CPD S.A.

QUARTERLY REPORT FOR III QUARTER 2016

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TRANSLATORS' EXPLANATORY NOTE

The following document is a free translation of the 3Q 2016 report of CPD S.A. published on 10 November 2016.

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. OPERATING REPORT

1. INFORMATION OF CPD CAPITAL GROUP

CPD Group started its activities in Poland in 1999 from the foundation of Celtic Asset Management Sp. z o.o. In subsequent years, 1999-2005, the activities of the company focused on building and managing a real estate portfolio for external institutions in Poland, Czech Republic, Lithuania, Romania, Hungary and Germany. In 2005, Celtic Asset Management Sp. z o.o started development activity in cooperation with several funds managed by Laxey Partners. In 2007, the consolidation of the group under the name Celtic Property Developments SA (BVI) was performed and in 2008 the listing of the company Celtic Property Developments SA (BVI) began on a deregulated market (Freiverkehr) in Frankfurt. In the period from 2005 to 2010, the Company operated and managed projects mainly in Poland. In 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 Celtic Group contributed to the creation of a strong and stable capital group, which debuted on the Warsaw Stock Exchange on 23 December 2010. 17th of September the Company has changed the name for CPD S.A.

Today, CPD S.A. is the holding company controlling a group of 37 subsidiaries, focusing on activities in the office and residential segments. Current Group’s plans focus on the residential development, mainly through the implementation of its leading project in the Warsaw’s district of Ursus.

2. CAPITAL GROUP'S STRUCTURE

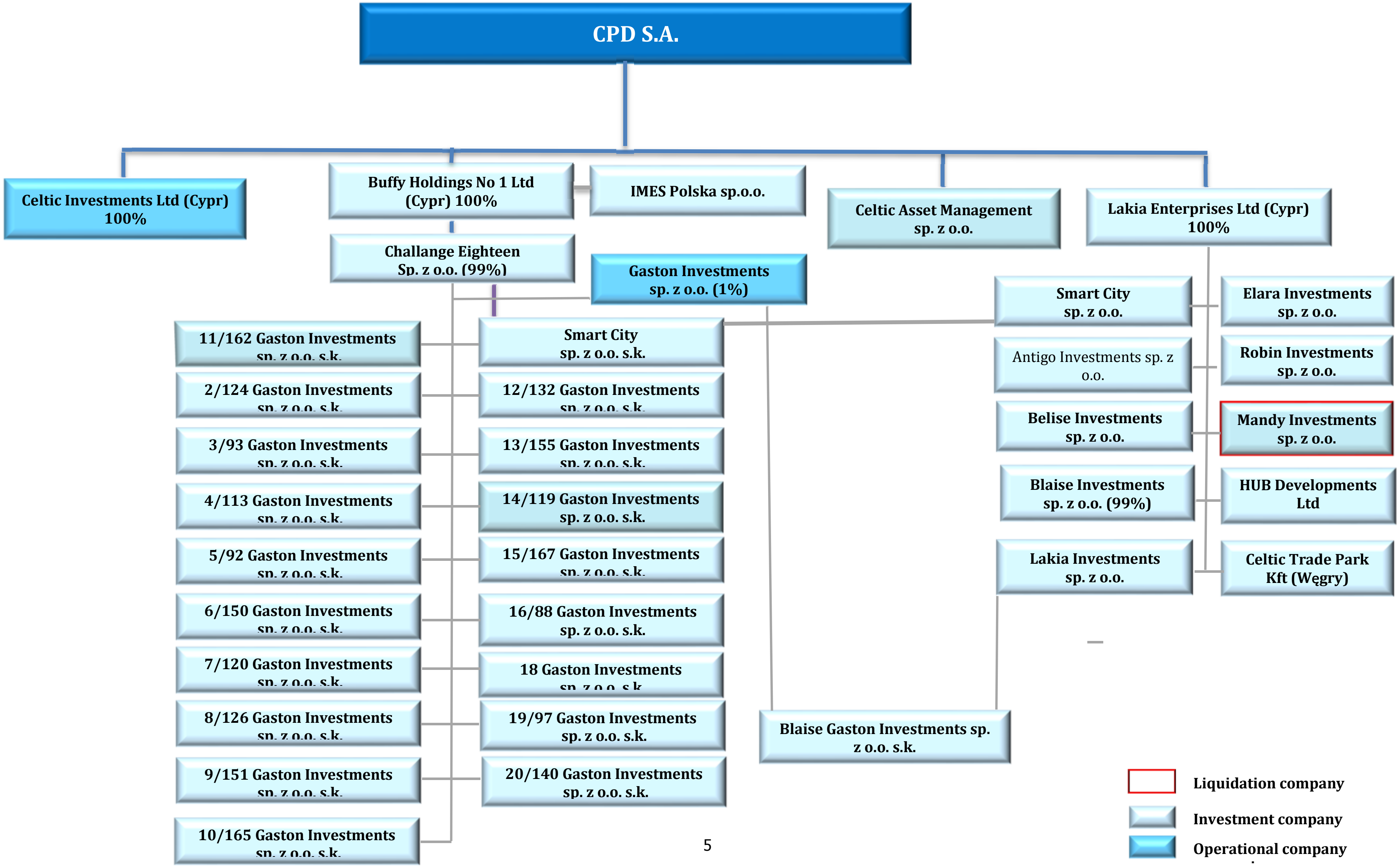
As of the day of publication hereof, the CPD Group (hereinafter referred to as "the Group", "CPD Group") was composed of a dominant entity – CPD S.A. (hereinafter referred to as "the Company") and 37 subsidiaries. Development activities of the Group are conducted via investment companies, direct subsidiaries of Buffy No1 Holdings Ltd (Cyprus) and Lakia Enterprises Ltd (Cyprus). Dominant entity - CPD S.A. - coordinates and supervises the activities of subsidiaries and at the same time is the decision making centre with regard to the strategic planning. CPD S.A. performs actions aiming at optimising the operating costs of the whole Group, designs investment and marketing policies and serves as the coordinator of this activity.

During the reporting period, the following changes occurred in the CPD Group structure:

- The process of liquidation of Celtic Asset Management Sp. o.o. was repealed by 27 April 2016
- The process of liquidation of 14/119 Gaston Investments Limited Liability Company sp. k. was repealed 19 April 2016

All Group companies are consolidated by the full method, apart the company Smart City limited liability limited partnership. Due to the fact that the investment agreement concerns a part of property held by Smart City Sp. z o. o. Sp. k., and the remaining part of the property to remain under the complete control of the Group - until the disposal of the Group's management decided to extract all assets, liabilities and equity of the entity which is a joint venture and recognition as a separate entity, in accordance with IFRS 10.

CPD Group's structure as on 30 September 2016.



3. SELECTED FINANCIAL DATA

	3 months period		
	From 01.07.2016 to 30.09.2016 (PLN ths.)	From 01.07.2015 to 30.09.2015 (PLN ths.)	*Change* *(%)*
Revenue	4 925	4 806	*2,5%*
Cost of sales	-668	-653	*2,3%*
Gross profit	**4 257**	**4 153**	***2,5%***
Administrative expenses - property related	*-2 069*	*-2 403*	*-13,9%*
Other administrative expenses	*-1 750*	*-2 122*	*-17,5%*
Selling and marketing costs	*-100*	*-76*	*31,6%*
Other income	*2 539*	*8*	*31637,5%*
Gain (loss) on revaluation of investment properties	*-5 314*	*839*	*-733,4%*
Post-tax share of the profit or loss of the joint-venture accounted for using the equity method	*-2 325*	*-130*	*1688,5%*
Profit/loss from operations	**-4 762**	**269**	***-1870,3%***
Finance income	4 033	1 966	*105,1%*
Finance costs	-2 653	-2 715	*-2,3%*
Profit/loss before tax	**-3 382**	**-480**	***604,6%***
Income tax	214	-361	*-159,3%*
Profit/loss for the period	**-3 168**	**-841**	***276,7%***
Earnings per share (PLN)	-0,10	-0,03	*276,7%*
Diluted earnings per share (PLN)	-0,08	-0,07	*16,5%*

Description of financial results for the three months from 1 July 2016 to 30 September 2016

In the third quarter of 2016 years CPD Group SA recorded a net loss of 3.2 million PLN, which means a deterioration in the net result of 2.3 million PLN in the third quarter last year.

It should be noted that, the main factors having a negative impact on the net result compared to the same period last year were primarily the loss on valuation of investment property in the amount of PLN 5.3 million resulting from the appreciation of the Polish zloty against the Euro and the loss on joint ventures in the amount of 2 3 million PLN.

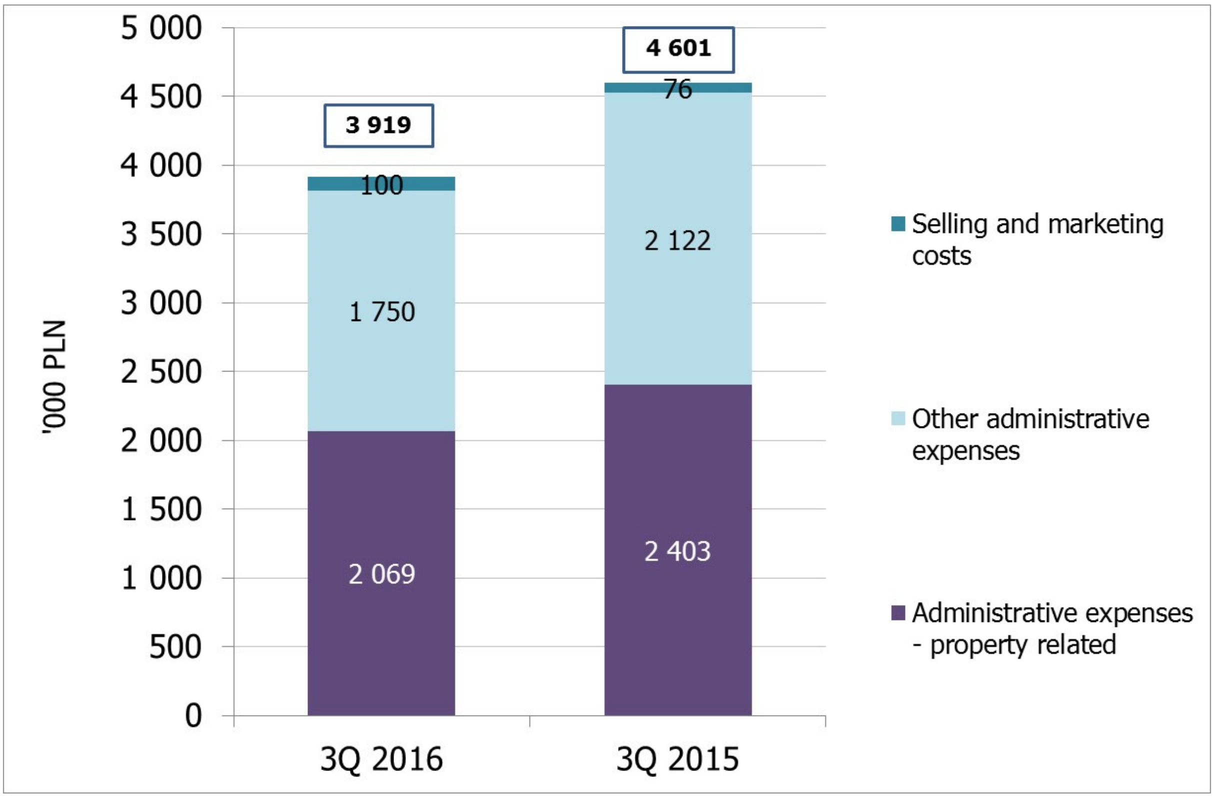
Loss from valuation of the property was the result of the appreciation of the zloty against the euro in the third quarter of 2016. Office buildings owned subsidiaries of CPD Group are valued in euros, therefore, their valuation in the Polish zloty fell. While the loss on joint venture Ursa Smart City was a result of the sale of several road Capital City of Warsaw for PLN, which are carried out for the needs of residential investment Ursa Smart City.

While factors that had a positive impact on the Group's results in the third quarter of 2016 compared to the same period last year, the main role was played by an increase in other operating income in the amount of PLN 2.5 million and an increase in financial income of EUR 2.1 million PLN.

The increase in other operating income resulted from received compensation for non-contractual use of land belonging to the Group subsidiaries. The increase in other financial income was the result of recognition of foreign exchange gains, net in the amount of PLN 3.7 million in the third quarter of 2016 years.

Also, a decrease in administrative expenses of 0.7 million PLN had a positive impact on the Group's net quarterly. This decrease was the result of a reduction in the cost of property tax, fees for perpetual use and the cost of consultancy services.

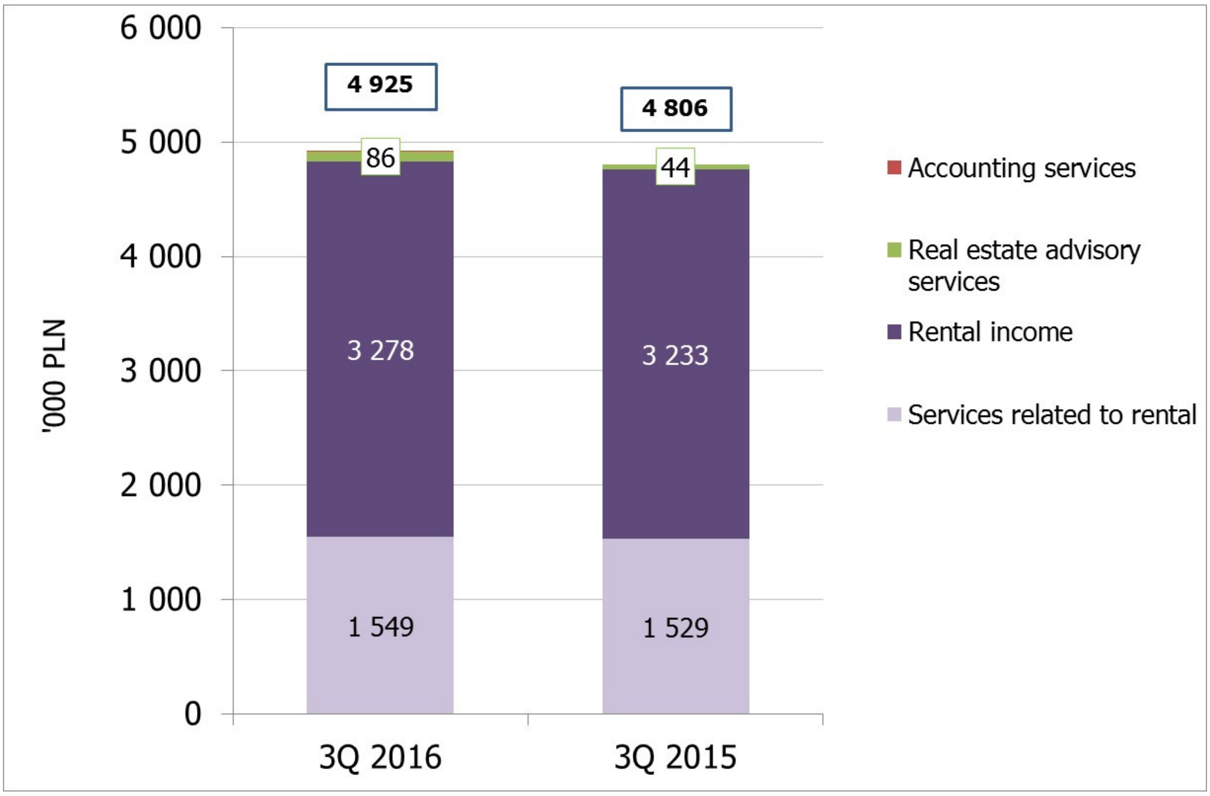
The chart below shows the structure of the Group's operating expenses in the third quarter of 2016 and 2015.



