QUARTERLY REPORT
FOR I QUARTER OF 2018

CPD S.A.

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QUATERLY REPORT FOR 1st QUARTER 2018

TRANSLATORS' EXPLANATORY NOTE

The following document is a free translation of the 1Q 2018 report of CPD S.A. published on 28 May 2018.

In Poland statutory accounts must be prepared and presented in accordance with Polish legislation and in accordance with the accounting principles and practices generally used in Poland. The accompanying translated financial statements have not been reclassified or adjusted in any way to conform to accounting principles generally accepted in countries other than in Poland, but certain terminology current in Anglo-Saxon countries has been adopted to the extent practicable.

In the event of any discrepancy in interpreting the terminology, the Polish version is binding.

CONTENTS

I. OPERATING REPORT

1. INFORMATION OF CPD CAPITAL GROUP

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

Today, CPD S.A. is the holding company controlling a group of 28 subsidiaries and two half 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 28 subsidiaries as well as two half 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.

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

- On 29th of March 2018, the promised agreement for the sale of 100% shares in the company Bolzanus Limited based in Nicosia was concluded
- On 16th of February 2018, the promised agreement for the sale of all rights and obligations of a limited partner and general partner in the company 8/126 Gaston Investments limited liability company sp.k. with headquarters in Warsaw
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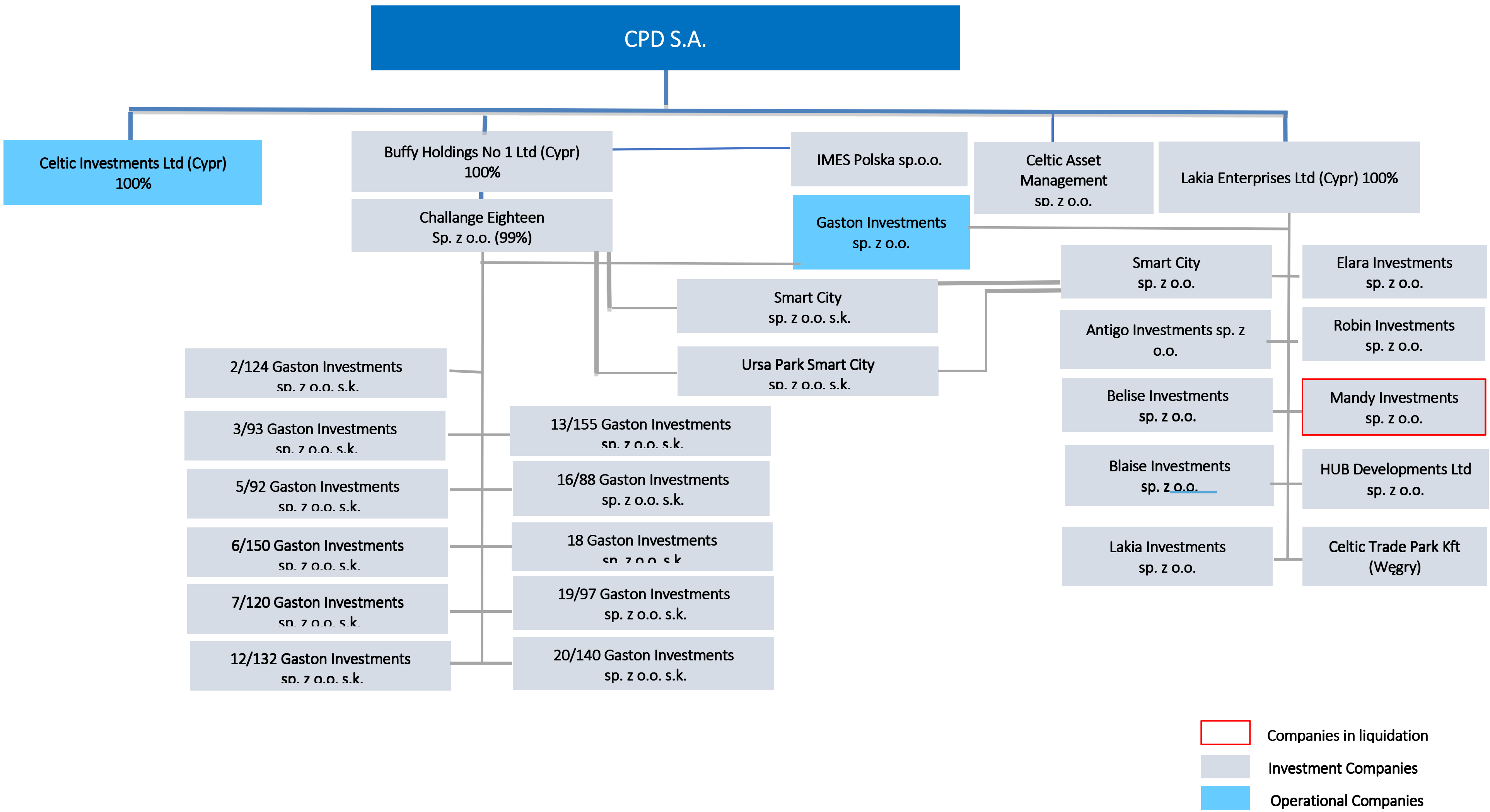
All Group companies are consolidated according to the full method, except for two Group companies - Smart City spółka z ograniczoną odpowiedzialnością spółka komandytowa and Ursa Park Smart City spółka z ograniczoną odpowiedzialnością spółka komandytowa, which is reeconciliated with the equity method.

CPD Group's structure as on 31 of March 2018.



3. SELECTED FINANCIAL DATA

Selected items of the consolidated statement of comprehensive income

	3 months period		
	From 01.01.2018 to 31.03.2018 (PLN ths.)	**From 01.01.2017 to 31.03.2017** (PLN ths.)	***Change*** *(%)*
Revenue	7 494	5 239	*43,0%*
Cost of sales	-3 167	-950	*233,4%*
Gross profit	**4 327**	**4 289**	***0,9%***
Administrative expenses - property related	*-1 759*	*-1 781*	*-1,2%*
Other administrative expenses	*-1 455*	*-3 122*	*-53,4%*
Selling and marketing costs	*-73*	*-121*	*-39,7%*
Gain (loss) on disposal of investment properties	*-9 335*	*-66*	*14043,9%*
Other income	*138*	*114*	*21,1%*
Gain (loss) on revaluation of investment properties	*1 214*	*-7 657*	*-115,9%*
Gain (loss) on disposal of subsidiaries	*20 317*	*0*	-
Receivables valuation allowances	*-108*	*0*	-
Post-tax share of the profit or loss of the joint-venture accounted for using the equity method	*304*	*2 907*	*-89,5%*
Profit/loss from operations	**13 570**	**-5 437**	***-349,6%***
Finance income	366	5 782	*-93,7%*
Finance costs	-2 145	-8 100	*-73,5%*
Profit/loss before tax	**11 791**	**-7 755**	***-252,0%***
Income tax	-1 036	1 000	*-203,6%*
Profit/loss for the period	**10 755**	**-6 755**	***-259,2%***
Earnings per share (PLN)	0,27	-0,20	*-235,6%*
Diluted earnings per share (PLN)	0,27	-0,14	*-299,1%*

In the first quarter of 2018, the CPD SA Group recorded a profit on sales in the amount PLN 4.3 million. Profit on sales increased by 0.9% compared to the first quarter of the previous year. It is worth noting a significant improvement in the operating result. The CPD SA Group generated an operating profit of PLN 13.6 million compared to a loss of PLN 5.4 million in the analogous quarter of 2017. After considering the financial segment of the profit and loss account and income tax, the total net result ended with a profit of 10.8 million PLN.

Among the factors that positively affected the Group's results in the first quarter of 2018 compared to the first quarter of 2017, the main role was played by the profit on sales of subsidiaries in the amount of PLN 20.3 million, a positive result from the valuation of investment properties in the amount of PLN

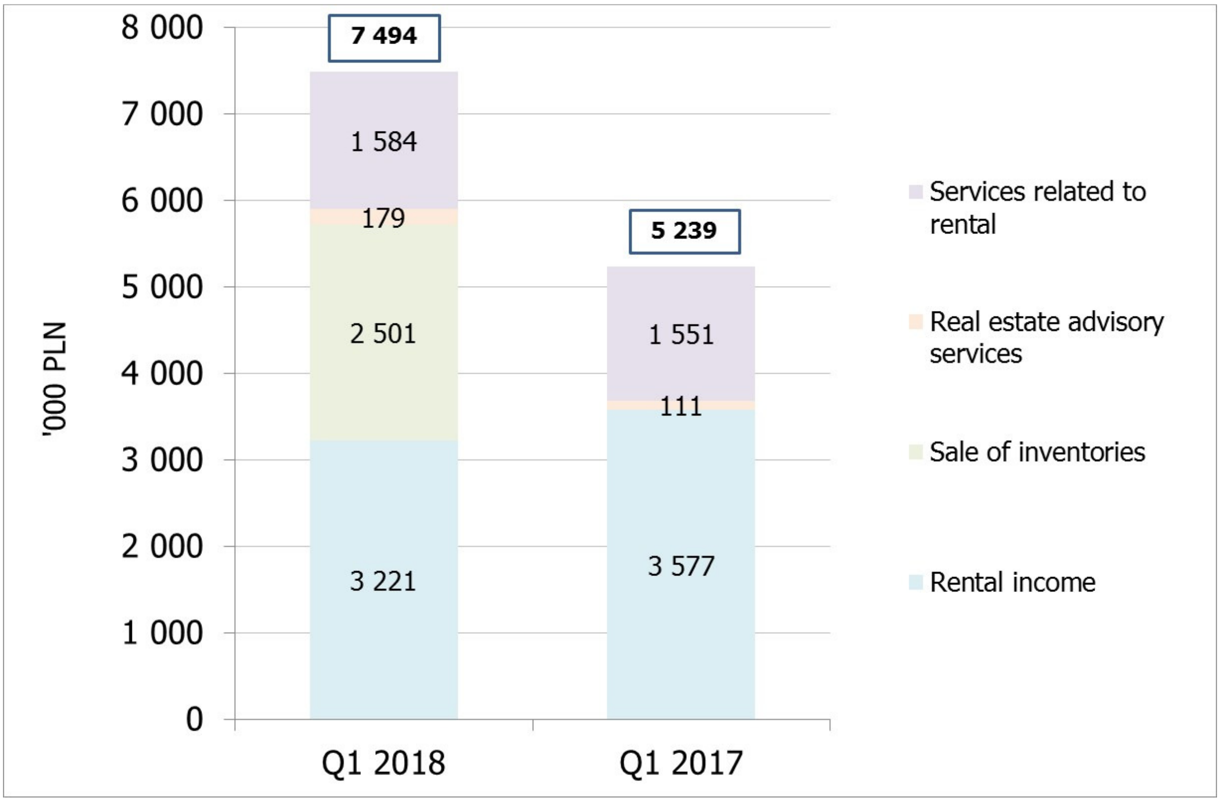
1.2 million PLN, a decrease in financial costs by PLN 6 million and a decrease in other administrative expenses by PLN 1.7 million.

The profit on the sale of subsidiaries was the result of the conclusion of contracts for the sale of all rights and obligations in four limited partnerships, as well as shares in one limited liability company, leading to the sale of land property rights located in Warsaw in the Ursus district. The positive result from the valuation of investment properties was the result of positive exchange rate differences from the revaluation of office properties belonging to the CPD Group. The decrease in financial costs was the result of getting rid of the liabilities related to the bonds issued in 2017. However, the reduction of other administrative costs was possible due to a significant reduction in the costs of consultancy services.

However, the main factor having a negative impact on the net results in the first quarter of 2018 compared to the first quarter of 2017 was the loss on the sale of investment properties in the amount of PLN 9.3 million and a decrease in the profit of joint ventures by PLN 2.6 million.

The loss on the sale of investment property resulted from the act of donation of the plot for the construction of the school to the capital city of Warsaw.

The chart below presents the structure of the Group's operating expenses in the first quarter of 2018 and 2017.

