

QUARTERLY REPORT FOR III QUARTER OF 2017



CPD S.A.

QUATERLY REPORT FOR 3rd QUARTER 2017

TRANSLATORS' EXPLANATORY NOTE

The following document is a free translation of the 3 Q 2017 report of CPD S.A. published on 27th 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. 17th of September the Company has changed the name for CPD S.A.

Today, CPD S.A. is the holding company controlling a group of 34 subsidiaries and one co-controlled, focusing on activities in the office and residential segments. Current Group's plans focus on the residential development, mainly through the implementation of its leading project in the Warsaw's district of Ursus.

2. CAPITAL GROUP'S STRUCTURE

As of the day of publication hereof, the CPD Group (hereinafter referred to as "the Group", "CPD Group") was composed of a dominant entity – CPD S.A. (hereinafter referred to as "the Company") and 34 subsidiaries and one co-controlled. Development activities of the Group are conducted via investment companies, direct subsidiaries of Buffy No1 Holdings Ltd (Cyprus) and Lakia Enterprises Ltd (Cyprus). Dominant entity - CPD S.A. - coordinates and supervises the activities of subsidiaries and at the same time is the decision making centre with regard to the strategic planning. CPD S.A. performs actions aiming at optimising the operating costs of the whole Group, designs investment and marketing policies and serves as the coordinator of this activity.

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

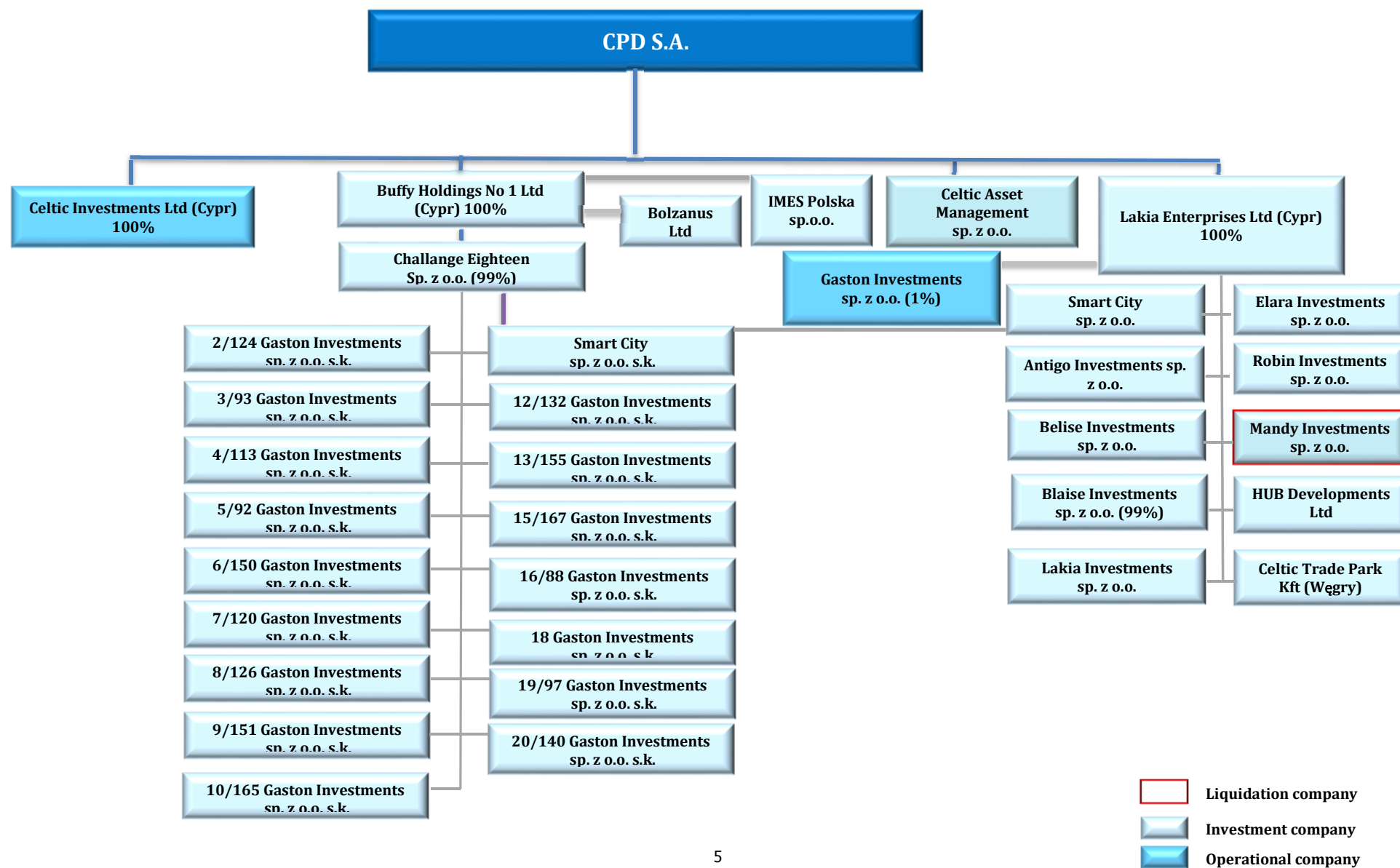
- Subsidiary 11/162 Gaston Investments Limited Partnership Limited Partnership was sold 28 June 2017 and therefore does not belong to the Group.
- Subsidiary 14/119 Gaston Investments Limited Partnership Limited Partnership was sold 26 July 2017 and therefore does not belong to the Group.
- 2 August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

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

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CPD Group's structure as on 30 of September 2017.



3. SELECTED FINANCIAL DATA

Selected items of the consolidated statement of comprehensive income

	3 months period		Change (%)
	From 01.07.2017 to 30.09.2017 (PLN ths.)	From 01.07.2016 to 30.09.2016 (PLN ths.)	
Revenue	4 791	4 925	-2,7%
Cost of sales	-563	-668	-15,7%
Gross profit	4 228	4 257	-0,7%
Administrative expenses - property related	-1 778	-2 069	-14,1%
Other administrative expenses	-1 991	-1 750	13,8%
Selling and marketing costs	-112	-100	12,0%
Other income	208	2 539	-91,8%
Gain (loss) on revaluation of investment properties	2 851	-5 314	-153,7%
Post-tax share of the profit or loss of the joint-venture accounted for using the equity method	196	-2 325	-108,4%
Gain (loss) on disposal of subsidiaries	5 000	0	-
Profit/Loss from operations	8 602	-4 762	280,6%
Finance income	-1 619	4 033	-140,1%
Finance costs	-2 932	-2 653	10,5%
Profit/Loss before tax	4 051	-3 382	219,8%
Income tax	-1 030	214	-581,3%
Profit/Loss for the period	3 021	-3 168	195,4%
Earnings per share (PLN)	0,08	-0,10	-179,6%
Diluted earnings per share (PLN)	0,08	-0,08	-199,9%

Description of financial results for the period of 3 months from 1 July 2017 to 30 September 2017

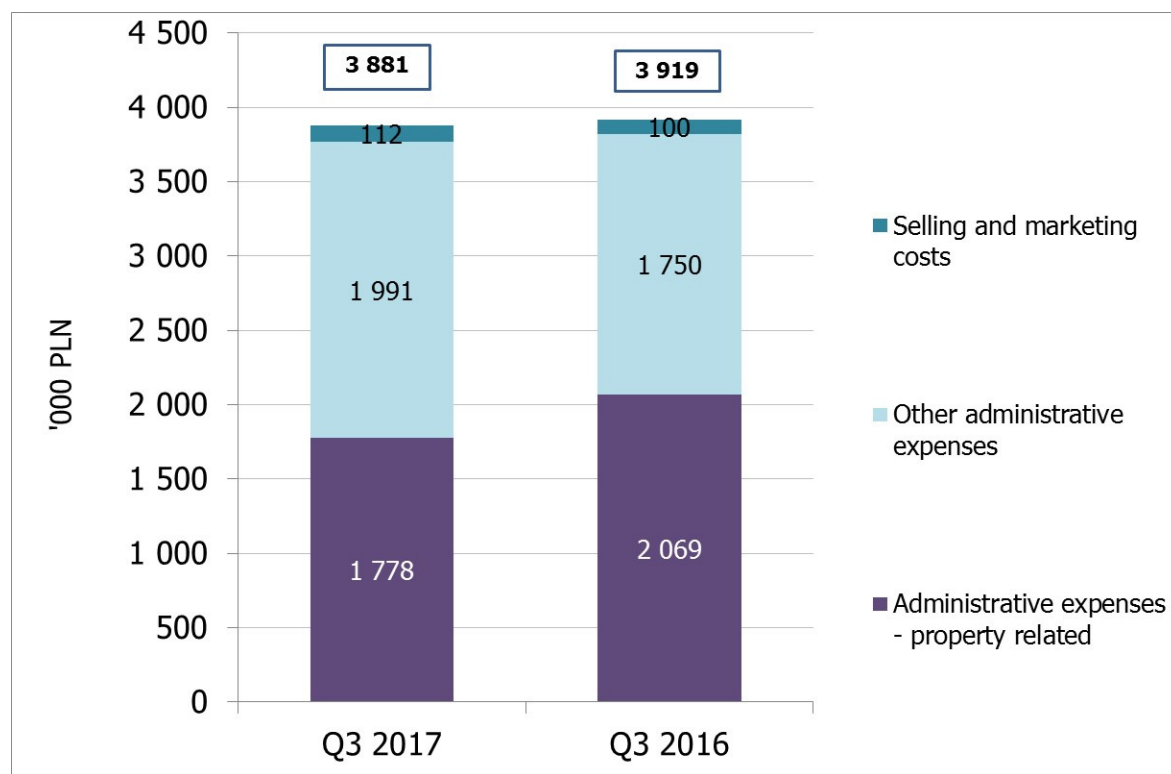
In the third quarter of 2017 CPD SA Group recorded a net profit of PLN 3m, which means a net profit improvement of PLN 6.2m compared to the third quarter of last year.

Among factors which positively influenced the Group's results in the third quarter of 2017 as compared to the same period of the previous year, the positive result from the valuation of investment properties in the amount of PLN 2.85 million and the positive result from the sale of subsidiaries in the amount of PLN 5 million .

The positive result from the valuation of investment properties was a result of the depreciation of the Polish zloty against the euro in the third quarter of 2017.

Operating expenses did not change compared to the same period in 2016.

The chart below presents the Group's operating expenses in the third quarter of 2017 and 2016.

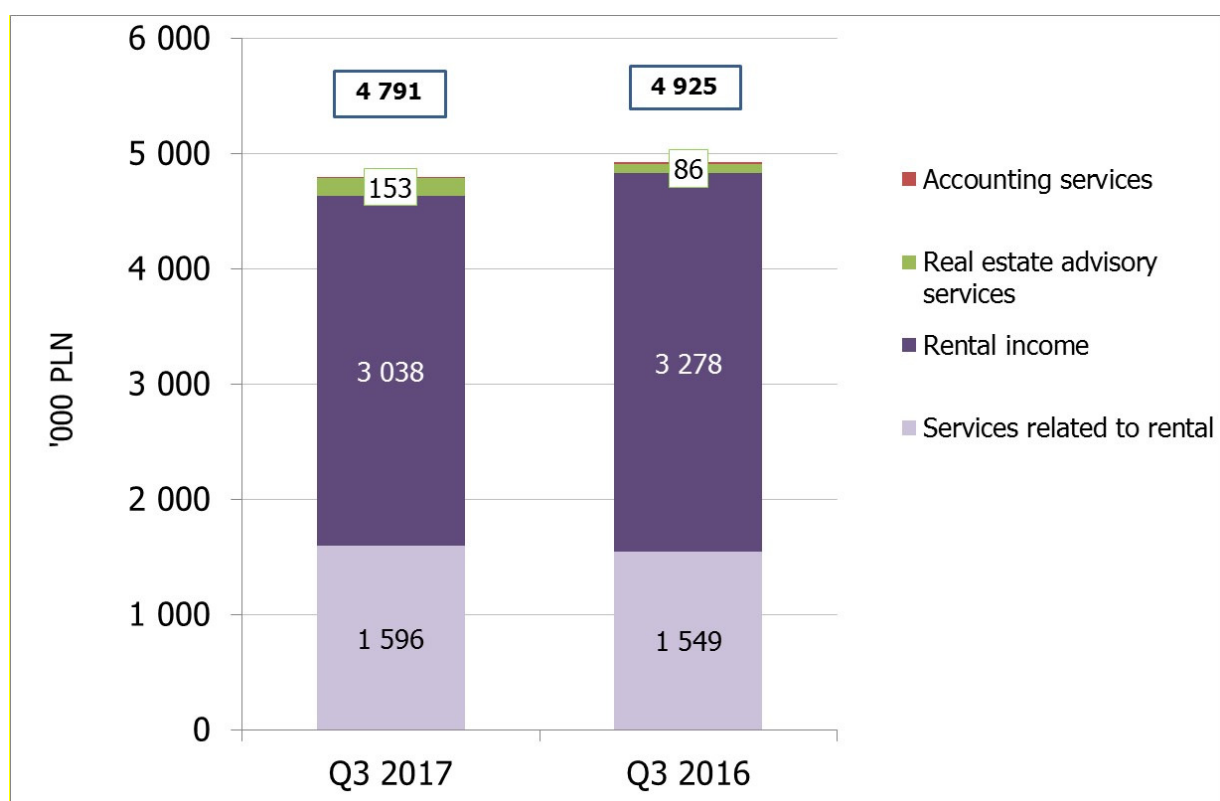


In turn, the main factor negatively impacting the net result compared to the analogous period of the previous year was mainly the negative exchange rate differences in the amount of PLN 2m resulting from the depreciation of the zloty against the Euro.

