

# QUARTERLY REPORT FOR III QUARTER OF 2018



**CPD S.A.**

**QUATERLY REPORT FOR 3<sup>rd</sup> QUARTER 2018**

**TRANSLATORS' EXPLANATORY NOTE**

The following document is a free translation of the 3Q 2018 report of CPD S.A. published on 27<sup>th</sup> of November 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 .....	3
1.	INFORMATION OF CPD CAPITAL GROUP .....	3
2.	CAPITAL GROUP'S STRUCTURE .....	4
3.	SELECTED FINANCIAL DATA .....	6
4.	IMPORTANT EVENTS IN THE REPORTING PERIOD .....	12
5.	FACTORS AND EVENTS OF UNUSUAL NATURE .....	19
6.	SEASONALITY AND PERIODICITY OF THE GROUP ACTIVITIES .....	19
7.	WRITE-DOWNS OF INVENTORIES TO FAIR VALUES .....	19
8.	WRITE-DOWNS OF INVESTMENT PROPERTIES TO FAIR VALUES .....	20
9.	CREATION, INCREASE, UTILISATION AND REVERSEAL OF PROVISIONS .....	20
10.	PROVISIONS AND DEFERRED TAX ASSETS .....	20
11.	ACQUISITION AND SALE OF PROPERTY, PLANT AND EQUIPMENT .....	20
12.	IMPORTANT COMMITMENTS FOR PURCHASE OF PROPERTY, PLANT AND EQUIPMENT .....	20
13.	IMPORTANT SETTLEMENTS OF LAWSUITS .....	20
14.	PREVIOUS PERIODS ERRORS' CORRECTION .....	21
15.	CHANGES IN THE ECONOMIC SITUATION AND BUSINESS CONDITIONS AFFECTING THE FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES OF THE COMPANY .....	21
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 .....	21
17.	TRANSACTIONS WITH RELATED PARTIES CONCLUDED ON OTHER THAN MARKET CONDITIONS .....	21
18.	INFORMATION ON THE CHANGES IN THE APPROACH USED TO DETERMINE THE FAIR VALUE OF FINANCIAL INSTRUMENTS .....	21
19.	CHANGES IN THE CLASSIFICATION OF FINANCIAL ASSETS .....	21
20.	ISSUANCE, REDEMPTION AND REPAYMENT OF NON-STOCK AND EQUITY SECURITIES .....	21
21.	INFORMATION RELATED TO DIVIDEND .....	22
22.	EVENTS AFTER THE DATE OF PREPARATION OF FINANCIAL STATEMENTS .....	22
23.	CHANGES RELATED TO CONDITIONAL LIABILITIES OR ASSETS .....	24
24.	THE MANAGEMENT BOARD'S POSITION ON THE PREVIOUSLY PUBLISHED FINANCIAL FORECASTS ..	24
25.	SHAREHOLDERS ENTITLED TO AT LEAST 5% OF VOTES AT THE GENERAL MEETING OF SHAREHOLDERS .....	24
26.	THE COMPANY'S SHARES HELD BY THE MANAGING AND SUPERVISING PARTIES .....	25
27.	COURT, ADMINISTRATIVE AND ARBITRATION PROCEEDINGS FOR A VALUE HIGHER THAN 10% OF THE COMPANY'S EQUITY .....	25
28.	MAJOR LOAN AGREEMENTS, LOAN WARRANTIES AND GUARANTEES GRANTED .....	25
29.	THE SUPERVISORY BOARD AND THE MANAGEMENT BOARD .....	26
30.	OTHER IMPORTANT INFORMATION .....	26
31.	FACTORS AFFECTING RESULTS OF THE FOLLOWING QUARTERS .....	26
II.	INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT FOR THE PERIOD OF 9 MONTHS ENDED 30 SEPTEMBER 2018 ALONG WITH CONDENSED FINANCIAL STATEMENTS OF CPD S.A. ....	28

**I. OPERATING REPORT****1. INFORMATION OF CPD CAPITAL GROUP**

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

Today, CPD S.A. is the holding company controlling a group of 28 subsidiaries and two half controlled, focusing on activities in the office and residential segments. Current Group's plans focus on the residential development, mainly through the implementation of its leading project in the Warsaw's district of Ursus.

**2. CAPITAL GROUP'S STRUCTURE**

As of the day of publication hereof, the CPD Group (hereinafter referred to as "the Group", "CPD Group") was composed of a dominant entity – CPD S.A. (hereinafter referred to as "the Company") and 28 subsidiaries as well as two half controlled. Development activities of the Group are conducted via investment companies, direct subsidiaries of Buffy No1 Holdings Ltd (Cyprus) and Lakia Enterprises Ltd (Cyprus). Dominant entity - CPD S.A. - coordinates and supervises the activities of subsidiaries and at the same time is the decision making centre with regard to the strategic planning. CPD S.A. performs actions aiming at optimising the operating costs of the whole Group, designs investment and marketing policies and serves as the coordinator of this activity.

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

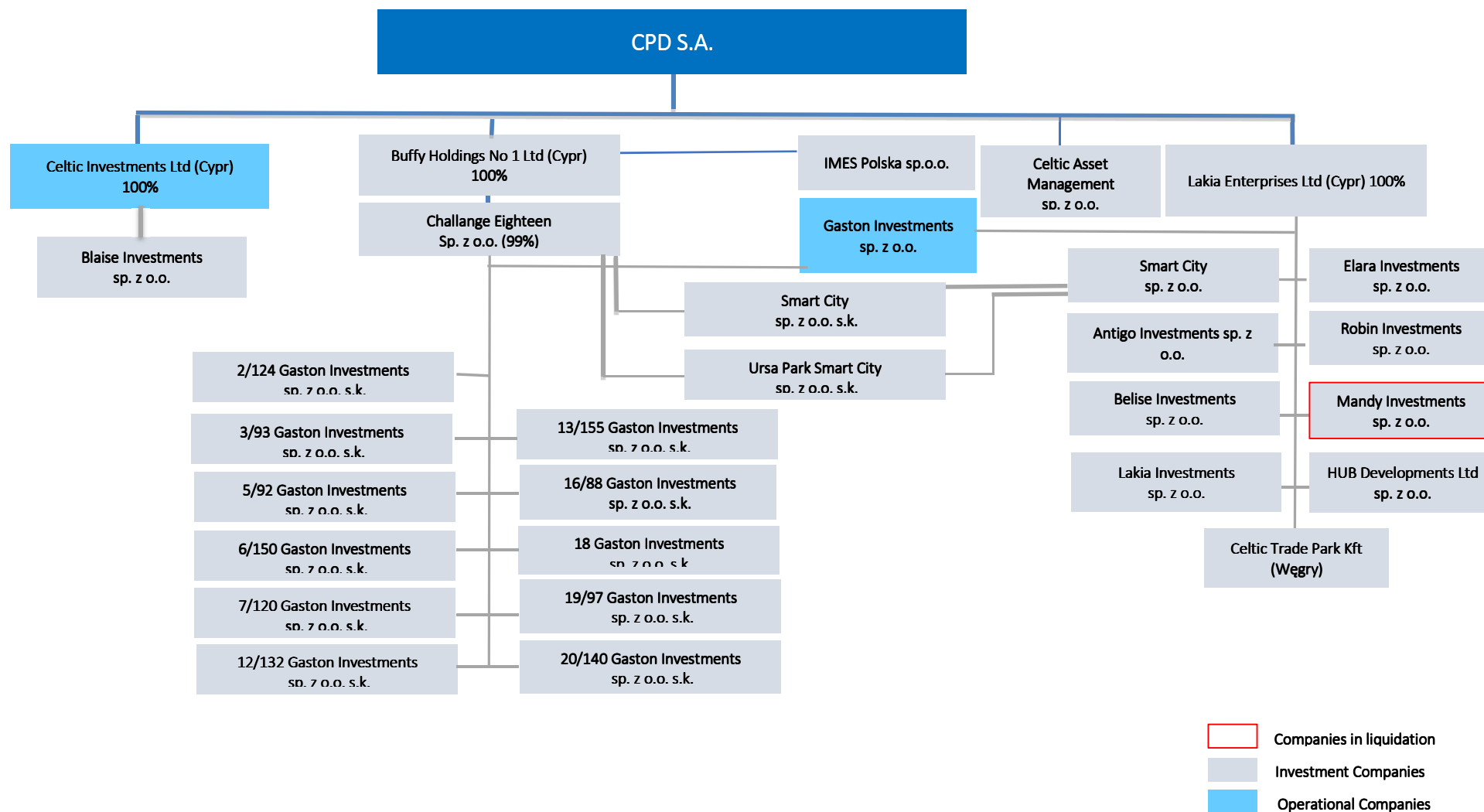
- On 29<sup>th</sup> of March 2018, the promised agreement for the sale of 100% shares in the company Bolzanus Limited based in Nicosia was concluded
- On 16<sup>th</sup> of February 2018, the promised agreement for the sale of all rights and obligations of a limited partner and general partner in the company 8/126 Gaston Investments limited liability company sp.k. with headquarters in Warsaw
- On 16<sup>th</sup> of February 2018, the promised agreement for the sale of all rights and obligations of a limited partner and general partner in the company 9/151 Gaston Investments limited liability company sp.k. with headquarters in Warsaw
- On 16<sup>th</sup> of February 2018, the promised agreement for the sale of all rights and obligations of a limited partner and general partner in the company 10/165 Gaston Investments limited liability company sp.k. with headquarters in Warsaw
- On 16<sup>th</sup> of February 2018, the promised agreement for the sale of all rights and obligations of a limited partner and general partner in the company 15/167 Gaston Investments limited liability company sp.k. with headquarters in Warsaw

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 reconciliated with the equity method.

# CPD S.A.

QUARTERLY REPORT FOR 3<sup>rd</sup> QUARTER 2018

CPD Group's structure as on 30 September 2018.



## 3. SELECTED FINANCIAL DATA

## Selected items of the consolidated statement of comprehensive income

	3 months period		Change (%)
	From 01.07.2018 to 30.09.2018 (PLN ths.)	From 01.07.2017 to 30.09.2017 (PLN ths.)	
Revenue	4 457	4 791	-7,0%
Cost of sales	-525	-563	-6,7%
<b>Gross profit</b>	<b>3 932</b>	<b>4 228</b>	<b>-7,0%</b>
Administrative expenses - property related	-1 896	-1 778	6,6%
Other administrative expenses	-1 706	-1 800	-5,2%
Selling and marketing costs	-386	-112	244,6%
Gain (loss) on disposal of investment properties	102	0	-
Other income	1 098	208	427,9%
Gain (loss) on revaluation of investment properties	-4 309	2 851	-251,1%
Change in write-downs of receivables	-38	-191	-80,1%
Post-tax share of the profit or loss of the joint-venture accounted for using the equity method	-848	196	-532,7%
Gain (loss) on disposal of subsidiaries	-1 056	5 000	-121,1%
<b>Profit/Loss from operations</b>	<b>-5 107</b>	<b>8 602</b>	<b>-159,4%</b>
Finance income	210	-1 619	-113,0%
Finance costs	805	-2 932	-127,5%
<b>Profit/Loss before tax</b>	<b>-4 092</b>	<b>4 051</b>	<b>-201,0%</b>
Income tax	-178	-1 030	-82,7%
<b>Profit/Loss for the period</b>	<b>-4 270</b>	<b>3 021</b>	<b>-241,3%</b>
Earnings per share (PLN)	-0,11	0,08	-241,3%
Diluted earnings per share (PLN)	-0,11	0,08	-241,3%

Description of financial results for the period of 3 months from July 1, 2018 to September 30, 2018

In the third quarter of 2018, the CPD SA Group recorded a net loss of PLN 4.3 million. The main factor having a negative impact on the net result compared to the same period of the previous year was primarily a negative result from the valuation of investment properties in the amount of PLN 4.3 million resulting from the appreciation of the zloty against the euro (the value of office buildings valued in EUR fell).

An additional negative factor affecting the Group's result was a reduction in sales revenue in relation to the corresponding period of the previous year, by 7%. Sales revenues for the third quarter of 2018 amounted to PLN 4.46 million. The largest, 75% share in this amount was represented by rental revenues in the amount of PLN 3.3 million. Rental revenues were generated by 3 office buildings in Warsaw - Aquarius building at 31a Połczyńska Street, Solar building at Cybernetyki 7B street and Iris building at Cybernetyki 9 street.

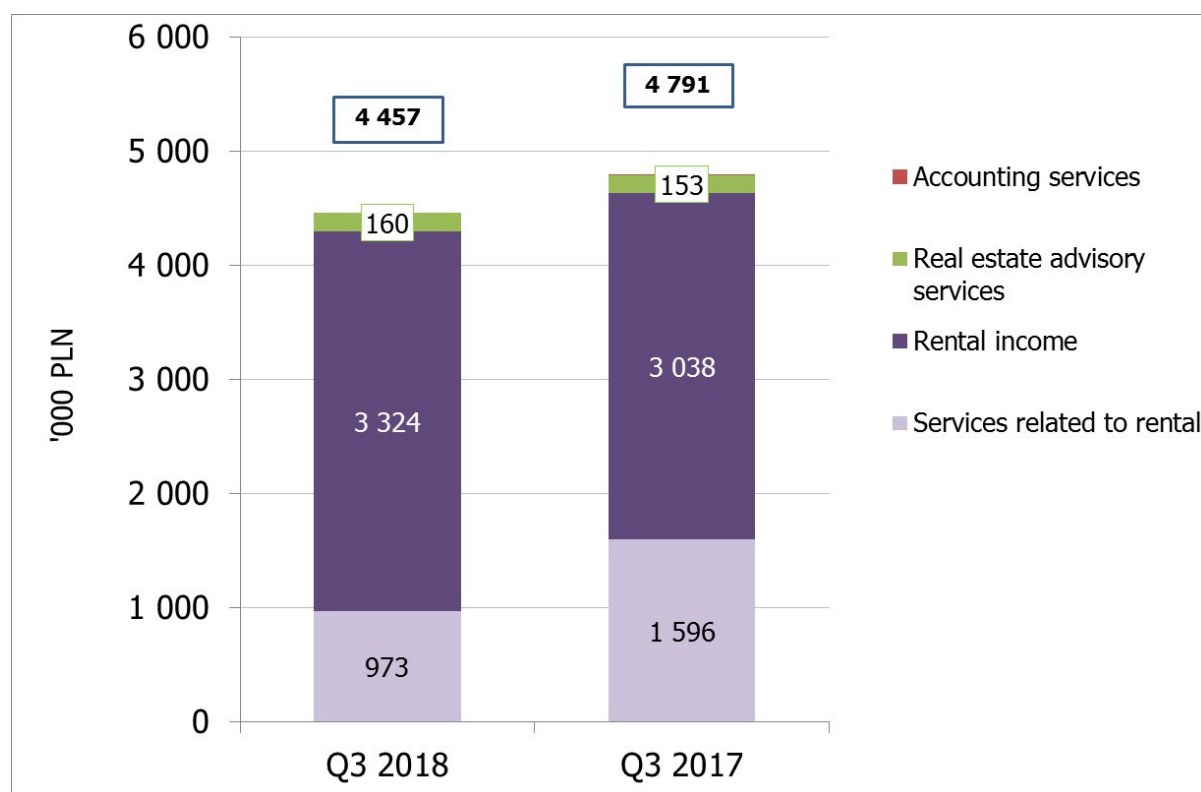
Among the factors that positively influenced the Group's results in the third quarter of 2018 compared to the same period of the previous year, the main role was played by the increase in other operating income in the amount of PLN 0.89 million and improvement in financial revenues and costs in the total amount of PLN 5.57 million.

