

HALF YEAR REPORT FOR I HALF OF 2017



CPD S.A.

HALF YEAR REPORT FOR 6 MONTHS ENDED 30 JUNE 2017

TRANSLATORS' EXPLANATORY NOTE

The following document is a free translation of the H1 2017 report of CPD S.A. published on 28 September 2017.

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	4
1.	INFORMATION OF CPD CAPITAL GROUP	4
2.	CAPITAL GROUP'S STRUCTURE.....	5
3.	SELECTED FINANCIAL DATA.....	7
4.	IMPORTANT EVENTS IN THE REPORTING PERIOD.....	11
5.	FACTORS AND EVENTS OF UNUSUAL NATURE.....	19
6.	SEASONALITY AND PERIODICITY OF THE GROUP ACTIVITIES.....	19
7.	WRITE-DOWNS OF INVENTORIES TO FAIR VALUES.....	19
8.	WRITE-DOWNS OF INVESTMENT PROPERTIES TO FAIR VALUES.....	19
9.	CREATION, INCREASE, UTILISATION AND REVERSEAL OF PROVISIONS.....	20
10.	PROVISIONS AND DEFERRED TAX ASSETS	20
11.	ACQUISITION AND SALE OF PROPERTY, PLANT AND EQUIPMENT	20
12.	IMPORTANT COMMITMENTS FOR PURCHASE OF PROPERTY, PLANT AND EQUIPMENT.....	20
13.	IMPORTANT SETTLEMENTS OF LAWSUITS	20
14.	PREVIOUS PERIODS ERRORS' CORRECTION.....	20
15.	CHANGES IN THE ECONOMIC SITUATION AND BUSINESS CONDITIONS AFFECTING THE FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES OF THE COMPANY	20
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	20
17.	TRANSACTIONS WITH RELATED PARTIES CONCLUDED ON OTHER THAN MARKET CONDITIONS	21
18.	INFORMATION ON THE CHANGES IN THE APPROACH USED TO DETERMINE THE FAIR VALUE OF FINANCIAL INSTRUMENTS	21
19.	CHANGES IN THE CLASSIFICATION OF FINANCIAL ASSETS	21
20.	ISSUANCE, REDEMPTION AND REPAYMENT OF NON-STOCK AND EQUITY SECURITIES.....	21
21.	INFORMATION RELATED TO DIVIDEND	21
22.	EVENTS AFTER THE DATE OF PREPARATION OF FINANCIAL STATEMENTS.....	21
23.	CHANGES RELATED TO CONDITIONAL LIABILITIES OR ASSETS.....	24
24.	THE MANAGEMENT BOARD'S POSITION ON THE PREVIOUSLY PUBLISHED FINANCIAL FORECASTS	24
25.	SHAREHOLDERS ENTITLED TO AT LEAST 5% OF VOTES AT THE GENERAL MEETING OF SHAREHOLDERS	24
26.	THE COMPANY SHARES HOLD BY MANAGING AND SUPERVISING PARTIES	25
27.	COURT, ADMINISTRATIVE AND ARBITRATION PROCEEDINGS FOR A VALUE HIGHER THAN 10% OF THE COMPANY'S EQUITY.....	25
28.	MAJOR LOAN AGREEMENTS, LOAN WARRANTIES AND GUARANTEES GRANTED	26
29.	THE SUPERVISORY BOARD AND THE MANAGEMENT BOARD.....	26
30.	OTHER IMPORTANT INFORMATION	27
31.	FACTORS AFFECTING RESULTS OF THE FOLLOWING QUARTERS	27
II.	MANAGEMENT BOARD STATEMENT	29

CPD S.A.HALF YEAR REPORT FOR 6 MONTHS ENDED 30 JUNE 2017 R.

III. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT FOR H1 FY2017 ALONG WITH CONDENSED FINANCIAL STATEMENTS OF CPD S.A.	30
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I. OPERATING REPORT**1. INFORMATION OF CPD CAPITAL GROUP**

CPD Group started its activities in Poland in 1999 from the foundation of Celtic Asset Management Sp. z o.o. In subsequent years, 1999-2005, the activities of the company focused on building and managing a real estate portfolio for external institutions in Poland, Czech Republic, Lithuania, Romania, Hungary and Germany. In 2005, Celtic Asset Management Sp. z o.o started development activity in cooperation with several funds managed by Laxey Partners. In 2007, the consolidation of the group under the name Celtic Property Developments SA (BVI) was performed and in 2008 the listing of the company Celtic Property Developments SA (BVI) began on a deregulated market (Freiverkehr) in Frankfurt. In the period from 2005 to 2010, the Company 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 34 subsidiaries and one co-controlled, 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 34 subsidiaries and one co-controlled. 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.

At the date of report publication, the following changes in CPD Group's structure took place:

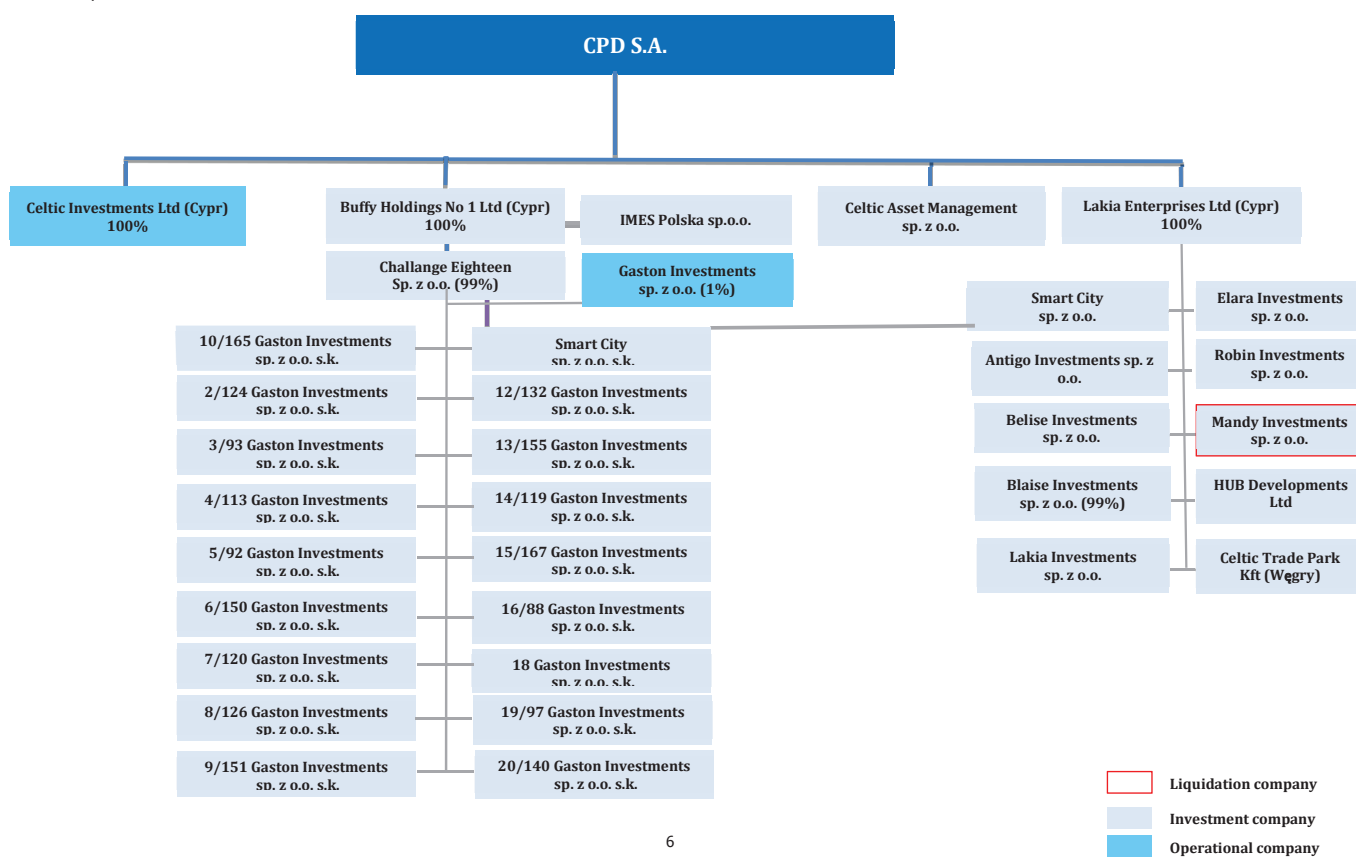
- Subsidiary 11/162 Gaston Investments Limited Partnership Limited Partnership was sold 28 June 2017 and therefore does not belong to the Group.
- Subsidiary 14/119 Gaston Investments Limited Partnership Limited Partnership was sold 26 July 2017 and therefore does not belong to the Group.
- 2 August 2017 the Issuer acquired 100% of shares in Bolzanus Limited

All Group companies are consolidated by the full method, apart the company Smart City limited liability limited partnership. Correlated companies are consolidated by the equity method.

CPD S.A.

HALF YEAR REPORT FOR 6 MONTHS ENDED 30 JUNE 2017 R.

CPD Group's structure as on 30 June 2017.



3. SELECTED FINANCIAL DATA

In the first half of 2017 CPD SA Group recorded a profit on sales of PLN 8.8 million. Profit on sales increased by 3% compared to the first half of the previous year. The CPD SA Group generated operating profit of PLN 1.2m, compared to PLN 4.2m in the corresponding period of 2016. Taking into account the financial segment of the profit and loss account and the income tax, the net result was a loss of PLN 4m.

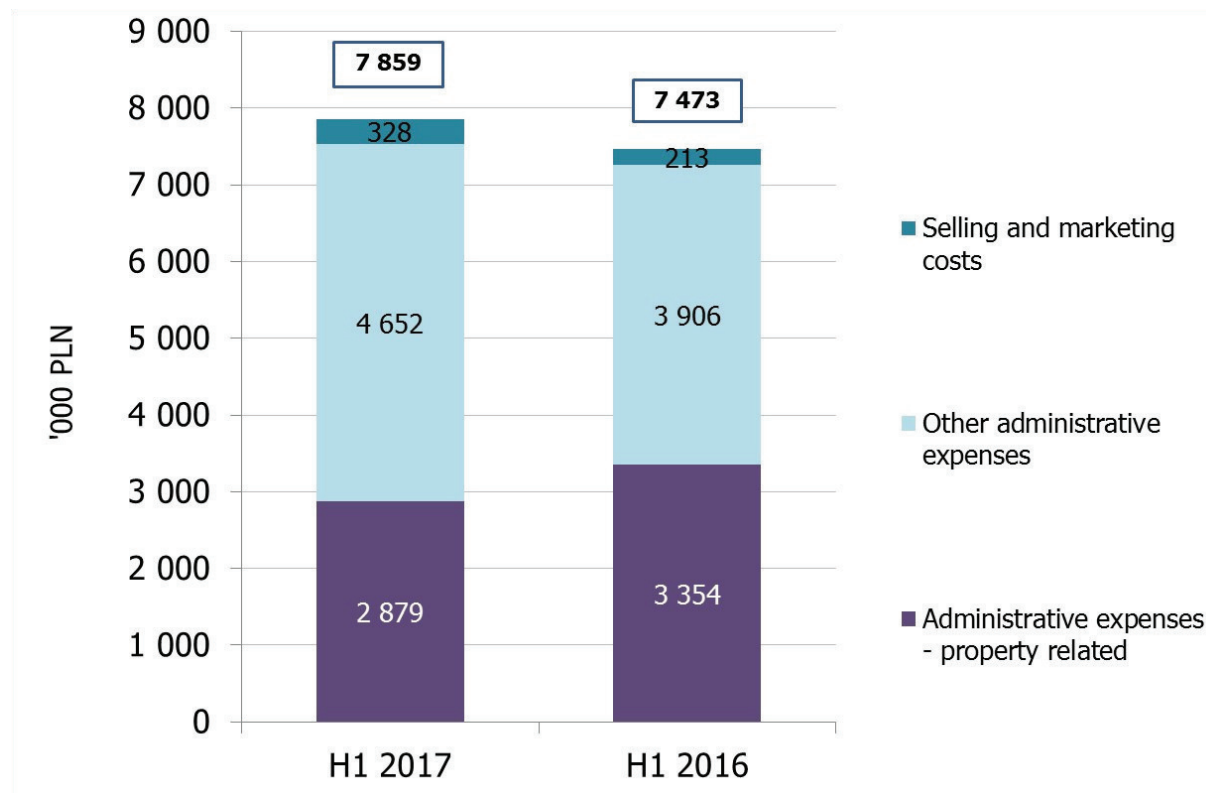
Among the factors that contributed positively to the Group's results in the first half of 2017 compared to the first half of 2016, the share of profit from joint ventures in the amount of PLN 8.7 million, the profit from the sale of subsidiaries in the amount of PLN 2.7 million, a decrease in financial expenses by PLN 1.9m and an increase in financial income of PLN 1m.

Participation in the profit of joint ventures concerned Ursa Smart City residential project. In the first half of 2017, other locations were put into service and the CPD Group was able to recognize profit. The profit from the sale of subsidiaries was the result of the sale of a special purpose vehicle to sell land rights in Warsaw in the Ursus district. The increase in financial income was a result of revaluation of liabilities. The decrease in financial costs was also a result of revaluation of liabilities.

However, the main factor affecting the net results in the first half of 2017 compared with the first half of 2016 was a loss on valuation of investment properties in the amount of PLN 11.2 million.

The loss on the valuation of investment properties was mainly due to the negative exchange rate differences (some of the investment property is valued in euro, which in the first half of 2017 weakened against the zloty).

The chart below presents the Group's operating cost structure for the first half of 2017 and 2016.



CPD S.A.

HALF YEAR REPORT FOR 6 MONTHS ENDED 30 JUNE 2017 R.

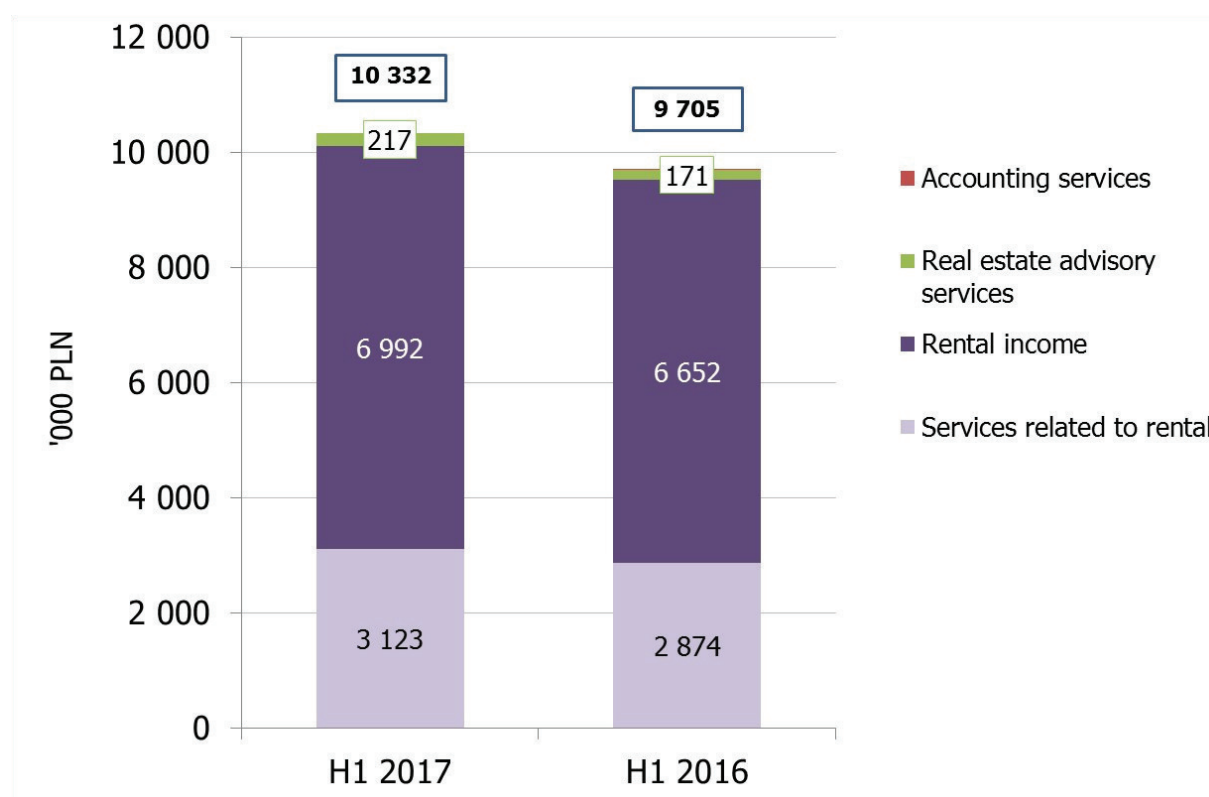
Revenue from sales in the first half of 2017 amounted to PLN 10.3 million. The largest as 68 percent of this amount accounted for rental income. In terms of value for H1, rental income amounted to PLN 7m vs. PLN 6.6m in 2016. Rental income was generated by 3 office buildings in Warsaw - the Aquarius building at 31A Polczyńska Street, the Solar Building at 7 Cybernetyki Street and Iris building on 9 Cybernetyki Street. The increase is a result of successively increasing the level of rental in the Iris building.