Sales revenue for the third quarter of 2017 amounted to PLN 4.8m. The biggest, as the 63% share in this amount represented rental income of PLN 3m. As regards the corresponding period of the previous year, the decrease in sales revenue amounted to 3%. Lease income was generated by 3 office buildings in Warsaw - Aquarius building at Połczyńska Street 31A, Solar building at Cybernetyki 7B and Iris building at Cybernetyki 9.

In Q3 2017, the Group did not record any revenue from the sale of inventories.

The chart below shows the structure of sales revenue in the third quarter of 2017 and 2016.



Selected items of the consolidated statement of comprehensive income			
	9 months period		<i>Change</i> (%)
	From 01.01.2017 to 30.09.2017	From 01.01.2016 to 30.09.2016	
	(PLN ths.)	(PLN ths.)	
Revenue	15 123	14 630	3,4%
Cost of sales	-2 099	-1 866	12,5%
Gross profit	13 024	12 764	2,0%
Administrative expenses - property related	-4 657	-5 423	-14,1%
Other administrative expenses	-6 643	-5 656	17,5%
Selling and marketing costs	-440	-313	40,6%
Gain (loss) on disposal of investment properties	-72	-2 475	-97,1%
Other income	400	2 609	-84,7%
Gain (loss) on revaluation of investment properties	-8 339	-98	8409,2%
Post-tax share of the profit or loss of the joint-venture accounted for using the equity method	8 871	-2 017	-539,8%
Gain (loss) on disposal of subsidiaries	7 680	0	-
Profit from operations	9 824	-609	-1712,9%
Finance income	4 317	5 257	-17,9%
Finance costs	-12 717	-10 608	19,9%
Profit/Loss before tax	1 424	-5 960	-123,9%
Income tax	-2 373	-876	170,9%
Loss for the period	-949	-6 836	-86,1%

Description of financial results for 9 months from 1 January 2017 to 30 September 2017

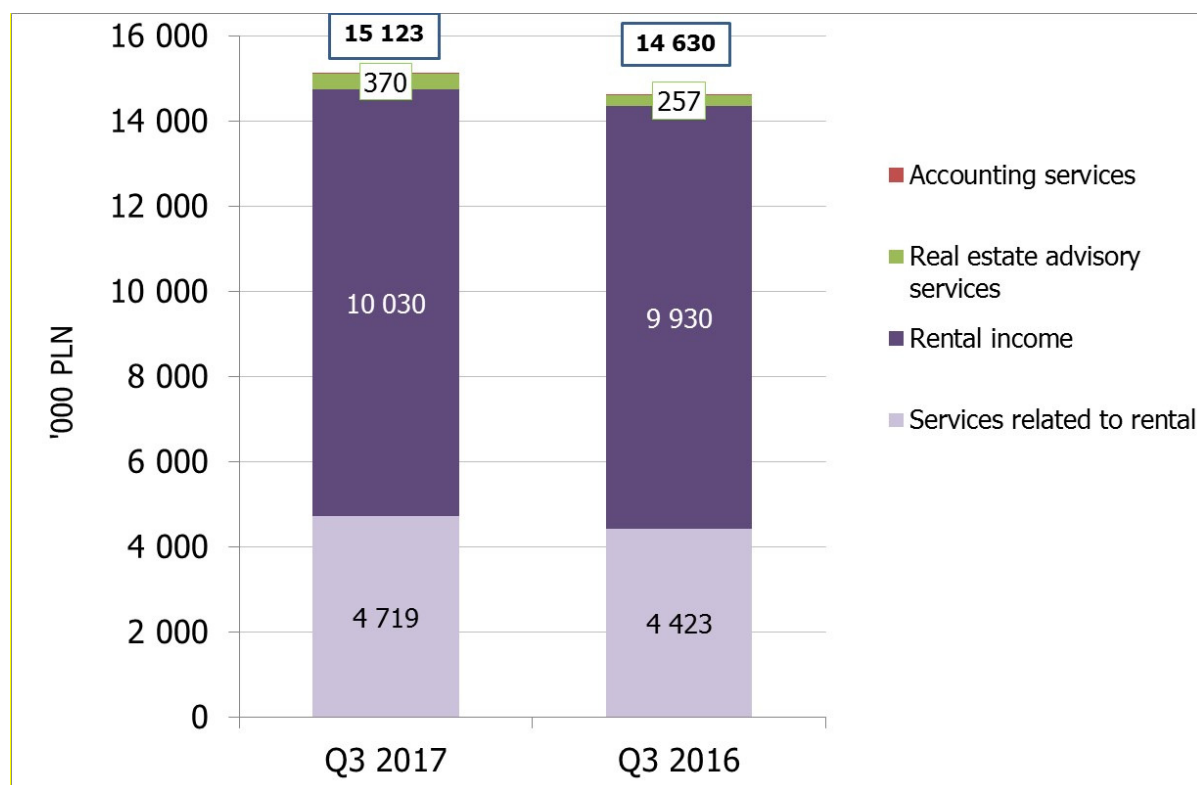
At the end of September 2017, the CPD Group recorded an improvement in net profit of PLN 5.9m compared to the same period of the previous nine months. The main factor contributing to the Group's result was primarily the share of profit of joint ventures in the amount of PLN 8.9 million. This was the result of the sale of the apartments sold in Ursus to buyers.

Gains on sales of subsidiaries amounting to PLN 7.7m also contributed significantly to the Group's earnings.

Another positive event was an increase in sales of PLN 0.5m. With regard to 9 months of 2017, sales revenues amounted to PLN 15.1m compared to PLN 14.6m in the corresponding period of the previous year (an increase of 3%). Lease income was generated by 3 office buildings in Warsaw - Aquarius building at Połczyńska Street 31A, Solar building at Cybernetyki 7B and Iris building at Cybernetyki 9.

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

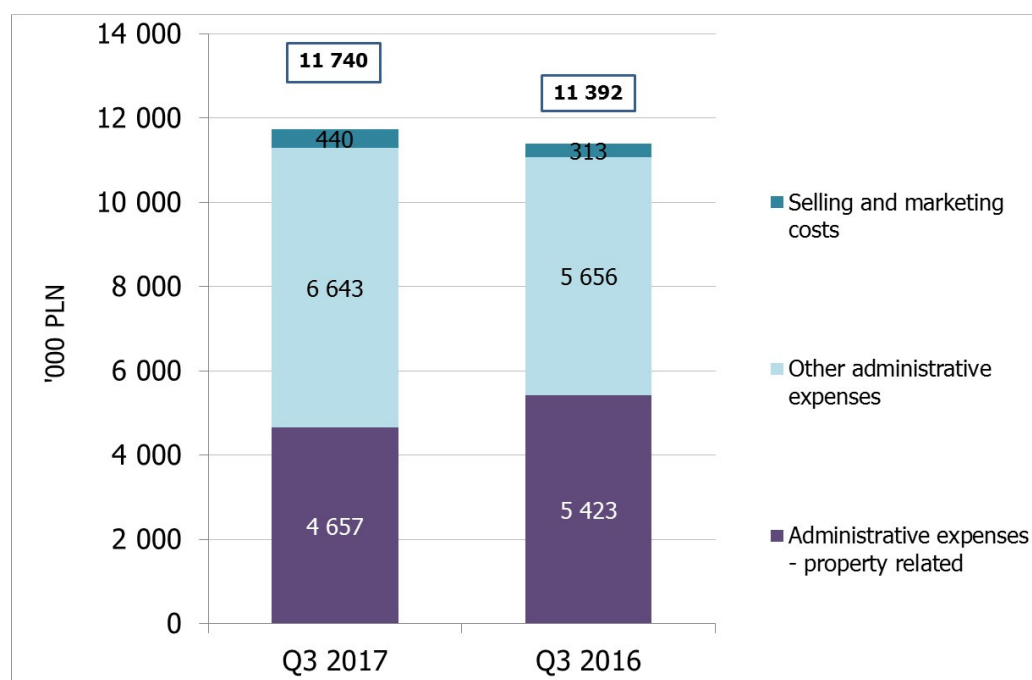
The chart below shows the structure of sales revenue for the first nine months of 2017 and 2016.



In turn, the main factor affecting the Group's result for the 9 months of 2017 was a negative result from the valuation of investment properties in the amount of PLN 8.3 million, caused by, inter alia, unfavorable foreign exchange differences.

Also, an increase in financial expenses of PLN 2.1m had a negative impact on the results of the CPD Group compared to the same period of the previous year. This increase was due to the unfavorable change in the value of convertible bonds.

The chart below presents the Group's operating expenses for the first nine months of 2017 and 2016



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	As at:		Change (%)
	30.09.2017 (PLN ths.)	31.12.2016 (PLN ths.)	
TOTAL ASSETS	741 604	715 975	3,6%
Non-current assets, including:	579 796	592 502	-2,1%
<i>Investment properties</i>	<i>511 112</i>	<i>558 706</i>	<i>-8,5%</i>
<i>Investments in joint ventures accounted for using the equity method</i>	<i>67 912</i>	<i>32 572</i>	<i>108,5%</i>
Current assets, including:	161 808	123 473	31,0%
<i>Assets held for sale</i>	<i>4 886</i>	<i>14 075</i>	<i>-65,3%</i>
<i>Inventory</i>	<i>5 382</i>	<i>5 468</i>	<i>-1,6%</i>
<i>Trade and other receivables</i>	<i>7 778</i>	<i>10 229</i>	<i>-24,0%</i>
<i>Cash and cash equivalents</i>	<i>143 762</i>	<i>89 999</i>	<i>59,7%</i>
TOTAL EQUITY AND LIABILITIES	741 604	715 975	3,6%
Equity, including:	485 763	446 903	8,7%
<i>Share capital</i>	<i>3 286</i>	<i>3 286</i>	<i>0,0%</i>
<i>Reserve capital</i>	<i>987</i>	<i>987</i>	<i>0,0%</i>
<i>Conversion of bonds in the process of being registered</i>	<i>39 852</i>	<i>0</i>	<i>-</i>
<i>Fair value of capital element at inception date</i>	<i>-27 909</i>	<i>-27 909</i>	<i>0,0%</i>
<i>Translation reserve</i>	<i>-5 426</i>	<i>-5 383</i>	<i>0,8%</i>
<i>Retained earnings</i>	<i>474 973</i>	<i>475 922</i>	<i>-0,2%</i>
Total liabilities, including:	255 841	269 072	-4,9%
<i>Non-current liabilities</i>	<i>141 475</i>	<i>190 959</i>	<i>-25,9%</i>
<i>Current liabilities</i>	<i>114 366</i>	<i>78 113</i>	<i>46,4%</i>

At the end of September 2017, the Group's total assets were slightly higher than at the end of 2016 (an increase of 3.6%).

The value of investment properties decreased primarily due to the reclassification of several plots in the Ursus district to investments in joint ventures.

Noteworthy is the significant increase in cash balances, which resulted from the receipt of advances in 2017, including the sale of plots and subsidiaries.

At the end of September 2017, the value of equity was PLN 485.8m, which constituted 65.5% of the Group's total assets, while liabilities represented 34.5% of total assets. These indicators changed compared to the end of 2016 (62.4% and 37.6%, respectively).

In the first nine months of 2017, the value of liabilities decreased. This was due to conversion of convertible bonds into shares and repayment of B series bonds.

	30.09.2017	31.12.2016
Liabilities to total assets	34,5%	37,6%
Non-current liabilities to total assets	19,1%	26,7%
Borrowings including finance leases	15,7%	19,4%
Bonds	0,0%	4,2%
Deferred income tax liabilities	3,0%	2,8%
Trade and other payables	0,3%	0,3%
Current liabilities to total assets	15,4%	10,9%
Borrowings including finance leases	3,8%	1,0%
Trade and other payables	11,6%	4,9%
Payables linked to assets held for sale	0,0%	0,1%
Embedded derivative	0,0%	0,6%
Bonds	0,0%	4,3%

Also, the structure of commitments has changed little. The share of long-term debt in total assets decreased from 26.7% at the end of December 2016 to 19.1% at the end of September 2017. The share of short-term debt increased from 10.9% as of December 31, 2016 to 15, 4% as of September 30, 2017

4. IMPORTANT EVENTS IN THE REPORTING PERIOD

• ESTABLISHMENT OF WARRANTIES

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

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

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

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

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

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

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

- **CONCLUSION OF CONDITIONAL AGREEMENT**

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

The Agreement was concluded between:

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

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

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

Participation of CPD SA Group in the Project relay on:

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

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

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

- **FULFILMENT OF THE FIRST PRECEDENT CONDITION OF CONDITIONAL AGREEMENT**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

March 21 2017 the Company has been notified by:

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

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

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

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

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

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

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

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

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

Proposed launch date was 15 May 2017.