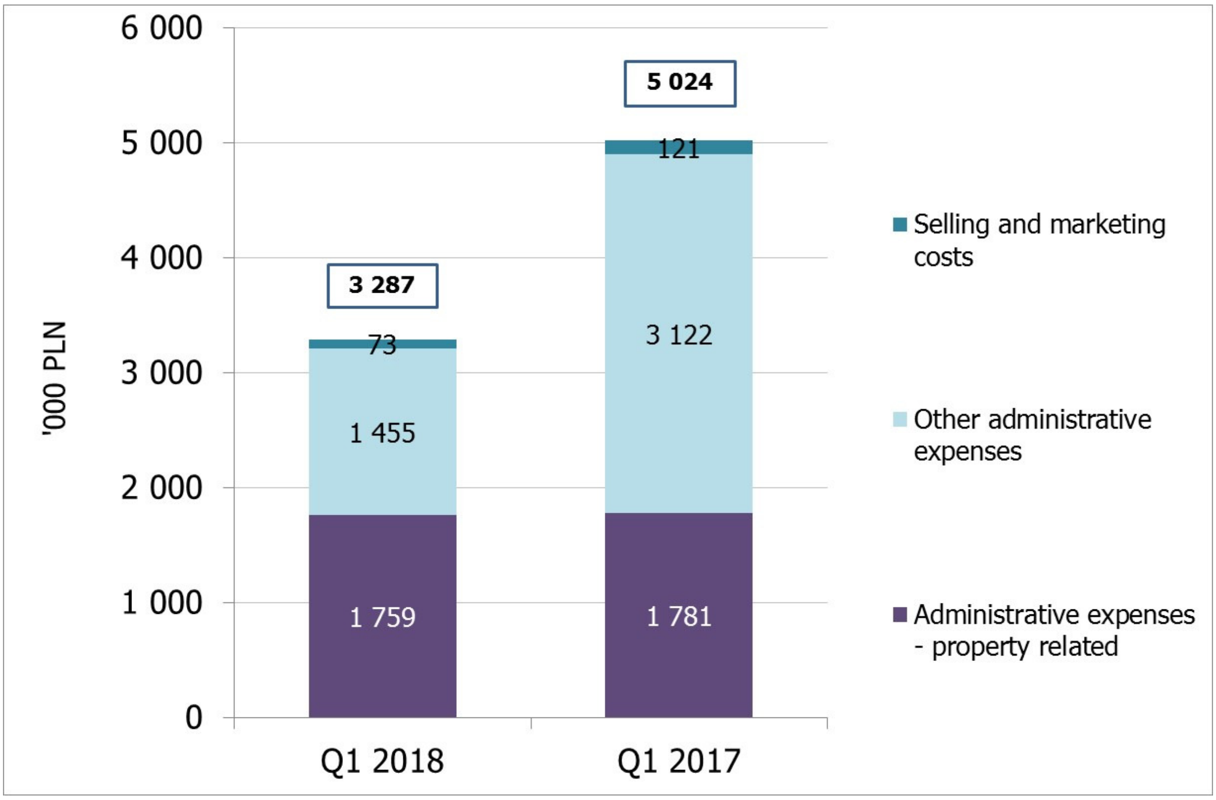


Sales revenues in the first quarter of 2018 amounted to PLN 7.5 million. The largest, 43% share in this amount was revenue from rental. In relation to the value for the first quarter, rental income amounted to PLN 3.22 million compared to PLN 3.58 million in 2017. Rental revenues were generated by 3 office buildings in Warsaw - Aquarius building at 31 Połczyńska Street, Solar building at 7B Cybernetyki Street and the Iris building at 9 Cybernetyki Street.

In the first quarter of 2018, the Group provided real estate advisory services. Revenues from this account amounted to PLN 0.18 million. The increase was 61% compared to the first quarter of 2017.

In the first quarter of 2018, the Group recorded revenues from the sale of inventory in the amount of PLN 2.5 million as a result of the sale of a tenement in Łódź.

The chart below presents the structure of sales revenues in the first quarter of 2018 and 2017.



Selected items of the consolidated statement of financial position

	As at: 31.03.2018 (PLN ths.)	As at: 31.12.2017 (PLN ths.)	*Change* (%)
TOTAL ASSETS	**743 573**	**761 000**	***-2,3%***
Non-current assets, including:	**506 239**	**536 455**	***-5,6%***
Investment properties	*443 733*	*471 715*	*-5,9%*
Investments in joint ventures accounted for using the equity method	*60 976*	*63 072*	*-3,3%*
Current assets, including:	**237 334**	**224 545**	***5,7%***
Assets held for sale	*0*	*68 539*	*-100,0%*
Inventory	*2 976*	*5 421*	*-45,1%*
Trade and other receivables	*77 817*	*7 282*	*968,6%*
Cash and cash equivalents	*156 541*	*143 303*	*9,2%*
TOTAL EQUITY AND LIABILITIES	**743 573**	**761 000**	***-2,3%***
Equity, including:	**482 460**	**471 719**	***2,3%***
Share capital	*3 935*	*3 935*	*0,0%*
Reserve capital	*987*	*987*	*0,0%*
Fair value of capital element at inception date	*-27 909*	*-27 909*	*0,0%*
Translation reserve	*-5 472*	*-5 458*	*0,3%*
Retained earnings	*528 118*	*517 363*	*2,1%*
Total liabilities, including:	**261 113**	**289 281**	***-9,7%***
Non-current liabilities	*147 981*	*151 893*	*-2,6%*
Current liabilities	*113 132*	*137 388*	*-17,7%*

At the end of March 2018, the total value of the Group's assets decreased by 2.3% compared to the end of 2017. This decrease was caused, among other things, by the sale of a plot for the construction of school to the capital city of Warsaw free of charge and sale of shares in Bolzanus Ltd.

The value of current assets increased mainly due to the increase in the balance of trade receivables (until March 31, 2018, the Group received 20% of receivables from the sale of all rights and obligations in four limited partnerships).

At the end of March 2018, equity amounted to PLN 482.5 million, which accounted for 64.9% of total assets of the Group, while liabilities accounted for 35.1% of total assets. These indicators changed slightly compared to the end of 2017 (62% and 38% respectively).

In the first quarter of 2018, the value of liabilities decreased significantly as a result of, the settlement of a part of received deposits in revenues.

The table below presents the share of individual categories of liabilities in the balance sheet total.

	31.03.2018	31.12.2017
Liabilities to total assets	**35,1%**	**38,0%**
Non-current liabilities to total assets	**19,9%**	**20,0%**
Borrowings including finance leases	14,6%	14,9%
Deferred income tax liabilities	5,0%	4,8%
Trade and other payables	0,3%	0,3%
Current liabilities to total assets	**15,2%**	**18,1%**
Borrowings including finance leases	3,6%	3,5%
Trade and other payables	11,6%	14,0%
Liabilities related to assets held for sale	0,0%	0,5%

The structure of liabilities slightly changed in the first quarter of 2018. The share of short-term debt decreased from 18.1% as at December 31, 2017 to 15.2% as at March 31, 2018.

4. IMPORTANT EVENTS IN THE REPORTING PERIOD

- ### CONCLUSION OF A SALES AGREEMENT OF THE GENERAL RIGHTS AND OBLIGATIONS IN SUBSIDIARIES

16th of February 2018, ROBYG PRAGA INVESTMENT I limited liability company and ROBYG Construction Poland limited liability company with its registered office in Warsaw and the Issuer's subsidiaries, ie: Gaston Investmenst limited liability company and Challange Eighteen limited liability company with its registered office in Warsaw concluded a General Shareholders' Rights and Obligations Sale Agreement in Subsidiaries 8/126 Gaston Investmenst spółka z ograniczoną odpowiedzialnością spółka komandytowa with its registered office in Warsaw, 9/151 Gaston Investmenst spółka z ograniczoną odpowiedzialnością spółka komandytowa with its registered office in Warsaw, 10/165 Gaston Investmenst spółka z ograniczoną odpowiedzialnością spółka komandytowa with its registered office in Warsaw, 15/167 Gaston Investmenst spółka z ograniczoną odpowiedzialnością spółka komandytowa with its registered office in Warsaw. The transaction value is PLN 82,000,000.

Other provisions of Agreement concluded by the Seller do not differ from the standards commonly applicable to this type of contracts.

99% of all rights and obligations in the Companies, had the company Gaston Investments spółka z ograniczoną odpowiedzialnością with its registered office in Warsaw, which is a subsidiary of CPD S.A. on the other hand, 1% of total rights and obligations in the Companies were held by the Challange Eighteen limited liability company with its registered office in Warsaw, which is a subsidiary of CPD S.A.

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

- ### CONCLUSION OF A CONDITIONAL SALE AGREEMENT RIGHTS TO PERPETUAL USUFRUCT OF A REAL ESTATE OWNED BY A SUBSIDIARY OF THE ISSUER 18 GASTON INVESTMENTS SP. Z O.O. SP. K.

22 February 2018 the subsidiary of Issuer 18 Gaston Investments sp. z o.o. sp. k., with its registered office in concluded a conditional agreement for the sale of the perpetual usufruct right to the real property comprising plot no. 148/2, no. 2-09-09 with an area of 837 m2, located in Warsaw, Ursus District, near Traktorzystów Street for Ronson Development – City 3 sp. z o.o. sp. k..

According to the provisions of the Local Master Plan, the real estate is intended for the majority of services and multi-family housing.

A precondition for the conclusion of final sale agreement is the failure of the President of the Capital City of Warsaw to, the right of first refusal to this property and land plot no. 98/1.

The selling price of perpetual usufruct right has been set for PLN 3 million net + VAT.

The remaining provisions of the Agreements concluded by the Seller do not differ from the standards commonly applicable to this type of contracts.

29th of March 2018 a subsidiary of the Issuer 18 Gaston Investments sp. O.o. sp. k., with its registered office in Warsaw, has entered into a promised agreement for the sale of the perpetual usufruct right to the real property comprising plot no. 148/2, area no. 2-09-09 with an area of 837 m2, located in Warsaw, Ursus District, near Traktorzystów Street for Ronson Development - City 3 sp. z o.o. sp. k ..

- **CONCLUSION OF A CONDITIONAL SALE AGREEMENT RIGHTS TO PERPETUAL USUFRUCT OF A REAL ESTATE OWNED BY A SUBSIDIARY OF THE ISSUER IMES POLAND SP. Z O.O.**

22nd of February 2018 the subsidiary company of the Issuer IMES Poland sp. z o.o., with its registered office in Warsaw concluded a conditional agreement for sale of the right of perpetual usufruct of the real property consisting of plot No. 98/1, 2-09-09 with an area of 4,244 m2, located in Warsaw, Ursus District, near Gierdziejewski Street to Ronson Development – City 3 sp. z o.o. sp. k..

According to the provisions of the Local Master Plan, the real estate in majority is intended for services and multi-family housing.

The condition for the conclusion of final sale agreement is the failure of the President of Capital City of Warsaw to the right of first refusal to this property and land plot no. 148/2.

The sale price of right of perpetual usufruct of the property has been determined for amount of PLN 4 million net + VAT tax.

The remaining provisions of the Agreements concluded by the Seller do not differ from the standards commonly applicable to this type of contracts.

On March 29, 2018, a subsidiary of the Issuer IMES Poland sp. z o.o., with its registered office in Warsaw, entered into a promised agreement for the sale of the perpetual usufruct right to the real property comprising plot no. 98/1, area no. 2-09-09 with an area of 4,244 m2, located in Warsaw, Ursus District, near Gierdziejewski Street for Ronson Development - City 3 sp. z o.o. sp. k ..

- **CONCLUSION OF A CONDITIONAL SHARE SALE AGREEMENT AT THE COMPANY BOLZANUS LIMITED**

22nd of February 2018 the subsidiary company of the Issuer Buffy Holdings no. 1 Ltd, with its registered office in Limassol in Cyprus has concluded a conditional agreement for the sale of 100% shares in Bolzanus Limited based in Nicosia, Cyprus to Ronson Development sp. z o.o..

The company has the right to perpetual usufruct of the real estate, consisting of plot no. 119, no. registry number 2-09-09, with an area of 22,394 m2 and located near Gierdziejewski Street in Warsaw

(Warsaw – Ursus district). According to the provisions of the Local Master Development Plan, the real estate in majority is intended for services, education and multi-family housing.

The share sale price has been set for PLN 10 million.

The condition for concluding final sale agreement is the failure of the President of the Capital City of Warsaw to the right of first refusal to land plot no. 98/1 and 148/2, which are part of the transaction covered by this report.

Other provisions of the contract concluded by the Seller do not differ from the standards commonly applicable to this type of contracts.

29th of March 2018 a subsidiary of the Issuer Buffy Holdings no. 1 Ltd, with its registered office in Limassol, Cyprus, has entered into a promised agreement for the sale of 100% shares in the company Bolzanus Limited based in Nicosia, Cyprus to Ronson Development sp. z o.o..

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

- **ESTABLISHMENT OF WARRANTIES**

26th of February 2018 the Company and its subsidiaries companies granted warranties as a result of the Agreement on a revolving credit for financing construction, between Ursa Park Smart City spółka z ograniczoną odpowiedzialnością spółka komandytowa which is the Company's subsidiary and Bank Millennium S.A., and under the Agreement Ursa Park Smart City spółka z ograniczoną odpowiedzialnością sp.k. was granted the revolving credit in the amount of PLN 25.000.000 to finance the maximum level of investment costs in the amount of 42,954,660.00, designated to finance the Construction of a multi-family housing project Ursa Park Smart City Stage II at the junction of Dyrekcyjna and 48 KD-D streets in Warsaw, in the district of Ursus. The investment project is the result of the cooperation between CPD S.A. and Unidevelopment S.A.

