



CPD S.A.

## QUARTERLY REPORT FOR I QUARTER OF 2017

**CPD S.A.**

**QUATERLY REPORT FOR 1<sup>st</sup> QUARTER 2017**

**TRANSLATORS' EXPLANATORY NOTE**

The following document is a free translation of the 1Q 2017 report of CPD S.A. published on 29 May 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.

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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. 17<sup>th</sup> of September the Company has changed the name for CPD S.A.

Today, CPD S.A. is the holding company controlling a group of 35 subsidiaries, focusing on activities in the office and residential segments. Current Group's plans focus on the residential development, mainly through the implementation of its leading project in the Warsaw's district of Ursus.

**2. CAPITAL GROUP'S STRUCTURE**

As of the day of publication hereof, the CPD Group (hereinafter referred to as "the Group", "CPD Group") was composed of a dominant entity – CPD S.A. (hereinafter referred to as "the Company") and 35 subsidiaries. Development activities of the Group are conducted via investment companies, direct subsidiaries of Buffy No1 Holdings Ltd (Cyprus) and Lakia Enterprises Ltd (Cyprus). Dominant entity - CPD S.A. - coordinates and supervises the activities of subsidiaries and at the same time is the decision making centre with regard to the strategic planning. CPD S.A. performs actions aiming at optimising the operating costs of the whole Group, designs investment and marketing policies and serves as the coordinator of this activity.

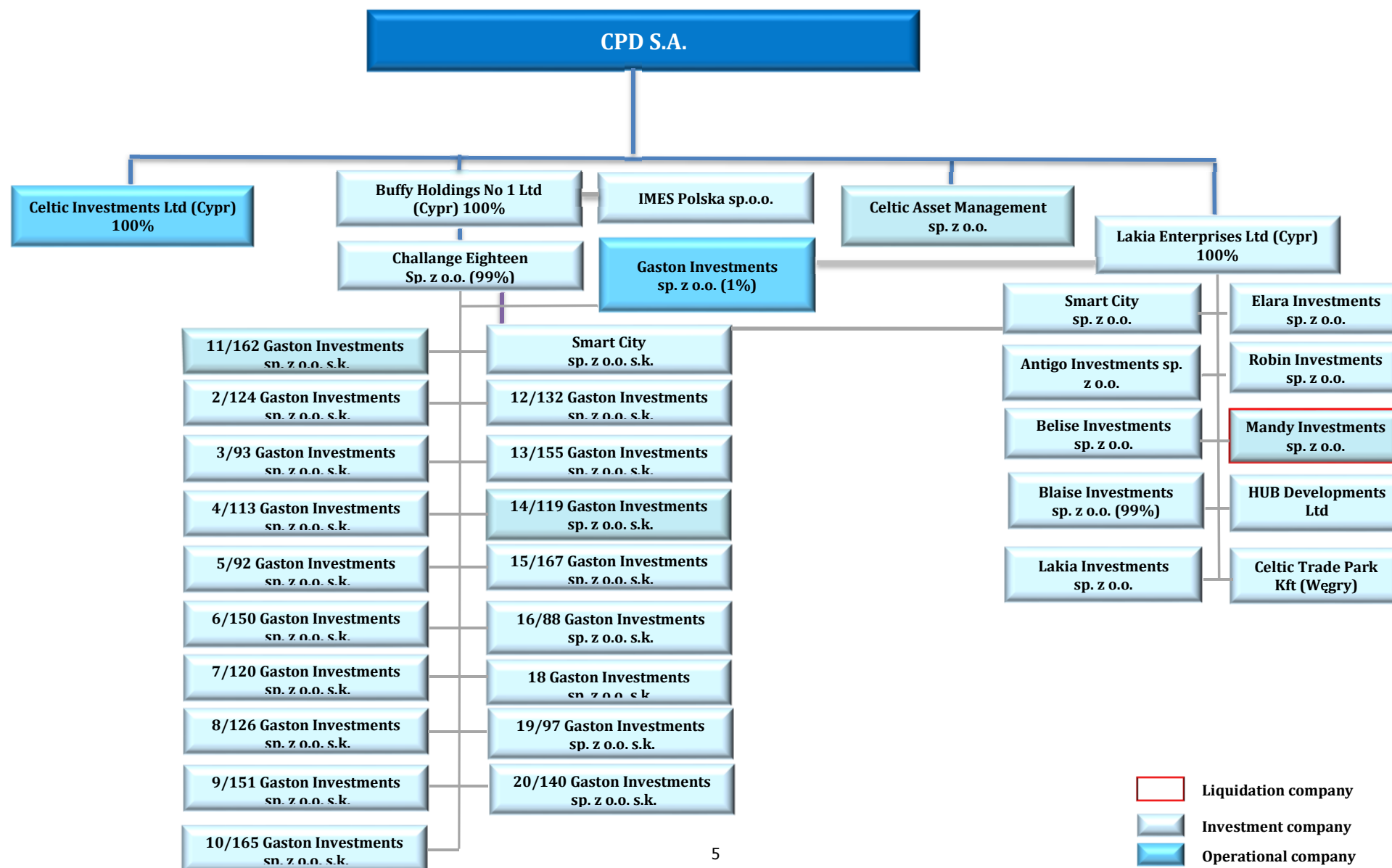
During the reporting period, there was no changes in the CPD Group structure.

All Group companies are subject to full consolidation, except for Smart City Limited Liability Limited Partnership, which is accounted for using the equity method.

# CPD S.A.

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CPD Group's structure as on 31 of March 2017.



## 3. SELECTED FINANCIAL DATA

## Selected items of the consolidated statement of comprehensive income

	3 months period		Change (%)
	From 01.01.2017 to 31.03.2017 (PLN ths.)	From 01.01.2016 to 31.03.2016 (PLN ths.)	
Revenue	5 239	4 726	10,9%
Cost of sales	-950	-574	65,5%
<b>Gross profit</b>	<b>4 289</b>	<b>4 152</b>	<b>3,3%</b>
Administrative expenses - property related	-1 781	-2 155	-17,4%
Other administrative expenses	-3 122	-1 679	85,9%
Selling and marketing costs	-121	-107	13,1%
Gain (loss) on disposal of investment properties	-66	0	-
Other income	114	14	714,3%
Gain (loss) on revaluation of investment properties	-7 657	193	-4067,4%
Post-tax share of the profit or loss of the joint-venture accounted for using the equity method	2 907	446	551,8%
<b>Profit/loss from operations</b>	<b>-5 437</b>	<b>864</b>	<b>-729,3%</b>
Finance income	5 782	2 999	92,8%
Finance costs	-8 100	-5 639	43,6%
<b>Profit/loss before tax</b>	<b>-7 755</b>	<b>-1 776</b>	<b>336,7%</b>
Income tax	1 000	-326	-406,7%
<b>Profit/loss for the period</b>	<b>-6 755</b>	<b>-2 102</b>	<b>221,4%</b>
Earnings per share (PLN)	-0,20	-0,06	215,1%
Diluted earnings per share (PLN)	-0,14	0,06	-347,1%

In the first quarter of 2017, the CPD SA Group recorded a profit on sales of PLN 4.3 million. Profit on sales increased by 3% compared to the first quarter of the previous year. The CPD SA Group recorded an operating loss of PLN 5.4 million, compared to a profit of PLN 0.9 million in the corresponding quarter 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 6.8 million.

Among factors that positively impacted the Group's performance in the first quarter of 2017 as compared to the first quarter of 2016, there were a PLN 2.8 million increase in financial income and share in the profit of joint ventures in the amount of PLN 2.9 million.

The increase in financial income was a result of positive exchange differences. The share of profit from joint ventures was related to the Ursa Smart City housing project. In the first quarter of 2017 a lot of apartments were handed over to customers and consequently the CPD Group was able to recognize the profit.

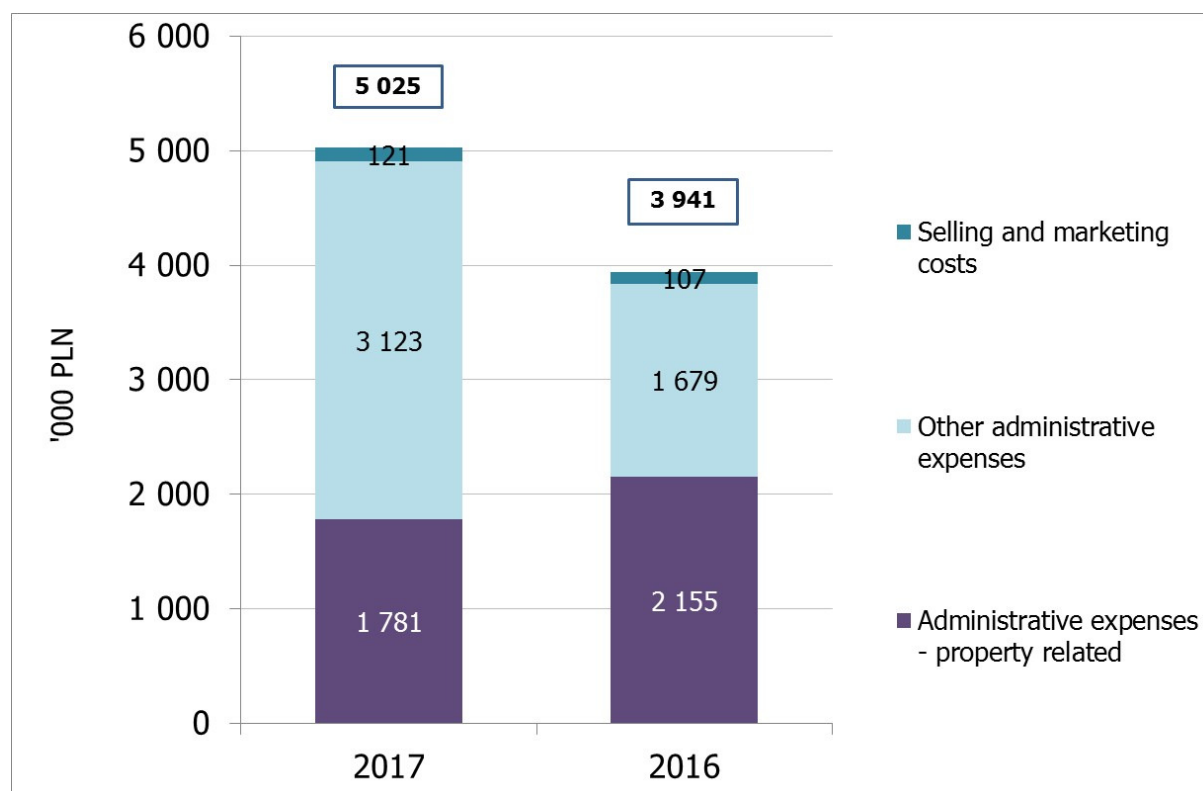
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The main factor negatively affecting net results in the first quarter of 2017 compared with first quarter 2016 was a loss on the valuation of real estate investment in the amount of PLN 7.7 million, a rise in finance costs of PLN 2.5 m and an increase in other administrative expenses of PLN 1.4 million.

The loss on valuation of investment properties was due to the negative exchange rate differences (some investment property is valued in euro, which in the first quarter of 2017 weakened against the zloty). The rise in finance costs resulted from an updated valuation of convertible bonds and the embedded derivative. The increase in other administrative expenses was a result of an increase in the cost of advisory services in the CPD Group.

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



Sales revenue in the first quarter of 2017 amounted to PLN 5.2 million. The largest, as 68% of this amount accounted for rental income. As regards the value for the first quarter, rental income amounted to PLN 3.58 million vs. PLN 3.33 million in 2016. Rental income was generated by three office buildings in Warsaw - the Aquarius building at Połczyńska Street 31A, the Solar building on Cybernetyki Street 7B and Iris building on Cybernetyki 9 street. The increase is a consequence of a gradual increase in the level of rent in the Iris building.

