HALF YEAR REPORT
FOR I HALF OF 2018

CPD S.A.

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HALF YEAR REPORT FOR 6 MONTHS ENDED 30 JUNE 2018

TRANSLATORS' EXPLANATORY NOTE

The following document is a free translation of the H1 2018 report of CPD S.A. published on 27 September 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 and two co-controlled. Development activities of the Group are conducted via investment companies, direct subsidiaries of Buffy No1 Holdings Ltd (Cyprus) and Lakia Enterprises Ltd (Cyprus). Dominant entity - CPD S.A. - coordinates and supervises the activities of subsidiaries and at the same time is the decision making centre with regard to the strategic planning. CPD S.A. performs actions aiming at optimising the operating costs of the whole Group, designs investment and marketing policies and serves as the coordinator of this activity.

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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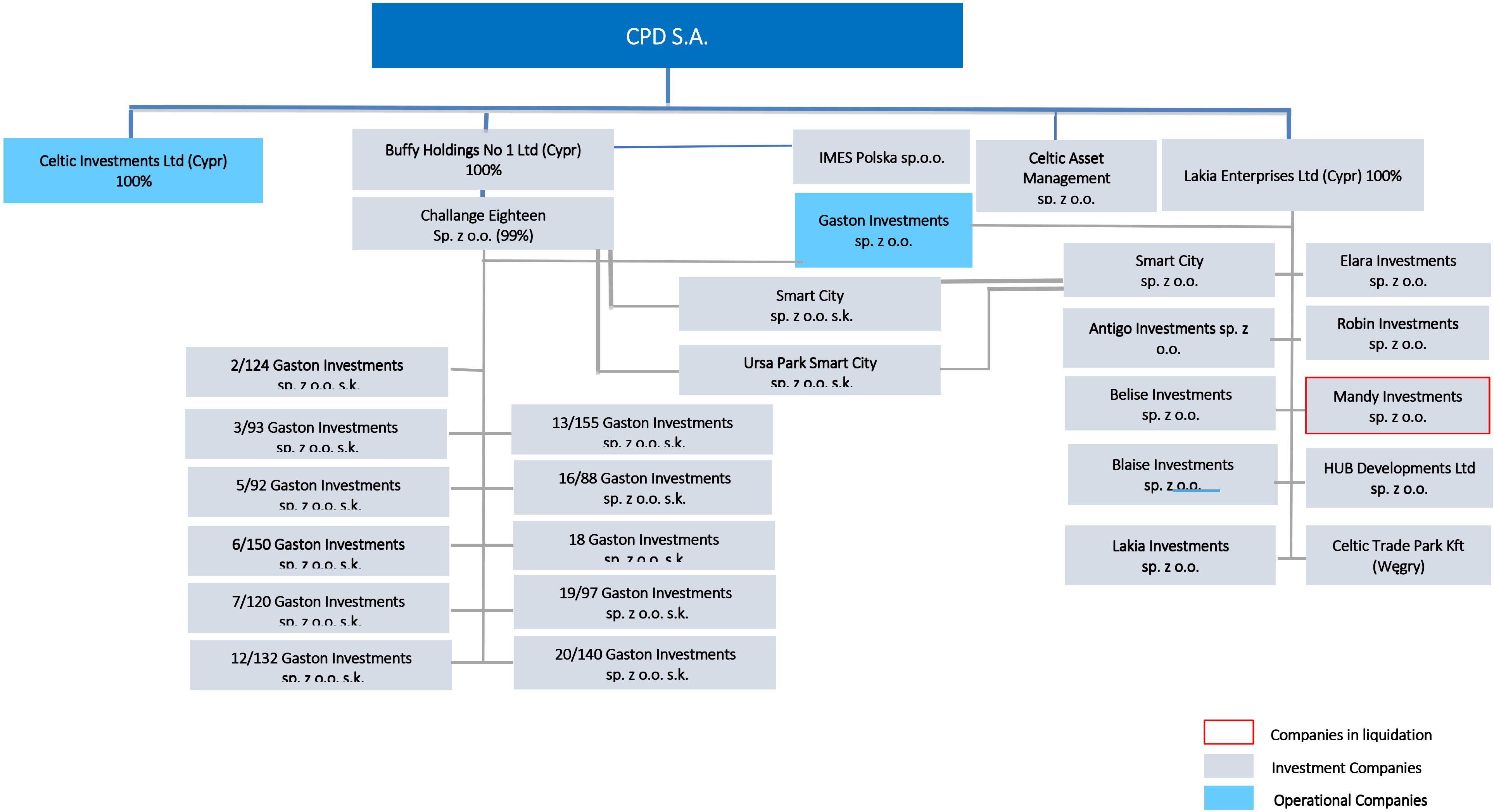
All Group companies are consolidated according to the full method, except for two Group companies - Smart City spółka z ograniczoną odpowiedzialnością spółka komandytowa and Ursa Park Smart City spółka z ograniczoną odpowiedzialnością spółka komandytowa, which is reeconciliated with the equity method.

CPD Group's structure as on 30 June 2018.