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

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

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

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

Company has received the communique of the Operational Department of the National Depository of Securities ("National Depository"), stating that in accordance with National Depository's resolution No 290/17 of 28 April 2017, the 5.282.720 G Series ordinary bearer shares of the Company, with ISIN code PLCELPD00013, was registered in the National Depository on 15 May 2017.

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

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

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

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

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

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

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

Series G shares were issued as a result of exercising the rights to convertible bonds of Series A issued pursuant to Resolution No. 3 of the Extraordinary General Meeting of CPD S.A. Dated 5 August 2014,

as part of the conditional increase of the share capital of the Company, which was registered by the District Court for the Capital City of Warsaw in Warsaw, XIII Commercial Division of the National Court Register.

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

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

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

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

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

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

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

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

- **APPOINTMENT OF AN AUDITOR**

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

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

- review of the interim financial statements of CPD S.A. on June 30, 2017.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The transaction value is 15,5 mln PLN.

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

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

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

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

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

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

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

4/133 Gaston may at any time, however not later than 2 months prior to the planned commencement of the construction works, adopt a decision on the realization of the II stage of the Investment Project by notifying UNIBEP S.A. of the same in writing.

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

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

Agreement provides for the possibility to charge UNIBEP S.A. with contractual penalties among others for delays in the realization of the Agreement as well as to withdraw from the Agreement by 14/119 Gaston under the terms and conditions specified in the Agreement and the penalties shall be charged

independently. Stipulation of the contractual penalties shall not deprive 4/113 of the right to claim compensation increasing the amount of contractual penalties to the value of the actual damage under the general terms and conditions.

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

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

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

In accordance with the Resolution, the Company shall complete the premature redemption (the "Premature Redemption") of all bearer bonds series B i.e. 30 000 (thirty thousand) bonds with the nominal value of 1000 (one thousand) zlotys each (the "Bonds"). Premature Redemption shall be completed in the mode and under the terms and conditions as prescribed in par. 11 of the Terms of Issue of Ordinary Bearer Bonds series B (the "Terms of Issue").

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

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

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

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

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

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

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

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

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

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

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

The transaction value is 5 mln PLN.

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

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

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

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

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

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

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

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

Proposed launch date is 7 August, 2017.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In the third quarter of 2017 there was no change in the balance of revaluation write-downs on inventories.

8. WRITE-DOWNS OF INVESTMENT PROPERTIES TO FAIR VALUES

In 3 Q 2017, the trade receivables write-off increased. The increase was PLN 0.19m.

9. CREATION, INCREASE, UTILISATION AND REVERSEAL OF PROVISIONS

Accrued expenses comprise mainly provisions for potential tax losses and decreased by PLN 2.55 million as compared to December 31, 2016 due to the limitation or realization of some of the risks.

10. PROVISIONS AND DEFFERED TAX ASSETS

In the third quarter of 2017, the deferred tax liability increased by PLN 0.95m. The Group did not show deferred tax assets.

11. ACQUISITION AND SALE OF PROPERTY, PLANT AND EQUIPMENT

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

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

Not occurred.

13. IMPORTANT SETTLEMENTS OF LAWSUITS

Not occurred.

14. PREVIOUS PERIODS ERRORS' CORRECTION

Not occurred.

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

During the third quarter of 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

- **INFORMATION ON THE INVITATION TO SUBMIT PROPOSALS FOR THE SALES OF THE COMPANY'S SHARES**

Management Board of CPD S.A. (hereinafter the "Company") with its registered office in Warsaw, acting on the basis of Resolution no 3/9/2017 of the Management Board of the Company on the buy-back of the Company's own shares, in connection with the Resolution No. 18 of the Annual General Meeting of CPD of 10 May 2017 on acquisition of the shares of the Company for the purpose of redemption, amended by the Resolution no 3 of the Extraordinary General Meeting of CPD S.A. of 7 June 2017 on the amendment of resolution no 18 of the Annual General Meeting of 10 May 2017 on the purchase of the shares of the Company for the purpose of redemption, would like to invite the Company's shareholders to submit proposals for the sales of shares in accordance with the terms and conditions as specified in this Invitation to Submit Proposals for Sales of Shares.

Full content of the Invitation to Submit Proposals for the Sales of Shares constitutes the appendix hereto and shall be announced to public on the CPD SA's website (www.cpdsa.pl).

- **REGISTRATION OF THE SHARE CAPITAL INCREASE**

The Management Board of CPD S.A. (hereinafter "the Company") informs, that today has received the decision of the District Court for the Capital City of Warsaw, XIII Commercial Division of the National Court Register from 5 October 2017 regarding the registration of the Company's share capital.

The Company's share capital was increased from the amount of 3,286,320.30 PLN to the amount of 3,935,402.30 PLN. The share capital was increased due to the conversion of the 110 bonds series A into 6,490,820 shares series G.

After the registration of the increase, the Company's share capital amounts to 3,935,402.30 PLN and is divided into 39,354,023 ordinary bearer shares with a nominal value of PLN 0.10 (ten groszy) each share, entitling to 39,354,023 votes at the general meeting of shareholders.

- **INFORMATION ON ACCEPTANCE OF OFFERS TO SELL THE SHARES**

Management Board of CPD S.A. with its registered office in Warsaw (the "Company") hereby announces, that in connection with announced on October 2, 2017, which was corrected on October 3, 2017, the Invitation to Submit Proposals for Sales of Shares of the Company pursuant to which the Company proposed to acquire up to 1,401,792 shares of ordinary bearer shares ISIN code PLCELPD00013 ("Shares"), for the period for receipt of Offers to Sell the Shares held from 2 to 20 October 2017, accepted 43 offers amounting to a total of 13 839 096 shares of the Company.

On October 23, 2017, the Company has decided to accept all offers of Shares and make them reduction carried out in accordance with the principles set out in the Invitation. Because the Offers amounted to more than the number of shares offered by the Company of 1,401,792 shares, each offer will be execute in the part – the offer will be reduced in accordance with the principles described in the Invitation.

Acquisition of Shares by the Company, will take place as soon as the settlement ie October 26 2017.

- **PURCHASE OF THE COMPANY'S SHARES FOR THE PURPOSE OF REDEMPTION**

Management Board of CPD S.A. with its registered office in Warsaw (the "Company") announces, that as a result of the settlement on 26 October 2017, the Company, as a result announced by the Company on 2 October, 2017, the Invitation to Submit Proposals for Sales of Shares of the Company (the "Invitation") which was corrected on October 3, 2017, (the Company Current Report No. 37/2017/KOR), purchased through a brokerage house Pekao Investment Banking S.A. with its registered seat in Warsaw, 1,401,792 shares of the Company. Number of shares under the Share Purchase Bids was 13 839 096. Because the Offers amounted to more than the number of shares offered by the Company of 1,401,792 shares, each offer was executed in the part – the offer was reduced in accordance with the principles described in the Invitation.

The shares were acquired pursuant to Resolution No. 18 of the Annual General Meeting of CPD of 10 May 2017 on acquisition of the shares of the Company for the purpose of redemption, amended by the Resolution no 3 of the Extraordinary General Meeting of CPD S.A. of 7 June 2017 on the amendment of resolution no 18 of the Annual General Meeting of 10 May 2017 on the purchase of the shares of the Company for the purpose of redemption pursuant to art. 362 § 1 point 5) Code of Commercial Companies.

The purchase price per share is 12,27 zł. (the average unit acquisition price)

All the purchased shares are ordinary shares with a nominal value of 0.10 zł each. The purchased shares of CPD S.A. (number of the 1,401,792 shares) represent 3,56 % of the Company's share capital and represent 1,401,792 votes at the General Meeting of the Company (3,56 % of voting rights at the General Meeting of the Company), except that in accordance with applicable regulations, the Company is entitled to exercise the voting rights attached to shares.

The Company does not have any shares other than those indicated above.

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

Management Board of CPD S.A. (hereinafter the "Company") hereby reports that on 2 November 2017 the Company has been notified by:

Laxey Investors, Laxey Partners, LP Value, LPALP, LUV, VCF, CPD entities closely related to the person performing managerial duties at CPD S.A., of the transaction conversion of convertible bonds into shares, concluded on October 26, 2017, referred to in art. 19 sec. 3 MAR regulation.

• THE START OF THE SECOND STAGE OF URSA PARK INVESTMENT

Management Board of CPD S.A. (hereinafter the Company) would like to inform that on the 14th of November 2017 within the scope of the contract for execution of construction works in the general contracting system concluded between Ursa Park Smart City Sp. z o.o. Sp. K. (previous name 4/113 Gaston Investments Sp. z o.o. Sp. K.) as the Ordering Party and UNIBEP S.A., the Ordering Party has decided to implement Phase II of the Investment by notifying UNIBEP S.A. in writing. The Issuer informed about conclusion the agreement in the current report 25/2017.

The start of the second stage is scheduled for the first quarter of 2018 and the completion for the third quarter of 2019.

The remuneration for realization of the second stage was estimated at approximately PLN 33.4 million net.

• TAX CONTROL

On 9 November 2017 Challenge Eighteen Sp. z o.o. (a member of the CPD SA Group) received the Results of Control, which concluded the tax control. The Polish tax authorities are claiming that CH18 should remit WHT on the interest settled to EEPF AB (a former member of CPD Group). The total value of this tax claim consists of outstanding tax of PLN 9.113 thousand increased by penalty interest amounting to PLN 4.717 thousand as at 27 November 2017.

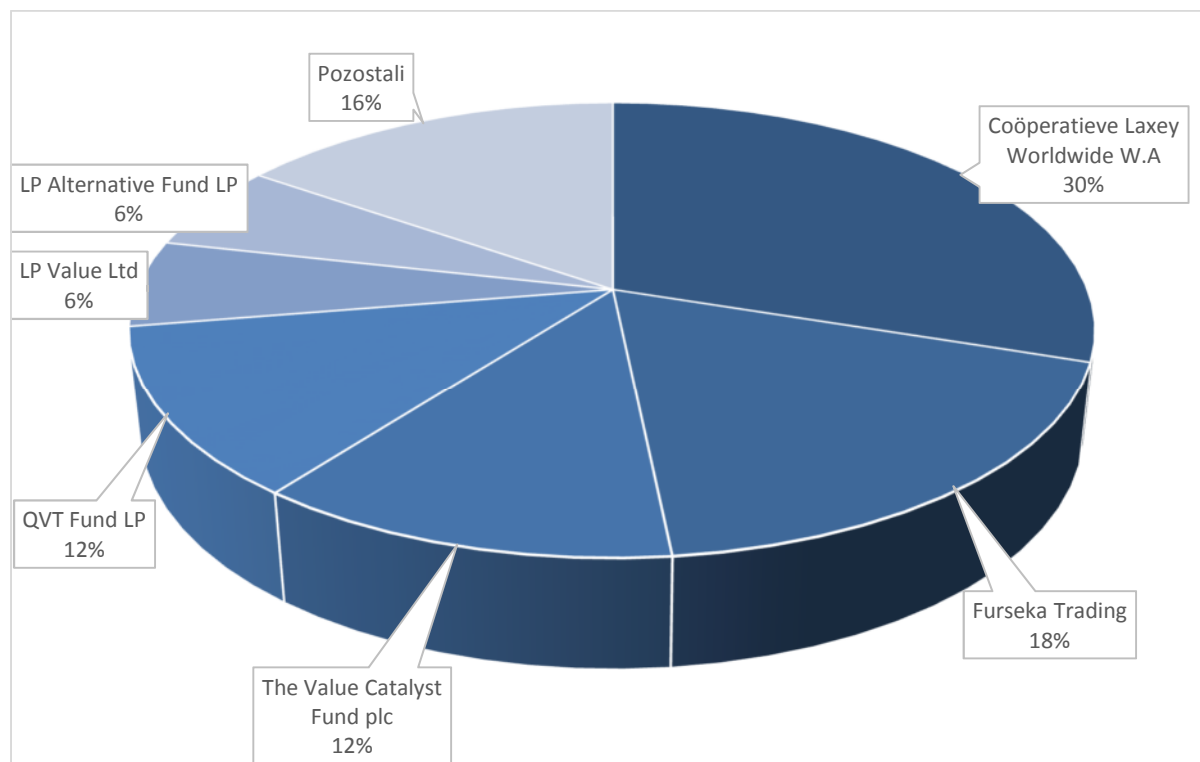
Management Board stands on the position that this claim is illegitimate. Nevertheless in case of commencement of the tax proceeding and issuing decision by the tax authority, the Entity may be required to pay the tax arrears estimated by the tax authority. Due to early stage of the case and based on risk assessment analysis, Management Board decided not to create a provision for this tax claim in these condensed consolidated interim financial statements.