In the first half of 2017, the Group provided real estate advisory services. Revenues from this category amounted to PLN 0.22 million.

An increase of 0.6 million in sales combined with an increase in cost of sales contributed to a slight increase in sales (up 3%).

In the first half of 2017, the Group did not record any revenue from the sale of inventories.

The chart below shows the structure of sales revenue in the first half of 2017 and 2016.



CPD S.A.

HALF YEAR REPORT FOR 6 MONTHS ENDED 30 JUNE 2017 R.

	As at:		Change
	30.06.2017	31.12.2016	
	(PLN ths.)	(PLN ths.)	(%)
TOTAL ASSETS	778 404	715 975	8,7%
Non-current assets, including:	566 710	592 502	-4,4%
<i>Investment properties</i>	<i>542 287</i>	<i>558 706</i>	<i>-2,9%</i>
<i>Investments in joint ventures accounted for using the equity method</i>	<i>23 213</i>	<i>32 572</i>	<i>-28,7%</i>
Current assets, including:	211 694	123 473	71,4%
<i>Assets held for sale</i>	<i>434</i>	<i>14 075</i>	<i>-96,9%</i>
<i>Inventory</i>	<i>22 381</i>	<i>5 468</i>	<i>309,3%</i>
<i>Trade and other receivables</i>	<i>9 300</i>	<i>10 229</i>	<i>-9,1%</i>
<i>Cash and cash equivalents</i>	<i>175 877</i>	<i>89 999</i>	<i>95,4%</i>
TOTAL EQUITY AND LIABILITIES	778 404	715 975	8,7%
Equity, including:	482 746	446 903	8,0%
<i>Share capital</i>	<i>3 286</i>	<i>3 286</i>	<i>0,0%</i>
<i>Reserve capital</i>	<i>987</i>	<i>987</i>	<i>0,0%</i>
<i>Conversion of bonds in the process of being registered</i>	<i>39 852</i>	<i>0</i>	<i>-</i>
<i>Fair value of capital element at inception date</i>	<i>-27 909</i>	<i>-27 909</i>	<i>0,0%</i>
<i>Translation reserve</i>	<i>-5 422</i>	<i>-5 383</i>	<i>0,7%</i>
<i>Retained earnings</i>	<i>471 952</i>	<i>475 922</i>	<i>-0,8%</i>
Total liabilities, including:	295 658	269 072	9,9%
<i>Non-current liabilities</i>	<i>141 030</i>	<i>190 959</i>	<i>-26,1%</i>
<i>Current liabilities</i>	<i>154 628</i>	<i>78 113</i>	<i>98,0%</i>

At the end of June 2017, the Group's total assets increased by 9% compared to the end of 2016. This increase was mainly due to the receipt of advances for the sale of real estate.

The value of investment properties fell mainly due to the reclassification of some investment properties to current assets as a result of the launch of another residential project called Ursa Park. The value of current assets increased mainly due to an increase in cash balance (advances received).

At the end of June 2017, equity was \$ 482.7m, representing 62% of the Group's total assets, while liabilities accounted for 38% of total assets. These indicators have changed slightly compared to the end of 2016 (62.4% and 37.6%, respectively).

In the first half of 2017, liabilities increased by 10%. This increase was mainly due to the receipt of advances for the sale of real estate.

Selected items of the consolidated statement of comprehensive income

	6 months period		Change (%)
	From 01.01.2017 to 30.06.2017	From 01.01.2016 to 30.06.2016	
	(PLN ths.)	(PLN ths.)	
Revenue	10 332	9 705	6,5%
Cost of sales	-1 536	-1 198	28,2%
Gross profit	8 796	8 507	3,4%
Administrative expenses - property related	-2 879	-3 354	-14,2%
Other administrative expenses	-4 652	-3 906	19,1%
Selling and marketing costs	-328	-213	54,0%
Gain (loss) on disposal of investment properties	-72	-2 475	-97,1%
Other income	192	70	174,3%
Gain (loss) on revaluation of investment properties	-11 190	5 216	-314,5%
Post-tax share of the profit or loss of the joint-venture accounted for using the equity method	8 675	308	2716,6%
Gain (loss) on disposal of subsidiaries	2 680	0	-
Profit from operations	1 222	4 153	-70,6%
Finance income	5 936	4 973	19,4%
Finance costs	-9 785	-11 704	-16,4%
Loss before tax	-2 627	-2 578	1,9%
Income tax	-1 343	-1 090	23,2%
Loss for the period	-3 970	-3 668	8,2%
Earnings per share (PLN)	-0,12	-0,11	8,2%
Diluted earnings per share (PLN)	-0,09	-0,13	-27,2%

Also, the structure of commitments has changed little. The share of long-term debt in total assets decreased from 26.7% at the end of December 2016 to 18.1% at the end of June 2017. The share of short-term debt increased from 10.9% as of December 31, 2016 to 19, 9% at 30 June 2017

4. IMPORTANT EVENTS IN THE REPORTING PERIOD

• ESTABLISHMENT OF WARRANTIES

The subsidiaries of the Issuer: IMES Poland sp. o.o. and 18 Gaston Investments spolka z ograniczona odpowiedzialnoscia sp. k. (the "Company") on 30th of January 2017 granted warranties as a result of conditional sales agreements concluded with legal entities ("Buyer"), leading to the sale of rights to land located in Warsaw's Ursus district, as well as cooperation agreement ("Conditional Sales Agreement").

Warranty will be applied as a combined mortgage on the right to perpetual usufruct of held real estate for each full amount of the payment, the Buyer has to make in favor of the Company in respect of each mortgage.

Company submitted to enforcement under Art. 777 § 1 point 5 of the Civil Code, as to the obligation to repay a sum of money to the full amount of payment, the Buyer has to make in favor of the Company, as well as each of the parties will submit a written statement in the form required by applicable law, including permission to bring Buyer's claims concerning the conclusion of the Final Agreement to the land register kept for the property owned by them.

The total sale price of property rights and cooperation agreements, was set at a total amount of 82 million pln net ("Total Price").

Conclusion of Final Agreements for the transaction was predicted in stages between December 2017 and December 2019. The conclusion of Final Agreements is subject to a number of conditions precedent, mainly related to the preparation of infrastructure and the media in such a way that the implementation of housing projects in line with agreed objectives.

As of the balance sheet date, the Buyer has made a payment of PLN 45m (net), plus VAT, on the basis of the concluded within two working days of the conclusion of the Conditional Sales Agreements. Further payments to the agreed Total Price will be made according to the schedule accepted by the Buyer and the Seller between 2017 and 2019.

Other provisions of the Agreements concluded by the Seller does not deviate from the standards generally applicable to such agreements.

• CONCLUSION OF CONDITIONAL AGREEMENT

22 February 2017, the Company signed an investment agreement (the "Agreement") for a joint venture realization of complex buildings with services and associated infrastructure in Warsaw's Ursus district.

The Agreement was concluded between:

1. CPD SA in Warsaw,
 2. Challenge Eighteen limited liability company in Warsaw (the "Subsidiary"),
 3. 4/113 Gaston Investments, a limited liability limited partnership with its registered office in Warsaw (the "Subsidiary", "Limited Partnership"),
 4. Lakia Enterprise Ltd in Nicosia (Cyprus) (the "Subsidiary"),
- and
5. Unibep SA in Bielsk Podlaski,
 6. Unidevelopment SA in Warsaw.

The Agreement provides for the joint implementation of investment building on the property (the "Property") owned by the Group CPD SA ie. the company 4/113 Gaston Investments limited liability limited partnership in Warsaw, which is the perpetual usufructuary of plots No. 113/1, 113/2, 113/4,

CPD S.A.

HALF YEAR REPORT FOR 6 MONTHS ENDED 30 JUNE 2017 R.

113/5 no. rpm. reg. no. 2-09-09, with an area of 4,944 ha and is located at Traktorzystów Street in Warsaw (Warsaw district – Ursus).

On the part of the Property of area of approx. 1.36 ha, the construction of complex buildings with services, together with the accompanying infrastructure (the "Project") will be implemented in two stages. The general contractor is the company Unibep SA and the company Unidevelopment SA will provide services of investor representation. As part of the projects Unidevelopment SA will join the Company's limited partnership as a limited partner. The Agreement also includes marketing activities related to the sale of units produced under the Projects, and then on the total sales of usable space of the Project and profit division regulations from the sale of Project.

Participation of CPD SA Group in the Project relay on:

- a) implementation of the Project on the Property belonging to the Limited Partnership,
- b) the provision by Gaston Investments sp. o.o. of financial and operational control and supervision of Unibep SA as the general contractor.

The Agreement shall enter into force, subject to the acceptance of all the Annexes to the Agreement till 31 March 2017 by her sides. In addition – as regards the accession of Unidevelopment SA to the Company's limited partnership – an agreement will enter into force subject to the approval of the President of Competition and Consumer Protection Office for the concentration of entrepreneurs or the decision of President of the OCCP to discontinue the proceedings due to the fact that the transaction is not a subject to notification to the President of the OCCP, or the deadline for statutory release of the above authorization if, before the expiry of that period President of the Office does not issue any decision or ruling by the Court Antimonopoly the consent of the concentration on appeal – in whichever occurs first.

This Agreement meets the criteria to recognize as a significant agreement because its value exceeds used by the Company criteria for determining significant agreements, ie. 10% of the Company's equity, which as at the end of the third quarter of 2016 amounts to 452 224 000 PLN.

• FULFILMENT OF THE FIRST PRECEDENT CONDITION OF CONDITIONAL AGREEMENT

1 of March 2017 all attachments to the Investment Agreement were agreed (approved), which was a condition of the entry into force of this Agreement.

At the same time the Company reminds that the Agreement shall enter into force subject to i) the approval of the President of the Office of Competition and Consumer Protection (OCCP President) the concentration of entrepreneurs or ii) a decision by the President of the OCCP to discontinue the proceedings due to the fact that the transaction is not subject to the notification requirement to the President of the OCCP or iii) the expiry of the statutory term for issuing the above authorization if, before the expiry of that period President of the Office does not issue any decision or iv) the decision of the Antimonopoly Court on the consent for concentration on appeal – depending on which of these events occurs before.

• RECEIPT OF DEMANDS TO CONVERT BONDS SERIES A INTO SHARES SERIES G

20 March 2017 the Company received from the bondholders of bonds series A convertible into shares series G, issued by CPD S.A. on 26 September 2014 (hereinafter the "Bonds"), the statements on the conversion of Bonds i.e. 90 bonds convertible into the Company's shares series G i.e. into 5,292,720 of the Company's series G shares(hereinafter the "Shares").

Conversion price (issue price) was fixed, in accordance with the resolution no 3 of the Extraordinary General Meeting of the Company of 5 August 2014 and the terms of issue of the Bonds as the amount specified therein, in the amount of 4.38 zlotys per one Share.

Rights attached Shares series G shall be created as of the moment of entry of the shares to the securities' accounts of persons entitled to the shares.

Company shall file relevant applications to Krajowy Depozyt Papierów Wartościowych S.A. and Giełda Papierów Wartościowych S.A. in order to register Shares series G and to introduce them to trading on the regulated market.

In exchange for 90 bonds convertible into series G shares of the Company, the Company will issue to the eligible persons a total of 5,292,720 series G shares of the Company.

After the increase of the share capital, which will take place at the time of the issue of shares, i.e. when the shares are registered in the securities accounts of the entitled persons, the structure of the Company's share capital will be as follows: will be divided into 38,155,923 shares with a nominal value of PLN 0.10 each, giving a total of 38,155,923 votes at the Company's General Meeting, including:

- a) 32,335,858 series B ordinary bearer shares,
- b) 163,214 Series C ordinary bearer shares,
- c) 76,022 series D ordinary bearer shares,
- d) 88,776 ordinary bearer shares of E series,
- e) 199.333 series F ordinary bearer shares.
- f) 5,292,720 ordinary bearer G-series shares.

G series shares issued to persons entitled in exchange for Bonds, which have been exercised their right to convert into shares, will constitute a total of 13.87% of the Company's share capital and will entitle to 5 292 720 votes at the General Meeting of the Company, 87% of the total number of votes at the General Meeting of the Company.

Out of all convertible bonds issued by the Company on September 26, 2014 pursuant to Resolution No. 3 of the Extraordinary General Shareholders Meeting of August 5, 2014, 20 bonds were not converted into shares.

In a separate report or reports, the Company shall inform about the date on which the issuer submits an increase in share capital as a result of the conversion of bonds into shares, which will take place after the subscription of shares on the securities accounts of the persons entitled to transfer the Bonds into shares, pursuant to § 5 par. 1 subpar. 10 in connection with § 16 par. 3 subpar. 1 of the Regulation of 19 February 2009 on current and periodic information provided by issuers of securities and conditions for equivalency of information required by the laws of a state which is not a member state.

• **NOTIFICATION OF TRANSACTIONS RECEIVED UNDER ARTICLE 19 OF THE MAR**

March 21 2017 the Company has been notified by:

- 1. The Value Catalyst Fund Limited,
- 2. Laxey Universal Value Lp By Laxey Partners (Gp2) As General Partner,
- 3. Laxey Partners Limited,
- 4. LP Value Ltd,
- 5. LP Alternative Lp By Laxey Partners (Gp3) General Partner,

entities closely related to the person performing managerial duties at CPD S.A., i.e. Mr. Michael Haxby – Member of the Company's Supervisory Board of the transaction conversion of convertible bonds into shares, concluded on March 20, 2017, referred to in art. 19 sec. 3 MAR regulation.

- **CONDITIONAL REGISTRATION OF SHARES IN DEPOSIT LED BY KDPW S.A. (NATIONAL SECURITIES DEPOSITORY S.A.)**

Management Board of National Securities Depository S.A. adopted Resolution no. 290/17 dated 28 of April 2017, issued on a basis of § 2 subparagraphs 1 and 4 and § 40 2.3a and 4a of Regulations of National Securities Depository S.A., as a result of considered application of Company regarding registration of 5,292,720 (five million two hundred ninety two seven hundred and twenty) G-series ordinary bearer shares with a nominal value of PLN 0.10 each, issued as a conditional share capital increase, on a basis of Resolution no. 3 of Extraordinary General Meeting of Shareholders dated 5 August 2014 and mark them with the code PLCELPD00013, under condition, that the company operating the regulated market decides to introduce those shares to trading on the same regulated market into which other shares of the Company were marked with the code PLCELPD00013.

Register of ordinary bearer shares G-series CPD S.A. will take place within three days of receipt by the National Securities Depository S.A. of documents confirming that the company operating the regulated market has decided to introduce these shares to trading on the aforementioned market not earlier than on the date indicated in this decision as the day of placing such shares on the regulated market.

- **AN APPLICATION FOR THE INTRODUCTION OF SERIES G SHARES TO BE TRADE ON THE WARSAW STOCK EXCHANGE**

The Company has applied for the introduction of series G shares to be trade on the Warsaw Stock Exchange in Warsaw.

The total number of ordinary bearer shares with a nominal value of 0.10 zł each covered by the application to be launched on the stock exchange as a result of registration as follows: 5.292.720 (five million two hundred ninety two thousand seven hundred twenty).

The total number of shares to be publicly traded after the shares covered by the application will be: 38.155.923 (in words: thirty eight million one hundred fifty five thousand nine hundred twenty three).

Proposed launch date was 15 May 2017.

- **THE ADMISSION AND INTRODUCTION TO TRADING SHARES OF SERIES G**

Resolution no 464/2017 dated on 11 May 2017, adopted by Management Board of the Warsaw Stock Exchange (the WSE) on the basis of the Company's request dated on 5 May 2017, concerning the admission and introduction to trading on the WSE, 5.292.720 series G common bearer shares of CPD S.A. with nominal value of 0,10 zł each.

WSE Management Board decided to introduce Company shares to stock exchange trading on a regulated market on 15 May, 2017 under condition that the National Depository for Securities will register these shares with the code PLCELPD00013 on 15 May 2017.

- **REGISTRATION OF G SERIES SHARES IN THE NATIONAL DEPOSITORY OF SECURITIES**

Company has received the communique of the Operational Department of the National Depository of Securities ("National Depository"), stating that in accordance with National Depository's resolution No

CPD S.A.

HALF YEAR REPORT FOR 6 MONTHS ENDED 30 JUNE 2017 R.

290/17 of 28 April 2017, the 5.282.720 G Series ordinary bearer shares of the Company, with ISIN code PLCELPD00013, was registered in the National Depository on 15 May 2017.