Other revenues amounted to PLN 1.1 million in the third quarter of 2018 and resulted from the release of the provision for risks related to property tax.

The improvement in financial revenues and costs was the result of the strengthening of the zloty against the euro in the third quarter of 2018 (the value of debt denominated in euro fell).

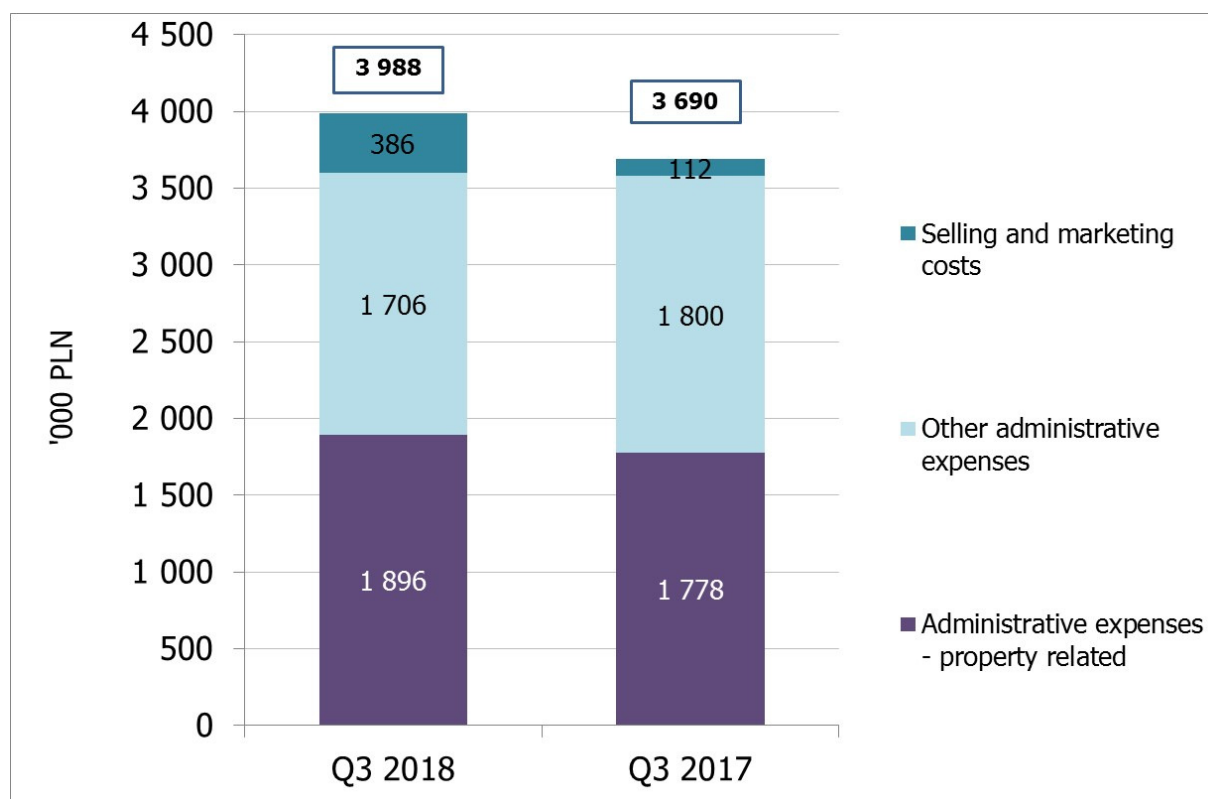
In the third quarter of 2018, the Group did not register any revenues from the sale of inventories.

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



The operating costs also changed negatively (an increase of PLN 0.3m).

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



### Selected items of the consolidated statement of comprehensive income

	9 months period		Change (%)
	From 01.01.2018 to 30.09.2018 (PLN ths.)	From 01.01.2017 to 30.09.2017 (PLN ths.)	
Revenue	16 976	15 123	12,3%
Cost of sales	-4 319	-2 099	105,8%
<b>Gross profit</b>	<b>12 657</b>	<b>13 024</b>	<b>-2,8%</b>
Administrative expenses - property related	-5 668	-4 657	21,7%
Other administrative expenses	-5 086	-6 391	-20,4%
Selling and marketing costs	-583	-440	32,5%
Gain (loss) on disposal of investment properties	-9 233	-72	12723,6%
Other income	3 085	400	671,3%
Gain (loss) on revaluation of investment properties	2 492	-8 339	-129,9%
Change in write-downs of receivables	-133	-252	-47,2%
Post-tax share of the profit or loss of the joint-venture accounted for using the equity method	-645	8 871	-107,3%

**CPD S.A.****QUARTERLY REPORT FOR 3<sup>rd</sup> QUARTER 2018**

Gain (loss) on disposal of subsidiaries	18 422	7 680	139,9%
<b>Profit from operations</b>	<b>15 308</b>	<b>9 824</b>	<b>55,8%</b>
Finance income	939	4 317	-78,2%
Finance costs	-6 360	-12 717	-50,0%
<b>Profit before tax</b>	<b>9 887</b>	<b>1 424</b>	<b>594,3%</b>
Income tax	4 374	-2 373	-284,3%
<b>Profit/Loss for the period</b>	<b>14 261</b>	<b>-949</b>	<b>-1602,7%</b>
<hr/>			
Earnings per share (PLN)	0,36	-0,03	-1517,4%
<hr/>			
Diluted earnings per share (PLN)	0,36	-0,02	-1602,7%
<hr/>			

Description of financial results for the period of 9 months from January 1, 2018 to September 30, 2018

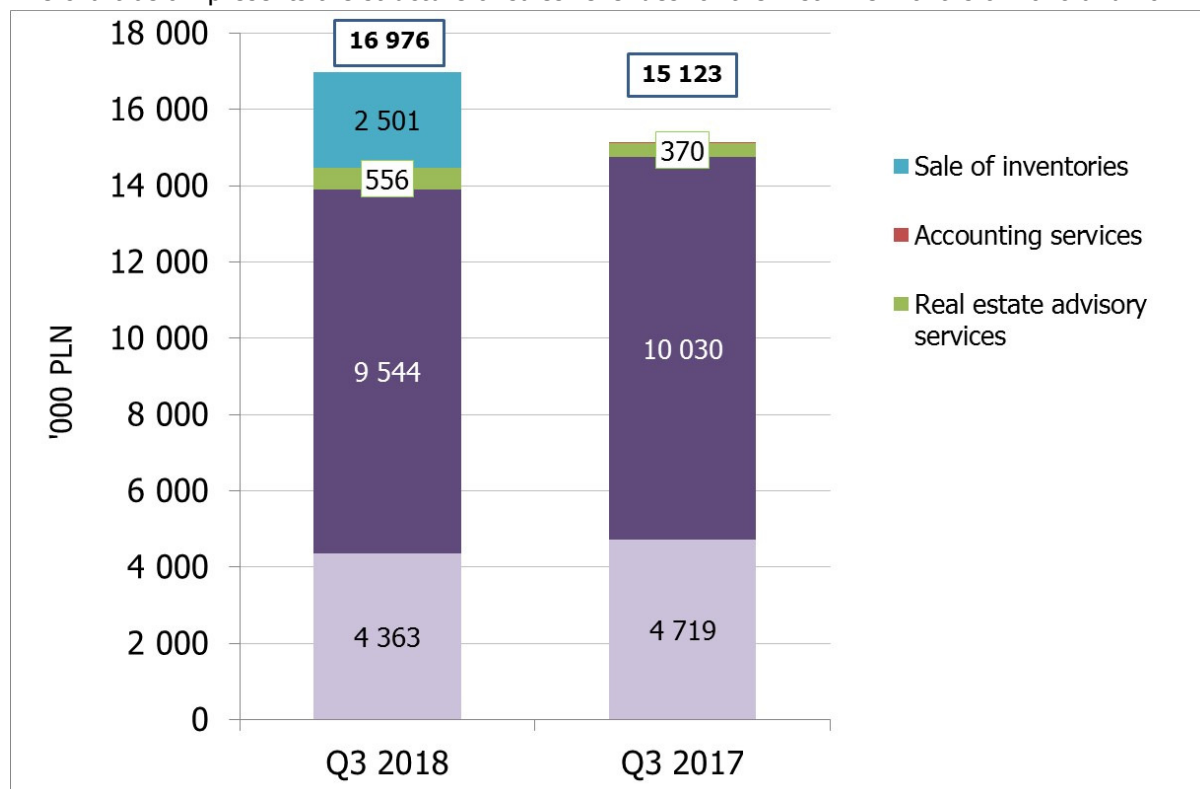
In the approach growing at the end of September 2018, the net profit of the CPD SA Group reached the level of PLN 14.3 million. It is worth noting that the Group's result improved significantly compared to the same period of 2017, when the Group's result was negative. However, the profit on sales amounted to PLN 12.7 million. This profit decreased by 2.8% compared to the same period of the previous year.

Among the factors that positively influenced the Group's results in the period from January to September 2018 compared to the same period of 2017, the main role was played by the profit on sales of subsidiaries in the amount of PLN 18.4 million, a positive result from the valuation of investment properties in the amount of 2, PLN 5 million, a decrease in financial costs by PLN 6.4 million, a decrease in other administrative expenses by PLN 1.3 million and an increase in other operating revenues in the amount of PLN 2.7 million.

The profit on the sale of subsidiaries was the result of the conclusion of contracts for the sale of all rights and obligations in four limited partnerships, as well as shares in one limited liability company, leading to the sale of land property rights located in Warsaw in the Ursus district. The positive result from the valuation of investment properties was the result of positive exchange rate differences from the revaluation of office properties belonging to the CPD Group. The decrease in financial expenses was due, among others, to the repayment and conversion in 2017 of liabilities due to bonds issued. However, the reduction of other administrative costs was possible due to a significant reduction in the costs of consultancy services. The increase in other operating revenues resulted from the release of provisions for tax risks in 2018.

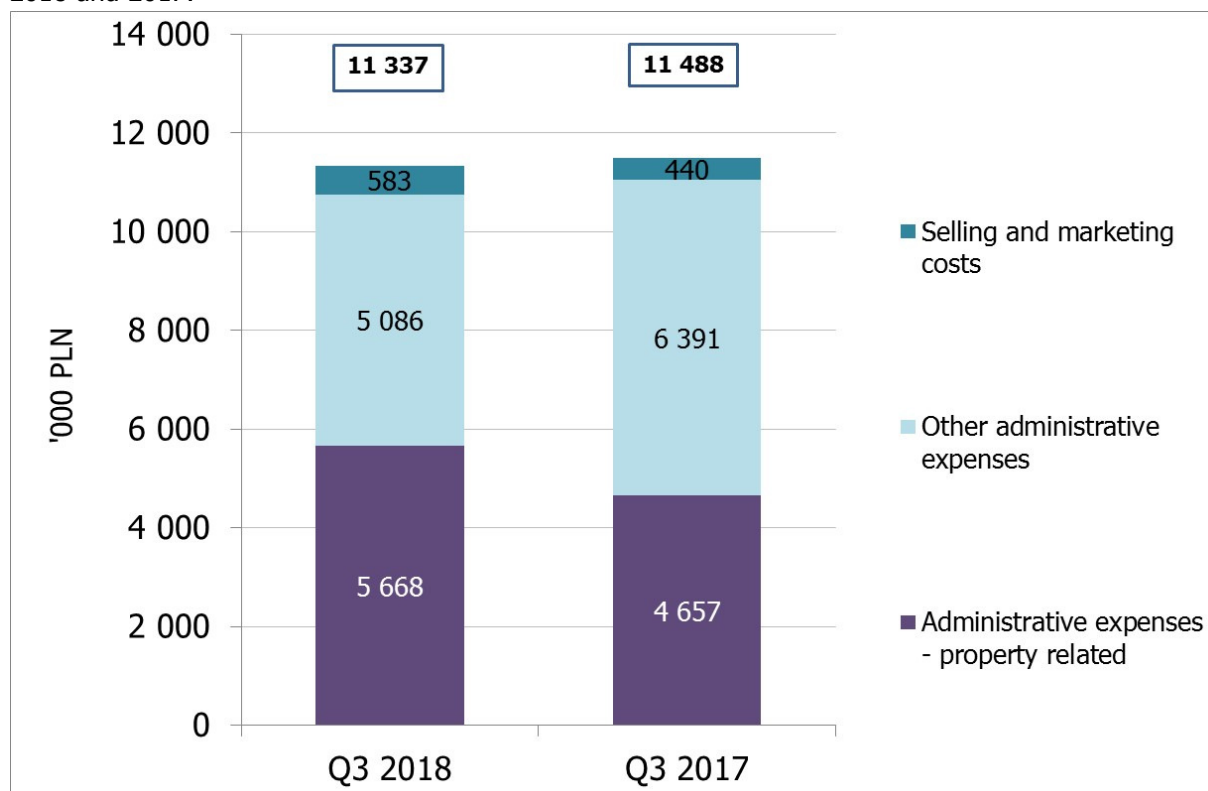
On the other hand, the main factor having a negative impact on the net results in the first nine months of 2018 compared to the analogous period of 2017 was the signing of a parcel donation of 1.7 ha to the capital city of Warsaw, designated in the local spatial development plan for educational buildings. The above transaction was reflected in the Group's report as a loss on the sale of investment properties in the amount of PLN 9.2 million. In addition, the CPD SA Group recorded a worse result from joint ventures (the difference amounted to PLN 9.5 million). Another unfavorable event was the drop in sales profit in the amount of PLN 0.4 million caused by lower rental income.