Revenue from sales for the third quarter of 2016 amounted to € 4.9 million PLN. The largest, 67-percent share in this amount represented rental income in the amount of 3.3 million PLN. In relation to the same period last year revenue growth was 2%. Rental income was generated by 3 office buildings in Warsaw - building Aquarius Street Połczyńska 31A, building Solar Street Cybernetics 7B and the building of Iris Street Cybernetics 9.

In the third quarter of 2016. The Group has not recorded any income from the sale of stocks.

The chart below shows the structure of sales revenue in the third quarter of 2016 and 2015.

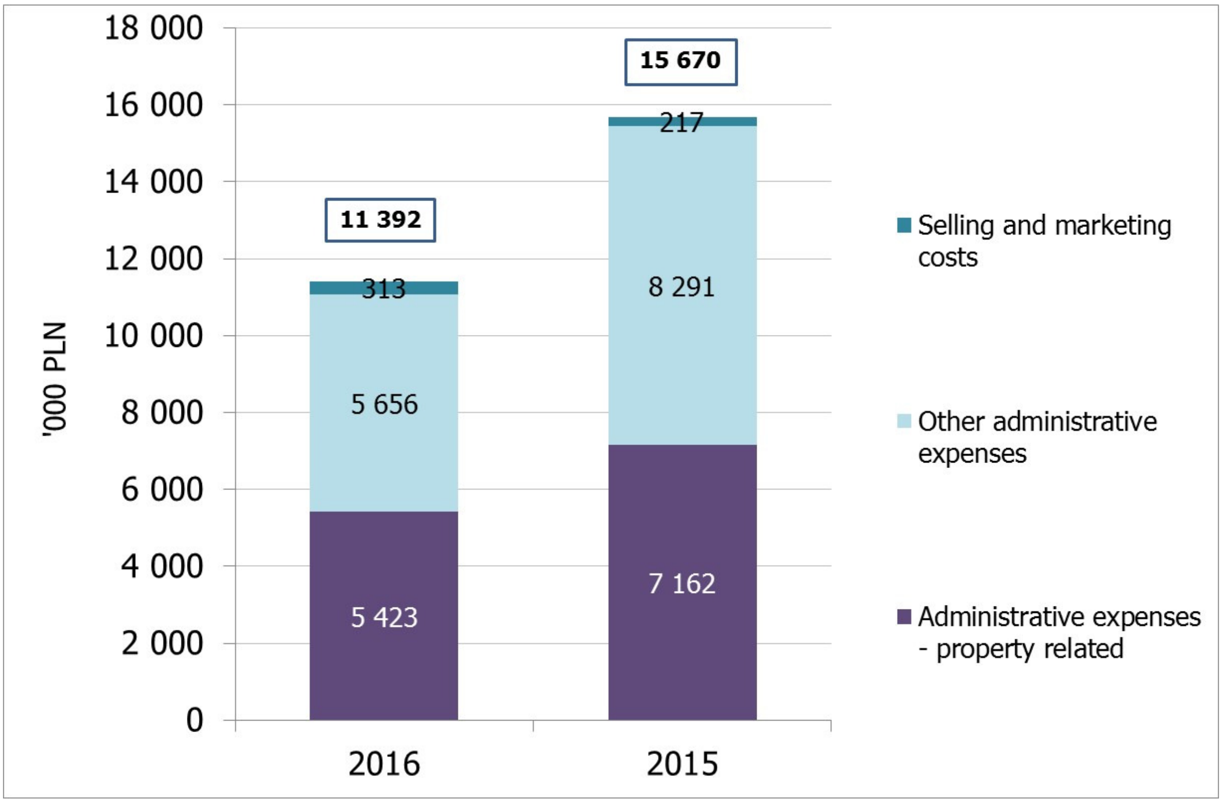


	9 months period		
	From 01.01.2016 to 30.09.2016 (PLN ths.)	From 01.01.2015 to 30.09.2015 (PLN ths.)	Change (%)
Revenue	14 630	13 852	5,6%
Cost of sales	-1 866	-1 679	11,1%
Gross profit	**12 764**	**12 173**	**4,9%**
Administrative expenses - property related	-5 423	-7 162	-24,3%
Other administrative expenses	-5 656	-8 291	-31,8%
Selling and marketing costs	-313	-217	44,2%
Gain (loss) on disposal of investment properties	-2 475	0	-
Other income	2 609	2 299	13,5%
Gain (loss) on revaluation of investment properties	-98	189	-151,9%
Post-tax share of the profit or loss of the joint-venture accounted for using the equity method	-2 017	-213	846,9%
Gain (loss) on disposal of subsidiaries	0	6	-100,0%
Profit/loss from operations	**-609**	**-1 216**	**-49,9%**
Finance income	5 257	8 833	-40,5%
Finance costs	-10 608	-10 219	3,8%
Profit/loss before tax	**-5 960**	**-2 602**	**129,1%**
Income tax	-876	913	-195,9%
Profit/loss for the period	**-6 836**	**-1 689**	**304,7%**
Earnings per share (PLN)	-0,21	-0,05	304,7%
Diluted earnings per share (PLN)	-0,20	-0,17	23,1%

Description of the financial results for the period of 9 months from January 1, 2016 to September 30, 2016.

On a cumulative basis at the end of September 2016. CPD Group saw its net result by PLN 5.1 million compared to the same period covering 9 months of the previous year. The main factor having a positive impact on the Group's result was primarily a decrease in administrative expenses in the amount of 4.4 million PLN. This decrease was the result of a reduction in the cost of property tax, fees for perpetual use and the cost of consultancy services.

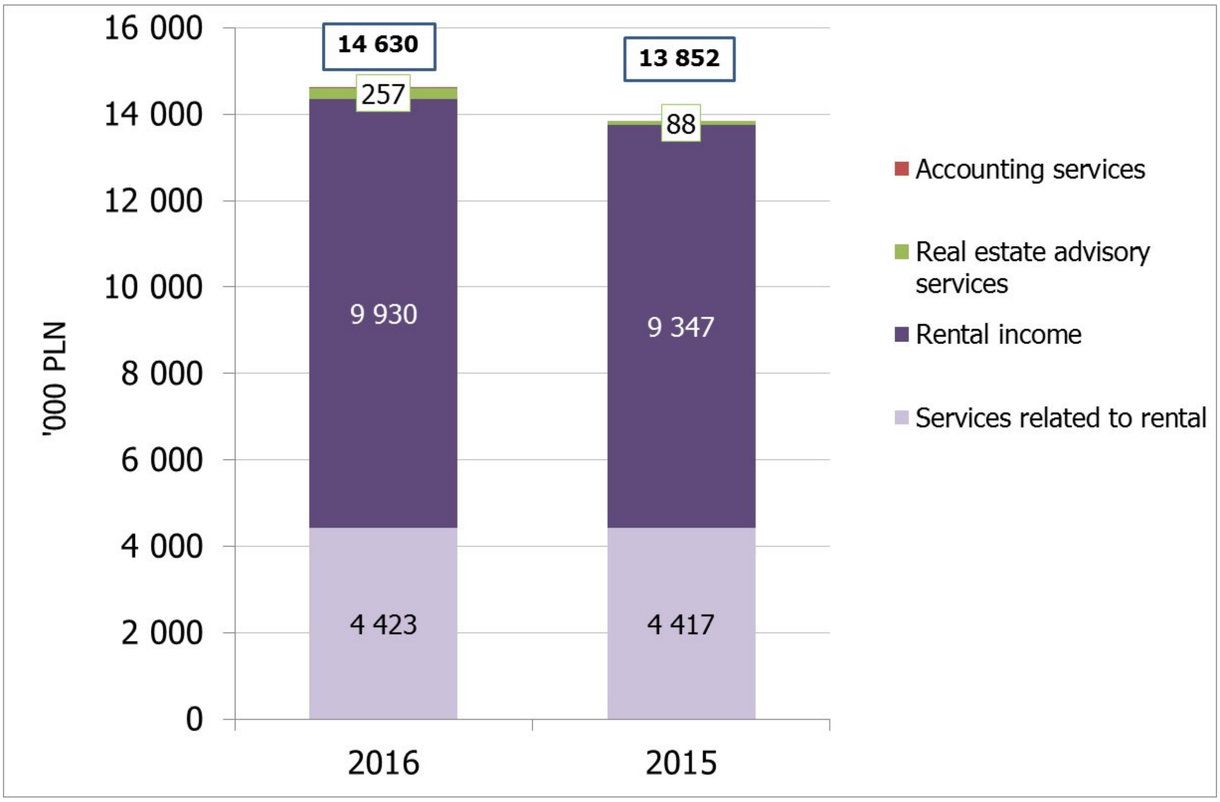
The chart below shows the structure of the Group's operating expenses for the first 9 months of 2016 and 2015 years



The increase in profit on sales of PLN 0.6 million also contributed to the improvement of the Group's result. With respect to the value for the 9 months 2016 years the rental income amounted to PLN 9.9m to PLN 9.3 million in the same period of the previous year (an increase of 6%). Rental income was generated by 3 office buildings in Warsaw - building Aquarius Street Połczyńska 31A, building Solar Street Cybernetics 7B and the building of Iris Street Cybernetics 9.

In 2016. The Group has not recorded any income from the sale of stocks.

The chart below shows the structure of sales revenue for the first 9 months of 2016 and 2015.



On the other hand, the main negative factor for the Group's results for 9 months of 2016 years was the decline in financial income in the amount of 3.6 million PLN.

Also, loss on disposal of investment property in the amount of PLN 2.5 million had a negative impact on the Group's CPD SA, compared with the same period last year. The Group sold in 2016 to RWE several small plots of land designated for power infrastructure located in the district of Ursus.

Another negative factor was the loss on joint venture Ursa Smart City in the amount of PLN 2 million. This loss is the result of sales in the third quarter of 2016 years several plots of road Capital City of Warsaw for PLN.

Selected items of the consolidated statement of financial position

	As at:		Change
	30.09.2016	31.12.2015	
	(PLN ths.)	(PLN ths.)	(%)
TOTAL ASSETS	**706 715**	**711 477**	***-0,7%***
Non-current assets, including:	**597 121**	**667 182**	***-10,5%***
Investment properties	*568 422*	*651 094*	*-12,7%*
Investments in joint ventures accounted for using the equity method	*26 948*	*14 512*	*85,7%*
Current assets, including:	**109 594**	**44 295**	***147,4%***
Assets held for sale	*73 846*	*0*	-
Inventory	*5 375*	*5 296*	*1,5%*
Trade and other receivables	*8 501*	*9 256*	*-8,2%*
Cash and cash equivalents	*18 170*	*26 073*	*-30,3%*
TOTAL EQUITY AND LIABILITIES	**706 715**	**711 477**	***-0,7%***
Equity, including:	**443 907**	**450 831**	***-1,5%***
Share capital	*3 286*	*3 286*	*0,0%*
Reserve capital	*987*	*987*	*0,0%*
Fair value of capital element at inception date	*-27 909*	*-27 909*	*0,0%*
Translation reserve	*-5 399*	*-5 311*	*1,7%*
Retained earnings	*472 942*	*479 778*	*-1,4%*
Total liabilities, including:	**262 808**	**260 646**	***0,8%***
Non-current liabilities	*193 917*	*235 126*	*-17,5%*
Current liabilities	*68 891*	*25 520*	*169,9%*

At the end of September 2016. Value of total assets of the Group was slightly lower than at the end of 2015 (down 0.7%) due to losses incurred during the first 9 months of 2016 years.

The value of investment properties decreased primarily due to the reclassification of several plots located in Ursus district to assets held for sale, ie assets. Current assets increased significantly as a result of this operation.

At the end of September 2016. The equity amounted to 443.9 million PLN, which accounted for 62.8% of the total assets of the Group, while liabilities accounted for 37.2% of total assets. These indicators have changed compared to the end of 2015 years (respectively 63.4% and 36.6%).

During the first 9 months of 2016 years it has also increased the value of liabilities. This was mainly due to recognition of a provision for the costs of demolition work in the amount of 6.1 million PLN.

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

	30.09.2016	31.12.2015
Liabilities to total assets	**37,2%**	**36,6%**
Non-current liabilities to total assets	**27,4%**	**33,0%**
Borrowings including finance leases	19,9%	20,3%
Bonds	4,2%	7,9%
Embedded derivative	0,0%	1,6%
Deferred income tax liabilities	3,1%	2,9%
Trade and other payables	0,3%	0,3%
Current liabilities to total assets	**9,7%**	**3,6%**
Borrowings including finance leases	1,0%	1,1%
Trade and other payables	3,0%	2,3%
Payables related to assets held for sale	0,7%	0,0%
Bonds	4,1%	0,2%
Embedded derivative	1,0%	0,0%

The structure of liabilities slightly changed. The share of long-term debt in total assets fell from 33% at the end of December 2015. To 27.4% at the end of September 2016. The share of short-term debt, however, grew from 3.6% as at 31 December 2015. To 9.7% As at 30 September 2016.

4. IMPORTANT EVENTS IN THE REPORTING PERIOD

• IRIS PROJECT AT CYBERNETYKI 9 STREET IN WARSAW – COMMERCIAL LEASE

Iris is a six-storey building office building with a total leasable area of approx. 14,3 thous. m2 with 233 parking places and is the final stage of the project office and residential located at the intersection of Cybernetyki and Progress in Warsaw. On 30 September 2016 100% of office space is leased.

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

The eight storey B+ class office building of 5,792 sqm of was built in 1998 and refurbished by the Group in 2008. The building is currently leased to such companies as Beko S.A., Berlin Chemie, Akzo Nobel, ZPUE S.A.. On 30 September 2016, the building was leased in approx. 80 %.

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

The Aquarius Office Park consists of a five storey B class office building of 5,211 sqm, an investment site with a valid building permit for the construction of an A class office building of ca 2,500 sqm as well as an investment site of approx. 10,000 sqm intended for the construction of an office and warehouse complex. The office building is currently leased to such companies as VB Leasing, Betacom S.A., Fly Away Travel. On 30 September 2016, the building was leased in approx. 89 %.

- **ANNEX TO THE AGREEMENT ON THE CONSTRUCTION WORKS**

On 21 of March 2016, the company Smart City limited liability limited partnership signed an annex to the agreement on the construction works as a general contractor with UNIBEP SA. Under the annex, Smart City commissioned UNIBEP SA implementation of the second stage of construction of a housing estate under the name of URSA - Smart City at Hennela street in Warsaw - Ursus district.

As a part of the investment will be built four residential buildings with underground garages. These buildings with a height of 7 floors above ground, there will be 357 apartments and 20 commercial units.

Deadline for completion of the second stage has been specified for the second quarter of 2017.

- **CHOICE OF AUDITOR**

On 31 of March 2016 the Supervisory Board adopted a resolution on the election of PricewaterhouseCoopers Sp. o.o. with its registered office in Warsaw, 14 Armii Ludowej, entered the list of entities authorized to audit financial statements under number 144, on the auditor authorized to:

- examine the consolidated financial statements of CPD SA for the financial year ended December 31, 2016
- examine the stand-alone financial statements of CPD SA for the financial year ended December 31, 2016
- review of the interim consolidated financial statements of CPD SA on June 30, 2016
- review of the interim financial statements CPD SA on June 30, 2016.

The agreement with PricewaterhouseCoopers Sp. o.o. will be concluded for the period necessary to carry out the work indicated therein.

- **REPEAL LIQUIDATION IN THE SUBSIDIARY OF CPD SA**

April 27, 2016, the Extraordinary General Meeting of Shareholders of Celtic Asset Management limited liability company in liquidation (subsidiary of the Company) with its registered office in Warsaw adopted a resolution on the repeal of liquidation and continued existence of the Celtic Asset Management Sp. o.o.