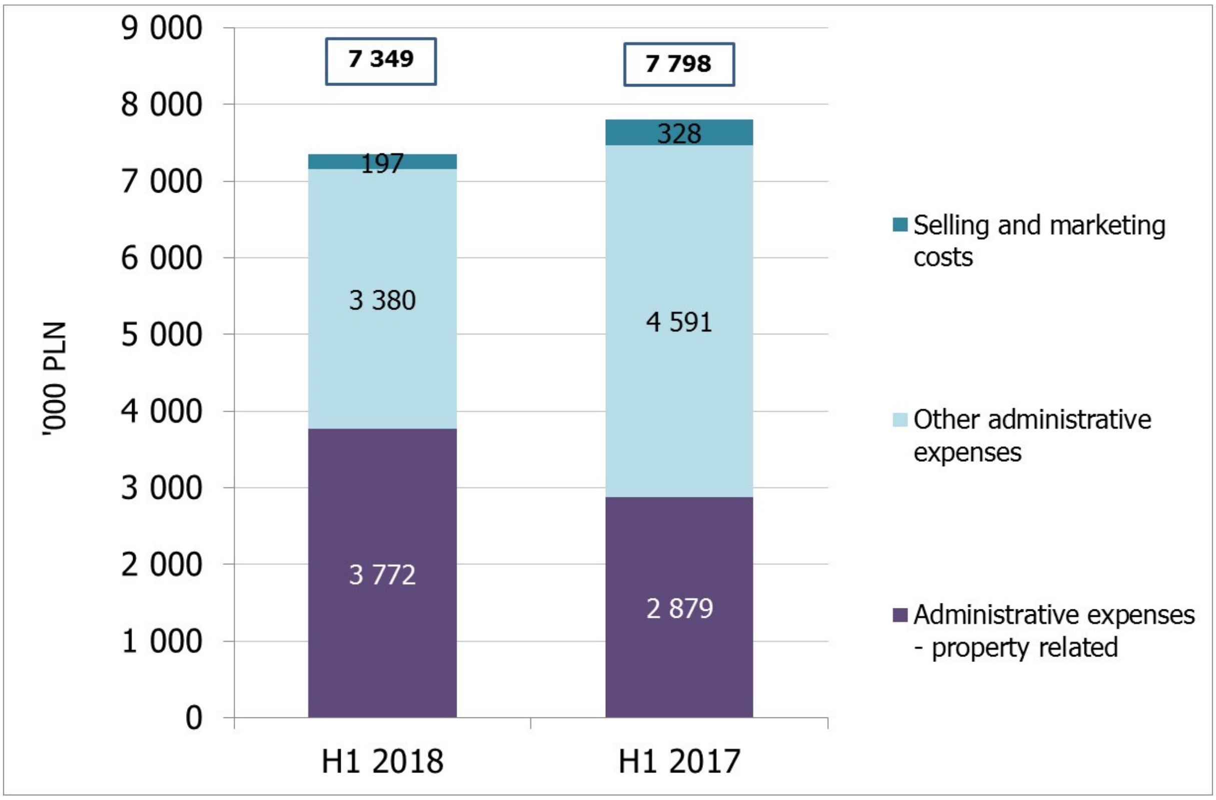
3. SELECTED FINANCIAL DATA

Selected items of the consolidated statement of comprehensive income

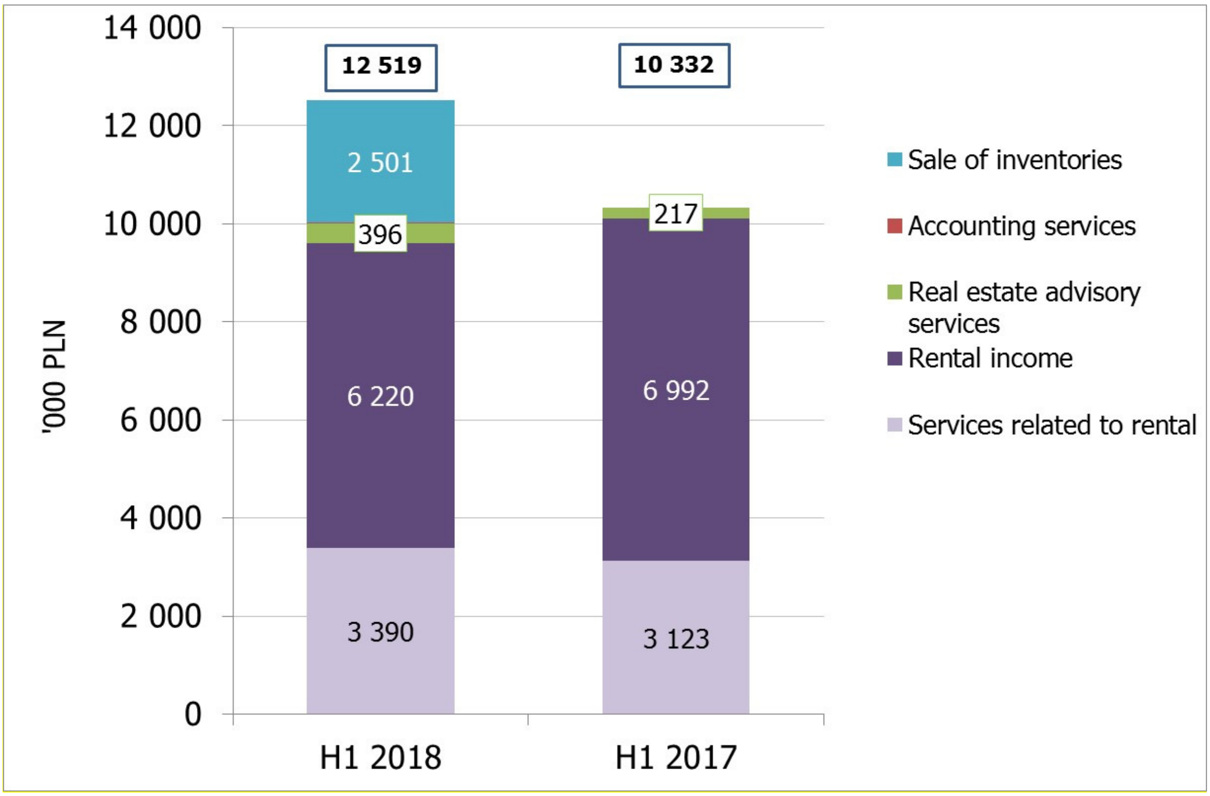
	6 months period		
	From 01.01.2018 to 30.06.2018 (PLN ths.)	From 01.01.2017 to 30.06.2017 (PLN ths.)	*Change* (%)
Revenue	12 519	10 332	*21,2%*
Cost of sales	-3 794	-1 536	*147,0%*
Gross profit	**8 725**	**8 796**	***-0,8%***
Administrative expenses - property related	*-3 772*	*-2 879*	*31,0%*
Other administrative expenses	*-3 380*	*-4 591*	*-26,4%*
Selling and marketing costs	*-197*	*-328*	*-39,9%*
Gain (loss) on disposal of investment properties	*-9 335*	*-72*	*12865,3%*
Other income	*1 987*	*192*	*934,9%*
Gain (loss) on revaluation of investment properties	*6 801*	*-11 190*	*-160,8%*
Post-tax share of the profit or loss of the joint-venture accounted for using the equity method	*203*	*8 675*	*-97,7%*
Change in write-downs of receivables	*-95*	*-61*	*55,7%*
Gain (loss) on disposal of subsidiaries	19 478	2 680	*626,8%*
Profit from operations	**20 415**	**1 222**	***1570,6%***
Finance income	729	5 936	*-87,7%*
Finance costs	-7 165	-9 785	*-26,8%*
Profit/Loss before tax	**13 979**	**-2 627**	***-632,1%***
Income tax	4 552	-1 343	*-438,9%*
Profit/Loss for the period	**18 531**	**-3 970**	***-566,8%***
Earnings per share (PLN)	0,47	-0,11	*-526,7%*
Diluted earnings per share (PLN)	0,47	-0,10	*-566,8%*

In the first half of 2018 the CPD Group generated a gross profit of PLN 8.7 M. The gross profit declined by 0.8% in comparison with H1 2017. It is worth noting that profit from operations increased dramatically. The CPD Group generated profit from operations in the amount of PLN 20.4 M in comparison with PLN 1.2 M in the same period in 2017. The net profit for the first half of 2018 amounted to PLN 18.5 M.

The chart below shows the structure of operating costs



The chart below shows the structure of revenue



Selected items of the consolidated statement of financial position

		As at: 30.06.2018 (PLN ths.)	31.12.2017 (PLN ths.)	Change (%)
TOTAL ASSETS		**603 220**	**761 000**	***-20,7%***
Non-current assets, including:		**512 388**	**536 455**	***-4,5%***
	Investment properties	*448 717*	*471 715*	*-4,9%*
	Investments in joint ventures accounted for using the equity method	*62 166*	*63 072*	*-1,4%*
Current assets, including:		**90 832**	**224 545**	***-59,5%***
	Assets held for sale	*0*	*68 539*	*-100,0%*
	Inventory	*2 930*	*5 421*	*-46,0%*
	Trade and other receivables	*26 649*	*7 282*	*266,0%*
	Cash and cash equivalents	*61 253*	*143 303*	*-57,3%*
TOTAL EQUITY AND LIABILITIES		**603 220**	**761 000**	***-20,7%***
Equity, including:		**347 235**	**471 719**	***-26,4%***
	Share capital	*3 935*	*3 935*	*0,0%*
	Reserve capital	*987*	*987*	*0,0%*
	Repurchase of shares in the process of being registered	*-160 110*	*-17 199*	*-*
	Fair value of capital element at inception date	*-27 909*	*-27 909*	*0,0%*
	Translation reserve	*-5 562*	*-5 458*	*1,9%*
	Retained earnings	*535 894*	*517 363*	*3,6%*
Total liabilities, including:		**255 985**	**289 281**	***-11,5%***
	Non-current liabilities	*143 392*	*151 893*	*-5,6%*
	Current liabilities	*112 593*	*137 388*	*-18,0%*

Total assets dropped by 20.7% in comparison with December 2017. This decrease resulted from repurchase of shares.

Current assets declined by 60% for the same reason.

Total equity amounted to PLN 347.2 M, which accounted for 57.6% of total assets. Total liabilities accounted for 42.4% of total assets. These ratios changed slightly in comparison with December 2017 (62% and 38% respectively).

The table below shows the structure of liabilities

	30.06.2018	31.12.2017
Liabilities to total assets	**42,4%**	**38,0%**

Non-current liabilities to total assets	**23,8%**	**20,0%**
Borrowings including finance leases	18,2%	14,9%
Deferred income tax liabilities	5,2%	4,8%
Trade and other payables	0,4%	0,3%
Current liabilities to total assets	**18,7%**	**18,1%**
Borrowings including finance leases	4,6%	3,5%
Trade and other payables	14,1%	14,0%
Liabilities related to assets held for sale	0,0%	0,5%

The structure of liabilities did not change substantially in the first half of 2018. The share of short-term debt increased from 18.1% as at December 31, 2017 to 18.7% as at June 30, 2018, as a result of exchange rate differences

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.

The Agreement concluded by the Seller doesn't 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 Warsaw 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**

1st of March 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 WARSAW**

The CPD Group perceives its activities in the field of implementation of development projects as a wide context of creating a modern, multidimensional urban space and a new quality of life for residents and users of implemented investments. Responsibility for its surroundings is also expressed by the Group through support for various social and cultural initiatives directly or indirectly related to investment activities.

As part of social responsibility and building a sustainable urban space based on the local social identity, as well as a comprehensive approach to the revitalization of investment areas in Ursus, on February 19, 2018, CPD Group donated to the Capital City of Warsaw area with an area of 1.7 hectares, which, according to the Local Development Plan, is foreseen for educational investments. As part of the agreement, the Capital City of Warsaw committed to implement on this plot an educational complex consisting of a kindergarten and school together with sports hall until 2020. The investment will start from the construction of a pre-school facility for 150 children at Hennela Street.

The transfer of land for the district's public investments has a positive effect on the synchronized and sustainable launching of multifunctional urban investments in the above areas and at the same time will be an extremely important impulse for the economic development of the whole district.

As part of the above strategy in previous years, the Group has forwarded to the State Treasury, respectively, road plots with a total area of over 9 ha, which plots have been designated for road construction in accordance with the draft zoning plan. Among other things, they were included in the four-lane road arteries, without collision connecting the revitalized areas with Al. Jerozolimskie through the construction of June 4, 1989 Street and with Połczyńska Street thanks to the construction of Nowomory Street.

- **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 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 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 Polska 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 Polska 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.

- **INVITATION TO MAKE OFFER OF SALE OF A COMPANY'S SHARES**

On May 29, 2018, the Company published an invitation to shareholder submit offers to sell their shares on the terms specified in the Invitation to Place Sale Offers.

The full text of the Invitation to Submit Sale Offers has been published as an attachment to the current report and will be made public on the website of CPD S.A. \

- **INFORMATION ABOUT ACCEPTING SALES OFFER**

On June 19, 2018, the Company decided to accept all of the valid sales offers of the Shares and to reduce them, carried out in accordance with the principles set out in the Invitation. Since the sale offers were for a larger number of shares than the 11,511,100 shares proposed by the Company, each Share Sale Offer was to be partially implemented - reduced on average by 68.8% at the time of settlement, ie June 20, 2018.

- **RESIGNATION FROM THE FUNCTION IN THE AUDIT COMMITTEE**

On June 18, 2018, Mr Wiesław Oleś, who previously held the position of the Chairman of the Audit Committee of CPD S.A., resigned from the function, effective as of the day of the next Extraordinary General Meeting, on the agenda of which the resolution on changes in the composition of the Company's Supervisory Board will be adopted. Mr Wiesław Oleś did not give reasons for resignation.

- **PURCHASE OF SHARES**

June 20, 2018 as a result of the settlement of the acquisition of shares of CPD S.A. as a result of the invitation to submit bids for the sale of shares of the Company announced on 29 May 2018, the Company purchased through the brokerage house Pekao Investment Banking S.A. with its registered office in Warsaw, 11,518,100 shares of the Company.

The purchase price for one share was PLN 12.34.

All purchased shares are ordinary shares with a nominal value of PLN 0.10 each. Acquired CPD shares S.A. (11,811,100 shares) constitute 29.43% of the share capital of the Company and represent 11,581,100 votes at the General Meeting of the Company (29.43% of the total number of votes at the General Meeting), however, in accordance with the applicable provisions, the Company is not entitled to exercise voting rights from own shares.

Before the acquisition of 11,158,101 own shares indicated above, the Company already had own shares of 1,401.792 shares), which constitute 3.56% of the share capital of the Company and represent 1,495,792 votes at the General Meeting of the Company (3.56% of the total number votes at the General Meeting of the Company).

In view of the above, the Company currently has 12,982,892 treasury shares, which together constitute 32.99% of the Company's share capital, however, pursuant to the applicable regulations, the Company is not entitled to exercise voting rights from its own shares.

5. FACTORS AND EVENTS OF UNUSUAL NATURE

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

6. SEASONALITY AND PERIODICITY OF THE GROUP ACTIVITIES

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

7. WRITE-DOWNS OF INVENTORIES TO FAIR VALUES

When determining the value of recoverable inventories, the Management Board shall take into account the valuation of real property made by independent values as at 31 December 2017, taking into account any changes in value attributable to changes in the real estate market. In the first half of 2018 the value of write-downs did not change.