The chart below presents the structure of sales revenues for the first nine months of 2018 and 2017.



Revenues from sales increased because in 2018 the Group recorded revenues from the sale of inventory in the amount of PLN 2.5 million.

The chart below presents the structure of the Group's operating expenses for the first nine months of 2018 and 2017.



The value of operating costs did not change significantly compared to 2017.

**Selected items of the consolidated statement of financial position**

		As at:		Change
		30.09.2018	31.12.2017	
		(PLN ths.)	(PLN ths.)	(%)
<b>TOTAL ASSETS</b>		<b>597 166</b>	<b>761 000</b>	<b>-21,5%</b>
<b>Non-current assets, including:</b>		<b>495 703</b>	<b>536 455</b>	<b>-7,6%</b>
	<i>Investment properties</i>	445 355	471 715	-5,6%
	<i>Investments in joint ventures accounted for using the equity method</i>	49 237	63 072	-21,9%
<b>Current assets, including:</b>		<b>101 463</b>	<b>224 545</b>	<b>-54,8%</b>
	<i>Assets held for sale</i>	0	68 539	-100,0%
	<i>Inventory</i>	2 911	5 421	-46,3%
	<i>Trade and other receivables</i>	9 870	7 282	35,5%
	<i>Cash and cash equivalents</i>	88 682	143 303	-38,1%
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>597 166</b>	<b>761 000</b>	<b>-21,5%</b>
<b>Equity, including:</b>		<b>343 012</b>	<b>471 719</b>	<b>-27,3%</b>
	<i>Share capital</i>	3 935	3 935	0,0%
	<i>Reserve capital</i>	987	987	0,0%
	<i>Own shares for redemption</i>	-160 110	-17 199	830,9%
	<i>Fair value of capital element at inception date</i>	-27 909	-27 909	0,0%
	<i>Translation reserve</i>	-5 515	-5 458	1,0%
	<i>Retained earnings</i>	531 624	517 363	2,8%
<b>Total liabilities, including:</b>		<b>254 154</b>	<b>289 281</b>	<b>-12,1%</b>
	<i>Non-current liabilities</i>	140 668	151 893	-7,4%
	<i>Current liabilities</i>	113 486	137 388	-17,4%

At the end of September 2018, the total value of the Group's assets decreased by 21.5% compared to the end of 2017. The decrease resulted mainly from the failure to complete the process of redemption of own shares purchased within the framework of the purchase carried out by the Company in Q2 2015. The company is still the owner of the purchased shares. In addition, the donation of a plot dedicated to educational purposes to the capital city of Warsaw contributed to a reduction in the value of the Group's assets.

The value of current assets dropped by 55% due to the purchase of own shares carried out by the Company in Q2. Br. At the end of September 2018, equity amounted to PLN 343 million, representing 57.4% of the total assets of the Group, while liabilities accounted for 42.6% of total assets. These indicators changed slightly compared to the end of 2017 (62% and 38% respectively). The decrease was caused by the purchase of own shares for redemption. In the first nine months of 2018, the value

of liabilities decreased significantly, among others due to the sale of real estate, settlement of the part of received deposits in revenues and the release of provisions.

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

	30.09.2018	31.12.2017
<b>Liabilities to total assets</b>	<b>42,6%</b>	<b>38,0%</b>
<b>Non-current liabilities to total assets</b>	<b>23,6%</b>	<b>20,0%</b>
Borrowings including finance leases	17,9%	14,9%
Deferred income tax liabilities	5,3%	4,8%
Trade and other payables	0,4%	0,3%
<b>Current liabilities to total assets</b>	<b>19,0%</b>	<b>18,1%</b>
Borrowings including finance leases	4,5%	3,5%
Trade and other payables	14,5%	14,0%
Payables linked to assets held for sale	0,0%	0,5%

The structure of liabilities has also changed slightly. The share of long-term debt in the balance sheet total increased from 20% at the end of December 2017 to 23.6% at the end of September 2018. The share of short-term debt increased from 18.1% as at December 31, 2017 to 19% as at September 30, 2018. The resulting differences mainly result from the acquisition of own shares made in 2018 and the depreciation of the zloty in the comparative periods.

#### 4. IMPORTANT EVENTS IN THE REPORTING PERIOD

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

16<sup>th</sup> 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 Challenge Eighteen limited liability company with its registered office in Warsaw concluded a General Shareholders' Rights and Obligations Sale Agreement in Subsidiaries 8/126 Gaston Investmenst spółka z ograniczoną odpowiedzialnością spółka komandytowa with its registered office in Warsaw, 9/151 Gaston Investmenst spółka z ograniczoną odpowiedzialnością spółka komandytowa with its registered office in Warsaw, 10/165 Gaston Investmenst spółka z ograniczoną odpowiedzialnością spółka komandytowa with its registered office in Warsaw, 15/167 Gaston Investmenst spółka z ograniczoną odpowiedzialnością spółka komandytowa with its registered office in Warsaw. The transaction value is PLN 82,000,000.

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

99% of all rights and obligations in the Companies, had the company Gaston Investments spółka z ograniczoną odpowiedzialnością with its registered office in Warsaw, which is a subsidiary of CPD S.A. on the other hand, 1% of total rights and obligations in the Companies were held by the Challenge 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<sup>nd</sup> of February 2018 the subsidiary of Issuer 18 Gaston Investments sp. z o.o. sp. k., with its registered office in concluded a conditional agreement for the sale of the perpetual usufruct right to the real property comprising plot no. 148/2, no. 2-09-09 with an area of 837 m<sup>2</sup>, 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.

29<sup>th</sup> 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 m<sup>2</sup>, 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.**

22<sup>nd</sup> 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 m<sup>2</sup>, 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 m<sup>2</sup>, 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**

22<sup>nd</sup> 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 m<sup>2</sup> 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.

29<sup>th</sup> 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**

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

Repayment security for the debts to the Bank's claims arising 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: Challenge 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 Challenge Eighteen sp. z o.o. on submission to enforcement by the Bank in the manner defined in Article 777 §1.6 of the Civil Code directly under such deed up to the maximum amount of PLN 40,000,000.00 from the pledged assets to satisfy the cash liability due to the Bank under this Agreement as amended from time to time,
- 7) statement of CPD S.A. on submission to enforcement in the manner defined in Article 777 §1.5 of the Civil Code directly under such deed and from all their assets should they be in default with payment of any cash sums due to the Bank as liabilities under this Agreement as amended from time to time, up to the maximum amount of PLN 40,000,000.00;
- 8) debt accession by CPD S.A. with a power-of-attorney to manage the accounts held at the Bank.

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

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

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

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

- **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**

3<sup>rd</sup> 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 Frąckowiak spółka z ograniczoną odpowiedzialnością sp. k. with its registered office in Poznań, located at 88 Antoniego Baraniaka Street, entered the list of entities authorized to audit financial statements under number 4055, on the auditor authorized to:

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

and

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

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

## **CPD S.A.**

QUARTERLY REPORT FOR 3<sup>rd</sup> QUARTER 2018

- **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 3<sup>rd</sup> 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 FOR MAKING A SALE OFFER**

On 29<sup>th</sup> May 2018, the Company published an invitation to submit offers to sell its 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 partially implemented - reduced on average by 68.8% at the time of settlement, ie June 20, 2018.

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

18<sup>th</sup> of June 2018 received the resignation from the member of the Audit Committee from the function of the member. Mr. Wiesław Oleś, who is a Chairman of the Audit Committee of the Company resign from the function of Audit Committee with day of the forthcoming Extraordinary General Meeting of the Company with the changes in the supervisory board in its agenda. Mr. Wiesław Oleś did not give reasons for the resignation.

- **PURCHASE OF THE COMPANY'S OWN SHARES**

On 29<sup>th</sup> of May 2018 as a result of the settlement on 20 June 2018, the Company announced, the Invitation to Submit Proposals for Sales of Shares of the Company, purchased through a brokerage house Pekao Investment Banking S.A. with its registered seat in Warsaw, 11,581,100 shares of the Company (own shares).

The purchase price per share is 12,34 zł.

All the purchased shares are ordinary shares with a nominal value of 0.10 zł each. The purchased own shares of CPD S.A. (number of the 11,581,100 shares) represent 29,43 % of the Company's share capital and represent 11,581,100 votes at the General Meeting of the Company (29,43 % of voting rights at the General Meeting of the Company).

Prior to the above mentioned purchase of 11,581,100 own shares, the Company already owned other than those indicated above, number of the 1,401,792 shares own shares representing 3,56 % of the Company's share capital and representing 1,401,792 votes at the General Meeting of the Company (3,56 % of voting rights at the General Meeting of the Company).

In connection with the above, the Company jointly holds 12,982,892 own shares, representing jointly 32.99% of the share capital of the Company, except that in accordance with applicable regulations, the Company is not allowed to exercise the voting rights attached to own shares.

- **CONCLUSION OF A CONDITIONAL SALE AGREEMENT RIGHTS TO PERPETUAL USUFRUCT OF A REAL ESTATE OWNED BY A SUBSIDIARY OF THE ISSUER**

The subsidiary of Issuer 5/92 Gaston Investments spółka z ograniczoną odpowiedzialnością sp. k., 31st of July 2018 concluded a conditional agreement for the sale of the perpetual usufruct right to the property comprising plot no. 92/2, no. 2-09-09 with an area of 30,594 m<sup>2</sup>, located in Warsaw, Ursus District with UDI Tau spółka z ograniczoną odpowiedzialnością.

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

The Purchaser paid an advance payment of 10% of the price. In order to secure the advance payment by the Seller, he established a mortgage on the Seller's share in the real property up to the amount equivalent to the 200% of the advance payment and voluntarily submit itself to enforcement pursuant to article 777.1.4 of the Code of Civil Proceedings for its obligation to return the single advance payment.

The selling price of perpetual usufruct right has been set at about PLN 50,016,000 ("Price").

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

- **APPOINTMENT OF THE SUPERVISORY BOARD MEMBERS OF S.D. FOR A NEW TERM**

## **CPD S.A.**

QUARTERLY REPORT FOR 3<sup>rd</sup> QUARTER 2018

On 14th of September 2018, the Extraordinary General Meeting of the Company adopted a resolution on the appointment of members of the Supervisory Board of CPD S.A. for fourth term.

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.

## **5. FACTORS AND EVENTS OF UNUSUAL NATURE**

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

## **6. SEASONALITY AND PERIODICITY OF THE GROUP ACTIVITIES**

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

## **7. WRITE-DOWNS OF INVENTORIES TO FAIR VALUES**

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

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

In the third quarter of 2018, the Group recorded a negative result from the valuation of investment properties to fair value in the amount of PLN 4.3 million. The fall in valuations resulted from the strengthening of the Polish currency against the euro.

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

In the third quarter of 2018, the value of passive accruals decreased by PLN 0.9 million. This decrease resulted from the release of the provision for property tax costs in one of the subsidiaries.

**10. PROVISIONS AND DEFFERED TAX ASSETS**

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

As at 31 September 2018, the Group's deferred tax liability amounted to PLN 31.6 million. The value of liabilities on this account increased in the third quarter by PLN 0.06 million.

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

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

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

Not occurred.

**13. IMPORTANT SETTLEMENTS OF LAWSUITS**

Not occurred.

**14. PREVIOUS PERIODS ERRORS' CORRECTION**

Not occurred.

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

In the third quarter of 2018, there were no changes in the economic situation that had a significant impact on the fair value of the Group's assets and liabilities.

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

Not occurred.

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

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

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

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

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

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

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

Not occurred.

**21. INFORMATION RELATED TO DIVIDEND**

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

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

- **THE AMENDED TO THE INVESTMENT AGREEMENT CONCLUDED BY CPD S.A. AND ITS SUBSIDIARIES**

As an execution of the Investment Agreement on joint construction project consisting in realisation of a complex of residential buildings with ancillary infrastructure in Ursus district in Warsaw, on 26<sup>th</sup> of October 2018, the Amendment and rested to the Investment Agreement was adopted.

The parties to the Amendment to the Agreement are the same parties as to the Investment Agreement, ie: Issuer, Challenge Eighteen sp. o.o., URSA PARK Smart City limited liability limited partnership, Lokia Enterprise Ltd and Unibep S.A. and Unidevelopment S.A..

The subject matter of the Amendment to the Agreement is the amend the Investment Agreement by revoking its wording in full and replacing it and extending the scope of the project implementation to the whole of the following property. The Amendment to the Agreement provides for the joint implementation of investment building on the property owned by the Group CPD S.A. ie. the company URSA PARK Smart City limited liability limited partnership, which is the perpetual usufructuary of plots No. 113/1, 113/2, 113/4, 113/6 and 113/7 no. rpm. reg. no. 2-09-09, with an area of 4,944 ha and is located at Traktorzystów Street in Warsaw (Warsaw district – Ursus).

Part of the Property of ca. 1.36 ha is currently used for construction in two stages of residential buildings with shops and ancillary infrastructure, with a total usable area of approx. PLN 21,000 PUM/PUU, whose the general contractor is the company Unibep S.A. and the company Unidevelopment S.A. provides services of investor representation (Project 1).

