

# QUARTERLY REPORT FOR I QUARTER OF 2019



**CPD S.A.**

**QUATERLY REPORT FOR 1<sup>st</sup> QUARTER 2019**

**TRANSLATORS' EXPLANATORY NOTE**

The following document is a free translation of the 1Q 2019 report of CPD S.A. published on 30 May 2019.

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

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

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

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

Today, CPD S.A. is the holding company controlling a group of 26 subsidiaries and two jointly 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**

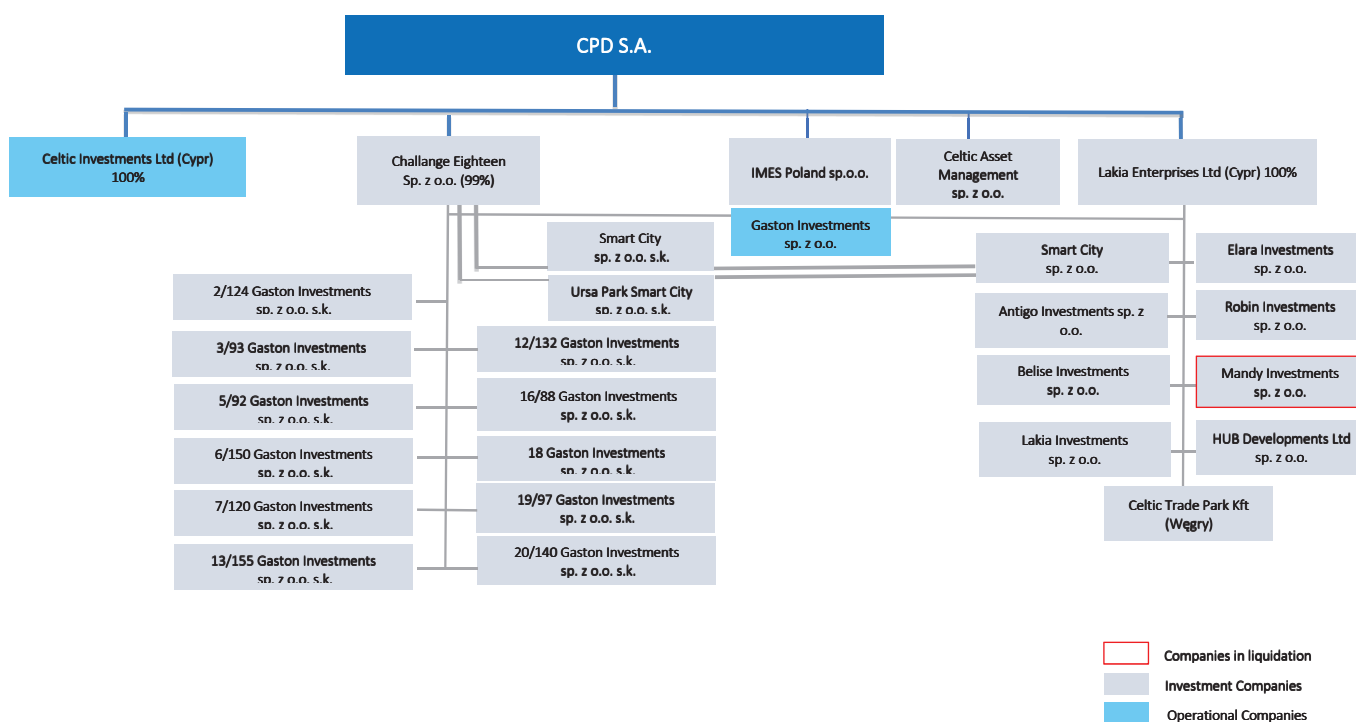
As of the day of publication hereof, the CPD Group (hereinafter referred to as "the Group", "CPD Group") was composed of a dominant entity – CPD S.A. (hereinafter referred to as "the Company") and 26 subsidiaries and two jointly controlled. Development activities of the Group are conducted via investment companies, direct subsidiaries of Challenge Eighteen sp. z o.o. and Lakia Enterprises Ltd (Cyprus). Dominant entity - CPD S.A. - coordinates and supervises the activities of subsidiaries and at the same time is the decision making centre with regard to the strategic planning. CPD S.A. performs actions aiming at optimising the operating costs of the whole Group, designs investment and marketing policies and serves as the coordinator of this activity.

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

All Group companies are 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 reconciled with the equity method in accordance to IFRS – International financial Reporting Standards.

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CPD Group's structure as on 31 of March 2019.



## 3. SELECTED FINANCIAL DATA

## Selected items of the consolidated statement of comprehensive income

	3 months period		Change (%)
	From 01.01.2019 to 31.03.2019	From 01.01.2018 to 31.03.2018	
	(PLN ths.)	(PLN ths.)	
Revenue	4 875	7 494	-34,9%
Cost of sales	-398	-3 167	-87,4%
<b>Gross profit</b>	<b>4 477</b>	<b>4 327</b>	<b>3,5%</b>
Administrative expenses - property related	-2 218	-1 759	26,1%
Other administrative expenses	-2 069	-1 455	42,2%
Selling and marketing costs	-62	-73	-15,1%
Gain (loss) on disposal of investment properties	0	-9 335	-100,0%
Other income	1 123	138	713,8%
Gain (loss) on revaluation of investment properties	460	1 214	-62,1%
Gain (loss) on revaluation of assets held for sale	-744	0	-
Post-tax share of the profit or loss of the joint-venture accounted for using the equity method	4 716	304	1451,3%
Impairment of receivables	-83	-108	-23,1%
Gain (loss) on disposal of subsidiaries	0	20 317	-100,0%
<b>Profit from operations</b>	<b>5 600</b>	<b>13 570</b>	<b>-58,7%</b>
Finance income	429	366	17,2%
Finance costs	-1 141	-2 145	-46,8%
<b>Profit before tax</b>	<b>4 888</b>	<b>11 791</b>	<b>-58,5%</b>
Income tax	4 806	-1 036	-563,9%
<b>Profit for the period</b>	<b>9 694</b>	<b>10 755</b>	<b>-9,9%</b>

In the first quarter of 2019 CPD SA Group generated a net profit of PLN 9.7 mln, which means that the net result deteriorated by PLN 1.1 mln in comparison with the first quarter of 2018.

There were several factors that had a positive impact on CPD Group's financial results in the first quarter of 2019 in comparison with the first quarter of 2018. First of all, deferred tax liability decreased by PLN 4.9 mln. Secondly, the share in the profit of the joint-venture increased by PLN 4.4 mln. What is more, finance costs dropped by PLN 1 mln. Finally, other operating income rose by PLN 1 mln.