Repayment security for the debts to the Bank's claimsarising from the Agreement are as follows:

1) mortgage up to the amount of PLN 40,000,000.00 (with top priority) for the Bank, on the property being the site of the Development Project, owned by the Borrower, situated in Warsaw, identified in the Land and Mortgage Register no. WA1M/00283121/5, kept by the District Court for Warsaw-Mokotów in Warsaw, 13th Division for Land and Mortgage Registers, with assignment of rights under insurance agreement for buildings erected on the property and built as a part of the Development Project against fire and other accidents (following completion of construction works, for an insured amount at least equal to the credit amount);
2) the Borrower's statement on submission to enforcement in the manner defined in Article 777 §1.5 of the Civil Code directly under such deed and from all their assets should they be in default with payment of any cash sums due to the Bank as liabilities under this Agreement as amended from time to time, up to the maximum amount of PLN 40,000,000.00;
3) registered pledge with an ordinary pledge as a transitional security on all the rights and obligations of the General Partner: Smart City sp. z o.o. in connection with the contribution made in the nominal amount of PLN 1,000,000 to the Borrower's company;
4) statement of Smart City sp. z o.o. on submission to enforcement by the Bank in the manner defined in Article 777 §1.6 of the Civil Code directly under such deed up to the maximum amount of PLN 40,000,000.00 from the pledged assets to satisfy the cash liability due to the Bank under this Agreement as amended from time to time, ;

5) registered pledge with an ordinary pledge as a transitional security on all the rights and obligations of the Limited Partner: Challange Eighteen sp. z o.o. in connection with the contribution made in the nominal amount of PLN 73,109,888.62 to the Borrower's company.
6) statement of Challange Eighteen sp. z o.o. on submission to enforcement by the Bank in the manner defined in Article 777 §1.6 of the Civil Code directly under such deed up to the maximum amount of PLN 40,000,000.00 from the pledged assets to satisfy the cash liability due to the Bank under this Agreement as amended from time to time,
7) statement of CPD S.A. on submission to enforcement in the manner defined in Article 777 §1.5 of the Civil Code directly under such deed and from all their assets should they be in default with payment of any cash sums due to the Bank as liabilities under this Agreement as amended from time to time, up to the maximum amount of PLN 40,000,000.00;
8) debt accession by CPD S.A. with a power-of-attorney to manage the accounts held at the Bank.

The agreement didn't meet the criteria to consider it to be the material agreement, pursuant to § 2 par. 1 of the Regulation of the Minister of Finance of 19 February 2009 on current and periodic information provided by the issuers of securities and conditions for recognition as equivalent of the information required under the provisions of law of the non-member state.

The Company and its subsidiaries as well as persons who manage or supervise the Company are not connected with the entity for the benefit of which the mortgage was established, pledgee (Bank Millennium S.A.) and its officers.

- **DONATION FOR THE CITY OF STAR WARSAW**

As part of social responsibility and building a sustainable urban fabric based on the local social identity, the CPD Group on February 19, 2018 donated in a gift from the Capital City of Warsaw train with an area of 1.7 hectares, which, according to the Local Spatial Development Plan, is planned for educational investments. As part of the planned agreement, the Capital City of Warsaw committed to implement a pre-school and school complex by 2020 on this plot.

5. FACTORS AND EVENTS OF UNUSUAL NATURE

In the reporting period there were no factors or events of unusual nature.

6. SEASONALITY AND PERIODICITY OF THE GROUP ACTIVITIES

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

7. WRITE-DOWNS OF INVENTORIES TO FAIR VALUES

When determining the recoverable amount of inventories, the Management Board takes into account the property valuations prepared by independent experts as at 31/12/2017, taking into account possible changes in values dictated by changes in the real estate market. In the first quarter of 2018, the inventory write-down did not change.

8. WRITE-DOWNS OF INVESTMENT PROPERTIES TO FAIR VALUES

In the first quarter of 2018, the Group recorded a positive result from the valuation of investment properties to fair value in the amount of PLN 1.2 million. The increase in valuations resulted from the weakening of the Polish currency against the euro.

9. CREATION, INCREASE, UTILISATION AND REVERSEAL OF PROVISIONS

In the first quarter of 2018, the value of accrued expenses decreased by PLN 3.6 million. The decrease resulted from the settlement of demolition works for the amount of PLN 3.5 million in the first quarter of 2018.

10. PROVISIONS AND DEFFERED TAX ASSETS

With respect to a deferred tax asset, its recoverable value is determined based on the likelihood that the asset will be realized in the future, taking into account the business plans of the individual companies included in the consolidation. This value is determined based on the Management Board's estimates. As at March 31, 2018, the Group did not disclose deferred tax assets in the balance sheet.

As at March 31, 2018, the Group's deferred tax liability amounted to PLN 37.25 million. The value of liabilities in this respect increased in the first quarter by PLN 1 million.

11. ACQUISITION AND SALE OF PROPERTY, PLANT AND EQUIPMENT

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

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

Not occurred.

13. IMPORTANT SETTLEMENTS OF LAWSUITS

Not occurred.

14. PREVIOUS PERIODS ERRORS' CORRECTION

Not occurred.

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

During the first quarter of 2018, 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

- **FIRST NOTICE TO THE SHAREHOLDERS OF CPD S.A. ON THE INTENTION OF CROSS BORDER MERGER WITH THE COMPANY BUFFY HOLDINGS NO. 1 LIMITED WITH ITS REGISTERED OFFICE IN NICOSIA IN CYPRUS**

3rd of April 2018, Board of CPD SA, on the basis of art. 504 in connection with art. 4021 § 1 in connection with art. 5161 of the Commercial Companies' Code:

I. notifies for the first time the shareholders of CPD on the intention of merger between CPD as the Acquiring Company with BUFFY HOLDINGS NO. 1 LIMITEDwith its registered office in Nicosia in Cyprus, a limited liability company organized in accordance with the laws of Cyprus, address: Kyriakou Matsi, 24, Palaichori, 2740, Nicosia, Cyprus, entered to the register of companies maintained by the Ministry of Energy, Commerce, Industry and Tourism of the Republic of Cyprus under the registry number HE 166076 as the company being acquired.

   Details of the merger have been specified in the Plan of Merger agreed on by the Management Boards of the Issuer and BUFFY on 22 December 2017 and were published in accordance with art. 5164 § 1 second sentence of CCC on the CPD's website, which therefore shall not be subject to announcement in court gazette Monitor Sądowy i Gospodarczy. In accordance with art. 516 § 4 in connection with art. 5161 of CCC. Plan of Merger is available to general public free of charge at the above specified website for the period of at least 1 month prior to the date of submission of the application to register the merger.

   Documents referred to in art. 5167 § 1 of CCC (except for the expert's opinion on the examination of the Plan of Merger due to the fact that CPD is a sole shareholder in BUFFY, and therefore on the basis of art. 51615 § 1 of CCC and Section 201V (1) (a) of the Companies Law of Cyprus, Cap. 113, the Plan of Merger does not require the examination by an expert) shall be available for the review by the Shareholders for the period of at least one month starting from the date of publishing of report announcing it until the date of adoption of the resolution on the merger, in the registered office of the Company during business days.

   Shareholders may request that the official copies of the above documents be made available to them free of charge in the offices of the Company.

II. in view of the above, Management Board of CPD acting on the basis of art. 399 § 1 and art. 402(1) of CCC and § 38 par. 1 of the regulation of the Minister of Finance of 19 February 2009 on the current and periodic reports provided by issuers of securities and conditions for acknowledging as equivalent the information required under the laws of a non-member state (Journal of Laws No 33, item 259 as amended) hereby convenes for 8 May 2018 the Extraordinary General Meeting, which shall be held in the registered office of the Company.

- **APPOINTMENT OF AN AUDITOR FOR 2018 AND 2019**

The Management Board CPD S.A. (hereinafter the Company) announces that, the Supervisory Board of the Company, after being known with the recommendation of Audit Committee, adopted the resolution on the appointment of Grant Thornton Frąckowiak spółka z ograniczoną odpowiedzialnością sp. k. with its registered office in Poznań, located at 88 Antoniego Baraniaka Street, entered the list of entities authorized to audit financial statements under number 4055, on the auditor authorized to:

- to examine the consolidated financial statements of CPD S.A. for the financial year ended 31 December 2018,
- examine the separate financial statements of CPD S.A. for the financial year ended 31 December 2018,
- review of the interim consolidated financial statements of CPD S.A. on June 30, 2018,
- review of the interim financial statements of CPD S.A. on June 30, 2018,

and

- to examine the consolidated financial statements of CPD S.A. for the financial year ended 31 December 2019,
- examine the separate financial statements of CPD S.A. for the financial year ended 31 December 2019,
- review of the interim consolidated financial statements of CPD S.A. on June 30, 2019,
- review of the interim financial statements of CPD S.A. on June 30, 2019.

The agreement with Grant Thornton Frąckowiak spółka z ograniczoną odpowiedzialnością sp. k. will be concluded for the period necessary to carry out the work set forth herein.

- **SECOND NOTICE TO THE SHAREHOLDERS OF CPD S.A. ON THE INTENTION OF CROSS BORDER MERGER WITH THE COMPANY BUFFY HOLDINGS NO. 1 LIMITED WITH ITS REGISTERED OFFICE IN NICOSIA IN CYPRUS**

Management Board of CPD spółka akcyjna with its registered office in Warsaw on the basis of art. 504 in connection with art. 4021 § 1 in connection with art. 5161 of the Commercial Companies' Code:

I. notifies for the second time the shareholders of CPD on the intention of merger between CPD as the Acquiring Company with BUFFY HOLDINGS NO. 1 LIMITED with its registered office in Nicosia in Cyprus, a limited liability company organized in accordance with the laws of Cyprus, address: Kyriakou Matsi, 24, Palaichori, 2740, Nicosia, Cyprus, entered to the register of companies maintained by the Ministry of Energy, Commerce, Industry and Tourism of the Republic of Cyprus under the registry number HE 166076 (hereinafter: "BUFFY" or the "Company being acquired") as the company being acquired.

   Details of the merger have been specified in the Plan of Merger agreed on by the Management Boards of the Issuer and BUFFY on 22 December 2017 and were published in accordance with art. 5164 § 1 second sentence of CCC on the CPD's website, which therefore shall not be subject to announcement in court gazette Monitor Sądowy i Gospodarczy. In accordance with art. 516 § 4 in connection with art. 5161 of CCC.. Plan of Merger is available to general public free of charge at the above specified website for the period of at least 1 month prior to the date of submission of the application to register the merger.

   Documents referred to in art. 5167 § 1 of CCC (except for the expert's opinion on the examination of the Plan of Merger due to the fact that CPD is a sole shareholder in BUFFY, and therefore on the basis of art. 51615 § 1 of CCC and Section 201V (1) (a) of the Companies Law of Cyprus, Cap. 113, the Plan of Merger does not require the examination by an expert) shall be available for the review by the Shareholders for the period of at least one month starting from the date of publishing of the periodic report including the first notice to the shareholders of CPD on the intention of the merger, i.e. from 4 April 2018 until the date of adoption of the resolution on the merger, in the registered office of the Company during business days. Shareholders may request that the official copies of the above documents be made available to them free of charge in the offices of the Company.

II. in view of the above, Management Board of CPD 3rd of April 2018 informed that for 8 May 2018 the Extraordinary General Meeting has been convened which shall be held in the registered office of the Issuer.