April 19, 2016, the Extraordinary General Meeting of Shareholders of 14/119 Gaston Investments limited liability company in liquidation (subsidiary of the Company) with its registered office in Warsaw adopted a resolution on the repeal of liquidation and continued existence of the 4/119 Gaston Investments limited liability company in liquidation

- **REGULATING THE LEGAL STATUS OF HEATING NETWORK IN URSUS**

As a result of sale of Energetyka Ursus sp. o.o. in liquidation, which took place on the basis of the tender announced on 7th of March 2016 by the trustee, May 4, 2016, the Power Plant in Ursus was closed, which was located in close proximity to investment areas belonging to CPD S.A. As a result of acquisition of heating network by Veolia from the legal successor of Energetyka Ursus sp. z o.o. and connecting this network to district heating network, a supplier of thermal energy in the district of Ursus, including investment areas belonging to the Group CPD SA, is Veolia Energia Warszawa S.A.

Conducted technical analysis shows that for the needs of the area covered by the local zoning plan, the existing networks of heat energy functioning in Warsaw, are able to provide a safe and continuous supply of thermal energy on a competitive basis. In addition, infrastructure development, planned investments and diversification of sources and routes of supply would certainly improve the security of supply and enhance the competitiveness of the conditions for the final consumer. Aim of Veolia Energia

Warszawa S.A. is to use on both stages expansion and operation of modern building technology and energy leading to energy savings, with a neutral impact on the environment.

- **SALE OF REAL ESTATE**

May 23, 2016, the companies of Issuer's subsidiaries - Challange Eighteen limited liability company sp. k. and 18 Gaston Investments sp. z o.o. signed a final sale agreement of real estate located in Ursus, precinct 2-09-09 with an area of approx. 1 ha, which consists of a plots of land registration numbers 123/13, 123/14 as well as plots of land registration numbers 156/7, 156/9, 156/11, 156/13 (property purpose in the local zoning plan is defined as the facilities and electrical equipment, areas of facilities and equipment sewage collective: in terms of drainage and waste water treatment). The property was acquired by Innogy Stoen Operator sp. z o.o. (previously RWE Stoen Operator sp. z o.o.)

As a result of sale of Energetyka Ursus sp. z o.o. in liquidation, which took place on the basis of the tender announced March 7, 2016 by the trustee and due to the sale of the above property, after many years of efforts to introduce a reliable business partner in electricity sector in the areas owned by capital group CPD SA, Innogy Stoen Operator sp. z o.o. has become a major energy provider in the area.

- **APPOINTMENT OF A MEMBER OF THE MANAGEMENT BOARD**

June 29, 2016, the Supervisory Board appointed Mr. Waldemar Majewski as Member of the Board of CPD SA from June 29, 2016 year.

- **AGREEMENT WIT TRUSTEE**

July 21, 2016 Issuer's subsidiaries, ie. 2/124 Gaston Investments limited liability limited partnership, 3/93 Gaston Investments limited liability limited partnership, 4/113 Gaston Investments limited liability limited partnership, 5/92 Gaston Investments limited liability limited partnership, 6/150 Gaston Investments limited liability limited partnership, 7/120 Gaston Investments limited liability limited partnership, 8/126 Gaston Investments limited liability limited partnership, 10/165 Gaston Investments limited liability limited partnership, 11/162 Gaston Investments limited liability limited partnership, 13/155 Gaston Investments limited liability limited partnership, 15/167 Gaston Investments limited liability limited partnership, 18 Gaston Investments limited liability, 20 /140 Gaston Investments limited liability limited partnership, Challange Eighteen limited liability, Blaise Gaston Investments limited liability limited partnership, Smart City limited liability limited partnership, entered into an agreement with the trustee acting for Energetyka Ursus limited liability company in liquidation. The trustee has committed them to pay for the subsidiaries CPD SA the amount of PLN 2 741 000 as compensation for non-contractual use of real property owned subsidiaries CPD S.A.

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

7. WRITE-DOWNS OF INVENTORIES TO FAIR VALUES

When determining the recoverable amount of inventory management considers property valuation prepared by independent experts as of 31.12.2015, taking into account possible changes in the value dictated by changes in the real estate market. In the third quarter of 2016 state of write-downs on inventories increased for 5 000 PLN.

8. WRITE-DOWNS OF INVESTMENT PROPERTIES TO FAIR VALUES

In the third quarter of 2016 Group recorded a negative result of revaluation of investment property to fair value in the amount of PLN 5.3 million PLN. In the corresponding period of 2015 years positive Group result from the revaluation of investment property to fair value amounted to PLN 0.8 million PLN.

9. CREATION, INCREASE, UTILISATION AND REVERSEAL OF PROVISIONS

In the third quarter of 2016 value accrued expenses increased by 0.2 million PLN. This increase resulted primarily from an increase in the provision for potential tax risks.

10. PROVISIONS AND DEFFERED TAX ASSETS

In respect to deferred tax assets, the recoverable amount is determined based on the probability of assets in the future, taking into account the business plans of individual companies included in consolidation. This value is determined based on management's estimates. As at 30 September 2016 Group disclosed in the balance sheet deferred tax assets in the amount of 0.4 million PLN.

As at 30 September 2016 Group liabilities due to deferred income tax amounted to 21.7 million PLN. The value of these liabilities decreased in the third quarter by 0.2 million PLN.

11. ACQUISITION AND SALE OF PROPERTY, PLANT AND EQUIPMENT

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

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

Not occurred.

13. IMPORTANT SETTLEMENTS OF LAWSUITS

Not occurred.

14. PREVIOUS PERIODS ERRORS' CORRECTION

Not occurred.

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

During the third quarter of 2016, no changes occurred in the economic situation which could affect the fair value of the Group's assets and liabilities.

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

Not occurred.

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

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

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

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

19. CHANGES IN THE CLASSIFICATION OF FINANCIAL ASSETS

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

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

Not occurred.

21. INFORMATION RELATED TO DIVIDEND

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

22. EVENTS AFTER THE DATE OF PREPARATION OF FINANCIAL STATEMENTS

October 10, 2016 r., The Issuer has signed a conversion on the changes in the conditions of the issue of series B, concluded between the Issuer and Open Finance Corporate Bond Investment Fund Closed Non-Public Assets based in Warsaw as the sole bondholder.

On the basis of the Conversion Agreement, the terms and conditions of Bonds were amended as follows:

1. the surety, securing obligations resulting from the Bonds, granted by the subsidiary of the Issuer, i.e. Blaise Gaston Investments spółka z ograniczoną odpowiedzialnością spółka komandytowa with its registered seat in Warsaw (the "Surety Agreement with Blaise Gaston Investments") has been terminated;

2. as a collateral for the Bonds, sureties with the following Issuer's subsidiaries: (i) 12/132 Gaston Investments spółka z ograniczoną odpowiedzialnością spółka komandytowa with its registered seat in Warsaw and (ii) 13/155 Gaston Investments spółka z ograniczoną odpowiedzialnością spółka komandytowa with its registered seat in Warsaw have been introduced, as well as the relevant agreements between the abovementioned subsidiaries and the Bondholder have been concluded.

3. the security in the form of mortgage on the perpetual usufruct right to the property located in Warsaw, comprising a plot of land with evidence number 111/2 with a surface area of 6,0074 hectares, for which the District Court for Warsaw-Mokotow in Warsaw, XIII Land and Mortgage Division keeps the land and mortgage book No. WA1M/00212689/6, afforded to Blaise Gaston Investments spółka z ograniczoną odpowiedzialnością spółka komandytowa was released;

4. as a collateral for the Bonds, Issuer's subsidiaries: (i) 12/132 Gaston Investments spółka z ograniczoną odpowiedzialnością spółka komandytowa with its registered seat in Warsaw and (ii) 13/155 Gaston Investments Spółka z ograniczoną odpowiedzialnością spółka komandytowa with its registered seat in Warsaw established a contractual, first ranking,joint mortgage up to the total amount of PLN 45,000,000.00 on:

   a) perpetual usufruct right to the property located in Warsaw, Ursus district, comprising a plot of land with evidence number 132/2 with a surface area of 3,2544 hectares, for which the District Court for Warsaw-Mokotow in Warsaw, XIII Land and Mortgage Division keeps the land and mortgage book No. WA5M/00477860/2, afforded to 12/132 Gaston Investments spółka z ograniczoną odpowiedzialnością spółka komandytowa with its registered seat in Warsaw;

b) perpetual usufruct right to the property located in Warsaw, Ursus district, comprising a plot of land with evidence number 155/2 with a surface area of 1,0998 hectares, for which the District Court for Warsaw-Mokotow in Warsaw, XIII Land and Mortgage Division keeps the land and mortgage book No. WA5M/00477861/9, afforded to 13/155 Gaston Investments spółka z ograniczoną odpowiedzialnością spółka komandytowa with its registered seat in Warsaw;

c) perpetual usufruct right to the property located in Warsaw, Ursus district, comprising a plot of land with evidence number 158/2 with a surface area of 0,2949 hectares, for which the District Court for Warsaw-Mokotow in Warsaw, XIII Land and Mortgage Division keeps the land and mortgage book No. WA5M/00477864/0, afforded to 13/155 Gaston Investments spółka z ograniczoną odpowiedzialnością spółka komandytowa with its registered seat in Warsaw,

d) perpetual usufruct right to the property located in Warsaw, Ursus district, comprising a plot of land with evidence number 147 with a surface area of 0,5190 hectares and the right of ownership in buildings constituting the object of ownership separate from the land, for which the District Court for Warsaw-Mokotow in Warsaw, XIII Land and Mortgage Division keeps the land and mortgage book No. WA1M/00338198/6, afforded to 13/155 Gaston Investments spółka z ograniczoną odpowiedzialnością spółka komandytowa with its registered seat in Warsaw,

e) perpetual usufruct right to the property located in Warsaw, Ursus district, comprising a plot of land with evidence number 134 with a surface area of 0,4722 hectares and the right of ownership in the building constituting the object of ownership separate from the land, for which the District Court for Warsaw-Mokotow in Warsaw, XIII Land and Mortgage Division keeps the land and mortgage book No. WA1M/00233102/1, afforded to 13/155 Gaston Investments spółka z ograniczoną odpowiedzialnością spółka komandytowa with its registered seat in Warsaw;

5. as a collateral for the Bonds, Issuer's subsidiaries: (i) 12/132 Gaston Investments spółka z ograniczoną odpowiedzialnością spółka komandytowa with its registered seat in Warsaw and (ii) 13/155 Gaston Investments spółka z ograniczoną odpowiedzialnością spółka komandytowa with its registered seat in Warsaw submitted themselves to voluntary enforcement under Art 777 § 1 point 5 of the Polish Code of Civil Procedure in respect of their obligations to pay the amount of PLN 45,000,000.00;

23. CHANGES RELATED TO CONDITIONAL LIABILITIES OR ASSETS

3rd of August 2016, the companies Gaston Investments limited liability company and Challange Eighteen limited liability company entered into a conditional agreement for the sale of all rights and obligations of the limited partner and general partner in the company 14/119 Gaston Investments limited liability limited partnership. The agreement provides for the following conditions precedent to the total fulfillment of, not later than 31 December 2016.:

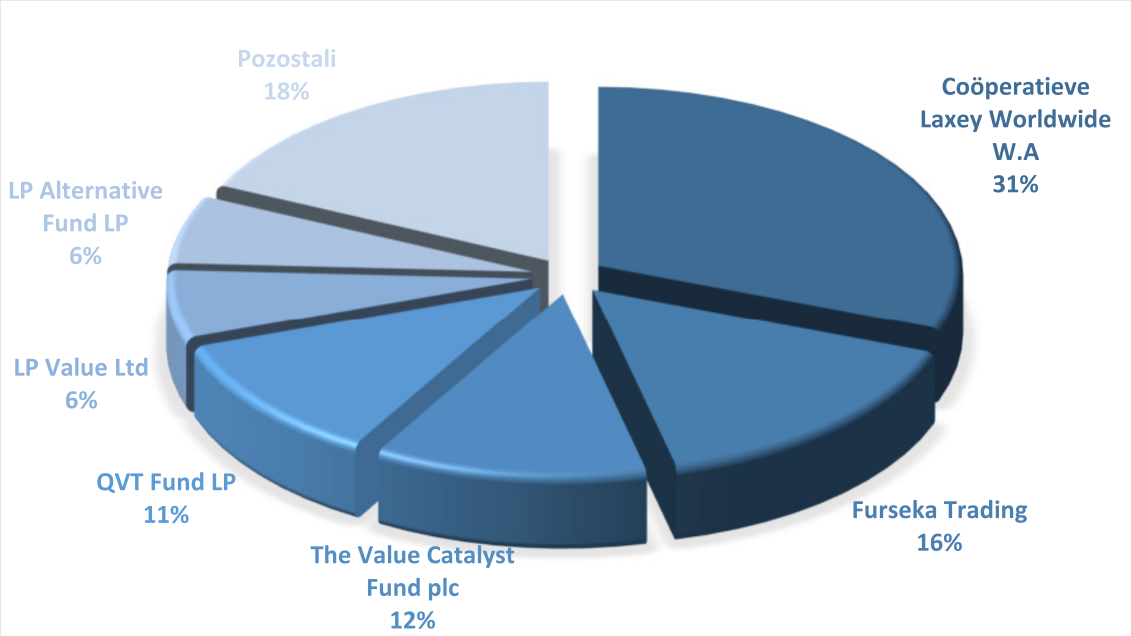
- repayment of the entire debt 14/119 Gaston Investments, a limited liability limited partnership under the Loan Agreements with interest to the CPD S.A
- payment of total price, in the manner and within the time specified in the Agreement. Terms of the transaction do not differ from market conditions.

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

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

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

Shareholding structure of CPD S.A.



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

Shareholder	Amount of shares	Type of shares	Amount of votes	As % of total numer of shares	As % of total numer of votes
Coöperatieve Laxey Worldwide W.A	10 082 930	Na okaziciela	10 082 930	30.68 %	30.68 %
Furseka Trading	5 137 222	Na okaziciela	5 137 222	15.63 %	15.63 %
The Value Catalyst Fund plc	3 975 449	Na okaziciela	3 975 449	12.10 %	12.10 %
QVT Fund LP	3 701 131	Na okaziciela	3 701 131	11.26 %	11.26 %
LP Value Ltd	2 005 763	Na okaziciela	2 005 763	6.10 %	6.10 %
LP Alternative Fund LP	2 003 981	Na okaziciela	2 003 981	6.10 %	6.10 %
Pozostali	5 956 727	Na okaziciela	5 956 727	18.13 %	18.13 %

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

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

Name	Function	No. of shares	Nominal value of shares (PLN)	As % of total no. of shares	As % of total no. of votes
Elżbieta Wiczkowska	President	42 498	4250	0,13%	0,13%
Iwona Makarewicz	Member	4 734	473	0,01%	0,01%
TOTAL		**47 232**	**4 723**	**0,14%**	**0,14%**

The Company has no information regarding the fact of ownership of shares by other persons included in the management or supervisory boards.

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

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

28. MAJOR LOAN AGREEMENTS, LOAN WARRANTIES AND GUARANTEES GRANTED

As at 30 September 2016 CPD Group in the consolidated financial statements shows the following liabilities arising from bank loans:

- Liabilities to the bank mBank Mortgage SA in the amount of 41 530 thousand PLN (of which 1 772 thousand PLN is presented as part of the short-term, and 39 758 thousand PLN is presented as part of the long-term);

- Liabilities to Bank Zachodni WBK SA in the amount of 75 756 thousand PLN (of which 4 952 thousand PLN is presented as a current liability and 70 804 thousand PLN is presented as a long term commitment).

On 18 June 2014 the subsidiaries Lakia Investments and Robin Investments entered into loan agreements with mBank Mortgage. The loan above was granted to refinance a loan with HSBC Bank Poland in 2006, which was used to finance the investment office located at Cybernetics 7b and Połczyńska 31a. Mortgage credit in the mBank was launched on 1 July 2014. Involvement Lakia Investments amounted to EUR 5,423,649.18 balance sheet date, and Robin Investments 4,199,926.72 EUR. According to the applicable terms and conditions of the loan agreement with mBank Mortgage, these companies are obliged to repay the entire loan until 20 of June 2029.