- **REGISTRATION OF G SERIES SHARES ON THE SECURITIES ACCOUNTS AND THE INCREASE OF THE SHARE CAPITAL**

15 May 2017 the Company's share capital was increased as a result of the registration of G series shares on the securities accounts of entitled persons and creation of rights from these shares according to the article 452 of the Commercial Code.

Consequently, the share capital of CPD S.A. was increased by the amount of 311.682,40 PLN to total amount of 3.598.002,70 PLN (in words: three million five hundred ninety eight thousand two złoty and seventy groszy). The increased share capital of CPD S.A. is divided into 35.980.027 (in words: thirty five million nine hundred eighty thousand twenty seven) shares with nominal value of 0,10 PLN (ten groszy) each, representing 100% of votes at the General Meeting of the Company.

Series G shares were issued as a result of exercising the rights to convertible bonds of Series A issued pursuant to Resolution No. 3 of the Extraordinary General Meeting of CPD S.A. Dated 5 August 2014, as part of the conditional increase of the share capital of the Company, which was registered by the District Court for the Capital City of Warsaw in Warsaw, XIII Commercial Division of the National Court Register.

- **REGISTRATION OF G SERIES SHARES ON THE SECURITIES ACCOUNTS AND THE INCREASE OF THE SHARE CAPITAL**

17 May 2017 the Company's share capital was increased as a result of the registration of G series shares on the securities accounts of entitled persons and creation of rights from these shares according to the article 452 of the Commercial Code.

Consequently, the share capital of CPD S.A. was increased by the amount of 170.543,20 PLN to total amount of 3.768.545,90 PLN (in words: three million seven hundred sixty eight thousand five hundred forty five złoty and ninety groszy). The increased share capital of CPD S.A. is divided into 37.685.459 (in words: thirty seven million six hundred eighty five thousand four hundred fifty nine) shares with nominal value of 0,10 PLN (ten groszy) each, representing 100% of votes at the General Meeting of the Company.

Series G shares were issued as a result of exercising the rights to convertible bonds of Series A issued pursuant to Resolution No. 3 of the Extraordinary General Meeting of CPD S.A. Dated 5 August 2014, as part of the conditional increase of the share capital of the Company, which was registered by the District Court for the Capital City of Warsaw in Warsaw, XIII Commercial Division of the National Court Register.

- **REGISTRATION OF G SERIES SHARES ON THE SECURITIES ACCOUNTS AND THE INCREASE OF THE SHARE CAPITAL**

17 May 2017 the Company's share capital was increased as a result of the registration of G series shares on the securities accounts of entitled persons and creation of rights from these shares according to the article 452 of the Commercial Code.

Consequently, the share capital of CPD S.A. was increased by the amount of 41.165,60 PLN to total amount of 3.809.711,50 PLN (in words: three million eight hundred nine thousand seven hundred eleven złoty and fifty groszy). The increased share capital of CPD S.A. is divided into 38.097.115 (in words: thirty eight million ninety seven thousand one hundred fifteen) shares with nominal value of 0,10 PLN (ten groszy) each, representing 100% of votes at the General Meeting of the Company.

CPD S.A.

HALF YEAR REPORT FOR 6 MONTHS ENDED 30 JUNE 2017 R.

Series G shares were issued as a result of exercising the rights to convertible bonds of Series A issued pursuant to Resolution No. 3 of the Extraordinary General Meeting of CPD S.A. Dated 5 August 2014, as part of the conditional increase of the share capital of the Company, which was registered by the District Court for the Capital City of Warsaw in Warsaw, XIII Commercial Division of the National Court Register.

• REGISTRATION OF G SERIES SHARES ON THE SECURITIES ACCOUNTS AND THE INCREASE OF THE SHARE CAPITAL

25 May 2017 the Company's share capital was increased as a result of the registration of G series shares on the securities accounts of entitled persons and creation of rights from these shares according to the article 452 of the Commercial Code.

Consequently, the share capital of CPD S.A. was increased by the amount of 5.880,80 PLN to total amount of 3.815.592,30 PLN (in words: three million eight hundred fifteen thousand five hundred ninety two złoty and thirty groszy). The increased share capital of CPD S.A. is divided into 38.155.923 (in words: thirty eight million one hundred fifty five thousand nine hundred twenty three) shares with nominal value of 0,10 PLN (ten groszy) each, representing 100% of votes at the General Meeting of the Company.

Series G shares were issued as a result of exercising the rights to convertible bonds of Series A issued pursuant to Resolution No. 3 of the Extraordinary General Meeting of CPD S.A. Dated 5 August 2014, as part of the conditional increase of the share capital of the Company, which was registered by the District Court for the Capital City of Warsaw in Warsaw, XIII Commercial Division of the National Court Register.

• APPOINTMENT OF AN AUDITOR

Supervisory Board of the Company adopted a resolution on the appointment of PricewaterhouseCoopers Sp. with o.o. with its registered office in Warsaw, Al. 14 People's Army, entered the list of entities authorized to audit financial statements under number 144, on the auditor authorized to:

- to examine the consolidated financial statements of CPD S.A. for the financial year ended 31 December 2017,
- examine the separate financial statements of CPD S.A. for the financial year ended 31 December 2017,
- review of the interim consolidated financial statements of CPD S.A. on June 30, 2017
- review of the interim financial statements of CPD S.A. on June 30, 2017.

The agreement with PricewaterhouseCoopers Sp. with o.o. will be concluded for the period necessary to carry out the work set forth herein.

• RECEIPT OF DEMANDS TO CONVERT BONDS SERIES A INTO SHARES SERIES G

20 March 2017 the Company received from the bondholders of bonds series A convertible into shares series G, issued by CPD S.A. on 26 September 2014 (hereinafter the "Bonds"), the statements on the conversion of Bonds i.e. 20 bonds convertible into the Company's shares series G i.e. into 1,198,100 of the Company's series G shares(hereinafter the "Shares").

Conversion price (issue price) was fixed, in accordance with the resolution no 3 of the Extraordinary General Meeting of the Company of 5 August 2014 and the terms of issue of the Bonds as the amount specified therein, in the amount of 4.38 zlotys per one Share.

Rights attached Shares series G shall be created as of the moment of entry of the shares to the securities' accounts of persons entitled to the shares.

Company shall file relevant applications to Krajowy Depozyt Papierów Wartościowych S.A. and Giełda Papierów Wartościowych S.A. in order to register Shares series G and to introduce them to trading on the regulated market.

In exchange for 20 bonds convertible into series G shares of the Company, the Company will issue to the eligible persons a total of 1,198,100 series G shares of the Company.

After the increase of the share capital, which will take place at the time of the issue of shares, i.e. when the shares are registered in the securities accounts of the entitled persons, the structure of the Company's share capital will be as follows: will be divided into 39,354,023 shares with a nominal value of PLN 0.10 each, giving a total of 39,354,023 votes at the Company's General Meeting, including:

- a) 32,335,858 series B ordinary bearer shares,
- b) 163,214 Series C ordinary bearer shares,
- c) 76,022 series D ordinary bearer shares,
- d) 88,776 ordinary bearer shares of E series,
- e) 199.333 series F ordinary bearer shares.
- f) 6,490,820 ordinary bearer G-series shares.

G series shares issued to persons entitled in exchange for Bonds, which have been exercised their right to convert into shares, will constitute a total of 16.49% of the Company's share capital and will entitle to 6,490,820 votes at the General Meeting of the Company, 16,49% of the total number of votes at the General Meeting of the Company.

Out of all convertible bonds issued by the Company on September 26, 2014 pursuant to Resolution No. 3 of the Extraordinary General Shareholders Meeting of August 5, 2014, 20 bonds were not converted into shares.

In a separate report or reports, the Company shall inform about the date on which the issuer submits an increase in share capital as a result of the conversion of bonds into shares, which will take place after the subscription of shares on the securities accounts of the persons entitled to transfer the Bonds into shares, pursuant to § 5 par. 1 subpar. 10 in connection with § 16 par. 3 subpar. 1 of the Regulation of 19 February 2009 on current and periodic information provided by issuers of securities and conditions for equivalency of information required by the laws of a state which is not a member state.

• CONCLUSION OF SALE AGREEMENT OF THE RIGHTS AND OBLIGATIONS OF THE GENERAL PARTNER AND A LIMITED PARTNER IN SUBSIDIARY

June 28, 2017, Issuer's subsidiaries, Gaston Investments sp. z o.o. with seat in Warsaw as the general partner and Challenge Eighteen sp. z o.o. with seat in Warsaw as the limited partner concluded the final sell of all rights and obligations of the general partner and a limited partner in 11/162 Gaston Investments spółka z ograniczoną odpowiedzialnością sp.k. with seat in Warsaw (the "Limited Partnership").

The transaction value is 15,5 mln PLN.

11/162 Gaston Investments spółka z ograniczoną odpowiedzialnością sp.k. has rights to perpetual usufruct of the property, situated in Ursus – district of Warsaw, at. Posag 7 Panien Street.

Following the transaction, CPD SA and its subsidiaries do not hold shares in 11/162 Gaston Investments spółka z ograniczoną odpowiedzialnością sp.k.

- **CONCLUSION OF THE AGREEMENT FOR THE PERFORMANCE OF CONSTRUCTION WORKS BY A SUBSIDIARY COMPANY**

On 29 June 2017 the agreement for the performance of the construction works by the general contractor (the "Agreement") was signed as part of the URSA-PARK investment project by and between 4/113 Gaston Investments spółka z ograniczoną odpowiedzialnością sp.k. ("4/113 Gaston"), as the Ordering Party and UNIBEP S.A.

The investment project constitutes a joint construction venture consisting in the realization jointly with Unidevelopment S.A. of the complex of multifamily buildings with commercial services and related infrastructure.

At the same time in view of the fact that there is no need to obtain the consent of the President of the Office for Protection of Competition and Consumers for Unidevelopment S.A. to join 4/113 Gaston Investment spółka z ograniczoną odpowiedzialnością sp.k. for the purposes of realization of the Investment Project, currently the parties to the investment agreement are in the process of negotiation of formal amendments to the said investment agreement.

Subject matter of the agreement consists in the realization of the Investment Project i.e. the construction of the residential complex covering 3 residential buildings with the underground garage and development of the area. Works are realized in two stages and as part of the Agreement the realization of the I stage was commissioned covering the construction of two residential buildings with the underground garage. There will be a total of 189 apartments and 10 commercial premises and 236 parking spaces in the 7-storey high buildings realized as part of this stage.

4/113 Gaston may at any time, however not later than 2 months prior to the planned commencement of the construction works, adopt a decision on the realization of the II stage of the Investment Project by notifying UNIBEP S.A. of the same in writing.

Commencement of the realization of the I stage is scheduled for III quarter of 2017 and the completion thereof for IV quarter of 2018. And the time limit for completion of the construction works as part of the II stage was set as 16 months starting from the date of their commencement.

Remuneration for the completion of the I stage amounts to approx. 40.2 million zlotys net. And the remuneration for the realization of II stage, in the case where it is commissioned for realization by the Ordering Party, has been set at approx. 33.4 million zloty net.

Agreement provides for the possibility to charge UNIBEP S.A. with contractual penalties among others for delays in the realization of the Agreement as well as to withdraw from the Agreement by 14/119 Gaston under the terms and conditions specified in the Agreement and the penalties shall be charged independently. Stipulation of the contractual penalties shall not deprive 4/113 of the right to claim compensation increasing the amount of contractual penalties to the value of the actual damage under the general terms and conditions.

Other provisions of the Agreement, including in relation to the possibility of withdrawal from the agreement are in line with the standards commonly applied for these type of agreements.

- **NOTICE OF THE PREMATURE REDEMPTION OF BONDS SERIES B OF CPD S.A.**

Management Board of CPD S.A. with its registered office in Warsaw (the "Issuer", "Company") would like to inform that on 28 June 2017 the Management Board adopted the resolution on the premature full redemption of bonds series B at the request of the Issuer (the "Resolution").

In accordance with the Resolution, the Company shall complete the premature redemption (the "Premature Redemption") of all bearer bonds series B i.e. 30 000 (thirty thousand) bonds with the nominal value of 1000 (one thousand) zlotys each (the "Bonds"). Premature Redemption shall be

completed in the mode and under the terms and conditions as prescribed in par. 11 of the Terms of Issue of Ordinary Bearer Bonds series B (the "Terms of Issue").

The date of Premature Redemption was fixed in accordance with par. 11.5 of the Terms of Issue i.e. at 13 July 2017.

In connection with the Premature Redemption, the Bond holders shall be entitled to the following benefits per each Bond:

- a) monetary benefit consisting in the payment of the Amount of the Premature Redemption in accordance with the Terms of Issue i.e. the amount constituting the product of the number of Bonds subject of the Premature Redemption and their nominal value, increased by the due and unpaid interest on the Bonds;
- b) monetary benefit consisting in the payment of the premium in the amount of the product of 0.5% of the nominal value of the Bonds and each complete 6 months (calculated as 182 days) left for the initial redemption date, i.e. 13 January 2019.

Bonds are recorded in the register maintained by the Brokerage House Dom Maklerski Banku Ochrony Środowiska Spółka Akcyjna with its registered office in Warsaw ("DM BOŚ"). Premature redemption of the Bonds shall be effected through DM BOŚ.

The Premature Redemption shall be effected by the transfer of funds to the securities' account of the Bond holder through DM BOŚ and the entity maintaining the said account.

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 value of recoverable inventories, the Management Board shall take into account the valuation of real property made by independent valuers as at 31 December 2016, taking into account any changes in value attributable to changes in the real estate market. In the first half of 2017, inventories write-offs increased by PLN 0.02 million.

8. WRITE-DOWNS OF INVESTMENT PROPERTIES TO FAIR VALUES

In the first half of 2017, the Group recorded a negative result on the revaluation of investment property at fair value of PLN 11.2m resulting mainly from the depreciation of the Polish zloty against the euro. In the corresponding period of 2016, the Group's profit from the revaluation of investment property to fair values amounted to PLN 5.2 million.

9. CREATION, INCREASE, UTILISATION AND REVERSEAL OF PROVISIONS

In the first half of 2017, the value of accrued expenses decreased by PLN 2.6 million.

10. DEFFERED TAX ASSETS AND LIABILITIES

For a deferred tax asset, its recoverable amount is determined on the basis of the probability that the asset will be realized in the future, taking into account the business plans of the individual companies included in the consolidation. This value is determined on the basis of the Board's estimates. As at 30 June 2017, the Group recorded deferred tax assets of PLN 0.01 million.

As at 30 June 2017, deferred tax liabilities of the Group amounted to PLN 21.6 million.

11. ACQUISITION AND SALE OF PROPERTY, PLANT AND EQUIPMENT

During the reporting period, the Group did not acquire or sell any non-current assets.

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

Not occurred.

13. IMPORTANT SETTLEMENTS OF LAWSUITS

Not occurred.

14. PREVIOUS PERIODS ERRORS' CORRECTION

Not occurred.

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

During the first half of 2017, there not occurred changes in the economic situation which could affect the fair value of the Group's assets and liabilities.

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

Not occurred.

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

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

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

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

19. CHANGES IN THE CLASSIFICATION OF FINANCIAL ASSETS

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

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

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

- **THE PREMATURE REDEMPTION OF BONDS SERIES B OF CPD S.A.**

13 July 2017 the Issuer through the Dom Maklerski Bank Ochrony Środowiska S.A. with its registered office in Warsaw ("DM BOŚ") redemption of all bearer bonds series B i.e. 30 000 (thirty thousand) bonds with the nominal value of 1000 (one thousand) zlotys each (the "Bonds")

Bonds were redeemed (acquired) on the basis of pt. 11.4 of the Terms of Issue of Ordinary Bearer Bonds series B ("Issue Conditions") for redemption, which results from the exercise of the right of premature redemption at the Issuer's request on the basis of the relevant provisions of the Terms of Issue.

The average unit price paid for the purchase of one Bond is 1,060.13 (one thousand sixty 13/100) PLN which consists of 1,000 (one thousand) PLN paid for nominal value, 15.00 (fifteen) PLN paid as premium and 45.13 (forty five 13/100) PLN paid for interest, in accordance with point 11.4 of the terms and conditions of issue bonds.

- **CONCLUSION OF SALE AGREEMENT OF THE RIGHTS AND OBLIGATIONS OF THE GENERAL PARTNER AND A LIMITED PARTNER IN SUBSIDIARY**

July 25, 2017, Issuer's subsidiaries, Gaston Investments sp. z o.o. with seat in Warsaw as the general partner and Challenge Eighteen sp. z o.o. with seat in Warsaw as the limited partner concluded the final sell of all rights and obligations of the general partner and a limited partner in 14/119 Gaston Investments spółka z ograniczoną odpowiedzialnością sp.k. with seat in Warsaw (the "Limited Partnership").

The transaction value is 5 mln PLN.

Following the transaction, CPD SA and its subsidiaries do not hold shares in 14/119 Gaston Investments spółka z ograniczoną odpowiedzialnością sp.k.