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Deferred tax liability went down due to a change in the tax rate applicable to CPD SA, Lakia Investments Sp. z o.o. and Robin Investments Sp. z o.o. The share in the profit of the joint-venture went up because the jointly-controlled company handed over a substantial number of apartments and shops to the buyers in the first quarter of 2019. The drop in finance costs stemmed from lack of substantial fluctuations in EUR/PLN foreign exchange rate in the first quarter of 2019. The growth in other operating income resulted from dissolution of provisions for tax risks.

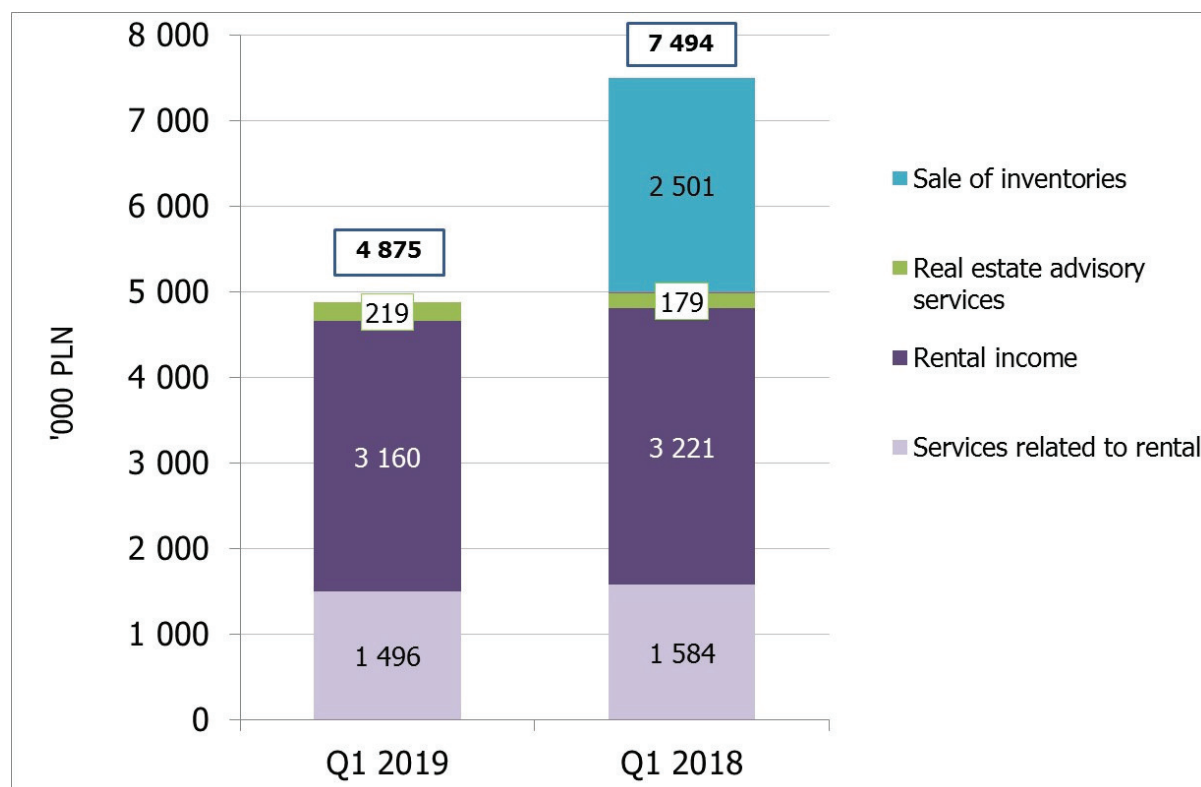
On the other hand, an increase in operating costs in the amount of PLN 1.1 mln was one of the main factors that had a negative impact on CPD Group's financial results in the first quarter of 2019 in comparison with the first quarter of 2018. The CPD SA management board carried out a detailed analysis of existing property, plant and equipment and decided to write off a few fixed assets.

**The following table shows the selected items of the consolidated statement of comprehensive income translated into euro. The figures for 2019 assumed an fx rate published by the National Bank of Poland as at March 29, 2019, i.e. 4.3013. The figures for 2018 assumed an fx rate published by the National Bank of Poland as at March 30, 2018, i.e. 4.2085.**

	3 months period		Change (%)
	From 01.01.2019 to 31.03.2019 (EUR ths.)	From 01.01.2018 to 31.03.2018 (EUR ths.)	
Revenue	1 133	1 781	-36,4%
Cost of sales	-93	-753	-87,7%
<b>Gross profit</b>	<b>1 041</b>	<b>1 028</b>	<b>1,2%</b>
Administrative expenses - property related	-516	-418	23,4%
Other administrative expenses	-481	-346	39,1%
Selling and marketing costs	-14	-17	-16,9%
Gain (loss) on disposal of investment properties	0	-2 218	-100,0%
Other income	261	33	696,2%
Gain (loss) on revaluation of investment properties	107	288	-62,9%
Gain (loss) on revaluation of assets held for sale	-173	0	-
Post-tax share of the profit or loss of the joint-venture accounted for using the equity method	1 096	72	1417,8%
Impairment of receivables	-19	-26	-24,8%
Gain (loss) on disposal of subsidiaries	0	4 828	-100,0%
<b>Profit from operations</b>	<b>1 302</b>	<b>3 224</b>	<b>-59,6%</b>
Finance income	100	87	14,7%
Finance costs	-265	-510	-48,0%
<b>Profit before tax</b>	<b>1 136</b>	<b>2 802</b>	<b>-59,4%</b>
Income tax	1 117	-246	-553,9%
<b>Profit for the period</b>	<b>2 254</b>	<b>2 556</b>	<b>-11,8%</b>