The two subsequent projects, each divided into two stages, will consist in construction of a complex of residential buildings with shops and ancillary infrastructure, with a total usable area of over 40,000. PUM / PUU (Project 2 and Project 3). Project 2 will start further to fulfilment by Unidevelopment of the obligation provided in the Amended Agreement concerning capital engagement in the Limited Partnership, which should take place within 14 days of execution of the Amended Agreement. Project 3 is expected to start in the 1st quarter of 2019, however the final date of commencement of that stage of the Investment will be set in a separate decision.

The amended to the Agreement also includes marketing activities related to the sale of units produced under the Projects, and then on the total sales of usable space of the Project, profit division regulations from the sale of Project, and other financial settlements between the Parties and possible liability for infringement of the Agreement, with each Party's contractual penalties being limited to 5 million zł.

Participation of CPD S.A. Group in the Project relay on: implementation of the Project on the Property belonging to the Limited Partnership and the provision by Gaston Investments sp. o.o. of financial and operational control and supervision of Unibep S.A. as the general contractor.

The amended to the Agreement will become effective on condition of fulfilment by Unidevelopment S.A. of the afore-mentioned obligation of capital engagement in the Limited Partnership within 14 days of execution thereof and on condition of agreement (acceptance) by the Parties to all schedules to the Agreement by 15 November 2018. If the Amended Agreement does not become effective, the Parties will adhere to the investment agreement in its previous wording.

## **CPD S.A.**

QUARTERLY REPORT FOR 3<sup>rd</sup> QUARTER 2018

### **• FULFILLING THE CONDITIONS OF THE INVESTMENT AGREEMENT CONCLUDED BY CPD S.A. AND SUBSIDIARIES**

Unidevelopment S.A. made the first part of the own contribution required by the provisions of the Investment Agreement. At the same time, all attachments to the Investment Agreement were agreed (accepted), which was a condition for the entry into force of this Investment Agreement from 22 February 2017.

### **• CONCLUSION OF A PRELIMINARY SALES AGREEMENT, APPLICABLE LAW FOR THE USE OF PERSONAL REAL ESTATE BELONGING TO THE ISSUER'S SUBSIDIARIES**

On November 15, 2018, subsidiaries of Issuer 2/124 Gaston Investments limited liability company sp. K. With headquarters in Warsaw and 3/93 Gaston Investments limited liability company sp. K. With headquarters in Warsaw, entered into a preliminary agreement for the sale of perpetual usufruct right real estate consisting of plot No. 124/2, No. 2-09-09 with an area of 10,726 m<sup>2</sup> and plot No. 93/3, No. 2-09-09 with an area of 25,830 m<sup>2</sup>, located in Warsaw, Ursus district for NEOTOWNS 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 PLN 70,669.350.

The buyer paid an advance of 10% of the price. In order to secure the return of the advance payment by the Selling Companies, they established a joint mortgage on the perpetual usufruct right for the above-mentioned property up to the amount equivalent to the advance payment plus possible contractual penalties and voluntarily submitted to enforcement pursuant to art. 777 of the Code of Civil Procedure regarding the obligation to return the advance payment plus any contractual penalties.

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

### **• REGISTRATION OF THE CROSS-BORDER CONNECTION CPD S.A. AND BUFFY HOLDINGS NO. 1 LIMITED**

On 22<sup>nd</sup> November 2018 merger of the Company with the Issuer's subsidiary was registered. Subsidiary is BUFFY HOLDINGS NO. 1 LIMITED with its registered office in Nicosia, Cyprus, a limited liability company established under Cypriot law, address: Kyriakou Matsi, 24, Palaichori, 2740, Nicosia, Cyprus, entered into the companies register kept by the Ministry of Energy, Trade, Industry and Tourism of the Republic of Cyprus under registration number HE 166076 ("BUFFY" or "Acquired Company").

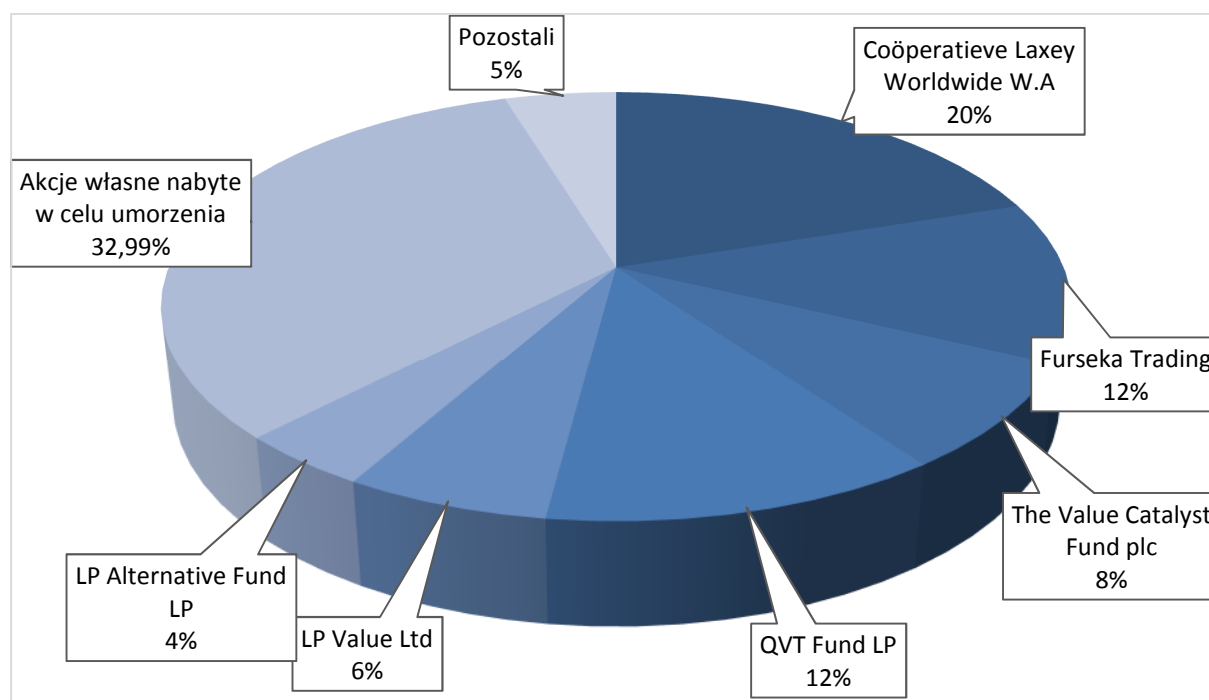
The merger took place through the transfer of all assets of BUFFY to the Company, i.e. by way of the takeover of the company BUFFY in the mode specified in art. 492 § 1 point 1) of the Code of Commercial Companies and the definition of the word "merger" in Section 201I (c) of the Cypriot Law on Companies, Cap. 113 on the terms specified in the Merger Plan adopted on 22/12/2017. According to the content of art. 494 § 1 k.s.h. the Issuer entered into merger with all the rights and obligations of the Acquired Company. Due to the fact that the Company was the only shareholder of BUFFY, the merger was carried out without increasing the share capital of the Company.

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

Not occurred.

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

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

**25. SHAREHOLDERS ENTITLED TO AT LEAST 5% OF VOTES AT THE GENERAL MEETING OF SHAREHOLDERS****CPD S.A. SHAREHOLDING STRUCTURE**

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

Shareholder	Amount of owned shares	Type of shares	Amount of owned votes	Sherholder structure (amount of voices)	Sherholder structure (amount of shares)
<b>Coöperatieve Laxey Worldwide W.A</b>	7 847 981	Na okaziciela	7 847 981	19.94 %	19.94 %
<b>Furseka Trading</b>	4 776 467	Na okaziciela	4 776 467	12.14 %	12.14 %
<b>The Value Catalyst Fund plc</b>	3 142 617	Na okaziciela	3 142 617	7.99 %	7.99 %

**CPD S.A.****QUARTERLY REPORT FOR 3<sup>rd</sup> QUARTER 2018**

<b>QVT Fund LP</b>	4 719 516	Na okaziciela	4 719 516	11.99 %	11.99 %
<b>LP Value Ltd</b>	2 417 419	Na okaziciela	2 417 419	6.14 %	6.14 %
<b>LP Alternative Fund LP</b>	1 600 265	Na okaziciela	1 600 265	4.07 %	4.07 %
<b>Akcje własne nabyte w celu umorzenia</b>	12 982 892	Na okaziciela	12 982 892	32.99%	32.99%
<b>Other</b>	1 866 866	Na okaziciela	1 866 866	4.74 %	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 Wiczowska	President	42 498	4250	0,13%	0,13%
Iwona Makarewicz	Member	4 734	473	0,01%	0,01%
<b>TOTAL</b>		<b>47 232</b>	<b>4 723</b>	<b>0,14%</b>	<b>0,14%</b>

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

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

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

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

As of 31<sup>st</sup> of September 2018, the CPD Group in the consolidated financial statements shows the following liabilities under bank loans:

- liabilities to the bank mBank Hipoteczny S.A. in the amount of PLN 37 626 (of which PLN 22 015 is presented as a short-term portion and PLN 15 611 presented as a long-term part);
- liabilities towards Bank Zachodni WBK S.A. in the amount of PLN 68,111 (of which PLN 4,664 is presented as a short-term liability and PLN 66,447 presented as a long-term liability).

**29. THE SUPERVISORY BOARD AND THE MANAGEMENT BOARD**

As of 30<sup>st</sup> of September 2018, the composition of the Supervisory Board of the Company was as follows:

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

As of 30<sup>st</sup> of September 2018, the composition of the Management Board of the Company was as follows:

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

As of 30<sup>st</sup> of September 2018, the composition of the Audit Committee of the Company was as follows:

- Mr. Alfonso Kalinauskas - Chairman of the Audit Committee
- Mr. Mirosław Gronicki - Member of the Audit Committee
- Mr. Andrew Pegge - Member of the Audit Committee.

**30. OTHER IMPORTANT INFORMATION**

No other except those mentioned above.

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

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

- The situation on the financial markets which may affect the valuation of properties in the portfolio of the Group.
- Start and conducting construction works in the following phase of the project Smart City Ursus;
- Commercialization of the project IRIS;
- The economic trend in the housing market, which the Company operates,
- The state of global financial markets and their impact on the Polish economy and national banking system,
- Availability of mortgages, and in particular their attractiveness to potential customers,

- Timely, compliant with schedules, completion of the following phase of the project Smart City Ursus
- The availability of external financing (loans, bonds) for real estate development entities,
- Changes in the legal and tax regulations that may influence in an uncontrollable manner the market demand for products offered by the Company;
- Maintaining a stable political situation and creating a positive economic climate by the government and local authorities,
- The economic situation affecting the receiving regular income from the rental of offices,
- Selling expenses and general and administrative
- Quarterly revaluation at fair value of the Group's properties and receivables,
- An increase in prices of construction works observed on the development market.

**CPD S.A.**

QUARTERLY REPORT FOR 3<sup>rd</sup> QUARTER 2018

---

**II. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT FOR THE  
PERIOD OF 9 MONTHS ENDED 30 SEPTEMBER 2018 ALONG WITH  
CONDENSED FINANCIAL STATEMENTS OF CPD S.A.**

CPD S.A.

**Condensed interim consolidated financial statements**  
for the period of 9 months ended 30 September 2018  
and the condensed financial statements of CPD S.A.  
for the period of 9 months ended 30 September 2018

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

(unaudited financial data)

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

## CPD S.A.

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

---

	Page
31.11 Other income	35
31.12 Administrative costs	36
31.13 Financial income and expenses	36
31.14 Deferred tax	37
31.15 Cash generated from operations	38
31.16 Related party transactions	38
31.17 Share capital	41

## Condensed consolidated statement of comprehensive income

	Note	For the period			
		01-07-2018- 2018-09-30	01-07-2017- 2017-09-30	01-01-2018- 2018-09-30	01-01-2017- 2017-09-30
			<i>(unaudited)</i>		
Revenues	14	4 457	4 791	16 976	15 123
Cost of sales	15	( 525)	( 563)	(4 319)	(2 099)
<b>PROFIT ON SALES</b>		<b>3 932</b>	<b>4 228</b>	<b>12 657</b>	<b>13 024</b>
Administrative costs property related	16	(1 896)	(1 778)	(5 668)	(4 657)
Administrative expenses-other	17	(1 706)	(1 800)	(5 086)	(6 391)
Selling and marketing expenses		( 386)	( 112)	( 583)	( 440)
Net loss from sale of investment property		102	0	(9 233)	( 72)
Other income	18	1 098	208	3 085	400
Net (loss)/ gain from fair value adjustments on investment properties	4	(4 309)	2 851	2 492	(8 339)
Post-tax share of the profit or loss of the joint-venture accounted for using the equity method		( 848)	196	( 645)	8 871
Receivables valuation allowances		( 38)	( 191)	( 133)	( 252)
Result from sales of subsidiaries	19	(1 056)	5 000	18 422	7 680
<b>OPERATING RESULT</b>		<b>(5 107)</b>	<b>8 602</b>	<b>15 308</b>	<b>9 824</b>
Financial income	20	210	(1 619)	939	4 317
Financial costs	20	805	(2 932)	(6 360)	(12 717)
<b>PROFIT (LOSS) BEFORE INCOME TAX</b>		<b>(4 092)</b>	<b>4 051</b>	<b>9 887</b>	<b>1 424</b>
Income tax	21	( 178)	(1 030)	4 374	(2 373)
<b>PROFIT (LOSS) FOR THE PERIOD</b>		<b>(4 270)</b>	<b>3 021</b>	<b>14 261</b>	<b>( 949)</b>
Currency translation adjustment		47	( 4)	( 57)	( 43)
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>(4 223)</b>	<b>3 017</b>	<b>14 204</b>	<b>( 992)</b>
<b>Profit (Loss) attributable to:</b>					
Equity holders of the Group		<b>(4 270)</b>	<b>3 021</b>	<b>14 261</b>	<b>( 949)</b>
Minority interest		0	0	0	0
<b>TOTAL COMPREHENSIVE INCOME</b>					
Equity holders of the Group, including:		<b>(4 223)</b>	<b>3 017</b>	<b>14 204</b>	<b>( 992)</b>
- continued activities		(4 223)	3 017	14 204	( 992)
- discontinued activities		0	0	0	0
<b>BASIC EARNINGS PER SHARE</b>	25	(0,11)	0,08	0,36	(0,03)
<b>DILUTED EARNINGS PER SHARE</b>	25	(0,11)	0,08	0,36	(0,02)