The loan agreement with BZ WBK was annexed in May 2015. BZ WBK has the conversion of the construction loan into an investment loan. The agreement provides that the subsidiary Belise Investments is obliged to repay the entire investment loan until the end of May 2021 year.

29. THE SUPERVISORY BOARD AND THE MANAGEMENT BOARD

At 30 September 2016, the composition of the Supervisory Board of the Company was as follows:

- Mr. Wiesław Oleś - Supervisory Board member not meeting the requirements of independent member of the Supervisory Board
- Mr. Andrew Pegge - Supervisory Board member not meeting the requirements of independent member of the Supervisory Board
- Mr. Mirosław Gronicki - Supervisory Board member meeting the requirements of independent member of the Supervisory Board
- Mr. Michael Haxbey - Supervisory Board member not meeting the requirements of independent member of the Supervisory Board
- Ms. Gabriela Gryger - Supervisory Board member meeting the requirements of independent member of the Supervisory Board

At 30 September 2016, the composition of the Management Board of the Company was as follows:

- Mrs. Elżbieta Wiczkowska – President of the Management Board;
- Mrs. Iwona Makarewicz – Member of the Management Board
- Mr. Colin Kingsnorth – Member of the Management Board
- Mr. John Purcell - Member of the Management Board
- Mr. Waldemar Majewski - Member of the Management Board

30. OTHER IMPORTANT INFORMATION

No other except those mentioned above.

31. FACTORS AFFECTING RESULTS OF THE FOLLOWING QUARTERS

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

- The situation on the financial markets which may affect the valuation of properties in the portfolio of the Group.
- Start and conducting construction works in the project Smart City Ursus;
- Commercialisation of the project IRIS;
- The economic trend in the housing market, which the Company operates,

- The state of global financial markets and their impact on the Polish economy and national banking system,
- Availability of mortgages, and in particular their attractiveness to potential customers,
- Timely, compliant with schedules, completion of the first phase of the project Smart City Ursus
- The availability of external financing (loans, bonds) for real estate development entities,
- Changes in the legal and tax regulations that may influence in an uncontrollable manner the market demand for products offered by the Company;
- Maintaining a stable political situation and creating a positive economic climate by the government and local authorities,
- The economic situation affecting the receiving regular income from the rental of offices,
- Selling expenses and general and administrative
- Quarterly revaluation at fair value of the Group's properties,
- Valuation of liabilities arising from bonds.

II. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT FOR THE PERIOD OF 9 MONTHS ENDED 30 SEPTEMBER 2016 ALONG WITH CONDENSED FINANCIAL STATEMENTS OF CPD S.A.

CPD S.A.

Condensed interim consolidated financial statements

for the period of 9 months ended 30 September 2016

and the condensed financial statements of CPD S.A.
for the period of 9 months ended 30 September 2016

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

(unaudited financial data)

CPD S.A.

(All amounts in PLN thousands unless otherwise stated)

Condensed consolidated statement of comprehensive income

	Note	01-07-2016-2016-09-30	01-07-2015-2015-09-30	01-01-2016-2016-09-30	01-01-2015-2015-09-30
		For the period			
		(unaudited)			
Revenues	14	4 925	4 806	14 630	13 852
Cost of sales	15	(668)	(653)	(1 866)	(1 679)
PROFIT ON SALES		**4 257**	**4 153**	**12 764**	**12 173**
Administrative costs property related	16	(2 069)	(2 403)	(5 423)	(7 162)
Administrative expenses-other	17	(1 750)	(2 122)	(5 656)	(8 291)
Selling and marketing expenses		(100)	(76)	(313)	(217)
Net loss from sale of investment property		0	0	(2 475)	0
Other income	18	2 539	8	2 609	2 299
Net (loss)/ gain from fair value adjustments on investment properties	4	(5 314)	839	(98)	189
Post-tax share of the profit or loss of the joint-venture accounted for using the equity method		(2 325)	(130)	(2 017)	(213)
Result from sales of subsidiaries		0	0	0	6
OPERATING RESULT		**(4 762)**	**269**	**(609)**	**(1 216)**
Financial income	19	4 033	1 966	5 257	8 833
Financial costs	19	(2 653)	(2 715)	(10 608)	(10 219)
PROFIT (LOSS) BEFORE INCOME TAX		**(3 382)**	**(480)**	**(5 960)**	**(2 602)**
Income tax	20	214	(361)	(876)	913
PROFIT (LOSS) FOR THE PERIOD		**(3 168)**	**(841)**	**(6 836)**	**(1 689)**
Currency translation adjustment		3	(38)	(88)	(18)
TOTAL COMPREHENSIVE INCOME		**(3 165)**	**(879)**	**(6 924)**	**(1 707)**
Profit (Loss) attributable to:					
Equity holders of the Group		**(3 168)**	**(841)**	**(6 836)**	**(1 689)**
TOTAL COMPREHENSIVE INCOME					
Equity holders of the Group		**(3 165)**	**(879)**	**(6 924)**	**(1 707)**
BASIC EARNINGS PER SHARE	24	(0,10)	(0,03)	(0,21)	(0,05)
DILUTED EARNINGS PER SHARE	24	(0,08)	(0,07)	(0,20)	(0,17)

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

Elżbieta Donata Wiczkowska
Chairman of the Board

John Purcell
Board Member

Waldemar Majewski
Board Member

Colin Kingsnorth
Board Member

Iwona Makarewicz
Board Member

(All amounts in PLN thousands unless otherwise stated)

Condensed consolidated statement of financial position

	Note	30-09-2016 *(unaudited)*	31-12-2015
ASSETS			
Non-current assets			
Investment properties	4	568 422	651 094
Property, plant and equipment		864	964
Intangible assets, excluding goodwill		37	60
Investments in joint ventures accounted for using the equity method	8	26 948	14 512
Deferred tax assets	13	448	552
Long-term receivables		402	0
Non-current assets		**597 121**	**667 182**
Current assets			
Inventories	6	5 375	5 296
Trade receivables and other receivables	5	8 501	9 256
- receivables and loans		*3 215*	*3 988*
- prepayments		*5 286*	*5 268*
Short-term bonds		3 702	3 670
Cash and cash equivalents	7	18 170	26 073
Current assets excluding assets held for sales		**35 748**	**44 295**
Assets held for sales	28	73 846	0
Current assets		**109 594**	**44 295**
Total assets		**706 715**	**711 477**

(All amounts in PLN thousands unless otherwise stated)

Condensed consolidated statement of financial position - continuation

	Note	30-09-2016 (unaudited)	31-12-2015
EQUITY			
Equity attributable to owners of the parent company			
Share capital	9	3 286	3 286
Reserve capital		987	987
Embedded element at inception date		(27 909)	(27 909)
Translation reserve		(5 399)	(5 311)
Retained earnings		472 942	479 778
Total equity		**443 907**	**450 831**
LIABILITIES			
Non-current liabilities			
Trade payables and other liabilities	10	2 046	2 070
Borrowings, including financial leasing	11	140 483	144 474
Bonds issued	12	29 708	56 041
Derivatives	12	0	11 635
Deferred tax liabilities	13	21 680	20 906
Non-current liabilities		**193 917**	**235 126**
Current liabilities			
Trade payables and other liabilities	10	20 862	16 712
Current income tax liabilities		0	0
Bonds issued		29 089	1 279
Derivatives		7 200	0
Borrowings, including financial leasing	11	6 978	7 529
Current liabilities excluding liabilities held for sale		**64 129**	**25 520**
Liabilities classified as held for sale	28	4 762	0
Current liabilities		**68 891**	**25 520**
Total liabilities		**262 808**	**260 646**
Total Equity and liabilities		**706 715**	**711 477**

Elżbieta Donata Wiczkowska
Chairman of the Board

John Purcell
Board Member

Colin Kingsnorth
Board Member

Iwona Makarewicz
Board Member

Waldemar Majewski
Board Member

(All amounts in PLN thousands unless otherwise stated)

Condensed consolidated statement of changes in equity

	Share capital	Embedded element at inception date	Translation reserve	Accumulated profit (loss) Reserve capital	Accumulated profit (loss) Retained earnings	Total equity
Balance as at 01-01-2015	**3 286**	**(27 909)**	**(5 301)**	**987**	**433 430**	**404 493**
Comprehensive income						
Currency translation adjustment	0	0	(18)	0	0	(18)
Profit (loss) for the period	0	0	0	0	(1 689)	(1 689)
Total comprehensive income	-	-	(18)	-	(1 689)	(1 707)
Balance as at 30-09-2015 /unaudited	**3 286**	**(27 909)**	**(5 319)**	**987**	**431 741**	**402 786**
Balance as at 01-01-2016	**3 286**	**(27 909)**	**(5 311)**	**987**	**479 778**	**450 831**
Comprehensive income						
Currency translation adjustment	0	0	(88)	0	0	(88)
Profit (loss) for the period	0	0	0	0	(6 836)	(6 836)
Total comprehensive income	-	-	(88)	-	(6 836)	(6 924)
Balance as at 30-09-2016 /unaudited	**3 286**	**(27 909)**	**(5 399)**	**4 273**	**472 942**	**443 907**

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

Elżbieta Donata Wiczkowska
Chairman of the Board

John Purcell
Board Member

Colin Kingsnorth
Board Member

Iwona Makarewicz
Board Member

Waldemar Majewski

Board Member

(All amounts in PLN thousands unless otherwise stated)

Condensed consolidated statement of cash flows

	Nota	For the 9 month period ended 2016-09-30	2015-09-30
		(unaudited)	*(unaudited)*
Cash flow from operating activities			
Cash generated from operations	21	8 817	(7 153)
Interest paid		(4 651)	(2 108)
Income tax paid		0	0
Net cash generated from investing activities		**4 166**	**(9 261)**
Cash flows from investing activities			
Capital expenditure on investments property		(10 071)	(4 715)
Purchase of property, plant and equipment		(70)	(188)
Acquisition of shares in related party		0	(23 059)
Proceeds from the sale of property, plant and equipment		40	0
Proceeds from the sale of investment property		2 099	0
Loans granted		(396)	0
Loan repayments received		0	20
Cash and cash equivalents received in way of shares acquisition		0	939
Interest received		0	44
Net cash used in investing activities		**(8 398)**	**(26 959)**
Cash flows from financing activities			
Proceeds from borrowings		5 000	8 130
Proceeds from issue of bonds		0	29 552
Repayment of borrowings		(8 535)	(1 446)
Net cash used in financing activities		**(3 535)**	**36 236**
Net (decrease)/increase in cash and cash equivalents		**(7 767)**	**16**
Cash and cash equivalents at beginning of the year		**26 073**	**18 770**
Cash and cash equivalent reclassified to assets held for sale		(136)	0
Cash and cash equivalents at the end of the period	7	**18 306**	**18 786**
Cash and cash equivalents at the end of the period		**18 170**	**18 786**

Elżbieta Donata Wiczkowska
Chairman of the Board

John Purcell
Board Member

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Board Member

Notes to the interim condensed consolidated financial statements

1 General information

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

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

On 29 May 2014 Extraordinary Shareholders Meeting passed a resolution about changing the name of the company from Celtic Property Developments S.A. to CPD S.A. The change was registered in National Court Register on 17 September 2014.

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

As at balance sheet date CPD Group comprised CPD S.A. as a parent entity, 36 subsidiaries and 1 under common control.

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 2015, 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 2015.

These interim condensed financial statements have been prepared on the assumption that the Group will continue as a going concern in the foreseeable future. At the date of preparation of the consolidated financial statements, there are no circumstances indicating a threat to the continuation of operations by the Group.

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.

New and amended standards and interpretations which came into force in 2016 and description of the impact of applying the amendments:

Amendments to IAS 19 - Defined benefit plans: Employee contributions

Amendments to IAS 19 - Defined benefit plans: Employee contributions (issued in November 2013 and effective for annual periods beginning 1 February 2015). The amendment allows entities to recognise employee contributions as a reduction in the service cost in the period in which the related employee service is rendered, instead of attributing the contributions to the periods of service, if the amount of the employee contributions is independent of the number of years of service.

Amendment of this standard has not affected the financial statements.

Annual Improvements to IFRSs 2010-2012

Annual Improvements to IFRSs 2012 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014, unless otherwise stated below). The improvements consist of changes to seven standards.

The amendments include mainly changes made to presentation, valuation and definitions. The improvements are effective for annual periods beginning on February 1, 2015.

Amendment of this standard has not affected the financial statements.

Notes to the interim condensed consolidated financial statements

IFRS 14 Regulatory Deferral Accounts

The amendment permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements. Regulatory deferral account balances, and movements in them, are presented separately in the statement of financial position and statement of profit or loss and other comprehensive income, and specific disclosures are required.

IFRS 14 was originally issued in January 2014 and applies to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2016.

Amendment of this standard has not affected the financial statements.

At the date of preparation of these consolidated financial statements, the amendments to IFRS were not yet approved by the European Union.

Amendments to IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations

The amendment requires that the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3, is required to apply all of the principles on business combinations accounting in IFRS 3 and other IFRSs with the exception of those principles that conflict with the guidance in IFRS 11.

The Group applies the rules resulting from the standard in these condensed consolidated financial statements.

Amendments to IAS 16 and IAS 38 – Depreciation and Amortisation

The amendment clarifies that the revenue-based method should not be used to calculate charges for the depreciation or amortisation of items of property, plant and equipment or intangible assets. This is because a revenue-based method reflects a pattern of economic benefits being generated from the asset, rather than the expected pattern of consumption of the future economic benefits embodied in the asset.

Amendment of this standard has not affected the financial statements.

Amendments to IAS 16 and IAS 41 for bearer plants

The amendments require that bearer plants, such as grape vines, rubber trees and oil palms (i.e. which yield crops over many years and are not intended for sale as seedlings or for harvest) should be accounted for in accordance with the requirements of IAS 16 “Property, Plant and Equipment” because their cultivation is similar to manufacturing. Consequently, the amendments include such plants within the scope of IAS 16, instead of IAS 41. The produce growing on bearer plants will remain within the scope of IAS 41.

The amendments were published on June 30, 2014 and are effective for the annual periods commencing on or after 1 January 2016.

Amendment of this standard has not affected the financial statements.

Amendments to IAS 27 – Equity Method in Separate Financial Statements

The amendments to IAS 27 allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements using the equity method as one of alternative methods.

The amendments were published on 12 August 2014 and are effective for the annual periods commencing on or after 1 January 2016.

The Group applies the rules resulting from the amendments in these condensed consolidated financial statements.

Amendments to IFRS 10 and IAS 28 — Sales or contributions of assets between an investor and its

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

The gain or loss resulting from the sale or contribution to an associate or a joint venture of assets that constitute a business is recognised in full. The gain or loss resulting from the sale or contribution of a subsidiary that does not constitute a business to an associate or joint venture is recognised only to the extent of unrelated investors' interests in the associate or joint venture.

The amendments were published on 11 September 2014 and are effective for the annual periods commencing on or after 1 January 2016.

At the date of preparation of these consolidated financial statements, the amendment was not yet approved by the European Union.

Amendment of this standard has not affected the financial statements.

Amendments to IAS 1

On 18 December 2014, as part of Disclosure Initiative, the International Accounting Standards Board published amendments to IAS 1. The amendment is designed to clarify the concept of materiality and explain that if an entity decides that certain information is immaterial, it should not include it in the financial statements, even if its inclusion is as a rule required by another IFRS. The amended IAS 1 clarifies that items presented in the statement of financial position and statement of profit or loss and other comprehensive income can be disaggregated and aggregated depending on their materiality. Also, additional guidance is introduced on presentation of subtotals in these statements. The amendments are effective for annual periods beginning on or after 1 January 2016.