8. WRITE-DOWNS OF INVESTMENT PROPERTIES TO FAIR VALUES

In the first half of 2018, the Group recorded a positive result on the revaluation of investment property at fair value of PLN 6.8m resulting mainly from the depreciation of the Polish zloty against the euro. In the corresponding period of 2017, the Group's loss from the revaluation of investment property to fair values amounted to PLN 11.2 million.

9. CREATION, INCREASE, UTILISATION AND REVERSAL OF PROVISIONS

In the first half of 2018 the value of accrued expenses decreased by PLN 5.4 million.

10. DEFFERED TAX ASSETS AND LIABILITIES

For a deferred tax asset, its recoverable amount is determined on the basis of the probability that the asset will be realized in the future, taking into account the business plans of the individual companies included in the consolidation. This value is determined on the basis of the Board's estimates. As at 30 June 2018, the Group did not record any deferred tax assets.

As at 30 June 2018, deferred tax liabilities of the Group amounted to PLN 31.6 million.

11. ACQUISITION AND SALE OF PROPERTY, PLANT AND EQUIPMENT

During the reporting period, the Group sold the following non-current assets:

22 February 2018 the subsidiary of Issuer:

- 18 Gaston Investments sp. z o.o. sp. k., with its registered office in Warsaw 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..
- 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..
- 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..

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 an area of land 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.

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

Not occurred.

13. IMPORTANT SETTLEMENTS OF LAWSUITS

The joint-venture SPV Smart City Sp. z o.o. SK paid PLN 1.9 M to the State Treasury in May 2018 as a result of losing case in the court. The case related to perpetual usufruct charges.

14. PREVIOUS PERIODS ERRORS' CORRECTION

Not occurred.

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

During the first half of 2018 there were no changes in the economic situation which could affect the fair value of the Group's assets and liabilities.

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

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 refinance of the acquisition of the office investments located in Cybernetics 7b and Połczynska 31a. Mortgage credit in the mBank was launched on 1 July 2014. As at balance sheet date Lakia's involvement amounted to EUR 5 020 thousand, and Robin's - EUR 3 887 thousand. According to the terms and conditions of the loan agreement with mBank Hipoteczny, the companies are obliged to repay the entire loan until June 20, 2029.

As a result of the downturn in the rental of office space in Mokotów Lakia Investments reported noncompliance with one of credit facility covenants, which entitles the bank to request repayment of the whole loan amount. Until the moment of preparation of these interim condensed consolidated financial statements the bank has not issued such a request. As a result the whole amount of Lakia Investments bank loan (PLN 21 733) has been presented as short term liability.

Lakia Investments has taken corrective actions aimed at achieving a situation in which it will meet all the financial ratios agreed in the credit agreement.

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

The Group decided on the implementation of IFRS 9 from 1 January 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.

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.

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

- **CONCLUSION OF A PRELIMINARY SALES AGREEMENT FOR THE USE OF LAND FOR PROPERTY REAL ESTATE BELONGING TO THE ISSUER'S SUBSIDIARY**

On July 31, 2018, the Issuer's subsidiary, 5/92 Gaston Investments sp. k. with its registered office in Warsaw, entered into a conditional preliminary agreement for the sale of the perpetual usufruct right to the real property consisting of plot No. 92/2, No. 2-09-09 o an area of 30,594 m2, located in Warsaw, Ursus district for the benefit of UDI Tau limited liability company based in Warsaw.

According to the provisions of the Local Spatial Development Plan, the property is intended for residential and service areas.

The selling price of the perpetual usufruct right to the real estate has been set at approximately PLN 50,016,000.

The buyer paid an advance of 10% of the price. In order to secure the advance payment by the Seller, he established a mortgage on the share in the property up to the amount equivalent to 200% of the advance payment and voluntarily submitted to enforcement pursuant to art. 777 § 1 point 4 of the Code of Civil Procedure regarding the obligation to repay one advance payment.

The provisions of the Contract concluded by the Contracting Parties do not differ from the standards commonly applicable to this type of contracts.

- **APPOINTMENT MEMBERS OF THE SUPERVISORY BOARD OF THE CPD S.A.**

Extraordinary General Meeting of the Company held 14 September, 2018 appointed members of the Supervisory Board of the CPD S.A.

The following persons were appointed to the Supervisory Board for the next, fourth cadence: Mr. Wiesław Piotr Oleś, Mr. Mirosław Jerzy Gronicki, Mr. Andrew Pegge, Mrs. Gabriela Gryger, Mr. Pan Michael Haxby and Mr. Alfonso Kalinauskas.

- **APPOINTMENT OF NEW MEMBERS OF THE AUDIT COMMITTEE OF CPD S.A.**

Due to the appointment of the Company's Supervisory Board for the new , joint, three-year term, on 19 September 2018 the Company's Supervisory Board, acting pursuant to Art.128 and 129 of the Act of 11 May 2017 on statutory auditors, audit firms and public oversight (Journal of Laws of 2017, item 1089) adopted a resolution to which it appointed the following members of the Audit Committee:

- Alfonso Kalinauskas – Chairman of the Audit Committee (independent member)
- Mirosław Gronicki – Member of the Audit Committee (independent member)
- Andrew Pegge – Member of the Audit Committee

The Audit Committee in the indicated composition meets the independence criteria and other requirements specified in art. 129 sec. 1.3.5 and 6 of the Act on statutory auditors, audit firms and public oversight, ie:

a) at least one member of the Audit Committee has knowledge and skills in accounting or auditing,
b) at least one member of the Audit Committee has knowledge and skills in the field of the Company,
c) the majority of the members of the Audit Committee, including its Chairman, are independent of the Company.

In line with the detailed rule II.Z.8 of the "Best Practices for WSE Listed Companies 2016", the Chairman of the Audit Committee fulfills the criteria of independence contained in the Appendix.

23. CHANGES RELATED TO CONDITIONAL LIABILITIES OR ASSETS

1st of March 2018 the subsidiary of Issuer 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.

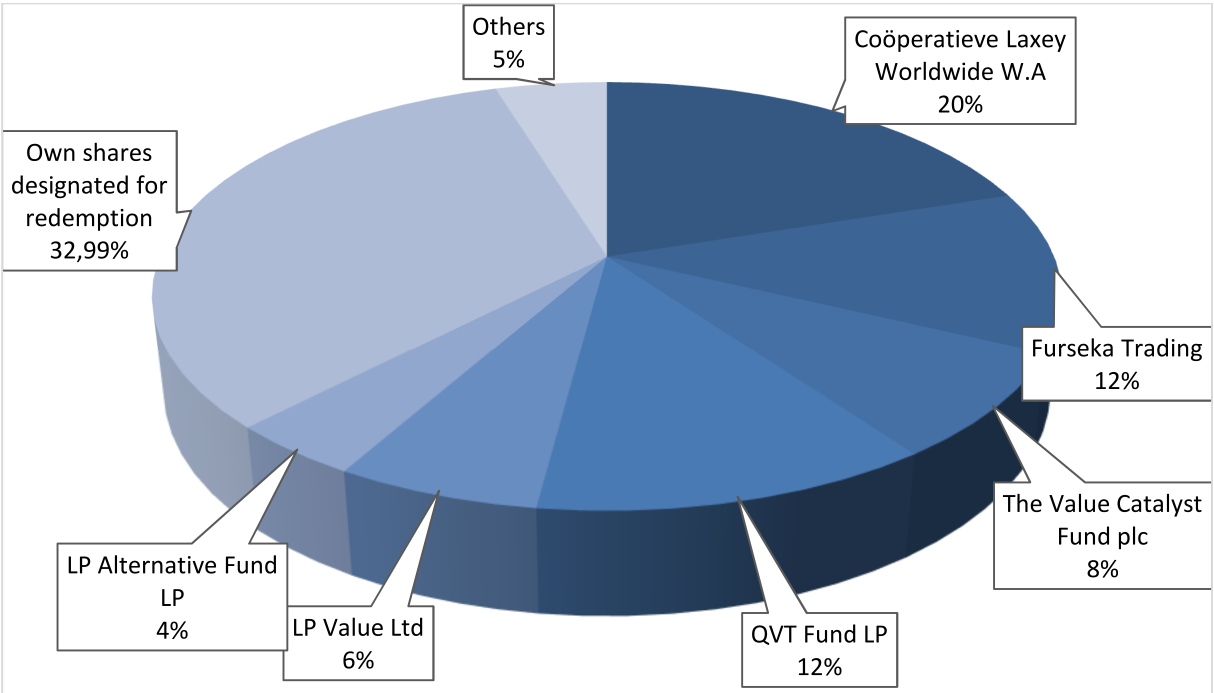
The agreement didn't meet the criteria to consider it to be the material agreement, pursuant to § 2 par. 1 of the Regulation of the Minister of Finance of 19 February 2009 on current and periodic information provided by the issuers of securities and conditions for recognition as equivalent of the information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

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

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

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

Shareholding structure of CPD S.A.



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

Shareholder	Amount of shares	Type of shares	Amount of votes	As % of total numer of shares	As % of total numer of votes
Coöperatieve Laxey Worldwide W.A	7 847 981	Na okaziciela	7 847 981		19.94 %
Furseka Trading	4 776 467	Na okaziciela	4 776 467		12.14 %
The Value Catalyst Fund plc	3 142 617	Na okaziciela	3 142 617		7.99 %
QVT Fund LP	4 719 516	Na okaziciela	4 719 516		11.99 %
LP Value Ltd	2 417 419	Na okaziciela	2 417 419		6.14 %
LP Alternative Fund LP	1 600 265	Na okaziciela	1 600 265		4.07 %
Own shares designated for redemption	12 982 892	Na okaziciela	12 982 892		32.99 %
Others	1 866 866	Na okaziciela	1 866 866		4.74 %

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	Board Member	4 734	473	0,01%	0,01%
Colin Kingsnorth	Board Member	0	0	0	0
John Purcell	Board Member	0	0	0	0
Total		**47 232**	**4 723**	**0,14%**	**0,14%**

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

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

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

28. MAJOR LOAN AGREEMENTS, LOAN WARRANTIES AND GUARANTEES GRANTED

As of 30 June 2018 bank credits consist of:

- payable of PLN 38 565 thousand to mBank Hipoteczny S.A. (PLN 16 146 thousand being long-term and PLN 22 419 thousand as short-term),

- payable of PLN 70 435 thousand to Bank Zachodni BZ WBK (PLN 4 878 thousand being long-term and PLN 65 557 thousand as short-term).