23. CHANGES RELATED TO CONDITIONAL LIABILITIES OR ASSETS

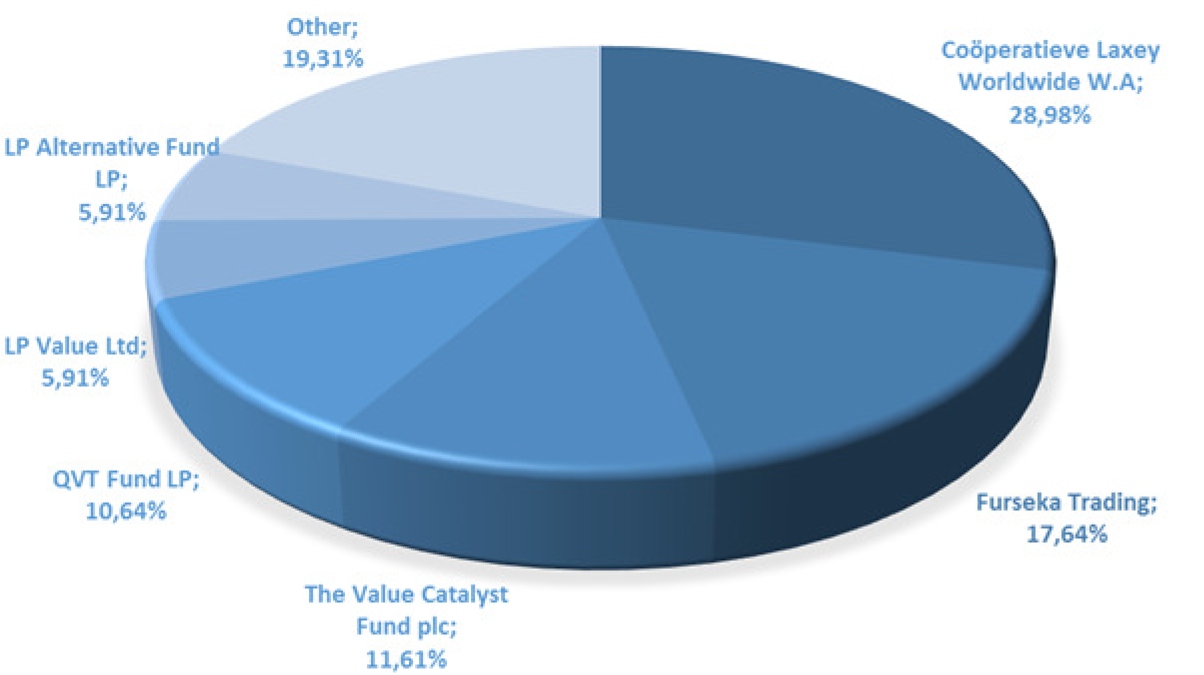
Not occurred.

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

CPD S.A. SHAREHOLDING STRUCTURE



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 owned shares	Type of shares	Amount of owned votes	Shareholder structure by owned votes	Shareholder structure by owned shares
Coöperatieve Laxey Worldwide W.A	11 406 759	Na okaziciela	11 406 759	28.98 %	28.98 %
Furseka Trading	6 942 424	Na okaziciela	6 942 424	17.64 %	17.64 %
The Value Catalyst Fund plc	4 567 681	Na okaziciela	4 567 681	11.61 %	11.61 %
QVT Fund LP	4 186 145	Na okaziciela	4 186 145	10.64 %	10.64 %
LP Value Ltd	2 327 645	Na okaziciela	2 327 645	5.91 %	5.91 %
LP Alternative Fund LP	2 325 927	Na okaziciela	2 325 927	5.91 %	5.91 %
Other	7 597 442	Na okaziciela	7 597 442	19.31 %	19.31 %

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

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

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

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

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

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

28. MAJOR LOAN AGREEMENTS, LOAN WARRANTIES AND GUARANTEES GRANTED

As at 31 March 2018, the CPD Group in the consolidated financial statements shows the following liabilities under bank loans:

- liabilities to the bank mBank Hipoteczny S.A. in the amount of PLN 37 787 (of which PLN 22 011 is presented as a short-term portion and PLN 15 776 presented as a long-term part);

- liabilities towards Bank Zachodni WBK S.A. in the amount of PLN 68,636 (of which PLN 4,541 is presented as a short-term liability and PLN 64,095 presented as a long-term liability).

29. THE SUPERVISORY BOARD AND THE MANAGEMENT BOARD

At 31 March 2018, the composition of the Supervisory Board of the Company was as follows:

- Mr. Andrew Pegge – President of Supervisory Board
- Mr. Michael Haxbey – Vice President of Supervisory Board
- Mr. Wiesław Oleś – Secretary of Supervisory Board
- Mr. Mirosław Gronicki - Supervisory Board Member
- Ms. Gabriela Gryger - Supervisory Board Member

At 31 March 2018, the composition of the Management Board of the Company was as follows:

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

At 31 March 2018, the composition of the Audit Committee of the Company was as follows:

- Mr. Wiesław Oleś - Chairman of the Audit Committee
- Mr. Mirosław Gronicki - Member of the Audit Committee
- Mr. Andrew Pegge - Member of the Audit Committee.

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 following phase of the project Smart City Ursus;
- Commercialization 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 following 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 and receivables,
- An increase in prices of construction works observed on the development market.

II. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT FOR THE PERIOD OF 3 MONTHS ENDED 31 MARCH 2018 ALONG WITH CONDENSED FINANCIAL STATEMENTS OF CPD S.A.

CPD S.A.

Condensed interim consolidated financial statements

for the period of 3 months ended 31 March 2018

and the condensed financial statements of CPD S.A.
for the period of months ended 31 March 2018

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

(unaudited financial data)

CPD S.A.

(All amounts in PLN thousands unless otherwise stated)

Condensed consolidated statement of comprehensive income

	Note	For the 3 month period ended 31/03/2018	31/03/2017
		(unaudited)	*(unaudited)*
Revenues	14	7 494	5 239
Cost of sales	15	(3 167)	(950)
PROFIT ON SALES		**4 327**	**4 289**
Administrative costs property related	16	(1 759)	(1 781)
Administrative expenses-other	17	(1 455)	(3 122)
Selling and marketing expenses		(73)	(121)
Loss on investment property disposal		(9 335)	(66)
Other income	18	138	114
Net gain/(loss) from fair value adjustments on investment properties	4	1 214	(7 657)
Post-tax share of the profit or loss of the joint-venture accounted for using the equity method	8	304	2 907
Receivables valuation allowances		(108)	0
Net gain / (loss) on sale of subsidiares		20 317	0
OPERATING RESULT		**13 570**	**(5 437)**
Financial income	19	366	7 279
Financial costs	19	(2 145)	(9 597)
PROFIT (LOSS) BEFORE INCOME TAX		**11 791**	**(7 755)**
Income tax		(1 036)	1 000
PROFIT (LOSS) FOR THE PERIOD		**10 755**	**(6 755)**
Currency translation adjustment		(14)	31
TOTAL COMPREHENSIVE INCOME		**10 741**	**(6 724)**
Profit attributable to:			
Equity holders of the Group		**10 755**	**(6 755)**
Total comprehensive income attributable to:			
Equity holders of the Group		**10 741**	**(6 724)**
Total comprehensive income for the period attributable to owners of the Group arises from:			
Continuing operations		10 741	(6 724)
Discontinued operations		0	0
BASIC EARNINGS PER SHARE (PLN)	24	0,27	(0,20)
DILUTED EARNINGS PER SHARE (PLN)		0,27	(0,14)

Elżbieta Donata Wiczkowska
Chairman of the Board

Colin Kingsnorth
Board Member

John Purcell
Board Member

Iwona Makarewicz
Board Member

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

(All amounts in PLN thousands unless otherwise stated)

Condensed consolidated statement of financial position

	Note	31/03/2018 *(unaudited)*	31/12/2017
ASSETS			
Non-current assets			
Investment properties	4	443 733	471 715
Property, plant and equipment		672	734
Intangible assets, excluding goodwill		2	3
Investments in joint ventures accounted for using the equity method	8	60 976	63 072
Long-term receivables		856	931
Non-current assets		**506 239**	**536 455**
Current assets			
Inventories	6	2 976	5 421
Trade receivables and other receivables, including:	5	77 817	7 282
- receivables and loans		*72 122*	*5 325*
- prepayments		*5 695*	*1 957*
Cash and cash equivalents	7	156 541	143 303
		237 334	**156 006**
Assets held for sale	29	0	68 539
Current assets		**237 334**	**224 545**
Total assets		**743 573**	**761 000**

(All amounts in PLN thousands unless otherwise stated)

Condensed consolidated statement of financial position - cont.

	Note	31/03/2018	31/12/2017
		(unaudited)	
EQUITY			
Equity attributable to owners of the parent company			
Share capital	9	3 935	3 935
Bonds converted into shares		(17 199)	(17 199)
Other reserves		987	987
Embedded element at inception date	12	(27 909)	(27 909)
Translation reserve		(5 472)	(5 458)
Retained earnings		528 118	517 363
Total equity		**482 460**	**471 719**
LIABILITIES			
Non-current liabilities			
Trade payables and other liabilities	10	2 301	2 235
Borrowings, including financial leasing	11	108 428	113 375
Deferred tax liabilities	13	37 252	36 283
		147 981	**151 893**
Current liabilities			
Trade payables and other liabilities	10	86 376	106 722
Borrowings, including financial leasing	11	26 756	26 902
		113 132	**133 624**
Liabilities directly associated with assets held for sale		0	3764
Total liabilities		**261 113**	**289 281**
Total Equity and liabilities		**743 573**	**761 000**

Elżbieta Donata Wiczkowska
Chairman of the Board

Colin Kingsnorth
Board Member

John Purcell
Board Member

Iwona Makarewicz
Board Member

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

(All amounts in PLN thousands unless otherwise stated)

Condensed consolidated statement of changes in equity

	Share capital CPD S.A.	Embedded element at inception date	Bonds conversion under registration	Own shares for redemption	Translation reserve	Reserve capital	Retained earnings	Total
Balance as at 01/01/2017	**3 286**	**(27 909)**	**0**	**0**	**(5 383)**	**987**	**475 922**	**446 903**
Bonds conversion	0	0	32 695	0	0	0	0	32 695
Comprehensive income								
Currency translation adjustment	0	0	0	0	28	0	0	28
Profit (loss) for the period	0	0	0	0	0	0	(6 755)	(6 755)
	0	0	0	0	28	0	(6 755)	(6 727)
Balance as at 31/03/2017 /unaudited	**3 286**	**(27 909)**	**32 695**	**0**	**(5 355)**	**987**	**469 167**	**472 871**
Balance as at 01/01/2017	**3 286**	**(27 909)**	**0**	**0**	**(5 383)**	**987**	**475 922**	**446 903**
Acquisition of own shares	0	0	0	(17 199)	0	0	0	(17 199)
Bonds conversion	649	0	0	0	0	0	39 203	39 852
	649	0	0	(17 199)	0	0	39 203	22 653
Comprehensive income								
Currency translation adjustment	0	0	0	0	(75)	0	0	(75)
Profit (loss) for the period	0	0	0	0	0	0	2 238	2 238
	0	0	0	0	(75)	0	2 238	2 163
Balance as at 31/12/2017	**3 935**	**(27 909)**	**0**	**(17 199)**	**(5 458)**	**987**	**517 363**	**471 719**
Balance as at 01/01/2018	**3 935**	**(27 909)**	**0**	**(17 199)**	**(5 458)**	**987**	**517 363**	**471 719**
Comprehensive income								
Currency translation adjustment	0	0	0	0	(14)	0	0	(14)
Profit (loss) for the period	0	0	0	0	0	0	10 755	10 755
	0	0	0	0	(14)	0	10 755	10 741
Balance as at 31/03/2018 /unaudited	**3 935**	**(27 909)**	**0**	**(17 199)**	**(5 472)**	**987**	**528 118**	**482 460**

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

Elżbieta Donata Wiczkowska	Colin Kingsnorth	Iwona Makarewicz	John Purcell
Chairman of the Board	*Board Member*	*Board Member*	*Board Member*

(All amounts in PLN thousands unless otherwise stated)

Condensed consolidated statement of cash flows

	Note	For the 3 month period ended 31/03/2018 (unaudited)	31/03/2017 (unaudited)
Cash flow from operating activities			
Cash generated from operations	21	(68 453)	42 603
Interest paid		(560)	(1 989)
Net cash generated from investing activities		**(69 013)**	**40 614**
Cash flows from investing activities			
Capital expenditure on investment properties		(193)	(188)
Purchases of property, plant and equipment		(6)	(27)
Proceeds from the sale of subsidiaries		81 344	0
Proceeds from reduction of the own contribution in joint venture		2 400	9 552
Net cash used in investing activities		**83 545**	**9 337**
Cash flows from financing activities			
Repayments of borrowings		(1 294)	(1 281)
Net cash used in financing activities		**(1 294)**	**(1 281)**
Net (decrease)/increase in cash and cash equivalents		**13 238**	**48 670**
Cash and cash equivalents at beginning of year		**143 303**	**89 999**
Cash and cash equivalents at the end of the period	7	**156 541**	**138 669**

Elżbieta Donata Wiczkowska
Chairman of the Board

Colin Kingsnorth
Board Member

John Purcell
Board Member

Iwona Makarewicz
Board Member

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

Notes to the interim condensed consolidated financial statements

1 General information

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

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

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

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

Information about the Capital Group

As at balance sheet date CPD Group comprised CPD S.A. as a parent entity, 28 subsidiaries and 2 under common control.

2 The accounting principles

The ccounting principles in these interim consolidated financial statements are consistent with those applied in the annual consolidated financial statements for the year ended 31 December 2017, except for the application of the following new or revised standards and interpretations applicable for annual periods beginning on or after 1 January 2018.

The interim consolidated financial statements as at 31 March 2018 has been prepared under going concern assumption in the foreseeable future.