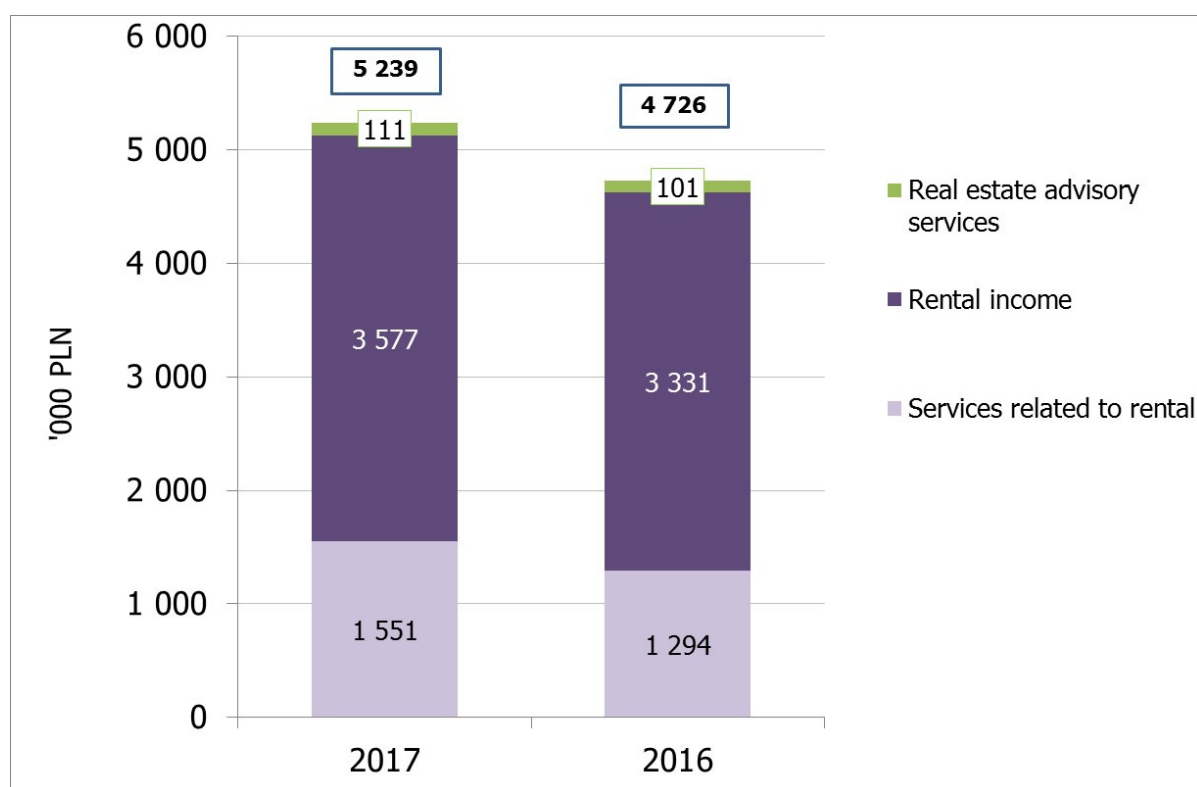
In the first quarter of 2017, the Group provided real estate advisory services. Revenues from this category amounted to PLN 0.11 million.

The increase in sales by 0.5 million, coupled with an increase in cost of sales, contributed to a slight increase in sales (up 3%).

In the first quarter 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 quarter of 2017 and 2016.





## Selected items in the consolidated statement of financial position

	As at:		Change (%)
	31.03.2017 (PLN ths.)	31.12.2016 (PLN ths.)	
<b>TOTAL ASSETS</b>	<b>752 758</b>	<b>715 975</b>	<b>5,1%</b>
<b>Non-current assets, including:</b>	<b>561 633</b>	<b>592 502</b>	<b>-5,2%</b>
<i>Investment properties</i>	<i>534 512</i>	<i>558 706</i>	<i>-4,3%</i>
<i>Investments in joint ventures accounted for using the equity method</i>	<i>25 927</i>	<i>32 572</i>	<i>-20,4%</i>
<b>Current assets, including:</b>	<b>191 125</b>	<b>123 473</b>	<b>54,8%</b>
<i>Assets held for sale</i>	<i>14 024</i>	<i>14 075</i>	<i>-0,4%</i>
<i>Inventory</i>	<i>22 136</i>	<i>5 468</i>	<i>304,8%</i>
<i>Trade and other receivables</i>	<i>12 595</i>	<i>10 229</i>	<i>23,1%</i>
<i>Cash and cash equivalents</i>	<i>138 669</i>	<i>89 999</i>	<i>54,1%</i>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>752 758</b>	<b>715 975</b>	<b>5,1%</b>
<b>Equity, including:</b>	<b>472 802</b>	<b>446 903</b>	<b>5,8%</b>
<i>Share capital</i>	<i>3 286</i>	<i>3 286</i>	<i>0,0%</i>
<i>Bonds converted into shares</i>	<i>32 695</i>	<i>0</i>	<i>-</i>
<i>Reserve capital</i>	<i>987</i>	<i>987</i>	<i>0,0%</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>-5 424</i>	<i>-5 383</i>	<i>0,8%</i>
<i>Retained earnings</i>	<i>469 167</i>	<i>475 922</i>	<i>-1,4%</i>
<b>Total liabilities, including:</b>	<b>279 956</b>	<b>269 072</b>	<b>4,0%</b>
<i>Non-current liabilities</i>	<i>183 419</i>	<i>190 959</i>	<i>-3,9%</i>
<i>Current liabilities</i>	<i>96 537</i>	<i>78 113</i>	<i>23,6%</i>

At the end of March 2017, the total assets of the Group increased by 5% compared to the end of 2016. This increase was mainly due to the receipt of advance payments for the sale of real estate.

The value of investment properties declined 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 (advance payments received).

At the end of March 2017, equity was PLN 472.8 million, accounting for 62.8% of the Group's total assets, while liabilities accounted for 37.2% of total assets. These indicators have changed slightly compared to the end of 2016 (62.4% and 37.6%, respectively).

In the first quarter of 2017 the value of liabilities slightly increased. This was mainly due to the receipt of advance payments.

The table below shows the share of each category of liabilities in the balance sheet total.

	31.03.2017	31.12.2016
<b>Liabilities to total assets</b>	<b>37,2%</b>	<b>37,6%</b>
<b>Non-current liabilities to total assets</b>	<b>24,4%</b>	<b>26,7%</b>
Borrowings including finance leases	17,6%	19,4%
Bonds	4,0%	4,2%
Deferred income tax liabilities	2,6%	2,8%
Trade and other payables	0,3%	0,3%
<b>Current liabilities to total assets</b>	<b>12,8%</b>	<b>10,9%</b>
Borrowings including finance leases	0,9%	1,0%
Trade and other payables	10,8%	4,9%
Payables related to assets held for sale	0,1%	0,1%
Bonds	0,8%	4,3%
Embedded derivative	0,3%	0,6%

The structure of liabilities has changed slightly. The share of long-term debt in total assets decreased from 26.7% at the end of December 2016 to 24.4% at the end of March 2017. The share of short-term debt increased from 10.9% as of December 31, 2016 to 12.8% on March 31, 2017.

**4. IMPORTANT EVENTS IN THE REPORTING PERIOD****• COLLATERALS**

On 30 January 2017 the Issuer's subsidiaries: IMES Poland sp. z o.o. and 18 Gaston Investments sp. z o.o. sp. k. have secured collateral as a result of concluding conditional sale agreements with legal entities leading to the disposal of land plots located in Warsaw in Ursus district as well as cooperation agreements.

The security will be combined mortgages on the right to perpetual usufruct of the real estate held each time to the full amount of the payment to be made by the Buyer to the Company for each mortgage.

Companies have also undergone enforcement under Art. 777 § 1 (5) of the Code of Civil Procedure, regarding the obligation to return the sum of money to the full amount of the payment to be made by the Buyer to the Company, and each entity shall submit a written statement in the format required by applicable law, Buyer's claims regarding the conclusion of the Promissory Note held for their properties.

The total sale price of real estate rights and cooperation agreements was set at the total amount of PLN 82 million net.

The conclusion of individual definitive agreements within the framework of the transaction is foreseen in stages between December 2017 and December 2019. The conclusion of the final agreements is conditional upon the fulfillment of a number of conditions precedent, primarily for the preparation of infrastructure and media, in order to enable the implementation of housing projects in accordance with the assumed objectives.

Within two business days of the conclusion of Conditional Sales Agreements, the Buyer is obliged to pay part of the price of PLN 45 million (net) plus applicable VAT. 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.

The other provisions of the Agreements concluded by the Seller do not differ from the standards generally applicable to such contracts

**• CONCLUSION OF CONDITIONAL AGREEMENT BY CPD S.A. AND ITS SUBSIDIARIES**

On February 22, 2017, an investment agreement was signed for a joint venture to build a multi-family housing complex with services and infrastructure in Warsaw, in the Ursus district.

The contract was concluded between:

1. CPD Joint Stock Company in Warsaw,
2. Challenge Eighteen Limited Liability Company in Warsaw ("the Subsidiary"),
3. 4/113 Gaston Investments Limited Liability Company limited partnership with its registered office in Warsaw (hereinafter referred to as "the Subsidiary", "limited partnership"),
4. Lakia Enterprise Ltd in Nicosia (Cyprus) (hereinafter the "Subsidiary"),

and

5. Unibep Spółka Akcyjna in Bielsko Podlaski,

6. Unidevelopment Joint Stock Company in Warsaw.

The subject of the Agreement is the joint execution of a construction investment on real estate owned by a member of the CPD S.A. I.e company 4/113 Gaston Investments limited liability company limited partnership in Warsaw, perpetual user of plots No. 113/1, 113/2, 113/4, 113/5 no. 2-09-09, with an area of 4,944 ha and located at ul. Tractors in Warsaw (district Warsaw - Ursus).

On the part of the Real Estate with an area of about 1.36 ha will be completed in two stages the construction of multi-family apartment complex with services along with the accompanying infrastructure, whose general contractor will be Unibep S.A. And Unidevelopment S.A. Will provide the services of the investor's replacement for the Enterprise. Under the project, Unidevelopment S.A. Will join the limited partnership as a limited partner. The agreement also covers activities related to marketing activities connected with the sale of premises created within the Project and then on the total sale of the usable area of the Project and the principle of distribution of the profit from the implementation of the Project.

Participation of companies from the CPD Group S.A. The implementation of the project consists, among others. on:

A) realization of the Project on the property belonging to the limited partnership,

B) provided by Gaston Investments sp. Z o.o. Financial and operational control over the Enterprise and supervision of Unibep SA as a general contractor.

The agreement will enter into force on condition that all parties to the Agreement are agreed (accepted) by 31 March 2017. In addition - with regard to the accession of Unity Development S.A. To the Limited Partnership - the agreement will enter into force subject to the consent of the President of the Office of Competition and Consumer Protection for the concentration of entrepreneurs or the decision of the President of UOKiK to discontinue the proceedings due to the fact that the transaction is not subject to notification to the President of UOKiK or expiry of statutory deadline Issue the above consent if, before the expiry of that period, the President of UOKiK will not issue a decision or issue a ruling by the Antimonopoly Court on the consent to the concentration as a result of the appeal, whichever is the earlier.

- **THE CONDITIONS OF THE CONDITION CONDITIONS CONTAINED BY THE CPD S.A. AND SUBSIDIARIES**

The first condition of the suspension of the Investment Agreement of February 22, 2017 has been fulfilled.

All Annexes to the Investment Agreement were agreed (accepted) on 1 March 2017, which was a condition for the entry into force of this Agreement.

At the same time, the Issuer reminds that the Agreement will enter into force provided that i) the consent of the President of the Office of Competition and Consumer Protection (the President of UOKiK) is granted to the concentration of entrepreneurs or ii) the decision of the President of UOKiK is discontinued. To the President of UOKiK; or iii) the expiry of the statutory deadline for issuing the above consent, if the President of UOKiK does not issue a decision within that time limit; or iv) issue a ruling by the Antimonopoly Court on the approval of the merger as a result of the appeal. before.

- **RECEIVING REPLIES OF SERIES A BILLING ON SERIES G SERIES**

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On March 20, 2017, the Company received series A convertible bonds from the bondholders for series G shares issued by CPD S.A. On September 26, 2014, the Bonds were converted into G-series shares, ie 5,292,720 G-series shares.