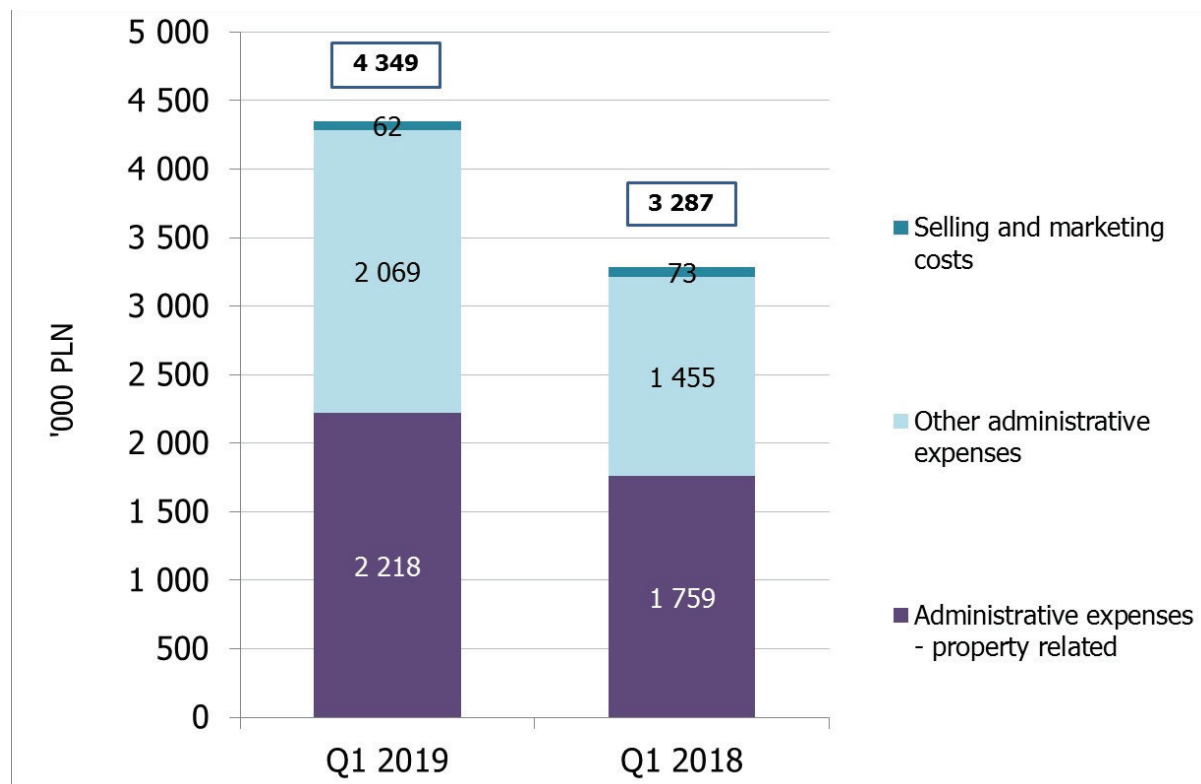


The following chart shows the structure of revenue in the first quarter of 2019 and 2018:



The revenue declined because the Group did not sell any inventories in the first quarter of 2019.

The following chart shows the structure of operating costs in the first quarter of 2019 and 2018:



There was a considerable increase in the value of operating costs compared to the first quarter of 2018 as a result of writing off a few fixed assets in the first quarter of 2019.

## Selected items of the consolidated statement of financial position

	As at:		Change
	31.03.2019	31.12.2018	
	(PLN ths.)	(PLN ths.)	(%)
<b>TOTAL ASSETS</b>	<b>536 709</b>	<b>582 768</b>	<b>-7,9%</b>
<b>Non-current assets, including:</b>	<b>246 066</b>	<b>256 574</b>	<b>-4,1%</b>
<i>Investment properties</i>	<i>218 432</i>	<i>218 311</i>	<i>0,1%</i>
<i>Investments in joint ventures accounted for using the equity method</i>	<i>26 787</i>	<i>37 201</i>	<i>-28,0%</i>
<b>Current assets, including:</b>	<b>290 643</b>	<b>326 194</b>	<b>-10,9%</b>
<i>Assets held for sale</i>	<i>214 262</i>	<i>212 893</i>	<i>0,6%</i>
<i>Inventory</i>	<i>2 937</i>	<i>2 915</i>	<i>0,8%</i>
<i>Trade and other receivables</i>	<i>12 755</i>	<i>7 981</i>	<i>59,8%</i>
<i>Cash and cash equivalents</i>	<i>60 689</i>	<i>102 405</i>	<i>-40,7%</i>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>536 709</b>	<b>582 768</b>	<b>-7,9%</b>
<b>Equity, including:</b>	<b>293 577</b>	<b>326 879</b>	<b>-10,2%</b>
<i>Share capital</i>	<i>2 637</i>	<i>3 935</i>	<i>-33,0%</i>
<i>Reserve capital</i>	<i>987</i>	<i>987</i>	<i>0,0%</i>
<i>Own shares for redemption</i>	<i>-43 010</i>	<i>-160 110</i>	<i>-73,1%</i>
<i>Fair value of capital element at inception date</i>	<i>-27 909</i>	<i>-27 909</i>	<i>0,0%</i>
<i>Translation reserve</i>	<i>-5 506</i>	<i>-5 520</i>	<i>-0,3%</i>
<i>Retained earnings</i>	<i>366 378</i>	<i>515 496</i>	<i>-28,9%</i>
<b>Total liabilities, including:</b>	<b>243 132</b>	<b>255 889</b>	<b>-5,0%</b>
<i>Non-current liabilities</i>	<i>93 534</i>	<i>99 186</i>	<i>-5,7%</i>
<i>Current liabilities</i>	<i>149 598</i>	<i>156 703</i>	<i>-4,5%</i>

At the end of March 2019 the value of assets was 8% lower compared to December 2018. This decline resulted mainly from a repurchase of shares in the amount of PLN 43 mln.

The value of current assets went down by 11% due to the repurchase of shares. The balance of cash dropped by PLN 41.7 mln.

At the end of March 2019 the value of equity amounted to PLN 294 mln, which accounted for 55% of total assets. Total liabilities accounted for 45% of total assets. These ratios changed slightly in comparison with December 2018, when they amounted to 56% and 44% respectively. This change resulted from the repurchase of shares.

The value of liabilities fell by 5% in the first quarter of 2019 as a consequence of, among other things, a drop in deferred tax liability and the settlement of a substantial part of trade liabilities.

**The following table shows the selected items of the consolidated statement of financial position translated into euro. The figures for 2019 assumed an fx rate published by the**

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**National Bank of Poland as at March 29, 2019, i.e. 4.3013. The figures for 2018 assumed an fx rate published by the National Bank of Poland as at March 30, 2018, i.e. 4.2085.**

	As at:	
	31.03.2019 (EUR ths.)	31.12.2018 (EUR ths.)
<b>TOTAL ASSETS</b>	<b>124 778</b>	<b>138 474</b>
<b>Non-current assets, including:</b>	<b>57 207</b>	<b>60 966</b>
<i>Investment properties</i>	<i>50 783</i>	<i>51 874</i>
<i>Investments in joint ventures accounted for using the equity method</i>	<i>6 228</i>	<i>8 839</i>
<b>Current assets, including:</b>	<b>67 571</b>	<b>77 508</b>
<i>Assets held for sale</i>	<i>49 813</i>	<i>50 586</i>
<i>Inventory</i>	<i>683</i>	<i>693</i>
<i>Trade and other receivables</i>	<i>2 965</i>	<i>1 896</i>
<i>Cash and cash equivalents</i>	<i>14 109</i>	<i>24 333</i>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>124 778</b>	<b>138 474</b>
<b>Equity, including:</b>	<b>68 253</b>	<b>77 671</b>
<i>Share capital</i>	<i>613</i>	<i>935</i>
<i>Reserve capital</i>	<i>229</i>	<i>235</i>
<i>Own shares for redemption</i>	<i>-9 999</i>	<i>-38 044</i>
<i>Fair value of capital element at inception date</i>	<i>-6 489</i>	<i>-6 632</i>
<i>Translation reserve</i>	<i>-1 280</i>	<i>-1 312</i>
<i>Retained earnings</i>	<i>85 178</i>	<i>122 489</i>
<b>Total liabilities, including:</b>	<b>56 525</b>	<b>60 803</b>
<i>Non-current liabilities</i>	<i>21 746</i>	<i>23 568</i>
<i>Current liabilities</i>	<i>34 780</i>	<i>37 235</i>