- **CONDITIONAL REGISTRATION OF SHARES IN DEPOSIT LED BY KDPW S.A. (NATIONAL SECURITIES DEPOSITORY S.A.)**

Management Board of National Securities Depository S.A. adopted Resolution no. 492/17 dated 27 of July 2017, issued on a basis of § 2 subparagraphs 1 and 4 and § 40 2.3a and 4a of Regulations of National Securities Depository S.A., as a result of considered application of Company regarding registration of 1,198,100 one million one hundred ninety eight thousand one hundred) G-series ordinary bearer shares with a nominal value of PLN 0.10 each, issued as a conditional share capital increase, on a basis of Resolution no. 3 of Extraordinary General Meeting of Shareholders dated 5 August 2014 and mark them with the code PLCELPD00013, under condition, that the company operating the regulated market decides to introduce those shares to trading on the same regulated market into which other shares of the Company were marked with the code PLCELPD00013.

Register of ordinary bearer shares G-series CPD S.A. will take place within three days of receipt by the National Securities Depository S.A. of documents confirming that the company operating the regulated market has decided to introduce these shares to trading on the aforementioned market not earlier than on the date indicated in this decision as the day of placing such shares on the regulated market.

- **AN APPLICATION FOR THE INTRODUCTION OF SERIES G SHARES TO BE TRADE ON THE WARSAW STOCK EXCHANGE**

Management Board of CPD S.A. (The Company) announces that the Company has applied for the introduction of series G shares to be trade on the Warsaw Stock Exchange in Warsaw.

The total number of ordinary bearer shares with a nominal value of 0.10 zł each covered by the application to be launched on the stock exchange as a result of registration as follows: 1,198,100 one million one hundred ninety eight thousand one hundred).

The total number of shares to be publicly traded after the shares covered by the application will be: 39.354.023 (in words: thirty nine million three hundred fifty four thousand twenty three).

Proposed launch date is 7 August, 2017.

- **CONCLUSION OF AN ANNEX TO THE CONDITIONAL AGREEMENT**

CPD S.A. (hereinafter "the Company"), signed an tAnnex to the Investment Agreement (hereinafter "the Annex").

By the above Annex it is confirmed that no consent of the President of the Office for Protection of Competition and Consumers is required for entry of Unidevelopment S.A. to the company 4/113 Gaston Investments spółka z ograniczoną odpowiedzialnością sp.k. (hereinafter "the Limited Partnership") and for realisation of the aforementioned undertaking with the capital group CPD S.A.

In consideration of the foregoing, on 2 August 2017 Unidevelopment S.A. entered the Limited Partnership, in which 50% of shares is held by Unidevelopment S.A., as a result of and on that day the Investment Agreement became effective.

The Company further informs that on 2 August 2017 Gaston Investments Sp. z o.o. sold all the rights and obligations of the general partner in the company 4/113 Gaston Investments spółka z ograniczoną odpowiedzialnością sp.k. to Smart City Sp. z o.o., which Smart City sp. z o.o. entered the Limited Partnership as the general partner and further the name of the Limited Partnership changed its name to Ursa Park Smart City spółka z ograniczoną odpowiedzialnością spółka komandytowa.

- **CONCLUSION OF SALE AGREEMENT OF THE RIGHTS AND OBLIGATIONS OF THE GENERAL PARTNER AND A LIMITED PARTNER IN SUBSIDIARY**

2 August, 2017, Issuer's subsidiaries, Buffy Holdings no. 1 Ltd. with its registered office in Nicosia, Cyprus (the "Purchaser") signed with Dobalin Trading & Investments Ltd with its registered office in Nicosia, Cyprus (the "Seller") the sale purchase agreement 100% of the shares of Bolzanus Ltd (the "Company") with its registered office in Warsaw.

The Company acquired has the right of perpetual usufruct, to a plot No. 119, No. rpm. Reg. No. 2-09-09, of an area of 22 394 m² located near Gierdziejewskiego Street in Warsaw (Warsaw district – Ursus) (the "Property"). In accordance with the provisions of the Master Plan, most of the Property is predominantly designated for services and education as well as multi-family housing.

The transaction value is 4 620 000 (four million six hundred twenty thousand) PLN.

As a result of the transaction the corporate structure of the Issuer has changed.

- **THE ADMISSION AND INTRODUCTION TO TRADING SHARES OF SERIES G**

Resolution no 905/2017 dated on 3 August 2017 was adopted by Management Board of the Warsaw Stock Exchange (the WSE) on the basis of the Company's request dated on 28 July 2017, concerning the admission and introduction to trading on the WSE, 1.198.100 series G common bearer shares of CPD S.A. with nominal value of 0,10 zł each.

WSE Management Board decided to introduce Company shares to stock exchange trading on a regulated market on 7 August, 2017 under condition that the National Depository for Securities will register these shares with the code PLCELPD00013 on 7 August, 2017.

- **REGISTRATION OF G SERIES SHARES IN THE NATIONAL DEPOSITORY OF SECURITIES**

The Issuer received the communique of the Operational Department of the National Depository of Securities ("National Depository"), stating that in accordance with National Depository's resolution No 492/17 of 27 July 2017, the 1 198 100 G Series ordinary bearer shares of the Company, with ISIN code PLCELPD00013, shall be registered in the National Depository on 7 August 2017.

- **REGISTRATION OF G SERIES SHARES ON THE SECURITIES ACCOUNTS AND THE INCREASE OF THE SHARE CAPITAL**

8 August 2017 the Company's share capital was increased as a result of the registration of G series shares on the securities accounts of entitled persons and creation of rights from these shares according to the article 452 of the Commercial Code.

Consequently, the share capital of CPD S.A. was increased by the amount of 119,810.00 PLN to total amount of 3,935,402.30 PLN (in words: three million nine hundred thirty five thousand four hundred

CPD S.A.

HALF YEAR REPORT FOR 6 MONTHS ENDED 30 JUNE 2017 R.

two złoty and thirty groszy). The increased share capital of CPD S.A. is divided into 39,354,023 (in words: thirty nine million three hundred fifty four thousand twenty three) shares with nominal value of 0,10 PLN (ten groszy) each, representing 100% of votes at the General Meeting of the Company.

Series G shares were issued as a result of exercising the rights to convertible bonds of Series A issued pursuant to Resolution No. 3 of the Extraordinary General Meeting of CPD S.A. Dated 5 August 2014, as part of the conditional increase of the share capital of the Company, which was registered by the District Court for the Capital City of Warsaw in Warsaw, XIII Commercial Division of the National Court Register.

23. CHANGES RELATED TO CONDITIONAL LIABILITIES OR ASSETS

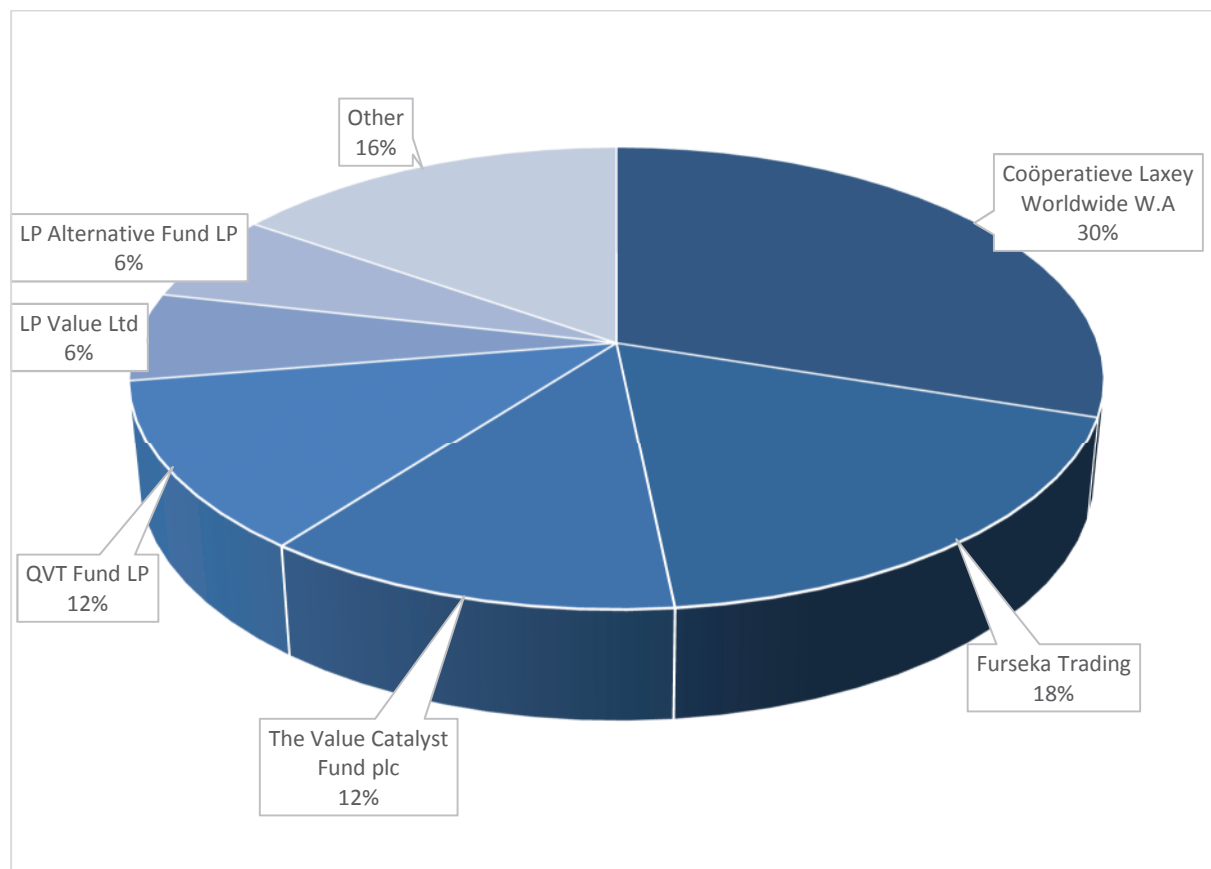
Not occurred.

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.



CPD S.A.

HALF YEAR REPORT FOR 6 MONTHS ENDED 30 JUNE 2017 R.

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 number of shares	As % of total number of votes
Coöperatieve Laxey Worldwide W.A	11 830 907	Na okaziciela	11 830 907	30.06 %	30.06 %
Furseka Trading	7 202 156	Na okaziciela	7 202 156	18.30 %	18.30 %
The Value Catalyst Fund plc	4 739 953	Na okaziciela	4 739 953	12.04 %	12.04 %
QVT Fund LP	4 719 516	Na okaziciela	4 719 516	11.99 %	11.99 %
LP Value Ltd	2 417 419	Na okaziciela	2 417 419	6.14 %	6.14 %
LP Alternative Fund LP	2 415 637	Na okaziciela	2 415 637	6.14 %	6.14 %
others	6 028 435	Na okaziciela	6 028 435	15.32 %	15.32 %

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 Wiczowska	President	42 498	4250	0,13%	0,13%
Iwona Makarewicz	Board Member	4 734	473	0,01%	0,01%
Colin Kingsnorth	Board Member	0	0	0	0
John Purcell	Board Member	0	0	0	0
Waldemar Majewski	Board Member	0	0	0	0
Total		47 232	4 723	0,14%	0,14%

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

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

As at the date of this report, neither 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 of June 30, 2017, the CPD Group in the consolidated financial statements discloses the following bank loan liabilities:

- liabilities towards the bank mBank Hipoteczny S.A. in the amount of PLN 39 428 thousand (of which PLN 1 777 thousand presented as short-term and PLN 37,651 thousand presented as a long-term part);
- liabilities towards Bank Zachodni WBK S.A. PLN 71 677 thousand (of which PLN 4 792 thousand presented as short-term and PLN 66 885 thousand as long-term liabilities).

On June 18, 2014, Lakia Investments and Robin Investments entered into loan agreements with mBank Mortgage. The above loan was granted in order to refinance the loan taken out at HSBC Bank Polska in 2006, which was used to finance office investments located at Cybernetyki 7b and Polczyńska 31a. The loan in mBank Mortgage was launched on July 1, 2014. Lakia Investments exposure was EUR 5,534,033 at the balance sheet date, and Robin Investments EUR 4,285,405.14. Under the terms of the loan agreement with mBank Hipoteczny, these companies are obliged to repay the entire loan by 20 June 2029.

As a result of significant capital expenditures on the substance of the Solar building aimed at raising the standard of real estate at ul. Cybernetyki 7 b and lease ratio of 71%. The DSCR was not fulfilled by Lakia Investments. Under the terms of the loan agreement, Lakia Investments informed the lender of the situation. The Company is in talks with potential tenants to increase the rental ratio. Entries describing the above changes in the obligated companies are presented in Note 11.

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

On August 12, 2011 Subsidiary Belise Investments Sp. z o.o. concluded with BZ WBK S.A. a loan agreement to finance or refinance some of the cost of renting an IRIS building. In accordance with the Annex to the credit agreement signed in May 2015, the deadline for the full repayment of the Loan, together with interest and other costs, was agreed by 31 May 2021.

Under the credit agreements in force, interest on loans and advances is calculated on the basis of the reference rate (6M EURIBOR for mBank, 1M EURIBOR for BZ WBK) and increased by the margin.

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

The value of derivative hedging instruments - IRS as at the balance sheet date was valued at PLN 532 thousand PLN. The method of valuation of IRS transactions is presented in Note 3.

29. THE SUPERVISORY BOARD AND THE MANAGEMENT BOARD

At 30 June 2017, the composition of the Supervisory Board of the Company was as follows:

- Mr. Andrew Pegge – President of the Supervisory Board
- Mr. Michael Haxbey - Vice President of the Supervisory Board (Supervisory Board member meeting the requirements of independent member of the Supervisory Board)
- Mr. Wiesław Oleś – Secretary Member of the Supervisory Board

- Mr. Mirosław Gronicki – Member of the Supervisory Board (Supervisory Board member meeting the requirements of independent member of the Supervisory Board)
- Ms. Gabriela Gryger - Member of the Supervisory Board (Supervisory Board member meeting the requirements of independent member of the Supervisory Board)

At 30 June 2017, the composition of the Management Board of the Company was as follows:

- Mrs. Elżbieta Wiczowska – President of the Management Board;
- Mr. John Purcell – Member of the Management Board;
- Ms. Iwona Makarewicz – Member of the Management Board
- Mr. Colin Kingsnorth - 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 that will influence the results of the next 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 second 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,

CPD S.A.

HALF YEAR REPORT FOR 6 MONTHS ENDED 30 JUNE 2017 R.

- Valuation of liabilities arising from bonds.

II. MANAGEMENT BOARD STATEMENT

The Management Board of CPD S.A. ("The Company") confirms that to the best of its knowledge condensed interim consolidated financial statements of the Group CPD S.A. ("The Group") and condensed interim financial statements of the Company for the period of 6 months ended 30 June 2017 as well as comparative figures have been prepared in accordance with applicable accounting principles and give a true and fair financial and asset situation of the Group and its financial results and that the half-year report of activities of the Group includes the true situation of the achievements and the situation of the Group including principal threats and risks.

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

Warsaw, 28 September 2017

Elżbieta Wiczowska

President of the Management Board

Colin Kingsnorth

Member of the Management Board

Iwona Makarewicz

Member of the Management Board

John Purcell

Member of the Management Board

Waldemar Majewski

Member of the Management Board

CPD S.A.

HALF YEAR REPORT FOR 6 MONTHS ENDED 30 JUNE 2017 R.

**III. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT
FOR H1 FY2017 ALONG WITH CONDENSED FINANCIAL
STATEMENTS OF CPD S.A.**

CPD S.A.