2.1 Basis of preparation

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

The following new standards, interpretations and amendments which came into force in 2018 and description of the impact of applying the amendments:

IFRS 15 "Revenue from contracts with customers"

The Group has applied IFRS from 1 January 15, 2018 without correcting the comparative data. With regards to amendments relating to IFRS 15 the Board has conducted an analysis of the impact of the above standard on the financial position, the results of the activities of the Group and on the scope of information presented in the financial statements. Based on the analysis, the Board did not find significant changes in relation to the previously applied by the Group accounting policy in this area.

IFRS 9 "Financial Instruments: Classification and Measurement"

The Group decided on the implementation of IFRS 9 from January 1, 2018, without transforming the comparative data, therefore, the data for the year 2017 and 2018 will not be comparable, and changes resulting from the application of IFRS 9 for the first time in the stand alone financial statements were reflected in retained earnings as of 1 January 2018. The application of this standard does not have a major impact on the consolidated interim financial statements.

Notes to the interim condensed consolidated financial statements

2.1 Basis of preparation - cont.

In terms of hedge accounting the company decided on the continuation of the existing methods of valuation and classification.

IFRS 9 introduces a new approach to estimate the impairment of financial assets. Currently, the impairment model is based on the calculation of the losses expected in contrast to model arising from IAS 39, which was based on the concept of losses incurred.

To estimate the expected credit losses in relation totrade receivables Group applied simplified method the acceptable under the IFRS 9. For the purposes of estimating the expected credit losses Group uses the reserve rate, which takes into account the historical data.

Moreover, IFRS 9 financial instruments has ammended IAS 1 and therefore from 1 January 2018 year requires separate presentation of the impairment of receivables in the statement of comprehensive income. Before the ammendment this item contributed to the total position of other operating costs.

Implementation of IFRS 9 does not influence significantly value of the valuation allowance neither on 31 March 2018 nor 1 January 2018. As a result of impairment of assets calculated as of 1 January 2018 in accordance with the adopted model of expected credit losses did not differ materially from the amounts already included in the consolidated financial statements as at 31 December 2017. The Group has made use of the possibilities of IFRS 9 and reffrained from transformation data for earlier periods and therefore the opening balance of retained earnings of the Group was not adjusted in respect of the implementation of the IFRS.

New standards and interpretations that have been published, and, have not yet entered into force

The following standards, amendments to existing standards and interpretations have not been adopted by the European Union or are not applicable on 1 January 2018 year:

IFRS 16 "Leasing" was not adopted by the EU by the date of the consolidated financial statements, effective for annual periods beginning on or after 1 January 2019.

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

Amendments to IFRS 9: prepayment features with negative compensation - published on 12 October 2017, effective for annual periods beginning on or after 1 January 2019.

The amendments to IFRS 9 are effective for annual periods beginning on or after 1 January 2019, with an early adoption option. The amended IFRS 9 allows entities to measure financial assets with negative compensation prepayment features at amortised cost or fair value through other comprehensive income if a specified condition is met – instead of at fair value through profit or loss.

IFRIC 23 Uncertainty over Income Tax Treatments - effective for annual periods beginning on or after 1 January 2019.

IFRIC 23 clarifies application of recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments.

Amendments to IAS 28 Investments in Associates and Joint Ventures - published on 12 October 2017 and are effective for annual periods beginning on or after 1 January 2019.

Notes to the interim condensed consolidated financial statements

2.1 Basis of preparation - cont.

Amendments to IAS 28 Investments in Associates and Joint Ventures clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which it does not apply the equity method. The Board has also published an example illustrating the application of IFRS 9 and IAS 28 to long-term interests in an associate or joint venture.

Annual improvements cycle IFRSs 2015-2017 - published on 12 December 2017 and are effective for annual periods beginning on or after 1 January 2019, but were not approved by the EU until the date of the consolidated financial statements

Amendments to IAS 19: Remeasurement at a plan amendment, curtailment or settlement - published on 7 February 2018 and are effective for annual periods beginning on or after 1 January 2019, but were not approved by the EU until the date of the consolidated financial statements.

IFRS 17 Insurance Contracts, issued by the International Accounting Standards Board on 18 May 2017, is effective for annual periods beginning on or after 1 January 2021.

New IFRS 17 will replace existing IFRS 4, which allows for a variety of practice in accounting for insurance contracts. IFRS 17 will substantially change the accounting of all entities that deal with insurance contracts and investment agreements.

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

2.2 Changes in Group structure

During the period covered by this interim condensed consolidated financial statements the following changes occurred in the structure of the CPD Group:

1) on 16 February 2018 year Group transferred the rights and obligations of the general partner and a limited partner in 8/126 Gaston Investments spółka z ograniczoną odpowiedzialnością spk., 9/151 Gaston Investmenst spółka z ograniczoną odpowiedzialnością sp.k., 10/165 Gaston Investmenst spółka z ograniczoną odpowiedzialnością sp.k, 15/167 Gaston Investmenst spółka z ograniczoną odpowiedzialnością sp.k.

2) on 22 February 2018 subsidiary Buffy Holdings No. 1 Ltd, disposed 100% of Bolzanus Limited, based in Nicosia, Cyprus.

3 Significant changes in accounting estimates

In preparing these condensed consolidated financial statements the Board has made an assessment of the significant estimates and judgments, which have an impact on the accounting principles applied and the amounts recognised in the financial statements for a period of 3 months ended 31 March 2018.

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

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

Major estimates and judgments adopted for the purpose of preparation of these condensed consolidated financial statements are consistent with the those applied in the annual consolidated financial statements for the period ended 31 December 2017.

3 Significant changes in accounting estimates - cont.

Determination of the fair value of investment properties

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

Non-developed land and land developed with tenement houses were valued using the comparative method (comparison in pairs). The comparative method consists in finding out the value of a real property assuming that such value is equal to prices obtained for similar properties traded in the market. The value of real properties is adjusted according to their differentiating features and stated taking into account volatility of prices in time. The comparative method is used, if prices of real properties similar to the property valued are known.

The land to be developed with houses and shops was valued based on the following assumptions:
- the useful area of apartments to be built amounts to 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 income approach (investment method) was applied to properties generating income. The income approach defines the value of a real property based on the assumption that the buyer will pay the price depending on the anticipated income to be earned on the same real property provided that such price will not exceed that of another property featuring the same profitability and risk that it could buy.

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

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

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

Capitalization rates from the range 7.75%-9% were used for the purposes of the valuation assumed in the financial statements as at 31 March 2018.

In the first quarter of 2018, the Group recorded profit on the revaluation of investment properties to their fair values, which amounted to PLN 1.214 thousand, in consequence of the fluctuation of the rates of exchange.

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

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

Notes to the interim condensed consolidated financial statements

3 Significant changes in accounting estimates - cont.

Accounting treatment of joint ventures

On 10 September 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 residential units with services and related infrastructure at a property belonging to Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.

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

At the same time, the parties stipulated in the investment agreement that a part of lands (and all related costs and income) belonging to Smart City would be 100% controlled by CPD Group. These plots, according to the local spatial development plan, are destinated for the construction of public roads and for educational purposes.

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.

3 On 22 February 2017 next 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.

The investment agreemeent stipulated that the joint venture will be realised on a part of land owned by 4/113 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k. while other plots belonging to the subsidiary (and all related costs and income) would be 100% controlled by CPD Group.
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.

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

- assets and liabilities under the investment agreement were recognized as the joint venture and were valued in the consolidated financial statements according to the property rights method and the joint ventuire partners have equal 50% share in profits, assets and liabilities,

- land excluded by the investment agreemeent from the joint ventures as well as related assets and liabilities were included in the joint ventures accountedd for based on property rights method, with CPD group entitled to 100% of profits, assets and liabilities related to these plots, while Unidevelopment Group has no respective rights.

Further details of the valuation of the joint ventures were presented in Note 8.

Notes to the interim condensed consolidated financial statements

3 Significant changes in accounting estimates - cont.

Determination 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 that the functional currency of the company (PLN), the embedded derivative involved a currency cap , namely, conversion of value of shares received at the conversion date rate not exceeding, however, EUR 1 = PLN 4.1272.

The fair value of the embedded derivative was estimated at level 2 using a combination of two approaches: binomial trees in the share price variation part and the Monte Carlo approach adopted for the purposes of analysis of volatility of exchange rates. The value of the instrument is determined as a difference between fair value of a bond and bond value excluding the embeded element calculated based on amortised cost using effective interest rate.

Following the conversion of the convertible bonds int equity during 2017 the embeded derivative has been derecognised.

In February 2016 Belise Investments Sp. z o.o., the Group subsidiary, concluded interest rate swap (IRS) contract. The value of the contract corresponds to 80% of the BZ WBK borrowings. The contract is settled in monthly periods based on EURIBOR 1M.
IRS transaction is valued by bank BZ WBK in fair value. The result of the valuation is recognised as financial costs and revenues, in the statement of comprehensive income.

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

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

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

In the case of shares in Celtic Investments Limited, the operating activity of which was suspended as at 31 March 2018 and which did not have any significant assets, the fair value of these assets was estimated based on the net assets of this company.

At the same time, as at the balance sheet date, the Company analyzed the possibility of recovering receivables due to loans granted to its subsidiaries. The Company impaired the value of loans granted to its subsidiaries if the value of their net assets was negative as at 31 March 2018. In the Company's opinion, due to the negative value of net assets of these subsidiaries, there is a substantial risk that these companies will not be able to pay the loans in full.

Tax settlements/deferred tax and activation of tax losses

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

Notes to the interim condensed consolidated financial statements

3 Significant changes in accounting estimates - cont.

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

3.1 Managing financial risk

Financial risk factors

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

Risk of changes in interest rates

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

Within the Group, only Belise Investments hedges the risk of fluctuations in cash flows resulting from debt incurred based on the reference rate EURIBOR IRS transaction, concluded in the first quarter of 2018.

Other financial risks CPD Group have been presented in the consolidated financial statements for the year ended 31 December 2017.

Liquidity risk

In the first quarter of 2018 there were no significant changes to the level of liquidity risk. The details of the current borrowings were presented the the consolidated financial statements for the year ended 31 December 2017.

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

4 Investment properties

	01/01/2018 - 31/03/2018	01/01/2017 - 31/12/2017
At the beginning of the reporting period	**471 715**	**558 706**
Acquisition	0	4 390
Change in the balance of capitalized financial liability concerning the property acquired	0	4 065
Capital expenditure	193	8 079
Disposal of investment property	(3 195)	(62)
Fair value of properies disposed in course of sale of subsidiary	(10 000)	0
Transfer of plots in Ursus to municipality of Warsaw	(11 400)	0
Transfer to joint venture	0	(33 160)
Change in the balance of capitalized financial liability concerning the property disposed in course of joint venture	0	(1 037)
Change in the balance of capitalized financial liability concerning the properties transferred to assets held for sale	0	(3 731)
Change in the balance of capitalized financial liability concerning the properties transferred from assets held for sale		87
Change in value of Capitalised Liability resulting from sale of investment property	(4 151)	(17)
Change in value of Capitalised Liability resulting from transfers to Inventory	(631)	0
Change in Balance of Capitallised Liability (RPU)	(12)	7 528
Transfers to Inventory	0	(16 644)
Transfer to Assets held for Sale	0	(64 530)
Transfer from Assets held for Sale		280
Net gain/(loss) from fair value adjustments on investment properties	1 214	7 761
At the end of the reporting period	**443 733**	**471 715**

A decline in the value of investment properties in the first quarter of 2018, was mainly caused by a disposal of investment property located in Ursus, district of Warsaw, in the course of the disposal of a subsidiary, Bolzanus Ltd, sale plot No 148/2 belonging to a subsidiary of 18 Gaston Investments spółka z ograniczoną odpowiedzialnością Sp. k. and donation of plot No 124/3 to the municipality of Warsaw by 2/124 Gaston Investments spółka z ograniczoną odpowiedzialnością sp. k.

Direct operating costs for investment properties:	01/01/2018 - 31/03/2018	01/01/2017 - 31/03/2017
- rent income bearing	1 199	1 183
- other	32	66
	1 231	**1 249**

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

5 Trade receivables and other receivables

	31/03/2018	31/12/2017
Trade receivables	2 438	1 610
Receivables from the state	3 772	3 482
Receivables from related parties	294	233
Prepaid expenses	5 695	1 957
Other receivables	65 618	0
Short-term receivables	**77 817**	**7 282**
Long-term receivables	856	931
Total receivables	**78 673**	**8 213**

The position of the other receivables mainly concerns the claims arising from the disposal of subsidiaries (EUR 65.600 thousand).

