366	0
– unpaid remuneration in warrants	1 387	0
Changes in working capital		
- changes in receivables	295	70
- change in trade liabilities and other	2 604	274
	793	**1 506**

31.13 Related party transactions

Celtic Property Developments SA does not have a direct or ultimate parent. 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 Celtic Group.

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

a)Transactions with key management personnel	01-01-2012 - 30-06-2012	01-01-2011 - 30-06-2011
Remuneration of members of the Supervisory Board	125	220
Remuneration of the Board Members	1 607	0
Receivables from the Board Members	9	16
b) Transactions with subsidiaries		
Revenue		
1/95 Gaston Investments	12	0
2/124 Gaston Investments	8	0
3/93 Gaston Investments	7	0
4/113 Gaston Investments	20	0
5/92 Gaston Investments	8	0
6/150 Gaston Investments	8	0
7/120 Gaston Investments	6	0
8/126 Gaston Investments	12	0
9/151 Gaston Investments	4	0
10/165 Gaston Investments	3	0
11/162 Gaston Investments	2	0
12/132 Gaston Investments	8	0
13/155 Gaston Investments	7	0
14/119 Gaston Investments	10	0
15/167 Gaston Investments	2	0

(All amounts in PLN thousands unless otherwise stated)

31.13 Related party transactions - cont.

	01-01-2012 - 30-06-2012	01-01-2011 - 30-06-2011
Revenue		
16/88 Gaston Investments	2	0
18 Gaston Investments	4	0
19/97 Gaston Investments	2	0
20/140 Gaston Investments	3	0
Blaise Gaston Investments	19	0
Blaise Investments	251	0
Belise Investments	778	0
Buffy Holdings No1 Ltd	3 921	3 289
Celtic Asset Management	367	0
Celtic Investments Ltd	39	60
Challange 18	1 848	0
Celtic Property Developments KFT	0	3
East Europe Property Financing AB	7 581	9 534
Elara Investments	33	0
Gaetan Investments	134	0
Gaston Investments	27	0
Hub Developments	19	0
Lakia Enterprises Ltd	293	436
Mandy investments	294	0
Robin Investments	49	0
Costs		
Celtic Asset Management	38	0
Celtic Investments Ltd	1 530	0
Lakia Enterprises Ltd	310	279
KMA Sp. z o.o.	2	233

	30-06-2012	31-12-2011
Liabilities		
Celtic Asset Management Sp. z o.o.	10	0
Celtic Investments Ltd	1 530	1
CAM Estates	203	0
Lakia Enterprises Ltd	12 723	12 984
Receivables		
1/95 Gaston Investments	1 329	0
2/124 Gaston Investments	856	0
3/93 Gaston Investments	157	0
4/113 Gaston Investments	2 213	0
5/92 Gaston Investments	816	0
6/150 Gaston Investments	874	0
7/120 Gaston Investments	738	0
8/126 Gaston Investments	1 289	0
9/151 Gaston Investments	449	0
10/165 Gaston Investments	271	0
11/162 Gaston Investments	267	0
12/132 Gaston Investments		

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed financial statements

31.13 Related party transactions - cont.

	30-06-2012	31-12-2011
Receivables		
13/155 Gaston Investments	753	0
14/119 Gaston Investments	1 037	0
15/167 Gaston Investments	253	0
16/88 Gaston Investments	250	0
18 Gaston Investments	483	0
19/97 Gaston Investments	267	0
20/140 Gaston Investments	333	0
Blaise Gaston Investments	1 989	0
Blaise Investments	27 024	0
Belise Investments	30 249	0
Buffy Holdings No1 Ltd	152 426	142 768
Loan impairment Buffy Holdings No1 Ltd	(82 588)	0
Celtic Asset Management	1 997	0
Celtic Investments Ltd	4 297	6 942
Celtic Property Developments KFT	0	287
Challange 18	191 591	0
East Europe Property Financing AB	10 939	351 391
Loan impairment East Europe Property Financing AB	(10 939)	(12 500)
Elara Investments	3 587	0
Loan impairment Elara Investments	(2 895)	0
Gaetan Investments	14 407	0
Loan impairment Gaetan Investments	(11 141)	0
Gaston Investments	2 942	0
Hub Developments	2 039	0
Loan impairment Hub Developments	(710)	0
KMA Sp. z o.o.	976	431
Lakia Enterprises Ltd	21 088	0
Mandy investments	31 560	0
Loan impairment Mandy investments	(19 061)	0
Robin Investments	5 136	0
Loan impairment Robin Investments	(58)	0

c)Transactions with other related parties	**01-01-2012 - 30-06-2012**	**01-01-2011 - 30-06-2011**
Costs		
Kancelaria Radców Prawnych Oleś&Rodzynkiewicz sp. komandytowa	16	78
Doubtful debts		
Braslink Ltd	625	0

Notes to the interim condensed financial statements

31.12 Share capital

At 30 June 2012 the company has only one class of shares of common stock with full voting rights and fully paid.

The Management Board of Celtic Property Developments S.A. hereby announces, that 30 July 2012, has received the communique of the Operational Department of the National Depositary of Securities, stating that in accordance with National Depositary's resolution No 556/12 of 27 July 2012, the 163.214 C Series ordinary bearer shares of the Company, with ISIN code PLCELPD00013, shall be registered in the National Depositary on 31 July 2012

Consequently, the share capital of CELTIC PROPERTY DEVELOPMENTS S.A. was increased by the amount of 16.321,40 PLN to total amount of 3.423.146,60 PLN (three million four hundred and twenty-three thousand one hundred and forty-six złoty and 60 groszy). The increased share capital of CELTIC PROPERTY DEVELOPMENTS S.A. is divided into 34.231.466 (thirty-four million two hundred and thirty-one thousand four hundred and sixty-six) shares with nominal value of 0,10 PLN (ten groszy) each, representing 100% of votes at the General Meeting of the Company.

The issuance of C series shares was carried out on the basis of the Resolution No. 23 of the Ordinary General Meeting of CELTIC PROPERTY DEVELOPMENTS S.A. held on 24 May 2012, within the conditional increase of the Company share capital registered by the District Court for the Capital City of Warsaw, XIII Commercial Division of the National Court Register on 19 June 2012, which was reported by the Company in the current report No. 18/2012.

Warsaw, 31 August 2012