The conversion price (issue price) was determined in accordance with the resolution No. 3 of the Extraordinary General Meeting of Shareholders of August 5, 2014 and the terms of issue of the Bonds at the level indicated therein, amounting to PLN 4.38 per Share.

G-Series Shares rights will be issued upon the entry of shares on securities accounts of eligible shareholders.

The Company will submit appropriate applications to the National Depository for Securities S.A. And the S.A. In order to register Series G Shares and their introduction into 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, ie when the shares are subscribed on the securities accounts of authorized persons, the structure of the Company's share capital will be as follows: after conversion of the Bonds to the shares, the share capital of the Company will amount to PLN 3.815.592,30 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 General Meeting of the Company, 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 series G ordinary bearer shares.

G series shares issued to eligible persons in exchange for the Bonds for which their right to convert into shares will be exercised 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.

#### **• TRANSACTION NOTES RECOGNIZED IN ARTICLES. 19 MAR**

March 21, 2017, the Company received from:

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,

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Entities close to the person responsible for managing the CPD S.A., ie Mr. Michael Haxby - Member of the Supervisory Board of CPD S.A., notifications of the conversion of convertible bonds, concluded on March 20, 2017, referred to in art. 19 sec. 3 MAR regulation.

#### **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 estate made by independent valuers as at 31.12.2016, taking into account potential changes in the value of real estate developments. In the first quarter of 2017, inventories did not change.

#### **8. WRITE-DOWNS OF INVESTMENT PROPERTIES TO FAIR VALUES**

In the first quarter of 2017, the Group recorded a negative valuation of its investment property at fair value of PLN 7.66 m. In the corresponding period of 2016, the Group's residual value from the revaluation of investment property to fair values amounted to PLN 0.19 m.

#### **9. CREATION, INCREASE, UTILISATION AND REVERSEAL OF PROVISIONS**

In the first quarter of 2017, the value of accrued expenses increased by PLN 0.87m. This increase was mainly due to an increase in the provision for potential tax risks.

#### **10. PROVISIONS AND DEFFERED TAX ASSETS**

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 Management's estimates. As of 31 March 2017, the Group did not show any deferred tax assets in the balance sheet.

As at 31 March 2017, deferred tax liabilities of the Group amounted to PLN 19.25 million. The value of liabilities decreased by PLN 1 million in Q1.

**11. ACQUISITION AND SALE OF PROPERTY, PLANT AND EQUIPMENT**

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

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

Not occurred.

**13. IMPORTANT SETTLEMENTS OF LAWSUITS**

Not occurred.

**14. PREVIOUS PERIODS ERRORS' CORRECTION**

Not occurred.

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

During the first quarter of 2017, no changes occurred in the economic situation which could affect the fair value of the Group's assets and liabilities.

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

Not occurred.

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

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



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

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

**19. CHANGES IN THE CLASSIFICATION OF FINANCIAL ASSETS**

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

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

Not occurred.

**21. INFORMATION RELATED TO DIVIDEND**

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

**22. EVENTS AFTER THE DATE OF PREPARATION OF FINANCIAL STATEMENTS**

- **CONDITIONAL REGISTRATION OF SHARES IN DEPOSITS BY KDPW S.A.**

The Management Board of the National Depository for Securities adopted Resolution No. 290/17 of April 28, 2017, issued pursuant to § 2 subparagraphs 1 and 4 and § 40 para. 2.3a and 4a of the Regulations of the National Depository for Securities, having considered the Company's application for the 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 under a conditional share capital increase On the basis of resolution No. 3 of the Extraordinary General Meeting of Shareholders of 5 August 2014 and code them PLCELPD00013, provided that the company operating the regulated market has decided to introduce those shares to trading on the same regulated market into which other shares of the Company were introduced Marked with PLCELPD00013.

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

- **SUBMISSION OF THE PROPOSAL FOR INTRODUCING G-SERIES OF SHARES ON THE WSE**

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### **QUARTERLY REPORT FOR 1<sup>st</sup> QUARTER 2017**

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Company has applied for the introduction of series F shares to trading on the Warsaw Stock Exchange. The total number of G-series ordinary bearer shares with a nominal value of PLN 0.10 each to be introduced to exchange trading following the registration is: 5,292,720 (five million two hundred ninety-two thousand seven hundred and twenty).

The total number of shares that will be traded on the stock exchange after the introduction of the shares applied for will be: 38,155,923 (say: thirty eight million one hundred fifty five thousand nine hundred twenty three).

The proposed date of placing on the market is 15 May 2017.

- **ADMITTING AND INTRODUCING THE G-SHARES OF THE G-SHARES**

Management Board of the Warsaw Stock Exchange S.A. ("WSE"), on the basis of the application, adopted Resolution No. 464/2017 on May 11, 2017, on the admission and introduction to exchange trading on the Main Market GPW 5,292,720 ordinary bearer shares of series G CPD SA With a nominal value of PLN 0.10 each.

The WSE Management Board decided to introduce, on May 15, 2017, by way of an ordinary procedure to exchange trading on the parallel market shares of the Company, provided that the National Depository for Securities S. On 15 May 2017, the registration of these shares and their coding PLCELPD00013.

- **LETTER FROM THE NATIONAL SECURITY DEPOSITOR FOR G SERIES REGISTRATION G**

28 April 2017 Company received a letter from the Operating Department of the National Depository for Securities S.A. ("KDPW"), stating that under the resolution of the Management Board of KDPW No. 290/17 dated 28 April 2017, on 15 May 2017 in the National Depository will register 5,282,720 series G bearer ordinary shares of the Company marked with the code ISIN: PLCELPD00013.

- **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, as of 16 September 2014.

- **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, as of 16 September 2014.

- **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.

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, as of 16 September 2014.

- **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, as of 16 September 2014.

## CPD S.A.

QUARTERLY REPORT FOR 1<sup>st</sup> QUARTER 2017

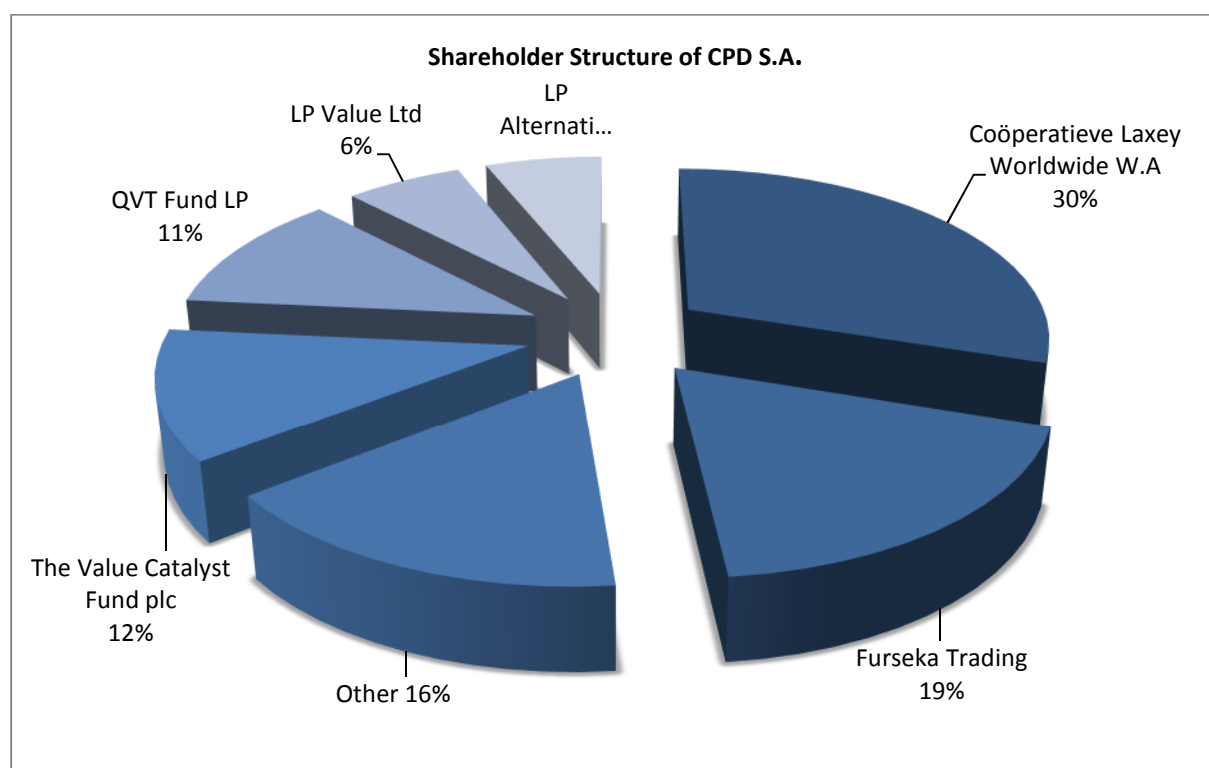
### 23. CHANGES RELATED TO CONDITIONAL LIABILITIES OR ASSETS

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



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	9 890 243	Na okaziciela	9 890 243	30.10 %	30.10 %
Furseka Trading	6 025 996	Na okaziciela	6 025 996	18.34 %	18.34 %
The Value Catalyst Fund plc	3 975 449	Na okaziciela	3 975 449	12.10 %	12.10 %
QVT Fund LP	3 701 131	Na okaziciela	3 701 131	11.26 %	11.26 %

**CPD S.A.****QUARTERLY REPORT FOR 1<sup>st</sup> QUARTER 2017**

<b>LP Value Ltd</b>	2 005 763	Na okaziciela	2 005 763	6.10 %	6.10 %
<b>LP Alternative Fund LP</b>	2 003 981	Na okaziciela	2 003 981	6.10 %	6.10 %
<b>others</b>	5 260 640	Na okaziciela	5 260 640	16.00 %	16.00 %

## 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	Member	4 734	473	0,01%	0,01%
<b>TOTAL</b>		<b>47 232</b>	<b>4 723</b>	<b>0,14%</b>	<b>0,14%</b>

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

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

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

## 28. MAJOR LOAN AGREEMENTS, LOAN WARRANTIES AND GUARANTEES GRANTED

As of 31 March 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 39,795 (of which PLN 1,732 thousand presented as short-term and PLN 38,063 presented as long-term part);
- liabilities towards Bank Zachodni WBK S.A. in the amount of PLN 72,421 (of which PLN 4,808 thousand presented as short-term liabilities and PLN 67,619 presented as long-term liabilities).

## 29. THE SUPERVISORY BOARD AND THE MANAGEMENT BOARD

At 31 March 2017, the composition of the Supervisory Board of the Company was as follows:

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

At 31 March 2017, the composition of the Management Board of the Company was as follows:

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

### **30. OTHER IMPORTANT INFORMATION**

No other except those mentioned above.

### **31. FACTORS AFFECTING RESULTS OF THE FOLLOWING QUARTERS**

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

- The situation on the financial markets which may affect the valuation of properties in the portfolio of the Group.
- Start and conducting construction works in the project Smart City Ursus;
- Commercialisation of the project IRIS;
- The economic trend in the housing market, which the Company operates,
- The state of global financial markets and their impact on the Polish economy and national banking system,
- Availability of mortgages, and in particular their attractiveness to potential customers,
- Timely, compliant with schedules, completion of the first phase of the project Smart City Ursus
- The availability of external financing (loans, bonds) for real estate development entities,
- Changes in the legal and tax regulations that may influence in an uncontrollable manner the market demand for products offered by the Company;

**CPD S.A.**QUARTERLY REPORT FOR 1<sup>st</sup> QUARTER 2017

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- Maintaining a stable political situation and creating a positive economic climate by the government and local authorities,
- The economic situation affecting the receiving regular income from the rental of offices,
- Selling expenses and general and administrative
- Quarterly revaluation at fair value of the Group's properties,
- Valuation of liabilities arising from bonds.

**CPD S.A.**

QUARTERLY REPORT FOR 1<sup>st</sup> QUARTER 2017

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**II. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT FOR THE  
PERIOD OF 3 MONTHS ENDED 31 MARCH 2017 ALONG WITH CONDENSED  
FINANCIAL STATEMENTS OF CPD S.A.**



CPD S.A.