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	11 830 907	Na okaziciela	11 830 907	30.06 %	30.06 %
Furseka Trading	7 202 156	Na okaziciela	7 202 156	18.30 %	18.30 %
The Value Catalyst Fund plc	4 739 953	Na okaziciela	4 739 953	12.04 %	12.04 %
QVT Fund LP	4 719 516	Na okaziciela	4 719 516	11.99 %	11.99 %
LP Value Ltd	2 417 419	Na okaziciela	2 417 419	6.14 %	6.14 %
LP Alternative Fund LP	2 415 637	Na okaziciela	2 415 637	6.14 %	6.14 %
others	6 028 435	Na okaziciela	6 028 435	15.32 %	15.32 %

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

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

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

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

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

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

28. MAJOR LOAN AGREEMENTS, LOAN WARRANTIES AND GUARANTEES GRANTED

As of 30 of September 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 39 743;
- liabilities towards Bank Zachodni WBK S.A. in the amount of PLN 72 202.

29. THE SUPERVISORY BOARD AND THE MANAGEMENT BOARD

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

- Mr. Andrew Pegge - President of the Supervisory Board
- Mr. Wiesław Oleś - Secretary 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 meeting the requirements of independent member of the Supervisory Board
- Ms. Gabriela Gryger - Supervisory Board member meeting the requirements of independent member of the Supervisory Board

At 30 September 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;
- 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 3rd QUARTER 2017

**II. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT FOR THE
PERIOD OF 9 MONTHS ENDED 30 SEPTEMBER 2017 ALONG WITH
CONDENSED FINANCIAL STATEMENTS OF CPD S.A.**

CPD S.A.

Condensed interim consolidated financial statements
for the period of 9 months ended 30 September 2017
and the condensed financial statements of CPD S.A.
for the period of 9 months ended 30 September 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 period			
		01.07.2017- 30.09.2017	01.07.2016- 30.09.2016	01.01.2017- 30.09.2017	01.01.2016- 30.09.2016
			<i>(unaudited)</i>		
Revenues	14	4 791	4 925	15 123	14 630
Cost of sales	15	(563)	(668)	(2 099)	(1 866)
PROFIT ON SALES		4 228	4 257	13 024	12 764
Administrative costs property related	16	(1 778)	(2 069)	(4 657)	(5 423)
Administrative expenses-other	17	(1 991)	(1 750)	(6 643)	(5 656)
Selling and marketing expenses		(112)	(100)	(440)	(313)
Net loss from sale of investment property		0	0	(72)	(2 475)
Other income	18	208	2 539	400	2 609
Net (loss)/ gain from fair value adjustments on investment properties	4	2 851	(5 314)	(8 339)	(98)
Post-tax share of the profit or loss of the joint-venture accounted for using the equity method		196	(2 325)	8 871	(2 017)
Result from sales of subsidiaries		5 000	0	7 680	0
OPERATING RESULT		8 602	(4 762)	9 824	(609)
Financial income	20	(1 619)	4 033	4 317	5 257
Financial costs	20	(2 932)	(2 653)	(12 717)	(10 608)
PROFIT (LOSS) BEFORE INCOME TAX		4 051	(3 382)	1 424	(5 960)
Income tax	22	(1 030)	214	(2 373)	(876)
PROFIT (LOSS) FOR THE PERIOD		3 021	(3 168)	(949)	(6 836)
Currency translation adjustment		(4)	3	(43)	(88)
TOTAL COMPREHENSIVE INCOME		3 017	(3 165)	(992)	(6 924)
Profit (Loss) attributable to:					
Equity holders of the Group		3 021	(3 168)	(949)	(6 836)
Minority interest		0	0	0	0
TOTAL COMPREHENSIVE INCOME					
Equity holders of the Group, including:		3 017	(3 165)	(992)	(6 924)
- continued activities		3 017	(3 165)	(992)	(6 924)
- discontinued activities		0	0	0	0
BASIC EARNINGS PER SHARE	26	0,08	(0,10)	(0,03)	(0,21)
DILUTED EARNINGS PER SHARE	26	0,08	(0,08)	(0,02)	(0,20)

Elżbieta Donata Wiczowska
Chairman of the Board

John Purcell
Board Member

Waldemar Majewski
Board Member

Colin Kingsnorth
Board Member

Iwona Makarewicz
Board Member

Condensed consolidated statement of financial position

	Note	30.09.2017 (unaudited)	31.12.2016
ASSETS			
Non-current assets			
Investment properties	4	511 112	558 706
Property, plant and equipment		758	829
Intangible assets, excluding goodwill		8	30
Investments in joint ventures accounted for using the equity method	8	67 912	32 572
Long-term receivables		6	365
Non-current assets		579 796	592 502
Current assets			
Inventories	6	5 382	5 468
Trade receivables and other receivables	5	7 778	10 229
- receivables and loans		3 411	5 169
- prepayments		4 367	5 060
Short-term bonds		0	3 702
Cash and cash equivalents	7	143 762	89 999
Current assets excluding assets held for sales		156 922	109 398
Assets held for sales	30	4 886	14 075
Current assets		161 808	123 473
Total assets		741 604	715 975

Condensed consolidated statement of financial position - continuation

	Note	30.09.2017 (unaudited)	31.12.2016
EQUITY			
Equity attributable to owners of the parent company			
Share capital	9	3 286	3 286
Bonds conversion under registration		39 852	0
Reserve capital		987	987
Embedded element at inception date		(27 909)	(27 909)
Translation reserve		(5 426)	(5 383)
Retained earnings		474 973	475 922
Total equity		485 763	446 903
LIABILITIES			
Non-current liabilities			
Trade payables and other liabilities	10	2 125	2 091
Borrowings, including financial leasing	11	116 793	138 878
Bonds issued	12	0	29 742
Deferred tax liabilities	13	22 557	20 248
Non-current liabilities		141 475	190 959
Current liabilities			
Trade payables and other liabilities	10	85 893	35 171
Bonds issued		0	31 131
Derivatives		0	4 023
Borrowings, including financial leasing	11	28 385	7 206
Current liabilities excluding liabilities held for sale		114 278	77 531
Liabilities classified as held for sale	30	88	582
Current liabilities		114 366	78 113
Total liabilities		255 841	269 072
Total Equity and liabilities		741 604	715 975

 Elżbieta Donata Wiczowska
Chairman of the Board

 John Purcell
Board Member

 Colin Kingsnorth
Board Member

 Iwona Makarewicz
Board Member

 Waldemar Majewski
Board Member

Condensed consolidated statement of changes in equity

	Share capital	Bonds conversion under registration	Embedded element at inception date	Translation reserve	Accumulated profit (loss) Reserve capital	Retained earnings	Total equity
Balance as at 01.01.2016	3 286	0	(27 909)	(5 311)	987	479 778	450 831
<u>Comprehensive income</u>							
Currency translation adjustment	0	0	0	(88)	0	0	(88)
Profit (loss) for the period	0	0	0	0	0	(6 836)	(6 836)
	0	0	0	(88)	0	(6 836)	(6 924)
Balance as at 30.09.2016 /unaudited	3 286	0	(27 909)	(5 399)	987	472 942	443 907
Balance as at 01.01.2017	3 286	0	(27 909)	(5 383)	987	475 922	446 903
<u>Transactions with owners</u>							
Bonds conversion into equity	0	39 852	0		0	0	39 852
	0	39 852	0	0	0	0	39 852
<u>Comprehensive income</u>							
Currency translation adjustment	0	0	0	(43)	0	0	(43)
Profit (loss) for the period	0	0	0	0	0	(949)	(949)
	0	0	0	(43)	0	(949)	(992)
Balance as at 30.09.2017 /unaudited	3 286	39 852	(27 909)	(5 426)	987	474 973	485 763

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

Elżbieta Donata Wiczowska
Chairman of the Board

John Purcell
Board Member

Colin Kingsnorth
Board Member

Iwona Makarewicz
Board Member

Waldemar Majewski
Board Member

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

Condensed consolidated statement of cash flows

	Nota	For the 9 month period ended	
		30.09.2017	30.09.2016
		(unaudited)	(unaudited)
Cash flow from operating activities			
Cash generated from operations	23	54 500	8 817
Interest paid		(4 573)	(4 651)
Income tax paid		0	0
Net cash generated from investing activities		49 927	4 166
Cash flows from investing activities			
Capital expenditure on investments property		(4 139)	(10 071)
Purchase of property, plant and equipment		(89)	(70)
Proceeds from the sale of property, plant and equipment		0	40
Proceeds from disposal of subsidiaries		20 531	0
Joint ventures profit distribution		3 891	0
Subsidiaries acquisition		(918)	0
Loans granted		0	(396)
Proceeds from the sale of investment property		0	2 099
Proceeds from joint ventures contribution withdrawal		18 034	0
Net cash used in investing activities		37 310	(8 398)
Cash flows from financing activities			
Proceeds from borrowings		5 000	5 000
Repayment of borrowings		(8 922)	(8 535)
Bonds redemption		(29 552)	0
Net cash used in financing activities		(33 474)	(3 535)
Net (decrease)/increase in cash and cash equivalents		53 763	(7 903)
Cash and cash equivalents at beginning of the year		89 999	26 073
Cash and cash equivalent reclassified to assets held for sale		0	(136)
Cash and cash equivalents at the end of the period	7	143 762	18 306

 Elżbieta Donata Wiczowska
Chairman of the Board

 John Purcell
Board Member

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Board Member

 Waldemar Majewski
Board Member

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

Notes to the interim condensed consolidated financial statements

1 General information

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

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

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

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

As at balance sheet date CPD Group comprised CPD S.A. as a parent entity, 33 subsidiaries and 2 entities under common control.

2 The accounting principles

These condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2016, drawn up in accordance with IFRS adopted for application within the European Union.

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

These interim condensed consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern in the foreseeable future.

2.1 Basis of preparation

These interim condensed consolidated financial statements of the CPD were prepared in accordance with international accounting standard approved by the EU - IAS 34 Interim financial reporting and all other applicable IFRSs approved by the European Union.

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

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

IFRS 9 Financial Instruments: Classification, Measurement and Hedging Accounting

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

IFRS 14 Regulatory Deferral Accounts

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

IFRS 15 Revenues from contracts with customers

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

IFRS 16 Leasing

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

Notes to the interim condensed consolidated financial statements**2.1 Basis of preparation - contd.****IFRS 17 Insurance contracts**

The standard was published by the International Accounting Standards Board on 18 May 2017 and is effective for annual periods beginning on or after 1 January 2021. The standard is to replace current insurance contracts regulations (IFRS 4).

Amendments to IFRS 2 Share based payments - classification and measurement

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

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

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

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

The EU approval process has been suspended for indefinite period.

Amendments to IAS 7 Statement of Cash Flows

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

Amendments to IAS 12 Income Taxes

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

Clarifications to IFRS 15 Revenue from Contracts with Customers

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

Annual amendments MSSF 2014-2016

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

Amendments to IAS 40 investment properties

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

IFRIC 22 Foreign Currency Transactions and Advance Consideration

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

IFRIC 23 Uncertainty over Income Tax Treatments

Effective for the annual reporting periods beginning on or after 1 January 2019.

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

2.2 Changes in the Group structure

As at balance sheet date CPD Group comprised CPD S.A. as a parent entity, 33 subsidiaries and 2 entities under common control.

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

- on 28 June 2017 the Group disposed 11/162 Gaston Investments Spółka z ograniczoną odpowiedzialnością sp.k.,

Notes to the interim condensed consolidated financial statements**2.2 Changes in the Group structure - contd.**

- on 28 June 2017 the Group disposed 14/119 Gaston Investments Spółka z ograniczoną odpowiedzialnością sp.k.,
 - on 2 August 2017 4/113 Gaston Investments spółka z ograniczoną odpowiedzialnością sp. k. switched into entity under common control and changed its name into Ursa Park Smart City spółka z ograniczoną odpowiedzialnością sp. k.,
 - on 2 August 2017 the Group acquired 100% shares in Bolzanus Limited headquartered in Limassol, Cyprus.
- The subsidiaries are subject to full consolidation since inception or introduction of control by the Group. They are deconsolidated upon termination of the control by the Group.
- Joint ventures are consolidated based on property rights method.

3 Significant accounting estimates and judgments

In preparing these condensed consolidated interim financial statements the Board has made an assessment of the significant estimates and judgments, which have an impact on the accounting principles applied and the amounts recognised in the financial statements for a period of 9 months ended 30 September 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 so obtained will seldom match actual results by their very nature.

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

The Management Board makes estimates and adopts assumptions concerning the future. 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.

Determining the fair value of investment properties

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

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

- (i) non-developed land or land developed with tenement houses; these mainly include land in Jaktorów, Czosnów, Lesznowola and Nowa Piasecznica as well as tenement houses in Warsaw and Łódź, disclosed as inventory in the consolidated financial statements and valued at acquisition price or at cost not exceeding their net sale price and non-developed land in Wolbórz classified as investment property and presented at fair value;
- (ii) investment properties generating significant rent income (3 office buildings in Warsaw);
- (iii) investment land in the district of Ursus in Warsaw designed for residential and retail construction as per valid local zoning plan;
- (iv) investment land in the district of Ursus in Warsaw designed for public purposes as per valid local zoning plan.