Condensed interim consolidated financial statements
for the period of 6 months ended 30 June 2017
and the condensed financial statements of CPD S.A.
for the period of 6 months ended 30 June 2017

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

(unaudited financial data, reviewed by an auditor)

Condensed interim consolidated financial statements for the period of 6 months ended 30 June 2017

	Page
I Interim consolidated financial statements	4
Condensed consolidated statement of comprehensive income	4
Condensed consolidated statement of financial position	5
Condensed consolidated statement of changes in equity	7
Condensed consolidated statement of cash flows	8
Notes to the interim condensed consolidated financial statements	9
1 General information	9
2 The accounting principles	9
2.1 Basis of preparation	9
2.2 Changes in Group structure	10
3 Significant accounting estimates and judgements	11
3.1 Managing financial risk	15
3.2 Changes in the accounting approach for some first quarter 2017 transactions	16
4 Investment properties	17
5 Trade receivables and other receivables	18
6 Inventories	18
7 Cash and cash equivalents	18
8 Joint venture	18
9 Share capital	19
10 Trade payables and other liabilities	20
11 Borrowings, including financial leasing	20
12 Bonds issued	21
13 Deferred income taxes	23
14 Revenue by nature	23
15 Cost of sales	23
16 Administrative costs property related	24
17 Administrative expenses-other	24
18 Other income	24
19 Result from sales of subsidiaries	25
20 Financial income and expenses	25
21 Income tax	25
22 Cash generated from operations	26
23 Related party transactions	26
24 Payment of dividends	27
25 Earnings per share	27
26 Contingent liabilities	27
27 Segment reporting	27
28 Seasons of activity and unusual events	27
29 Assets and liabilities held for sale	28
30 Events after the end of the reporting period	28
II Interim financial statements of the parent company	29
31 Interim financial information of the parent	29
31.1 Condensed statement of comprehensive income	29
31.2 Condensed statement of financial position	30
31.3 Condensed statement of changes in equity	31
31.4 Condensed statement of cash flows	32
31.5 Shares in subsidiaries	33
31.6 Bonds	33
31.7 Long-term receivables	33
31.8 Trade receivables and other receivables	34
31.9 Earnings per share	35
31.10 Bonds issued	35

Condensed interim consolidated financial statements for the period of 6 months ended 30 June 2017

	Page
31.11 Borrowings, including financial leasing	37
31.12 Administrative costs	38
31.13 Financial income and expenses	38
31.14 Cash generated from operations	39
31.15 Related party transactions	39
31.16 Share capital	42

Condensed consolidated statement of comprehensive income

		For the 6 month period ended		For the 3 month period ended	
	Note	30-06-2017	30-06-2016	30-06-2017	30-06-2016
		(not reviewed by an auditor)			
Revenues	14	10 332	9 705	5 093	4 979
Cost of sales, including:	15	(1 536)	(1 198)	(586)	(624)
<i>change in inventory impairment</i>		(16)	(19)	(16)	(19)
<i>cost of the services sold</i>		(1 520)	(1 179)	(570)	(605)
PROFIT ON SALES		8 796	8 507	4 507	4 355
Administrative costs property related	16	(2 879)	(3 354)	(1 098)	(1 199)
Administrative expenses-other	17	(4 652)	(3 906)	(1 530)	(2 227)
Selling and marketing expenses		(328)	(213)	(207)	(106)
Net profit (loss) from sale of investment property		(72)	(2 475)	(6)	(2 475)
Other income	18	192	70	78	56
Net (loss)/ gain from fair value adjustments on investment properties	4	(11 190)	5 216	(3 533)	5 023
Post-tax share of the profit or loss of the joint-venture accounted for using the equity method	8	8 675	308	5 768	(138)
Result from sales of subsidiaries		2 680	0	2 680	0
OPERATING RESULT		1 222	4 153	6 659	3 289
Financial income	20	5 936	4 973	154	1 974
Financial costs	20	(9 785)	(11 704)	(1 685)	(6 065)
RESULT BEFORE INCOME TAX		(2 627)	(2 578)	5 128	(802)
Income tax	21	(1 343)	(1 090)	(2 343)	(764)
RESULT OF THE PERIOD		(3 970)	(3 668)	2 785	(1 566)
Currency translation adjustment		(39)	(91)	2	(119)
TOTAL COMPREHENSIVE INCOME		(4 009)	(3 759)	2 787	(1 685)
Result attributable to:					
Equity holders of the Group		(3 970)	(3 668)	2 785	(1 566)
Minority interest		0	0	0	0
TOTAL COMPREHENSIVE INCOME					
Equity holders of the Group, including:		(4 009)	(3 759)	2 787	(1 685)
- continued operations		(4 009)	(3 759)	2 787	(1 685)
- discontinued operations		0	0	0	0
BASIC EARNINGS PER SHARE (PLN)	25	(0,11)	(0,11)	0,07	(0,05)
DILUTED EARNINGS PER SHARE (PLN)	25	(0,10)	(0,13)	0,07	(0,08)

Elżbieta Donata Wiczowska
Chairman of the Board

John Purcell
Board Member

Waldemar Majewski
Board Member

Colin Kingsnorth
Board Member

Iwona Makarewicz
Board Member

Condensed consolidated statement of financial position

	Note	30-06-2017	31-12-2016
ASSETS			
Non-current assets			
Investment properties	4	542 287	558 706
Property, plant and equipment		812	829
Intangible assets, excluding goodwill		15	30
Investments in joint ventures accounted for using the equity method	8	23 213	32 572
Deferred tax assets	13	13	0
Long-term receivables	5	370	365
		566 710	592 502
Current assets			
Inventories	6	22 381	5 468
Trade receivables and other receivables	5	9 300	10 229
- receivables and loans		3 604	5 169
- prepayments		5 696	5 060
Bonds		3 702	3 702
Cash and cash equivalents	7	175 877	89 999
Current assets excluding assets held for sales		211 260	109 398
Assets held for sale	29	434	14 075
Current assets		211 694	123 473
Total assets		778 404	715 975

CPD S.A.

Condensed interim consolidated financial statements for the period of 6 months ended 30 June 2017

(All amounts in PLN thousands unless otherwise stated)

Condensed consolidated statement of financial position - cont.

	Note	30-06-2017	31-12-2016
EQUITY			
Equity attributable to owners of the parent company			
Share capital	9	3 286	3 286
Bonds conversion under registration	9	39 852	0
Other reserves		987	987
Embedded element at inception date		(27 909)	(27 909)
Translation reserve		(5 422)	(5 383)
Retained earnings		471 952	475 922
Total equity		482 746	446 903
LIABILITIES			
Non-current liabilities			
Trade payables and other liabilities	10	2 103	2 091
Borrowings, including financial leasing	11	117 322	138 878
Bonds issued	12	0	29 742
Deferred tax liabilities	13	21 605	20 248
Non-current liabilities		141 030	190 959
Current liabilities			
Trade payables and other liabilities	10	95 517	35 171
Bonds issued	12	31 062	31 131
Embedded derivatives	12	0	4 023
Borrowings, including financial leasing	11	27 962	7 206
Current liabilities excluding liabilities held for sale		154 541	77 531
Liabilities classified as held for sale	29	87	582
Current liabilities		154 628	78 113
Total liabilities		295 658	269 072
Total Equity and liabilities		778 404	715 975

Elżbieta Donata Wiczowska
Chairman of the Board

John Purcell
Board Member

Colin Kingsnorth
Board Member

Iwona Makarewicz
Board Member

Waldemar Majewski
Board Member

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

Condensed consolidated statement of changes in equity

	Share capital	Bonds conversion under registration	Embedded element at inception date	Translation reserve	Reserve capital	Retained earnings	Total equity
Balance as at 01-01-2016	3 286	0	(27 909)	(5 311)	987	479 778	450 831
<u>Comprehensive income</u>							
Currency translation adjustment	0	0	0	(91)	0	0	(91)
Result of the period	0	0	0	0	0	(3 668)	(3 668)
	0	0	0	(91)	0	(3 668)	(3 759)
Balance as at 30-06-2016	3 286	0	(27 909)	(5 402)	987	476 110	447 072
Balance as at 01-01-2017	3 286	0	(27 909)	(5 383)	987	475 922	446 903
<u>Transactions with owners</u>							
Conversion of bonds into shares	0	39 852	0	0	0	0	39 852
	0	39 852	0	0	0	0	39 852
<u>Comprehensive income</u>							
Currency translation adjustment	0	0	0	(39)	0	0	(39)
Result of the period	0	0	0	0	0	(3 970)	(3 970)
	0	0	0	(39)	0	(3 970)	(4 009)
Balance as at 30-06-2017	3 286	39 852	(27 909)	(5 422)	987	471 952	482 746

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

Elżbieta Donata Wiczowska
Chairman of the Board

John Purcell
Board Member

Colin Kingsnorth
Board Member

Iwona Makarewicz
Board Member

Waldemar Majewski
Board Member

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

Condensed consolidated statement of cash flows

		For the 6 month period ended	
	Note	30-06-2017	30-06-2016
Cash flow from operating activities			
Cash generated from operations	22	61 517	(5 882)
Interest paid		(2 583)	(2 794)
Net cash from operating activities		58 934	(8 676)
Cash flows from investing activities			
Capital expenditure on investments property		(3 967)	(9 242)
Purchase of property, plant and equipment		(89)	(31)
Proceeds from sale of property, plant and equipment		0	40
Proceeds from the sale of investment property		0	2 099
Loans granted		0	(347)
Proceeds from the sale of subsidiaries		15 531	0
Reduction of joint venture contribution		18 034	0
Net cash from investing activities		29 509	(7 481)
Cash flows from financing activities			
Proceeds from borrowings		0	5 000
Repayment of borrowings		(2 565)	(2 221)
Net cash from financing activities		(2 565)	2 779
Net (decrease)/increase in cash and cash equivalents		85 878	(13 378)
Cash and cash equivalents at beginning of the year		89 999	26 073
Cash and cash equivalent reclassified to assets held for sales		0	(22)
Cash and cash equivalents at the end of the period		175 877	12 695
Cash and cash equivalents at the end of the period after the transfer of cash to position assets held for sale	7	175 877	12 673

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Chairman of the Board

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Board Member

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Waldemar Majewski
Board Member

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

Notes to the interim condensed consolidated financial statements

1 General information

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

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

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

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

Information about the Capital Group

As at balance sheet date CPD Group comprised CPD S.A. as a parent entity, 34 subsidiaries and 1 joint venture.

2 The accounting principles

These interim condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ending 31 December 2016, 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 2016.

These interim condensed consolidated financial statements as at 30 June 2017 have been prepared with the assumption that the Group will continue as a going concern in the foreseeable future.

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 and all other applicable IFRSs approved by the European Union.

The Group has decided not to advance any of the standards, interpretations nor changes published before their date of entry into force.

The following standards, interpretations and changes were issued by the IFRS Board or IFRS Interpretation Committee but are not effective yet:

IFRS 9 Financial Instruments: Classification, Measurement and Hedging Accounting

It replaces the guidance in IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018.

IFRS 14 Regulatory Deferral Accounts

According to European Commission the approval process will not be initiated before issuance of the final version of the standard. Not approved by the European Union until the moment of preparation of these interim condensed consolidated financial statements. Applies to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2016.

IFRS 15 Revenues from contracts with customers

The standard was published by the International Accounting Standards Board on 11 September 2015 and is effective for annual periods beginning on or after 1 January 2018.

Notes to the interim condensed consolidated financial statements**IFRS 16 Leasing**

Not approved by the EU until the date of preparation of these interim condensed consolidated financial statements. Effective for annual periods beginning on or after January 1, 2019.

Amendments to IFRS 2 Share based payments - classification and measurement

Not approved by the EU until the date of preparation of these interim condensed consolidated financial statements. Effective for annual periods beginning on or after January 1, 2018.

Amendments to IFRS 4 Insurance - application of IFRS 9 Financial Instruments

Not approved by the EU until the date of preparation of these interim condensed consolidated financial statements. Effective for annual periods beginning on or after January 1, 2018.

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

The EU approval process has been suspended for indefinite period.

Amendments to IAS 7 Statement of Cash Flows

Initiative related to information disclosure connected with changes in liabilities from financial activities. Not approved by the EU until the date of preparation of these interim condensed consolidated financial statements. Effective for annual periods beginning on or after January 1, 2017.

Amendments to IAS 12 Income Taxes

Changes related to recognition of deferred tax on unrealised losses. Not approved by the EU until the date of preparation of these interim condensed consolidated financial statements. Effective for annual periods beginning on or after January 1, 2017.

Clarifications to IFRS 15 Revenue from Contracts with Customers

Not approved by the EU until the date of preparation of these interim condensed consolidated financial statements. Effective for the annual reporting periods beginning on or after 1 January 2018.

Annual amendments MSSF 2014-2016

Not approved by the EU until the date of preparation of these interim condensed consolidated financial statements. Amendments to IFRS 12 effective for the annual reporting periods beginning on or after 1 January 2017 and amendments to IFRS 1 and IAS 28 effective for the annual reporting periods beginning on or after 1 January 2018.

Amendments to IAS 40 investment properties

Changes related to reclassification of investment properties. Not approved by the EU until the date of preparation of these interim condensed consolidated financial statements. Effective for the annual reporting periods beginning on or after 1 January 2018.

IFRIC 22 — Foreign Currency Transactions and Advance Consideration

Published on 8 December 2016. Not approved by the EU until the date of preparation of these interim condensed consolidated financial statements. Effective for the annual reporting periods beginning on or after 1 January 2018.

The management is still in progress of verification of impact of the above standards on financial situation, results of activity and financial statements.

2.2 Changes in Group structure

As at the date of these interim condensed consolidated financial statements CPD Group comprised of CPD S.A. as a parent entity, 34 subsidiaries and 1 joint venture.

In there reporting period, on 28 June 2017 the Group has disposed a subsidiary 11/162 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.. The result on the disposal is shown n the note 19.

The changes in the Group structure subsequent to the balance sheet date are described in note 30.

The subsidiaries are subject to full consolidation since inception or introduction of control by the Group. They are deconsolidated upon termination of the control by the Group.

Joint ventures are consolidated based on property rights method.

Notes to the interim condensed consolidated financial statements**3 Significant accounting estimates and judgements**

During preparation of these interim 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 6 months ended June 30, 2017.

The Management Board makes estimates and adopts assumptions concerning the future. Accounting estimates so obtained will seldom match actual results by their very nature.

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, 2016.

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

Determination of the fair value of investment properties

The fair value of investment 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.

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

(i) non-developed land or land developed with tenement houses; these mainly include land in Jaktorów, Czosnów, Lesznowola and Nowa Piasecznica as well as tenement houses in Warsaw and Łódź, disclosed as inventory in the consolidated financial statements and valued at acquisition price or at cost not exceeding their net sale price and non-developed land in Wolbórz classified as investment property and presented at fair value;

(ii) investment properties generating significant rent income (3 office buildings in Warsaw);

(iii) investment land in the district of Ursus in Warsaw designed for residential and retail construction as per valid local zoning plan;

(iv) investment land in the district of Ursus in Warsaw designed for public purposes as per valid local zoning plan.

The Group valued individual investment properties using the following methods:

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

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

Notes to the interim condensed consolidated financial statements**3 Significant accounting estimates and judgements - contd.**

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

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

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

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

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 rates are determined at least annually by third party property experts and the net operating income is based on binding rentals.

The land for residential and retail development is valued based on residual method. The value of such property is determined as a difference between expected proceeds from project sales and cost necessary to finalise the projects and reasonable developer margin.

The land for residential and retail development was valued based on the following assumptions:

- the useful area of apartments to be built amounts to 470,227 sq.m.;
- the useful area of shops to be built on ground floors of the houses amounts to 41,428 sq.m.;
- the useful area of offices to be built amounts to 10,907 sq.m.

The land for public purposes was valued using the comparative method (comparison in pairs).

The methods and assumptions applied for valuation of the investment properties have not changed as compared to those applied in the consolidated financial statements of the Group for 2016.

Accounting treatment 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 created for construction of a complex of multiple residential units with services and related infrastructure at a property belonging to Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.

Notes to the interim condensed consolidated financial statements

At the same time, the parties stipulated in the investment agreement that a part of lands (and all related costs and income) belonging to Smart City would be excluded from this joint venture and transferred to a subsidiary SPV 100% controlled by CPD Group. The lands excluded from the joint venture consist of areas which according to the local spatial development plan are destined for the construction of public roads and for educational purposes. However in the first half of 2016 the parties decided to leave the land in Smart City. Moreover part of the educational land was mortgaged to collateralise bank loan financing Smart City residential project.

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.

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.

Accounting treatment of 4/113 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp. k.

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

According to information disclosed in note 30, following the stipulations of the investment agreement Unidevelopment SA became a limited partner in 4/113 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k. on 2 August 2017, thus turning the subsidiary into joint venture. Since it is a subsequent event, in these interim condensed consolidated financial statements the entity remains a fully consolidated subsidiary.

Calculation of Fair Value of 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 than 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 2 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.

As at balance sheet date the bonds have been converted into equity in two stages. As a result the embedded derivative has been realised during 2017.

3 Significant accounting estimates and judgements - contd.

Notes to the interim condensed consolidated financial statements

Assumptions underlying the pricing model include:

- adjustment of the issuer credit risk discount curve: 8%;
- volatility of issuer share price: 65,78% and 75,05% respectively - 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;

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.

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.

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.

As at 30 June 2017 the value of IRS was PLN 532 thousand.

In the first half of 2017 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.

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 30 June 2017 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 March 31, 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.

Notes to the interim condensed consolidated financial statements***Income tax***

Resulting from the fact that the companies subject to consolidation reside in various fiscal jurisdictions, which complicates transactions between them and results in ambiguities in the interpretation of the provisions of law, tax settlements, including the determination of the right or obligation to include as well as the way of including separate transactions in the tax bill of individual Group entities, 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.

Moreover, with reference to General Anti-Avoidance Clause (GAAR), aimed at prevention from creating and using artificial legal structures in order to avoid tax in Poland, the Management has analysed the whole tax position of the Group entities, intended to identify and access transactions and operations that could potentially be subject to GAAR and judge the impact on those interim condensed consolidated financial statements. In the Management's opinion the related risk has been properly reflected in these interim condensed consolidated financial statements, however interpretation of tax regulations bears inherent uncertainty, which may impact future recoverability of deferred tax assets or tax payables related to past periods.