Additionally 1st of March 2018 the subsidiary of the Issuer Ursa Park Smart City spółka z ograniczoną odpowiedzialnością spółka komandytowa signed with Bank Millennium S.A the Finical Facility Agreement. Based on that agreement Bank Millennium has granted to the company Ursa Park Smart City spółka z ograniczoną odpowiedzialnością spółka komandytowa 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.

29. THE SUPERVISORY BOARD AND THE MANAGEMENT BOARD

At 30 June 2018, the composition of the Supervisory Board of the Company was as follows:

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

At 30 June 2018, the composition of the Management Board of the Company was as follows:

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

30. OTHER IMPORTANT INFORMATION

No other except those mentioned above.

31. FACTORS AFFECTING RESULTS OF THE FOLLOWING QUARTERS

The most important factors that will influence the results of the next quarters are:

- The situation on the financial markets which may affect the valuation of properties in the portfolio of the Group.
- Start and conducting construction works in the 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. MANAGEMENT BOARD STATEMENT

The Management Board of CPD S.A. ("The Company") confirms that to the best of its knowledge condensed interim consolidated financial statements of the Group CPD S.A. ("The Group") and condensed interim financial statements of the Company for the period of 6 months ended 30 June 2018 as well as comparative figures have been prepared in accordance with applicable accounting principles and give a true and fair financial and asset situation of the Group and its financial results and that the half-year report of activities of the Group includes the true situation of the achievements and the situation of the Group including principal threats and risks.

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

Warsaw, 27 September 2018

Elżbieta Wiczkowska

President of the Management Board

Colin Kingsnorth

Member of the Management Board

Iwona Makarewicz

Member of the Management Board

John Purcell

Member of the Management Board

III. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT FOR H1 FY 2018 ALONG WITH CONDENSED FINANCIAL STATEMENTS OF CPD S.A.

CPD S.A.

Condensed interim consolidated financial statements

for the period of 6 months ended 30 June 2018

and the condensed financial statements of CPD S.A.
for the period of 6 months ended 30 June 2018

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

(unaudited financial data, reviewed by an auditor)

CPD S.A.

(All amounts in PLN thousands unless otherwise stated)

Condensed consolidated statement of comprehensive income

	Note	For the 6 month period ended 30-06-2018	For the 6 month period ended 30-06-2017	For the 3 month period ended 30-06-2018	For the 3 month period ended 30-06-2017
				(not reviewed by an auditor)	
Revenues	14	12 519	10 332	5 025	5 093
Cost of sales, including:	15	(3 794)	(1 536)	(677)	(586)
cost of inventories sold		*(2 513)*	*0*	*(7)*	*0*
change in inventory impairment		*0*	*(16)*	*0*	*(16)*
cost of the services sold		*(1 281)*	*(1 520)*	*(670)*	*(570)*
PROFIT ON SALES		**8 725**	**8 796**	**4 348**	**4 507**
Administrative costs property related	16	(3 772)	(2 879)	(2 013)	(1 098)
Administrative expenses-other	17	(3 380)	(4 591)	(1 925)	(1 520)
Selling and marketing expenses		(197)	(328)	(124)	(207)
Net profit (loss) from sale of investment property		(9 335)	(72)	0	(6)
Other income	18	1 987	192	1 849	78
Net (loss)/ gain from fair value adjustments on investment properties	4	6 801	(11 190)	5 587	(3 533)
Post-tax share of the profit or loss of the joint-venture accounted for using the equity method	8	203	8 675	(101)	5 768
Receivables valuation allowances		(95)	(61)	13	(10)
Result from sales of subsidiaries	19	19 478	2 680	(839)	2 680
OPERATING RESULT		**20 415**	**1 222**	**6 795**	**6 659**
Financial income	20	729	5 936	363	154
Financial costs	20	(7 165)	(9 785)	(5 020)	(1 685)
RESULT BEFORE INCOME TAX		**13 979**	**(2 627)**	**2 138**	**5 128**
Income tax	21	4 552	(1 343)	5 588	(2 343)
RESULT OF THE PERIOD		**18 531**	**(3 970)**	**7 726**	**2 785**
Currency translation adjustment		(104)	(39)	(63)	2
TOTAL COMPREHENSIVE INCOME		**18 427**	**(4 009)**	**7 663**	**2 787**
Result attributable to:					
Equity holders of the Group		**18 531**	**(3 970)**	**7 726**	**2 785**
Minority interest		0	0	0	0
TOTAL COMPREHENSIVE INCOME					
Equity holders of the Group, including:		**18 427**	**(4 009)**	**7 663**	**2 787**
- continued operations		18 427	(4 009)	7 663	2 787
BASIC EARNINGS PER SHARE (PLN)	25	0,47	(0,11)	0,20	0,07
DILUTED EARNINGS PER SHARE (PLN)	25	0,47	(0,10)	0,20	0,07

Elżbieta Donata Wiczkowska
Chairman of the Board

John Purcell
Board Member

Colin Kingsnorth
Board Member

Iwona Makarewicz
Board Member

(All amounts in PLN thousands unless otherwise stated)

Condensed consolidated statement of financial position

	Note	30-06-2018	31-12-2017
ASSETS			
Non-current assets			
Investment properties	4	448 717	471 715
Property, plant and equipment		615	734
Intangible assets, excluding goodwill		2	3
Investments in joint ventures accounted for using the equity method	8	62 166	63 072
Deferred tax assets	13	0	0
Long-term receivables	5	888	931
		512 388	**536 455**
Current assets			
Inventories	6	2 930	5 421
Trade receivables and other receivables	5	26 649	7 282
- receivables and loans		*21 862*	*5 325*
- prepayments		*4 787*	*1 957*
Bonds		0	0
Cash and cash equivalents	7	61 253	143 303
Current assets excluding assets held for sales		**90 832**	**156 006**
Assets held for sale	29	0	68 539
Current assets		**90 832**	**224 545**
Total assets		**603 220**	**761 000**

(All amounts in PLN thousands unless otherwise stated)

Condensed consolidated statement of financial position - cont.

	Note	30-06-2018	31-12-2017
EQUITY			
Equity attributable to owners of the parent company			
Share capital	9	3 935	3 935
Own shares for redemption	9	(160 110)	(17 199)
Other reserves		987	987
Embedded element at inception date		(27 909)	(27 909)
Translation reserve		(5 562)	(5 458)
Retained earnings		535 894	517 363
Total equity		**347 235**	**471 719**
LIABILITIES			
Non-current liabilities			
Trade payables and other liabilities	10	2 306	2 235
Borrowings, including financial leasing	11	109 524	113 375
Pochodne instrumenty finansowe		0	0
Bonds issued	12	0	0
Deferred tax liabilities	13	31 562	36 283
Non-current liabilities		**143 392**	**151 893**
Current liabilities			
Trade payables and other liabilities	10	84 985	106 722
Bonds issued	12	0	0
Embedded derivatives	12	0	0
Borrowings, including financial leasing	11	27 608	26 902
Current liabilities excluding liabilities held for sale		**112 593**	**133 624**
Liabilities classified as held for sale	29	0	3 764
Current liabilities		**112 593**	**137 388**
Total liabilities		**255 985**	**289 281**
Total Equity and liabilities		**603 220**	**761 000**

Elżbieta Donata Wiczkowska
Chairman of the Board

John Purcell
Board Member

Colin Kingsnorth
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	Bonds conversion under registration	Own shares for redemption	Embedded element at inception date	Translation reserve	Reserve capital	Retained earnings	Total equity
Balance as at 01-01-2017	**3 286**	**0**		**(27 909)**	**(5 383)**	**987**	**475 922**	**446 903**
Transactions with owners								
Bonds conversion into equity	0	39 852	0	0	0	0	0	39 852
Comprehensive income								
Currency translation adjustment	0	0	0	0	(39)	0	0	(39)
Result of the period	0	0	0	0	0	0	(3 970)	(3 970)
	0	0	0	0	(39)	0	(3 970)	(4 009)
Balance as at 30-06-2017	**3 286**	**39 852**	**0**	**(27 909)**	**(5 422)**	**987**	**471 952**	**482 746**
Balance as at 01-01-2018	**3 935**	**0**	**(17 199)**	**(27 909)**	**(5 458)**	**987**	**517 363**	**471 719**
Transactions with owners								
Shares acquisition for redemption	0	0	(142 911)	0	0	0	0	(142 911)
	0	0	(142 911)	0	0	0	0	(142 911)
Comprehensive income								
Currency translation adjustment	0	0	0	0	(104)	0	0	(104)
Result of the period	0	0	0	0	0	0	18 531	18 531
	0	0	0	0	(104)	0	18 531	18 427
Balance as at 30-06-2018	**3 935**	**0**	**(160 110)**	**(27 909)**	**(5 562)**	**987**	**535 894**	**347 235**

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

Elżbieta Donata Wiczkowska
Chairman of the Board

John Purcell
Board Member

Colin Kingsnorth
Board Member

Iwona Makarewicz
Board Member

(All amounts in PLN thousands unless otherwise stated)

Condensed consolidated statement of cash flows

	Note	For the 6 month period ended 30-06-2018	30-06-2017
Cash flow from operating activities			
Cash generated from operations	22	(37 843)	61 007
Interest paid		(1 132)	(2 583)
Net cash from operating activities		**(38 975)**	**58 424**
Cash flows from investing activities			
Capital expenditure on investments property		(293)	(3 967)
Purchase of property, plant and equipment		(6)	(89)
Proceeds from sale of property, plant and equipment		0	0
Proceeds from the sale of investment property		7 000	0
Loans granted		0	0
Proceeds from the sale of subsidiaries		92 000	15 531
Interest received		726	510
Roduction of joint venture contribution		3 000	18 034
Net cash from investing activities		**102 427**	**30 019**
Cash flows from financing activities			
Own shares acquisition		(142 911)	0
Repayment of borrowings		(2 591)	(2 565)
Net cash from financing activities		**(145 502)**	**(2 565)**
Net (decrease)/increase in cash and cash equivalents		**(82 050)**	**85 878**
Cash and cash equivalents at beginning of the year		**143 303**	**89 999**
Cash and cash equivalents at the end of the period		**61 253**	**175 877**

Elżbieta Donata Wiczkowska
Chairman of the Board

John Purcell
Board Member

Colin Kingsnorth
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. Moreover interest income from bank deposits have been reclassified from operating to investment activities in the cash flows statement.