**Condensed interim consolidated financial statements**  
for the period of 3 months ended 31 March 2017

and the condensed financial statements of CPD S.A.  
for the period of months ended 31 March 2017

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

(unaudited financial data)

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**Condensed consolidated statement of comprehensive income**

	Note	For the 3 month period ended	
		31/03/2017	31/03/2016
		(unaudited)	(unaudited)
Revenues	14	5 239	4 726
Cost of sales	15	( 950)	( 574)
<b>PROFIT ON SALES</b>		<b>4 289</b>	<b>4 152</b>
Administrative costs property related	16	(1 781)	(2 155)
Administrative expenses-other	17	(3 122)	(1 679)
Selling and marketing expenses		( 121)	( 107)
Loss on investment property disposal		( 66)	0
Other income	18	114	14
Net gain/(loss) from fair value adjustments on investment properties	4	(7 657)	193
Post-tax share of the profit or loss of the joint-venture accounted for using the equity method	8	2 907	446
<b>OPERATING RESULT</b>		<b>(5 437)</b>	<b>864</b>
Financial income	19	5 782	2 999
Financial costs	19	(8 100)	(5 639)
<b>PROFIT (LOSS) BEFORE INCOME TAX</b>		<b>(7 755)</b>	<b>(1 776)</b>
Income tax		1 000	( 326)
<b>PROFIT (LOSS) FOR THE PERIOD</b>		<b>(6 755)</b>	<b>(2 102)</b>
Currency translation adjustment		( 41)	28
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>(6 796)</b>	<b>(2 074)</b>
<b>Profit attributable to:</b>			
Equity holders of the Group		<b>(6 755)</b>	<b>(2 102)</b>
<b>Total comprehensive income attributable to:</b>			
Equity holders of the Group		<b>(6 796)</b>	<b>(2 074)</b>
Total comprehensive income for the period attributable to owners of the Group arises from:			
Continuing operations		(6 796)	(2 074)
Discontinued operations		0	0
<b>BASIC EARNINGS PER SHARE (PLN)</b>	24	<b>(0,20)</b>	<b>(0,06)</b>
<b>DILUTED EARNINGS PER SHARE (PLN)</b>		<b>(0,14)</b>	<b>0,06</b>

\_\_\_\_\_  
 Elżbieta Donata Wiczowska  
*Chairman of the Board*

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 Colin Kingsnorth  
*Board Member*

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 John Purcell  
*Board Member*

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 Iwona Makarewicz  
*Board Member*

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 Waldemar Majewski  
*Board Member*



**Condensed consolidated statement of financial position**

	Note	31/03/2017 (unaudited)	31/12/2016
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment properties	4	534 512	558 706
Property, plant and equipment		804	829
Intangible assets, excluding goodwill		22	30
Investments in joint ventures accounted for using the equity method	8	25 927	32 572
Deferred tax assets	13	0	0
Long-term receivables		368	365
<b>Non-current assets</b>		<b>561 633</b>	<b>592 502</b>
<b>Current assets</b>			
Inventories	6	22 136	5 468
Trade receivables and other receivables, including:	5	12 595	10 229
- <i>receivables and loans</i>		5 447	5 169
- <i>prepayments</i>		7 148	5 060
Bonds		3 701	3 702
Cash and cash equivalents	7	138 669	89 999
		<b>177 101</b>	<b>109 398</b>
Assets held for sale	28	14 024	14 075
<b>Current assets</b>		<b>191 125</b>	<b>123 473</b>
<b>Total assets</b>		<b>752 758</b>	<b>715 975</b>

**Condensed consolidated statement of financial position - cont.**

	Note	31/03/2017 (unaudited)	31/12/2016
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent company</b>			
Share capital	9	3 286	3 286
Bonds converted into shares		32 695	0
Other reserves		987	987
Embedded element at inception date	12	(27 909)	(27 909)
Translation reserve		(5 424)	(5 383)
Retained earnings		469 167	475 922
<b>Total equity</b>		<b>472 802</b>	<b>446 903</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Trade payables and other liabilities	10	2 113	2 091
Borrowings, including financial leasing	11	132 294	138 878
Bonds issued	12	29 763	29 742
Deferred tax liabilities	13	19 249	20 248
		<b>183 419</b>	<b>190 959</b>
<b>Current liabilities</b>			
Trade payables and other liabilities	10	81 328	35 171
Bonds issued	12	5 865	31 131
Derevatives		2 013	4 023
Borrowings, including financial leasing	11	6 710	7 206
		<b>95 916</b>	<b>77 531</b>
Liabilities directly associated with assets held for sale		621	582
<b>Total liabilities</b>		<b>279 956</b>	<b>269 072</b>
<b>Total Equity and liabilities</b>		<b>752 758</b>	<b>715 975</b>

\_\_\_\_\_  
Elżbieta Donata Wiczowska  
Chairman of the Board

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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

**Condensed consolidated statement of changes in equity**

	Share capital CPD S.A.	Embedded element at inception date	Unregistered bonds conversion	Translation reserve	Reserve capital	Retained earnings	Total
<b>Balance as at 01/01/2016</b>	<b>3 286</b>	<b>(27 909)</b>	<b>0</b>	<b>(5 311)</b>	<b>987</b>	<b>479 778</b>	<b>450 831</b>
<u>Comprehensive income</u>							
Currency translation adjustment	0	0	0	28	0	0	28
Profit (loss) for the period	0	0	0	0	0	(2 102)	(2 102)
	0	0	0	28	0	(2 102)	(2 074)
<b>Balance as at 31/03/2016 /unaudited</b>	<b>3 286</b>	<b>(27 909)</b>	<b>0</b>	<b>(5 283)</b>	<b>987</b>	<b>477 676</b>	<b>448 757</b>
<b>Balance as at 01/01/2016</b>	<b>3 286</b>	<b>(27 909)</b>	<b>0</b>	<b>(5 311)</b>	<b>987</b>	<b>479 778</b>	<b>450 831</b>
<u>Comprehensive income</u>							
Currency translation adjustment	0	0	0	( 72)	0	0	( 72)
Profit (loss) for the period	0	0	0	0	0	(3 856)	(3 856)
	0	0	0	( 72)	0	(3 856)	(3 928)
<b>Balance as at 31/12/2016</b>	<b>3 286</b>	<b>(27 909)</b>	<b>0</b>	<b>(5 383)</b>	<b>987</b>	<b>475 922</b>	<b>446 903</b>
<b>Balance as at 01/01/2017</b>	<b>3 286</b>	<b>(27 909)</b>	<b>0</b>	<b>(5 383)</b>	<b>987</b>	<b>475 922</b>	<b>446 903</b>
<u>Transactions with owners</u>							
Bonds converted to shares	0	0	32 695	0	0	0	32 695
	0	0	32 695	0	0	0	32 695
<u>Comprehensive income</u>							
Currency translation adjustment	0	0	0	( 41)	0	0	( 41)
Profit (loss) for the period	0	0	0	0	0	(6 755)	(6 755)
	0	0	0	( 41)	0	(6 755)	(6 796)
<b>Balance as at 31/03/2017 /unaudited</b>	<b>3 286</b>	<b>( 27 909)</b>	<b>32 695</b>	<b>( 5 424)</b>	<b>987</b>	<b>469 167</b>	<b>472 802</b>

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

\_\_\_\_\_  
Elżbieta Donata Wiczowska  
Chairman of the Board

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Colin Kingsnorth  
Board Member

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Board Member

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John Purcell  
Board Member

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Waldemar Majewski  
Board Member

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

**Condensed consolidated statement of cash flows**

	Note	For the 3 month period ended	
		31/03/2017 (unaudited)	31/03/2016 (unaudited)
<b>Cash flow from operating activities</b>			
Cash generated from operations	21	42 603	( 661)
Interest paid		(1 989)	(2 107)
<b>Net cash generated from investing activities</b>		<b>40 614</b>	<b>(2 768)</b>
<b>Cash flows from investing activities</b>			
Capital expenditure on investment properties		( 188)	( 65)
Purchases of property, plant and equipment		( 27)	0
Proceeds from reduction of the own contribution in joint venture		9 552	0
<b>Net cash used in investing activities</b>		<b>9 337</b>	<b>( 65)</b>
<b>Cash flows from financing activities</b>			
Repayments of borrowings		(1 281)	(1 106)
<b>Net cash used in financing activities</b>		<b>(1 281)</b>	<b>(1 106)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>48 670</b>	<b>(3 939)</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>89 999</b>	<b>26 073</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>7</b>	<b>138 669</b>	<b>22 134</b>

\_\_\_\_\_  
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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

Celtic Property Developments S.A. ("Company", "CPD") with its registered office in Warsaw (02-677), Cybernetyki 7B str, was established on the basis of statute on 23 February 2007 (as Celtic Development Corporation S.A., then on 22 February 2008 the Company changed its name to Poen S.A.). On 23 March 2007 District Court in Cracow, XI Business Department of the National Court Register entered the Company into the Register of Businesses with the KRS number 0000277147. 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, 35 subsidiaries and 1 under common control.

#### 2 The accounting principles

Accounting principles are consistent with the principles applied in the annual consolidated financial statements for the year ended 31 December 2016.

##### 2.1 Basis of preparation

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

The Group decided not to prior use of any standard, interpretation or amendment that has been published but not yet entered into force.

**The following standards, interpretations and amendments have been issued by the International Accounting Standards Board or IFRS Interpretation Committee and have not yet entered into force:**

#### **IFRS 9 "Financial Instruments: Classification and Measurement"**

The standard is effective for accounting periods beginning on or after 1 January 2018.

#### **IFRS 14 "Regulatory Deferral Accounts"**

In accordance with the decision of the European Commission, the approval process of the standard in a pre-release version will not be initialized before the publication of the standard in the final version-approval of this financial statement the EU approved – applicable for annual periods beginning 1 January 2016 or later,

**IFRS 15 "Revenue from contracts with customers"** ((published on 28 May 2014) to include amendments to IFRS 15 Effective Date of IFRS 15 (published on 11 September 2015) – effective for annual periods beginning on or after 1 January 2018,

**IFRS 16 Leases** (published on 13 January 2016) – not endorsed by the EU until the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2019,

Amendments to **IFRS 2 Classification and Measurement of Share-based Payment Transactions** (published on 20 June 2016) – not endorsed by the EU until the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2018.

Amendments to **IFRS 4 Application of IFRS 9 Financial Instruments with IFRS 4 Insurance contracts** (published on 12 September 2016) – not endorsed by the EU until the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2018,

Amendments to **IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture** (published on 11 September 2014) – endorsement of these amendments have been deferred indefinitely by the EU – effective date deferred indefinitely by IASB,



**Notes to the interim condensed consolidated financial statements****2.1 Basis of preparation - cont.**

Amendments to **IAS 7 Disclosure Initiative (published on 29 January 2016)** – not endorsed by the EU until the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2017,

Amendments to **IAS 12 Recognition of deferred tax assets for unrealised losses** (published on 19 January 2016) – not endorsed by the EU until the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2017,

Clarifications to **IFRS 15 Revenue from Contracts with Customers** (published on 12 April 2016) – not endorsed by the EU until the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2018,

**Improvements resulting from IFRS reviews 2014-2016** (published on 8 December 2016) – not endorsed by the EU until the date of approval of these financial statements – Improvements to IFRS 12 are effective for annual periods beginning on or after 1 January 2017, and Improvements to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018,

Amendments to **IAS 40: Transfer of Investment Property** (published on 8 December 2016) – not endorsed by the EU until the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2018,

**Interpretation IFRIC 22 Foreign Currency Transactions and Advance Consideration** (published on 8 December 2016) – not endorsed by the EU until the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2018,

The Management Board is verifying effect of the above standards on the Group's financial position, operating results or the scope of information presented in the financial statements and no significant changes are expected.

**2.2 Changes in Group structure**

In the reporting period there were no changes in Group structure.

**3 Significant changes in accounting estimates**

In preparing these condensed consolidated financial statements the Board has made an assessment of the significant estimates and judgments, which have an impact on the accounting principles applied and the amounts recognised in the financial statements for a period of 3 months ended March 31, 2017.