**The following table shows the structure of liabilities as at March 2019 and December 2018:**

	31.03.2019	31.12.2018
<b>Liabilities to total assets</b>	<b>45,3%</b>	<b>43,9%</b>
<b>Non-current liabilities to total assets</b>	<b>17,4%</b>	<b>17,0%</b>
Borrowings including finance leases	14,3%	13,3%
Deferred income tax liabilities	2,7%	3,3%
Trade and other payables	0,4%	0,4%
<b>Current liabilities to total assets</b>	<b>27,9%</b>	<b>26,9%</b>
Borrowings including finance leases	0,9%	0,8%
Trade and other payables	17,6%	17,4%
Payables linked to assets held for sale	9,3%	8,7%

The structure of liabilities also changed in comparison with December 2018. The share of non-current liabilities in total assets went up from 17% to 17.4%. The share of current liabilities in total assets grew from 27% to 28%. These changes resulted mainly from the drop in the balance sheet sum as a result of the repurchase of shares.

#### **4. IMPORTANT ACHIEVEMENTS, FAILURES, AND THE MOST IMPORTANT EVENTS CONCERNING THE COMPANY IN REPORTING PERIOD**

- REGISTRATION OF SHARE REDEMPTION, REDUCTION OF SHARE CAPITAL AND CHANGE IN THE STATUTE**

8 February 2019 the Company received the decision of the District Court for the Capital City of Warsaw in Warsaw, 13<sup>th</sup> Commercial Division of the National Court Register issued on 25 January 2019 on registration by the court of amendments to the Issuer's Articles of Association in connection with the contents of resolutions adopted by the Extraordinary General Meeting of the Company on 14 September 2018, including the following amendments to the Issuer's Articles of Association:

1. Changes in relation to the content of resolution No. 5 of the Extraordinary General Meeting of the Company of September 14, 2018 on decreasing equity of CPD S.A. and amending the Company Statute:

a. par. 4.1 of the Company Statute was amended as follows:

„1. The Company's equity shall amount to zł 2,637,113.10 (two million six hundred thirty seven thousand one hundred thirteen zlotys ten groszys) and shall be divided into 26,371,131 (twenty six million three hundred seventy one thousand one hundred thirty one zlotys) stocks of AA series of nominal value zł 0.10 (ten groszys) each.”

- par. 4d of the Company Statute was deleted.

2. Changes in relation to the content of resolution No. 6 of the Extraordinary General Meeting of the Company of September 14, 2018 on amending the Company Statute:

a. par. 10.5 of the Company Statute was amended as follows:

„5. Since acquisition by the Company of the status of a public company, competence of the Supervisory Board shall include granting consent to execution by the Company of any significant agreement with any stockholder holding of at least 5% of total number of votes in the Company or with any affiliate within the meaning of international accounting standards adopted under the regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards. No consent shall be required for typical transactions performed on arm's length basis within the framework of operating activity carried on by the Company with entities in the Company's capital group.”

- par. 11.2.7) of the Company Statute was amended as follows:

„7) in the event of acquisition by the Company of the status of a listed company and as long as the Company remains listed – preparing and presenting to the Ordinary General Meeting: (i) evaluation of the Company's situation with consideration of the evaluation of the internal inspection system, risk management, compliance and internal audit function; (ii) report on the Supervisory Board's activity; (iii) evaluation of fulfilment of the Company's information requirements concerning application of the corporate governance rules; (iv) evaluation of

rationality of the Company's sponsoring and charity policy; (v) examination of and opinion on any issues to become subject matters of resolutions of the General Meeting;"

c. the current content of the par.11.3, par.11.4, par. 11.5 and par. 11.6 of the Company Statute has been deleted, and par. 11.3, 11.4 was amended as follows:

„3. The Supervisory Board shall appoint the Audit Committee if provisions of law impose such an obligation thereon.

4. If stocks of the Company are traded on a regulated market, the Supervisory Board may adopt a resolution on appointment of the Audit Committee even without such a statutory obligation.”

d. par. 12.2 of the Company Statute was amended as follows:

„2. The Independent Members shall fulfil the independence criteria provided in: (i) Attachment II to the Recommendation of the European Commission of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board; (ii) the guidelines included in the document „Best Practice of Companies Listed at GPW 2016”; or (iii) other regulations concerning independence criteria required from independent members of supervisory boards of public companies, in force on the day of appointment of the Independent Member.”

e. par. 12.3 and 12.4 of the Company Statute are deleted and the existing par. 12.5 of the Company Statute shall be renumbered as par 12.3 of the Company Statute.

The above amendments to the Statute became effective from the date of their registration in the register of entrepreneurs, which took place on January 25, 2019.

The Management Board of the Company informs that in connection with the content of Resolution No. 4 of September 14, 2018, the Extraordinary General Meeting of the Company regarding the redemption own stocks redeemed a total of 12,982,892 (in words: twelve million nine hundred and eighty two thousand eight hundred and ninety two) own shares marked with ISIN code PLCELPD00013 entitling to exercise 12.982.892 votes (in words: twelve million nine hundred and eighty two thousand eight hundred ninety two).

At the same time, due to the change of par. 4. 1 of the Company's Statute, the definition of a series of shares in the Company was changed to simplify their naming in such a way that all shares of the Company received a uniform designation as the "AA" series.

In connection with the above, the Company's share capital amounts to PLN 2,637,113.10 (in words: two million six hundred and thirty seven thousand three hundred twenty zlotys and thirty groszys) and is divided into 26,371,131 (twenty six million three hundred seventy one thousand one hundred and thirty one) stocks of AA series of nominal value zł 0.10 (ten groszy) each, which entitle to 26.371.131 votes.

• **THE WITHDRAWAL OF REDEEMED SHARES IN THE KDPW S.A.  
(NATIONAL SECURITIES DEPOSITORY S.A.)**

20 February 2019 Management Board of National Securities Depository S.A. adopted Resolution no. 95/2019, as a result of considered application of Company, regarding the withdrawal of 12,982,892 shares of the Company, in connection with redemption of shares.