The Group applies the rules resulting from the amendments in these condensed consolidated financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment Entities: Applying the Consolidation Exception

On 18 December 2014, the International Accounting Standards Board issued narrow-scope amendments. The amendments to IFRS 10, IFRS 12 and IAS 28 clarify the requirements for investment entities and introduces certain facilitations.

The standard clarifies that an entity should measure at fair value through profit and loss all its subsidiaries that are investment entities. Further, a clarification was introduced that exemption from the obligation to prepare consolidated financial statements applies if the ultimate parent company prepares pubic accounts, regardless of whether or its subsidiaries are consolidated or measured at fair value through profit and loss in accordance with IFRS 10 in the financial statements of the ultimate or intermediate parent. The amendments are effective for annual periods beginning on or after 1 January 2016.

The Group applies the rules resulting from the amendments in these condensed consolidated financial statements.

In these interim condensed 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: Classification and Measurement"

It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. The standard is effective for accounting periods beginning on or after 1 January 2018.

IFRS 9, ‘Financial instruments’, addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling.

There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the ‘hedged ratio’ to be the same as the one management actually use for risk management purposes.

Contemporaneous documentation is still required but is different to that currently prepared under IAS 39.

The group is yet to assess IFRS 9’s full impact.

Notes to the interim condensed consolidated financial statements

IFRS 15, 'Revenue from contracts with customers'

The standard was published by the International Accounting Standards Board in May 2014 and is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted, subject to EU adoption.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The group is assessing the impact of IFRS 15.

The Group is going to adopt the amendments on 1 January 2018.

Clarifications to IFRS 15 Revenue from Contracts with Customers

Clarifications to IFRS 15 "Revenue from Contracts with Customers" were published April 12, 2016 and are effective for the annual reporting periods beginning on or after 1 January 2018.

Explanations provide additional information and clarification regarding the key assumptions used in IFRS 15, including on identity separate responsibilities, determining whether an entity acts as an intermediary (agent), or is the main supplier of goods and services (principal) and the method of recording revenue from licenses.
Apart from the additional clarifications also introduced exemptions and simplifications for entities applying the new standard for the first time.

The Group is going to adopt the amendments on 1 January 2018.
At the date of preparation of these consolidated financial statements, the amendments to IFRS were not yet approved by the European Union.

IFRS 16 „Leasing"

IFRS 16 "Leasing" was published by the International Accounting Standards Board on January 13, 2016 and are effective for annual periods beginning on or after January 1, 2019.

The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use as asset at the start of the lease and, if lease payments are made over time, also obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IRFS 16 estimated the classification of leases as either operating leases or finance leases as is required: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating or finance leases, and to account for two types of leases differently.

The Group will apply IFRS 16 after its approval by the European Union.

At the date of preparation of these consolidated financial statements, the amendments to IFRS were not yet approved by the European Union.

Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses

The amendment has clarified the requirements on recognition of deferred tax assets for unrealised losses on debt instruments. The entity will have to recognise deferred tax asset for unrealised losses that arise as a result of discounting cash flows of debt instruments at market interest rates, even if it expects to hold the instrument to maturity and no tax will be payable upon collecting the principal amount. The economic benefit embodied in the deferred tax asset arises from the ability of the holder of the debt instrument to achieve future gains (unwinding of the effects of discounting) without paying taxes on those gains.

The amendments are effective for annual periods beginning on or after 1 January 2017.

The Group is going to adopt the amendments on 1 January 2017.

At the date of preparation of these consolidated financial statements, the amendments to IFRS were not yet approved by the European Union.

Annual amendments MSSF 2012-2014

International Accounting Standards Board published in September 2014 "Annual amendments in IFRS from 2012 to 2014", which change 4 standards: IFRS 5, IFRS 7, IAS 19 and IAS 34.

Amendments to MSSF 2: classification and measurement of share-based payment transactions

Amendment to IFRS 2 is effective for annual periods beginning on or after January 1, 2018 or after that date. The amendment introduces, among others, guidance on accounting for cash-settled share-based payment transactions, classification of share-based payment transactions from cash-settled to equity-settled, and recognition of tax liability employee of the transaction based on shares.

The Group is going to adopt the amendments on 1 January 2018.

At the date of preparation of these consolidated financial statements, the amendments to IFRS were not yet approved by the European Union.

Amendments to IAS 7 Disclosure Initiative

The amended IAS 7 will require disclosure of a reconciliation of movements in liabilities arising from financing activities.

The Group is going to adopt the amendments on 1 January 2017.

At the date of preparation of these consolidated financial statements, the amendments to IFRS were not yet approved by the European Union.

2.2 Changes in the Group structure

As at balance sheet date CPD Group comprised CPD S.A. as a parent entity, 36 subsidiaries and 1 under common control.

In there reporting period there were following changes in Group structure:

- on April 16, 2016 the resolution had been adopted on the repeal of liquidation and continued existence of 14/119 Gaston Investments Spółka z ograniczoną odpowiedzialnością sp.k.,

- on April 27, 2016 the resolution had been adopted on the repeal of liquidation and continued existence of Celtic Asset Management sp. z o.o.

3 Significant accounting estimates and judgments

In preparing these condensed consolidated financial statements the Board has made an assessment of the significant estimates and judgments, which have an impact on the accounting principles applied and the amounts recognised in the financial statements for a period of 9 months ended September 30, 2016.

Major estimates and judgments are based on past experience and other factors including anticipation of future events that seem reasonable in a given case. Accounting estimates and judgments are assessed on a regular basis.

The Management Board makes estimates and adopts assumptions concerning the future. Accounting estimates so obtained will seldom match actual results by their very nature. Estimates and assumptions involving significant risk of a major adjustment of the carrying value of assets and liabilities during the following financial year being required are discussed below.

Major estimates and judgments adopted for the purpose of preparation of these condensed consolidated financial statements are consistent with the those applied in the annual consolidated financial statements for the period ended December 31, 2015.

Notes to the interim condensed consolidated financial statements

Determining the fair value of investment properties

The fair value of investment class real properties recognized in the balance sheet is calculated based on pricing established annually by Savills Sp. z o.o. - third party experts - as per Practice Statements of the Royal Institution of Chartered Surveyors' (RICS) Appraisal and Valuation Standards (the 'Red Book') published in February 2003 and valid as of 1 May 2003. Pricing fees are not related to the value of the real properties or the outcome of pricing. Bearing in mind the market environment as at the balance sheet date, the Management Board reviewed and approved experts' assumptions underlying the pricing approaches applied.

The land to be developed with houses and shops was valued based on the following assumptions:

- the useful area of apartments to be built amounts to 605,787 sq.m.;
- the useful area of shops to be built on ground floors of the houses amounts to 58,475 sq.m.;
- the useful area of offices to be built amounts to 10,907 sq.m.; the assumed rent for the office space to amount to EUR 10.5 per sq.m. and the capitalization rate to be 8.25%.

The land to be developed with houses and shops was valued using the comparative method (comparison in pairs). The income approach (investment method) was applied to properties generating income. The income approach consists in defining the value of a real property based on the assumption that the buyer will pay the price depending on the anticipated income to be earned on the same real property provided that such price will not exceed that of another property featuring the same profitability and risk that it could buy.

The value of the real properties was calculated based on the average transaction prices of real properties similar to the property valued adjusted by transaction features considered by potential market actors including without limitation situation as well as size and legal status of the land. The valuation reflects diversity of properties and their anticipated use as per provisions of the zoning plan. The price per square meter is the variable affecting the valuation result the most.

The investment method was applied to the real property generating rent income that can be defined based on the analysis of rental or lease market rates in order to determine its market value. When direct capitalization is used, the value of a real property is the quotient of a stable yearly income flow obtainable from the real property valued and the capitalization rate.

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

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

Capitalization rates from the range 7.75%-9% were used for the purposes of the valuation assumed in the financial statements as at September 30, 2016.

In the third quarter of 2016, the Group recorded a loss on the revaluation of investment properties to their fair values, which amounted to PLN 5.3 thousand, in consequence of the fluctuation of the rates of exchange.

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

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

Accounting recognition of Smart City Sp. z o. o. Sp. k.

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

Joint control over Smart City was established on 9 March 2015, when Unidevelopment S.A. – in compliance with the provisions of the investment agreement – entered the limited partnership Smart City Spółka z ograniczoną odpowiedzialnością sp.k. as the limited partner.

At the same time within the framework of the signed investment agreement, the parties have identified that part of the land (and any costs and revenues associated with them) held by the company Smart City will be under 100% control of the CPD Group. The land includes areas which, in accordance with the zoning plan is designed for public roads and educational purposes. According to the initial plans, the land was to be transferred to another special purpose company owned 100% of the CPD SA. However, in the first half of 2016 the parties of the JV agreement changed their plans and decided that these plots will be held in the SPV Smart City. The land has been mortgaged education under the loan agreement financing the Smart City project.

Therefore, in the first half of 2016 the Group decided that the educational land is an element of the joint venture and will be accounted for using the equity method.
As a result of this change CPD recognized in the first half of 2016 zero result on transferring the land for education and roads to the joint venture (JV) in accordance with the following provisions of IFRS 11:
- when the unit contains a transaction falling within the joint venture, such as the sale or contribution in kind of assets, the transaction is concluded with a joint venture and the party making sales / appellant assets in kind should recognize profit on the transaction only in proportion as the other partners have an interest in common project.

For the purposes of the settlement of Ursa Smart City joint venture in the financial statements Management of the Company, using the provisions of IFRS 10, has decided on the following approach to investment in the company Smart City:

- Assets and liabilities included in the investment agreement have been recognized as a joint venture and accounted for in the consolidated financial statements using the equity method, the investment agreement and the parties have equal rights to the distribution of profits, assets and liabilities (50%);
- Land under roads and educational purposes and the related liabilities are treated well as a joint venture and accounted for using the equity method, except that the CPD Group owns 100% of the rights to the distribution of profits, assets and liabilities, and the Group Unibep not have any rights to the land.

The assumptions have not been changed in the third quarter of 2016 r.

Calculation of Fair Value of Embedded Derivatives

The company issued bonds designed for the existing shareholders on 26 September 2014. Financial details of the bonds issued are provided in note 14 (and in the stand-alone FS) to these financial statements. The bonds issued involved an embedded derivative instrument, namely, the option of conversion of the bonds into shares at a fixed rate of PLN 4.38 per share. As the bonds were issued in a currency (EUR) different that the functional currency of the company (PLN), the embedded derivative involved a currency cap , namely, conversion of value of shares received at the conversion date rate not exceeding, however, EUR 1 = PLN 4.1272.

The fair value of the embedded derivative was estimated at level 1 using a combination of two approaches: binomial trees in the share price variation part and the Monte Carlo approach adopted for the purposes of analysis of volatility of exchange rates.

Assumptions underlying the pricing model include:
- adjustment of the issuer credit risk discount curve: 8%;
- volatility of issuer share price: 50,59% based on historic quotations of shares of CPD S.A.;
- fixed bond-to-share conversion rate: PLN 4.38;
- exchange rate cap: EUR 1 = PLN 4.1272;
- opportunity to convert bonds to shares from 26 September 2015 to the day falling 5 days before the maturity date, i.e. 22 September 2017.

During the period, the methods of valuation of embedded derivative instruments did not change.

During the period, there were no changes in the levels of valuation of embedded derivative instruments.

As at March 31, 2016, the value of the liability due to the embedded derivative instrument was PLN 11 million and it constituted the difference between the valuation of bonds in accordance with the fair value model described above and the value of bonds without the embedded derivative instrument determined in accordance with amortized cost by applying the effective interest rate method.

In February 2016, a subsidiary, Belise Investments Sp. z o.o. concluded transaction conversion interest rates (IRS). Amount of the transaction the IRS corresponds to 80% of the loan balance with BZ WBK S.A. The transaction is accounted for on a monthly basis, based on the rate of EURIBOR 1 m.

Notes to the interim condensed consolidated financial statements

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

The fair value of the interest hedging contract is determined as the difference in discounted interest cash flow (cash flow based on variable rate and a fixed interest rate). The input data is market interest rates. According to the fair value hierarchy it is level 2.

In the first three quarters of 2016, there were no transfers of instruments measured at fair value in the fair value hierarchy. There were also changes in the classification of instruments or changes in business conditions that could affect the value of financial assets and liabilities.

As at 30 September 2016 the value of IRS was PLN 1.391 thousand.

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

As at the balance sheet date, the Company analysed the loss of value of shares in subsidiaries by comparing the book value of shares and their recoverable amount. The recoverable amount constitutes the higher of the two amounts: the fair value of assets less the costs of sale or the use value. In the Company's opinion, no grounds exist to recognize that the use value differs significantly from the fair value as at the balance sheet date. In consequence, the analysis of the loss of the shares' value was based on the fair value.

In the case of shares in Buffy Holdings No 1 Ltd and Lakia Enterprises Ltd, their fair value was estimated based on net assets of these companies, constituting an approximate value of future cash flows available for shareholders related to the shares held by them. The value of these cash flows was estimated, among others, based on the fair value of properties belonging to the subsidiaries.

In the case of shares in Celtic Investments Limited, the operating activity of which was suspended as at September 30, 2016 and which did not have any significant assets, the fair value of these assets was estimated based on the net assets of this company.

At the same time, as at the balance sheet date, the Company analysed the possibility of recovering receivables due to loans granted to its subsidiaries. The Company impaired the value of loans granted to its subsidiaries if the value of their net assets was negative as at September 30, 2016. In the Company's opinion, due to the negative value of net assets of these subsidiaries, there is a substantial risk that these companies will not be able to pay the loans in full.

Tax settlements/deferred tax and activation of tax losses

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

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

3.1 Managing financial risk

Financial risk factors

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

Notes to the interim condensed consolidated financial statements

Risk of changes in interest rates

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

Within the Group, only Belise Investments hedges the risk of fluctuations in cash flows resulting from debt incurred based on the reference rate EURIBOR IRS transaction, concluded in the first quarter of 2016.

Other financial risks CPD Group have been presented in the consolidated financial statements for the year ended December 31, 2015.

Liquidity risk

In the first three quarters of 2016 there were no significant changes to the level of liquidity risk. The details of the current borrowings were presented the consolidated financial statements for the year ended December 31, 2015.

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

4 Investment properties

	01-01-2016-2016-09-30	01-01-2015-2015-09-30
At the beginning of the reporting period	**651 094**	**442 793**
Capital expenditure	10 071	4 715
Transfer of the plot for the road construction to the City	0	(5 818)
Acquisition	0	23 990
Disposal of investment property	(4 573)	0
Investment property contributed to joint venture (note 8)	(16 000)	(16 620)
Transfer of investment property to assets held for sale	(68 746)	0
Transfer of capitalised financial liabilities to liabilities held for sale	(3 242)	0
Net (loss)/ gain from fair value adjustments on investment properties	(98)	189
Change in capitalised financial liabilities	(84)	2 847
At the end of the reporting period	**568 422**	**452 096**

In the three quarters of 2016 the capital expenditure on investment properties amounted to PLN 10,071 thousand and related mainly to the cost of demolition to prepare the assets for sale and expenditure for the purchase of heating networks in Ursus.

Sale of real estate in the second and third quarters of 2016 related to the land located in Warsaw, Ursus.

In the second quarter of 2016 the Group separated the assets held for sale, including investment property amounting to PLN 68.9 million and the right of perpetual usufruct - PLN 3.2 million.

Direct operating costs for investment properties:

	01-07-2016-2016-09-30	01-07-2015-2015-09-30	01-01-2016-2016-09-30	01-01-2015-2015-09-30
- rent income bearing	1 039	964	3 037	2 970
- other	18	0	56	54
	1 057	**964**	**3 093**	**3 024**

5 Trade receivables and other receivables

	30-09-2016	31-12-2015
Trade receivables	1 001	1 292
Receivables from the state budget	1 854	2 678
Receivables from related parties	46	18
Prepaid expenses	5 286	5 268
Other receivables	314	0
Short-term receivables	**8 501**	**9 256**
Long-term receivables	402	0
Total receivables	**8 903**	**9 256**

Prepaid expenses relate mainly to annual property tax and perpetual usufruct.