The interim consolidated financial statements as at 31 June 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 15 since 1 January 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 1 January 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 to trade receivables the Group applied the simplified method acceptable under the IFRS 9. For the purposes of estimating the expected credit losses the Group uses the reserve rate, which takes into account the historical data.

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

Implementation of IFRS 9 does not influence significantly the value of the valuation allowance neither on 30 June 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 refrained 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:

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 an 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 feature 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 the 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 disposed of 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 6 months ended 30 June 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.

Notes to the interim condensed consolidated financial statements

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 Professional Standards of the Royal Institution of Chartered Surveyors' (RICS) published in July 2017 (the Red Book). 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 30 June 2018.

In the first half of 2018, the Group recorded profit on the revaluation of investment properties to their fair values, which amounted to PLN 6 801 thousand, resulting mainly from 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.

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.

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 30 June 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 30 June 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 variable interest rate (EURIBOR) debt by IRS transaction.

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 half 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 30-06-2018	01-01-2017 31-12-2017
At the beginning of the reporting period	**471 715**	**558 706**
Acquisition	0	4 390
Capitalised financial liabilities in acquired investment properties	0	4 065
Capital expenditure	293	8 079
Disposal of investment property	(3 195)	(62)
Investment properties in disposed subsidiaries	(10 000)	0
Contribution of investment property to joint venture	0	(33 160)
Transfer of road plots to City of Warsaw	(11 400)	0
Capitalised financial liabilities in disposed subsidiaries	(718)	0
Transfer of capitalised financial liabilities to joint venture	0	(1 037)
Capitalised financial liabilities in disposed investment properties	(4 064)	(17)
Transfer of capitalised financial liabilities to assets held for sale	0	(3 731)
Transfer of capitalised financial liabilities from assets held for sale	0	87
Change of capitalised financial liabilities	(715)	7 528
Transfer to inventories	0	(16 644)
Transfer of investment property to assets held for sale	0	(64 530)
Transfer of investment property from assets held for sale	0	280
Net (loss)/ gain from fair value adjustments on investment properties	6 801	7 761
Transfer from/to assets held for sale	0	0
At the end of the reporting period	**448 717**	**471 715**

The decrease in total balance of investment properties during the first half of 2018 resulted mainly from partial disposal of Ursus property, resulting from sales of Bolzanus Ltd, sale of plot 148/2 by 18 Gaston Investments spółka z ograniczoną odpowiedzialnością sp.k. and donation of plot 124/3 to the City of Warsaw by 2/124 Gaston Investments spółka z ograniczoną odpowiedzialnością sp.k.

Direct operating costs for investment properties:	For the 6 month period ended 30-06-2018	30-06-2017
- generating rent income	2 325	2 233
- other	152	89
	2 477	**2 322**

5 Trade receivables and other receivables

	30-06-2018	31-12-2017
Trade receivables	2 180	1 610
Receivables from the state	2 956	3 482
Receivables from related parties	219	233
Prepaid expenses	4 787	1 957
Other receivables	16 507	0
Short-term receivables	**26 649**	**7 282**
Long-term receivables	888	6
Total receivables	**27 537**	**7 288**

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

Prepaid expenses relate mainly to settlement of annual costs of property tax and perpetual land usufruct.
Other receivables result mainly from subsidiaries shares disposals.

6 Inventories

	30-06-2018	31-12-2017
At the beginning of the reporting period	**5 421**	**5 468**
Capital expenditure	0	3 058
Disposal	(2 451)	0
Transfer from investment properties	0	16 644
Contribution of investment property to joint venture	0	(19 686)
Impairment loss	0	114
Exchange differences	(40)	(177)
At the end of the reporting period	**2 930**	**5 421**

The Group disposed property in Łódź in the first half of 2018.

7 Cash and cash equivalents

	30-06-2018	31-12-2017
Cash at bank and on hand	33 609	35 745
Restricted cash	3 449	3 131
Short-term bank deposits	24 195	104 427
	61 253	**143 303**

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

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

8 Joint venture

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

	31/03/2018	31/12/2017
a) Smart City Spółka z ograniczoną odpowiedzialnością sp.k.	16 211	16 486
b) Ursa Park Smart City Spółka z ograniczoną odpowiedzialnością sp.k.	45 955	46 586
	62 166	**63 072**

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

	30-06-2018	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 these interim condensed consolidated financial statements	765	7 855
Group's share in reduction of joint venture contributions	(3 000)	(16 266)
Group's contribution to joint venture	1 890	0
Group's share in profit distributions	0	(7 491)
Other adjustments	70	(184)
Closing balance	**16 211**	**16 486**
- including net assets not covered by the investment agreement with the Group's 100% rights	13 995	11 965

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

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

Opening balance as at 1 January	**46 586**	**0**
Group's share in net assets as at the date of starting joint venture	0	48 395
interim consolidated financial statements	(631)	(1 809)
Closing balance	**45 955**	**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.

Financial information from statement of financial position	30-06-2018	31-12-2017
Total non-current assets, including:	**14 016**	**14 015**
Fixed assets	21	17
Investment properties	13 995	13 998
Total current assets, including:	**5 585**	**10 522**
Inventory	4 338	9 702
Trade receivables and other receivables	180	8
Cash and cash equivalents	1 067	812
Total assets	**19 601**	**24 537**
Total current liabilities, including:	**1 173**	**3 528**
Trade payables and other liabilities	1 173	1 495
Provisions	0	2 033
Total non-current liabilities, including:	**0**	**0**
Borrowings	0	0
Total liabilities	**1 173**	**3 528**
Net assets	**18 428**	**21 009**
% held by the Group - with regards to investment property	***100%***	***100%***
Group share of investment properties of the joint venture	13 995	11 965
% held by the Group	***50%***	***50%***
Group share of net assets of the joint venture	2 216	4 521
Carrying amount of investment in joint venture presented in the interim condensed consolidated financial statements	**16 211**	**16 486**

Financial information from statement of comprehensive income	30-06-2018	31-12-2017
Revenue	7 399	70 951
Interest income	0	58
Interest cost	(1)	14
Result from continued operations	1 529	15 810

Notes to the interim condensed consolidated financial statements

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

	30-06-2018	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:	**85 183**	**42 517**
Inventory	60 186	32 839
Trade receivables and other receivables	9 164	7 666
Cash and cash equivalents	15 833	2 012
Total assets	**117 017**	**74 351**
Total current liabilities, including:	**56 868**	**12 939**
Trade payables and other liabilties	55 927	12 939
Bank loan	941	0
Total liabilities	**56 868**	**12 939**
Net assets	**60 149**	**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	14 195	14 826
Carrying amount of investment in joint venture presented in the consolidated financial statements	**45 955**	**46 586**

Financial information from statement of comprehensive income	30-06-2018	31-12-2017
Revenue	217	67
Interest income	0	0
Interest cost	0	1
Result from continued operations	(1 263)	(1 954)

9 Share capital

	Number of shares		Value of shares	
	30-06-2018	31-12-2017	30-06-2018	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 20 March 2017 the bondholders of the series A bonds convertible into shares series G issued by CPD Sa on 26 September 2014 notified the Management of CPD SA about intention to convert 90 bonds into 5.292.720 series G shares of CPD SA. The conversion price has been determined at PLN 4,38, as specified in Extraordinary Shareholders Meeting resolution number 3 of 5 August 2014 and bonds' issuance conditions.

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

9 Share capital - cont.

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

	30-06-2018	31-12-2017
Tenant deposits	2 306	2 235

Current liabilities

	30-06-2018	31-12-2017
Trade payables	1 544	655
Payables to related parties	192	0
Output VAT and other tax payables	9 094	12 179
Tenant deposits	310	272
Other liabilities	309	219
Received prepayments	64 750	79 250
Accrued expense	8 786	14 147
	84 985	**106 722**

Accrued expenses relate mainly to provisions for potential tax risks and has decreased as compared to the end of 2017 due to expiry or realisation of part of the risks.

The increase in tax payables as compared to the end of 2017 relates mainly to property tax as well as perpetual usufruct costs, amortised on calendar year basis, offset by decrease in VAT payable.

Received prepayments result from the preliminary agreements to sell plot owned by IMES Polska Sp. z o.o as well as received deferred revenues from services auxiliary to sales of investment properties.

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

11 Borrowings, including financial leasing

	30-06-2018	31-12-2017
Non-current		
Bank loans	81 702	80 176
IRS derivative	288	167
Financial leasing	27 534	33 032
	109 524	**113 375**

	30-06-2018	31-12-2017
Current		
Bank loans	27 298	26 590
IRS derivative	310	312
	27 608	**26 902**
Total borrowings	**137 132**	**140 277**

As of 30 June 2018 bank credits consist of:
- payable of PLN 38 565 thousand to mBank Hipoteczny S.A. (PLN16 146 thousand being long-term and PLN 22 419 thousand as short-term),
- payable of PLN 70 435 thousand to Bank Zachodni BZ WBK (PLN 65 557 thousand being long-term and PLN 4 878 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 June 20, 2029.

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

During 2017 Lakia Investments reported noncompliance with one of credit facility covenants, which entitles the bank to request repayment of the whole loan amount. Until the moment of preparation of these interim condensed consolidated financial statements the bank has not issued such a request. As a result the whole amount of Lakia Investment bank loan (PLN 21 733 thousand) has been presented as short term liability.

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

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

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

The value of hedging derivative (IRS) as at the balance sheet date was estimated at PLN 598 thousand.

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

12 Bonds issued

	30-06-2018	31-12-2017
a/ Bonds series A		
At the beginning of the reporting period	0	33 875
Accrued interest	0	610
Valuation of the embedded derivative	0	6 893
Valuation as at conversion/balance sheet date	0	(1 526)
Conversion of the bonds and interest into shares	0	(39 852)
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.