The redemption of 12,982,892 shares on the basis of Resolution No. 4 and 5 of the Extraordinary General Meeting of 14 September 2018, and amending the Issuer's Articles of Association was registered

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on 25 January 2019 by District Court for the Capital City of Warsaw, XIII Commercial Division of the National Court Register Court.

- **RESOLVING THE EXTRAORDINARY GENERAL MEETING ON THE PLANNED BUYS OF OWN SHARES FOR REDEMPTION**

On 28 February 2019, an Extraordinary General Meeting was held which authorized the Management Board of the Company to purchase from the Company's Shareholders a total of no more than 8,700,000 shares of the company for redemption not later than 31 January 2021.

- **INFORMATION ON THE INVITATION TO SUBMIT PROPOSALS FOR THE SALES OF THE CPD S.A. SHARES**

4 March 2019 Management Board of the Company invited the Company's shareholders to submit Share Sale Offers on the terms specified in the Invitation to Place Sale Offers.

The full text of the Invitation to submit Sale Offers has been made public on the website of CPD S.A. ([www.cpdsa.pl](http://www.cpdsa.pl)).

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

In connection with Invitation to Submit Proposals for Sales of Shares of the Company announced on 4 March 2019, the pursuant to which the Company proposed to acquire up to 3 305 886 shares of ordinary bearer shares ISIN code PLCELPD00013, for the period for receipt of Offers to Sell the Shares held from 11 to 19 March 2019, accepted 51 valid offers amounting to a total of 19 944 601 shares of the Company.

On 20 March 2019, the Company has decided to accept all valid offers of Shares and make them reduction carried out in accordance with the principles set out in the Invitation. Because the Offers amounted to more than the number of shares offered by the Company of 3 305 886 shares, each offer was executed in part – the offer was reduced in accordance with the principles described in the Invitation and Offers to be reduced on average by approximately 83,42%.

Acquisition of Shares by the Company, took place as soon as the settlement ie 22 March 2019.

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

As a result of the buyback transaction dated on 22 March 2019, being a result of announced Invitation to Submit Proposals for Sales of Shares of the Company dated on 4 March 2019, the Company purchased through a brokerage house Pekao Investment Banking S.A. with its registered seat in Warsaw, 3 305 886 own shares.

The shares were acquired pursuant to Resolution No. 3 of the Extraordinary General Meeting of CPD of 28 February 2019 on acquisition of the shares of the Company for the purpose of redemption, pursuant to art. 362 § 1 point 5) Code of Commercial Companies.

The purchase price per share was 13,01 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 3 305 886 shares) represented 12,54 % of the Company's share capital and represented 3 305 886 votes at the General Meeting of the Company (12,54 % of voting rights at the General Meeting of the Company).

## **5. FACTORS AND EVENTS OF UNUSUAL NATURE HAVING AN IMPORTANT INFLUENCE ON FINANCIAL STATEMENT**

In the reporting period there were no factors or events of unusual nature having an important influence on financial statement.

## **6. 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.

## **7. 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.

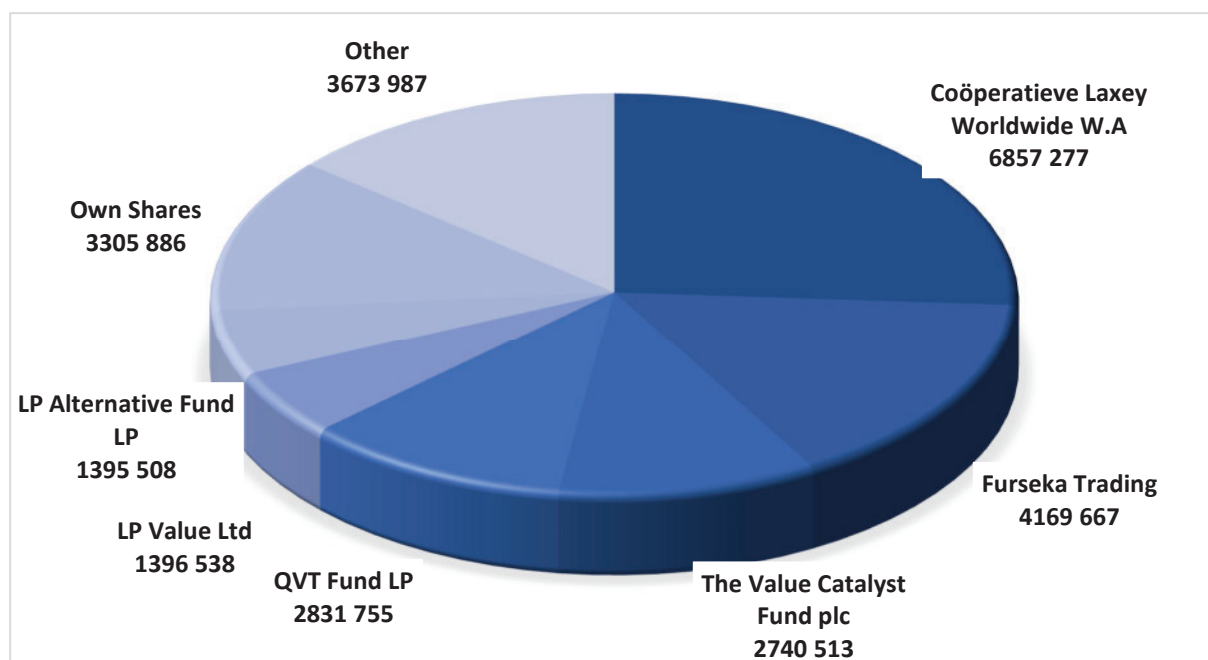
## **8. THE MANAGEMENT BOARD'S POSITION ON THE PREVIOUSLY PUBLISHED FINANCIAL FORECASTS**

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

## **9. SHAREHOLDERS ENTITLED TO AT LEAST 5% OF VOTES AT THE GENERAL MEETING OF SHAREHOLDERS**

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





Shareholder	Amount of owned shares	Type of shares	Amount of owned votes	Shareholder structure by owned votes	Shareholder structure by owned shares
Coöperatieve Laxey Worldwide W.A	6 857 277	Bearer Shares	6 857 277	29.73 %	26,00 %
Furseka Trading	4 169 667	Bearer Shares	4 169 667	18.08 %	15.81 %
The Value Catalyst Fund plc	2 740 513	Bearer Shares	2 740 513	11.88 %	10.39 %
QVT Fund LP	2 831 755	Bearer Shares	2 831 755	12.28 %	10.74 %
LP Value Ltd	1 396 538	Bearer Shares	1 396 538	6.05 %	5.30 %
LP Alternative Fund LP	1 395 508	Bearer Shares	1 395 508	6.05 %	5.29 %
Other	3 673 987	Bearer Shares	3 673 987	15.93 %	13.93 %
Own Shares	3 305 886	Bearer Shares	0 %	0 %	12.54 %

\* 25 January 2019 Registry Court for the Capital City of Warsaw Of Warsaw in Warsaw, 13<sup>th</sup> Commercial Division registered the decrease in the share capital of the Company in connection with the redemption of own shares, made on the basis of the resolutions of the EGM of 14 September 2018.