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

The Group valued individual investment properties using the following methods:

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

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

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

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

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

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

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

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

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

- the useful area of apartments to be built amounts to 454,147 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 39,758 sq.m.

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

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

Notes to the interim condensed consolidated financial statements**3 Significant accounting estimates and judgments- contd.****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 based on the signed investment agreement, the parties have identified that part of the land (and any costs and revenues associated with them) held by the company Smart City will be under 100% control of the CPD Group. The land includes areas which, in accordance with the zoning plan is designed for public roads and educational purposes. According to the initial plans, the land was to be transferred to another special purpose company owned 100% of the CPD SA. However, in the first half of 2016 the parties of the JV agreement changed their plans and decided that these plots will be held in the SPV Smart City. The part of the education land has been mortgaged under the loan agreement financing the Smart City project.

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

For the purposes of the settlement of the transaction in these condensed consolidated interim financial statements Management of the Company has decided on the following approach to investment in Smart City Spółka z ograniczoną odpowiedzialnością Sp. k.:

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

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

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

Following the stipulations of the investment agreement Unidevelopment SA became a limited partner in 4/113 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k. on 2 August 2017, thus turning the subsidiary into joint venture. At the same time Gaston Investments transferred all general partner rights and obligations to Smart City Sp. z o.o., resulting in change in the name of the company into Ursa Park Smart City Spółka z ograniczoną odpowiedzialnością Sp. k.

For the purposes of the settlement of the transaction in these condensed consolidated interim financial statements assets and liabilities covered by the investment agreement has been treated as a joint venture and valued based on property rights method, based on the participation rights determined in the investment agreement. For a part of the joint venture both parties have equal rights to assets, liabilities and profit participation, while another joint venture assets and accompanying liabilities are fully attributable to the entities of the Group.

Notes to the interim condensed consolidated financial statements**3 Significant accounting estimates and judgments- contd.****Calculation of fair value of derivatives**

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

The fair value of the embedded derivative was estimated at level 2 using a combination of two approaches: binomial trees in the share price variation part and the Monte Carlo approach adopted for the purposes of analysis of volatility of exchange rates.

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

Assumptions underlying the pricing model include:

- adjustment of the issuer credit risk discount curve: 8%;
- volatility of issuer share price: 65,78% and 75,05% respectively - based on historic quotations of shares of CPD S.A.;
- fixed bond-to-share conversion rate: PLN 4.38;
- exchange rate cap: EUR 1 = PLN 4.1272;

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

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

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

As at the balance sheet date the liability from IRS valuation amounts to PLN 622 thousand.

In the first three quarters of 2017, there were no transfers of instruments measured at fair value in the fair value hierarchy. There were also changes in the classification of instruments or changes in business conditions that could affect the value of financial assets and liabilities.

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

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

In the case of shares in Buffy Holdings No 1 Ltd and 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 September 30, 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.

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

At the same time, as at the balance sheet date, the Company analysed the possibility of recovering receivables due to loans granted to its subsidiaries. The Company impaired the value of loans granted to its subsidiaries if the value of their net assets was negative as at September 30, 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 specialised tax advisers.

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

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

3.1 Managing financial risk**Financial risk factors**

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

Risk of changes in interest rates

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

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

Other financial risks of the CPD Group have been presented in the consolidated financial statements for the year ended 31 December 2016.

3.1 Managing financial risk - contd.

Notes to the interim condensed consolidated financial statements

Liquidity risk

In the three quarters of 2017 the Group has improved its liquidity resulting mainly from cash generated from operating activities with parallel conversion of the series A bonds into equity as well as early redemption of series B bonds.

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

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements**4 Investment properties**

	01.01.2017- 30.09.2017	01.01.2016- 30.09.2016
At the beginning of the reporting period	558 706	581 386
Capital expenditure	4 139	10 071
Disposal of investment property	(62)	(4 573)
Investment property contributed to joint venture	(33 160)	(16 000)
Capitalised financial liabilities related to disposed properties	(17)	0
Capitalised financial liabilities contributed into joint ventures	(1 038)	0
Transfer to inventories	(16 645)	0
Transfer of capitalised financial liabilities to liabilities held for sale	0	(3 242)
Transfer of investment property to assets held for sale	0	(68 746)
Net (loss)/ gain from fair value adjustments on investment properties	(8 339)	(98)
Change in capitalised financial liabilities	7 528	(84)
At the end of the reporting period	511 112	498 714

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

The Agreement assumes joint construction investment on the property (the "Property") owned by the Group CPD SA i.e.. the subsidiary Ursa Park Smart City Sp. z ograniczoną odpowiedzialnością spółka komandytowa (previous name 4/113 Gaston Investments Sp. z ograniczoną odpowiedzialnością spółka komandytowa) in Warsaw, which is the perpetual usufructuary of plots No. 113/1, 113/2, 113/4, 113/5 no. rpm. reg. no. 2-09-09, with an area of 4,944 ha and is located at Traktorzystów Street in Warsaw.

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

In the first quarter of 2017 a part of investment property of PLN 16 645 thousand related to the implementation of stage I of the project was transferred to inventory. In the third quarter part of the property related to stage II of PLN 33 160 thousand was contributed to the joint venture.

Direct operating costs for investment properties:

	01.07.2017- 30.09.2017	01.07.2016- 30.09.2016	01.01.2017- 30.09.2017	01.01.2016- 30.09.2016
- rent income bearing	1 080	1 039	3 313	3 037
- other	72	18	161	56
	1 152	1 057	3 474	3 093

(All amounts in PLN thousands unless otherwise stated)

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

	30.09.2017	31.12.2016
Trade receivables	2 019	1 715
Receivables from the state budget	1 014	3 368
Receivables from related parties	249	86
Prepaid expenses	4 367	5 060
Other receivables	129	0
Short-term receivables	7 778	10 229
Long-term receivables	6	365
Total receivables	7 784	10 594

Prepaid expenses relate mainly to annual property tax and perpetual usufruct as well as external financing costs amortised over time.

6 Inventories

	30.09.2017	31.12.2016
At the beginning of the reporting period	5 468	5 296
Capital expenditure	3 057	31
Contribution into joint venture (Note 8)	(19 686)	0
Transfer from investment properties	16 645	0
Impairment loss	(16)	(1)
Exchange differences	(86)	142
At the end of the reporting period	5 382	5 468

In 2017 the Group did not sell any inventories. The land of Ursa Park Smart City transferred from investment properties was accounted as a joint venture contribution in the third quarter of 2017.

7 Cash and cash equivalents

	30.09.2017	31.12.2016
Cash at bank and on hand	59 320	11 145
Restricted cash	20 436	3 324
Short-term bank deposits	64 006	75 530
	143 762	89 999

Restricted cash relates mainly to the funds transferred to the account dedicated to redemption of own shares by CPD SA as well as resulting from execution of the credit agreement with mBank Hipoteczny.

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

8 Joint ventures

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

	30.09.2017	31.12.2016
a) Smart City Spółka z ograniczoną odpowiedzialnością sp.k.	19 689	32 572
b) Ursa Park Smart City Spółka z ograniczoną odpowiedzialnością sp.k.	48 223	0
	67 912	32 572



(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements**8 Joint ventures - contd****a) Smart City Spółka z ograniczoną odpowiedzialnością sp.k.**

	30.09.2017	31.12.2016
Opening balance as at 1 January	32 572	14 512
Group's share of the net profit or loss of the joint ventures presented in these interim condensed consolidated financial statements	9 042	3 680
Withdrawal of the joint venture contribution	(18 034)	0
Joint venture profit distribution	(3 891)	0
The land for educational purposes and provisions transferred to joint venture	0	14 511
Other adjustments	0	(131)
Closing balance	19 689	32 572

b) Ursa Park Smart City Spółka z ograniczoną odpowiedzialnością sp.k.

	30.09.2017	31.12.2016
Opening balance as at 1 January	0	0
Group's share in net assets as at the date of starting joint venture	48 394	0
Group's share of the net profit or loss of the joint ventures presented in these interim condensed consolidated financial statements	(171)	0
Closing balance	48 223	0

Following the stipulations of the investment agreement dated 22 February 2017, Unidevelopment SA became a limited partner in the subsidiary on 2 August 2017. Parallely Gaston Investments transferred the general partner rights and obligation to other subsidiary Smart City sp. z o.o. As a consequence 4/113 Gaston Investments Sp. z ograniczoną odpowiedzialnością spółka komandytowa change the name to Ursa Park Smart City Sp. z ograniczoną odpowiedzialnością spółka komandytowa.

Condensed financial information of individually material joint ventures of the Group as at 30 September 2017 is presented in the below table:

a) Smart City Spółka z ograniczoną odpowiedzialnością sp.k.

	30.09.2017	31.12.2016
<i><u>Financial information coming from statement of financial position</u></i>		
Total non-current assets	14 117	14 121
Fixed assets	18	22
Investment properties	14 099	14 099
Total current assets, including:	19 916	79 590
Inventory	15 840	56 267
Trade receivables and other receivables	52	5 293
Cash and cash equivalents	4 024	18 030
Total assets	34 033	93 711
Total current liabilities, including:	3 878	28 767
Trade payables and other liabilities	1 108	25 829
Provisions	2 770	2 938
Total non-current liabilities, including:	0	12 230
Borrowings	0	12 230
Total liabilities	3 878	40 997
Net assets	30 155	52 714

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

8 Joint ventures - contd

% held by the Group - with regards to investment property	100%	100%
Group share of net assets of the joint venture	11 329	12 599
Outstanding refund of Unidevelopment contributions	(2 500)	0
% held by the Group	50%	50%
Group share of net assets of the joint venture	8 163	20 058
Purchase price allocation adjustments	0	(19)
Consolidated adjustments	197	(66)
Carrying amount of investment in joint venture presented in the interim condensed consolidated financial statements	19 689	32 572

In the first three quarters of 2017, the Group recognized a share in the Smart City Spółka z ograniczoną odpowiedzialnością Sp.k. profit of PLN 9 042 thousand.

b) Ursa Park Smart City Spółka z ograniczoną odpowiedzialnością sp.k.

	30.09.2017	31.12.2016
<i>Financial information coming from statement of financial position</i>		
Total non-current assets	33 160	0
Investment properties	33 160	0
Total current assets, including:	39 746	0
Inventory	25 445	0
Trade receivables and other receivables	13 037	0
Cash and cash equivalents	1 264	0
Total assets	72 906	0
Total current liabilities, including:	9 620	0
Trade payables and other liabilities	9 620	0
Total non-current liabilities	0	0
Total liabilities	9 620	0
Net assets	63 286	0
% held by the Group - with regards to investment property	100%	100%
Group share of net assets of the joint venture	33 160	0
% held by the Group	50%	50%
Group share of net assets of the joint venture	15 063	0
Carrying amount of investment in joint venture presented in the interim condensed consolidated financial statements	48 223	0

In the first three quarters of 2017, the Group recognized a share in the Ursa Park Smart City Spółka z ograniczoną odpowiedzialnością Sp.k. loss of 171 thousand.

9 Share capital

	Number of shares		Value of shares	
	30.09.2017	31.12.2016	30.09.2017	31.12.2016
Ordinary shares (in thousands)	32 863	32 863	3 286	3 286

(All amounts in PLN thousands unless otherwise stated)

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

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

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

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

The share capital increase was registered by KRS after the end of the period, as a result the balance sheet discloses PLN 39 852 thousand of bonds conversion under registration in the Group's equity.

Based on the resolutions dated 10 May and 7 June 2017 Extraordinary Shareholders Meeting entitled the Management of CPD SA to acquire up to 14.314.928 shares of the Company of par value of PLN 0,10 each. The resolution has been partially executed after the end of the period (Note 31).

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

	30.09.2017	31.12.2016
Deposits of tenants	2 125	2 091

Current liabilities

	30.09.2017	31.12.2016
Trade payables	497	1 451
Payables to related parties	4	0
Social security, real estate tax and other taxes	7 473	6 795
Deposits of tenants	319	352
Received prepayments	66 800	5 000
Accrued expense	10 577	13 125
Other liabilities	223	8 448
	85 893	35 171

Received prepayments result from the preliminary agreements to sell properties by 18 Gaston Investments Spółka z ograniczoną odpowiedzialnością sp.k. and IMES Polska Sp. z o.o as well as received deferred revenues from services auxiliary to sales of investment properties.

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

(All amounts in PLN thousands unless otherwise stated)

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

	30.09.2017	31.12.2016
Non-current		
Bank loans	83 887	112 094
Financial liabilities - hedging instruments	295	647
Financial leasing	32 611	26 137
	116 793	138 878
Current		
Bank loans	28 058	6 886
Financial liabilities - hedging instruments	327	320
	28 385	7 206
Total borrowings	145 178	146 084

As of 30 September 2017 bank credits consist of:

- payable of PLN 39.741 thousand to mBank Hipoteczny S.A. (PLN 16.552 thousand being long-term and PLN 23.189 thousand short-term),
- payable of PLN 72.204 thousand to Bank Zachodni BZ WBK (PLN 67.335 thousand being long-term and PLN 4.869 thousand short-term).