Elżbieta Donata Wiczowska  
Chairman of the Board

John Purcell  
Board Member

Colin Kingsnorth  
Board Member

Iwona Makarewicz  
Board Member

**Condensed consolidated statement of financial position**

	Note	30.09.2018 (unaudited)	31.12.2017
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment properties	4	445 355	471 715
Property, plant and equipment		563	734
Intangible assets, excluding goodwill		1	3
Investments in joint ventures accounted for using the equity method	8	49 237	63 072
Long-term receivables		547	931
<b>Non-current assets</b>		<b>495 703</b>	<b>536 455</b>
<b>Current assets</b>			
Inventories	6	2 911	5 421
Trade receivables and other receivables	5	9 870	7 282
- receivables and loans		5 815	5 325
- prepayments		4 055	1 957
Cash and cash equivalents	7	88 682	143 303
<b>Current assets excluding assets held for sales</b>		<b>101 463</b>	<b>156 006</b>
Assets held for sales	29	0	68 539
<b>Current assets</b>		<b>101 463</b>	<b>224 545</b>
<b>Total assets</b>		<b>597 166</b>	<b>761 000</b>

**Condensed consolidated statement of financial position - continuation**

	Note	30.09.2018 (unaudited)	31.12.2017
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent company</b>			
Share capital	9	3 935	3 935
Own shares for redemption		(160 110)	(17 199)
Reserve capital		987	987
Embedded element at inception date		(27 909)	(27 909)
Translation reserve		(5 515)	(5 458)
Retained earnings		531 624	517 363
<b>Total equity</b>		<b>343 012</b>	<b>471 719</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Trade payables and other liabilities	10	2 304	2 235
Borrowings, including financial leasing	11	106 739	113 375
Deferred tax liabilities	13	31 625	36 283
<b>Non-current liabilities</b>		<b>140 668</b>	<b>151 893</b>
<b>Current liabilities</b>			
Trade payables and other liabilities	10	86 820	106 722
Borrowings, including financial leasing	11	26 666	26 902
<b>Current liabilities excluding liabilities held for sale</b>		<b>113 486</b>	<b>133 624</b>
Liabilities classified as held for sale	29	0	3 764
<b>Current liabilities</b>		<b>113 486</b>	<b>137 388</b>
<b>Total liabilities</b>		<b>254 154</b>	<b>289 281</b>
<b>Total Equity and liabilities</b>		<b>597 166</b>	<b>761 000</b>

\_\_\_\_\_  
 Elżbieta Donata Wiczowska  
*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

## CPD S.A.

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

(All amounts in PLN thousands unless otherwise stated )

### Condensed consolidated statement of changes in equity

	Share capital	Bonds conversion under registration	Embedded element at inception date	Own shares for redemption	Translation reserve	Accumulated Reserve capital	profit (loss) Retained earnings	Total equity
Balance as at 01.01.2017	3 286	0	( 27 909)	0	( 5 383)	987	475 922	446 903
<u>Transactions with owners</u>								
Bonds conversion into equity	0	39 852	0	0	0	0	0	39 852
<u>Comprehensive income</u>								
Currency translation adjustment	0	0	0	0	( 43)	0	0	( 43)
Profit (loss) for the period	0	0	0	0	0	0	( 949)	( 949)
	0	0	0	0	( 43)	0	( 949)	( 992)
Balance as at 30.09.2017 /unaudited	3 286	39 852	( 27 909)	0	( 5 426)	987	474 973	485 763
Balance as at 01.01.2018	3 935	0	( 27 909)	( 17 199)	( 5 458)	987	517 363	471 719
<u>Transactions with owners</u>								
Shares acquisition for redemption	0	0	0	(142 911)	0	0	0	(142 911)
<u>Comprehensive income</u>								
Currency translation adjustment	0	0	0	0	( 57)	0	0	( 57)
Profit (loss) for the period	0	0	0	0	0	0	14 261	14 261
	0	0	0	0	( 57)	0	14 261	14 204
Balance as at 30.09.2018 /unaudited	3 935	0	(27 909)	(160 110)	(5 515)	987	531 624	343 012

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

Elżbieta Donata Wiczowska  
Chairman of the Board

John Purcell  
Board Member

Colin Kingsnorth  
Board Member

Iwona Makarewicz  
Board Member

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

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

(All amounts in PLN thousands unless otherwise stated )

## Condensed consolidated statement of cash flows

	Nota	For the 9 month period ended	
		2018-09-30 (unaudited)	2017-09-30 (unaudited)
<b>Cash flow from operating activities</b>			
Cash generated from operations	22	(10 209)	53 492
Interest paid		(1 416)	(4 573)
Income tax paid		0	0
<b>Net cash generated from operating activities</b>		<b>(11 625)</b>	<b>48 919</b>
<b>Cash flows from investing activities</b>			
Capital expenditure on investments property		(1 273)	(4 139)
Purchase of property, plant and equipment		( 6)	( 89)
Proceeds from disposal of subsidiaries		82 000	20 531
Subsidiaries acquisition		0	( 918)
Interest received		901	1 008
Proceeds from the sale of investment property		7 135	0
Joint ventures profit distribution		3 000	3 891
Proceeds from joint ventures contribution withdrawal		12 080	18 034
<b>Net cash used in investing activities</b>		<b>103 837</b>	<b>38 318</b>
<b>Cash flows from financing activities</b>			
Own shares acquisition		(142 911)	0
Proceeds from borrowings		0	5 000
Repayment of borrowings		(3 922)	(8 922)
Bonds redemption		0	(29 552)
<b>Net cash used in financing activities</b>		<b>(146 833)</b>	<b>(33 474)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(54 621)</b>	<b>53 763</b>
<b>Cash and cash equivalents at beginning of the year</b>		<b>143 303</b>	<b>89 999</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>7</b>	<b>88 682</b>	<b>143 762</b>

Elżbieta Donata Wiczowska  
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 accounting 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 condensed consolidated financial statements as at 30 September 2018 have 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 came into force in 2018:**

- IFRS 15 Revenue from contracts with customers
- IFRS 9 Financial Instruments Classification and Measurement
- Amendments to IFRS 2 Classification and measurement of share-based payment transactions
- Amendments of IAS 40 Transfers of investment property
- Amendments to IAS 28 Investments in Associates and Joint Ventures
- Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
- IFRIC 22: transactions in foreign currency and advance consideration
- Annual improvements cycle IFRSs 2014-2016

**Notes to the interim condensed consolidated financial statements****2.1 Basis of preparation - cont.****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.
- 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.
- **IFRIC 23 Uncertainty over Income Tax Treatments** - effective for annual periods beginning on or after 1 January 2019.
- 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.
- **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.
- Amendments to **IFRS 3 Business combinations** - effective for annual periods beginning on or after 1 January 2020, but were not approved by the EU until the date of the consolidated financial statements.

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 impact is 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 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.

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 September 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.

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

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.

**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.

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

Capitalization rates from the range 7.75%-9% were used for the purposes of the valuation assumed in the financial statements as at 30 September 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.

**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 100% controlled by CPD Group. These plots, according to the local spatial development plan, are destined 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 agreement 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 venture partners have equal 50% share in profits, assets and liabilities,
- land excluded by the investment agreement from the joint ventures as well as related assets and liabilities were included in the joint ventures accounted 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 than the functional currency of the company (PLN), the embedded derivative involved a currency cap, namely, conversion of value of shares received at the conversion date rate not exceeding, however, EUR 1 = PLN 4.1272.

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

Following the conversion of the convertible bonds into equity during 2017 the embedded 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 Lokia Enterprises Ltd, their fair value was estimated based on net assets of these companies, constituting an approximate value of future cash flows available for shareholders related to the shares held by them. The value of these cash flows was estimated, among others, based on the fair value of properties belonging to the subsidiaries.

In the case of shares in Celtic Investments Limited, the operating activity of which was suspended as at 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***

During 2018 the Group has generated cash surpluses that have been used for redemption of the own shares. The redemption has been the major factor impacting reduction of Group cash by PLN 54 million as compared to the end of 2017. 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**

	<b>01-01-2018- 2018-09-30</b>	<b>01-01-2017- 2017-09-30</b>
<b>At the beginning of the reporting period</b>	<b>471 715</b>	<b>558 706</b>
Capital expenditure	1 273	8 079
Transfer of the plot for the road construction to the City	(11 400)	0
Acquisition	0	4 390
Capitalised financial liabilities in acquired investment properties	0	4 065
Disposal of investment property	(3 227)	( 62)
Investment properties in disposed subsidiaries	(10 000)	0
Investment property contributed to joint venture	0	(33 160)
Capitalised financial liabilities related to disposed properties	(4 064)	( 17)
Capitalised financial liabilities in disposed subsidiaries	( 718)	0
Capitalised financial liabilities contributed into joint ventures	0	(1 037)
Transfer to inventories	0	(16 644)
Transfer of capitalised financial liabilities to liabilities held for sale	0	(3 731)
Transfer of capitalised financial liabilities from assets held for sale	0	87
Transfer of investment property to assets held for sale	0	(64 530)
Net (loss)/ gain from fair value adjustments on investment properties	2 492	7 761
Change in capitalised financial liabilities	( 716)	7 528
<b>At the end of the reporting period</b>	<b>445 355</b>	<b>471 435</b>

The decrease in total balance of investment properties during 2018 resulted mainly from partial disposal of Ursus property, related 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:

	<b>01-07-2018- 2018-09-30</b>	<b>01-07-2017- 2017-09-30</b>	<b>01-01-2018- 2018-09-30</b>	<b>01-01-2017- 2017-09-30</b>
- rent income bearing	1 104	1 080	3 429	3 313
- other	82	72	234	161
	<b>1 186</b>	<b>1 152</b>	<b>3 663</b>	<b>3 474</b>

## Notes to the interim condensed consolidated financial statements

### 5 Trade receivables and other receivables

	30.09.2018	31.12.2017
Trade receivables	1 926	1 610
Receivables from the state budget	3 480	3 482
Receivables from related parties	297	233
Prepaid expenses and accrued revenue	4 055	1 957
Other receivables	112	0
<b>Short-term receivables</b>	<b>9 870</b>	<b>7 282</b>
Long-term receivables	547	931
<b>Total receivables</b>	<b>10 417</b>	<b>8 213</b>

Prepaid expenses and accrued revenue relate mainly to time settlement of costs of Ursus property disposed to Ronson (following IFRS 15 requirements), annual property tax and perpetual usufruct as well as revenue allocation due to rent free periods in office property rent agreements.

### 6 Inventories

	30.09.2018	31.12.2017
<b>At the beginning of the reporting period</b>	<b>5 421</b>	<b>5 468</b>
Capital expenditure	0	3 058
Disposal	(2 451)	0
Contribution into joint venture (Note 8)	0	(19 686)
Transfer from investment properties	0	16 644
Impairment loss	0	114
Exchange differences	( 59)	( 177)
<b>At the end of the reporting period</b>	<b>2 911</b>	<b>5 421</b>

The Group disposed property in Łódź during 2018.

### 7 Cash and cash equivalents

	30.09.2018	31.12.2017
Cash at bank and on hand	50 704	35 745
Restricted cash	3 378	3 131
Short-term bank deposits	34 600	104 427
<b></b>	<b>88 682</b>	<b>143 303</b>

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

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

### 8 Joint ventures

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

	30.09.2018	31.12.2017
a) Smart City Spółka z ograniczoną odpowiedzialnością sp.k.	16 028	16 486
b) Ursa Park Smart City Spółka z ograniczoną odpowiedzialnością sp.k.	33 209	46 586
<b></b>	<b>49 237</b>	<b>63 072</b>

(All amounts in PLN thousands unless otherwise stated )

**Notes to the interim condensed consolidated financial statements**
**8 Joint ventures - cont.**

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

	<b>30.09.2018</b>	<b>31.12.2017</b>
<b>Opening balance as at 1 January</b>	<b>16 486</b>	<b>32 572</b>
Group's share of the net profit or loss of the joint ventures presented in these interim condensed consolidated financial statements	652	7 855
Withdrawal of the joint venture contribution	0	(16 266)
Joint venture contribution	1 890	0
Joint venture profit distribution	(3 000)	(7 491)
Other adjustments	0	( 184)
<b>Closing balance</b>	<b>16 028</b>	<b>16 486</b>
- including net assets not covered by the investment agreement with the Group's 100% rights	<b>13 994</b>	<b>11 965</b>

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

	<b>30.09.2018</b>	<b>31.12.2017</b>
<b>Opening balance as at 1 January</b>	<b>46 586</b>	<b>0</b>
Group's share in net assets as at the date of starting joint venture	0	48 395
Withdrawal of the joint venture contribution	(12 080)	0
Group's share of the net profit or loss of the joint ventures presented in these interim condensed consolidated financial statements	(1 297)	(1 809)
<b>Closing balance</b>	<b>33 209</b>	<b>46 586</b>
- including net assets not covered by the investment agreement with the Group's 100% rights	<b>31 760</b>	<b>31 760</b>

Condensed financial information of individually material joint ventures of the Group as at 30 September 2018 is presented in the below table:

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

	<b>30.09.2018</b>	<b>31.12.2017</b>
<i><u>Financial information coming from statement of financial position</u></i>		
<b>Total non-current assets</b>	<b>14 013</b>	<b>14 015</b>
Fixed assets	19	17
Investment properties	13 994	13 998
<b>Total current assets, including:</b>	<b>5 987</b>	<b>10 522</b>
Inventory	3 940	9 702
Trade receivables and other receivables	93	8
Cash and cash equivalents	1 954	812
<b>Total assets</b>	<b>20 000</b>	<b>24 537</b>
<b>Total current liabilities, including:</b>	<b>1 938</b>	<b>3 528</b>
Trade payables and other liabilities	1 938	1 495
Provisions	0	2 033
<b>Total liabilities</b>	<b>1 938</b>	<b>3 528</b>
<b>Net assets</b>	<b>18 062</b>	<b>21 009</b>
<b>% held by the Group - with regards to investment property</b>	<b>100%</b>	<b>100%</b>
Group share of net assets of the joint venture	13 994	11 965
<b>% held by the Group</b>	<b>50%</b>	<b>50%</b>
Group share of net assets of the joint venture	2 034	4 521
<b>Carrying amount of investment in joint venture presented in the interim condensed consolidated financial statements</b>	<b>16 028</b>	<b>16 486</b>