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

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

Risk of changes in interest rates

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

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

Liquidity risk

In the first half of 2017 the Group has improved its liquidity resulting mainly from cash generated from operating activities with parallel conversion of the series A bonds into equity. Moreover after the balance sheet date early redemption of series B bonds took place.

The details of the current borrowings were presented the consolidated financial statements for the year ended December 31, 2016.

3.2 Changes in the accounting approach for some first quarter 2017 transactions

Notes to the interim condensed consolidated financial statements

Revenues form services auxiliary to investment property sales

In the second quarter of 2017 the management performed the evaluation of risk and benefits transferred within the services auxiliary to sales of investment properties. As a result the management changed their assessment of related revenue recognition criteria for the amounts recorded in the first quarter of 2017. Consequently PLN 12 000 thousand together with subsequent amounts related to such services have been presented as received prepayments within trade payables in these condensed consolidated financial statements.

Bonds valuation at conversion

In the second quarter of 2017 the management revised the transaction of conversion of bonds into shares. It has been decided to value the bonds together with the embedded derivative at fair value upon converting and reflect the result in the statement of comprehensive income. As a result related revaluation of PLN 5 600 thousand has been recognised as a financial cost of the first quarter of 2017.

Notes to the interim condensed consolidated financial statements

4 Investment properties

	01-01-2017 30-06-2017	01-01-2016 31-12-2016
At the beginning of the reporting period	558 706	651 094
Capital expenditure	3 967	11 355
Disposal of investment property	(62)	(4 574)
Investment properties in disposed subsidiaries	0	(68 746)
Transfer of investment property to joint venture	0	(16 012)
Transfer of capitalised financial liabilities to joint venture	0	(519)
Capitalised financial liabilities in disposed investment properties	(17)	(4 829)
Transfer of capitalised financial liabilities to assets held for sale	0	(581)
Change of capitalised financial liabilities	7 528	(44)
Transfer to inventories	(16 645)	0
Transfer of investment property to assets held for sale	0	(13 160)
Net (loss)/ gain from fair value adjustments on investment properties	(11 190)	4 722
At the end of the reporting period	542 287	558 706

On February 22, 2017 the Group has concluded an investment agreement for a joint venture aimed at construction of complete complex of multi-family buildings with services and infrastructure.

The Agreement assumes joint implementation of investment building on the property (the "Property") owned by the Group CPD SA ie. the subsidiary 4/113 Gaston Investments limited liability limited partnership in Warsaw, which is the perpetual usufructuary of plots No. 113/1, 113/2, 113/4, 113/5 no. rpm. reg. no. 2-09-09, with an area of 4,944 ha and is located at Traktorzystów Street in Warsaw.

The construction of complex buildings with services, together with the accompanying infrastructure on the part of the Property of area of approx. 1.36 ha, will be performed in two stages. Unibep SA will be a general contractor and Unidevelopment SA a substitute investor.

As at 31 March 2017 a part of investment property of PLN 16 645 thousand related to the implementation of stage I of the project was transferred to inventory.

Following the stipulation of the investment agreement Unidevelopment SA became a limited partner in the subsidiary on 2 August 2017.

	For the 6 month period ended	
	30-06-2017	30-06-2016
Direct operating costs for investment properties:		
- generating rent income	2 233	1 998
- other	89	38
	2 322	2 036

Notes to the interim condensed consolidated financial statements**5 Trade receivables and other receivables**

	30-06-2017	31-12-2016
Trade receivables	1 297	1 715
Receivables from the state	1 891	3 368
Receivables from related parties	57	86
Prepaid expenses	5 696	5 060
Other receivables	359	0
Short-term receivables	9 300	10 229
Long-term receivables	370	365
Total receivables	9 670	10 594

Prepaid expenses relate mainly to settlement of annual costs of property tax and perpetual land usufruct.

6 Inventories

	30-06-2017	31-12-2016
At the beginning of the reporting period	5 468	5 296
Capital expenditure	407	31
Transfer from investment properties	16 645	0
Impairment loss	(16)	(1)
Exchange differences	(123)	142
At the end of the reporting period	22 381	5 468

In the first quarter of 2017 Group transferred investment property, related to the implementation and stage I of investment, involving the construction of a complex of buildings housing together with the supporting infrastructure.

7 Cash and cash equivalents

	30-06-2017	31-12-2016
Cash at bank and on hand	55 205	11 145
Restricted cash	3 174	3 324
Short-term bank deposits	117 498	75 530
	175 877	89 999

Restricted cash relates to 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 in hand and on the bank accounts as well as short-term bank deposits.

8 Joint venture

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

	30-06-2017	31-12-2016
<u>Smart City Spółka z ograniczoną odpowiedzialnością sp.k.</u>	23 213	32 572
Opening balance as at 1 January	32 572	14 512
Group's share of the net profit or loss of the joint ventures presented in these interim condensed consolidated financial statements	8 675	3 680
Reduction of joint venture contribution	(18 034)	0
Land for educational purposes and provisions transferred to joint venture	0	14 511
Other adjustments	0	(131)
Closing balance	23 213	32 572

Notes to the interim condensed consolidated financial statements

8 Joint venture - cont.

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

<i>Financial information from statement of financial position</i>	Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.	
	30-06-2017	31-12-2016
Total non-current assets, including:	14 118	14 121
Fixed assets	19	22
Investment properties	14 099	14 099
Total current assets, including:	31 350	79 590
Inventory	20 025	56 267
Trade receivables and other receivables	114	5 293
Cash and cash equivalents	11 211	18 030
Total assets	45 468	93 711
Total current liabilities, including:	5 394	28 767
Trade payables and other liabilities	2 293	25 829
Provisions	3 101	2 938
Total non-current liabilities, including:	0	12 230
Borrowings	0	12 230
Total liabilities	5 394	40 997
Net assets	40 074	52 714
% held by the Group - with regards to investment property	100%	100%
Group share of investment properties of the joint venture	10 998	12 599
Refund of Unidvelopment contributions	(5 370)	
% held by the Group	50%	50%
Group share of net assets of the joint venture	11 853	20 058
Purchase price allocation adjustments	0	(19)
Consolidation adjustments	362	(66)
Carrying amount of investment in joint venture presented in the interim condensed consolidated financial statements	23 213	32 572

In the first two quarters of 2017, the Group recognized a gain on the joint venture in Smart City Spółka z ograniczoną odpowiedzialnością Sp.k. amounting to PLN 8.675 thousand.

9 Share capital

	Number of shares		Value of shares	
	30-06-2017	31-12-2016	30-06-2017	31-12-2016
Ordinary shares (in thousands)	32 863	32 863	3 286	3 286

On 5 August 2014 the Extraordinary Shareholders Meeting resolved on: the issuance of bonds of series A convertible to the Company's shares of series G, the deprivation of the existing shareholders of the preemptive rights with respect to the convertible bonds of series A, the contingent increase of the share capital of the Company, the deprivation of the existing shareholders of the preemptive rights with respect to the shares of series G and on the amendment of the Statute of the Company, dematerialization of the shares of series G and the application for introduction to trading on the regulated market of the shares of series G. The contingent share capital increase was to be performed by issuance of up to 9.791.360 series G ordinary bearer share of CPD of par value of PLN 0,10 and total value of up to PLN 979 thousand. 110 series A bonds have been issued of par value of EUR 50 thousand and total value of EUR 5.500 thousand.

Notes to the interim condensed consolidated financial statements**9 Share capital - contd.**

On 20 March 2017 the bondholders of the series A bonds convertible into shares series G issued by CPD Sa on 26 September 2014 notified the Management of CPD SA about intention to convert 90 bonds into 5.292.720 series G shares of CPD SA. The conversion price has been determined at PLN 4,38, as specified in Extraordinary Shareholders Meeting resolution number 3 of 5 August 2014 and bonds' issuance conditions.

On 13 June 2017 the bondholders of the series A bonds convertible into shares series G issued by CPD SA on 26 September 2014 notified the Management of CPD SA about intention to convert 20 bonds into 1.198.100 series G shares of CPD SA. The conversion price has been determined at PLN 4,38, as specified in Extraordinary Shareholders Meeting resolution number 3 of 5 August 2014 and bonds' issuance conditions.

Until the date of preparation of these condensed consolidated financial statements the share capital increase has not been registered by KRS, as a result the balance sheet discloses PLN 39.852 of bonds conversion under registration in the Group's equity.

On 7 June 2017 Extraordinary Shareholders Meeting entitled the Management of CPD SA to acquire up to 14.314.928 shares of the Company of par value of PLN 0,10 each.

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

	30-06-2017	31-12-2016
Tenant deposits	2 103	2 091

Current liabilities

	30-06-2017	31-12-2016
Trade payables	707	1 451
Payables to related parties	37	0
Output VAT and other tax payables	12 017	6 795
Tenant deposits	320	352
Other liabilities	396	8 448
Received prepayments	71 500	5 000
Accrued expense	10 540	13 125
	95 517	35 171

Accrued expenses relate mainly to provisions for potential tax risks and has decreased as compared to the end of 2016 due to expiry or realisation of part of the risks.

The increase in tax payables as compared to the end of 2016 relates mainly to property tax as well as perpetual usufruct costs, amortised on calendar year basis.

Received prepayments result from the preliminary agreements to sell partner's rights and obligations in 14/119 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k., preliminary agreements to sell properties by 18 Gaston Investments Spółka z ograniczoną odpowiedzialnością sp.k. and IMES Polska Sp. z o.o as well as received deferred revenues from services auxiliary to sales of investment properties.

11 Borrowings, including financial leasing

	30-06-2017	31-12-2016
Non-current		
Bank loans	83 317	112 094
IRS derivative	358	647
Financial leasing	33 647	26 137
	117 322	138 878



Notes to the interim condensed consolidated financial statements

11 Borrowings, including financial leasing - contd.

	30-06-2017	31-12-2016
Current		
Bank loans	27 788	6 886
IRS derivative	174	320
	27 962	7 206
Total borrowings	145 284	146 084

As of June 30, 2017 bank credits consist of:

- payable of PLN 39 428 thousand to mBank Hipoteczny S.A. (PLN 22 996 thousand being short-term and PLN 16 432 thousand long-term),
- payable of PLN 71 677 thousand to Bank Zachodni BZ WBK (PLN 4 792 thousand being long-term and PLN 66 885 thousand as 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 Cybernetics 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 5 253 thousand, and Robin's - EUR 4 068 thousand. 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.

During the first half of 2017 Lakia Investments reported noncompliance with one of credit facility covenants, which entitles the bank to request repayment of the whole loan amount. Until the moment of preparation of these interim condensed consolidated financial statements the bank has not issued such a request. As a result the whole amount of Lakia Investment bank loan (PLN 22 221 thousand) has been presented as short term liability.

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.

According to the binding bank loan agreements interest on the loans is chargead based on the reference rates (6M EURIBOR for mBank and 1M EURIBOR for BZ WBK) increased by the contractual margins.

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

The value of hedging derivative (IRS) as at the balance sheet date was estimated at PLN 532 thousand. The method of valuation of IRS transactions is presented in the note 3.

12 Bonds issued

	30-06-2017	31-12-2016
<i>a/ Bonds series A</i>		
At the beginning of the reporting period	33 875	38 040
Accrued interest	610	2 553
Valuation of the embedded derivative	6 893	(7 612)
Valuation as at conversion/balance sheet date	(1 526)	894
Conversion of the bonds and interest into shares	(39 852)	0
Bonds value as at balance sheet date	0	33 875

Notes to the interim condensed consolidated financial statements**12 Bonds issued - contd.**

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. In the first half of 2017 CPD received from the series A bond holders notifications concerning conversion of 110 series A bonds into series G shares.

As described further in note 9 the series A bonds has been converted into equity of CPD SA.

	30-06-2017	31-12-2016
<i>b/ Bonds series B</i>		
At the beginning of the reporting period	31 021	30 915
Accrued interest	1 361	2 738
Interest paid	(1 376)	(2 738)
Effective interest rate valuation	56	106
Bonds value as at balance sheet date	31 062	31 021

	30-06-2017	31-12-2016
Long-term		
Bonds issued	0	29 742
Short-term		
Bonds issued	29 798	29 852
Embedded derivative	0	4 023
Bonds issued - interest	1 264	1 279
	31 062	64 896

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 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 collateralised bearer bonds with the nominal value of PLN 1 thousand each and do not have the form of an instrument.

The total nominal value of all issued bonds is maximum PLN 30 000 thousand.

The nominal value of one Bond is PLN 1 thousand. The issuing price of one Bond corresponds to its nominal value, i.e. PLN 1 thousand.

The Bonds were to 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 nominal value of bonds issued on 13 January 2015 (PLN 30 000 thousand) was decreased by the costs of the issue of bonds, which amount to PLN 448 thousand. 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 thousand, and the costs of legal services.

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.

Notes to the interim condensed consolidated financial statements**12 Bonds issued - contd.**

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 Investmetns 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 thousand.

The registered pledge was established up to the amount of PLN 45 000 thousand.

On 29 June 2017 the Management Board of CPD SA resolved for early redemption of series B bonds at issuer demand. According to further information in note 30 the early redemption happened on 13 July 2017.

13 Deferred income taxes

	30-06-2017		31-12-2016	
Deferred tax assets	13		0	
Deferred tax liabilities	21 605		20 248	
Expiry of tax losses	2017	2018-2019	2020-2021	Total
- Losses with recognized deferred tax	1 074	9 938	658	11 670
- Losses on which deferred tax has not been recognized	79 983	14 534	17 350	111 867

14 Revenue by nature

	For the 6 month period ended		For the 3 month period ended	
	30-06-2017	30-06-2016	30-06-2017	30-06-2016
Rent income	6 992	6 652	3 415	3 321
Real estate advisory services	217	171	106	70
Rent related services	3 123	2 874	1 572	1 580
Accounting services	0	8	0	8
	10 332	9 705	5 093	4 979

Rent revenues are earned by office properties in Warsaw: Aquarius (Połczyńska St.), Solaris and Iris (both Cybernetyki St.). As compared to similar prior year period the Group noted 5% increase in rent income in the first half of 2017.

The Group did not recognise any income from inventory sales in the first half of 2017.

15 Cost of sales, including:

	For the 6 month period ended		For the 3 month period ended	
	30-06-2017	30-06-2016	30-06-2017	30-06-2016
Change of inventory impairment write offs	16	19	16	19
The cost of services rendered	1 520	1 179	570	605
	1 536	1 198	586	624

The costs of the services consisted mainly of costs of services related to the maintenance of leased office buildings and other services re-invoiced to tenants.

16 Administrative costs property related

Condensed interim consolidated financial statements for the period of 6 months ended 30 June 2017

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

	For the 6 month period ended		For the 3 month period ended	
	30-06-2017	30-06-2016	30-06-2017	30-06-2016
Personnel costs	539	717	293	321
Property maintenance	2 201	2 085	877	610
Perpetual usufruct	19	433	(132)	212
Depreciation of fixed assets and intangible assets	120	119	60	56
	2 879	3 354	1 098	1 199

17 Administrative expenses-other

	For the 6 month period ended		For the 3 month period ended	
	30-06-2017	30-06-2016	30-06-2017	30-06-2016
Consultancy services	2 996	1 685	773	971
Legal services	287	844	41	429
Transportation	13	5	4	2
Taxes	67	144	48	74
Office maintenance	734	771	383	421
Other services	273	201	183	135
Non deductible VAT	221	196	88	180
Receivables write-offs	61	60	10	15
	4 652	3 906	1 530	2 227

Within administrative costs, advisory costs increased by PLN 1 311 thousands in the first half of 2017 as compared to similar part of 2016.