On 18 June 2014 the subsidiaries Lakia Investments and Robin Investments entered into loan agreements with mBank Hipoteczny. The above mentioned loan was granted to refinance a loan with HSBC Bank Poland from 2006, which was used to finance the office investments located in Cybernetyki 7b and Polczyńska 31a. Mortgage credit in the mBank was launched on 1 July 2014. 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.

On August 12, 2011 the subsidiary Belise Investments Sp. o.o. entered into 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.

Based on the loan agreements the credits bear interest calculated with a reference rate (6M EURIBOR for mBank and 1M EURIBOR for BZ WBK) increased by a contractual margin.

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 662 thousand. The method of valuation of IRS transactions is presented in note 3.

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

12 Bonds issued

	30.09.2017	31.12.2016
<i>a/ Bonds series A</i>		
At the beginning of the reporting period	33 875	38 040
Accrued interest	610	2 553
Valuation of the embedded derivative	6 893	(7 612)
Valuation as at conversion/balance sheet date	(1 526)	894
Conversion of the bonds and interest into shares	(39 852)	0
Bonds value as at balance sheet date	0	33 875



(All amounts in PLN thousands unless otherwise stated)

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

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

The nominal value of one bond is EUR 50,000 (fifty thousand euros). The issuing price of one bond is EUR 50,000. The bonds bear interest according to the fixed interest rate of 10% (ten percent) per year from the Bond Issue Date. In the first half of 2017 CPD received from the series A bond holders notifications concerning conversion of 110 series A bonds into series G shares.

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

	30.09.2017	31.12.2016
<i>b/ Bonds series B</i>		
At the beginning of the reporting period	31 021	30 915
Accrued interest	1 451	2 738
Interest paid	(2 730)	(2 738)
Redemption	(30 000)	0
Effective interest rate valuation	56	106
Unamortised part of bonds issuance costs	202	0
Bonds value as at balance sheet date	0	31 021

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 offering.

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

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

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

The nominal value and issuing price of one Bond was PLN 1 thousand.

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

On 13 July 2017 CPD SA executed early redemption of all the series B bearer bonds, i.e. 30.000 bonds of PLN 1 thousand par value each. The redemption price amounted to PLN 1.060,13, consisting of PLN 1.000 of par value, PLN 15,00 of premium and PLN 45,13 of bond interest.

	30.09.2017	31.12.2016
Long-term		
Bonds issued	0	29 742
Short-term		
Bonds issued	0	29 852
Embedded derivatives	0	4 023
Interest	0	1 279
	0	64 896

13 Deferred income taxes

	30.09.2017	31.12.2016
Deferred tax assets	0	0
Deferred tax liabilities	22 557	20 248

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements
14 Revenue by nature

	01.07.2017- 30.09.2017	01.07.2016- 30.09.2016	01.01.2017- 30.09.2017	01.01.2016- 30.09.2016
Rent income	3 038	3 278	10 030	9 930
Real estate advisory services	153	86	370	257
Rent related services	1 596	1 549	4 719	4 423
Accounting services	4	12	4	20
	4 791	4 925	15 123	14 630

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

15 Cost of sales

	01.07.2017- 30.09.2017	01.07.2016- 30.09.2016	01.01.2017- 30.09.2017	01.01.2016- 30.09.2016
Change of inventory impairment write downs	0	5	16	24
The cost of services rendered	563	663	2 083	1 842
	563	668	2 099	1 866

The costs of services rendered comprised mainly maintenance of the leased buildings as well as tenant recharges.

16 Administrative costs property related

	01.07.2017- 30.09.2017	01.07.2016- 30.09.2016	01.01.2017- 30.09.2017	01.01.2016- 30.09.2016
Personnel costs	276	340	815	1 057
Property maintenance	1 113	1 032	3 386	3 039
Property taxes	401	539	329	617
Perpetual usufruct	(74)	100	(55)	533
Depreciation of fixed assets and intangible assets	62	58	182	177
	1 778	2 069	4 657	5 423

17 Administrative expenses-other

	01.07.2017- 30.09.2017	01.07.2016- 30.09.2016	01.01.2017- 30.09.2017	01.01.2016- 30.09.2016
Advisory services	1 026	950	4 022	2 551
Legal services	254	233	541	1 082
Transportation	8	5	21	10
Taxes	70	14	137	158
Office maintenance	328	332	1 062	1 103
Other services	60	72	333	352
Cost related for non deductible VAT	54	130	275	326
Impairment write offs	191	14	252	74
	1 991	1 750	6 643	5 656

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements
18 Other income

	01.07.2017- 30.09.2017	01.07.2016- 30.09.2016	01.01.2017- 30.09.2017	01.01.2016- 30.09.2016
Sale of PPE	0	0	0	4
Receivables impairment reversal	140	0	208	0
Payables written off	0	200	0	200
Other	68	2 339	192	2 405
	208	2 539	400	2 609

Other income in the third quarter of 2016 related mainly to compensation received for using Groups property without legal title.

19 Result from sales of subsidiaries

	01.07.2017- 30.09.2017	01.07.2016- 30.09.2016	01.01.2017- 30.09.2017	01.01.2016- 30.09.2016
Revenues from subsidiary disposal	5 000	0	20 531	0
Cost of subsidiary disposed	0	0	(12 851)	0
Result on sales of subsidiary	5 000	0	7 680	0

In 2017 the Group disposed the following subsidiaries: 11/162 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k. oraz 14/119 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.

20 Financial income and expenses

	01.07.2017- 30.09.2017	01.07.2016- 30.09.2016	01.01.2017- 30.09.2017	01.01.2016- 30.09.2016
Interest expense:				
- Bank loans	(655)	(648)	(1 862)	(2 074)
- Interest from financial leases	(621)	(601)	(1 607)	(1 804)
- Interest on bonds	(90)	(1 078)	(2 061)	(3 670)
- Other interest expense	(209)	(215)	(213)	210
- Interest on loans from related parties	0	(18)	0	(42)
Net exchange differences	0	0	0	(1 515)
Revaluation of derivatives (IRS)	0	(44)	0	(1 543)
Bonds valuation	0	0	(5 367)	0
Amortised cost valuation	(23)	0	(101)	0
Result from subsidiary conversion into joint venture	(735)	0	(735)	0
Other financial expense	(450)	7	(450)	(2)
Financial costs	(2 932)	(2 653)	(12 717)	(10 608)
Interest income:				
- Bank interest	495	19	1 008	44
Profit on bonds revaluation	0	305	0	4 740
Amortised cost valuation	0	(38)	0	441
Revaluation of derivatives (IRS)	(91)	0	344	0
Net exchange differences	(2 019)	3 749	2 949	0
Other financial income	(4)	(2)	16	32
Financial income	(1 619)	4 033	4 317	5 257

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements
21 Subsidiaries acquisition

On 2 August 2017 the Group acquired 100% shares of Bolzanus Limited headquartered in Limassol, Cyprus. The subsidiary holds a perpetual usufruct right for a property related in Warsaw's district Ursus. Based on the zoning plan the property is mainly destined for services, education and multifamily residential construction.

The summary of the subsidiary's net assets is presented below:

in PLN thousand	Acquired net assets
Investment property	4 390
Trade and other receivables	4 620
Cash and cash equivalents	35
Trade and other payables	(4 425)
Net assets	4 620
Acquisition price	4 620
Surplus of the acquisition price over the Group's share in net assets	0

22 Income tax

	01.07.2017- 30.09.2017	01.07.2016- 30.09.2016	01.01.2017- 30.09.2017	01.01.2016- 30.09.2016
Current income tax	79	(1)	65	(1)
Deferred taxes	951	(213)	2 308	877
	1 030	(214)	2 373	876

23 Cash generated from operations

	For the 9 month period ended	
	30.09.2017	30.09.2016
Profit (loss) before tax	1 424	(5 960)
Adjustments for:		
- depreciation of tangible fixed assets	159	153
- amortisation of intangible assets	22	23
- currency translation adjustments	44	(167)
- gains (losses) on revaluation to fair value of investment property	8 339	98
- gains (losses) on sale of investment property	72	2 475
- loss on fixed assets sale	0	(4)
- gain on subsidiaries disposal	(7 680)	0
- share of the profit or loss of the joint venture	(8 871)	2 017
- result on embedded derivatives	6 893	(4 435)
- interest expenses	3 877	5 750
- interest income	3	(38)
- loss on change the subsidiary into joint venture	735	0
- exchange differences	(4 957)	1 235
- inventory impairment	16	24
- result on bonds revaluation using effective rate method	258	73
- result on IRS revaluation	345	1 391
- other adjustments	(68)	27
Changes in working capital		
- changes in receivables	2 782	(967)
- changes in inventories	(3 057)	(24)
- change in trade liabilities and other	54 164	7 146
	54 500	8 817



(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements**24 Related party transactions**

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

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

	01.07.2017- 30.09.2017	01.07.2016- 30.09.2016	01.01.2017- 30.09.2017	01.01.2016- 30.09.2016
(a) Transactions with key management personnel				
The cost of the salaries of members of the Board of Directors	66	102	198	192
The cost of the salaries of the members of the Supervisory Board	90	45	270	204
The cost of services rendered by the members of the Board of Directors	396	(287)	1 035	709
			30.09.2017	31.12.2016
Total receivables			19	0
Total payables			95	203
(b) Transactions with the other related parties				
	01.07.2017- 30.09.2017	01.07.2016- 30.09.2016	01.01.2017- 30.09.2017	01.01.2016- 30.09.2016
Revenues				
<i>Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.</i>	148	236	397	305
<i>Laxey Cooperative</i>	0	(6)	0	0
<i>ograniczoną odpowiedzialnością Sp.k.</i>	69	0	69	0
Costs				
<i>Kancelaria Radców Prawnych Oleś i Rodzynkiewicz</i>	11	46	47	66
<i>odpowiedzialnością Sp.k.</i>	2	0	2	2
<i>Laxey Cooperative</i>	0	42	0	42
<i>Laxey Partners (UK) Ltd</i>	0	0	1 007	0
			30.09.2017	31.12.2016
Receivables				
<i>Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.</i>			68	86
<i>Ursa Park Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.</i>			189	0

25 Payment of dividends

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

CPD S.A.

Condensed interim consolidated financial statements for the period of 9 months ended 30 September 2017

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

26 Earnings per share

	01.07.2017. 30.09.2017	01.07.2016. 30.09.2016	01.01.2017. 30.09.2017	01.01.2016. 30.09.2016
Profit (loss) attributable to shareholders of the company	3 021	(3 168)	(949)	(6 836)
Ordinary shares (in thousands)	39 354	32 863	37 118	32 863
Earnings per share in PLN	0,08	(0,10)	(0,03)	(0,21)
Diluted profit /(loss) attributable to shareholders of the company	3 021	(3 279)	(949)	(8 733)
Ordinary shares (in thousands)	39 354	42 654	39 354	42 654
Diluted earnings per share in PLN	0,08	(0,08)	(0,02)	(0,20)

Losses were diluted in prior years due to bonds convertible into shares issued by CPD SA. Following the conversion current year losses are not diluted any more. Weighted average number of shares reflects timing of subsequent portions of the conversion.

27 Contingent liabilities

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

28 Segment reporting

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

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

29 Seasons of activity and unusual events

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

30 Assets and liabilities held for sale

As at 30 September 2017 the following assets and liabilities were classified as held for sale:

	30.09.2017	31.12.2016
Assets		
Investment properties	4 824	13 742
Trade receivables and other receivables	3	234
Cash and cash equivalents	59	99
Liabilities		
Borrowings, including financial leasing	87	581
Other current payables	1	1
Net assets of the group held for sale	4 974	14 657

As at the balance sheet date assets held for sale concern the sales transactions in progress, related to Bolzanus Limited (investment property being the main asset) and land owned by 18 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements**31 Events after the end of the reporting period****Share capital increase registration by KRS**

On 5 October 2017 KRS registered increase of the CPD SA share capital resulting from conversion of the series A bonds. After the registration share capital of the Company amounts to PLN 3.935 thousand represented by 39.354.023 ordinary bearer shares with a par value of PLN 0,10 each.

Purchase of own shares

On 26 October CPD acquired 1.401.792 own shares with an intention to decrease share capital. The purchase has been preceded by an invitation for sales offers submission addressed to all shareholders.

Tax control

On 9 November 2017 Challenge Eighteen Sp. z o.o. (a member of the CPD SA Group) received the Results of Control, which concluded the tax control. The Polish tax authorities are claiming that CH18 should remit WHT on the interest settled to EEPF AB (a former member of CPD Group). The total value of this tax claim consists of outstanding tax of PLN 9.113 thousand increased by penalty interest amounting to PLN 4.717 thousand as at 27 November 2017.

Management Board stands on the position that this claim is illegitimate. Nevertheless in case of commencement of the tax proceeding and issuing decision by the tax authority, the Entity may be required to pay the tax arrears estimated by the tax authority. Due to early stage of the case and based on risk assessment analysis, Management Board decided not to create a provision for this tax claim in these condensed consolidated interim financial statements.