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

6 Inventories

	30-09-2016	31-12-2015
At the beginning of the reporting period	**5 296**	**6 525**
Capital expenditure	24	70
Impairment loss	(24)	(1 312)
Exchange differences	79	13
At the end of the reporting period	**5 375**	**5 296**

In the first three quarters 20165 the Group did not carry any sale of inventory.

7 Cash and cash equivalents

	30-09-2016	31-12-2015
Cash at bank and on hand	10 099	19 209
Restricted cash	3 240	3 204
Short-term bank deposits	4 831	3 660
	18 170	**26 073**

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

Cash and cash equivalents for the purposes of the cash flow statement include cash accounts and in hand and short-term bank deposits.

In the second quarter of 2016 in connection with the separation of assets held for sale the cash and cash equivalent amounting to PLN 22 thousand were presented as asset held for sale.

8 Joint ventures

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

	30-09-2016	31-12-2015
Smart City Spółka z ograniczoną odpowiedzialnością sp.k.	26 948	14 512

	30-09-2016	31-12-2015
Opening balance as at 1 January	**14 512**	
Group's share in net assets as at the date of starting joint venture	0	15 472
Group's share of the net profit or loss of the joint ventures presented in theses interim condensed consolidated financial statements	(2 017)	(911)
The land for educational purposes and provisions transferred to joint venture (note 4)	14 500	0
Other adjustments	(47)	(49)
Closing balance	**26 948**	**14 512**

Notes to the interim condensed consolidated financial statements

8 Joint venture - cont.

Condensed financial information of individually material joint ventures of the Group as at 30 September 2016 and for the period from 1 January to 30 September is presented in the below table:

	Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.	
Financial information coming from statement of financial position		
Total non-current assets	**13 972**	**27**
Fixed assets	23	27
Investment properties	13 949	0
Total current assets, including:	**93 780**	**30 876**
Inventory	74 922	21 091
Trade receivables and other receivables	4 901	8 648
Cash and cash equivalents	13 957	1 137
Total assets	**107 752**	**30 903**
Total current liabilities, including:	**48 936**	**1 874**
Trade payables and other liabilities	47 266	1 874
Provisions	1 670	0
Total non-current liabilities, including:	**17 203**	**0**
Borrowings	17 203	0
Total liabilities	**66 139**	**1 874**
Net assets	**41 613**	**29 029**
% held by the Group - with regards to investment property	***100%***	
Group share of net assets of the joint venture	12 279	0
% held by the Group	***50%***	
Group share of net assets of the joint venture	14 667	14 515
Purchase price allocation adjustments	26	22
Consolidated adjustments	(24)	(25)
Carrying amount of investment in joint venture presented in the interim condensed consolidated financial statements	**26 948**	**14 512**

In the first three quarters of 2016, the Group recognized a loss on the joint venture in Smart City Spółka z ograniczoną odpowiedzialnością Sp.k. amounting to PLN 2.017 thousand.

9 Share capital

	Number of shares		Value of shares	
	30-09-2016	31-12-2015	30-09-2016	31-12-2015
Ordinary shares (in thousands)	32 863	32 863	3 286	3 286

As of the date of theses financial statements share capital amounts to PLN 3.286 thousand. There have been no changes in share capital since the end of the year until the date of these financial statements.

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

10 Trade payables and other liabilities

Non-current liabilities

	30-09-2016	31-12-2015
Deposits of tenants	2 046	2 070

Current liabilities

	30-09-2016	31-12-2015
Trade payables	553	1 279
Payables to related parties	4	0
Social security, real estate tax and other taxes	846	372
Other liabilities	273	322
Deposits of tenants	363	120
Accrued expense	18 823	14 619
	20 862	**16 712**

Increase by PLN 4.2 million in accrued expense in comparison to December 31, 2015 is mainly due to the recognition of provision for demolition costs.

11 Borrowings, including financial leasing

	30-09-2016	31-12-2015
Non-current		
Bank loans	110 562	112 364
Financial liabilities - hedging instruments	1 138	0
Financial leasing	28 783	32 110
	140 483	**144 474**
Current		
Bank loans	6 725	7 529
Financial liabilities - hedging instruments	253	0
	6 978	**7 529**
Total borrowings	**147 461**	**152 003**

As of 30 September 2016 bank credits consist of:
- payable of PLN 41.530 thousand to mBank Hipoteczny S.A. (PLN 39.758 thousand being long-term and PLN 1.722 thousand short-term),
- payable of PLN 75.756 thousand to Bank Zachodni BZ WBK (PLN 70.804 thousand being long-term and PLN 4.952 thousand short-term).

On 18 June 2014 the subsidiaries Lakia Investments and Robin Investments entered into loan agreements with mBank Hipoteczny. The above mentioned loan was granted to refinance a loan with HSBC Bank Poland from 2006, which was used to finance the office investments located in Cybernetyki 7b and Połczyńska 31a. Mortgage credit in the mBank was launched on 1 July 2014. As at balance sheet date Lakia's involvement amounted to EUR 5.534.033, and Robin's - EUR 4.285.405,14. According to the terms and conditions of the loan agreement with mBank Hipoteczny, the companies are obliged to repay the entire loan until June 20, 2029.

The loan was granted on market terms and is secured by, among others, mortgage on investment properties owned by companies Robin Investments Sp. o.o. and Lakia Investments Sp. o.o. and registered pledge on the shares of these companies.

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

11 Borrowings, including financial leasing - cont.

On August 12, 2011 the subsidiary Belise Investments Sp. o.o. entered into with a bank loan agreement with BZ WBK SA to finance or refinance part of the cost of finishing the surface of the office building IRIS. According to the annex to the credit agreement signed in May 2015 deadline for full repayment of the Loan, together with interest and other costs, follows on the date of May 31, 2021.

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

The value of hedging derivatives - the IRS as at the balance sheet date was estimated at PLN 1.391 thousand. The method of valuation of IRS transactions is presented in note 3.

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

In May 2016 the Group received a loan in the amount of PLN 5 million, bearing interest at the fixed rate of 5% from major investor, Cooperatieve Laxey Worldwide W.A. The loan has been repaid in the third quarter of 2016.

12 Bonds issued

	30-09-2016	31-12-2015
a/ Bonds A		
Fair value of convertible bonds issued on 26 Sept, 2014	22 966	22 966
Capital part	27 909	27 909
Debt part on the initial recognition date of Sept 26, 2014	**50 875**	**50 875**
Cost of accrued interest	4 782	623
Valuation as at Sept 30, 2015	750	476
Valuation of the embedded derivatives	(20 709)	(9 094)
Bonds value as at balance sheet date	**35 698**	**42 880**
b/ Bonds B		
Nominal value of bonds issued Jan 13, 2015 (*)	29 552	29 552
Accrued interest	4 488	2 633
Paid interest	(3 897)	(1 354)
Valuation using the effective interest rate	156	84
Bonds value as at balance sheet date	**30 299**	**30 915**

(*) The nominal value of bonds issued on 13 January 2015 (PLN 30,000,000) was decreased by the costs of the issue of bonds, which amount to PLN 448,000. The costs of the issue of bonds included the cost of handling the issue of bonds by an investment house, which amounted to PLN 425,000, and the costs of legal services.

	30-09-2016	31-12-2015
Long-term		
Bonds issued	29 708	56 041
Derivatives	0	11 635
Short-term		
Bonds issued	29 089	1 279
Derivatives	7 200	0
	65 997	**68 955**

Notes to the interim condensed consolidated financial statements

12 Bonds issued - cont.

On 26 September 2014, the Management Board of the Company passed a resolution on the allocation of Advance I of series A convertible bonds and the Company issued convertible bonds within Advance I. The redemption of bonds within Advance I falls on 26 September 2017. The issue of bonds within Advance I was carried out in the form of a private placement, in accordance with the provisions of Section 9(3) of the Bonds Act, pursuant to Resolution No. 3/IX/2014 of the Issuer's Management Board on the issue of series D bearer bonds within a bond issue program.

The nominal value of one bond is EUR 50,000 (fifty thousand euros). The issuing price of one bond is EUR 50,000. The bonds bear interest according to the fixed interest rate of 10% (ten percent) per year from the Bond Issue Date. The bonds will be purchased by the Company on a day falling 3 years after the Issue Date, i.e. on 27 September 2017 – except in the event of early repurchase in Case of Breach of the terms and conditions of the issue of Bonds by the Issuer.

Embedded derivative instrument results from:
a) the right to convert bonds to shares by bond holder at a fixed rate in the period from 26 September 2015 until 5 days before the redemption date, i.e. 22 September 2017;
b) cap currency option concerning the translation of the liability into shares as at the conversion date at the EUR/PLN rate from that day, however not higher than EUR 1 = PLN 4.1272.
The method of valuation of the embedded derivative instrument is described in note 4.

On 13 January 2015, the Company issued 30,000 series B covered bonds ("Bonds") in total. Bonds were issued in accordance with the provisions of Section 9(3) of the Bonds Act, i.e. in the form of a private offer.
The Bonds were issued in accordance with the following terms and conditions:

The issuer did not specify the purpose of the issue within the meaning of the Bonds Act or the undertaking to be financed from the issue of the Bonds.
The issued Bonds are series B covered, bearer bonds with the nominal value of PLN 1,000 each and do not have the form of an instrument.
The total nominal value of all issued bonds is maximum PLN 30,000,000.

The nominal value of one Bond is PLN 1,000. The issuing price of one Bond corresponds to its nominal value, i.e. PLN 1,000.
The Bonds will be repurchased by the Company on the day falling 4 years after the Bonds issue date, i.e. on 13 January 2019 ("Redemption Date") – except in the event of an early repurchase of Bonds in case of a breach of the terms and conditions of the issue of Bonds by the Issuer or on the Issuer's request.

The Bonds bear interest in accordance with the fixed interest rate of 9.1% per year.

If the Issuer does not repurchase the Bonds earlier in case of a breach at the request of the Bond Holder or at the request of the Issuer, the Bonds will be repurchased on the Redemption Date by paying the amount equal to the nominal value of Bonds plus due and unpaid interest on the Bonds.
On 9 February 2015, an agreement on the establishment of a registered pledge on Blaise Investments sp. z o.o.'s shares was concluded by Lakia Enterprises Limited and Matczuk Wieczorek i Wspólnicy Kancelarii Adwokatów i Radców Prawnych sp. j., acting on their own behalf, but for the account of bond holders holding series B bonds.
The registered pledge was established on 100 shares in the share capital of Blaise Investments sp. z o.o. with the nominal value of PLN 50 each, constituting 100% of the share capital of this company. The nominal value of the package of 1,000 shares is PLN 50,000.
The registered pledge was established up to the amount of PLN 45,000,000.

As at Sept 30, 2016 Bonds A has been presented as short-term.

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

13 Deferred income taxes

	30-09-2016	31-12-2015
Deferred tax assets	**448**	**552**
Deferred tax liabilities	**21 680**	**20 906**

14 Revenue by nature

	01-07-2016-2016-09-30	01-07-2015-2015-09-30	01-01-2016-2016-09-30	01-01-2015-2015-09-30
Rent income	3 278	3 233	9 930	9 347
Real estate advisory services	86	44	257	88
Rental related income	1 549	1 529	4 423	4 417
Accounting services	12	0	20	0
	4 925	**4 806**	**14 630**	**13 852**

Rent revenues are earned by office properties in Warsaw: Aquarius (Połczyńska St.), Solaris and Iris (both Cybernetyki St.).

In the first three quarters of 2016 the Group did not recognise any income on sale of inventory.

15 Cost of sales

	01-07-2016-2016-09-30	01-07-2015-2015-09-30	01-01-2016-2016-09-30	01-01-2015-2015-09-30
Change of inventory impairment write downs	5	0	24	70
The cost of services rendered	663	653	1 842	1 609
	668	**653**	**1 866**	**1 679**

16 Administrative costs property related

	01-07-2016-2016-09-30	01-07-2015-2015-09-30	01-01-2016-2016-09-30	01-01-2015-2015-09-30
Personnel costs	340	329	1 057	902
Property maintenance	1 032	984	3 039	3 044
Property taxes	539	762	617	2 300
Perpetual usufruct	100	272	533	756
Depreciation of fixed assets and intangible assets	58	56	177	160
	2 069	**2 403**	**5 423**	**7 162**

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

17 Administrative expenses-other

	01-07-2016-2016-09-30	01-07-2015-2015-09-30	01-01-2016-2016-09-30	01-01-2015-2015-09-30
Advisory services	1 183	1 336	3 633	5 493
Audit fees	22	91	101	91
Transportation	5	36	10	64
Taxes	14	43	158	343
Office maintenance	332	536	1 103	1 496
Other services	50	61	251	448
Cost related for non deductible VAT	130	23	326	164
Impairment write offs	14	(4)	74	192
	1 750	**2 122**	**5 656**	**8 291**

In the group of administrative costs in the third quarter of 2016, the Group registered an decrease in the costs of advisory services of PLN 232 thousand compared with the same period in 2015.

18 Other income

	01-07-2016-2016-09-30	01-07-2015-2015-09-30	01-01-2016-2016-09-30	01-01-2015-2015-09-30
Provision released	41	0	41	1 088
Sale of PPE	0	0	4	0
Payables written off	159	0	159	0
Other	2 339	8	2 405	1 211
	2 539	**8**	**2 609**	**2 299**

19 Financial income and expenses

	01-07-2016-2016-09-30	01-07-2015-2015-09-30	01-01-2016-2016-09-30	01-01-2015-2015-09-30
Interest expense:				
- Bank loans	(648)	(732)	(2 074)	(2 356)
- Interest from financial leases	(601)	(589)	(1 804)	(1 822)
- Interest on bonds	(1 078)	(1 264)	(3 670)	(3 654)
- Interest on loans from related parties	(215)	(108)	210	(389)
- Other interest	(18)	0	(42)	0
Net exchange differences	0	0	(1 515)	0
Revaluation of derivatives (IRS)	(44)	0	(1 543)	0
Other financial Costs	7	(14)	(2)	(516)
Result of changing subsidiary into joint venture	0	0	0	(972)
Financial costs	**(2 653)**	**(2 715)**	**(10 608)**	**(10 219)**
Interest income:				
- Bank interest	19	20	44	71
- interest from unrelated parties	(2)	61	32	180
- Received dividends	0	0	0	0
Profit on bonds revaluation	305	3 285	4 740	8 282
Valuation of amortized cost	(38)	0	441	0
Net exchange differences	3 749	(1 400)	0	300
Financial income	**4 033**	**1 966**	**5 257**	**8 833**

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

In the third quarter of 2016 the Group recognised unrealised exchange gain on valuation of bank loans granted by BZ WBK and mBank Hipoteczny in EUR.