In 2017 the series A bonds has been converted into equity of CPD SA.

	30-06-2018	31-12-2017
b/ Bonds series B		
At the beginning of the reporting period	0	31 021
Accrued interest	0	1 451
Interest paid	0	(2 730)
Effective interest rate valuation	0	56
Redemption	0	(30 000)
Unamortised part of bonds issuance cost	0	202
Bonds value as at balance sheet date	**0**	**0**

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

The issuer did not specify the purpose of the issue within the meaning of the Bonds Act or the undertaking to be financed from the issue of the Bonds.
The issued Bonds are series B 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 of one Bond is PLN 1 thousand. The issuing price of one Bond corresponds to its nominal value, i.e. PLN 1 thousand.

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

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

13 Deferred income taxes

	30-06-2018	31-12-2017
Deferred tax assets before offset	**3 186**	**6 113**
Offset against deferred tax liability	(3 186)	(6 113)
Deferred tax assets	**0**	**0**
Deferred income tax liabilities before offset	**34 748**	**42 396**
Offset against deferred tax asset	(3 186)	(6 113)
Deferred income tax liabilities after offset	**31 562**	**36 283**

14 Revenue by nature

	For the 6 month period ended		For the 3 month period ended	
	30-06-2018	30-06-2017	30-06-2018	30-06-2017
Rent income	6 220	6 992	2 999	3 415
Sales of inventories	2 501	0	0	0
Real estate advisory services	396	217	217	106
Rent related services	3 390	3 123	1 806	1 572
Accounting services	12	0	3	0
	12 519	**10 332**	**5 025**	**5 093**

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

In the first half of 2018 the Group sold residential building in Łódź, presented in inventories as at 31 December 2017.

15 Cost of sales, including:

	For the 6 month period ended		For the 3 month period ended	
	30-06-2018	30-06-2017	30-06-2018	30-06-2017
Cost of inventories sold	2 513	0	7	0
Change of inventory impairment write offs	0	16	0	16
The cost of services rendered	1 281	1 520	670	570
	3 794	**1 536**	**677**	**586**

The costs of the services consisted mainly of costs of services related to the maintenance of leased office buildings and other services re-invoiced to tenants.
In the first half of 2018 the Group sold residential building in Łódź, presented in inventories as at 31 December 2017.

16 Administrative costs property related

	For the 6 month period ended		For the 3 month period ended	
	30-06-2018	30-06-2017	30-06-2018	30-06-2017
Personnel costs	780	539	402	293
Property maintenance	2 797	2 201	1 493	877
Perpetual usufruct	77	19	60	(132)
Depreciation of fixed assets and intangible assets	118	120	58	60
	3 772	**2 879**	**2 013**	**1 098**

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

17 Administrative expenses-other

	For the 6 month period ended		For the 3 month period ended	
	30-06-2018	30-06-2017	30-06-2018	30-06-2017
Consultancy services	2 104	2 996	1 359	773
Legal services	444	287	107	41
Audit fees	116	150	109	150
Transportation	5	13	3	4
Taxes	110	67	7	48
Office maintenance	373	734	238	383
Other services	112	123	51	33
Non deductible VAT	116	221	51	88
	3 380	**4 591**	**1 925**	**1 520**

18 Other income

	For the 6 month period ended		For the 3 month period ended	
	30-06-2018	30-06-2017	30-06-2018	30-06-2017
Provision released	1 829	0	1 829	0
Reversal of receivable allowance	0	68	0	68
Other	158	124	20	10
	1 987	**192**	**1 849**	**78**

19 Result from sales of subsidiaries

	For the 6 month period ended		For the 3 month period ended	
	30-06-2018	30-06-2017	30-06-2018	30-06-2017
Revenues from subsidiary disposal	92 000	15 531	0	15 531
Cost of subsidiary disposed	(72 522)	(12 851)	(839)	(12 851)
Result on sales of subsidiary	**19 478**	**2 680**	**(839)**	**2 680**

The following subsidiaries have been sold in 2018: 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. and Bolzanus Ltd.

None of the disposed subsidiaries qualifies as discontinued operations.

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

20 Financial income and expenses

	For the 6 month period ended		For the 3 month period ended	
	30-06-2018	30-06-2017	30-06-2018	30-06-2017
Interest expense:				
- Bank loans	(1 132)	(1 207)	(573)	(603)
- Interest from financial leases	(1 149)	(986)	(530)	(493)
- Interest on bonds	0	(1 971)	0	(766)
- Other interest	(161)	(4)	(160)	102
- Interest on loans from related parties	(16)	0	(16)	0
- Other	(53)	(172)	(25)	(130)
Revaluation of derivatives (IRS)	(119)	0	(104)	0
Bonds valuation	0	(5 367)	0	245
Valuation of amortized cost	(53)	(78)	(24)	(40)
Net exchange differences	(4 482)	0	(3 588)	0
Financial costs	**(7 165)**	**(9 785)**	**(5 020)**	**(1 685)**
Interest income:				
- Bank interest	729	513	363	304
- Interest from related parties	0	0	0	(3)
- Interest from third parties	0	6	0	6
Revaluation of derivatives (IRS)	0	435	0	137
Other financial income	0	14	0	(94)
Net exchange differences	0	4 968	0	(196)
Financial income	**729**	**5 936**	**363**	**154**

21 Income tax

	For the 6 month period ended		For the 3 month period ended	
	30-06-2018	30-06-2017	30-06-2018	30-06-2017
Tax on current year income	169	(14)	169	(14)
Deferred taxes	(4 721)	1 357	(5 757)	2 357
	(4 552)	**1 343**	**(5 588)**	**2 343**

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

22 Cash flow from operating activities

	For the 6 month period ended 2018-06-30	2017-03-31
Profit/loss before tax	13 979	(2 627)
Adjustments for:		
- depreciation of tangible fixed assets	110	105
- depreciation of intangible assets	1	15
- currency translation adjustments	(64)	84
- revaluation to fair value of investment property	(6 801)	11 190
- result on PPE sale	16	0
- result on subsidiaries disposal	(19 478)	(2 680)
- share in net profit or loss of the joint venture	(203)	(8 675)
- result on sale of investment property	9 335	72
– result on embedded derivatives	0	6 893
– interest costs	1 134	3 163
– interest income	(729)	(513)
– exchange differences	4 809	(6 821)
– impairment of inventories	0	16
- result on bonds revaluation using effective rate method	0	56
– result on derivatives revaluation	117	(435)
– other adjustments	(109)	284
Changes in working capital		
- changes in receivables	(18 121)	929
- changes in inventories	2 497	(407)
- change in trade and other liabilities	(24 336)	60 358
	(37 843)	**61 007**

In comparison to the annual consolidated financial statements the Group changed the presentation of revenues from interest on bank deposits (movement from operating activities to investment).

Notes to the interim condensed consolidated financial statements

23 Related party transactions

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

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

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

	For the 6 month period ended	
	2018-06-30	**2017-03-31**
(a) Transactions with key management personnel		
The cost of the salaries of members of the Board of Directors	130	132
The cost of the salaries of the members of the Supervisory Board	313	313
The cost of services rendered by the members of the Board of Directors	489	639
Total receivables	19	19
Total payables	192	37
(b) Transactions with the other related parties		
Revenues		
Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.	29	249
Ursa Park Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.	314	0
Costs		
Laxey Cooperative (loan interest)	16	0
Laxey Partners (UK) Ltd	0	1 007
Kancelaria Radców Prawnych Oleś i Rodzynkiewicz	24	36

	30-06-2018	**31-12-2017**
Payables		
Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.	0	58
Receivables		
Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.	7	0
Ursa Park Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.	212	0

24 Payment of dividends

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

25 Earnings per share

	For the 6 month period ended		For the 3 month period ended	
	2018-06-30	**2017-03-31**	**30-06-2018**	**30-06-2017**
Profit attributable to the shareholders of the parent company	18 531	(3 970)	7 726	2 785
Weighted average number of ordinary shares (in '000)	39 354	35 976	39 354	38 380
Earnings per share	0,47	(0,11)	0,20	0,07
Diluted profit attributable to shareholders	18 531	(3 970)	7 726	2 785
Weighted average number of ordinary shares (in '000)	39 354	39 354	39 354	39 354
Diluted earnings per share	0,47	(0,10)	0,20	0,07

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

With referance to the bonds convertion into equity performed in 2017, the weighted average number of shares reflected the timing of subsequent stages of the conversion.

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

26 Contingent liabilities

On 1 March 2018, following credit agreement of 26 Februry 2018 between Ursa Park Smart City spółka z ograniczoną odpowiedzialnością spółka komandytowa a Bankiem Millennium S.A. related to financing of construction second stage of multifamily residential project Ursa Park Smart City, CPD SA and the subsidiaries granted collaterals.

The collaterals included registered pledges on rights and obligtions of Smart City Sp. z o. o. and Challange 18 Sp z o.o. in Ursa Park Smart City spółka z ograniczoną odpowiedzialnością spółka komandytowa as well as debt participation by CPD SA and submission to execution by Smart City Sp. z o. o. oraz Challange 18 Sp z o.o. oraz CPD SA.

As at the balance sheet date there were no other changes in contingent liabilities as compard to the prior year end.

27 Segment reporting

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

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

28 Seasons of activity and unusual events

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

29 Assets and liabilities held for sale

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

Assets	**30-06-2018**	**31-12-2017**
Investment properties	0	64 530
Capitalised financial liabilities	0	3 731
Trade receivables and other receivables	0	128
Cash and cash equivalents	0	150
	0	**68 539**
Liabilities		
Borrowings, including financial leasing	0	3 731
Other long term payables	0	33
Net assets held for sale	**0**	**3 764**
	0	**64 775**

30 Events after the end of the reporting period

On 31 July 2018 one of the Group's subsidiaries concluded preliminary conditional sales agreement for perpetual usufruct of property consisting of plot 92/2. The purchaser prepayed the sales price. The traded property has been mortgaged to secure conditional refund of the prepayment.

There were no other significant post balance sheet events.