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

Notes to the financial statements**II Interim financial statements of the parent****32 Interim financial information of the parent****32.1 Condensed statement of comprehensive income**

	Note	1/7/2017 - 30/9/2017	1/7/2016 - 30/9/2016	01/01/2017 - 30/9/2017	01/01/2016 - 30/9/2016
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenues		0	46	0	186
Administrative costs	32.13	(365)	(620)	(1 296)	(1 642)
Selling and marketing expenses		(2)	(5)	(4)	(18)
Impairment gain/loss on investments in subsidiaries		9	9	9	(7 458)
Interest income on loans		3 049	3 824	9 499	11 300
OPERATING RESULT		2 691	3 254	8 208	2 368
Financial income	32.14	244	63	2 319	4 922
Financial costs	32.14	(994)	(788)	(10 054)	(4 398)
PROFIT (LOSS) BEFORE INCOME TAX		1 941	2 529	473	2 892
Income tax		(374)	0	(2 481)	0
TOTAL COMPREHENSIVE INCOME		1 567	2 529	(2 008)	2 892
BASIC EARNINGS PER SHARE (PLN)		0,04	0,08	(0,05)	0,09
DILUTED EARNINGS PER SHARE (PLN)		0,04	0,01	(0,05)	0,02

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Chairman of the Board

 Colin Kingsnorth
Board Member

 John Purcell
Board Member

 Iwona Makarewicz
Board Member

 Waldemar Majewski
Board Member

Notes to the financial statements**II Interim financial statements of the parent****32.2 Statement of financial position**

ASSETS	Note	30/9/2017	31/12/2016
Non-current assets			
Property, plant and equipment		0	1
Intangible assets, excluding goodwill		0	1
Long-term receivables	32.7	424 291	482 411
Shares in related parties	32.5	0	0
		424 291	482 413
Current assets			
Trade receivables and other receivables	32.9	540	551
- trade receivables and loans		518	547
- prepaid expenses		22	4
Bonds	32.6	0	3 702
Cash and cash equivalents		86 846	49 630
		87 386	53 883
Total assets		511 677	536 296
EQUITY			
Share capital		3 286	3 286
Reserve capital		987	987
Fair value of capital element at inception date		(27 909)	(27 909)
Share premium		796 643	796 643
Retained earnings		(327 924)	(325 916)
Total equity		445 083	447 091
LIABILITIES			
Non-current liabilities			
Loans and borrowings, including finance leases	32.10	17 053	16 758
Bonds issued	32.12	0	29 742
Deferred tax liabilities		7 549	5 068
		24 602	51 568
Current liabilities			
Bonds issued	32.12	39 852	31 131
Embedded derivatives		0	4 023
Trade payables and other liabilities		2 140	2 483
		41 992	37 637
Total liabilities		511 677	536 296

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Board Member

Notes to the financial statements**II Interim financial statements of the parent****32.3 Statement of changes in equity**

	Share capital	Embedded derivative at inception date	Share premium	Conversion of bonds during registration	Accumulated profit (loss)			Total
					Reserve capital	Other Reserves	Retained earnings	
Balance as at 1/1/2016	3 286	(27 909)	796 643	0	0	987	(323 675)	449 332
Profit (loss) for the period	0	0	0	0	0	0	2 892	2 892
	0	0	0	0	0	0	2 892	2 892
Balance as at 30/9/2016 /unaudited	3 286	(27 909)	796 643	0	0	987	(320 783)	452 224
Balance as at 1/1/2016	3 286	(27 909)	796 643	0	0	987	(323 675)	449 332
Profit (loss) for the period	0	0	0	0	0	0	(2 241)	(2 241)
	0		0	0	0	0	(2 241)	(2 241)
Balance as at 31/12/2016	3 286	(27 909)	796 643	0	0	987	(325 916)	447 091
Balance as at 01/01/2017	3 286	(27 909)	796 643	0	0	987	(325 916)	447 091
Conversion of bonds				39 852	0	0		0
Profit (loss) for the period	0	0	0	0	0	0	(2 008)	(2 008)
	0	0	0	39 852	0	0	(2 008)	(2 008)
Balance as at 30/9/2017 /unaudited	3 286	(27 909)	796 643	39 852	0	987	(327 924)	445 083

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Board Member

 Waldemar Majewski
Board Member

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

Notes to the financial statements**II Interim financial statements of the parent****32.4 Cash flow statement**

	Note	01/01/2017 - 30/9/2017 (unaudited)	01/01/2016 - 30/9/2016 (unaudited)
Cash flow from operating activities			
Cash generated from operations	32.16	(1 142)	(568)
Interest paid		(2 731)	(2 602)
Net cash generated from operating activities		(3 873)	(3 170)
Cash flows from investing activities			
Loans granted		(29 851)	(34 183)
Redemption of the bonds		3 000	0
Loan repayments received		88 947	32 651
Interest received		9 444	2 318
Net cash generated from investing activities		71 539	786
Cash flows from financing activities			
Loans received		0	5 000
Loan repayments received		0	(5 070)
Redemption of the bonds		(30 000)	0
Early redemption commission		(450)	0
Net cash generated from financing activities		(30 450)	(70)
Change in net cash and cash equivalents		37 216	(2 454)
Cash and cash equivalents at the beginning of year		49 630	8 115
Cash and cash equivalents at the end of the period		86 846	5 661

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Financial statements for the period of 9 months ended 30 September 2017

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim financial statements

32.5 Shares in related parties

			30-09-2017	31-12-2016
Name	Country	Share		
Buffy Holdings No1 Ltd	Cyprus	100%	184 000	184 000
Impairment, the value of the shares Buffy Holdings			(184 000)	(184 000)
Celtic Investments Ltd	Cyprus	100%	48 000	48 000
Impairment, the value of the shares Celtic Investments			(48 000)	(48 000)
Lakia Enterprises Ltd	Cyprus	100%	105 000	105 000
Impairment, the value of the shares Lakia Enterprises Ltd			(105 000)	(105 000)
			0	0

32.6 Bonds

On March 18, 2013. the company acquired bonds issued by the company Bolzanus Limited registered in in Cyprus (bonds - 3 mln zł., interest on September 30, 2016 - 702 ths. zł.). Bond interest rate is 8% per annum. Maturity date fell on 17 February 2016. CPD SA and the sole shareholder of Bolzanus agreed that one of the companies of the CPD Group will buy 100% shares in Bolzanus share capital, what took place in 3 quarter of 2017. Debt resulting from the bonds has been redeemed by offsetting receivables held against each other.

32.7 Long-term receivables

	30-09-2017	31-12-2016
Long-term loans to related parties, including:		
-loan	392 124	450 942
-interest	87 051	85 994
Impairment	(54 891)	(54 891)
	424 285	482 045
Long-term loans to other parties, including:		
- Bolzanus loan	0	357
- Bolzanus loan interests	0	9
- Dobalin loan	0	0
- Dobalin loan interests	6	0
	6	366

Details of the loans granted to related parties

Related party	Principal amount	Accrued interest	Interest Rate	Margin	Maturity
2/124 Gaston Investments	3 714	550	3M WIBOR	1,55%	on demand
3/93 Gaston Investments	3 411	476	3M WIBOR	1,55%	on demand
5/92 Gaston Investments	5 047	326	3M WIBOR	1,55%	on demand
6/150 Gaston Investments	1 485	330	3M WIBOR	1,55%	on demand
7/120 Gaston Investments	1 702	236	3M WIBOR	1,55%	on demand
8/126 Gaston Investments	4 659	744	3M WIBOR	1,55%	on demand
9/151 Gaston Investments	1 611	227	3M WIBOR	1,55%	on demand
10/165 Gaston Investments	2 515	288	3M WIBOR	1,55%	on demand
12/132 Gaston Investments	3 231	292	3M WIBOR	1,55%	on demand
13/155 Gaston Investments	3 957	452	3M WIBOR	1,55%	on demand
15/167 Gaston Investments	2 366	252	3M WIBOR	1,55%	on demand
16/88 Gaston Investments	632	108	3M WIBOR	1,55%	on demand
18 Gaston Investments	1 626	260	3M WIBOR	1,55%	on demand
19/97 Gaston Investments	706	113	3M WIBOR	1,55%	on demand

Financial statements for the period of 9 months ended 30 September 2017

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim financial statements

32.7 Long-term receivables - cont.

Related party	Principal amount	Accrued interest	Interest Rate	Margin	Maturity
20/140 Gaston Investments	789	131	3M WIBOR	1,55%	on demand
Antigo Investments	4 580	314	3M WIBOR	1,55%	on demand
<i>Impairment</i>	(1 412)	(203)			
Belise Investments	12 960	5 464	3M WIBOR	1,55%	on demand
Buffy Holdings No 1 Ltd	158 621	39 783	3M WIBOR	0,75%	on demand
<i>Impairment</i>	(5 375)	(36 892)			
<i>Celtic Investments Ltd</i>	1 900	62	3M LIBOR	0,75%	on demand
<i>Impairment</i>	(1 870)	(58)			
<i>Challenge 18</i>	135 738	26 427	3M WIBOR	1,55%	on demand
<i>Elara Investments</i>	2 972	199	3M WIBOR	0,75%	on demand
<i>Impairment</i>	(2 076)	(126)			
<i>Gaston Investments</i>	8 790	200	3M WIBOR	1,55%	on demand
<i>Impairment</i>	(1 721)	(23)			
<i>HUB Developments</i>	2 498	266	3M WIBOR	1,55%	on demand
<i>Impairment</i>	(529)	(205)			
Lakia Enterprises Limited	25 612	9 503	3M WIBOR	1,55%	on demand
<i>Impairment</i>	0	(4 165)			
<i>Celtic Asset Management</i>	998	47	3M WIBOR	1,55%	on demand
<i>Impairment</i>	(214)	(22)			
Smart City	4	0	3M WIBOR	1,55%	on demand
<i>Impairment</i>	0	0			
	378 926	45 357			

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.

Financial statements for the period of 9 months ended 30 September 2017

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim financial statements

32.8 Impairment on investment in subsidiaries

Impairment on shares as at 31.12.2016	337 000
Impairment for the period of 01/01/17-30/09/17	0
Impairment on shares as at 30.09.2017	337 000
 Impairment on loans as at 31.12.2016	 75 938
Impairment for the period of 01/01/17-30/09/17	0
Impairment on loans as at 30.09.2017	75 938
 Total impairment on investment in subsidiaries	 0

32.9 Trade receivables and other receivables

	30-09-2017	31-12-2016
Trade receivables from related parties	12	61
Short-term loans with related parties, including:	424	0
- loans	16 090	16 061
- interest	5 381	4 986
- impairment	(21 047)	(21 047)
Surplus of input VAT over output VAT	1	3
Other receivables from related parties	0	466
Other receivables from other parties	81	17
Prepayments	22	4
	540	551

Details of the loans granted to related parties

Related party	Principal amount	Accrued interest	The Interest Rate	Margin	Maturity
Mandy Investments	16 090	5 381	3M WIBOR	1,55%	on demand
<i>Impairment</i>	<i>(16 061)</i>	<i>(4 986)</i>			

Financial statements for the period of 9 months ended 30 September 2017

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim financial statements

32.10 Borrowings, including financial leasing

	30-09-2017	31-12-2016
Loans from related parties	17 053	16 758
	17 053	16 758

Loan commitments at June 30, 2017 relate to: a loan from a subsidiary Lokia Enterprises (interest rate on the loan is 3M WIBOR + margin 0.50%), a loan from a subsidiary Lokia Investments (interest rate on the loan is 3M WIBOR + margin 1.55%) and a loan from a subsidiary Robin Investments (interest rate on the loan is 3M WIBOR + margin 1.55%, the loan is payable on the lender demand). On September 30, 2017 the loan balance from the company Lokia Enterprises amounts to 9 745 thousands PLN (capital: 7 630 thousands PLN, interest 2 115 thousands PLN); the balance of the loan from the company Lokia Investments amounts to 5 665 thousands PLN (capital: 5 259 thousand. PLN, interest 406 thousand PLN); the balance of the loan from the company Robin Investments amounts to 1 643 thousands PLN (capital: 1 600 thousand. PLN, interest 43 thousand PLN). In accordance with the intention of the Board the loans will be repaid over a period of from 3 to 5 years.

32.11 Earnings per share

	1/7/2017 - 30/9/2017	1/7/2016 - 30/9/2016	01/01/2017 - 30/9/2017	01/01/2016 - 30/9/2016
Profit attributable to the shareholders in the parent company	1 567	2 529	(2 008)	2 892
Weighted average number of ordinary shares (in '000)	39 354	32 863	37 118	32 863
Earnings per share	0,04	0,08	(0,05)	0,09
Diluted profit attributable to shareholders	1 567	632	(2 008)	995
Weighted average number of ordinary shares (in '000)	39 354	42 654	39 354	42 654
Diluted earnings per share	0,04	0,01	(0,05)	0,02

Losses were diluted in prior years due to bonds convertible into shares issued by CPD SA. Following the conversion current year losses are not diluted any more. Weighted average number of shares reflects timing of subsequent portions of the conversion.