\*\* 22 March 2019 the Company acquired 3,305,886 shares (representing 12.54 % of the Company's share capital) as a result of the sale of the Company's shares.

in relation to the state presented in the consolidated annual report for 2018, published on 25 April 2019, there were no changes in the ownership structure of significant shareholders in the company.

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

Below information 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 owned shares	Worth of owned shares (PLN)	% of total no. of shares	% 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%
Colin Kingsnorth	Member	0	0	0	0
John Purcell	President	0	0	0	0
<b>TOTAL</b>		<b>47 232</b>	<b>4 723</b>	<b>0,14%</b>	<b>0,14%</b>

- 26 March 2019, the company received a notification from Ms Elżbieta Wiczowska regarding change in the number of shares held in connection with the purchase of own shares of CPD S.A. ended on 22 March 2019. As a result of the transaction, as at the date of publication of this report, the number of held shares is 37 060.

In relation to the state presented in the consolidated annual report for 2018, published on 25 April 2019, in the merger of the state of shares held by the managing and supervising persons, there were changes made as described above.

The Company has no information that other members of the Management Board or the Supervisory Board are in possession of the Company's shares.

## 11. IMPORTANT COURT, ADMINISTRATIVE AND ARBITRATION PROCEEDINGS

- On 9 November 2017, the Challenge Eighteen company from CPD Group received the result of the tax audit. In the opinion of the tax authorities, the Company did not pay withholding tax due from interest on a loan contracted from EEPF AB (which belonged then to the Group). The amount of arrears includes overdue tax in the amount of PLN 9.113 thousand. PLN, plus interest. In the management's opinion, this claim is unjustified. However, it can not be ruled out that it is necessary to pay this amount in the event of tax proceedings and decisions issued by tax authorities. Based on the risk analysis, the Management Board decided not to recognize a liability in this respect.
- On 6 February 2019, Celtic Investments Limited, with its registered office in Cyprus, belonging to the Group, was instituted tax and customs control. The scope of control covers the reliability of the tax bases declared and the correctness of calculating and paying corporate income tax for 2016 by Blaise Investments sp. O.o., which as a result of a cross-border merger, completed 31 December 2017 was taken over by Celtic Investments Limited. The deadline for completing customs and tax control was set no later than June 6, 2019.

**12. LOAN GUARANTEES**

As at 31 March 2019 CPD SA was a guarantor of the loan granted by Santander Bank Polska to Belise Investments Sp. z o.o. (a related company). The guarantee covers the repayment of the debt up to 20,666,000 EUR.

As at 31 March 2019 the outstanding loan balance amounted to 15,563,125 EUR.

The term of the guarantee will end when Santander Bank Polska SA recognizes that the debt has been irrevocably, unconditionally and fully repaid and met, but in no case later than 12 August 2022.

CPD SA's remuneration for the guarantee amounts to 200,000 EUR per year.

**13. THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD**

At 31 March 2019, 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

At 31 March 2019, 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

At 31 March 2019, 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.

**14. OTHER IMPORTANT INFORMATION**

No other except those mentioned above.

**15. 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 1<sup>st</sup> QUARTER 2019

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**II. INTERIM      CONDENSED      CONSOLIDATED      FINANCIAL  
STATEMENT FOR THE PERIOD OF 3 MONTHS ENDED 31 MARCH  
2019 ALONG WITH CONDENSED FINANCIAL STATEMENTS OF  
CPD S.A.**

CPD S.A.

**Condensed interim consolidated financial statements**  
for the period of 3 months ended 31 March 2019

and the condensed financial statements of CPD S.A.  
for the period of months ended 31 March 2019

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

(unaudited financial data)

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**Condensed consolidated statement of comprehensive income**

	Note	For the 3 month period ended	
		31/03/2019 (unaudited)	31/03/2018 (unaudited)
Revenues	13	4 875	7 494
Cost of sales	14	( 398)	(3 167)
<b>PROFIT ON SALES</b>		<b>4 477</b>	<b>4 327</b>
Administrative costs property related	15	(2 218)	(1 759)
Administrative expenses-other	16	(2 069)	(1 455)
Selling and marketing expenses		( 62)	( 73)
Loss on investment property disposal		0	(9 335)
Other income	17	1 123	138
Net gain/(loss) from fair value adjustments on investment properties	4		
		460	1 214
Post-tax share of the profit or loss of the joint-venture accounted for using the equity method	8	4 716	304
Receivables valuation allowances		( 83)	( 108)
Net gain/(loss) from value adjustments on assets held for sale		( 744)	0
Net gain / (loss) on sale of subsidiaries		0	20 317
<b>OPERATING RESULT</b>		<b>5 600</b>	<b>13 570</b>
Financial income	18	429	366
Financial costs	18	(1 141)	(2 145)
<b>PROFIT (LOSS) BEFORE INCOME TAX</b>		<b>4 888</b>	<b>11 791</b>
Income tax		4 806	(1 036)
<b>PROFIT (LOSS) FOR THE PERIOD</b>		<b>9 694</b>	<b>10 755</b>
Currency translation adjustment		14	31
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>9 708</b>	<b>10 786</b>
<b>Profit attributable to:</b>			
Equity holders of the Group		<b>9 694</b>	<b>10 755</b>
<b>Total comprehensive income attributable to:</b>			
Equity holders of the Group		<b>9 708</b>	<b>10 786</b>
Total comprehensive income for the period attributable to owners of the Group arises from:			
Continuing operations		9 708	10 786
Discontinued operations		0	0
<b>BASIC EARNINGS PER SHARE (PLN)</b>	23	0,37	0,27
<b>DILUTED EARNINGS PER SHARE (PLN)</b>		0,37	0,27