6 Inventories

	31/03/2018	31/12/2017
At the beginning of the reporting period	**5 421**	**5 468**
Capital expenditure	0	3 058
Disposal	(2 450)	0
Transfer from Investment Property	0	16 644
Contribution into joint venture (Note 10)	0	(19 686)
Revaluation of Inventory	0	114
Foreign exchange gains/ (losses)	5	(177)
At the end of the reporting period	**2 976**	**5 421**

In the first quarter of 2018. The Group has disposed the property located in Łódź and recognised the loss on the sale amounting to EUR 5 thousand.

7 Cash and cash equivalents

	31/03/2018	31/12/2017
Cash at bank and on hand	23 578	35 745
Cash on escrow account	3 328	3 131
Short term bank deposits	129 635	104 427
	156 541	**143 303**

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

8 Joint ventures

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

		31/03/2018	31/12/2017
a)	Smart City Spółka z ograniczoną odpowiedzialnością sp.k.	14 628	16 486
b)	Ursa Park Smart City Spółka z ograniczoną odpowiedzialnością sp.k.	46 348	46 586

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

8 Joint ventures - cont.

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

	31/03/2018	31/12/2017
Opening balance as at 1 January	**16 486**	**32 572**
Group's share of the net profit or loss of the joint ventures presented in theses interim condensed consolidated financial statements	542	7 855
Reduction of the joint venture contribution	0	(16 266)
Group's participation in profit distributions	(2 400)	(7 491)
Transfer of the educational land and liabilities to the joint venture (Note 4)	0	0
Other adjustments	0	(184)
Closing balance	**14 628**	**16 486**
- including net assets not covered by the investment agreemeent with 100% CPD rights	11 963	11 965

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

	31/03/2018	31/12/2017
Opening balance as at 1 January	**46 586**	**0**
Group's share in net assets as at the date of starting joint venture		48 395
interim consolidated financial statements	(238)	(1 809)
Closing balance	**46 348**	**46 586**
- including net assets not covered by the investment agreemeent with 100% CPD rights	31 760	31 760

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

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

	31/03/2018	31/12/2017
Financial information coming from statement of financial position		
Total non-current assets, including	**14 018**	**14 015**
Fixed assets	22	17
Investment property	13 996	13 998
Total current assets, including:	**7 138**	**10 522**
Inventory	5 440	9 702
Trade receivables and other receivables	247	8
Cash and cash equivalents	1 451	812
Total assets	**21 156**	**24 537**
Total current liabilities, including:	**3 864**	**3 528**
Trade payables and other liabilties	1 831	1 495
Provisions	2 033	2 033
Total liaabilities	**3 864**	**3 528**
Net assets	**17 292**	**21 009**
% held by the Group	***100%***	***100%***
Group share of net assets of the joint venture	11 963	11 965
% held by the Group	***50%***	***50%***
Group share of net assets of the joint venture	2 664	4 522
Carrying amount of investment in joint venture presented in the interim	**14 627**	**16 487**

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

8 Joint ventures - cont.

Financial information from statement of comprehensive income	31/03/2018	31/12/2017
Revenue	5 638	45 311
Interest income	0	72
Interest cost	(1)	0
Result from continued operations	1 084	11 121

In the first quarter of 2018 the Group recognized a profit on the joint venture in Smart City Spółka z ograniczoną odpowiedzialnością Sp.k. in the amount of PLN 548 thousand.

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

	31/03/2018	31/12/2017
Total non-current assets, including	**31 834**	**31 834**
Intangible assets	*74*	*74*
Investment property	*31 760*	*31 760*
Total current assets, including:	**58 878**	**42 517**
Inventory	*44 273*	*32 839*
Trade receivables and other receivables	*7 894*	*7 666*
Cash and cash equivalents	*6 711*	*2 012*
Total assets	**90 712**	**74 351**
Total current liabilities, including:	**29 777**	**12 939**
Trade payables and other liabilties	*29 777*	*12 939*
Total liabilities	**29 777**	**12 939**
Net assets	**60 935**	**61 412**
% share in net assets not covered by the investment	***100%***	***100%***
agreement	31 760	31 760
% held by the Group	***50%***	***50%***
Group share of net assets of the joint venture	14 588	14 826
Carrying amount of investment in joint venture presented in the consolidated financial statements	**46 348**	**46 586**

Financial information from statement of comprehensive income	31/03/2018	31/12/2017
Revenue	164	67
Interest cost	0	1
Result from continued operations	(476)	(1 954)

The Group recognized a loss on the joint venture in Ursa Park Smart City Spółka z ograniczoną odpowiedzialnością Sp.k. in the amount of PLN 284 thousand.

Notes to the interim condensed consolidated financial statements

9 Share capital

	Number of shares		Value of shares	
	31/03/2018	31/12/2017	31/03/2018	31/12/2017
Ordinary shares (in thousands)	39 354	39 354	3 935	3 935

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 vale 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 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.

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.

Based on resolutions of 10 May and 7 June 2017concerning acquisition and redemption of own shares Extraordinary Shareholders Meeting has entitled the Management Board to acquire up to 14.314.928 CPD shares of par value of PLN 0,10.

On 26 October 2017 CPD SA acquired through Dom Maklerski Pekao Investment Banking S.A. 1.401.792 of own shares, following the invitation for share purchase bids issued on 2 October 2017.

The weighted average purchase price of each share amounted to PLN 12,27. The acquired stage consisted of ordinary shares representing 3,56% of share capital and 3,56% of number of votes on Shareholder Meetings. However legal regulations prevent CPD SA from execution of the voting rights. Except of the above CPD SA does not hold any other own shares.

As of the date of these condensed consolidated financial statements share capital amounts to PLN 3.935 thousand. There have been no changes in share capital since the end of the year until the date of these consolidated financial statements.The shares issued are not priviledged. Each of the issued shares has a nominal value of PLN 0,10 and has been fully paid.

10 Trade payables and other liabilities

Non-current liabilities

	31/03/2018	31/12/2017
Deposits of tenants	2 301	2 235

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

10 Trade payables and other liabilities - cont.

Current liabilities

	31/03/2018	31/12/2017
Trade payables	882	655
Output VAT and other tax liabilities	9 692	12 179
Deposits of tenants	306	272
Other liabilities	179	219
Avanced sales payments	64 750	79 250
Accruals and deferred income	10 567	14 147
	86 376	**106 722**

Increase in tax liabilities in comparison to December 31, 2017 is mainly due to the recognition of tax liabilities from real estate, settled on a monthly basis, and liabilities related to perpetual usufruct.

The received advance payments results from preliminary agreements for sale of shares in IMES Polska Sp. z o.o as well as auxilliary services related to disposed properties.

11 Borrowings, including financial leasing

	31/03/2018	31/12/2017
Non-current		
Bank loans	79 871	80 176
Financial liabilities - hedging instruments	320	167
Financial leasing	28 237	33 032
	108 428	**113 375**
Current		
Bank loans	26 582	26 590
Financial liabilities - hedging instruments	174	312
	26 756	**26 902**
Total borrowings	**135 184**	**140 277**

As of March 31, 2018 bank credits consist of:

- payable of PLN 37,634 thousand to mBank Hipoteczny S.A. (PLN 21,858 thousand being short-term and PLN 15,776 thousand long-term),

- payable of PLN 68,819 thousand to Bank Zachodni BZ WBK (PLN 4,724 thousand being long-term and PLN 64,095 thousand as short-term).

On 18 June 2014 the subsidiaries Lakia Investments and Robin Investments entered into loan agreements with mBank Hipoteczny. The above mentioned loan was granted to refinance a loan with HSBC Bank Poland from 2006, which was used to finance the office investments located in Cybernetics 7b and Połczyńska 31a. Mortgage credit in the mBank was launched on 1 July 2014. As at balance sheet date Lakia's involvement amounted to EUR 5.137 thousand, and Robin's - EUR 3.978 thousand. According to the terms and conditions of the loan agreement with mBank Hipoteczny, the companies are obliged to repay the entire loan until 20 June 2029.

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

11 Borrowings, including financial leasing - cont.

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

During 2017 Lakia Investments reported non-compliance with one of the agreed covenants, which allows the bank to require immediate repayment of the whole loan amount. Which however has not happened until the date of these conolidated financial statements. Consequentlly the whole value of Lakia Investments loan (PLN 21.258 thousand) has been classified as a short-term payable.

On 12 August 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 31 May 2021.

The interest rate on loans taken by the subsidiaries is variable and is as follows:

- loan from BZ WBK SA margin 2.15% + EURIBOR 1M
- loans from mBank Hipoteczny SA margin 2,80% + EURIBOR 6M.

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

The value of hedging derivatives - the IRS as at the balance sheet date was estimated at PLN 494 thousand.

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

12 Bonds issued

	31/03/2018	31/12/2017
a/ Bonds series A		
Beginning balance	0	33 875
Accrued interest	0	610
Bonds convertion into shares	0	(39 852)
Valuation as at balance sheet date/conversion	0	(1 526)
Valuation of the embedded derivative	0	6 893
Bonds value as at balance sheet date	**0**	**0**

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

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

During 2017 convertible bonds serie A have been converted to the CPD capital SA.

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

12 Bonds issued - cont.

*b/ Bonds series B *)*

Beginning balance	0	31 021
Accrued interest	0	1 451
Valuation as at balance sheet date	0	(2 730)
Valuation of the embedded derivative	0	56
Redemption	0	(30 000)
Unamortised part of bonds issuance costs	0	202
Bonds value as at balance sheet date	**0**	**0**

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

On 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 collteralised 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 od PLN 1 thousend 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.

13 Deferred income taxes

	31/03/2018	31/12/2017
Deferred tax assets before offset	**5 537**	**6 113**
Offset against deferred tax liability	(5 537)	(6 113)
Deferred tax assets	**0**	**0**
Deferred income tax liabilities before offset	**42 789**	**42 396**
Offset against deferred tax asset	(5 537)	(6 113)
Deferred income tax liabilities after offset	**37 252**	**36 283**

14 Revenue by nature

	01/01/2018 - 31/03/2018	01/01/2017 - 31/03/2017
Rent income	3 221	3 577
Sales of inventories	2 501	0
Real estate advisory services	179	111
Services relating to rental	1 584	1 551
Accounting services	9	0
	7 494	**5 239**

Rental income is earned by office properties in Warsaw: Aquarius (Połczynska St.), Solaris and Iris (both Cybernetyki St.).

Income from the sale of stock in the first quarter of 2018 concerns the sale of property located in Łódź.

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

15 Cost of sales

	01/01/2018 - 31/03/2018	01/01/2017 - 31/03/2017
Cost of inventories sold	2 506	0
Cost of services provided	661	950
	3 167	**950**

In the first quarter of the year 2018 Group disposed the property in Łódź, the classified as at 31 December 2017 as inventory.

16 Administrative costs property related

	01/01/2018 - 31/03/2018	01/01/2017 - 31/03/2017
Employee expenses	378	246
Property maintenance	1 221	1 214
Real estate tax	83	110
Perpetual usufruct	17	151
Depreciation and amortization	60	60
	1 759	**1 781**

17 Administrative expenses-other

	01/01/2018 - 31/03/2018	01/01/2017 - 31/03/2017
Advisory services	745	2 223
Legal fees	337	246
Transportation	2	9
Taxes	103	19
Office maintenance	135	351
Other services	61	90
Costs of not deductible VAT	65	133
Impairment write-down in respect of receivables*	0	51
	1 448	**3 122**

In the first quarter of 2018 years the Group recorded a decrease in the costs of advisory services in relation to the same period of 2017 by PLN 1.478 thousand.
*) Starting from January 2018, write-downs of receivables is presented in the consolidated statement of comprehensive income in a separate position loss/reversal of receivables.