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

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

Major estimates and judgments adopted for the purpose of preparation of these condensed consolidated financial statements are consistent with the those applied in the annual consolidated financial statements for the period ended December 31, 2016.

**Determination of the fair value of investment property**

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.

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

Non-developed land and land developed with tenement houses were valued using the comparative method (comparison in pairs). The comparative method consists in finding out the value of a real property 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 land to be developed with houses and shops was valued based on the following assumptions:

- the useful area of apartments to be built amounts to 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 assumed rent for the office space to amount to EUR 11 per sq.m. and the capitalization rate to be 8%.

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

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 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 rentals in force.

Capitalization rates from the range 7.75%-9% were used for the purposes of the valuation assumed in the financial statements as at March 31, 2017.

In the first quarter of 2017, the Group recorded a loss on the revaluation of investment properties to their fair values, which amounted to PLN 7.657 thousand, in consequence of the fluctuation of the rates of exchange.

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

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

**Accounting treatment of Smart City Spółka z ograniczoną odpowiedzialnością Sp. k.**

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

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.

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

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

- assets and liabilities under the investment agreement were recognized as the joint venture and were settled in the consolidated financial statements in accordance with the property rights method and the joint venture partners have equal 50% share in profits, assets and liabilities,
- land destined for roads and educational purposes as well as related liabilities were treated as a part of the joint venture and accounted for based on property rights method, with CPD group entitled to 100% of profits, assets and liabilities and Unibep group having no respective rights.

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

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

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.

The implementation of joint-venture occurs at the time of Unidevelopment S.A. accession to the Company's limited partnership of 4/113 Gaston Investments. Until that time, the company will be presented as a subsidiary of consolidated method.

**Calculation of Fair Value of Embedded Derivatives**

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

The fair value of the embedded derivative was estimated at level 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.

Assumptions underlying the pricing model include:

- adjustment of the issuer credit risk discount curve: 8%;
- volatility of issuer share price: 58,9% based on historic quotations of shares of CPD S.A.;
- fixed bond-to-share conversion rate: PLN 4.38;
- exchange rate cap: EUR 1 = PLN 4.1272;
- opportunity to convert bonds to shares from 26 September 2015 to the day falling 5 days before the maturity date, i.e. 22 September 2017.

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

On March 20, 2017, the company has received from bondholders of the bonds series A convertible into shares series G, issued by CPD S.A. as on September 26, 2014 the statements on the conversion of Bonds i.e. 90 bonds convertible into shares series G i.e. into 5.292.720 series G shares.

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

Conversion price (offer price) has been fixed at a level of PLN 4.38 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.

On April 28th, 2017 the Management Board of National Securities Depository S.A. adopted Resolution, as a result of considered application of Company regarding registration of 5,292,720 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.

As at March 31, 2017, the value of the liability due to the embedded derivative instrument was PLN 732 thousand and it constituted the difference between the valuation of bonds in accordance with the fair value model described above and the value of bonds without the embedded derivative instrument determined in accordance with amortized cost by applying the effective interest rate method.

In February 2016 Belise Investments Sp. z o.o., the Group subsidiary, concluded interest rate swap (IRS) contract. The value of the contract corresponds to 80% of the BZ WBK borrowings. The contract is settled in monthly periods based on EURIBOR 1M.

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.

***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 analyzed 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 Lokia 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 March 31, 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 analyzed 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, 2017. In the Company's opinion, due to the negative value of net assets of these subsidiaries, there is a substantial risk that these companies will not be able to pay the loans in full.

***Tax settlements/deferred tax and activation of tax losses***

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

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

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

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

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

***Risk of changes in interest rates***

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

Within the Group, only Belise Investments hedges the risk of fluctuations in cash flows resulting from debt incurred based on the reference rate EURIBOR IRS transaction, concluded in the first quarter of 2017.

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 quarter of 2017 there were no significant changes to the level of liquidity risk. The details of the current borrowings were presented in the consolidated financial statements for the year ended December 31, 2016.

## Notes to the interim condensed consolidated financial statements

## 4 Investment properties

	01/01/2017 - 31/03/2017	01/01/2016 - 31/12/2016
<b>At the beginning of the reporting period</b>	<b>558 706</b>	<b>651 094</b>
Capital expenditure	188	11 355
Disposal of investment property	( 62)	(4 574)
Fair value of properties disposed in course of sale of subsidiary	0	(68 746)
Transfer to joint venture	0	(16 012)
Change in the balance of capitalized financial liability concerning the property disposed in course of joint venture	0	( 519)
Change in the balance of capitalized financial liability concerning the properties transferred to assets held for sale	0	( 581)
Change in value of Capitalised Liability resulting from sale of investment property	( 8)	(4 829)
Change in Balance of Capitalised Liability (RPU)	( 10)	( 44)
Transfers to Inventory	(16 645)	0
Transfer to Assets held for Sale	0	(13 160)
Net gain/(loss) from fair value adjustments on investment properties	(7 657)	4 722
<b>At the end of the reporting period</b>	<b>534 512</b>	<b>558 706</b>

On February 22, 2017 the Group has signed an investment agreement with a joint venture in the field of complete complex of multi-family buildings with services and infrastructure.

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, 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 will be implemented in two stages.

Unidevelopment SA will join the Company's limited partnership as a limited partner, provided the approval of the President of Competition and Consumer Protection Office for the concentration of entrepreneurs is obtained.

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

## 5 Trade receivables and other receivables

	31/03/2017	31/12/2016
Trade receivables	1 362	1 715
Receivables from the state	2 983	3 368
Receivables from related parties	1 084	86
Prepaid expenses	7 148	5 060
Other receivables	18	0
<b>Short-term receivables</b>	<b>12 595</b>	<b>10 229</b>
Long-term receivables	368	365
<b>Total receivables</b>	<b>12 963</b>	<b>10 594</b>

Header Accrued expenses relates mainly to the settlement of annual fees under the property tax and perpetual usufruct of land.



**Notes to the interim condensed consolidated financial statements****6 Inventories**

	31/03/2017	31/12/2016
<b>At the beginning of the reporting period</b>	<b>5 468</b>	<b>5 296</b>
Capital expenditure	150	31
Transfer from Investment Property	16 645	0
Revaluation of Inventory	0	( 1)
Foreign exchange gains/ (losses)	( 127)	142
<b>At the end of the reporting period</b>	<b>22 136</b>	<b>5 468</b>

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**

	31/03/2017	31/12/2016
Cash at bank and on hand	16 828	11 145
Cash on escrow account	3 170	3 324
Short term bank deposits	118 671	75 530
	<b>138 669</b>	<b>89 999</b>

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

**8 Joint ventures**

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

	31/03/2017	31/12/2016
<u>Smart City Spółka z ograniczoną odpowiedzialnością sp.k.</u>		
<b>Opening balance as at 1 January</b>	<b>32 572</b>	<b>14 512</b>
Group's share of the net profit or loss of the joint ventures presented in theses interim condensed consolidated financial statements	2 907	3 680
Reduction of the joint venture contribution	(9 552)	0
Transfer of the educational land and liabilities to the joint venture (Note 4)	0	14 511
Other adjustments	0	( 131)
<b>Closing balance</b>	<b>25 927</b>	<b>32 572</b>

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

**Smart City Spółka z ograniczoną  
odpowiedzialnością Sp.k.**

Financial information coming from statement of financial position

<b>Total non-current assets, including</b>	<b>14 207</b>	<b>14 121</b>
<i>Fixed assets</i>	20	22
<i>Investment property</i>	14 187	14 099
<b>Total current assets, including:</b>	<b>59 019</b>	<b>79 590</b>
<i>Inventory</i>	45 018	56 267
<i>Trade receivables and other receivables</i>	1 917	5 293
<i>Cash and cash equivalents</i>	12 084	18 030
<b>Total assets</b>		



## Notes to the interim condensed consolidated financial statements

## 8 Joint ventures - contd.

<b>Total current liabilities, including:</b>	<b>29 186</b>	<b>28 767</b>
<i>Trade payables and other liabilities</i>	24 981	25 829
<i>Provisions</i>	4 205	2 938
<b>Total non-current liabilities, including:</b>	<b>4 184</b>	<b>12 230</b>
<i>Borrowings</i>	4 184	12 230
<b>Total liabilities</b>	<b>33 370</b>	<b>40 997</b>
<b>Net assets</b>	<b>39 856</b>	<b>52 714</b>
<b>% held by the Group</b>	<b>100%</b>	<b>100%</b>
Group share of net assets of the joint venture	12 687	12 599
<b>% held by the Group</b>	<b>50%</b>	<b>50%</b>
Group share of net assets of the joint venture	13 585	20 058
Purchase price allocation adjustments	0	( 19)
Consolidated adjustments	0	( 66)
Reduction of the joint venture contribution	( 345)	0
<b>Carrying amount of investment in joint venture presented in the interim</b>	<b>25 927</b>	<b>32 572</b>

In the first quarter of 2016, the Group recognized a gain on the joint venture in Smart City Spółka z ograniczoną odpowiedzialnością Sp.k. in the amount of PLN 2.907 thousand.

## 9 Share capital

	Number of shares		Value of shares	
	31/03/2017	31/12/2016	31/03/2017	31/12/2016
Ordinary shares (in thousands)	32 863	32 863	3 286	3 286

On August 5, 2014 Extraordinary General Shareholders' meeting adopted the resolution concerning: issue of bonds series A convertible to the Company's shares series G and deprivation of current shareholders of their pre-emption right in full with respect to taking up of the convertible bonds series A, conditional increase of the share capital of the Company, deprivation of current shareholders of their pre-emption right in full with respect to shares series G and amendment to the Company's Articles of Association, dematerialization of shares series G and application for admission and introduction of shares series G to trading on the regulated market. Conditional increase of the share capital shall be effected in the form of issue by the Company of up to 9,791,360 of the Company's ordinary bearer shares series G, with the nominal value of PLN 0.10 each and total nominal value of up to PLN 979,136. As a result the Company has issued 110 bonds of series A of nominal value EUR 50,000 each and of total nominal value EUR 5,500,000 .

On March 20, 2017, the company has received from bondholders of the bonds series A convertible into shares series G, issued by CPD S.A. as on September 26, 2014 the statements on the conversion of Bonds i.e. 90 bonds convertible into shares series G i.e. into 5.292.720 series G shares.

Conversion price (offer price) has been fixed at a level of PLN 4.38 per one share, pursuant to Resolution No. 3 of the Extraordinary General Shareholders Meeting of August 5. 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.

As at the date of preparation of these condensed consolidated financial statements the increased share capital has not been registered in the National Court Register.



**Notes to the interim condensed consolidated financial statements****10 Trade payables and other liabilities****Non-current liabilities**

	31/03/2017	31/12/2016
Deposits of tenants	2 113	2 091

**Current liabilities**

	31/03/2017	31/12/2016
Trade payables	936	1 451
Social securities and other taxes	10 950	6 795
Deposits of tenants	320	352
Other liabilities	129	8 448
Advanced sales payments	55 000	5 000
Accrued expense	13 993	13 125
	<b>81 328</b>	<b>35 171</b>

Increase in tax liabilities in comparison to December 31, 2016 is mainly due to the recognition of tax liabilities from real estate, settled on a monthly basis, and liabilities related to perpetual usufruct.

Advanced sales payments result from a preliminary contract of sale of the shares in 11/162 Gaston Investments., preliminary sales agreements of plots owned by 18 Gaston Investments and IMES Poland Sp. z o.o.

Accruals are consistent with 2016 year end and consist mainly of potential tax exposures.