Elżbieta Donata Wiczowska  
Chairman of the Board

Colin Kingsnorth  
Board Member

John Purcell  
Board Member

Iwona Makarewicz  
Board Member

**Condensed consolidated statement of financial position**

	Note	31/03/2019 (unaudited)	31/12/2018
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment properties	4	218 432	218 311
Property, plant and equipment		462	512
Investments in joint ventures accounted for using the equity method	8	26 787	37 201
Long-term receivables		385	550
<b>Non-current assets</b>		<b>246 066</b>	<b>256 574</b>
<b>Current assets</b>			
Inventories	6	2 937	2 915
Trade receivables and other receivables, including:	5	12 755	7 981
- receivables and loans		7 417	4 915
- prepayments		5 338	3 066
Cash and cash equivalents	7	60 689	102 405
		<b>76 381</b>	<b>113 301</b>
Assets held for sale	27	214 262	212 893
<b>Current assets</b>		<b>290 643</b>	<b>326 194</b>
<b>Total assets</b>		<b>536 709</b>	<b>582 768</b>

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

	Note	31/03/2019 (unaudited)	31/12/2018
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent company</b>			
Share capital	9	2 637	3 935
Own shares for redemption		(43 010)	(160 110)
Other reserves		987	987
Embedded element at inception date	11	(27 909)	(27 909)
Translation reserve		(5 506)	(5 520)
Retained earnings		366 378	515 496
<b>Total equity</b>		<b>293 577</b>	<b>326 879</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Trade payables and other liabilities	10	2 286	2 305
Borrowings, including financial leasing	11	76 780	77 489
Deferred tax liabilities	12	14 468	19 392
		<b>93 534</b>	<b>99 186</b>
<b>Current liabilities</b>			
Trade payables and other liabilities	10	94 708	101 244
Borrowings, including financial leasing	11	4 770	4 893
		<b>99 478</b>	<b>106 137</b>
Liabilities directly associated with assets held for sale		50 120	50 566
<b>Total liabilities</b>		<b>243 132</b>	<b>255 889</b>
<b>Total Equity and liabilities</b>		<b>536 709</b>	<b>582 768</b>

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 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

## CPD S.A.

Condensed interim consolidated financial statements for the period of 3 months ended 31 March 2019

(All amounts in PLN thousands unless otherwise stated )

### Condensed consolidated statement of changes in equity

	Share capital CPD S.A.	Embedded element at inception date	Own shares for redemption	Translation reserve	Reserve capital	Retained earnings	Total
<b>Balance as at 01/01/2018</b>	<b>3 935</b>	<b>(27 909)</b>	<b>(17 199)</b>	<b>(5 458)</b>	<b>987</b>	<b>517 363</b>	<b>471 719</b>
<b>Comprehensive income</b>							
Currency translation adjustment	0	0	0	( 14)	0	0	( 14)
Profit (loss) for the period	0	0	0	0	0	10 755	10 755
	0	0	0	( 14)	0	10 755	10 741
<b>Balance as at 31/03/2018 /unaudited</b>	<b>3 935</b>	<b>(27 909)</b>	<b>(17 199)</b>	<b>(5 472)</b>	<b>987</b>	<b>528 118</b>	<b>482 460</b>
<b>Balance as at 01/01/2018</b>	<b>3 935</b>	<b>(27 909)</b>	<b>(17 199)</b>	<b>(5 458)</b>	<b>987</b>	<b>517 363</b>	<b>471 719</b>
Acquisition of own shares	0	0	(142 911)	0	0	0	(142 911)
	0	0	( 142 911)	0	0	0	(142 911)
<b>Comprehensive income</b>							
Currency translation adjustment	0	0	0	( 62)	0	0	( 62)
Profit (loss) for the period	0	0	0	0	0	(1 867)	(1 867)
	0	0	0	( 62)	0	(1 867)	(1 929)
<b>Balance as at 31/12/2018</b>	<b>3 935</b>	<b>(27 909)</b>	<b>(160 110)</b>	<b>(5 520)</b>	<b>987</b>	<b>515 496</b>	<b>326 879</b>
<b>Balance as at 01/01/2019</b>	<b>3 935</b>	<b>(27 909)</b>	<b>(160 110)</b>	<b>(5 520)</b>	<b>987</b>	<b>515 496</b>	<b>326 879</b>
Share capital reduction	(1 298)	0	160 110	0	0	(158 812)	0
Acquisition of own shares	0	0	(43 010)	0	0	0	(43 010)
	( 1 298)	0	117 100	0	0	( 158 812)	(43 010)
<b>Comprehensive income</b>							
Currency translation adjustment	0	0	0	14	0	0	14
Profit (loss) for the period	0	0	0	0	0	9 694	9 694
	0	0	0	14	0	9 694	9 708
<b>Balance as at 31/03/2019 /unaudited</b>	<b>2 637</b>	<b>( 27 909)</b>	<b>( 43 010)</b>	<b>( 5 506)</b>	<b>987</b>	<b>366 378</b>	<b>293 577</b>

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

Elżbieta Donata Wiczowska  
Chairman of the Board

Colin Kingsnorth  
Board Member

Iwona Makarewicz  
Board Member

John Purcell  
Board Member

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

**Condensed consolidated statement of cash flows**

	Note	For the 3 month period ended	
		31/03/2019 (unaudited)	31/03/2018 (unaudited)
<b>Cash flow from operating activities</b>			
Cash generated from operations	20	(10 202)	(68 453)
Interest paid		( 554)	( 560)
<b>Net cash generated from investing activities</b>		<b>(10 756)</b>	<b>(69 013)</b>
<b>Cash flows from investing activities</b>			
Capital expenditure on investment properties		( 110)	( 193)
Purchases of property, plant and equipment		0	( 6)
Expenses for assets held for sale		(1 610)	0
Proceeds from the sale of subsidiaries		0	81 344
Proceeds from reduction of the own contribution in joint venture		15 111	2 400
<b>Net cash used in investing activities</b>		<b>13 391</b>	<b>83 545</b>
<b>Cash flows from financing activities</b>			
Acquisition of own shares		(43 010)	0
Repayments of borrowings		(1 341)	(1 294)
<b>Net cash used in financing activities</b>		<b>(44 351)</b>	<b>(1 294)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(41 716)</b>	<b>13 238</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>102 405</b>	<b>143 303</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>7</b>	<b>60 689</b>	<b>156 541</b>

\_\_\_\_\_  
Elżbieta Donata Wiczowska  
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Board Member

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

### Notes to the interim condensed consolidated financial statements

#### 1 General information

CPD S.A. ("Company", "CPD") with its registered office in Warsaw (02-677), 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, 26 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 2018, except for the application of the following new or revised standards and interpretations applicable for annual periods beginning on or after 1 January 2019.

The interim consolidated financial statements as at 31 March 2019 has been prepared under going concern assumption in the foreseeable future.

##### 2.1 Basis of preparation

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

##### **The following new standards, interpretations and amendments which came into force in 2019 and description of the impact of applying the amendments:**

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

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

The Group is the lessee, mainly in the case of perpetual usufruct. Implementation of IFRS 16 does not significantly affect the financial data of the group.