18 Other income

	01/01/2018 - 31/03/2018	01/01/2017 - 31/03/2017
Other income	138	114
	138	**114**

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

19 Financial income and expenses

	01/01/2018 - 31/03/2018	01/01/2017 - 31/03/2017
Interest expense:		
- Bank loans	(559)	(604)
- Interest from financial leases	(619)	(493)
- interest on bonds	0	(1 205)
- Other interest	(1)	(106)
- Other	(28)	(42)
Revaluation of derivatives (IRS)	(15)	0
Loss on bonds revaluation	0	(7 109)
Valuation of amortized cost	(29)	(38)
Net exchange differences	(894)	0
Financial costs	**(2 145)**	**(9 597)**
Interest income:		
- Bank interest	366	209
- Interest from related parties	0	3
Revaluation of derivatives (IRS)	0	298
Other financial income	0	108
Net exchange differences	0	6 661
Financial income	**366**	**7 279**

20 Income tax

	01/01/2018 - 31/03/2018	01/01/2017 - 31/03/2017
Deferred taxes	1 036	(1 000)
	1 036	**(1 000)**

21 Cash flow from operating activities

	01/01/2018 - 31/03/2018	01/01/2017 - 31/03/2017
Profit/loss before tax	11 791	(7 755)
Adjustments for:		
- depreciation of tangible fixed assets	53	60
– foreign exchange differences	974	(6 971)
- (gains) losses on revaluation to fair value of investment property	(1 214)	7 657
venture	(304)	(2 907)
– currency translation adjustments	(19)	86
– interest costs	559	1 812
– interest income	0	(3)
– loss on investment property disposal	7 595	62
– result on embedded derivatives	0	7 087
- result on bonds revaluation using efective rate method	0	21
- loss on derivatives valuation	15	(298)
- result of sale of subsidiaries	(16 614)	0
– other adjustments	1	(47)
Changes in working capital		
- changes in receivables	(70 460)	(2 269)
- changes in inventories	2 450	(150)
- change in trade liabilities and other	(3 280)	46 218
	(68 453)	**42 603**

Notes to the interim condensed consolidated financial statements

22 Related party transactions

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

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

	01/01/2018 - 31/03/2018	01/01/2017 - 31/03/2017
(a) Transactions with key management personnel		
Remuneration of the Management Board members	60	66
Salaries and services provided by the Management Board members	250	327
Remuneration of the Supervisory Board members	129	90
Revenues	0	19
	31/03/2018	**31/12/2017**
Total receivables	19	19
Total liabilities	179	0
(b) Transactions with the other related parties		
Revenues		
Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.	0	111
Ursa Park Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.	146	0
Costs		
Kancelaria Radców Prawnych Oleś i Rodzynkiewicz	22	32
Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.	0	0
Ursa Park Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.	0	0
	31/03/2018	**31/12/2017**
Total liabilities		
Kancelaria Radców Prawnych Oleś i Rodzynkiewicz	0	12
Total receivables		
Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.	22	24
Ursa Park Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.		209

c) Transactions with shareholders

		31/03/2018	31/12/2017
Laxey Cooperative	*- loans receivable*	323	319
Laxey Cooperative	*- loan receivable allowance*	(323)	(319)

23 Payment of dividends

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

24 Earnings per share

	01/01/2018 - 31/03/2018	01/01/2017 - 31/03/2017
Profit attributable to the shareholders in the parent company	10 755	(6 755)
Weighted average number of ordinary shares (in '000)	39 354	33 517
Earnings per share	0,27	(0,20)
Diluted profit attributable to shareholders	10 755	(5 855)
Weighted average number of ordinary shares (in '000)	39 354	42 654
Diluted earnings per share	0,27	(0,14)

Notes to the interim condensed consolidated financial statements

24 Earnings per share - cont.

As at March 31, 2017 the issuance of bonds convertible into shares by CPD contributed to the dilution of profit. The amount of adjustment of the result was affected by the amount of interest (PLN 95 thousand), valuation of bonds as at the balance sheet date (PLN - 272 thousand) and the valuation of the embedded derivative instrument (PLN - 1 289 thousand). These amounts will be reduced by the income tax to be paid in the future.

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

As At March 31, 2018 diluted earnings per share does not differ from the basic earnings per share.

25 Disposal of subsidiaries

On February 16, 2018, the Group disposed the General Shareholders' Rights and Obligations in subsidiaries 8/126 Gaston Investmenst spółka z ograniczoną odpowiedzialnością sp.k., 9/151 Gaston Investmenst spółka z ograniczoną odpowiedzialnością sp.k., 10/165 Gaston Investmenst spółka z ograniczoną odpowiedzialnością sp.k., 15/167 Gaston Investmenst spółka z ograniczoną odpowiedzialnością sp.k. The transaction value is PLN 82,000,000. The Group achieved a gain on sales of subsidiaries amounting to PLN 17,354 thousand.

29th of March 2018 has concluded final agreement for the sale of 100% shares in Bolzanus Limited based in Nicosia, Cyprus

The company has the right to perpetual usufruct of the real estate, consisting of plot no. 119, no. registry number 2-09-09, with an area of 22,394 m2 and located near Gierdziejewski Street in Warsaw (Warsaw – Ursus district).

The share sale price has been set for PLN 10 million. The condition for concluding final sale agreement was the failure of the President of the Capital City of Warsaw to the right of first refusal to land plot no. 98/1 and 148/2.

The Group recognised a profit on sale of shares in Bolzanus Ltd amounting to PLN 2,963 thousand.

None of the disposed subsidiaries is discontinued operations.

26 Contingent liabilities

in the first quarter of 2018 Ursa Park Smart City spółka z ograniczoną odpowiedzialnością spółka komandytowa, the Group's subsidiary concluded an agreement of a revolving loanup to PLN 25.000 thousand to finance the construction of stage II a multi-family housing project Ursa Park Smart City.

The collaterals included:

1) mortgage up to the amount of PLN 40,000 thousand for the benefit of the Bank, on the property being the site of the Development Project, owned by the Borrower, with assignment of rights from insurance agreement for buildings erected on the property and built as a part of the Development Project;

2) the Borrower's submission to enforcement in the manner defined in Article 777 §1.5 of the Civil Code up to the maximum amount of PLN 40,000 thousand;

3) registered pledge with an ordinary pledge as a transitional security on all the rights and obligations of the General Partner: Smart City sp. z o.o. in connection with the contribution made in the nominal amount of PLN 1 thousand to the Borrower's company;

4) statement of Smart City sp. z o.o. on submission to enforcement in the manner defined in Article 777 §1.6 of the Civil Code up to the maximum amount of PLN 40,000 thousand ;

(All amounts in PLN thousands unless otherwise stated)

26 Contingent liabilities - cont.

5) registered pledge with an ordinary pledge as a transitional security on all the rights and obligations of the Limited Partner: Challange Eighteen sp. z o.o. in connection with the contribution made in the nominal amount of PLN 73,110 to the Borrower's company;

6) statement of Challange Eighteen sp. z o.o. on submission to enforcement by the Bank in the manner defined in Article 777 §1.6 of the Civil Code up to the maximum amount of PLN 40,000 thousand;

7) statement of CPD S.A. on submission to enforcement in the manner defined in Article 777 §1.5 of the Civil Code up to the maximum amount of PLN 40,000 thousand;

8) debt accession by CPD S.A. with a power-of-attorney to manage the accounts held at the Bank.

Except of the above, in the first quarter of 2018 there were no significant changes in contingent liabilities.

27 Segment reporting

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

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

28 Seasons of activity and unusual events

The activity of the Group of the CPD is not seasonal or cyclical. There were no untypical events in the first quarter of 2018.

29 Assets and liabilities held for sale

On 16 February 2018, the Group disposed the General Shareholders' Rights and Obligations in subsidiaries 8/126 Gaston Investmenst spółka z ograniczoną odpowiedzialnością sp.k., 9/151 Gaston Investmenst spółka z ograniczoną odpowiedzialnością sp.k., 10/165 Gaston Investmenst spółka z ograniczoną odpowiedzialnością sp.k., 15/167 Gaston Investmenst spółka z ograniczoną odpowiedzialnością sp.k.

As at 31 December 2017 assets and liabilities of theese subsidiaries were presented as held for sale.

Assets held for sale	**31/03/2018**	**31/03/2017**
Investment property	0	64 530
Capitalised financial leases from perpetual usufruct	0	3 731
Trade and other receivables	0	128
Cash and cash equivalents	0	150
	0	**68 539**
Liabilities classified as held for sale		
leases	0	3 731
Other short-term payables	0	33
	0	**3 764**
Net assets	**0**	**64 775**

Notes to the interim condensed consolidated financial statements

30 Events after the end of the reporting period

On 8 May 2018. Extraordinary General Meeting adopted a resolution concerning merger by takeover of a subsidiary Buffy Holdings 1 Ltd (acquired company), headquartered in Cyprus by the Group's parent company CPD S.A. (The Acquiring Company).

The merger will be carried out through the transfer of all assets of the company being acquired to the acquiring company, as set out in the merger plan of 22 December 2017. Since CPD is the sole shareholder of Buffy, the merger will be carried out in a simplified mode, without increasing the share capital of CPD nor any amendment of it's articles of association.

There were no other significant post balance sheet events.

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

31 Interim financial information of the parent

31.1 Condensed statement of comprehensive income

	Notes	01/01/2018 - 31/03/2018 *(unaudited)*	01/01/2017 - 31/03/2017 *(unaudited)*
Administrative costs	31.13	(471)	(1 475)
Marketing costs		(4)	0
Interest income on loans		2 833	3 331
OPERATING RESULT		**2 358**	**1 856**
Financial income	31.14	10 110	114
Financial costs	31.14	(97)	(7 041)
PROFIT (LOSS) BEFORE INCOME TAX		**12 371**	**(5 071)**
Income tax		(228)	145
PROFIT (LOSS) FOR THE PERIOD		**12 143**	**(4 926)**
BASIC EARNINGS PER SHARE	31.11	0,31	(0,15)
DILUTED EARNINGS PER SHARE	31.11	0,31	(0,09)

Elżbieta Donata Wiczkowska
Chairman of the Board

Colin Kingsnorth
Board Member

John Purcell
Board Member

Iwona Makarewicz
Board Member

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

31.2 Condensed statement of financial position

ASSETS	Nota	31/03/2018	31/12/2017
Non-current assets			
Long-term receivables	31.6	378 313	433 961
Shares in subsidiaries	31.5	0	0
		378 313	**433 961**
Current assets			
Trade receivables and other receivables, including:	31.7	16 571	533
- *receivables and loans*		16 530	530
- *prepayments*		41	3
Cash and cash equivalents		106 173	69 721
		122 744	**70 254**
Total assets		**501 057**	**504 215**
EQUITY			
Share capital	31.9	3 935	3 935
Own shares for redemption		(17 199)	(17 199)
Other Reserves		987	987
Embedded element at inception date		(27 909)	(27 909)
Share premium		835 846	835 846
Retained earnings		(331 379)	(327 982)
Total equity		**464 281**	**467 678**
LIABILITIES			
Non-current liabilities			
Bonds issued	31.12	0	0
Borrowings, including financial leasing	31.10	17 250	17 153
Deferred tax liabilities		17 456	17 228
		34 706	**34 381**
Zobowiązania krótkoterminowe			
Bonds issued	31.12	0	0
Derevatives	31.12	0	0
Trade receivables and other receivables		2 070	2 156
		2 070	**2 156**
Total liabilities		**501 057**	**504 215**

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(All amounts in PLN thousands unless otherwise stated)

31.3 Condensed statement of changes in equity

	Notes	Share capital	Embedded element at inception date	Own shares for redemption	Supplementary capital	Other Reserves	Retained earnings	Total
Balance as at 1/01/2017		**3 286**	**(27 909)**	**0**	**796 643**	**987**	**(325 916)**	**447 091**
Bonds convertion into shares		0	0	0	32 695	0	0	32 695
Profit (loss) for the period		0	0	0	0	0	(4 926)	(4 926)
		0	0	0	0	0	(4 926)	27 769
Balance as at 31/3/2017 /unaudited		**3 286**	**(27 909)**	**0**	**796 643**	**987**	**(330 842)**	**474 860**
Balance as at 1/01/2017		**3 286**	**(27 909)**	**0**	**796 643**	**987**	**(325 916)**	**447 091**
Own shares for redemption		0	0	(17 199)	0	0	0	(17 199)
Bonds convertion into shares		649	0	0	39 203	0	0	39 852
		649	0	(17 199)	39 203	0	0	22 653
Profit (loss) for the period		0	0	0	0	0	(2 066)	(2 066)
		0	0	0	0	0	(2 066)	(2 066)
Balance as at 31/12/2017		**3 286**	**(27 909)**	**0**	**835 846**	**987**	**(327 982)**	**467 678**
Balance as at 1/01/2018		**3 935**	**(27 909)**	**(17 199)**	**835 846**	**987**	**(327 982)**	**467 678**
Bonds convertion into shares		0	0	0	0	0	(15 540)	(15 540)
Profit (loss) for the period		0	0	0	0	0	12 143	12 143
		0	0	0	0	0	(3 397)	(3 397)
Balance as at 31/3/2018 /unaudited		**3 935**	**(27 909)**	**(17 199)**	**835 846**	**987**	**(331 379)**	**464 281**

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(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

31.4 Condensed statement of cash flows

	Note	01/01/2018 - 31/03/2018 *(unaudited)*	01/01/2017 - 31/03/2017 *(unaudited)*
Cash flow from operating activities			
Cash generated from operations	31.15	(173)	(1 228)
Interest paid		0	(1 296)
Net cash generated from investing activities		**(173)**	**(2 524)**
Cash flows from investing activities			
Loans		(1 817)	(849)
Loan repayments received		36 516	630
Interest received		1 926	78
Net cash used in investing activities		**36 625**	**(141)**
Cash flows from financing activities			
Repayment of loans		0	(70)
Net cash used in financing activities		**0**	**(70)**
Net (decrease)/increase in cash and cash equivalents		**36 452**	**(2 735)**
Cash and cash equivalents at beginning of year		**69 721**	**8 115**
Cash and cash equivalents at the end of the period		**106 173**	**5 380**

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Board Member

Iwona Makarewicz
Board Member

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

31.5 Shares in subsidiaries

Name	Country	Share	31/03/2018	31/12/2017
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)
Celtic Asset Managenent*	Poland	100%	0	0
Impairment, the value of the shares Celtic Asset Managenent			0	0
			0	**0**

* The value of shares in Celtic Asset Management is 1 PLN.