18 Other income

	For the 6 month period ended		For the 3 month period ended	
	30-06-2017	30-06-2016	30-06-2017	30-06-2016
Reversal of receivable allowance	68	0	68	0
Sale of PPE	0	4	0	4
Other	124	66	10	52
	192	70	78	56

19 Result from sales of subsidiaries

Condensed interim consolidated financial statements for the period of 6 months ended 30 June 2017

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

	For the 6 month period ended		For the 3 month period ended	
	30-06-2017	30-06-2016	30-06-2017	30-06-2016
11/162 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.				
Revenues from subsidiary disposal	15 531	0	15 531	0
Cost of subsidiary disposed	(12 851)	0	(12 851)	0
Result on sales of subsidiary	2 680	0	2 680	0

20 Financial income and expenses

	For the 6 month period ended		For the 3 month period ended	
	30-06-2017	30-06-2016	30-06-2017	30-06-2016
Interest expense:				
- Bank loans	(1 207)	(1 426)	(603)	(711)
- Interest from financial leases	(986)	(1 203)	(493)	(602)
- Interest on bonds	(1 971)	(2 592)	(766)	(1 315)
- Other interest	(4)	425	102	461
- Interest on loans from related parties	0	(24)	0	(24)
- Other	(172)	(112)	(130)	(69)
Revaluation of derivatives (IRS)	0	(1 499)	0	(465)
Bonds valuation	(5 367)	0	245	27
Valuation of amortized cost	(78)	0	(40)	1 906
Net exchange differences	0	(5 264)	0	(5 264)
Other financial Costs	0	(9)	0	(9)
Financial costs	(9 785)	(11 704)	(1 685)	(6 065)
Interest income:				
- Bank interest	513	25	304	11
- Interest from related parties	0	0	(3)	0
- Interest from third parties	6	0	6	0
- Bonds interest	0	34	0	2
Profit on bonds revaluation	0	4 435	0	3 869
Revaluation of derivatives (IRS)	435	0	137	0
Other financial income	14	0	(94)	0
Income from bonds conversion into shares	0	0	0	(346)
Net exchange differences	4 968	0	(196)	(2 041)
Valuation of amortized cost	0	479	0	479
Financial income	5 936	4 973	154	1 974

21 Income tax

	For the 6 month period ended		For the 3 month period ended	
	30-06-2017	30-06-2016	30-06-2017	30-06-2016
Tax on current year income	(14)	0	(14)	0
Deferred taxes	1 357	1 090	2 357	764
	1 343	1 090	2 343	764

22 Cash flow from operating activities

Condensed interim consolidated financial statements for the period of 6 months ended 30 June 2017

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

	2017-06-30	2017-03-31
Profit/loss before tax	(2 627)	(2 578)
Adjustments for:		
- depreciation of tangible fixed assets	105	86
- depreciation of intangible assets	15	15
- currency translation adjustments	84	(90)
- revaluation to fair value of investment property	11 190	(5 216)
- result on PPE sale	0	(4)
- result on subsidiaries disposal	(2 680)	0
- share in net profit or loss of the joint venture	(8 675)	(308)
- result on sale of investment property	72	2 475
- result on embedded derivatives	6 893	(4 435)
- interest costs	3 163	3 982
- interest income	(3)	(35)
- exchange differences	(6 821)	6 433
- impairment of inventories	16	19
- result on bonds revaluation using effective rate method	56	142
- result on derivatives revaluation	(435)	0
- other adjustments	284	(58)
Changes in working capital		
- changes in receivables	929	(15 910)
- changes in inventories	(407)	(19)
- change in trade and other liabilities	60 358	9 619
	61 517	(5 882)

23 Related party transactions

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

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

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

	For the 6 month period ended	
	2017-06-30	2017-03-31
(a) Transactions with key management personnel		
The cost of the salaries of members of the Board of Directors	132	126
The cost of the salaries of the members of the Supervisory Board	180	150
The cost of services rendered by the members of the Board of Directors	639	391
Total receivables	19	0
Total payables	37	88
(b) Transactions with the other related parties		
Revenues		
<i>Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.</i>	249	205
Costs		
<i>Laxey Cooperative</i> (loan interest)	0	24
<i>Laxey Partners (UK) Ltd</i>	1 007	0
<i>Kancelaria Radców Prawnych Oleś i Rodzynekiewicz</i>	36	33

23 Related party transactions - contd.

Notes to the interim condensed consolidated financial statements

Payables		
<i>Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.</i>	58	47
Receivables		
<i>Kancelaria Radców Prawnych Oleś i Rodzyńkiewicz</i>	0	14
<i>Laxey Cooperative</i> (loan and accrued interest)	0	5 024

24 Payment of dividends

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

25 Earnings per share

	For the 6 month period ended		For the 3 month period ended	
	2017-06-30	2017-03-31	30-06-2017	30-06-2016
Profit attributable to the shareholders of the parent company	(3 970)	(3 668)	2 785	(1 566)
Weighted average number of ordinary shares (in '000)	35 976	32 863	38 380	32 863
Earnings per share	(0,11)	(0,11)	0,07	(0,05)
Diluted profit attributable to shareholders	(3 970)	(5 454)	2 785	(3 401)
Weighted average number of ordinary shares (in '000)	39 354	42 654	39 354	42 654
Diluted earnings per share	(0,10)	(0,13)	0,07	(0,08)

The issuance of bonds convertible into shares by CPD contributed to the dilution of profit.

With reference to the bonds conversion into equity, the weighted average number of shares reflects the timing of subsequent stages of the conversion.

26 Contingent liabilities

In the first two quarters of 2017 there were no significant changes in contingent liabilities.

27 Segment reporting

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

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

28 Seasons of activity and unusual events

The activity of the Group of the CPD is not seasonal or cyclical. There were no unusual events in the current interim period.

29 Assets and liabilities held for sale

Notes to the interim condensed consolidated financial statements

As at the end of the second quarter of 2017 the Group determined the following assets and liabilities included in the disposal group classified as held for sale:

	30-06-2017	30-06-2016
Assets		
Investment properties	434	13 742
Trade receivables and other receivables	0	234
Cash and cash equivalents	0	99
	434	14 075
Liabilities		
Borrowings, including financial leasing	87	581
Other long term payables	0	1
	87	582
Net assets held for sale		
	347	13 493

As disclosed in the note 19 the Group has disposed 11/162 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k. in the first half of 2017. As at the balance sheet date assets held for sale concern the investment land during the sales process, owned by 18 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.

30 Events after the end of the reporting period**Early redemption of series B bonds**

On 13 July 2017 CPD SA performed an early redemption of all (30.000) series B bearer bonds of PLN 1 thousand par value each. The average redemption price amounts to PLN 1 060,13, consisting of PLN 1 000,00 of par value, PLN 15,00 of premium and PLN 45,13 of interest.

Disposal of 14/119 Gaston Investments

On 26 July 2017 The Group has disposed shares in a subsidiary 14/119 Gaston Investments spółka z ograniczoną odpowiedzialnością sp.k. for a price equal to PLN 5 000 thousand.

Unidevelopment SA accession to 4/113 Gaston Investments

On 2 August 2017 Unidevelopment SA joined 4/113 Gaston Investments spółka z ograniczoną odpowiedzialnością sp.k. and Gaston Investments Sp. z o.o. sold it's general partner's rights and obligations in 4/113 Gaston Investments spółka z ograniczoną odpowiedzialnością sp.k. to Smart City sp. z o.o. At the same time the Partnership's name has been changed into Ursa Park Smart City spółka z ograniczoną odpowiedzialnością spółka komandytowa. This event determined change of the subsidiary into joint venture and the it's net assets at the moment of the change amounted to PLN 51 761 thousand.

Acquisition of Bolzanus Ltd

On 2 August 2017 the subsidiary Buffy Holding 1 Ltd acquired 100% shares in Bolzanus Limited with headquarters in Limassol, Cyprus, for a price of PLN 4 620 thousand. The acquired entity is a holder of the perpetual usufruct right of a plot number 119 of 22 394 sqm close to Gierdziejewskiego Str in Warsaw Ursus. According to the zoning plan the property's prevailing destination is residential and educational with services.

Finalisation of conversion of A series bonds into equity

On 8 August 2017 the last portion of the G series shares has been recorded on the accounts of the entitled holders in Krajowy Depozyt Papierów Wartościowych, which triggered arising of the rights from the shares based on art. 452 of the Commercial Companies Code. Until the moment of preparation of these interim condensed consolidated financial statements, the share capital increase has not been registered by the Commercial Court (KRS). While registered, the share capital will amount to PLN 3 935 thousand.

There were no other significant post balance sheet events.

CPD S.A.

Financial statements for the period of 6 months ended 31 June 2017

(All amounts in PLN thousands unless otherwise stated)

II Interim financial statements of the parent

31 Interim financial information of the parent

31.1 Condensed statement of comprehensive income

	Nota	6 months ended		3 months ended	
		30-06-2017	2016	30-06-2017	30-06-2016
				(not reviewed)	(not reviewed)
Revenues		0	140	0	47
Administrative costs	30.12	(931)	(1 022)	544	(595)
Marketing expenses		(2)	(13)	(2)	(7)
Impairment gain/loss on investments in subsidiaries		0	(7 467)	0	(7 467)
Interest income on loans		6 450	7 476	3 119	3 729
OPERATING RESULT		5 517	(886)	3 661	(4 293)
Financial income	30.13	2 075	4 859	1 961	4 254
Financial costs	30.13	(9 060)	(3 610)	(2 019)	(2 214)
PROFIT (LOSS) BEFORE INCOME TAX		(1 468)	363	3 603	(2 253)
Income tax		(2 107)	0	(2 252)	0
TOTAL COMPREHENSIVE INCOME		(3 575)	363	1 351	(2 253)
Profit (loss) net		(3 575)	363	1 351	(2 253)
Profit (loss) net per share		(1 468)	363	3 603	(2 253)
Total comprehensive income for the year		(3 575)	363	1 351	(2 253)
BASIC EARNINGS PER SHARE (PLN)	31.9	(0,10)	0,01	0,04	(0,07)
DILUTED EARNINGS PER SHARE (PLN)	31.9	(0,09)	(0,03)	0,03	(0,10)

Elżbieta Donata Wiczowska
Chairman of the Board

Colin Kingsnorth
Board Member

John Purcell
Board Member

Iwona Makarewicz
Board Member

Waldemar Majewski
Board Member

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

31.2 Statement of financial position

ASSETS	Note	30-06-2017	31-12-2016
Non-current assets			
Property, plant and equipment		1	1
Intangible assets, excluding goodwill		0	1
Long-term receivables	30.7	437 476	482 411
Total non-current assets		437 477	482 413
Current assets			
Trade receivables and other receivables	30.8	843	551
- trade receivables and loans		811	547
- prepaid expenses		32	4
Bonds	30.6	3 702	3 702
Cash and cash equivalents		98 698	49 630
Total current assets		103 243	53 883
Total assets		540 720	536 296
EQUITY			
Share capital		3 286	3 286
Nabycie akcji własnych w celu umorzenia		0	0
Conversion of bonds during registration		39 852	0
Reserve capital		987	987
Fair value of capital element at inception date		(27 909)	(27 909)
Share premium		796 643	796 643
Retained earnings		(329 491)	(325 916)
Total equity		483 368	447 091
LIABILITIES			
Longterm liabilities			
Bonds issued	30.10	0	29 742
Loans and borrowings, including finance leases	30.11	16 953	16 758
Deferred tax liabilities		7 176	5 068
Total Longterm liabilities		24 129	51 568
Current liabilities			
Bonds issued		31 062	31 131
Embedded derivatives		0	4 023
Trade payables and other liabilities		2 161	2 483
Total current liabilities		33 223	37 637
Total liabilities		57 352	89 205
Total liabilities		540 720	536 296

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 Board Member

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 Board Member

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 Board Member

 Waldemar Majewski
 Board Member

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CPD S.A.

CPD S.A.

Financial statements for the period of 6 months ended 31 June 2017

(All amounts in PLN thousands unless otherwise stated)

31.3 Statement of changes in equity

	Accumulated profit (loss)							
	Share capital	Embedded derivative at inception date	Share premium	Conversion of bonds during registration	Other Reserves	Supplementary capital	Retained earnings	Total
Balance as at 01-01-2016	3 286	(27 909)	796 643	0	987	0	(323 675)	449 332
Profit (loss) for the period	0	0	0	0	0	0	363	363
	0	0	0	0	0	0	363	363
Balance as at 30-06-2016	3 286	(27 909)	796 643	0	987	0	(323 312)	449 695
Balance as at 01-01-2017	3 286	(27 909)	796 643	0	987	0	(325 916)	447 091
Conversion of bonds	0	0	0	39 852	0	0	0	39 852
Profit (loss) for the period	0	0	0	0	0	0	(3 575)	(3 575)
	0	0	0	39 852	0	0	(3 575)	36 278
Balance as at 30-06-2017	3 286	(27 909)	796 643	39 852	987	0	(329 491)	483 368

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Board Member

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

31.4 Cash flow statement

	Note	6 months ended	
		2017-06-30	2016-06-30
Cash flow from operating activities			
Cash generated from operations	30.14	(862)	(724)
Interest paid		(1 376)	(1 296)
Net cash generated from operating activities		(2 238)	(2 020)
Cash flows from investing activities			
Loans granted		(16 177)	(26 897)
Loan repayments received		63 055	14 766
Interest received		4 428	1 316
Net cash generated from investing activities		51 306	(10 815)
Cash flows from financing activities			
Loans received		0	5 000
Loan repayments received		0	(70)
Proceeds from issuance of bonds		0	0
Net cash generated from financing activities		0	4 930
Change in net cash and cash equivalents		49 068	(7 905)
Cash and cash equivalents at the beginning of year		49 630	8 115
Cash and cash equivalents at the end of the period		98 698	210

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Notes to the interim financial statements

31.5 Shares in subsidiaries

			30-06-2017	31-12-2016
Name	Country	Share		
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

31.6 Bonds

On March 18, 2013. the company acquired bonds issued by the company Bolzanus Limited registered in in Cyprus (bonds- 3 thousand PLN, interest on June 31, 2017 - 702 thousand PLN). Bond interest rate is 8% per annum. Maturity date fell on 17 February 2016..

CPD SA and the sole shareholder of Bolzanus agreed that one of the companies of the CPD Group will buy 100% shares in Bolzanus share capital, what took place in 3 quarter of 2017. Debt resulting from the bonds has been redeemed by offsetting receivables held against each other.

31.7 Long-term receivables

	30-06-2017	31-12-2016
Long-term loans to related parties, including:		
-loan	403 958	450 942
-interest	88 037	85 994
Impairment	(54 890)	(54 891)
	437 105	482 045
Long-term loans to third parties, including:		
- Bolzanus loan	357	357
- Bolzanus interest	14	9
	371	366

Details of the loans granted to related parties

Related party	Principal amount	Accrued interest	Interest Rate	Margin	Maturity
2/124 Gaston Investments	3 469	520	3M WIBOR	1,55%	on demand
3/93 Gaston Investments	3 171	449	3M WIBOR	1,55%	on demand
4/113 Gaston Investments	8 869	1 380	3M WIBOR	1,55%	on demand
5/92 Gaston Investments	3 057	293	3M WIBOR	1,55%	on demand
6/150 Gaston Investments	1 255	319	3M WIBOR	1,55%	on demand
7/120 Gaston Investments	1 632	223	3M WIBOR	1,55%	on demand
8/126 Gaston Investments	4 514	706	3M WIBOR	1,55%	on demand
9/151 Gaston Investments	1 516	214	3M WIBOR	1,55%	on demand
10/165 Gaston Investments	2 360	267	3M WIBOR	1,55%	on demand
11/162 Gaston Investments	0	0	3M WIBOR	1,55%	on demand
12/132 Gaston Investments	2 931	266	3M WIBOR	1,55%	on demand
13/155 Gaston Investments	3 757	421	3M WIBOR	1,55%	on demand
14/119 Gaston Investments	0	0	3M WIBOR	1,55%	on demand
15/167 Gaston Investments	2 166	233	3M WIBOR	1,55%	on demand
16/88 Gaston Investments	582	103	3M WIBOR	1,55%	on demand

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim financial statements

31.7 Należności długoterminowe - cd

18 Gaston Investments	1 476	247	3M WIBOR	1,55%	on demand
19/97 Gaston Investments	631	107	3M WIBOR	1,55%	on demand
20/140 Gaston Investments	714	125	3M WIBOR	1,55%	on demand
Antigo Investments	4 550	276	3M WIBOR	1,55%	on demand
<i>Impairment</i>	<i>(1 412)</i>	<i>(203)</i>			
Belise Investments	12 960	5 357	3M WIBOR	1,55%	on demand
Buffy Holdings No 1 Ltd	153 979	38 802	3M WIBOR	0,75%	on demand
<i>Impairment</i>	<i>(5 375)</i>	<i>(36 892)</i>			
Celtic Asset Management	998	38	3M WIBOR	1,55%	on demand
<i>Impairment</i>	<i>(214)</i>	<i>(22)</i>			
Celtic Investments Ltd	1 858	59	3M LIBOR	0,75%	on demand
<i>Impairment</i>	<i>(1 870)</i>	<i>(58)</i>			
Challange 18	147 734	27 795	3M WIBOR	1,55%	on demand
Elara Investments	2 947	174	3M WIBOR	1,55%	on demand
<i>Impairment</i>	<i>(2 076)</i>	<i>(127)</i>			
Gaston investments	8 790	127	3M WIBOR	1,55%	on demand
<i>Impairment</i>	<i>(1 721)</i>	<i>(23)</i>			
HUB Developments	2 488	245	3M WIBOR	1,55%	on demand
<i>Impairment</i>	<i>(529)</i>	<i>(205)</i>			
Lakia Enterprises Limited	25 550	9 292	3M WIBOR	1,55%	on demand
<i>Impairment</i>	<i>0</i>	<i>(4 165)</i>			
Smart City	4	0	3M WIBOR	1,55%	on demand
<i>Impairment</i>	<i>0</i>	<i>0</i>			
	390 762	46 343			

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.