(All amounts in PLN thousands unless otherwise stated )

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

**8 Joint ventures - cont.**

*Financial information from statement of comprehensive income*

	30.09.2018	31.12.2017
Revenue	216	70 951
Interest income	0	58
Interest cost	( 124)	14
Result from continued operations	( 370)	15 810

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

*Financial information coming from statement of financial position*

	30.09.2018	31.12.2017
<b>Total non-current assets</b>	<b>31 834</b>	<b>31 834</b>
Fixed assets	74	74
Investment properties	31 760	31 760
<b>Total current assets, including:</b>	<b>93 220</b>	<b>42 517</b>
Inventory	72 439	32 839
Trade receivables and other receivables	388	7 666
Cash and cash equivalents	20 393	2 012
<b>Total assets</b>	<b>125 054</b>	<b>74 351</b>
<b>Total current liabilities, including:</b>	<b>90 396</b>	<b>12 939</b>
Trade payables and other liabilities	90 396	12 939
<b>Total non-current liabilities</b>	<b>0</b>	<b>0</b>
<b>Total liabilities</b>	<b>90 396</b>	<b>12 939</b>
<b>Net assets</b>	<b>34 658</b>	<b>61 412</b>
<b>% held by the Group - with regards to investment property</b>	<b>100%</b>	<b>100%</b>
Group share of net assets of the joint venture	31 760	31 760
<b>% held by the Group</b>	<b>50%</b>	<b>50%</b>
Group share of net assets of the joint venture	1 449	14 826
<b>Carrying amount of investment in joint venture presented in the interim condensed consolidated financial statements</b>	<b>33 209</b>	<b>46 586</b>

*Financial information from statement of comprehensive income*

	30.09.2018	31.12.2017
Revenue	276	67
Interest income	1	0
Interest cost	( 3)	1
Result from continued operations	(1 974)	(1 954)

**9 Share capital**

	Number of shares (thousands)		Value of shares	
	30.09.2018	31.12.2017	30.09.2018	31.12.2017
Ordinary shares (in thousands)	39 354	39 354	3 935	3 935

(All amounts in PLN thousands unless otherwise stated )

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

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

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

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

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

On CPD SA acquired through Dom Maklerski Pekao Investment Banking S.A. Respectively 1.401.792 own shares on 26 October 2017 for PLN 12,27 each and 11.581.100 own shares on 20 June 2018 for 12,34 each.

All the acquired shares are ordinary shares of PLN 0,10 par value. The CPD SA own shares represent 32,99% of share capital and 32,99% of number of votes on Shareholder Meetings. However legal regulations prevent CPD SA from execution of the voting rights from the own shares. Except of the above CPD SA does not hold any other own shares.

On 14 September 2018 CPD SA Shareholders General Meeting resolute on reduction of the share capital by PLN 1.298 thousand through extinction of previously acquired 12.982.892 shares. Until the moment of preparation of these interim condensed consolidated financial statements the commercial court (KRS) has not registered the reduction of the share capital. Consequently these interim condensed consolidated financial statements present share capital of PLN 3.935 thousand.

The shares issued are not privileged. 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**

Tenant deposits

**30.09.2018      31.12.2017**

2 304

2 235

(All amounts in PLN thousands unless otherwise stated )

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

	<b>30.09.2018</b>	<b>31.12.2017</b>
Trade payables	434	655
Payables to related parties	4	0
Social security and other taxes	8 140	12 179
Deposits of tenants	314	272
Received prepayments	69 752	79 250
Accrued expense	7 842	14 147
Other liabilities	334	219
	<b>86 820</b>	<b>106 722</b>

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.

Decrease in tax payables as compared to the end of 2017 result mainly from lower VAT.

Received prepayments result from the preliminary agreements to sell properties as well as received deferred revenues from services auxiliary to sales of investment properties.

**11 Borrowings, including financial leasing**

	<b>30.09.2018</b>	<b>31.12.2017</b>
<b>Non-current</b>		
Bank loans	79 058	80 176
Financial liabilities - hedging instruments	146	167
Financial leasing	27 535	33 032
	<b>106 739</b>	<b>113 375</b>
<b>Current</b>		
Bank loans	26 372	26 590
Financial liabilities - hedging instruments	294	312
	<b>26 666</b>	<b>26 902</b>
<b>Total borrowings</b>	<b>133 405</b>	<b>140 277</b>

As of 30 September 2017 bank credits consist of:

- payable of PLN 37.319 thousand to mBank Hipoteczny S.A. (PLN 21.708 thousand being short-term and PLN 15.611 thousand long-term),
- payable of PLN 68.111 thousand to Bank Zachodni BZ WBK (PLN 4.664 thousand being short-term and PLN 63.447 thousand long-term).

On 18 June 2014 the subsidiaries Lakia Investments and Robin Investments entered into loan agreements with mBank Hipoteczny. The above mentioned loan was granted to refinance a loan with HSBC Bank Poland from 2006, which was used to finance the office investments located in Cybernetyki 7b and Połczyńska 31a. Mortgage credit in the mBank was launched on 1 July 2014. According to the terms and conditions of the loan agreement with mBank Hipoteczny, the companies are obliged to repay the entire loan until 20 June 2029.

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

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

**11 Borrowings, including financial leasing - cont.**

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 21.031 thousand) has been presented as short term liability.

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

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

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

The value of hedging derivatives - the IRS as at the balance sheet date was estimated at PLN 440 thousand. The method of valuation of IRS transactions is presented in note 3.

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

**12 Bonds issued**

	<b>30.09.2018</b>	<b>31.12.2017</b>
<i>a/ Bonds series A</i>		
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	<b>0</b>	<b>0</b>

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

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

As described further in note 9 the series A bonds has been converted into equity of CPD SA during 2017.

	<b>30.09.2018</b>	<b>31.12.2017</b>
<i>b/ Bonds series B</i>		
At the beginning of the reporting period	0	31 021
Accrued interest	0	1 451
Interest paid	0	(2 730)
Redemption	0	(30 000)
Effective interest rate valuation	0	56
Unamortised part of bonds issuance costs	0	202
Bonds value as at balance sheet date	<b>0</b>	<b>0</b>

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

(All amounts in PLN thousands unless otherwise stated )

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

**12 Bonds issued - cont**

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

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

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

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

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

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

**13 Deferred income taxes**

	<b>30.09.2018</b>	<b>31.12.2017</b>
<b>Deferred tax assets before offset</b>	<b>2 992</b>	<b>6 113</b>
Offset against deferred tax liability	(2 992)	(6 113)
<b>Deferred tax assets</b>	<b>0</b>	<b>0</b>
<b>Deferred income tax liabilities before offset</b>	<b>34 617</b>	<b>42 396</b>
Offset against deferred tax asset	(2 992)	(6 113)
<b>Deferred income tax liabilities after offset</b>	<b>31 625</b>	<b>36 283</b>

**14 Revenue by nature**

	<b>01-07-2018- 2018-09-30</b>	<b>01-07-2017- 2017-09-30</b>	<b>01-01-2018- 2018-09-30</b>	<b>01-01-2017- 2017-09-30</b>
Rent income	3 324	3 038	9 544	10 030
Sales of inventories	0	0	2 501	0
Real estate advisory services	160	153	556	370
Rent related services	973	1 596	4 363	4 719
Accounting services	0	4	12	4
	<b>4 457</b>	<b>4 791</b>	<b>16 976</b>	<b>15 123</b>

Rent revenues are earned by office properties in Warsaw: Aquarius (Połczyńska 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**

	<b>01-07-2018- 2018-09-30</b>	<b>01-07-2017- 2017-09-30</b>	<b>01-01-2018- 2018-09-30</b>	<b>01-01-2017- 2017-09-30</b>
Change of inventory impairment write downs	0	0	0	16
The cost of services rendered	519	563	1 800	2 083
	<b>3 038</b>	<b>563</b>	<b>4 319</b>	<b>2 099</b>

(All amounts in PLN thousands unless otherwise stated )

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

**15 Cost of sales - cont**

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

**16 Administrative costs property related**

	01-07-2018- 2018-09-30	01-07-2017- 2017-09-30	01-01-2018- 2018-09-30	01-01-2017- 2017-09-30
Personnel costs	312	276	1 092	815
Property maintenance	712	1 113	3 509	3 386
Property taxes	781	401	781	329
Perpetual usufruct	40	( 74)	117	( 55)
Depreciation of fixed assets and intangible assets	51	62	169	182
	<b>1 896</b>	<b>1 778</b>	<b>5 668</b>	<b>4 657</b>

**17 Administrative expenses-other**

	01-07-2018- 2018-09-30	01-07-2017- 2017-09-30	01-01-2018- 2018-09-30	01-01-2017- 2017-09-30
Advisory services	1 151	1 026	3 255	4 022
Legal services	138	254	582	541
Audit fees	14	0	130	0
Transportation	5	8	10	21
Taxes	25	70	135	137
Office maintenance	255	328	628	1 062
Other services	95	60	207	333
Cost related for non deductible VAT	23	54	139	275
	<b>1 706</b>	<b>1 800</b>	<b>5 086</b>	<b>6 391</b>

**18 Other income**

	01-07-2018- 2018-09-30	01-07-2017- 2017-09-30	01-01-2018- 2018-09-30	01-01-2017- 2017-09-30
Sale of PPE	0	0	0	0
Receivables impairment reversal	0	140	0	208
Payables written off	0	0	0	0
Other	( 5)	68	153	192
	<b>1 098</b>	<b>208</b>	<b>3 085</b>	<b>400</b>

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

**19 Result from sales of subsidiaries**

	01-07-2018- 2018-09-30	01-07-2017- 2017-09-30	01-01-2018- 2018-09-30	01-01-2017- 2017-09-30
Revenues from subsidiary disposal	0	5 000	92 000	20 531
Cost of subsidiary disposed	(1 056)	0	(73 578)	(12 851)
<b>Result on sales of subsidiary</b>	<b>(1 056)</b>	<b>5 000</b>	<b>18 422</b>	<b>7 680</b>

(All amounts in PLN thousands unless otherwise stated )

**Notes to the interim condensed consolidated financial statements**
**19 Result from sales of subsidiaries - cont**

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

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.

**20 Financial income and expenses**

	01-07-2018- 2018-09-30	01-07-2017- 2017-09-30	01-01-2018- 2018-09-30	01-01-2017- 2017-09-30
Interest expense:				
- Bank loans	( 242)	( 655)	(1 374)	(1 862)
- Interest from financial leases	( 517)	( 621)	(1 666)	(1 607)
- Interest on bonds	0	( 90)	0	(2 061)
- Other interest expense	( 226)	( 209)	( 387)	( 213)
- Interest on loans from related parties	0	0	( 16)	0
Net exchange differences	2 046	0	(2 436)	0
Revaluation of derivatives (IRS)	119	0	0	0
Bonds valuation	0	0	0	(5 367)
Amortised cost valuation	( 18)	( 23)	( 71)	( 101)
Result from subsidiary conversion into joint venture	0	( 735)	0	( 735)
Other financial expense	0	( 450)	0	( 450)
<b>Financial costs</b>	<b>805</b>	<b>(2 932)</b>	<b>(6 360)</b>	<b>(12 717)</b>
Interest income:				
- Bank interest	172	495	901	1 008
Profit on bonds revaluation	0	0	0	0
Amortised cost valuation	0	0	0	0
Revaluation of derivatives (IRS)	38	( 91)	38	344
Net exchange differences	0	(2 019)	0	2 949
Other financial income	0	( 4)	0	16
<b>Financial income</b>	<b>210</b>	<b>(1 619)</b>	<b>939</b>	<b>4 317</b>

**21 Income tax**

	01-07-2018- 2018-09-30	01-07-2017- 2017-09-30	01-01-2018- 2018-09-30	01-01-2017- 2017-09-30
Current income tax	115	79	284	65
Deferred taxes	63	951	(4 658)	2 308
	<b>178</b>	<b>1 030</b>	<b>(4 374)</b>	<b>2 373</b>

(All amounts in PLN thousands unless otherwise stated )

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

**22 Cash generated from operations**

	<b>For the 9 month period ended</b>	
	<b>2018-09-30</b>	<b>2017-09-30</b>
Profit (loss) before tax	9 887	1 424
Adjustments for:		
- depreciation of tangible fixed assets	162	159
- amortisation of intangible assets	2	22
- currency translation adjustments	2	44
- gains (losses) on revaluation to fair value of investment property	(2 492)	8 339
- gains (losses) on sale of investment property	9 233	72
- result on fixed assets sale	15	0
- gain on subsidiaries disposal	(18 422)	(7 680)
- share in the profit or loss of the joint venture	645	(8 871)
- result on embedded derivatives	0	6 893
- interest expenses	1 409	3 877
- interest income	( 904)	(1 005)
- loss on change the subsidiary into joint venture	0	735
- exchange differences	2 609	(4 957)
- inventory impairment	0	16
- result on bonds revaluation using effective rate method	0	258
- result on IRS revaluation	( 39)	345
- other adjustments	( 245)	( 68)
Changes in working capital		
- changes in receivables	( 955)	2 782
- changes in inventories	2 451	(3 057)
- change in trade and other liabilities	(13 567)	54 164
	<b>(10 209)</b>	<b>53 492</b>

**23 Related party transactions**

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

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

	<b>01-07-2018- 2018-09-30</b>	<b>01-07-2017- 2017-09-30</b>	<b>01-01-2018- 2018-09-30</b>	<b>01-01-2017- 2017-09-30</b>
<b>(a) Transactions with key management personnel</b>				
The cost of the salaries of members of the Board of Directors	72	66	202	198
The cost of the salaries of the members of the Supervisory Board	124	90	437	270
The cost of services rendered by the members of the Board of Directors	245	396	734	1 035
			<b>2018-09-30</b>	<b>31.12.2017</b>
Total receivables			19	19
Total payables			189	37

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

**23 Related party transactions - cont**

**(b) Transactions with the other related parties**

	01-07-2018- 2018-09-30	01-07-2017- 2017-09-30	01-01-2018- 2018-09-30	01-01-2017- 2017-09-30
Revenues				
<i>Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.</i>	4	148	33	397
<i>Ursa Park Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.</i>	177	69	491	69
Costs				
<i>Kancelaria Radców Prawnych Oleś i Rodzynkiewicz odpowiedzialnością Sp.k.</i>	1	11	25	47
<i>Laxey Partners (UK) Ltd</i>	0	2	0	2
	0	0	0	1 007
			<b>2018-09-30</b>	<b>31.12.2017</b>
Receivables				
<i>Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.</i>			9	24
<i>Ursa Park Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.</i>			288	209

**24 Payment of dividends**

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

**25 Earnings per share**

	01-07-2018- 2018-09-30	01-07-2017- 2017-09-30	01-01-2018- 2018-09-30	01-01-2017- 2017-09-30
Profit (loss) attributable to shareholders of the company	(4 270)	3 021	14 261	( 949)
Ordinary shares (in thousands)	39 354	39 354	39 354	37 118
Earnings per share in PLN	(0,11)	0,08	0,36	(0,03)
Diluted profit /(loss) attributable to shareholders of the company	(4 270)	3 021	14 261	( 949)
Ordinary shares (in thousands)	39 354	39 354	39 354	39 354
Diluted earnings per share in PLN	(0,11)	0,08	0,36	(0,02)

**26 Contingent liabilities**

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 prepaid the sales price.