31.6 Long-term receivables

	31/03/2018	31/12/2017
Long-term loans with related parties, including:		
- loans	0	391 614
- interest	0	89 965
Impairment	0	(47 624)
Fair value of granted loans	378 075	0
	378 075	**433 955**
Long-term loans to other parties, including:		
-loan	0	357
-interest	6	9
	6	**366**

Details of the loans granted to related parties 31.03.2018

Related party	Currency of the loan	Fair value of granted loans	ıe Interest Rate	Margin	Maturity
2/124 Gaston Investments	PLN	3 413	3M WIBOR	1,55%	on demand
3/93 Gaston Investments	PLN	3 213	3M WIBOR	1,55%	on demand
5/92 Gaston Investments	PLN	4 488	3M WIBOR	1,55%	on demand
6/150 Gaston Investments	PLN	1 526	3M WIBOR	1,55%	on demand
7/120 Gaston Investments	PLN	1 579	3M WIBOR	1,55%	on demand
12/132 Gaston Investments	PLN	2 871	3M WIBOR	1,55%	on demand
13/155 Gaston Investments	PLN	3 702	3M WIBOR	1,55%	on demand
16/88 Gaston Investments	PLN	686	3M WIBOR	1,55%	on demand
18 Gaston Investments	PLN	1 517	3M WIBOR	1,55%	on demand
19/97 Gaston Investments	PLN	635	3M WIBOR	1,55%	on demand
20/140 Gaston Investments	PLN	735	3M WIBOR	1,55%	on demand

(All amounts in PLN thousands unless otherwise stated)

31.6 Long-term receivables - cont.

Antigo Investments	PLN	2 205	3M WIBOR	1,55%	on demand
Belise Investments	PLN	13 487	3M WIBOR	1,55%	on demand
Buffy Holdings No 1 Ltd	PLN	187 712	3M WIBOR	0,75%	on demand
Celtic Asset Management	PLN	973	3M WIBOR	1,55%	on demand
Celtic Investments Ltd	EUR	1 432	3M LIBOR	0,75%	on demand
Challange 18	PLN	108 106	3M WIBOR	1,55%	on demand
Elara Investments	PLN	2 519	3M WIBOR	1,55%	on demand
Gaston Investments	PLN	7 278	3M WIBOR	1,55%	on demand
HUB Developments	PLN	2 188	3M WIBOR	1,55%	on demand
Lakia Enterprises Limited	PLN	27 810	3M WIBOR	1,55%	on demand
		378 075			

Details of the loans granted to other parties 31.03.2018

Other party	Currency of the loan	Fair value of granted loans	The Interest Rate	Maturity
Dobalin	PLN	6	8%	on demand
		6		

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

(All amounts in PLN thousands unless otherwise stated)

31.7 Trade receivables and other receivables

	31/03/2018	31/12/2017
Trade receivables from related parties	60	0
Short-term loans with related parties, including:	16 419	0
- loans	0	16 107
- interest	0	5 514
- impairment	0	(21 621)
Fair value of granted loans with related parties	16 419	0
Surplus of input VAT over output	3	3
Other receivables from related parties	12	429
Other receivables from other parties	16	98
Prepayments	41	3
Other receivables	20	0
Short-term receivables	**16 571**	**533**

Details of the loans granted to related parties

Related party		Fair value of granted loans	The Interest Rate	Margin	Maturity
Mandy Investments	PLN	16 419	3M WIBOR	1,55%	on demand

31.8 Deferred income tax

Deferred tax liabilities

As at January 1, 2017	**17 366**
Accrued interest on loans	855
Accrued interest on bonds	(133)
Exchange differences	(21)
As at December 31, 2017 - before compensation	**18 067**
Compensation of the deferred tax asset	(839)
As at December 31, 2017 - after compensation	**17 228**
Accrued interest on loans	224
Exchange differences	1
As at March 31, 2018 - before compensation	**18 292**
Compensation of the deferred tax asset	(836)
As at March 31, 2018 - after compensation	**17 456**

31.8 Deferred income tax - cont

Deferred tax assets

As at January 1, 2017	**12 298**
Impairment of shares	(9 120)
Accrued interest on loans	75
Tax loss	(986)
Reserves for costs	2
Accrued interest on bonds	(1 292)
Exchange differences	(138)
As at December 31, 2017 - before compensation	**839**
Compensation of deferred tax provision	(839)
As at December 31, 2017 - after compensation	**0**
Accrued interest on loans	18
Exchange differences	(21)
As at March 31, 2018 - before compensation	**836**
Compensation of deferred tax provision	(836)
As at March 31, 2018 - after compensation	**0**

31.9 Share capital

	The number of shares		**Value of the shares**	
	31/03/2018	**31/12/2017**	**31/03/2018**	**31/12/2017**
Ordinary shares (in thousands)	39 354	39 354	3 935	3 935

As of the date of these financial statements share capital amounts to PLN 3.935 thousand. There have been no changes in share capital since the end of the year until the date of these financial statements.

31.10 Borrowings, including financial leasing

	31/03/2018	**31/12/2017**
Loans from related parties	17 250	17 153
	17 250	**17 153**

Loan commitments at 31 March 2018 relate to a loan from a subsidiary Lakia Enterprises (interest rate on the loan is 3M WIBOR + margin 0.50%), loan from a subsidiary Lakia Investments (interest rate on the loan is 3M WIBOR + margin 1.55%) and loan from the subsidiary Robin Investments (interest rate on the loan is 3M WIBOR + margin 1.55%). As at 31 March 2018 loan balances are as follows:Lakia Enterprises: 9.830 thousand. PLN (capital: 7 630 thousand PLN, interest 2 200 thousand PLN); Lakia Investments is 5 751 thousand PLN (capital 5 259 thousand PLN, interest 492 thousand PLN); Robin Investments: 1 669 thousand PLN (capital: 1 600 thousand PLN, interest 69 thousand PLN).

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

The loans are not secured.

31.11 Earnings (loss) per share

	01/01/2018 - 31/03/2018	01/01/2017 - 31/03/2017
Profit attributable to the shareholders	12 143	(4 926)
Weighted average number of ordinary shares (in '000)	39 100	33 517
Earnings per share	0,31	(0,15)
Diluted profit attributable to shareholders	12 143	(4 026)
Weighted average number of ordinary shares (in '000)	39 100	42 654
Diluted earnings per share	0,31	(0,09)

The dilution of the loss in previous years was influenced by the issuance of bonds by CPD, convertible into shares. In connection with the conversion of bonds convertible into shares, in the current year there is no loss dilution, and the weighted average number of ordinary shares reflects the distribution of individual stages of conversion in time and the purchase of own shares for redemption.

31.12 Bonds issued

	31/03/2018	31/12/2017
a/ Bonds serie A		
Value at the beginning of the period	**0**	**33 875**
Interest accrued	0	610
Bonds convertion into shares	0	(39 852)
Valuation at the reporting date	0	(1 526)
Valuation of the derivative component	0	6 893
Value as at 31 March 2018	**0**	**0**

	31/03/2018	31/12/2017
b) Bonds B series		
Value at the beginning of the period	0	31 021
Redemption	0	(30 000)
Interest accrued	0	1 451
Interest paid	0	(2 730)
Valuation of the embedded derivative	0	56
Unamortised part of bonds issuance	0	202
Value as at 31 March 2018	**0**	**0**

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

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

The series A bonds has been converted into equity of CPD SA.

Notes to the interim condensed consolidated financial statements

31.12 Bonds issued - cont

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

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

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

On 13 July 2017 CPD SA executed early redemption of all the series B bearer bonds, i.e. 30.000 bonds od PLN 1 thousend 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.

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

31.13 Administrative costs

	01/01/2018 - 31/03/2018	01/01/2017 - 31/03/2017
Advisory services	144	1 100
Salaries	229	164
Auditor's remuneration	7	0
Costs of not deductible VAT	57	76
Other services	34	135
	471	**1 475**

In the group of administrative expenses in the first quarter of 2018, the Company recorded a decrease in the costs of advisory services in relation to the analogous period of 2017 by PLN 956 thousand. PLN.

31.14 Financial income and expenses

	01/01/2018 - 31/03/2018	01/01/2017 - 31/03/2017
Interest income:		
-Interest from related parties	0	98
- Bank interest	274	16
- Result from the valuation of loans	9 807	0
Net exchange differences	29	0
Financial income	**10 110**	**114**
Interest costs:		
-Interest from related parties	97	97
-Interest from unrelated parties	0	1 205
Net exchange differences	0	127
Derivatives revaluation	0	5 612
Financial costs	**97**	**7 041**

31.15 Cash flow from operating activities

	01/01/2018 - 31/03/2018	01/01/2017 - 31/03/2017
Profit/loss before tax	12 371	(5 071)
Adjustments for:		
– exchange differences	(29)	729
– depreciation	0	1
– interest costs	97	1 098
– interest income	(2 833)	(3 429)
– derivatives revaluation	0	5 612
- Result from the valuation of loans	(9 807)	(16)
– changes in receivables	246	394
– change in trade liabilities and other	(218)	(869)
	(173)	**(1 551)**

(All amounts in PLN thousands unless otherwise stated)

31.16 Related party transactions

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

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

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

a)Transactions with key management personnel	**01/01/2018 - 31/03/2018**	**01/01/2017 - 31/03/2017**
Remuneration of members of the Supervisory Board	129	90
Remuneration of members of the Board of Directors	60	60
b) Transactions with major investor		
Laxey - loan	0	323
Laxey - impairment on loan	0	(323)
Fair value of granted loans	232	0
c) Transactions with subsidiaries		
Revenues		
2/124 Gaston Investments	32	27
3/93 Gaston Investments	29	26
4/113 Gaston Investments	0	65
5/92 Gaston Investments	44	29
6/150 Gaston Investments	13	14
7/120 Gaston Investments	14	13
8/126 Gaston Investments	20	42
9/151 Gaston Investments	7	12
10/165 Gaston Investments	11	18
11/162 Gaston Investments	0	20
12/132 Gaston Investments	28	28
13/155 Gaston Investments	34	29
15/167 Gaston Investments	10	17
16/88 Gaston Investments	6	5
18 Gaston Investments	14	17
19/97 Gaston Investments	6	5
20/140 Gaston Investments	7	5
Antigo Investments	25	37
Belise Investments	105	106
Buffy Holdings No1 Ltd	955	959
Celtic Asset Management	8	0
Celtic Investments Ltd	2	2
Challange 18	1 022	1 213
Elara Investments	24	24
Gaston Investments	61	41
Hub Developments	20	20
IMES	0	11
Lakia Enterprises Ltd	207	413
Mandy investments	130	130

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

31.16 Related party transactions - cont

Costs		
Lakia Enterprises Ltd	42	42
Lakia Investments	42	42
Robin Investments	13	13
Gaston Investments	1	21
Liabilities		
Lakia Enterprises Ltd	9 830	9 660
Lakia Investments	5 751	5 578
Robin Investments	1 669	1 617
Receivables		
2/124 Gaston Investments	3 413	3 830
3/93 Gaston Investments	3 213	3 494
4/113 Gaston Investments	0	9 439
5/92 Gaston Investments	4 488	3 325
6/150 Gaston Investments	1 526	1 474
7/120 Gaston Investments	1 579	1 752
8/126 Gaston Investments	0	5 183
9/151 Gaston Investments	0	1 688
10/165 Gaston Investments	0	2 548
11/162 Gaston Investments	0	2 775
12/132 Gaston Investments	2 871	3 143
13/155 Gaston Investments	3 702	4 047
15/167 Gaston Investments	0	2 311
16/88 Gaston Investments	686	680
18 Gaston Investments	1 517	1 652
19/97 Gaston Investments	635	733
20/140 Gaston Investments	735	822
Antigo investments	2 205	3 109
Belise Investments	13 487	18 211
Buffy Holdings No1 Ltd	187 712	149 550
Celtic Asset Management	973	792
Celtic Investments Ltd	1 432	0
Challange 18	108 106	170 501
Smart City sp.z o.o.	0	4
Elara Investments	2 519	895
Gaston Investments	7 278	7 651
Hub Developments	2 188	1 979
Impairment	0	0
Lakia Enterprises Ltd	27 810	55 987
Mandy investments	16 419	139

d)Transactions with other related party

Costs		
Kancelaria Radców Prawnych Oleś&Rodzynkiewicz sp. komandytowa	22	32