**11 Borrowings, including financial leasing**

	31/03/2017	31/12/2016
<b>Non-current</b>		
Bank loans	105 682	112 094
Financial liabilities - hedging instruments	492	647
Financial leasing	26 120	26 137
	<b>132 294</b>	<b>138 878</b>
<b>Current</b>		
Bank loans	6 533	6 886
Financial liabilities - hedging instruments	177	320
	<b>6 710</b>	<b>7 206</b>
<b>Total borrowings</b>	<b>139 004</b>	<b>146 084</b>

As of March 31, 2017 bank credits consist of:

- payable of PLN 39,795 thousand to mBank Hipoteczny S.A. (PLN 1,732 thousand being short-term and PLN 38,063 thousand long-term),
- payable of PLN 72,420 thousand to Bank Zachodni BZ WBK (PLN 4,801 thousand being long-term and PLN 67,619 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 Polczyńska 31a. Mortgage credit in the mBank was launched on 1 July 2014. As at balance sheet date Lakia's involvement amounted to EUR 5.534.033, and Robin's - EUR 4.285.405,14. According to the terms and conditions of the loan agreement with mBank Hipoteczny, the companies are obliged to repay the entire loan until June 20, 2029.

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



**Notes to the interim condensed consolidated financial statements****11 Borrowings, including financial leasing - cont.**

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

The interest rate on loans taken by the subsidiaries is variable and is as follows: loan from BZ WBK SA margin 2.15% + EURIBOR 1M, loans from mBank Hipoteczny SA margin 2,80% + EURIBOR 6M.

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

The value of hedging derivatives - the IRS as at the balance sheet date was estimated at PLN 669 thousand.

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

**12 Bonds issued**

	31/03/2017	31/12/2016
<i>a/ Bonds serie A</i>		
Beginning balance	33 875	38 040
Accrued interest	524	2 553
Bonds conversion into shares	(32 695)	0
Valuation as at balance sheet date	(1 497)	894
Valuation of the embedded derivative	7 087	(7 612)
Bonds value as at balance sheet date	<b>7 294</b>	<b>33 875</b>
<i>b/ Bonds serie B *)</i>		
Beginning balance	31 021	30 915
Accrued interest	681	2 738
Valuation as at balance sheet date	(1 376)	(2 738)
Valuation of the embedded derivative	21	106
Bonds value as at balance sheet date	<b>30 347</b>	<b>31 021</b>
	<b>31/03/2017</b>	<b>31/12/2016</b>
<b>Long-term</b>		
Bonds issued	29 763	29 742
<b>Short-term</b>		
Bonds issued	4 220	29 852
Derivatives	2 013	4 023
Bonds issued - interest	1 645	1 279
	<b>37 641</b>	<b>64 896</b>

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

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.

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

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

Embedded derivative instrument results from:

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

The method of valuation of the embedded derivative instrument is described in note 3.

On 20 March 2017, the bondholders issued the statements on conversion of 90 G series bonds into the share capital of CPD S.A., i.e. into 5,292,720 of the Company's series G shares.

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

The Bonds were issued in accordance with the following terms and conditions:

The issuer did not specify the purpose of the issue within the meaning of the Bonds Act or the undertaking to be financed from the issue of the Bonds.

The issued Bonds are series B covered, bearer bonds with the nominal value of PLN 1,000 each and do not have the form of an instrument.

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

The nominal value of one Bond is PLN 1,000. The issuing price of one Bond corresponds to its nominal value, i.e. PLN 1,000.

The Bonds will be repurchased by the Company on the day falling 4 years after the Bonds issue date, i.e. on 13 January 2019 ("Redemption Date") – except in the event of an early repurchase of Bonds in case of a breach of the terms and conditions of the issue of Bonds by the Issuer or on the Issuer's request.

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

If the Issuer does not repurchase the Bonds earlier in case of a breach at the request of the Bond Holder or at the request of the Issuer, the Bonds will be repurchased on the Redemption Date by paying the amount equal to the nominal value of Bonds plus due and unpaid interest on the Bonds.

On 9 February 2015, an agreement on the establishment of a registered pledge on Blaise Investments sp. z o.o.'s shares was concluded by Lakia Enterprises Limited and Matczuk Wieczorek i Wspólnicy Kancelarii Adwokatów i Radców Prawnych sp. j., acting on their own behalf, but for the account of bond holders holding series B bonds.

The registered pledge was established on 100 shares in the share capital of Blaise 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 50,000.

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

**13 Deferred income taxes**

	31/03/2017	31/12/2016
<b>Deferred tax assets</b>	0	0
<b>Deferred tax liabilities</b>	19 249	20 248

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

**14 Revenue by nature**

	01/01/2017 - 31/03/2017	01/01/2016 - 31/03/2016
Rent income	3 577	3 331
Real estate advisory services	111	101
Services relating to rental	1 551	1 294
	<b>5 239</b>	<b>4 726</b>

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

**15 Cost of sales**

	01/01/2017 - 31/03/2017	01/01/2016 - 31/03/2016
Cost of services provided	950	574
	<b>950</b>	<b>574</b>

**16 Administrative costs property related**

	01/01/2017 - 31/03/2017	01/01/2016 - 31/03/2016
Employee expenses	246	396
Property maintenance	1 214	1 023
Real estate tax	110	452
Perpetual usufruct	151	221
Depreciation and amortization	60	63
	<b>1 781</b>	<b>2 155</b>

**17 Administrative expenses-other**

	01/01/2017 - 31/03/2017	01/01/2016 - 31/03/2016
Advisory services	2 223	714
Legal fees	246	415
Transportation	9	3
Taxes	19	70
Office maintenance	351	350
Other services	90	66
Costs of not deductible VAT	133	16
Impairment write-down in respect of receivables	51	45
	<b>3 122</b>	<b>1 679</b>

In the first quarter of 2017 years the Group recorded a increase in the cost of advisory services in relation to the same period of 2016 by PLN 1.510 thousand.

**18 Other income**

	01/01/2017 - 31/03/2017	01/01/2016 - 31/03/2016
Other income	114	14
	<b>114</b>	<b>14</b>

**Notes to the interim condensed consolidated financial statements****19 Financial income and expenses**

	01/01/2017 - 31/03/2017	01/01/2016 - 31/03/2016
Interest expense:		
- Bank loans	( 604)	( 715)
- Bank facility arrangement fee	0	0
- Interest from financial leases	( 493)	( 601)
- interest on bonds	(1 205)	(1 277)
- Other interest	( 106)	( 36)
- Other	( 42)	( 43)
Revaluation of derivatives (IRS)	0	(1 034)
Loss on bonds revaluation	(5 612)	( 27)
Valuation of amortized cost	( 38)	(1 906)
<b>Financial costs</b>	<b>(8 100)</b>	<b>(5 639)</b>
Interest income:		
- Bank interest	209	14
- Interest from related parties	3	0
- interest on bonds	0	32
Profit on bonds revaluation	0	566
Revaluation of derivatives (IRS)	298	0
Other financial income	108	0
Financial income from conversion of the bonds into share capital	0	346
Net exchange differences	5 164	2 041
<b>Financial income</b>	<b>5 782</b>	<b>2 999</b>

**20 Income tax**

	01/01/2017 - 31/03/2017	01/01/2016 - 31/03/2016
Deferred taxes	(1 000)	326
	<b>(1 000)</b>	<b>326</b>

**Notes to the interim condensed consolidated financial statements****21 Cash flow from operating activities**

	01/01/2017 - 31/03/2017	01/01/2016 - 31/03/2016
Profit/loss before tax	(7 755)	(1 776)
Adjustments for:		
- depreciation of tangible fixed assets	60	62
- foreign exchange differences	(6 971)	( 212)
- (gains) losses on revaluation to fair value of investment property venture	7 657	( 193)
	(2 907)	( 446)
- currency translation adjustments	86	0
- interest costs	1 812	1 992
- interest income	( 3)	0
- inventory impairment	0	4
- loss on investment property disposal	62	0
- result on embedded derivatives	7 087	( 566)
- result on bonds revaluation using effective rate method	21	27
- loss on derivatives valuation	( 298)	1 034
- other adjustments	( 47)	17
Changes in working capital		
- changes in receivables	(2 269)	(2 859)
- changes in inventories	( 150)	( 4)
- change in trade liabilities and other	46 218	2 259
	<b>42 603</b>	<b>( 661)</b>

**22 Related party transactions**

CPD S.A. does not have a direct parent or parent senior. Coöperatieve Laxey Worldwide W.A. is a major investor. CPD Group also includes transactions with key management personnel and other related parties, controlled by key staff of the Group.

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

	01/01/2017 - 31/03/2017	01/01/2016 - 31/03/2016
<b>(a) Transactions with key management personnel</b>		
Remuneration of the Management Board members	66	63
Salaries and Cost of services provided by the Management Board members	327	179
Remuneration of the Supervisory Board members	90	75
Revenues	19	0
	<b>31/03/2017</b>	<b>31/12/2016</b>
Total receivables	19	0
Total liabilities	173	0
<b>(b) Transactions with the other related parties</b>		
<u>Revenues</u>		
Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.	111	102
<u>Costs</u>		
Kancelaria Radców Prawnych Oleś i Rodzyńkiewicz	32	0
Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.	0	2



### Notes to the interim condensed consolidated financial statements

#### 22 Related party transactions - contd.

	31/03/2017	31/12/2016
Total liabilities		
<i>Kancelaria Radców Prawnych Oleś i Rodzyńkiewicz</i>	13	13
Total receivables		
<i>Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.</i>	51	86

#### c) Transactions with shareholders

	31/03/2017	31/12/2016
<i>Laxey Cooperative</i> - loans receivable	323	334
<i>Laxey Cooperative</i> - loan receivable allowance	( 323)	( 334)
<i>Laxey Partners</i> - costs	1 033	0

#### 23 Payment of dividends

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

#### 24 Earnings per share

	01/01/2017 - 31/03/2017	01/01/2016 - 31/03/2016
Profit attributable to the shareholders in the parent company	(6 755)	(2 102)
Weighted average number of ordinary shares (in '000)	33 517	32 863
Earnings per share	(0,20)	(0,06)
Diluted profit attributable to shareholders	(5 855)	2 369
Weighted average number of ordinary shares (in '000)	42 654	42 654
Diluted earnings per share	(0,14)	0,06

The issuance of bonds convertible into shares by CPD contributed to the dilution of profit. The amount of adjustment of the result was affected by the amount of interest (PLN 95 thousand), valuation of bonds as at the balance sheet date (PLN - 272 thousand) and the valuation of the embedded derivative instrument (PLN - 1 289 thousand). These amounts will be reduced by the income tax to be paid in the future.

The weighted average number of shares was adjusted due to the possible exercise of right to convert bonds convertible into shares and amounted to 42 654 thousand.

#### 25 Contingent liabilities

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

#### 26 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.

#### 27 Seasons of activity and unusual events

The activity of the Group of the CPD is not seasonal or cyclical.

**Notes to the interim condensed consolidated financial statements****28 Assets and liabilities held for sale**

As at 31 March 2017 investment property belonging to 18 Gaston Investments Spółka z ograniczoną odpowiedzialnością sp.k. plot No 148/2) was classified as held for sale.

Moreover assets and liabilities of 1/162 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k. are presented as held for sale. As of the date of these statements the transaction is still in progress. The relevant share transfer agreement is to be concluded by 7 July 2017.

**Assets held for sale**

Investment property

Trade and other receivables

Cash and cash equivalents

**Liabilities classified as held for sale**

leases

Other short-term payables

**Net assets**

	31/03/2017	31/03/2016
Investment property	13 742	13 742
Trade and other receivables	98	234
Cash and cash equivalents	184	99
	<b>14 024</b>	<b>14 075</b>
leases	581	581
Other short-term payables	40	1
	<b>621</b>	<b>582</b>
	<b>13 403</b>	<b>13 493</b>

**29 Events after the end of the reporting period**

The Board of the Warsaw Stock Exchange admitted with effect from May 15, 2017 to the listing the shares of series G, issued under a conditional capital increase. On this day, 5.282.720 shares of a nominal value of PLN 0.10 were registered by the National Depository of Securities (KDPW).

There were no other significant post balance sheet events.