The traded property has been mortgaged to secure conditional refund of the prepayment.

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

(All amounts in PLN thousands unless otherwise stated )

**Notes to the interim condensed consolidated financial statements****27 Segment reporting**

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

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

**28 Seasons of activity and unusual events**

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

**29 Assets and liabilities held for sale**

As at 30 September 2017 no assets nor liabilities were classified as held for sale:

	<b>30.09.2018</b>	<b>31.12.2017</b>
<b>Assets</b>		
Investment properties	0	64 530
Trade receivables and other receivables	0	128
Cash and cash equivalents	0	150
<b>Liabilities</b>		
Borrowings, including financial leasing	0	3 731
Other current payables	0	33
<b>Net assets of the group held for sale</b>	<b>0</b>	<b>68 572</b>

Net assets presented as held for sale as at the end of 2017 concerning the sales transactions in progress, related to Bolzanus Limited (investment property being the main asset) and land owned by 18 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k., were disposed during 2018.

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

The investment agreement related to joint venture performed by a subsidiary Ursa Park Smart City spółka z ograniczoną odpowiedzialnością spółka komandytowa, indicated in note 8, was conditionally amended on 26 October 2018. On 8 November 2018 the conditions were fulfilled and the amendment became effective. The parties to the existing agreement replaced the previous text and covered the whole property owned by Ursa Park Smart City spółka z ograniczoną odpowiedzialnością spółka komandytowa. Taking into account the works already performed, multifamily residential complex with accompanying services and infrastructure will be constructed on the plot in three ventures, each consisting of two stages. The second venture was initiated in November 2018, while the third one is expected to start in the first quarter of 2019.

The merger between CPD SA and Buffy Holdings No.1 Limited was registered on 22 November 2018. As a result of the merger, CPD SA assumed, as of 22 November 2018, all the rights and obligations of Buffy. All assets and liabilities of Buffy were transferred to CPD SA, and Buffy ceased to exist without liquidation.

## Financial statements for the period of 9 months ended 30 September 2018

(All amounts in PLN thousands unless otherwise stated )

**Notes to the financial statements****II Interim financial statements of the parent****31 Interim financial information of the parent****31.1 Condensed statement of comprehensive income**

	Note	1/7/2018 - 30/9/2018	1/7/2017 - 30/9/2017	01/01/2018 - 30/9/2018	01/01/2017 - 30/9/2017
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Administrative costs	31.12	( 390)	( 365)	(1 721)	(1 296)
Selling and marketing expenses		0	( 2)	( 5)	( 4)
Other income		0	0	1 829	0
Impairment gain/loss on investments in subsidiaries		7 398	9	3 942	9
Interest income on loans		2 251	3 049	7 564	9 499
<b>OPERATING RESULT</b>		<b>9 259</b>	<b>2 691</b>	<b>11 609</b>	<b>8 208</b>
Financial income	31.13	( 34)	244	1 278	2 319
Financial costs	31.13	( 99)	( 994)	( 293)	(10 054)
<b>PROFIT (LOSS) BEFORE INCOME TAX</b>		<b>9 126</b>	<b>1 941</b>	<b>12 594</b>	<b>473</b>
Income tax		( 394)	( 374)	(1 079)	(2 481)
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>8 732</b>	<b>1 567</b>	<b>11 515</b>	<b>(2 008)</b>
<b>BASIC EARNINGS PER SHARE (PLN)</b>		0,22	0,04	0,29	(0,05)
<b>DILUTED EARNINGS PER SHARE (PLN)</b>		0,22	0,04	0,29	(0,05)

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

\_\_\_\_\_  
 Colin Kingsnorth  
*Board Member*

\_\_\_\_\_  
 John Purcell  
*Board Member*

\_\_\_\_\_  
 Iwona Makarewicz  
*Board Member*

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

**Notes to the financial statements****II Interim financial statements of the parent****31.2 Statement of financial position**

<b>ASSETS</b>	<b>Note</b>	<b>30/9/2018</b>	<b>31/12/2017</b>
<b>Non-current assets</b>			
Property, plant and equipment		0	0
Intangible assets, excluding goodwill		0	0
Long-term receivables	31.6	130 185	424 291
Shares in related parties	31.5	0	0
		<b>130 185</b>	<b>424 291</b>
<b>Current assets</b>			
Trade receivables and other receivables	31.8	195 050	540
- trade receivables and loans		195 032	518
- prepaid expenses		18	22
Bonds	32.6	0	0
Cash and cash equivalents		31 331	86 846
		<b>226 381</b>	<b>87 386</b>
<b>Total assets</b>		<b>356 566</b>	<b>511 677</b>
<b>EQUITY</b>			
Share capital		3 935	3 286
Own shares for redemption		(160 110)	0
Reserve capital		987	987
Fair value of capital element at inception date		(27 909)	(27 909)
Share premium		835 846	796 643
Retained earnings		(332 007)	(327 924)
<b>Total equity</b>		<b>320 742</b>	<b>445 083</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Loans and borrowings, including finance leases	31.9	17 446	17 053
Bonds issued	32.12	0	0
Deferred tax liabilities		18 308	7 549
		<b>35 754</b>	<b>24 602</b>
<b>Current liabilities</b>			
Bonds issued	32.12	0	39 852
Trade payables and other liabilities		70	2 140
		<b>70</b>	<b>41 992</b>
<b>Total liabilities</b>		<b>356 566</b>	<b>511 677</b>

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

\_\_\_\_\_  
 John Purcell  
*Board Member*

\_\_\_\_\_  
 Colin Kingsnorth  
*Board Member*

\_\_\_\_\_  
 Iwona Makarewicz  
*Board Member*

**Notes to the financial statements****II Interim financial statements of the parent****31.3 Statement of changes in equity**

						Accumulated profit (loss)		
	Share capital	Own shares for redemption	Fair value of capital element at inception date	Share premium	Conversion of bonds during registration	Reserve capital	Retained earnings	Total
Balance as at 1/1/2017	3 286	0	( 27 909)	796 643	0	987	( 325 916)	447 091
Conversion of bonds	0	0	0	0	39 852	0	0	39 852
Profit (loss) for the period	0	0	0	0	0	0	(2 008)	(2 008)
	0	0	0	0	39 852	0	(2 008)	37 844
Balance as at 30/9/2017 /unaudited	3 286	0	( 27 909)	796 643	39 852	987	( 327 924)	484 935
Balance as at 1/1/2017	3 286	0	( 27 909)	796 643	0	987	( 325 916)	447 091
Own shares for redemption	0	(17 199)	0	0	0	0	0	(17 199)
Conversion of bonds	649	0	0	39 203	0	0	0	39 852
Profit (loss) for the period	0	0	0	0	0	0	(2 066)	(2 066)
	649	(17 199)	0	39 203	0	0	(2 066)	20 587
Balance as at 31/12/2017	3 935	( 17 199)	( 27 909)	835 846	0	987	( 327 982)	467 678
Balance as at 01/01/2018	3 935	( 17 199)	( 27 909)	835 846	0	987	( 327 982)	467 678
Retained profits	0	0	0	0	0	0	(15 540)	(15 540)
Own shares for redemption	0	(142 911)	0	0	0	0	0	(142 911)
Profit (loss) for the period	0	0	0	0	0	0	11 515	11 515
	0	(142 911)	0	0	0	0	(4 025)	(146 936)
Balance as at 30/9/2018 /unaudited	3 935	( 160 110)	( 27 909)	835 846	0	987	( 332 007)	320 742

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

\_\_\_\_\_  
 Colin Kingsnorth  
 Board Member

\_\_\_\_\_  
 John Purcell  
 Board Member

\_\_\_\_\_  
 Iwona Makarewicz  
 Board Member

**Notes to the financial statements****II Interim financial statements of the parent****31.4 Cash flow statement**

	Note	01/01/2018 - 30/9/2018 <i>(unaudited)</i>	01/01/2017 - 30/9/2017 <i>(unaudited)</i>
<b>Cash flow from operating activities</b>			
Cash generated from operations	31.15	( 914)	(1 142)
Interest paid		0	(2 731)
<b>Net cash generated from operating activities</b>		<b>( 914)</b>	<b>(3 873)</b>
<b>Cash flows from investing activities</b>			
Loans granted		(4 408)	(29 851)
Redemption of the bonds		0	3 000
Loan repayments received		107 580	88 947
Interest received		2 263	9 444
<b>Net cash generated from investing activities</b>		<b>105 435</b>	<b>71 539</b>
<b>Cash flows from financing activities</b>			
Acquisition of own shares		(142 911)	0
Loan repayments received		0	0
Redemption of the bonds		0	(30 000)
Early redemption commission		0	( 450)
<b>Net cash generated from financing activities</b>		<b>( 142 911)</b>	<b>(30 450)</b>
<b>Change in net cash and cash equivalents</b>		<b>( 55 515)</b>	<b>37 216</b>
<b>Cash and cash equivalents at the beginning of year</b>		<b>86 846</b>	<b>49 630</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>31 331</b>	<b>86 846</b>

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

\_\_\_\_\_  
 Colin Kingsnorth  
 Board Member

\_\_\_\_\_  
 John Purcell  
 Board Member

\_\_\_\_\_  
 Iwona Makarewicz  
 Board Member

## Financial statements for the period of 9 months ended 30 September 2018

(All amounts in PLN thousands unless otherwise stated )

## Notes to the interim financial statements

## 31.5 Shares in related parties

			30-09-2018	31-12-2017
Name	Country	Share		
Buffy Holdings No1 Ltd	Cyprus	100%	184 000	184 000
Impairment, the value of the shares Buffy Holdings			(184 000)	(184 000)
Celtic Investments Ltd	Cyprus	100%	48 000	48 000
Impairment, the value of the shares Celtic Investments			(48 000)	(48 000)
Lakia Enterprises Ltd	Cyprus	100%	105 000	105 000
Impairment, the value of the shares Lakia Enterprises Ltd			(105 000)	(105 000)
Celtic Asset Management	Poland	100%	0	0
Impairment, the value of the shares Celtic Asset Management			0	0
			<b>0</b>	<b>0</b>

## 31.6 Long-term receivables

	30-09-2018	31-12-2017
Long-term loans to related parties, including:		
-loan	131 824	391 614
-interest	51 794	89 965
Impairment	(6 102)	(47 624)
Fair value of loans	(47 336)	0
	<b>130 179</b>	<b>433 955</b>
Long-term loans to other parties, including:		
- Dobalin loan interests	6	6
	<b>6</b>	<b>6</b>

## Details of the loans granted to related parties

Related party	Fair value of loans	Interest Rate	Margin	Maturity
2/124 Gaston Investments	3 740	3M WIBOR	1,55%	on demand
3/93 Gaston Investments	3 493	3M WIBOR	1,55%	on demand
5/92 Gaston Investments	4 895	3M WIBOR	1,55%	on demand
6/150 Gaston Investments	1 743	3M WIBOR	1,55%	on demand
7/120 Gaston Investments	1 787	3M WIBOR	1,55%	on demand
12/132 Gaston Investments	3 269	3M WIBOR	1,55%	on demand
13/155 Gaston Investments	4 150	3M WIBOR	1,55%	on demand
16/88 Gaston Investments	712	3M WIBOR	1,55%	on demand
18 Gaston Investments	1 157	3M WIBOR	1,55%	on demand
19/97 Gaston Investments	739	3M WIBOR	1,55%	on demand

## Financial statements for the period of 9 months ended 30 September 2018

(All amounts in PLN thousands unless otherwise stated )

## Notes to the interim financial statements

## 31.6 Long-term receivables - cont.

Related party	Fair value of loans	Interest Rate	Margin	Maturity
20/140 Gaston Investments	883	3M WIBOR	1,55%	on demand
Antigo Investments	2 129	3M WIBOR	1,55%	on demand
<i>Impairment</i>	(2 129)			
Belise Investments	13 986	3M WIBOR	1,55%	on demand
<i>Celtic Investments Ltd</i>	1 494	3M LIBOR	0,75%	on demand
<i>Impairment</i>	(1 494)			
<i>Challenge 18</i>	56 071	3M WIBOR	1,55%	on demand
<i>Elara Investments</i>	2 623	3M WIBOR	0,75%	on demand
<i>Gaston Investments</i>	4 879	3M WIBOR	1,55%	on demand
<i>Impairment</i>	(2 479)			
<i>HUB Developments</i>	2 269	3M WIBOR	1,55%	on demand
Lakia Enterprises Limited	25 244	3M WIBOR	1,55%	on demand
<i>Celtic Asset Management</i>	1 018	3M WIBOR	1,55%	on demand
	<b>130 179</b>			