20 Income tax

	01-07-2016-2016-09-30	01-07-2015-2015-09-30	01-01-2016-2016-09-30	01-01-2015-2015-09-30
Current income tax	(1)	0	(1)	0
Prior years current income tax adjustments	0	0	0	(183)
Deferred taxes	(213)	361	877	(730)
	(214)	**361**	**876**	**(913)**

21 Cash flow from operating activities

	For the 9 month period ended 2016-09-30	2015-09-30
Profit/loss before tax	(5 960)	(2 602)
Adjustments for:		
- depreciation of tangible fixed assets	153	141
- amortisation of intangible assets	23	23
– currency translation adjustments	(167)	(15)
- gains (losses) on revaluation to fair value of investment property	98	(189)
- gains (losses) on sale of investment property	2 475	0
– loss on fixed assets sale	(4)	0
– result on embedded derivatives	(4 435)	(8 283)
– share of the profit or loss of the joint venture	2 017	213
– loss on change the subsidiary into joint venture	0	972
– exchange differences	1 235	(586)
– inventory impairment	24	70
– interest expenses	5 750	4 830
– interest income	(38)	(180)
– result on IRS revaluation	1 391	0
– inventory impairment	0	0
– result on bonds revaluation using effective rate method	73	52
– other adjustments	27	147
Changes in working capital		
- changes in receivables	(967)	(762)
- changes in inventories	(24)	(70)
- change in trade liabilities and other	7 146	(914)
	8 817	**(7 153)**

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

22 Related party transactions

CPD S.A, 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:

	01-07-2016-2016-09-30	01-07-2015-2015-09-30	01-01-2016-2016-09-30	01-01-2015-2015-09-30
(a) Transactions with key management personnel				
The cost of the salaries of members of the Board of Directors	102	65	192	155
The cost of the salaries of the members of the Supervisory Board	45	77	204	236
The cost of services rendered by the members of the Board of Directors	(287)	185	709	1 181

	2016-09-30	31-12-2015
Total payables	102	0

(b) Transactions with the other related parties

	01-07-2016-2016-09-30	01-07-2015-2015-09-30	01-01-2016-2016-09-30	01-01-2015-2015-09-30
Revenues				
Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.	236	61	305	130
Laxey Cooperative	(6)	0	0	6
Costs				
Kancelaria Radców Prawnych Oleś i Rodzynkiewicz	46	2	66	22
odpowiedzialnością Sp.k.	0	1	2	3

	2016-09-30	31-12-2015
Receivables		
Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.	47	0

23 Payment of dividends

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

Notes to the interim condensed consolidated financial statements

24 Basic and diluted earnings per share

	01-07-2016-2016-09-30	01-07-2015-2015-09-30	01-01-2016-2016-09-30	01-01-2015-2015-09-30
Profit attributable to shareholders of the company	(3 168)	(841)	(6 836)	(1 689)
Ordinary shares (in thousands)	32 863	32 863	32 863	32 863
Earnings per share in PLN	(0,10)	(0,03)	(0,21)	(0,05)
Diluted profit /(loss) attributable to shareholders of the company	(3 279)	(2 815)	(8 733)	(7 094)
Ordinary shares (in thousands)	42 654	42 654	42 654	42 654
Diluted earnings per share in PLN	(0,08)	(0,07)	(0,20)	(0,17)

The issuance of bonds convertible into shares by CPD contributed to the dilution of the loss per share. The amount of adjustments of the result was affected by the amount of interest (PLN 1.815 thousand), valuation of bonds as at the balance sheet date (PLN 278 thousand) and the cost from valuation of the derivative instrument embedded in bonds (PLN -4.435 thousand). These amounts will be reduced by the income tax to be paid in the future.

The weighted average number of shares was adjusted due to the possible exercise of right to convert bonds convertible into shares (not more than 9.791.360 shares). The weighted average number of shares amounted to 42.654 thousand.

25 Contingent liabilities

In the third quarter of 2016 there were no significant changes in contingent liabilities.

26 Segment reporting

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

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

27 Seasons of activity and unusual events

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

28 Assets and liabilities held for sale

As Sept 30, 2016 the assets and liabilities of Blaise Gaston Spółka z ograniczoną odpowiedzialnością Sp.k. were classified as held for sale.

	30-09-2016	31-12-2015
Assets		
Investment properties	71 988	0
Trade receivables and other receivables	1 722	0
Cash and cash equivalents	136	0
Liabilities		
Borrowings, including financial leasing	3 242	0
Other current payables	[illegible]	0

(All amounts in PLN thousands unless otherwise stated)

Net assets group held for sale	**78 608**	**0**

29 Events after the end of the reporting period

On 10 October 2016 the Company and Open Finance Obligacji Przedsiębiorstw Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych as the sole bondholder concluded the Conversion agreement regarding amendment of the terms and conditions of series B bonds.

On the basis of the Conversion Agreement, the terms and conditions of Bonds were amended as follows:

1. The surety, securing obligations resulting from the Bonds, granted by the subsidiary i.e. Blaise Gaston Investments spółka z ograniczoną odpowiedzialnością sp.k. has been terminated;

2. as a collateral for the Bonds, sureties with the following subsidiaries: 12/132 Gaston Investments spółka z ograniczoną odpowiedzialnością sp.k. and 13/155 Gaston Investments spółka z ograniczoną odpowiedzialnością sp.k. have been introduced;

3. the security in the form of mortgage on the perpetual usufruct right to the plot of land with evidence number 111/2, afforded to Blaise Gaston Investments spółka z ograniczoną odpowiedzialnością sp.k. was released;

4. as a collateral for the Bonds, the subsidiaries: 12/132 Gaston Investments spółka z ograniczoną odpowiedzialnością sp.k. and 13/155 Gaston Investments Spółka z ograniczoną odpowiedzialnością sp.k. established a contractual, first ranking joint mortgage up to the total amount of PLN 45,000,000.00 on plots Nos: 132/2, 155/2, 158/2, 134 and 147;

5. the subsidiaries 12/132 Gaston Investments spółka z ograniczoną odpowiedzialnością sp.k. and 13/155 Gaston Investments spółka z ograniczoną odpowiedzialnością sp.k. submitted themselves to voluntary enforcement under Art 777 § 1 point 5 of the Polish Code of Civil Procedure in respect of their obligations to pay the amount of PLN 45,000,000.00, as a collateral for the Bonds.

Except of the above there were no other significant post balance sheet events.

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

II Interim financial statements of the parent

30 Interim financial information of the parent

30.1 Condensed statement of comprehensive income

	Note	1/7/2016 - 30/9/2016	1/7/2015 - 30/9/2015	01/01/2016 - 30/9/2016	01/01/2015 - 30/9/2015
		(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*
Revenues		46	110	186	374
Administrative costs	30.13	(620)	(606)	(1 642)	(1 602)
Selling and marketing expenses		(5)	(43)	(18)	(119)
Impairment gain/loss on investments in subsidiaries		9	(4)	(7 458)	(11 990)
Interest income on loans		3 824	3 778	11 300	11 482
OPERATING RESULT		3 254	3 235	2 368	(1 855)
Financial income	30.14	63	3 169	4 922	8 800
Financial costs	30.14	(788)	(1 393)	(4 398)	(3 921)
PROFIT (LOSS) BEFORE INCOME TAX		2 529	5 011	2 892	3 024
Income tax		0	0	0	0
TOTAL COMPREHENSIVE INCOME		2 529	5 011	2 892	3 024
BASIC EARNINGS PER SHARE (PLN)		0,08	0,15	0,09	0,09
DILUTED EARNINGS PER SHARE (PLN)		0,01	(0,01)	0,02	(0,06)

Elżbieta Donata Wiczkowska
Chairman of the Board

Colin Kingsnorth
Board Member

John Purcell
Board Member

Iwona Makarewicz
Board Member

Waldemar Majewski
Board Member

(All amounts in PLN thousands unless otherwise stated)

II Interim financial statements of the parent

30.2 Statement of financial position

ASSETS	Note	30/9/2016	31/12/2015
Non-current assets			
Property, plant and equipment		2	3
Intangible assets, excluding goodwill		1	4
Long-term receivables	30.7	523 738	521 160
Shares in related parties	30.5	0	0
		523 741	**521 167**
Current assets			
Trade receivables and other receivables	30.9	249	1 067
- trade receivables and loans		*226*	*1 063*
- prepaid expenses		*23*	*4*
Bonds	30.6	3 702	3 670
Cash and cash equivalents		5 661	8 115
		9 612	**12 852**
Total assets		**533 353**	**534 019**
EQUITY			
Share capital		3 286	3 286
Reserve capital		987	987
Fair value of capital element at inception date		(27 909)	(27 909)
Share premium		796 643	796 643
Retained earnings		(320 783)	(323 675)
Total equity		**452 224**	**449 332**
LIABILITIES			
Non-current liabilities			
Loans and borrowings, including finance leases	30.10	13 026	56 041
Bonds issued	30.12	58 206	11 635
Derivative financial instruments	30.12	7 200	12 909
		78 432	**80 585**
Current liabilities			
Bonds issued	30.12	591	1 279
Trade payables and other liabilities		2 106	2 823
		2 697	**4 102**
Total liabilities		**533 353**	**534 019**

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(All amounts in PLN thousands unless otherwise stated)

II Interim financial statements of the parent

30.3 Statement of changes in equity

	Share capital	Embedded derivative at inception date	Share premium	Own shares	Accumulated profit (loss) Reserve capital	Other Reserves	Retained earnings	Total
Balance as at 1/1/2015	3 286	(27 909)	796 643	0	0	987	(371 861)	401 146
Profit (loss) for the period	0	0	0	0	0	0	3 024	3 024
	0	0	0	0	0	0	3 024	3 024
Balance as at 30/9/2015 /unaudited	3 286	(27 909)	796 643	0	0	987	(368 837)	404 170
Balance as at 1/1/2015	3 286	(27 909)	796 643	0	0	987	(371 861)	401 146
Profit (loss) for the period	0	0	0	0	0	0	48 186	48 186
	0		0	0	0	0	48 186	48 186
Balance as at 31/12/2015	3 286	(27 909)	796 643	0	0	987	(323 675)	449 332
Balance as at 01/01/2016	3 286	(27 909)	796 643	0	0	987	(323 675)	449 332
Profit (loss) for the period	0	0	0	0	0	0	2 892	2 892
	0	0	0	0	0	0	2 892	2 892
Balance as at 30/9/2016 /unaudited	3 286	(27 909)	796 643	0	0	987	(320 783)	452 224

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(All amounts in PLN thousands unless otherwise stated)

II Interim financial statements of the parent

30.4 Cash flow statement

	Note	01/01/2016 - 30/9/2016 *(unaudited)*	01/01/2015 - 30/9/2015 *(unaudited)*
Cash flow from operating activities			
Cash generated from operations	30.16	(568)	(1 481)
Interest paid		(2 602)	(1 372)
Net cash generated from operating activities		**(3 170)**	**(2 853)**
Cash flows from investing activities			
Loans granted		(34 183)	(51 570)
Loan repayments received		32 651	18 189
Interest received		2 318	1 866
Net cash generated from investing activities		**786**	**(31 515)**
Cash flows from financing activities			
Loans received		5 000	0
Loan repayments received		(5 070)	(82)
Proceeds from issuance of bonds		0	29 552
Net cash generated from financing activities		**(70)**	**29 470**
Change in net cash and cash equivalents		**(2 454)**	**(4 898)**
Cash and cash equivalents at the beginning of year		**8 115**	**12 071**
Cash and cash equivalents at the end of the period		**5 661**	**7 173**

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(All amounts in PLN thousands unless otherwise stated)

30.5 Shares in related parties

Name	Country	Share	30-09-2016	31-12-2015
Buffy Holdings No1 Ltd	Cyprus	100%	184 000	184 000
Impairment, the value of the shares Buffy Holdings			(184 000)	(184 000)
Celtic Investments Ltd	Cyprus	100%	48 000	48 000
Impairment, the value of the shares Celtic Investments			(48 000)	(48 000)
Lakia Enterprises Ltd	Cyprus	100%	105 000	105 000
Impairment, the value of the shares Lakia Enterprises Ltd			(105 000)	(105 000)
			0	**0**

30.6 Bonds

On March 18, 2013. the company acquired bonds issued by the company Bolzanus Limited registered in in Cyprus (bonds - 3 mln zł., interest on September 30, 2016 - 702 ths. zł.). Bond interest rate is 8% per annum. Maturity date fell on 17 February 2016.

30.7 Long-term receivables

	30-09-2016	31-12-2015
Long-term loans to related parties, including:		
-loan	486 204	484 750
-interest	88 703	80 074
Impairment	(51 169)	(43 664)
	523 738	**521 160**
Long-term loans to other parties, including:		
- Bolzanus loan	397	**0**
- Bolzanus loan interests	5	**0**
	402	**0**

Details of the loans granted to related parties

Related party	Principal amount	Accrued interest	Interest Rate	Margin	Maturity
2/124 Gaston Investments	3 119	437	3M WIBOR	1,55%	on demand
3/93 Gaston Investments	2 866	373	3M WIBOR	1,55%	on demand
4/113 Gaston Investments	6 689	1 186	3M WIBOR	1,55%	on demand
5/92 Gaston Investments	4 156	445	3M WIBOR	1,55%	on demand
6/150 Gaston Investments	2 645	403	3M WIBOR	1,55%	on demand
7/120 Gaston Investments	1 575	220	3M WIBOR	1,55%	on demand
8/126 Gaston Investments	5 973	739	3M WIBOR	1,55%	on demand
9/151 Gaston Investments	1 391	178	3M WIBOR	1,55%	on demand
10/165 Gaston Investments	2 120	212	3M WIBOR	1,55%	on demand
11/162 Gaston Investments	1 565	166	3M WIBOR	1,55%	on demand
12/132 Gaston Investments	4 009	537	3M WIBOR	1,55%	on demand
13/155 Gaston Investments	3 397	332	3M WIBOR	1,55%	on demand
15/167 Gaston Investments	1 881	183	3M WIBOR	1,55%	on demand
16/88 Gaston Investments	532	88	3M WIBOR	1,55%	on demand
18 Gaston Investments	3 173	360	3M WIBOR	1,55%	on demand
19/97 Gaston Investments	566	92	3M WIBOR	1,55%	on demand

(All amounts in PLN thousands unless otherwise stated)

30.7 Long-term receivables - cont.

Related party	Principal amount	Accrued interest	Interest Rate	Margin	Maturity
20/140 Gaston Investments	624	108	3M WIBOR	1,55%	on demand
Antigo Investments	4 345	167	3M WIBOR	1,55%	on demand
Impairment	*(1 077)*	(74)			
Blaise Gaston Investments	13 238	429	3M WIBOR	1,55%	on demand
Blaise Investments	24 125	5 558	3M WIBOR	1,55%	on demand
Belise Investments	12 960	5 040	3M WIBOR	1,55%	on demand
Buffy Holdings No 1 Ltd	161 893	35 888	3M WIBOR	0,75%	on demand
Impairment	*(5 793)*	*(34 884)*			
Celtic Investments Ltd	1 864	55	3M LIBOR	0,75%	on demand
Impairment	(1 746)	(47)			
Challenge 18	157 663	26 781	3M WIBOR	1,55%	on demand
Elara Investments	2 867	103	3M WIBOR	0,75%	on demand
Impairment	*(2 240)*	*(34)*			
Gaston Investments	1 721	9	3M WIBOR	1,55%	on demand
Impairment	*0*	*0*			
HUB Developments	2 438	185	3M WIBOR	1,55%	on demand
Impairment	*(375)*	*(126)*			
Robin Investments	0	0	3M WIBOR	1,55%	on demand
Lakia Enterprises Limited	51 062	8 246	3M WIBOR	1,55%	on demand
Impairment	*0*	*(4 436)*			
Celtic Asset Management	973	14	3M WIBOR	1,55%	on demand
Impairment	*(3)*	*0*			
IMES	*4 043*	*164*	3M WIBOR	1,55%	26.03.2020
Smart City	4	0	3M WIBOR	1,55%	on demand
Impairment	*(4)*	*0*			
	474 239	**49 097**			

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

(All amounts in PLN thousands unless otherwise stated)

30.8 Impairment on investment in subsidiaries

Impairment on shares as at 31.12.2015	**260 713**
Impairment for the period of 01/01/16-30/09/16	76 287
Impairment on shares as at 30.09.2016	**337 000**
Impairment on loans as at 31.12.2015	**55 026**
Impairment for the period of 01/01/16-30/09/16	16 571
Impairment on loans as at 30.09.2016	**71 597**
Total impairment on investment in subsidiaries	**92 858**

30.9 Trade receivables and other receivables

	30-09-2016	**31-12-2015**
Trade receivables from related parties	12	60
Short-term loans with related parties, including:	144	0
- loans	16 048	16 017
- interest	4 854	4 463
- impairment	(20 758)	(20 480)
Surplus of input VAT over output VAT	10	45
Other receivables from related parties	0	942
Other receivables from other parties	60	16
Prepayments	23	4
	249	**1 067**

Details of the loans granted to related parties

Related party	**Principal amount**	**Accrued interest**	**The Interest Rate**	**Margin**	**Maturity**
Mandy Investments	16 048	4 854	3M WIBOR	1,55%	on demand
Impairment	*(16 036)*	(4 722)			

30.10 Borrowings, including financial leasing

	30-09-2016	31-12-2015
Loans from related parties	13 026	12 909
	13 026	**12 909**

Loan commitments at September 30, 2016 relate to: a loan from a subsidiary Lakia Enterprises (interest rate on the loan is 3M WIBOR + margin 0.50%, the loan is payable on the lender demand) and a loan from a subsidiary Lakia Investments (interest rate on the loan is 3M WIBOR + margin 1.55%. On September 30, 2016 the loan balance from the company Lakia Enterprises amounts to 9 621 thousands PLN (capital: 7 666 thousands PLN, interest 1 955 thousands PLN); the balance of the loan from the company Lakia Investments amounts to 3 405 thousands PLN (capital: 3 159 thousand. PLN, interest 246 thousand PLN); loan balance of Laxey NL amounts to 5 024 thousand. PLN (capital 5 000 thousand. PLN, interest: 24 thousand PLN).