**Notes to the interim condensed consolidated financial statements****30 Interim financial information of the parent****30.1 Condensed statement of comprehensive income**

	Notes	01/01/2017 - 31/03/2017 <i>(niebadane)</i>	01/01/2016 - 31/03/2016 <i>(niebadane)</i>
Revenues		0	93
Administrative costs	30.14	(1 475)	( 427)
Marketing costs		0	( 6)
Interest income on loans		3 331	3 747
<b>OPERATING RESULT</b>		<b>1 856</b>	<b>3 407</b>
Financial income	30.15	114	605
Financial costs	30.15	(7 041)	(1 396)
<b>PROFIT (LOSS) BEFORE INCOME TAX</b>		<b>(5 071)</b>	<b>2 616</b>
Income tax		145	0
<b>PROFIT (LOSS) FOR THE PERIOD</b>		<b>(4 926)</b>	<b>2 616</b>
<b>BASIC EARNINGS PER SHARE</b>	28.12	(0,15)	0,08
<b>DILUTED EARNINGS PER SHARE</b>	28.12	(0,09)	0,06

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*Board Member*

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*Board Member*

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 Iwona Makarewicz  
*Board Member*

\_\_\_\_\_  
 Waldemar Majewski  
*Board Member*

## Notes to the interim condensed consolidated financial statements

## 30.2 Condensed statement of financial position

ASSETS	Nota	31/03/2017	31/12/2016
<b>Non-current assets</b>			
Property, plant and equipment		1	1
Intangible assets, excluding goodwill		0	1
Long-term receivables	30.7	457 916	482 411
Shares in subsidiaries	30.5	0	0
		<b>457 917</b>	<b>482 413</b>
<b>Current assets</b>			
Trade receivables and other receivables, including:	30.8	296	551
- receivables and loans		249	547
- prepayments		47	4
Bonds		3 702	3 702
Cash and cash equivalents		74 395	49 630
		<b>78 393</b>	<b>53 883</b>
<b>Total assets</b>		<b>536 310</b>	<b>536 296</b>
<b>EQUITY</b>			
Share capital	28.10	3 286	3 286
Bonds conversion into shares		32 695	0
Other Reserves		987	987
Embedded element at inception date		(27 909)	(27 909)
Share premium		796 643	796 643
Retained earnings		(330 842)	(325 916)
<b>Total equity</b>		<b>474 860</b>	<b>447 091</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Bonds issued	28.13	29 764	29 742
Borrowings, including financial leasing	28.11	16 855	16 758
Deferred tax liabilities		4 922	5 068
		<b>51 541</b>	<b>51 568</b>
<b>Zobowiązania krótkoterminowe</b>			
Bonds issued	28.13	5 865	31 131
Derevatives	28.13	2 013	4 023
Trade receivables and other receivables		2 031	2 483
		<b>9 909</b>	<b>37 637</b>
<b>Total liabilities</b>		<b>536 310</b>	<b>536 296</b>

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*Board Member*

**Notes to the interim condensed consolidated financial statements****30.3 Condensed statement of changes in equity**

	Note s	Share capital	Embedded element at inception date	Own shares	Supplementary capital	Retained earnings	Total	
Balance as at 1/01/2016		3 286	( 27 909)	0	796 643	987	( 323 675)	449 332
Profit (loss) for the period		0	0	0	0	0	2 616	2 616
		0	0	0	0	0	2 616	2 616
Balance as at 31/3/2016 /unaudited		3 286	( 27 909)	0	796 643	987	( 321 060)	451 947
Balance as at 1/01/2016		3 286	( 27 909)	0	796 643	987	( 323 675)	449 332
Profit (loss) for the period		0			0	0	(2 241)	(2 241)
		0			0	0	(2 241)	(2 241)
Balance as at 31/12/2016		3 286	( 27 909)	0	796 643	987	( 325 916)	447 091
Balance as at 1/01/2017		3 286	( 27 909)	0	796 643	987	( 325 916)	447 091
Bonds conversion into shares		0	0	32 695	0	0	0	32 695
Profit (loss) for the period		0	0	0	0	0	(4 926)	(4 926)
		0	0	32 695	0	0	(4 926)	27 769
Balance as at 31/3/2017 /unaudited		3 286	( 27 909)	32 695	796 643	987	( 330 842)	474 860

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*Board Member*

\_\_\_\_\_  
Waldemar Majewski  
*Członek Zarządu*

**Notes to the interim condensed consolidated financial statements****30.4 Condensed statement of cash flows**

	Note	01/01/2017 - 31/03/2017 <i>(unaudited)</i>	01/01/2016 - 31/03/2016 <i>(unaudited)</i>
<b>Cash flow from operating activities</b>			
Cash generated from operations	30.16	(1 551)	(1 228)
Interest paid		(1 376)	(1 296)
<b>Net cash generated from investing activities</b>		<b>( 2 927)</b>	<b>(2 524)</b>
<b>Cash flows from investing activities</b>			
Loans		(10 708)	( 849)
Loan repayments received		34 384	630
Interest received		4 016	78
<b>Net cash used in investing activities</b>		<b>27 692</b>	<b>( 141)</b>
<b>Cash flows from financing activities</b>			
Repayment of loans		0	( 70)
<b>Net cash used in financing activities</b>		<b>0</b>	<b>( 70)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>24 765</b>	<b>( 2 735)</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>49 630</b>	<b>8 115</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>74 395</b>	<b>5 380</b>

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*Board Member*

**Notes to the interim condensed consolidated financial statements****30.5 Shares in subsidiaries**

Name	Country	Share	31/03/2017	31/12/2016
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)
			<b>0</b>	<b>0</b>

**30.6 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 December 31, 2016 - 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 in the first half of 2017. Debt resulting from the bonds will be redeemed by offsetting receivables held against each other.

**30.7 Long-term receivables**

	31/03/2017	31/12/2016
Long-term loans with related parties, including:		
- loans	427 490	450 942
- interest	85 271	85 994
Impairment	(55 213)	(54 891)
	<b>457 548</b>	<b>482 045</b>
Long-term loans to other parties, including:		
-loan	357	357
-interest	11	9
	<b>368</b>	<b>366</b>

**Details of the loans granted to related parties 31.03.2017**

Related party	Currency	Principal of the amount in	Accrued interest in PLN	Interest Rate	Margin	Maturity
2/124 Gaston Investments	PLN	3 339	492	3M WIBOR	1,55%	on demand
3/93 Gaston Investments	PLN	3 071	423	3M WIBOR	1,55%	on demand
4/113 Gaston Investments	PLN	8 129	1 310	3M WIBOR	1,55%	on demand
5/92 Gaston Investments	PLN	3 057	268	3M WIBOR	1,55%	on demand
6/150 Gaston Investments	PLN	1 165	309	3M WIBOR	1,55%	on demand
7/120 Gaston Investments	PLN	1 542	210	3M WIBOR	1,55%	on demand
8/126 Gaston Investments	PLN	4 514	670	3M WIBOR	1,55%	on demand
9/151 Gaston Investments	PLN	1 486	202	3M WIBOR	1,55%	on demand
10/165 Gaston Investments	PLN	2 300	248	3M WIBOR	1,55%	on demand
11/162 Gaston Investments	PLN	2 575	200	3M WIBOR	1,55%	on demand
12/132 Gaston Investments	PLN	2 901	242	3M WIBOR	1,55%	on demand
13/155 Gaston Investments	PLN	3 657	390	3M WIBOR	1,55%	on demand
15/167 Gaston Investments	PLN	2 096	216	3M WIBOR	1,55%	on demand
16/88 Gaston Investments	PLN	582	98	3M WIBOR	1,55%	on demand
18 Gaston Investments	PLN	1 416	235	3M WIBOR	1,55%	on demand
19/97 Gaston Investments	PLN	631	102	3M WIBOR	1,55%	on demand
20/140 Gaston Investments	PLN	704	119	3M WIBOR	1,55%	on demand



## Condensed interim consolidated financial statements for the period of 3 months ended 31 March 2017

(All amounts in PLN thousands unless otherwise stated )

## Notes to the interim condensed consolidated financial statements

## 30.7 Long-term receivables - cont.

Antigo Investments	PLN	4 485	239	3M WIBOR	1,55%	on demand
<i>Impairment on loan Antigo</i>		(1 412)	( 203)			
Blaise Gaston Investments	PLN			3M WIBOR	1,55%	on demand
Blaise Investments	PLN			3M WIBOR	1,55%	on demand
Belize Investments	PLN	12 960	5 251	3M WIBOR	1,55%	on demand
Buffy Holdings No 1 Ltd	PLN	153 967	37 850	3M WIBOR	0,75%	on demand
<i>Impairment on loan Buffy Holdings</i>	PLN	(5 375)	(36 892)			on demand
Celtic Asset Management	PLN	998	30	3M WIBOR	1,55%	on demand
<i>Impairment on loan CAM</i>		( 214)	( 22)			
Celtic Investments Ltd	EUR	1 840	57	3M LIBOR	0,75%	on demand
<i>Impairment on loan CIL</i>		(1 870)	( 58)			
Challange 18	PLN	143 902	26 599	3M WIBOR	1,55%	on demand
Smart City Sp. z o.o.	PLN	4	0	3M WIBOR	1,55%	on demand
<i>Impairment on loan Smart City</i>		0	0			
Elara Investments	PLN	2 947	150	3M WIBOR	1,55%	on demand
<i>Impairment on loan Elara Investments</i>		(2 076)	( 127)			on demand
Gaston Investments	PLN	9 337	59	3M WIBOR	1,55%	on demand
<i>Impairment on loan Gaston Investments</i>	PLN	(1 721)	( 23)			
HUB Developments	PLN	2 488	225	3M WIBOR	1,55%	on demand
<i>Odpis na pożyczkę udzieloną HUB Developments</i>		( 529)	( 205)		1,55%	on demand
Lakia Enterprises Limited	PLN	51 074	9 078	3M WIBOR	1,55%	on demand
<i>Impairment on loan Lakia Enterprises</i>		0	(4 165)			
		<b>413 971</b>	<b>43 576</b>			

## Details of the loans granted to other parties 31.03.2017

Other party	Currency	Principal of the amount in loan PLN	Accrued interest in PLN	Interest Rate	Margin	Maturity
Bolzanus Limited	PLN	357	11	3M WIBOR	1,55%	on demand
		<b>357</b>	<b>11</b>			

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.

## Notes to the interim condensed consolidated financial statements

## 30.8 Trade receivables and other receivables

	31/03/2017	31/12/2016
Trade receivables from related parties	60	61
Short-term loans with related parties, including:	139	0
- loans	16 070	16 061
- interest	5 116	4 986
- impairment	(21 047)	(21 047)
Surplus of input VAT over output	1	3
Other receivables from related parties	12	466
Other receivables from other parties	17	17
Prepayments	47	4
Other receivables	20	0
<b>Short-term receivables</b>	<b>296</b>	<b>551</b>

## Details of the loans granted to related parties

Related party		Principal amount	Accrued interest	The Interest Rate	Margin	Maturity
Mandy Investments	PLN	16 070	5 116	3M WIBOR	1,55%	on demand
<i>Impairment on loan Mandy Investments</i>		<i>(16 061)</i>	<i>(4 986)</i>			

## 30.9 Deferred income tax

## Deferred tax liabilities

<b>As at January 1, 2016</b>	<b>16 124</b>
Accrued interest on loans	1 093
Accrued interest on bonds	133
Exchange differences	16
<b>As at December 31, 2016 - before compensation</b>	<b>17 366</b>
Compensation of the deferred tax asset	(12 298)
<b>As at December 31, 2016 - after compensation</b>	<b>5 068</b>
Accrued interest on loans	( 112)
Exchange differences	( 17)
<b>As at March 31, 2017 - before compensation</b>	<b>17 237</b>
Compensation of the deferred tax asset	(12 315)
<b>As at March 31, 2017 - after compensation</b>	<b>4 922</b>

**Notes to the interim condensed consolidated financial statements****30.9 Deferred income tax - cont****Deferred tax assets**

<b>As at January 1, 2016</b>	<b>16 124</b>
Impairment of shares	(5 684)
Accrued interest on loans	48
Tax loss	1 292
Accrued interest on bonds	518
<b>As at December 31, 2016 - before compensation</b>	<b>12 298</b>
Compensation of deferred tax provision	(12 298)
<b>As at December 31, 2016 - after compensation</b>	<b>0</b>
Accrued interest on loans	19
Accrued interest on bonds	45
Exchange differences	( 47)
<b>As at March 31, 2017 - before compensation</b>	<b>12 315</b>
Compensation of deferred tax provision	(12 315)
<b>As at March 31, 2017 - after compensation</b>	<b>0</b>

**30.10 Share capital**

	The number of shares		Value of the shares	
	31/03/2017	31/12/2016	31/03/2017	31/12/2016
Ordinary shares (in thousands)	32 863	32 863	3 286	3 286

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

On March 20, 2017, the company has received from bondholders of the bonds series A convertible into shares series G, issued by CPD S.A. as on September 26, 2014 the statements on the conversion of Bonds i.e. 90 bonds convertible into shares series G i.e. into 5.292.720 series G shares. Conversion price (offer price) has been fixed at a level of PLN 4.38 per one share, pursuant to Resolution No. 3 of the Extraordinary General Shareholders Meeting of August 5. 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.