(All amounts in PLN thousands unless otherwise stated)

II Interim financial statements of the parent

31 Interim financial information of the parent

31.1 Condensed statement of comprehensive income

	Nota	6 months ended 30-06-2018	6 months ended 30-06-2017	3 months ended 30-06-2018	3 months ended 30-06-2017
				(not reviewed)	*(not reviewed)*
Revenues		0	0	0	0
Administrative costs	31.11	(1 331)	(931)	(860)	544
Marketing expenses		(5)	(2)	(1)	(2)
Other income	31.10	1 829	0	1 829	0
Result from the valuation of loans		(3 456)	0	(3 456)	0
Interest income on loans		5 313	6 450	2 480	3 119
OPERATING RESULT		**2 350**	**5 517**	**(8)**	**3 661**
Financial income	31.12	1 312	2 075	1 009	1 961
Financial costs	31.12	(194)	(9 060)	(97)	(2 019)
PROFIT (LOSS) BEFORE INCOME TAX		**3 468**	**(1 468)**	**904**	**3 603**
Income tax		(685)	(2 107)	(457)	(2 252)
TOTAL COMPREHENSIVE INCOME		**2 783**	**(3 575)**	**447**	**1 351**
Profit (loss) net		2 783	(3 575)	447	1 351
Profit (loss) net per share		3 468	(1 468)	904	3 603
Total comprehensive income for the year		2 783	(3 575)	447	1 351
BASIC EARNINGS PER SHARE (PLN)	31.8	0,07	(0,10)	(0,24)	0,04
DILUTED EARNINGS PER SHARE (PLN)	31.8	0,07	(0,09)	(0,24)	0,03

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)

31.2 Statement of financial position

ASSETS	Note	30-06-2018	31-12-2017
Non-current assets			
Property, plant and equipment		0	1
Intangible assets, excluding goodwill		0	0
Long-term receivables	31.6	142 709	433 961
Total non-current assets		**142 709**	**433 962**
Current assets			
Trade receivables and other receivables	31.7	191 773	533
- trade receivables and loans		191 745	530
- prepaid expenses		28	3
Bonds		0	0
Cash and cash equivalents		13 128	69 721
Total current assets		**204 901**	**70 254**
Total assets		**347 610**	**504 215**
EQUITY			
Share capital		3 935	3 935
Own shares for redemption		(160 110)	(17 199)
Reserve capital		987	987
Fair value of capital element at inception date		(27 909)	(27 909)
Share premium		835 846	835 846
Retained earnings		(340 739)	(327 982)
Total equity		**312 010**	**467 678**
LIABILITIES			
Long-term liabilities			
Loans and borrowings, including finance leases	31.9	11 554	17 153
Deferred tax liabilities		17 915	17 228
Total Long-term liabilities		**29 469**	**34 381**
Current liabilities			
Loans and borrowings, including finance leases	31.9	5 793	0
Trade payables and other liabilities		338	2 156
Total current liabilities		**6 131**	**2 156**
Total liabilities		**35 600**	**36 537**
Total equity and liabilities		**347 610**	**504 215**

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Board Member

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Iwona Makarewicz
Board Member

(All amounts in PLN thousands unless otherwise stated)

31.3 Statement of changes in equity

	Share capital	Embedded derivative at inception date	Share premium	Conversion of bonds during registration	Own shares for redemption	Reserve capital	Accumulated profit (loss) Retained earnings	Total
Balance as at 01-01-2017	**3 286**	**(27 909)**	**796 643**	**0**	**0**	**987**	**(325 916)**	**447 091**
Conversion of bonds	0	0	0	39 852	0	0	0	39 852
Profit (loss) for the period	0	0	0	0	0	0	(3 575)	(3 575)
	0	0	0	0	0	0	(3 575)	36 278
Balance as at 30-06-2017	**3 286**	**(27 909)**	**796 643**	**39 852**	**0**	**987**	**(329 491)**	**483 368**
Balance as at 01-01-2018	**3 935**	**(27 909)**	**835 846**	**0**	**(17 199)**	**987**	**(327 982)**	**467 678**
Retained profits	0	0	0	0	0	0	(15 540)	(15 540)
Own shares for redemption	0	0	0	0	(142 911)	0	0	(142 911)
Profit (loss) for the period	0	0	0	0	0	0	2 783	2 783
	0	0	0	0	0	0	2 783	(155 668)
Balance as at 30-06-2018	**3 935**	**(27 909)**	**835 846**	**0**	**(17 199)**	**987**	**(325 199)**	**312 010**

Elżbieta Donata Wiczkowska
Chairman of the Board

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Board Member

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Board Member

Iwona Makarewicz
Board Member

(All amounts in PLN thousands unless otherwise stated)

31.4 Cash flow statement

	Note	6 months ended 2017-06-30	6 months ended 2016-06-30
Cash flow from operating activities			
Cash generated from operations	30.14	(692)	(862)
Inerest paid		0	(1 376)
Net cash generated from operating activities		**(692)**	**(2 238)**
Cash flows from investing activities			
Loans granted		(2 592)	(16 177)
Loan repayments received		87 391	63 055
Interest received		2 211	4 428
Net cash generated from investing activities		**87 010**	**51 306**
Cash flows from financing activities			
Acquisition of own shares		(142 911)	0
Loans received		0	0
Loan repayments received		0	0
Proceeds from issuance of bonds		0	0
Net cash generated from financing activities		**(142 911)**	**0**
Change in net cash and cash equivalents		**(56 593)**	**49 068**
Cash and cash equivalents at the beginning of year		**69 721**	**49 630**
Cash and cash equivalents at the end of the period		**13 128**	**98 698**

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 financial statements

31.5 Shares in subsidiaries

Name	Country	Share	30-06-2018	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 Management	Poland	100%	0	0
Impairment, the value of the shares Celtic Asset Management			0	0
			0	**0**

31.6 Long-term receivables

	30-06-2018	31-12-2017
Long-term loans to related parties, including:		
-loan	0	391 614
-interest	0	89 965
Impairment	(7 929)	(47 624)
Fair value of loans	142 703	0
	134 773	**433 955**
Long-term loans to third parties, including:		
- Dobalin interest	0	6
Fair value of loans	6	0
	6	**6**

Details of the loans granted to related parties

Related party	Fair value of loans	Interest Rate	Margin	Maturity
2/124 Gaston Investments	3 476	3M WIBOR	1,55%	on demand
3/93 Gaston Investments	3 271	3M WIBOR	1,55%	on demand
5/92 Gaston Investments	4 669	3M WIBOR	1,55%	on demand
6/150 Gaston Investments	1 586	3M WIBOR	1,55%	on demand
7/120 Gaston Investments	1 631	3M WIBOR	1,55%	on demand
12/132 Gaston Investments	3 023	3M WIBOR	1,55%	on demand
13/155 Gaston Investments	3 849	3M WIBOR	1,55%	on demand
16/88 Gaston Investments	699	3M WIBOR	1,55%	on demand

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim financial statements

31.6 Long-term receivables - cont.

18 Gaston Investments	1 068	3M WIBOR	1,55%	on demand
19/97 Gaston Investments	677	3M WIBOR	1,55%	on demand
20/140 Gaston Investments	817	3M WIBOR	1,55%	on demand
Antigo Investments	2 091	3M WIBOR	1,55%	on demand
Impairment	*(2 091)*			
Belise Investments	13 734	3M WIBOR	1,55%	on demand
Celtic Asset Management	990	3M WIBOR	1,55%	on demand
Celtic Investments Ltd	1 515	3M LIBOR	0,75%	on demand
Impairment	*(1 515)*			
Challange 18	70 827	3M WIBOR	1,55%	on demand
Elara Investments	2 565	3M WIBOR	1,55%	on demand
Gaston investments	6 723	3M WIBOR	1,55%	on demand
Impairment	*(4 323)*			
HUB Developments	2 228	3M WIBOR	1,55%	on demand
Lakia Enterprises Limited	25 191	3M WIBOR	1,55%	on demand
Smart City		3M WIBOR	1,55%	on demand
	134 773			

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

31.7 Trade receivables and other receivables

	30-06-2018	31-12-2017
Trade receivables from related parties	0	0
Trade receivables from other parties	0	0
Short-term loans with related parties, including:	191 201	0
- loans	0	16 107
- interest	0	5 514
- impairment	(16 720)	(21 621)
Fair value of loans	207 921	0
Surplus of input VAT over output VAT	0	3
Other receivables from related parties	448	429
Other receivables from other parties	96	98
Prepayments	28	3
Short-term receivables	**191 773**	**551**

Notes to the interim financial statements

31.7 Trade receivables and other receivables - cont

Details of the loans granted to related parties

Related party	Fair value of loans	The Interest Rate	Margin	Maturity
Mandy Investments	16 720	3M WIBOR	1,55%	on demand
Impairment	*(16 720)*			
Buffy Holdings No 1 Ltd	191 201	3M WIBOR	0,75%	on demand
	191 201			

31.8 Earnings per share

	6 months ended		3 months ended	
	30/06/2018	**30/06/2017**	**30/06/2018**	**30/06/2017**
Profit attributable to the shareholders in the parent company	2 783	(3 575)	(9 360)	1 351
Weighted average number of ordinary shares (in '000)	39 100	35 976	39 100	38 380
Earnings per share	0,07	(0,10)	(0,24)	0,04
Diluted profit attributable to shareholders	3 023	(3 575)	(9 120)	1 351
Weighted average number of ordinary shares (in '000)	39 100	39 354	39 100	39 354
Diluted earnings per share	0,07	(0,09)	(0,24)	0,03

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.

31.9 Borrowings, including financial leasing

	30-06-2017	31-12-2016
Long-term loans from related parties	11 554	17 153
Short-term loans from related parties	5 793	0
	17 347	**17 153**

Loan commitments at June 30, 2018 relate to: a loan from a subsidiary Lakia Enterprises (interest rate on the loan is 3M WIBOR + margin 2%), a loan from a subsidiary Lakia Investments (interest rate on the loan is 3M WIBOR + margin 1.55%) and a loan from a subsidiary Robin Investments (interest rate on the loan is 3M WIBOR + margin 1.55%, the loan is payable on the lender demand). On June 30, 2018 the loan balance from the company Lakia Enterprises amounts to 9 872 thousands PLN (capital: 7 630 thousands PLN, interest 2 242 thousands PLN); the balance of the loan from the company Lakia Investments amounts to 5 793 thousands PLN (capital: 5 259 thousand. PLN, interest 534 thousand PLN); the balance of the loan from the company Robin Investments amounts to 1 682 thousands PLN (capital: 1 600 thousand. PLN, interest 82 thousand PLN). In accordance with the intention of the Board the loans will be repaid over a period of from 3 to 5 years.