30.11 Earnings per share

	1/7/2016 - 30/9/2016	1/7/2015 - 30/9/2015	01/01/2016 - 30/9/2016	01/01/2015 - 30/9/2015
Profit attributable to the shareholders in the parent company	2 529	5 011	2 892	3 024
Weighted average number of ordinary shares (in '000)	32 863	32 863	32 863	32 863
Earnings per share	0,08	0,15	0,09	0,09
Diluted profit attributable to shareholders	632	(394)	995	(2 381)
Weighted average number of ordinary shares (in '000)	42 654	42 654	42 654	42 654
Diluted earnings per share	0,01	(0,01)	0,02	(0,06)

The issuance of bonds convertible into shares by CPD contributed to the dilution of profit. The amount of adjustment of the result was affected by the amount of interest (PLN 1.815 thousand), valuation of bonds as at the balance sheet date (PLN 278 thousand) and the valuation of the embedded derivative instrument (PLN -4.435 thousand). These amounts will be reduced by the income tax to be paid in the future.

The weighted average number of shares was adjusted due to the possible exercise of right to convert bonds convertible into shares (not more than 9,791,360 shares). The weighted average number of shares amounted to 42,654 thousand.

(All amounts in PLN thousands unless otherwise stated)

30.12 Bonds issued

a/ Bonds A series	**30-09-2016**	**31-12-2015**
Nominal value of the convertible bonds issued on Sept 26, 2014	22 966	22 966
Capital part	27 909	27 909
Debt part on the initial recognition date of Sept 26, 2014	**50 875**	**50 875**
Accrued interest	4 782	2 967
Valuation as at balance sheet date	750	472
Valuation of the embedded derivative	(20 709)	(16 274)
Bonds value as at balance sheet date	**35 698**	**38 040**

Bondholder	**30-09-2016**	**31-12-2015**
Weyerhaeuser Company Master Retirement Trust	1	1
Laxey Investors Limited	0	0
LP Alternative LP by Laxey Partners (GP3) as General Partner	7	7
Laxey Partners Ltd	1	1
LP Value Ltd	7	7
Laxey Universal Value LP By Laxey Partners (GP2) as General Partner	1	1
The Value Catalyst Fund Limited	13	13
QVT Fund LP	17	17
Quintessence Fund LP	3	3
Lars E Bader	7	7
Co-op	33	33
Furseka	17	17
Broadmeadow	3	3

The Management Board adopted the resolution on allocation of Tranche I of A-series convertible bonds on 26 September 2014. The Company therefore issued Tranche I convertible bonds. The date of repurchase of Tranche I bonds falls on 26 September 2017. The issuance of Tranche I bonds was a non-public one as per Art. 9 (3) of the Act on Bonds pursuant to the resolution of Issuer's Management Board No. 3/IX/2014 on issuance of D-series bearer's bonds as a part of the bond issuance scheme.

(All amounts in PLN thousands unless otherwise stated)

30.12 Bonds issued -cont.

The face value of one bond amounts to EUR 50,000 (say EUR fifty thousand). The issuance price of one bond amounts to EUR 50,000. The bonds bear interest at a fixed rate of 10% (ten per cent) per annum from the Bond Issuance Date. The Company will repurchase the bonds on the day falling 3 years after the issuance date, i.e. 27 September 2017, subject to early repurchase cases, if an Event of Breach of terms of issuance of bonds by the Issuer occurs.

The embedded derivative results from:
a) holder's right to convert the bonds into shares at a fixed rate
in the period from 26 September 2015 to 5 days before the repurchase date, i.e. 22 September 2017;
b) currency cap option concerning translation of the liability into shares on the conversion date at the EUR/PLN exchange rate of the same day
not exceeding, however, EUR 1 = PLN 4.1272

	30-09-2016	31-12-2015
b) Bonds B series		
Nominal value on 13 January 2015	29 552	29 552
Cost of accrued interest	3 224	2 633
Interest paid	(2 633)	(1 354)
Valuation of the embedded derivative	156	84
Derivative as at balance sheet date	**30 299**	**30 915**

On January 13, 2015, the Company issued a total of 30,000 covered bonds series B Bonds was carried out in the manner specified in Art. 9 Section 3 of the Act on Bonds, i.e.. Within the framework of a private placement.
The bonds were issued on the following conditions:
• The Issuer did not specify the purpose of issuing the meaning of the Act on Bonds, also did not specify the project to be financed from the issuance of the Bonds.
• The issued bonds are bearer bonds series B with a nominal value of PLN 1,000 each, protected, not having the form of a document.
• The total nominal value of all issued Bonds is not more than 30,000,000 PLN.
• The nominal value of one bond equals PLN 1,000. The issue price of one Bond is equal to its nominal value and amounts to PLN 1,000.
• Bonds will be redeemed by the Company on the date falling four years after the date of issue of the Bonds, i.e.. On January 13, 2019 years (the "Redemption Date") - except for cases of early redemption of the Bonds in the event of breaches by the Issuer conditions under which The bonds were issued or at the request of the Issuer.
• The bonds bear interest at a fixed interest rate of 9.1% per annum.
• If the Issuer to redeem the bonds earlier in the event of infringement cases at the request of the Bondholder or at the request of the Issuer of the Bonds will be redeemed on the Redemption Date and will be made by payment of an amount equal to the nominal value of the Bonds, plus accrued and unpaid interest on the Bonds.

February 9, 2015 r. The agreement was concluded for the establishment of a registered pledge on shares of Blaise Investments Sp. Z o.o, between Lakia Enterprises Limited and Matczuk Wieczorek & Partners Law Firm Advocates and Legal Advisers Sp. J. Acting in his own name but on behalf of the bondholders holding bonds Series B.
Registered pledge was established on 100 shares in the capital of Blaise Investments sp. z o.o., with a nominal value of 50 zł each, representing 100% of the share capital of the company. The nominal value package of 1,000 shares is 50,000 zł.
Registered pledge was established up to the amount of 45,000,000 zł according to a valuation performed by an expert valuer on 26 January 2015.

(All amounts in PLN thousands unless otherwise stated)

30.13 Administrative costs

	1/7/2016 - 30/9/2016	1/7/2015 - 30/9/2015	01/01/2016 - 30/9/2016	01/01/2015 - 30/9/2015
Advisory services	195	42	303	227
Salaries	230	235	698	726
Auditor's remuneration	2	67	67	68
Costs of not deductible VAT	103	72	245	142
Other services	90	190	329	439
	620	**606**	**1 642**	**1 602**

30.14 Financial income and expenses

	1/7/2016 - 30/9/2016	1/7/2015 - 30/9/2015	01/01/2016 - 30/9/2016	01/01/2015 - 30/9/2015
Interest income:				
- Bank interest	4	15	14	53
Other financial income	59	102	32	180
Financial income from the valuation of the embedded derivative	0	3 285	4 876	8 282
Net exchange differences	0	(233)	0	285
Financial income	**63**	**3 169**	**4 922**	**8 800**
Interest costs:				
-Interest from related parties	87	69	246	214
- Interest on bonds	1 290	1 271	3 851	3 654
- Other	73	11	73	53
Net exchange differences	(662)	0	228	0
Financial costs	**788**	**1 351**	**4 398**	**3 921**

(All amounts in PLN thousands unless otherwise stated)

30.15 Deferred tax

Deferred tax liabilities

Balance as at 1/1/2015	**18 366**
Accrued interest on loans	(2 378)
Accrued interest on bonds	127
Exchange differences	9
Balance as at 31/12/2015 - before compensation	**16 124**
Compensation of deferred tax asset	(16 124)
Balance as at 31/12/2015 - after compensation	**0**
Accrued interest on loans	4 271
Accrued interest on bonds	6
Exchange differences	5
Balance as at 30/09/2016 - before compensation	**20 406**
Compensation of deferred tax asset	(20 406)
Balance as at 30/09/2016 - after compensation	**0**

Deferred tax assets

Balance as at 1/1/2015	**18 366**
Impairment of loans	(3 562)
Reserves for costs	24
Holiday reserve	13
Accrued interest on borrowings	383
Accrued interest on bonds	816
Exchange differences	84
Balance as at 31/12/2015 - before compensation	**16 124**
Compensation of deferred tax provision	(16 124)
Balance as at 31/12/2015 - after compensation	**0**
Impairment of loans	4 001
Reserves for costs	(24)
Accrued interest on borrowings	35
Accrued interest on bonds	215
Exchange differences	56
Holiday reserve	(1)
Balance as at 30/09/2016 - before compensation	**20 406**
Compensation of deferred tax provision	(20 406)
Balance as at 30/09/2016 - after compensation	**0**

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim financial statements

30.16 Cash flow from operating activities

	01/01/2016 - 30/9/2016	1/1/2015 - 30/9/2015
Profit/loss before tax	2 892	3 024
Adjustments for:		
– exchange differences	(4 110)	(8 342)
– depreciation	4	6
– interest costs	3 916	3 900
– interest income	(11 375)	(11 714)
– impairment on loans	7 458	11 990
Changes in working capital:		
– changes in receivables	1 364	(118)
– - change in trade liabilities and other	(717)	(227)
	(568)	**(1 481)**

30.17 Related party transactions

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

CPD also concludes transactions with key managers and other affiliates controlled by the key managers of the Group.

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

a)Transactions with key management personnel	1/7/2016 - 30/9/2016	1/7/2015 - 30/9/2015	01/01/2016 - 30/9/2016	01/01/2015 - 30/9/2015
Remuneration of members of the Supervisory Board	90	77	240	236
Directors	60	62	180	152
b) Transactions with a major investor				
Laxey Worldwide W.A. - loan			330	324
Impairment on Laxey Worldwide W.A. loan			*(330)*	*(324)*

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim financial statements

c) Transactions with subsidiaries	1/7/2016 - 30/9/2016	1/7/2015 - 30/9/2015	01/01/2016 - 30/9/2016	01/01/2015 - 30/9/2015
Revenues				
2/124 Gaston Investments	25	24	75	71
3/93 Gaston Investments	24	23	70	64
4/113 Gaston Investments	53	48	151	139
5/92 Gaston Investments	34	28	100	78
6/150 Gaston Investments	22	19	62	57
7/120 Gaston Investments	13	13	40	37
8/126 Gaston Investments	48	39	136	111
9/151 Gaston Investments	11	8	29	24
10/165 Gaston Investments	17	16	50	37
11/162 Gaston Investments	13	10	35	28
12/132 Gaston Investments	32	27	90	79
13/155 Gaston Investments	29	26	85	75
14/119 Gaston Investments	56	0	102	0
15/167 Gaston Investments	15	15	47	42
16/88 Gaston Investments	4	4	12	11
18 Gaston Investments	26	25	80	74
19/97 Gaston Investments	4	4	13	12
20/140 Gaston Investments	5	5	15	14
Blaise Gaston Investments	111	49	223	132
Blaise Investments	199	199	589	621
Belise Investments	106	107	316	546
Buffy Holdings No1 Ltd	1 005	1 008	2 978	3 062
Celtic Asset Management	8	0	14	0
Celtic Investments Ltd	2	3	7	10
Challenge 18	1 286	1 347	3 875	4 134
Antigo Investments	35	41	114	122
East Europe Property Financing AB	0	0	0	0
Elara Investments	23	27	69	82
Gaetan Investments	0	0	0	0
Gaston Investments	10	(197)	126	226
Hub Developments	20	20	59	60
Lakia Enterprises Ltd	421	420	1 248	1 088
Mandy investments	132	132	391	402
Robin Investments	0	0	0	0
Smart City Sp. z o.o.	0	0	0	0
IMES	33	23	94	43
Costs				
Lakia Investments	26	26	77	79
Lakia Enterprises Ltd	43	44	127	135
Laxey NL	18	0	42	0

Liabilities	30/9/2016	31/12/2015
Lakia Enterprises Ltd	9 621	9 581
Lakia Investments	3 405	3 328

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim financial statements

30.17 Related party transactions - cont.

Receivables	30/9/2016	31/12/2015
2/124 Gaston Investments	3 556	3 488
3/93 Gaston Investments	3 239	3 250
4/113 Gaston Investments	7 875	7 036
5/92 Gaston Investments	4 601	4 485
6/150 Gaston Investments	3 048	2 832
7/120 Gaston Investments	1 795	1 906
8/126 Gaston Investments	6 712	5 922
9/151 Gaston Investments	1 569	1 241
10/165 Gaston Investments	2 332	2 184
11/162 Gaston Investments	1 731	1 444
12/132 Gaston Investments	4 546	3 982
13/155 Gaston Investments	3 729	3 825
15/167 Gaston Investments	2 064	2 103
16/88 Gaston Investments	620	580
18 Gaston Investments	3 533	3 647
19/97 Gaston Investments	658	627
20/140 Gaston Investments	732	717
Antigo Investments	4 512	5 075
Impairment on Antigo Investments loan	(1 151)	(1 151)
Blaise Gaston Investments	13 667	7 085
Blaise Investments	29 683	29 095
Belise Investments	18 000	18 532
Buffy Holdings No1 Ltd	197 781	194 757
Impairment on Buffy Holdings No1 Ltd loan	(40 677)	(30 652)
Celtic Asset Management	987	30
Impairment on CAM loan	(3)	(3)
Celtic Investments Ltd	1 919	1 848
Impairment on Celtic Investments Ltd loan	(1 793)	(1 793)
Lakia Enterprises Ltd	59 308	57 995
Impairment on Lakia Enterprises Ltd loan	(4 436)	(4 436)
Challenge 18	184 444	185 206
Elara Investments	2 970	2 814
Impairment on Elara Investments loan	(2 274)	(2 274)
Gaston Investments	1 730	7 999
Impairment on Gaston Investments loan	0	(2 849)
Hub Developments	2 623	2 549
Impairment on HUB Investments loan	(501)	*(501)*
IMES	4 207	3 413
Smart City	4	4
Impairment on Smart City Sp. z o.o. loan	(4)	0
Mandy investments	20 902	20 480
Impairment on Mandy Investments loan	(20 758)	(20 480)

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim financial statements

30.17 Related party transactions - cont.

d) Transactions with other related parties

	1/7/2016 - 30/9/2016	1/7/2015 - 30/9/2015	01/01/2016 - 30/9/2016	01/01/2015 - 30/9/2015
Costs				
Kancelaria Radców Prawnych Oleś&Rodzynkiewicz sp. komandytowa	0	2	33	23

30.18 Share capital

At the reporting date the share capital amounted to 3 286 ths PLN. Until the date of this financial statements there were no changes in the share capital.

Warsaw, 10 November 2016