As at the date of preparation of these financial statements the increased share capital has not been registered in the National Court Register.

**30.11 Borrowings, including financial leasing**

	31/03/2017	31/12/2016
Loans from related parties	16 855	16 758
	<b>16 855</b>	<b>16 758</b>

Loan commitments at 31 March 2017 relate to a loan from a subsidiary Lakia Enterprises (interest rate on the loan is 3M WIBOR + margin 0.50%), loan from a subsidiary Lakia Investments (interest rate on the loan is 3M WIBOR + margin 1.55%) and loan from the subsidiary Robin Investments (interest rate on the loan is 3M WIBOR + margin 1.55%). As at 31 March 2017 loan balances are as follows: Lakia Enterprises: 9 660 thousand PLN (capital: 7 630 thousand PLN, interest 2 030 thousand PLN); Lakia Investments is 5 578 thousand PLN (capital 5 259 thousand PLN, interest 319 thousand PLN); Robin Investments: 1 617 thousand PLN (capital: 1 600 thousand PLN, interest 17 thousand PLN).

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

The loans are not secured.



## Notes to the interim condensed consolidated financial statements

## 30.12 Earnings (loss) per share

	01/01/2017 - 31/03/2017	01/01/2016 - 31/03/2016
Profit attributable to the shareholders	(4 926)	2 616
Weighted average number of ordinary shares (in '000)	32 863	32 863
Earnings per share	(0,15)	0,08
Diluted profit attributable to shareholders	(4 026)	2 666
Weighted average number of ordinary shares (in '000)	42 654	42 654
Diluted earnings per share	(0,09)	0,06

The issuance of bonds convertible into shares by CPD contributed to the dilution of profit. The amount of adjustment of the result was affected by the amount of interest (PLN 95 thousand), valuation of bonds as at the balance sheet date (PLN - 272 thousand) and the valuation of the embedded derivative instrument (PLN - 1 289 thousand). These amounts will be reduced by the income tax to be paid in the future.

The weighted average number of shares was adjusted due to the possible exercise of right to convert bonds convertible into shares and amounted to 42 654 thousand.

## 30.13 Bonds issued

	31/03/2017	31/12/2016
<i>a/ Bonds serie A</i>		
Value at the beginning of the period	33 875	38 040
Interest accrued	524	2 553
Bonds conversion into shares	(32 695)	0
Valuation at the reporting date	(1 497)	894
Valuation of the derivative component	7 087	(7 612)
<b>Value as at 31 March 2017</b>	<b>7 294</b>	<b>33 875</b>

## Bondholders

	31/03/2017	31/12/2016
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	17	17
Quintessence Fund LP	3	3
Lars E. Bader	0	7
Co-op	0	33
Furseka	0	20
Broadmeadow	0	0

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

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

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

Embedded derivative instrument results from:

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

The method of valuation of the embedded derivative instrument is described in note 3.

On 20 March 2017, the bondholders issued the statements on conversion of 90 G series bonds into the share capital of CPD S.A., i.e. into 5,292,720 of the Company's series G shares.

	31/03/2017	31/12/2016
<i>b) Bonds B series</i>		
Value at the beginning of the period	31 021	30 915
Interest accrued	681	2 738
Interest paid	(1 376)	(2 738)
Valuation of the embedded derivative	22	106
<b>Value as at 31 March 2017</b>	<b>30 348</b>	<b>31 021</b>

(\*) The nominal value of bonds issued January 13, 2015 r. (30,000 thousand. PLN) was reduced by costs of the issue of bonds in the amount of 448 thousand. PLN. The costs of issuing bonds consist of the cost of handling the issue by the investment house in the amount of 425 thousand PLN and the cost of legal services.

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

On January 13, 2015, the Company issued a total of 30,000 covered bonds series B Bonds was carried out in the manner specified in Art. 9 Section 3 of the Act on Bonds, ie. Within the framework of a private placement.

The bonds were issued on the following conditions:

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

On February 9, 2015 r. the agreement was concluded for the establishment of a registered pledge on shares of Blaise Investments Sp. Z oo, between Lakia Enterprises Limited and Matczuk Wieczorek & Partners Law Firm Advocates and Legal Advisers Sp. J. Acting in his own name but on behalf of the bondholders holding bonds Series B.

Registered pledge was established on 100 shares in the capital of Blaise Investments sp. z o.o., with a nominal value of 50 zł each, representing 100% of the share capital of the company. The nominal value package of 1,000 shares is 50,000 zł.

Registered pledge was established up to the amount of 45,000,000 zł According to a valuation performed by an expert valuer on 26 January 2015.

	31/03/2017	31/12/2016
<b>Long-term bonds</b>		
Bonds issued	29 764	29 742
<b>Short-term bonds</b>		
Bonds issued	4 220	29 852
Derivative financial instruments	2 013	4 023
Interest on issued bonds	1 645	1 279
	<b>37 642</b>	<b>64 896</b>

**Notes to the interim condensed consolidated financial statements****30.14 Administrative costs**

	01/01/2017 - 31/03/2017	01/01/2016 - 31/03/2016
Advisory services	1 100	39
Salaries	164	268
Auditor's remuneration	0	0
Costs of not deductible VAT	76	1
Other services	135	119
	<b>1 475</b>	<b>427</b>

In the group of administrative costs in the first quarter of 2017, the Company recorded an increase in the cost of advisory services in relation to the same period of 2016 in the amount of 1 061 thousand PLN. The increase in advisory costs is a consequence of the increased demand for advisory services as a result of increased activity in the housing market.

**30.15 Financial income and expenses**

	01/01/2017 - 31/03/2017	01/01/2016 - 31/03/2016
Interest income:		
-Interest from unrelated parties	0	32
- Bank interest	98	7
Other financial income	16	0
Profit on bonds revaluation	0	566
Net exchange differences	0	0
<b>Financial income</b>	<b>114</b>	<b>605</b>
Interest costs:		
-Interest from related parties	97	68
-Interest from unrelated parties	1 205	1 277
Net exchange differences	127	23
Derivatives revaluation	5 612	0
Other financial costs	0	28
<b>Financial costs</b>	<b>7 041</b>	<b>1 396</b>

**30.16 Cash flow from operating activities**

	01/01/2017 - 31/03/2017	01/01/2016 - 31/03/2016
Profit/loss before tax	(5 071)	2 616
Adjustments for:		
– exchange differences	729	( 505)
– depreciation	1	1
– interest costs	1 098	1 243
– interest income	(3 429)	(3 787)
– derivatives revaluation	5 612	0
– impairment on loans	( 16)	0
– changes in receivables	394	( 134)
– change in trade liabilities and other	( 869)	( 662)
	<b>(1 551)</b>	<b>(1 228)</b>

## Notes to the interim condensed consolidated financial statements

## 30.17 Related party transactions

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

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

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

	01/01/2017 - 31/03/2017	01/01/2016 - 31/03/2016
<b>a) Transactions with key management personnel</b>		
Remuneration of members of the Supervisory Board	90	75
Remuneration of members of the Board of Directors	60	60
<b>b) Transactions with major investor</b>		
Laxey - loan	323	326
Laxey - impairment on loan	( 323)	( 326)

## 30.17 Related party transactions - cont

## c) Transactions with subsidiaries

Revenues		
2/124 Gaston Investments	27	25
3/93 Gaston Investments	26	24
4/113 Gaston Investments	65	49
5/92 Gaston Investments	29	33
6/150 Gaston Investments	14	20
7/120 Gaston Investments	13	14
8/126 Gaston Investments	42	43
9/151 Gaston Investments	12	9
10/165 Gaston Investments	18	16
11/162 Gaston Investments	20	11
12/132 Gaston Investments	28	29
13/155 Gaston Investments	29	28
15/167 Gaston Investments	17	16
16/88 Gaston Investments	5	4
18 Gaston Investments	17	27
19/97 Gaston Investments	5	4
20/140 Gaston Investments	5	5
Antigo Investments	37	41
Blaise Gaston Investments	0	52
Blaise Investments	0	197
Belise Investments	106	106
Buffy Holdings No1 Ltd	959	997
Celtic Investments Ltd	2	3
Challange 18	1 213	1 313
Elara Investments	24	23
Gaston Investments	41	64
Hub Developments	20	20
IMES	11	29
Lakia Enterprises Ltd	413	415
Mandy investments	130	130



## Notes to the interim condensed consolidated financial statements

## 30.17 Related party transactions - cont

## Costs

<i>Lakia Enterprises Ltd</i>	42	42
<i>Lakia Investments</i>	42	26
<i>Robin Investments</i>	13	0
<i>Gaston Investments</i>	21	0

## Liabilities

<i>Lakia Enterprises Ltd</i>	9 660	9 537
<i>Lakia Investments</i>	5 578	3 354
<i>Robin Investments</i>	1 617	0

## Receivables

<i>2/124 Gaston Investments</i>	3 830	3 513
<i>3/93 Gaston Investments</i>	3 494	3 274
<i>4/113 Gaston Investments</i>	9 439	7 085
<i>5/92 Gaston Investments</i>	3 325	4 518
<i>6/150 Gaston Investments</i>	1 474	2 852
<i>7/120 Gaston Investments</i>	1 752	1 919
<i>8/126 Gaston Investments</i>	5 183	5 966
<i>9/151 Gaston Investments</i>	1 688	1 280
<i>10/165 Gaston Investments</i>	2 548	2 200
<i>11/162 Gaston Investments</i>	2 775	1 454
<i>12/132 Gaston Investments</i>	3 143	4 011
<i>13/155 Gaston Investments</i>	4 047	3 853
<i>15/167 Gaston Investments</i>	2 311	2 139
<i>16/88 Gaston Investments</i>	680	585
<i>18 Gaston Investments</i>	1 652	3 674
<i>19/97 Gaston Investments</i>	733	631
<i>20/140 Gaston Investments</i>	822	722
<i>Antigo investments</i>	4 724	5 222
<i>Impairment</i>	(1 615)	(1 151)
<i>Blaise Gaston Investments</i>	0	7 137
<i>Blaise Investments</i>	0	29 292
<i>Belise Investments</i>	18 211	17 789
<i>Buffy Holdings No1 Ltd</i>	191 817	195 758
<i>Impairment</i>	(42 267)	(30 652)
<i>Celtic Asset Management</i>	1 028	41
<i>Impairment</i>	( 236)	( 3)
<i>Celtic Investments Ltd</i>	1 897	1 869
<i>Impairment</i>	(1 928)	(1 793)
<i>Challange 18</i>	170 501	186 019
<i>Smart City sp.z o.o.</i>	4	4
<i>Impairment</i>	0	( 4)
<i>Elara Investments</i>	3 097	2 892
<i>Impairment</i>	(2 202)	(2 274)
<i>Gaston Investments</i>	9 395	7 864
<i>Impairment</i>	(1 744)	(2 849)
<i>Hub Developments</i>	2 713	2 569
<i>Impairment</i>	( 734)	( 501)

**Notes to the interim condensed consolidated financial statements****30.17 Related party transactions - cont**

<i>Lakia Enterprises Ltd</i>	60 152	58 411
<i>Impairment</i>	(4 165)	(4 436)
<i>Mandy investments</i>	21 186	20 621
<i>Impairment</i>	(21 047)	(20 480)
<i>IMES</i>	0	4 042

**d) Transactions with other related party**

Costs		
<i>Kancelaria Radców Prawnych Oleś&amp;Rodzynekiewicz sp. komandytowa</i>	32	0