31.8 Trade receivables and other receivables

	30-06-2017	31-12-2016
Trade receivables from related parties	435	61
Trade receivables from other parties	21	0
Short-term loans with related parties, including:	280	0
- loans	16 079	16 061
- interest	5 248	4 986
- impairment	(21 047)	(21 047)
Surplus of input VAT over output VAT	0	3
Other receivables from related parties	0	466
Other receivables from other parties	75	17
Prepayments	32	4
Short-term receivables	843	551

Notes to the interim financial statements

31.8 Trade receivables and other receivables - cont

Details of the loans granted to related parties

Related party	Principal amount	Accrued interest	The Interest Rate	Margin	Maturity
Mandy Investments	16 079	5 248	3M WIBOR	1,55%	on demand
<i>Impairment</i>	<i>(16 061)</i>	<i>(4 986)</i>			

31.9 Earnings per share

	6 months ended		3 months ended	
	30/06/2017	30/06/2016	30/06/2017	30/06/2016
Profit attributable to the shareholders in the parent company	(3 575)	363	1 351	(2 253)
Weighted average number of ordinary shares (in '000)	35 976	32 863	38 380	32 863
Earnings per share	(0,10)	0,01	0,04	(0,07)
Diluted profit attributable to shareholders	(3 575)	(1 423)	1 351	(4 089)
Weighted average number of ordinary shares (in '000)	39 354	42 654	39 354	42 654
Diluted earnings per share	(0,09)	(0,03)	0,03	(0,10)

The issuance of bonds convertible into shares by CPD contributed to the dilution of profit. With reference to the bonds conversion into equity, the weighted average number of shares reflects the timing of subsequent stages of the conversion.

31.10 Bonds issued

	30 czerwca 2017	31 grudnia 2016
a) Bonds series A		
At the beginning of the reporting period	33 875	38 040
Accrued interest	610	2 553
Conversion of the bonds and interest into shares	(39 852)	0
Valuation as at conversion/balance sheet date	(1 526)	894
Valuation of the embedded derivative	6 893	(7 612)
Bonds value as at balance sheet date	0	33 875

Notes to the interim financial statements**31.10 Bonds issued - cont**

Bondholder	30 czerwca 2017	31 grudnia 2016
The Weyerhaeuser Company Master Retirement Trust	0	1
LP Alternative LP by Laxey Partners (GP3) as General Partner	0	7
Laxey Partners Ltd	0	1
LP Value Ltd	0	7
Laxey Universal Value LP By Laxey Partners (GP2) as General Partner	0	1
The Value Catalyst Fund Limited	0	13
QVT Fund LP	0	17
Quintessence Fund LP	0	3
Lars E Bader	0	7
Co-op	0	33
Furseka	0	20
Broadmeadow	0	0

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. In the first half of 2017 CPD received from the series A bond holders notifications concerning conversion of 110 series A bonds into series G shares.

As described further in note 31.16, the series A bonds has been converted into equity of CPD SA.

	30 czerwca 2017	31 grudnia 2016
b) Bonds series B		
At the beginning of the reporting period	31 021	30 915
Accrued interest	1 361	2 738
Interest paid	(1 376)	(2 738)
Effective interest rate valuation	56	106
Bonds value as at balance sheet date	31 062	31 021

Notes to the interim financial statements**31.10 Bonds issued - cont**

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 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 collateralised bearer bonds with the nominal value of PLN 1 thousand each and do not have the form of an instrument.

The total nominal value of all issued bonds is maximum PLN 30 000 thousand. The nominal value of one Bond is PLN 1 thousand. The issuing price of one Bond corresponds to its nominal value, i.e. PLN 1 thousand.

The Bonds were to 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 nominal value of bonds issued on 13 January 2015 (PLN 30 000 thousand) was decreased by the costs of the issue of bonds, which amount to PLN 448 thousand. 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 thousand, and the costs of legal services. 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 thousand.

The registered pledge was established up to the amount of PLN 45 000 thousand.

On 29 June 2017 the Management Board of CPD SA resolved for early redemption of series B bonds at issuer demand. According to further information in note 30 the early redemption happened on 13 July 2017.

Long-term

Bonds issued	0	29 742
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Short-term

Bonds issued	29 798	29 852
Embedded derivative	0	4 023
Bonds issued - interest	1 264	1 279
	31 062	64 896

31.11 Borrowings, including financial leasing

	30-06-2017	31-12-2016
Loans from related parties	16 953	16 758
	16 953	16 758

Loan commitments at June 30, 2017 relate to: a loan from a subsidiary Lakia Enterprises (interest rate on the loan is 3M WIBOR + margin 0.50%), a loan from a subsidiary Lakia Investments (interest rate on the loan is 3M WIBOR + margin 1.55%) and a loan from a subsidiary Robin Investments (interest rate on the loan is 3M WIBOR + margin 1.55%, the loan is payable on the lender demand). On June 30, 2017 the loan balance from the company Lakia Enterprises amounts to 9 703 thousands PLN (capital: 7 630 thousands PLN, interest 2 073 thousands PLN); the balance of the loan from the company Lakia Investments amounts to 5 621 thousands PLN (capital: 5 259 thousand. PLN, interest 362 thousand PLN); the balance of the loan from the company Robin Investments amounts to 1 629 thousands PLN (capital: 1 600 thousand. PLN, interest 29 thousand PLN). In accordance with the intention of the Board the loans will be repaid over a period of from 3 to 5 years.

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim financial statements**31.12 Administrative costs**

	6 months ended		3 months ended	
	30-06-2017	30-06-2016	30-06-2017	30-06-2016
Advisory services	109	108	(991)	69
Salaries	327	468	163	200
Auditor's remuneration	150	65	150	65
Costs of not deductible VAT	104	142	28	141
Other services, including:	241	239	106	120
- Transport	10	4	1	1
- Taxes	10	4	4	4
- Office expenses	203	183	83	90
- Other costs	18	48	18	26
	931	1 022	(544)	595

31.13 Financial income and expenses

	6 months ended		3 months ended	
	30-06-2017	30-06-2016	30-06-2017	30-06-2016
Interest income:				
- Bank interest	292	10	194	3
-Interest from unrelated parties	0	32	0	0
Financial income from the valuation of the embedded derivative	0	4 876	0	4 310
Valuation of bonds at amortized cost	(56)	(59)	(56)	(59)
Other financial income	439	0	423	0
Net exchange differences	1 400	0	1 400	0
Financial income	2 075	4 859	1 961	4 247

	6 months ended		3 months ended	
	30-06-2017	30-06-2016	30-06-2017	30-06-2016
Interest costs:				
-Interest from unrelated parties	1 971	2 561	766	1 284
-Interest from related parties	196	159	99	91
Other financial costs	0	0	0	(28)
Financial cost from the valuation of the embedded derivative	5 367	0	(245)	0
Other financial costs	1 526	0	1 526	0
Net exchange differences	0	890	(127)	867
Financial costs	9 060	3 610	2 019	2 214

The result on financial activities is mainly influenced by positive exchange rate differences (1 400 thousands PLN), costs from the valuation of the embedded derivative (5 367 thousands PLN) and interest cost (2 167 PLN).

Notes to the interim financial statements
31.14 Cash flow from operating activities

	30-06-2017	30-06-2016
Profit/loss before tax	(1 468)	363
Adjustments for:		
– exchange differences	(668)	(3 576)
– depreciation	3	3
– interest costs	1 976	2 751
– interest income	(6 742)	(7 518)
– impairment on loans	(15)	7 467
- embedded derivative valuation	6 893	0
Changes in working capital:		
– changes in receivables	(12)	410
– change in trade and other liabilities	(829)	(624)
	(862)	(724)

31.15 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	30-06-2017	30-06-2016
Remuneration of members of the Supervisory Board	180	150
Remuneration of members of the Board of Directors	120	120
	30-06-2017	30-06-2016
b) Transactions with a major investor		
Costs		
Laxey Worldwide W.A. - loan	323	338
Impairment on Laxey Worldwide W.A. loan	(323)	(338)

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim financial statements

31.15 Related party transactions - cont.

	30-06-2017	30-06-2016
c) Transactions with subsidiaries		
Revenues		
2/124 Gaston Investments	55	50
3/93 Gaston Investments	51	47
4/113 Gaston Investments	135	98
5/92 Gaston Investments	54	66
6/150 Gaston Investments	24	40
7/120 Gaston Investments	25	27
8/126 Gaston Investments	78	88
9/151 Gaston Investments	24	18
10/165 Gaston Investments	37	33
11/162 Gaston Investments	34	22
12/132 Gaston Investments	51	58
13/155 Gaston Investments	60	57
14/119 Gaston Investments	0	46
15/167 Gaston Investments	34	32
16/88 Gaston Investments	9	8
18 Gaston Investments	29	54
19/97 Gaston Investments	10	9
20/140 Gaston Investments	11	10
Blaise Gaston Investments	0	112
Blaise Investments	0	390
Belise Investments	635	210
Buffy Holdings No1 Ltd	1 910	1 973
Celtic Asset Management	16	6
Celtic Investments Ltd	4	5
Challange 18	2 408	2 589
Elara Investments	48	46
Gaston Investments	114	116
Hub Developments	40	39
Lakia Enterprises Ltd	626	827
Mandy Investments	261	259
Antigo	73	79
Smart City Sp. z o.o.	0	0
IMES	11	61
Costs		
Lakia Investments	86	51
Lakia Enterprises Ltd	84	84
Robin	26	0
Laxey NL	0	24



(All amounts in PLN thousands unless otherwise stated)

Notes to the interim financial statements

31.15 Related party transactions - cont.

	30-06-2017	30-06-2016
Liabilities		
<i>Lakia Investments</i>	5 621	3 276
<i>Lakia Enterprises Ltd</i>	9 703	9 537
<i>Kancelaria Radców Prawnych Oleś&Rodzynkiewicz sp. komandytowa</i>	0	14
<i>Robin Investments</i>	1 629	0
<i>Laxey</i>	0	5 024
Receivables		
<i>2/124 Gaston Investments</i>	3 989	3 458
<i>3/93 Gaston Investments</i>	3 620	3 106
<i>4/113 Gaston Investments</i>	10 249	7 358
<i>5/92 Gaston Investments</i>	3 350	4 553
<i>6/150 Gaston Investments</i>	1 574	2 878
<i>7/120 Gaston Investments</i>	1 855	1 733
<i>8/126 Gaston Investments</i>	5 220	6 506
<i>9/151 Gaston Investments</i>	1 730	1 424
<i>10/165 Gaston Investments</i>	2 627	2 287
<i>11/162 Gaston Investments</i>	0	1 745
<i>12/132 Gaston Investments</i>	3 197	4 270
<i>13/155 Gaston Investments</i>	4 178	4 210
<i>14/119 Gaston Investments</i>	0	13 595
<i>15/167 Gaston Investments</i>	2 399	2 216
<i>16/88 Gaston Investments</i>	685	592
<i>18 Gaston Investments</i>	1 723	3 701
<i>19/97 Gaston Investments</i>	738	636
<i>20/140 Gaston Investments</i>	839	727
<i>Antigo Investments</i>	4 826	4 489
<i>Impairment</i>	(1 615)	(1 151)
<i>Blaise Gaston Investments</i>	0	14 393
<i>Blaise Investments</i>	0	29 486
<i>Belise Investments</i>	18 317	17 893
<i>Buffy Holdings No1 Ltd</i>	192 781	196 755
<i>Impairment</i>	(42 267)	(40 677)
<i>Celtic Asset Management</i>	1 036	979
<i>Impairment</i>	(236)	(3)
<i>Celtic Investments Ltd</i>	1 917	1 971
<i>Impairment</i>	(1 928)	(1 793)
<i>Challange 18</i>	175 529	182 589
<i>Elara Investments</i>	3 121	2 922
<i>Impairment</i>	(2 203)	(2 274)
<i>Gaston Investments</i>	8 917	516
<i>Impairment</i>	(1 744)	0
<i>Hub Developments</i>	2 733	2 593
<i>Impairment</i>	(734)	(501)
<i>Lakia Enterprises Ltd</i>	34 842	58 822
<i>Impairment</i>	(4 165)	(4 436)
<i>Mandy Investments</i>	21 327	20 758
<i>Impairment</i>	(21 047)	(20 758)
<i>Smart City Sp. z o.o.</i>	4	4
<i>Impairment</i>	0	(4)
<i>IMES</i>	0	4 174

Notes to the interim financial statements**31.15 Related party transactions - cont.**

d) Transactions with other related parties	30-06-2017	30-06-2016
Costs		
<i>Kancelaria Radców Prawnych Oleś&Rodzyńkiewicz sp. komandytowa</i>	36	33

31.16 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.

On 5 August 2014 the Extraordinary Shareholders Meeting resolved on: the issuance of bonds of series A convertible to the Company's shares of series G, the deprivation of the existing shareholders of the preemptive rights with respect to the convertible bonds of series A, the contingent increase of the share capital of the Company, the deprivation of the existing shareholders of the preemptive rights with respect to the shares of series G and on the amendment of the Statute of the Company, dematerialization of the shares of series G and the application for introduction to trading on the regulated market of the shares of series G. The contingent share capital increase was to be performed by issuance of up to 9.791.360 series G ordinary bearer share of CPD of par value of PLN 0,10 and total value of up to PLN 979 thousand. 110 series A bonds have been issued of par value of EUR 50 thousand and total value of EUR 5.500 thousand.

On 20 March 2017 the bondholders of the series A bonds convertible into shares series G issued by CPD SA on 26 September 2014 notified the Management of CPD SA about intention to convert 90 bonds into 5.292.720 series G shares of CPD SA. The conversion price has been determined at PLN 4,38, as specified in Extraordinary Shareholders Meeting resolution number 3 of 5 August 2014 and bonds' issuance conditions.

On 13 June 2017 the bondholders of the series A bonds convertible into shares series G issued by CPD SA on 26 September 2014 notified the Management of CPD SA about intention to convert 20 bonds into 1.198.100 series G shares of CPD SA. The conversion price has been determined at PLN 4,38, as specified in Extraordinary Shareholders Meeting resolution number 3 of 5 August 2014 and bonds' issuance conditions.

Until the date of preparation of these interim financial statements the share capital increase has not been registered by KRS, as a result the balance sheet discloses PLN 39.852 of bonds conversion under registration in the equity.

On 7 June 2017 Extraordinary Shareholders Meeting entitled the Management of CPD SA to acquire up to 14.314.928 shares of the Company of par value of PLN 0,10 each.



**Independent registered auditor's report
on the review of the interim condensed consolidated financial statements
for the period from 1 January to 30 June 2017**

To the General Shareholders' Meeting and the Supervisory Board of CPD S.A.

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of CPD S.A. Group (hereinafter called "the Group"), having CPD S.A. as its parent company (hereinafter called "the Parent Company"), with its registered office in Warsaw, Cybernetyki 7B Street, comprising the condensed consolidated statement of financial position as at 30 June 2017 and the condensed consolidated statement of comprehensive income for the period from 1 January to 30 June 2017, the condensed consolidated statement of changes in equity, the condensed consolidated statement of cash flows for the period from 1 January to 30 June 2017 and a summary of significant accounting policies and other explanatory notes.

Management is responsible for the preparation of these interim condensed consolidated financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union related to interim financial reporting (IAS 34) is the responsibility of the Company's Management. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* as adopted by the National Council of Certified Auditors as the National Standard on Audit and Assurance 2410 with a resolution dated 10 February 2015. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing as adopted by the National Council of Certified Auditors as the National Standards on Audit and Assurance. Consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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PricewaterhouseCoopers Sp. z o.o. wpisana jest do Krajowego Rejestru Sądowego prowadzonego przez Sąd Rejonowy dla m. st. Warszawy, pod numerem KRS 0000044655, NIP 526-021-02-28. Kapitał zakładowy wynosi 10.363.900 złotych. Siedzibą Spółki jest Warszawa, Al. Armii Ludowej 14.



Conclusion

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

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

Piotr Wyszogrodzki

Registered Auditor
No. 90091

Warsaw, 28 September 2017

Translation note:

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



**Independent registered auditor's report
on the review of the interim condensed financial statements
for the period from 1 January to 30 June 2017**

To the General Shareholders' Meeting and the Supervisory Board of CPD S.A.

Introduction

We have reviewed the accompanying interim condensed financial statements of CPD S.A. (hereinafter called the Company), with its registered office in Warsaw, Cybernetyki 7B Street, comprising the condensed statement of financial position as at 30 June 2017, the condensed statement of comprehensive income for the period 1 January to 30 June 2017, the condensed statement of changes in equity and the condensed statement of cash flows for the period from 1 January to 30 June 2017 and a summary of significant accounting policies and other explanatory notes.

Management is responsible for the preparation of these interim condensed financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union related to interim financial reporting (IAS 34) is the responsibility of the Company's Management. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

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Piotr Wyszogrodzki

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