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

## Financial statements for the period of 9 months ended 30 September 2018

(All amounts in PLN thousands unless otherwise stated )

## Notes to the interim financial statements

## 31.7 Impairment on investment in subsidiaries

<b>Impairment on shares as at 31.12.2017</b>	<b>337 000</b>
Impairment for the period of 01/01/18-30/09/18	0
<b>Impairment on shares as at 30.09.2018</b>	<b>337 000</b>
 <b>Impairment on loans as at 31.12.2017</b>	 <b>69 562</b>
Impairment for the period of 01/01/18-30/09/18	11 599
<b>Impairment on loans as at 30.09.2018</b>	<b>81 161</b>
 <b>Total impairment on investment in subsidiaries</b>	 <b>11 599</b>

## 31.8 Trade receivables and other receivables

	30-09-2018	31-12-2017
Trade receivables from related parties	194 952	0
Short-term loans with related parties, including:	194 704	0
- loans	173 097	16 107
- interest	49 553	5 514
- impairment	(17 031)	(21 621)
Fair value of loans	(10 915)	0
Surplus of input VAT over output VAT	0	3
Other receivables from related parties	248	429
Other receivables from other parties	80	98
Prepayments	18	3
	<b>390 001</b>	<b>533</b>

## Details of the loans granted to related parties

Related party	Fair value of loans	The Interest Rate Margin	Maturity
Mandy Investments	17 031	3M WIBOR	1,55%
<i>Impairment</i>	(17 031)		na żądanie
Buffy HoldingsNo 1 Ltd	194 704	3M WIBOR	0,75%
	<b>194 704</b>		<i>na żądanie</i>

## Financial statements for the period of 9 months ended 30 September 2018

(All amounts in PLN thousands unless otherwise stated )

## Notes to the interim financial statements

## 31.9 Borrowings, including financial leasing

	30-09-2018	31-12-2017
Long-term loans from related parties	11 610	17 153
Short-term loans from related parties	5 836	0
	<b>17 446</b>	<b>17 153</b>

Loan commitments at September 30, 2018 relate to: a loan from a subsidiary Lakia Enterprises (interest rate on the loan is 3M WIBOR + margin 0.50%), a loan from a subsidiary Lakia Investments (interest rate on the loan is 3M WIBOR + margin 1.55%) and a loan from a subsidiary Robin Investments (interest rate on the loan is 3M WIBOR + margin 1.55%, the loan is payable on the lender demand). On September 30, 2018 the loan balance from the company Lakia Enterprises amounts to 9 914 thousands PLN (capital: 7 630 thousands PLN, interest 2 284 thousands PLN); the balance of the loan from the company Lakia Investments amounts to 5 836 thousands PLN (capital: 5 259 thousand. PLN, interest 577 thousand PLN); the balance of the loan from the company Robin Investments amounts to 1 695 thousands PLN (capital: 1 600 thousand. PLN, interest 95 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 Earnings per share

	1/7/2018 - 30/9/2018	1/7/2017 - 30/9/2017	01/01/2018 - 30/9/2018	01/01/2017 - 30/9/2017
Profit attributable to the shareholders in the parent company	8 732	1 567	11 515	(2 008)
Weighted average number of ordinary shares (in '000)	39 354	39 354	39 354	37 118
Earnings per share	0,22	0,04	0,29	(0,05)
Diluted profit attributable to shareholders	8 732	1 567	11 515	(2 008)
Weighted average number of ordinary shares (in '000)	39 354	39 354	39 354	39 354
Diluted earnings per share	0,22	0,04	0,29	(0,05)

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

## 31.11 Other income

	1/7/2018 - 30/9/2018	1/7/2017 - 30/9/2017	01/01/2018 - 30/9/2018	01/01/2017 - 30/9/2017
Resolved reserves	0	0	1829	0
	0	0	1829	0

## Financial statements for the period of 9 months ended 30 September 2018

(All amounts in PLN thousands unless otherwise stated )

## Notes to the interim financial statements

## 31.12 Administrative costs

	1/7/2018 - 30/9/2018	1/7/2017 - 30/9/2017	01/1/2018 - 30/9/2018	01/1/2017 - 30/9/2017
Advisory services	26	68	519	177
Salaries	199	164	679	491
Auditor's remuneration	0	( 16)	82	134
Costs of not deductible VAT	18	37	111	141
Other services	147	112	330	353
	<b>390</b>	<b>365</b>	<b>1 721</b>	<b>1 296</b>

## 31.13 Financial income and expenses

	1/7/2018 - 30/9/2018	1/7/2017 - 30/9/2017	01/1/2018 - 30/9/2018	01/1/2017 - 30/9/2017
Interest income:				
- Bank interest	41	389	575	681
- Interest not related parties	0	0	198	13
Other financial income	0	( 15)	436	424
Unamortised part of bonds issuance costs	0	( 202)	0	( 258)
Net exchange differences	( 75)	59	69	1 459
<b>Financial income</b>	<b>( 34)</b>	<b>231</b>	<b>1 278</b>	<b>2 319</b>
Interest costs:				
-Interest from related parties	99	100	293	296
- Interest on bonds	0	90	0	2 061
- Financial cost from the valuation of the embedded derivative	0	0	0	5 367
- Other	0	804	0	2 330
<b>Financial costs</b>	<b>99</b>	<b>994</b>	<b>293</b>	<b>10 054</b>

## Financial statements for the period of 9 months ended 30 September 2018

(All amounts in PLN thousands unless otherwise stated )

## Notes to the interim financial statements

## 31.14 Deferred tax

## Deferred tax liabilities

<b>Balance as at 1/1/2017</b>	<b>17 366</b>
Accrued interest on loans	855
Accrued interest on bonds	( 133)
Exchange differences	( 21)
<b>Balance as at 31/12/2017 - before compensation</b>	<b>18 067</b>
Compensation of deferred tax asset	( 839)
<b>Balance as at 31/12/2017 - after compensation</b>	<b>17 228</b>
Accrued interest on loans	1 117
Exchange differences	6
<b>Balance as at 30/09/2018 - before compensation</b>	<b>19 190</b>
Compensation of deferred tax asset	( 882)
<b>Balance as at 30/09/2018 - after compensation</b>	<b>18 308</b>

## Deferred tax assets

<b>Balance as at 1/1/2017</b>	<b>12 298</b>
Impairment of shares	(9 120)
Reserves for costs	2
Accrued interest on borrowings	75
Accrued interest on bonds	(1 292)
Tax loss	( 986)
Exchange differences	( 138)
<b>Balance as at 31/12/2017 - before compensation</b>	<b>839</b>
Compensation of deferred tax provision	( 839)
<b>Balance as at 31/12/2017 - after compensation</b>	<b>0</b>
Reserves for costs	( 4)
Accrued interest on borrowings	56
Exchange differences	( 9)
<b>Balance as at 30/09/2018 - before compensation</b>	<b>882</b>
Compensation of deferred tax provision	( 882)
<b>Balance as at 30/09/2018 - after compensation</b>	<b>0</b>

## Financial statements for the period of 9 months ended 30 September 2018

(All amounts in PLN thousands unless otherwise stated )

**Notes to the interim financial statements****31.15 Cash flow from operating activities**

	01/1/2018 - 30/9/2018	1/1/2017 - 30/9/2017
Profit/loss before tax	12 594	473
Adjustments for:		
– exchange differences	( 69)	(1 466)
– commissions on the redemption of the bond	0	450
– depreciation	0	2
– interest costs	293	2 358
– interest income	(8 139)	(10 193)
– impairment on loans	(3 942)	( 9)
– valuation of the embedded derivative		6 893
Changes in working capital:		
– changes in receivables	423	435
– changes in reserves	(1 829)	0
– change in trade liabilities and other	( 245)	( 343)
	<b>( 914)</b>	<b>(1 142)</b>

**31.16 Related party transactions**

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

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

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

	1/7/2018 - 30/9/2018	1/7/2017 - 30/9/2017	01/1/2018 - 30/9/2018	01/1/2017 - 30/9/2017
a) Transactions with key management personnel				
Remuneration of members of the Supervisory Board	124	120	437	270
Directors	60	60	180	180
b) Transactions with a major investor				
Laxey Worldwide W.A. - loan			327	329
Impairment on Laxey Worldwide W.A. loan			( 91)	( 329)
Fair value of loans			236	( 330)

## Financial statements for the period of 9 months ended 30 September 2018

(All amounts in PLN thousands unless otherwise stated )

## Notes to the interim financial statements

c) Transactions with subsidiaries	1/7/2018 - 30/9/2018	1/7/2017 - 30/9/2017	01/1/2018 - 30/9/2018	01/1/2017 - 30/9/2017
Revenues				
2/124 Gaston Investments	34	30	98	85
3/93 Gaston Investments	31	27	90	78
4/113 Gaston Investments	0	26	0	161
5/92 Gaston Investments	48	33	139	87
6/150 Gaston Investments	15	11	41	35
7/120 Gaston Investments	15	14	44	39
8/126 Gaston Investments	0	38	20	116
9/151 Gaston Investments	0	13	7	37
10/165 Gaston Investments	0	21	11	58
11/162 Gaston Investments	0	0	0	34
12/132 Gaston Investments	31	26	89	77
13/155 Gaston Investments	36	31	105	91
14/119 Gaston Investments	0	0	0	0
15/167 Gaston Investments	0	19	10	53
16/88 Gaston Investments	7	5	19	14
18 Gaston Investments	9	12	33	41
19/97 Gaston Investments	6	6	18	16
20/140 Gaston Investments	8	7	22	18
Blaise Gaston Investments	0	0	0	0
Blaise Investments	0	0	0	0
Belize Investments	106	107	752	742
Buffy Holdings No1 Ltd	970	981	2 884	2 891
Celtic Asset Management	8	8	25	24
Celtic Investments Ltd	2	2	6	6
Challenge 18	463	1 137	2 200	3 545
Antigo Investments	20	38	65	111
Elara Investments	25	24	74	72
Gaetan Investments	0	0	0	0
Gaston Investments	52	72	168	186
Hub Developments	21	21	62	61
Lakia Enterprises Ltd	212	212	628	838
Mandy investments	132	133	392	394
IMES	0	0	0	11
Costs				
7/120 Gaston Investments	0	118	0	118
12/132 Gaston Investments	0	118	0	118
13/155 Gaston Investments	0	118	0	118
Gaston Investments	1	3	4	28
Lakia Enterprises Ltd			0	0
Lakia Investments	41	43	126	129
Robin Investments	13	13	39	39
Liabilities			30/9/2018	31/12/2017
Robin Investments			1 695	1 656
Lakia Enterprises Ltd			9 914	9 789
Lakia Investments			5 836	5 708

## Financial statements for the period of 9 months ended 30 September 2018

(All amounts in PLN thousands unless otherwise stated )

## Notes to the interim financial statements

## 31.16 Related party transactions - cont.

Receivables	30/9/2018	31/12/2017
<i>2/124 Gaston Investments</i>	3 740	4 421
<i>3/93 Gaston Investments</i>	3 493	4 037
<i>5/92 Gaston Investments</i>	4 895	5 737
<i>6/150 Gaston Investments</i>	1 743	1 878
<i>7/120 Gaston Investments</i>	1 787	1 953
<i>8/126 Gaston Investments</i>	0	5 543
<i>9/151 Gaston Investments</i>	0	1 882
<i>10/165 Gaston Investments</i>	0	2 889
<i>12/132 Gaston Investments</i>	3 269	3 670
<i>13/155 Gaston Investments</i>	4 150	4 527
<i>15/167 Gaston Investments</i>	0	2 698
<i>16/88 Gaston Investments</i>	712	765
<i>18 Gaston Investments</i>	1 157	1 959
<i>19/97 Gaston Investments</i>	739	844
<i>20/140 Gaston Investments</i>	883	946
<i>Antigo Investments</i>	2 129	4 931
<i>Impairment on Antigo Investments loan</i>	(2 129)	(2 417)
<i>Belise Investments</i>	13 986	18 949
<i>Buffy Holdings No1 Ltd</i>	194 704	197 604
<i>Impairment on Buffy Holdings No1 Ltd loan</i>	0	(34 141)
<i>Celtic Asset Management</i>	1 018	1 053
<i>Impairment on CAM loan</i>	0	( 338)
<i>Celtic Investments Ltd</i>	1 494	1 961
<i>Impairment on Celtic Investments Ltd loan</i>	(1 494)	(1 961)
<i>Lakia Enterprises Ltd</i>	25 244	35 398
<i>Challenge 18</i>	56 071	163 287
<i>Elara Investments</i>	2 623	3 215
<i>Impairment on Elara Investments loan</i>	0	(1 882)
<i>Gaston Investments</i>	4 879	9 063
<i>Impairment on Gaston Investments loan</i>	(2 479)	(5 185)
<i>Hub Developments</i>	2 269	2 785
<i>Impairment on HUB Investments loan</i>	0	( 968)
<i>Mandy investments</i>	17 031	21 621
<i>Impairment on Mandy Investments loan</i>	(17 031)	(21 621)

## Financial statements for the period of 9 months ended 30 September 2018

(All amounts in PLN thousands unless otherwise stated )

## Notes to the interim financial statements

## 31.16 Related party transactions - cont.

## d) Transactions with other related parties

	1/7/2018 - 30/9/2018	1/7/2017 - 30/9/2017	01/01/2018 - 30/9/2018	01/01/2017 - 30/9/2017
Costs				
<i>Kancelaria Radców Prawnych Oleś&amp;Rodzynekiewicz sp. komandytowa</i>	1	10	25	46

## 31.17 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 privileged. 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 value of PLN 0,10 and total value of up to PLN 979 thousand. 110 series A bonds have been issued of par value of EUR 50 thousand and total value of EUR 5.500 thousand.

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

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

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 2017 concerning 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.

Warsaw, 27 November 2018