31.10 Other income

	6 months ended		3 months ended	
	30-06-2018	**30-06-2017**	**30-06-2018**	**30-06-2017**
Resolved reserves	1 829	0	[illegible]	[illegible]

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim financial statements

31.11 Administrative costs

	6 months ended		3 months ended	
	30-06-2018	**30-06-2017**	**30-06-2018**	**30-06-2017**
Advisory services	493	109	349	(991)
Salaries	480	327	251	163
Auditor's remuneration	82	150	75	150
Costs of not deductible VAT	93	104	36	28
Other services, including:	183	241	149	106
- Transport	2	10	2	1
- Taxes	6	10	3	4
- Office expenses	125	203	124	83
- Other costs	50	18	20	18
	1 331	**931**	**860**	**(544)**

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim financial statements

31.12 Financial income and expenses

	6 months ended		3 months ended	
	30-06-2018	30-06-2017	30-06-2018	30-06-2017
Interest income:				
- Bank interest	534	292	260	194
-Interest from unrelated parties	198	0	198	0
Valuation of bonds at amortized cost	0	(56)	0	(56)
Other financial income	436	439	436	423
Net exchange differences	144	1 400	115	1 400
Financial income	**1 312**	**2 075**	**1 009**	**1 961**

	6 months ended		3 months ended	
	30-06-2018	30-06-2017	30-06-2018	30-06-2017
Interest costs:				
-Interest from unrelated parties	534	292	260	194
-Interest from related parties	198	0	198	0
Financial cost from the valuation of the embedded derivative	0	(56)	0	(56)
Other financial costs	436	439	436	423
Net exchange differences	144	1 400	115	1 400
Financial costs	**1 312**	**2 075**	**1 009**	**1 961**

The net result on financing activities is mainly due to interest income (PLN 732 thousand).

31.13 Cash flow from operating activities

	30-06-2018	30-06-2017
Profit/loss before tax	3 468	(1 468)
Adjustments for:		
– exchange differences	(144)	(668)
– depreciation	0	3
– interest costs	194	1 976
– interest income	(5 511)	(6 742)
- result from the valuation of loans	3 456	(15)
- embeded derivative valuation	0	6 893
Changes in working capital:		
– changes in receivables	(39)	(12)
– changes in reserves	(1 829)	0
– change in trade and other liabilities	(287)	(829)
	(692)	**(862)**

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim financial statements

31.14 Related party transactions

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

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

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

a)Transactions with key management personnel	**30-06-2018**	**30-06-2017**
Remuneration of members of the Supervisory Board	313	150
Remuneration of members of the Board of Directors	120	120

	30-06-2018	**30-06-2017**
b) Transactions with a major investor		
Costs		
Laxey Worldwide W.A. - loan	0	323
Impairment on Laxey Worldwide W.A. loan	*(240)*	*(323)*
Fair value of loans	*240*	*0*

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim financial statements

31.14 Related party transactions - cont.

	30-06-2018	30-06-2017
c) Transactions with subsidiaries		
Revenues		
2/124 Gaston Investments	64	55
3/93 Gaston Investments	59	51
Ursa Park Smat City	0	135
5/92 Gaston Investments	91	54
6/150 Gaston Investments	26	24
7/120 Gaston Investments	29	25
8/126 Gaston Investments	20	78
9/151 Gaston Investments	7	24
10/165 Gaston Investments	11	37
11/162 Gaston Investments	0	34
12/132 Gaston Investments	58	51
13/155 Gaston Investments	69	60
15/167 Gaston Investments	10	34
16/88 Gaston Investments	12	9
18 Gaston Investments	24	29
19/97 Gaston Investments	12	10
20/140 Gaston Investments	14	11
Belise Investments	646	635
Buffy Holdings No1 Ltd	1 914	1 910
Celtic Asset Management	17	16
Celtic Investments Ltd	4	4
Challange 18	1 737	2 408
Elara Investments	49	48
Gaston Investments	116	114
Hub Developments	41	40
Lakia Enterprises Ltd	416	626
Mandy Investments	260	261
Antigo	45	73
Smart City Sp. z o.o.	0	0
IMES	0	11
Costs		
Lakia Investments	85	86
Lakia Enterprises Ltd	84	84
Gaston Investments	3	3
Robin	26	26

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim financial statements

31.14 Related party transactions - cont.

	30-06-2018	30-06-2017
Liabilities		
Lakia Investments	5 793	5 621
Lakia Enterprises Ltd	9 872	9 703
Robin Investments	1 682	1 629
Receivables		
2/124 Gaston Investments	3 476	3 989
3/93 Gaston Investments	3 271	3 620
Ursa Park Smat City	0	10 249
5/92 Gaston Investments	4 669	3 350
6/150 Gaston Investments	1 586	1 574
7/120 Gaston Investments	1 631	1 855
8/126 Gaston Investments	0	5 220
9/151 Gaston Investments	0	1 730
10/165 Gaston Investments	0	2 627
12/132 Gaston Investments	3 023	3 197
13/155 Gaston Investments	3 849	4 178
15/167 Gaston Investments	0	2 399
16/88 Gaston Investments	699	685
18 Gaston Investments	1 068	1 723
19/97 Gaston Investments	677	738
20/140 Gaston Investments	817	839
Antigo Investments	2 091	3 211
Impairment	*(2 091)*	*0*
Belise Investments	13 734	18 317
Buffy Holdings No1 Ltd	0	150 514
Celtic Asset Management	990	800
Celtic Investments Ltd	1 515	1 917
Impairment	*(1 515)*	*(1 917)*
Challange 18	70 827	175 529
Elara Investments	2 565	918
Gaston Investments	6 723	7 174
Hub Developments	2 228	2 000
Lakia Enterprises Ltd	25 191	30 677
Mandy Investments	16 720	0
Impairment	(16 720)	0
Smart City Sp. z o.o.	0	4

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim financial statements

31.14 Related party transactions - cont.

d) Transactions with other related parties	**30-06-2018**	**30-06-2017**
Costs		
Kancelaria Radców Prawnych Oleś&Rodzynkiewicz sp. komandytowa	24	36

31.15 Share capital

At the reporting date the share capital amounted to PLN 3.935 thousand. There have been no changes in share capital since the end of the reporting date 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.

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

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

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 shares were acquired based on Shareholders' Meeting resolutions of 10 May and 7 June 2017concerning acquisition and redemption of own shares. 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.

Warszawa, 27 September 2018

Report on Review of the Interim Condensed Consolidated Financial Statements

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For the Shareholders of CPD S.A.

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of a Group (the Group), in which the parent entity is CPD S.A. (the Parent) with its registered office in Warsaw, Cybernetyki 7B street, which comprise the condensed consolidated statement of financial position as of June 30, 2018, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows for the period from January 1, 2018 to June 30, 2018 and selected explanatory notes.

The Management Board of the Parent is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 *Interim Financial Reporting* published in the form of European Commission regulations.

Our responsibility is to express a conclusion on the accompanying interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with National Standard on Review Engagements 2410 consistent with International Standard on Review Engagements 2410 *Review of Interim Information Performed by the Independent Auditor of the Entity* adopted by the National Council of Statutory Auditors' resolution No. 2041/37a/2018 of March 5, 2018. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than audit conducted in accordance with National Standards on Auditing consistent with International Standards on Auditing adopted by the National Council of Statutory Auditors' resolution No. 2041/37a/2018 of March 5, 2018, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 *Interim Financial Reporting* published in the form of European Commission regulations.

Jan Letkiewicz

Statutory Auditor No. 9530
Key Audit Partner performing the review on behalf of
Grant Thornton Polska Spółka z ograniczoną odpowiedzialnością sp. k.,
Poznań, ul. Abpa Antoniego Baraniaka 88 E, Audit Firm No. 4055

Poznań, September 27, 2018.

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Report on Review of the Condensed Interim Financial Statements

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For the Shareholders of CPD S.A.

Introduction

We have reviewed the accompanying condensed interim financial statements of CPD S.A. (the Company) with its registered office in Warsaw, 7B Cybernetyki Street, which comprise the condensed statement of financial position as of June 30, 2018, condensed statement of comprehensive income, condensed statement of changes in equity, condensed statement of cash flows for the period from January 1, 2018 to June 30, 2018 and selected explanatory notes.

The Management Board of the Company is responsible for the preparation and presentation of these condensed interim financial statements in accordance with International Accounting Standard 34 *Interim Financial Reporting* published in the form of European Commission regulations.

Our responsibility is to express a conclusion on the accompanying condensed interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with National Standard on Review Engagements 2410 consistent with International Standard on Review Engagements 2410 *Review of Interim Information Performed by the Independent Auditor of the Entity* adopted by the National Council of Statutory Auditors' resolution No. 2041/37a/2018 of March 5, 2018. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than audit conducted in accordance with National Standards on Auditing consistent with International Standards on Auditing adopted by the National Council of Statutory Auditors' resolution No. 2041/37a/2018 of March 5, 2018, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Grant Thornton Polska Spółka z ograniczoną odpowiedzialnością sp. k. Audit Firm No. 4055.
General partner: Grant Thornton Polska Sp. z o.o. General Partner's Management Board: Tomasz Wróblewski – President of the Board, Dariusz Bednarski – Vice-President of the Board, Jan Letkiewicz – Vice-President of the Board. Registered office address: ul. Abpa Antoniego Baraniaka 88 E, 61-131 Poznań, Poland. Tax identification number NIP: 782-25-45-999. REGON: 302021882. Bank account: 31 1090 1476 0000 0001 3554 7340.
District Court Poznań – Nowe Miasto i Wilda in Poznań, 8th Commercial Division of the National Court Register, KRS No. 0000407558.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 *Interim Financial Reporting* published in the form of European Commission regulations.

Jan Letkiewicz

Statutory Auditor No. 9530
Key Audit Partner performing the review on behalf of
Grant Thornton Polska Spółka z ograniczoną odpowiedzialnością sp. k.,
Poznań, ul. Abpa Antoniego Baraniaka 88 E, Audit Firm No. 4055

Poznań, September 27, 2018