Financial statements for the period of 9 months ended 30 September 2017

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim financial statements

32.12 Bonds issued

	30-09-2017	31-12-2016
a/ Bonds A series		
At the beginning of the reporting period	33 875	38 040
Accrued interest	610	2 553
Conversion of the bonds and interest into shares	(39 852)	0
Valuation as at conversion/balance sheet date	(1 526)	894
Valuation of the embedded derivative	6 893	(7 612)
Bonds value as at balance sheet date	0	33 875

Bondholder	30-09-2017	31-12-2016
Weyerhaeuser Company Master Retirement Trust	0	1
Laxey Investors Limited	0	0
LP Alternative LP by Laxey Partners (GP3) as General Partner	0	7
Laxey Partners Ltd	0	1
LP Value Ltd	0	7
Laxey Universal Value LP By Laxey Partners (GP2) as General Partner	0	1
The Value Catalyst Fund Limited	0	13
QVT Fund LP	0	17
Quintessence Fund LP	0	3
Lars E Bader	0	7
Co-op	0	33
Furseka	0	17
Broadmeadow	0	3

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

The nominal value of one bond is EUR 50,000 (fifty thousand euros). The issuing price of one bond is EUR 50,000. The bonds bear interest according to the fixed interest rate of 10% (ten percent) per year from the Bond Issue Date. In the first half of 2017 CPD received from the series A bond holders notifications concerning conversion of 110 series A bonds into series G shares.

As described further in note 32.18, the series A bonds has been converted into equity of CPD SA.

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Notes to the interim financial statements

32.12 Bonds issued -cont.

	30-09-2017	31-12-2016
b) Bonds B series		
Nominal value on 13 January 2015	31 021	30 915
Redemption of the Bonds	(30 000)	0
Cost of accrued interest	1 451	2 738
Interest paid	(2 730)	(2 738)
Effective interest rate valuation	56	106
Unamortised part of bonds issuance costs	202	0
Derivative as at balance sheet date	0	31 021

On 13 January 2015, the Company issued 30,000 series B covered bonds ("Bonds") in total. Bonds were issued in accordance with the provisions of Section 9(3) of the Bonds Act, i.e. in the form of a private offer. The issuer did not specify the purpose of the issue within the meaning of the Bonds Act or the undertaking to be financed from the issue of the Bonds.

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

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

The Bonds were to be repurchased by the Company on the day falling 4 years after the Bonds issue date, i.e. on 13 January 2019 ("Redemption Date") – except in the event of an early repurchase of Bonds in case of a breach of the terms and conditions of the issue of Bonds by the Issuer or on the Issuer's request. The nominal value of bonds issued on 13 January 2015 (PLN 30 000 thousand) was decreased by the costs of the issue of bonds, which amount to PLN 448 thousand. The costs of the issue of bonds included the cost of handling the issue of bonds by an investment house, which amounted to PLN 425 thousand, and the costs of legal services. If the Issuer does not repurchase the Bonds earlier in case of a breach at the request of the Bond Holder or at the request of the Issuer, the Bonds will be repurchased on the Redemption Date by paying the amount equal to the nominal value of Bonds plus due and unpaid interest on the Bonds.

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Notes to the interim financial statements

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

The registered pledge was established on 100 shares in the share capital of Blaise Investments sp. z o.o. with the nominal value of PLN 50 each, constituting 100% of the share capital of this company. The nominal value of the package of 1,000 shares is PLN 50 thousand.

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

On 13 July 2017 CPD SA executed early redemption of all the series B bearer bonds, i.e. 30.000 bonds of PLN 1 thousand par value each. The redemption price amounted to PLN 1.060,13, consisting of PLN 1.000 of par value, PLN 15,00 of premium and PLN 45,13 of bond interest.

32.13 Administrative costs

	1/7/2017 - 30/9/2017	1/7/2016 - 30/9/2016	01/01/2017 - 30/9/2017	01/01/2016 - 30/9/2016
Advisory services	68	195	177	303
Salaries	164	230	491	698
Auditor's remuneration	(16)	2	134	67
Costs of not deductible VAT	37	103	141	245
Other services	112	90	353	329
	365	620	1 296	1 642

32.14 Financial income and expenses

	1/7/2017 - 30/9/2017	1/7/2016 - 30/9/2016	01/01/2017 - 30/9/2017	01/01/2016 - 30/9/2016
Interest income:				
- Bank interest	389	4	681	14
- Interest not related parties	0	0	13	0
Other financial income	(15)	59	424	32
Financial income from the valuation of the embedded derivative	0	0	0	4 876
Unamortised part of bonds issuance costs	(202)		(258)	0
Net exchange differences	59	0	1 459	0
Financial income	231	63	2 319	4 922
Interest costs:				
-Interest from related parties	100	87	296	246
- Interest on bonds	90	1 290	2 061	3 851
- Financial cost from the valuation of the embedded derivative	0	0	5 367	0
- Other	804	73	2 330	73
Net exchange differences	0	(662)	0	228
Financial costs	994	788	10 054	4 398

Notes to the interim financial statements**32.15 Deferred tax****Deferred tax liabilities**

Balance as at 1/1/2016	16 124
Accrued interest on loans	1 093
Accrued interest on bonds	133
Exchange differences	16
Balance as at 31/12/2016 - before compensation	17 366
Compensation of deferred tax asset	(12 298)
Balance as at 31/12/2016 - after compensation	5 068
Accrued interest on loans	275
Accrued interest on bonds	(133)
Exchange differences	(10)
Balance as at 30/09/2017 - before compensation	17 498
Compensation of deferred tax asset	(9 949)
Balance as at 30/09/2017 - after compensation	7 549

Deferred tax assets

Balance as at 1/1/2016	16 124
Impairment of shares	(5 684)
Reserves for costs	0
Holiday reserve	0
Accrued interest on borrowings	48
Accrued interest on bonds	518
Tax loss	1 292
Balance as at 31/12/2016 - before compensation	12 298
Compensation of deferred tax provision	(12 298)
Balance as at 31/12/2016 - after compensation	0
Impairment of loans	0
Reserves for costs	(7)
Accrued interest on borrowings	56
Accrued interest on bonds	(1 292)
Exchange differences	(142)
Tax loss	(964)
Balance as at 30/09/2017 - before compensation	9 949
Compensation of deferred tax provision	(9 949)
Balance as at 30/09/2017 - after compensation	0

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Notes to the interim financial statements**32.16 Cash flow from operating activities**

	01/01/2017 - 30/9/2017	1/1/2016 -30/9/2016
Profit/loss before tax	473	2 892
Adjustments for:		
– exchange differences	(1 466)	(4 110)
– commissions on the redemption of the bond	450	0
– depreciation	2	4
– interest costs	2 358	3 916
– interest income	(10 193)	(11 375)
– impairment on loans	(9)	7 458
– valuation of the embedded derivative	6 893	0
– valuation of bonds at amortized cost	258	0
Changes in working capital:		
– changes in receivables	435	1 364
– change in trade liabilities and other	(343)	(717)
	(1 142)	(568)

32.17 Related party transactions

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

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

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

	1/7/2017 - 30/9/2017	1/7/2016 - 30/9/2016	01/01/2017 - 30/9/2017	01/01/2016 - 30/9/2016
a) Transactions with key management personnel				
Remuneration of members of the Supervisory Board	120	90	270	240
Directors	60	60	180	180
b) Transactions with a major investor				
Laxey Worldwide W.A. - loan			329	330
Impairment on Laxey Worldwide W.A. loan			(329)	(330)

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Notes to the interim financial statements

c) Transactions with subsidiaries	1/7/2017 - 30/9/2017	1/7/2016 - 30/9/2016	01/01/2017 - 30/9/2017	01/01/2016 - 30/9/2016
Revenues				
2/124 Gaston Investments	30	25	85	75
3/93 Gaston Investments	27	24	78	70
4/113 Gaston Investments	26	53	161	151
5/92 Gaston Investments	33	34	87	100
6/150 Gaston Investments	11	22	35	62
7/120 Gaston Investments	14	13	39	40
8/126 Gaston Investments	38	48	116	136
9/151 Gaston Investments	13	11	37	29
10/165 Gaston Investments	21	17	58	50
11/162 Gaston Investments	0	13	34	35
12/132 Gaston Investments	26	32	77	90
13/155 Gaston Investments	31	29	91	85
14/119 Gaston Investments	0	56	0	102
15/167 Gaston Investments	19	15	53	47
16/88 Gaston Investments	5	4	14	12
18 Gaston Investments	12	26	41	80
19/97 Gaston Investments	6	4	16	13
20/140 Gaston Investments	7	5	18	15
Blaise Gaston Investments	0	111	0	223
Blaise Investments	0	199	0	589
Belize Investments	107	106	742	316
Buffy Holdings No1 Ltd	981	1 005	2 891	2 978
Celtic Asset Management	8	8	24	14
Celtic Investments Ltd	2	2	6	7
Challenge 18	1 137	1 286	3 545	3 875
Antigo Investments	38	35	111	114
Elara Investments	24	23	72	69
Gaetan Investments	0	0	0	0
Gaston Investments	72	10	186	126
Hub Developments	21	20	61	59
Lakia Enterprises Ltd	212	421	838	1 248
Mandy investments	133	132	394	391
IMES	0	33	11	94
Costs				
7/120 Gaston Investments	118	0	118	0
12/132 Gaston Investments	118	0	118	0
13/155 Gaston Investments	118	0	118	0
Gaston Investments	3	11	28	15
Lakia Enterprises Ltd	43	43	127	127
Lakia Investments	43	26	129	77
Robin Investments	13	0	39	0
Laxey NL	0	18	0	42
Liabilities			30/9/2017	31/12/2016
Robin Investments			1 643	1 603
Lakia Enterprises Ltd			9 745	9 619
Lakia Investments			5 665	5 536

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Notes to the interim financial statements

32.17 Related party transactions - cont.

Receivables	30/9/2017	31/12/2016
2/124 Gaston Investments	4 264	3 784
3/93 Gaston Investments	3 887	3 469
4/113 Gaston Investments	0	8 674
5/92 Gaston Investments	5 374	4 927
6/150 Gaston Investments	1 816	3 160
7/120 Gaston Investments	1 938	1 889
8/126 Gaston Investments	5 403	6 943
9/151 Gaston Investments	1 838	1 636
10/165 Gaston Investments	2 803	2 460
11/162 Gaston Investments	0	2 035
12/132 Gaston Investments	3 523	4 815
13/155 Gaston Investments	4 409	3 938
15/167 Gaston Investments	2 618	2 230
16/88 Gaston Investments	740	675
18 Gaston Investments	1 886	3 634
19/97 Gaston Investments	818	698
20/140 Gaston Investments	920	787
Antigo Investments	4 894	4 608
Impairment on Antigo Investments loan	(1 615)	(1 615)
Belise Investments	18 424	18 989
Buffy Holdings No1 Ltd	198 403	198 797
Impairment on Buffy Holdings No1 Ltd loan	(42 267)	(42 267)
Celtic Asset Management	1 045	995
Impairment on CAM loan	(236)	(236)
Celtic Investments Ltd	1 962	1 985
Impairment on Celtic Investments Ltd loan	(1 928)	(1 928)
Lakia Enterprises Ltd	35 115	59 727
Impairment on Lakia Enterprises Ltd loan	(4 165)	(4 165)
Challenge 18	162 165	185 288
Elara Investments	3 171	3 024
Impairment on Elara Investments loan	(2 202)	(2 202)
Gaston Investments	8 990	1 744
Impairment on Gaston Investments loan	(1 744)	(1 744)
Hub Developments	2 764	2 653
Impairment on HUB Investments loan	(734)	(734)
IMES	0	4 240
Smart City	4	4
Impairment on Smart City Sp. z o.o. loan	0	(4)
Mandy investments	21 471	21 047
Impairment on Mandy Investments loan	(21 047)	(21 047)

Notes to the interim financial statements**32.17 Related party transactions - cont.****d) Transactions with other related parties**

	1/7/2017 - 30/9/2017	1/7/2016 - 30/9/2016	01/01/2017 - 30/9/2017	01/01/2016 - 30/9/2016
Costs				
<i>Kancelaria Radców Prawnych Oleś&Rodzynekiewicz sp. komandytowa</i>	10	0	46	33

32.18 Share capital

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

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

The registered pledge was established on 100 shares in the share capital of Blaise Investmetns sp. z o.o. with the nominal value of PLN 50 each, constituting 100% of the share capital of this company. The nominal value of the package of 1,000 shares is PLN 50 thousand.

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

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

On 5 October 2017 KRS registered increase of the CPD SA share capital resulting from conversion of the series A bonds. After the registration share capital of the Company amounts to PLN 3.935 thousand represented by 39.354.023 ordinary bearer shares with a par value of PLN 0,10 each.

On 26 October CPD acquired 1.401.792 own shares with an intention to decrease share capital. The purchase has been preceded by an invitation for shares offers submission addressed to all shareholders.

Warsaw, 27 November 2017