**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 2019 year:

**Amendments to IAS 28 Investments in Associates and Joint Ventures** – the measurement of long-term investments being a part of amendments resulting from the review of IFRS 2014-2016 (issued on 8 December 2016) – not approved by the UE as at the date of approval of these financial statements,

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

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

**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.

**Amendments to IAS 19 Employee Benefits** – amendments to defined benefit plans (issued on 7 February 2018) – not approved by the EU as at the date of approval of these financial statements,

**Amendments to IFRS 3 Business Combinations** – the measurement of interests in a joint venture at the time of control acquisition, as part of amendments resulting from the review of IFRS 2015-2017 – not approved by the EU as at the date of approval of these financial statements,

**Amendments to IFRS 11 Joint Arrangements** – no measurement in a joint venture at the time of joint control acquisition, as part of amendments resulting from the review of IFRS 2015-2017 – not approved by the EU as at the date of approval of these financial statements,

**Amendments to IFRS 12 Income Taxes** – accounting for tax consequences of dividend payment, as part of amendments resulting from the review of IFRS 2015-2017 – not approved by the EU as at the date of approval of these financial statements,

**Amendments to IAS 23 Borrowing Costs** – qualification of obligations assumed directly to acquire a qualifying asset in the situation when efforts necessary to get the asset ready for its intended use or sale are completed, as part of amendments resulting from the review of IFRS 2015-2017 – not approved by the EU as at the date of approval of these financial statements,

**Amendments to IFRS 3 Business Combinations** – the definition of a business – not approved by the EU as at the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2020,

**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.

The Group intends to adopt the above new IFRS published by the International Accounting Standards Board, but not applicable as at the date of publication of these financial statements, according to their respective effective dates.

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

**2.2 Changes in Group structure**

During the period covered by these interim condensed consolidated financial statements there were no changes in the structure of the CPD Group.



**Notes to the interim condensed consolidated financial statements****3 Significant changes in major accounting estimates and judgments**

During preparation of these condensed consolidated financial statements the Board has made an assessment of the significant estimates and judgments, which have an impact on the accounting principles applied and the amounts recognised in the financial statements for a period of 3 months ended 31 March 2019.

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.

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 2018.

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.

**Determination of the fair value of investment properties**

The fair value of investment properties recognized in the balance sheet is calculated based on pricing established for annual financial statements by Savills Sp. z o.o. - third party experts - as per Practice Statements of the Royal Institution of Chartered Surveyors' (RICS) Appraisal and Valuation Standards (the 'Red Book') published in June 2017 and valid as of 1 July 2017. Pricing fees are not related to the value of the real properties or the outcome of pricing. Bearing in mind the market environment, the Management Board reviewed and confirmed experts' assumptions underlying the valuation models applied for the last annual financial statements being valid as at the end of the period covered by the condensed consolidated financial statements.

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. Price per square meter is the variable with the strongest impact on the valuation result.

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

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

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

Net future operating income were estimated separately for each investment 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 major accounting estimates and judgments - cont.**

In the first quarter of 2019, the Group recorded profit on the revaluation of investment properties to their fair values, which amounted to PLN 460 thousand.

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.

Investment properties transferred to assets held for sale are valued at expected sales price reduced by sales costs.

**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 designated 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 (Challenge 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 major accounting estimates and judgments - cont.*****Determination of fair value of derivatives***

In February 2016 Belise Investments Sp. z o.o., the Group subsidiary, concluded interest rate swap (IRS) contract. The contract is settled in monthly periods based on EURIBOR 1M.

IRS transaction is valued by Santander bank (prior name) BZ WBK at 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 (related to the standalone financial statements)***

As at the balance sheet date, the Company analysed the impairment indicators regarding shares in subsidiaries by comparing the book value of shares and their recoverable amount. The recoverable amount is established by the higher of the two amounts: the fair value of assets less the costs of sale or the value in use. In the Company's opinion the value in use is similar to the fair value as at the balance sheet date. In consequence, the analysis of impairment of shares' value was based on the fair value.

In case of investment in Challenge Eighteen Sp. z o.o., IMES Poland Sp. z o.o. and Lakia Enterprises Ltd, their fair value was estimated based on net assets of these companies, constituting an approximate value of future cashflows available for shareholders related to the shares held by them. The value of these cash flows was estimated, among others, based on either book value (not lower than fair value) or based on fair value of properties owned by subsidiaries.

With respect to shares in Celtic Investments Ltd, the operating activity of which was suspended as at the balance sheet date and which did not have any significant assets, the fair value of these assets was estimated based on the net assets of this company.

Based on the analysis performed no impairment indicators were identified with respect to shares in Challenge Eighteen Sp. z o.o. and IMES Poland Sp. z o.o. With respect to shares in Lakia Enterprises Ltd and Celtic Investments Ltd which are written down in full no indicators of impairment reversal were observed.

At the same time, as at the balance sheet date, the Company analysed the possibility of recovering receivables from loans granted to its subsidiaries. The Company impairs the value of loans granted to its subsidiaries if the value of their net assets was negative as at 31 March 2019. 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 repay the loans in full.

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

Resulting from 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, require extremely thorough consideration. In complicated cases, the decision of the Management Board is based on opinions of specialist tax advisers.

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

## Notes to the interim condensed consolidated financial statements

### 3.1 Managing financial risk

#### **Financial risk factors**

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

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

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

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

Other financial risks CPD Group have been presented in the consolidated financial statements for the year ended 31 December 2018.

#### **Liquidity risk**

Decrease in cash balance as compared to 31 December 2018 results mainly from acquisition of own shares. The details of the current borrowings were presented the consolidated financial statements for the year ended 31 December 2018.

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

**4 Investment properties**

	01/01/2019 - 31/03/2019	01/01/2018 - 31/12/2018
<b>At the beginning of the reporting period</b>	<b>218 311</b>	<b>471 715</b>
Capital expenditure	110	4 019
Liquidation	( 443)	0
Disposal of investment property	0	(3 227)
Fair value of properties disposed in course of sale of subsidiary	0	(10 000)
Transfer of road plots of land in Ursus to the municipality of Warsaw	0	(11 400)
Change in the balance of capitalized financial liability concerning the property disposed	0	(4 781)
Change in the balance of capitalized financial liability concerning the properties transferred to assets held for sale	0	(13 444)
Change in Balance of Capitalised Liability (RPU)	( 6)	( 716)
Transfer to assets held for sale	0	(199 449)
Net gain/(loss) from fair value adjustments on investment properties	460	(14 406)
<b>At the end of the reporting period</b>	<b>218 432</b>	<b>218 311</b>
	<b>01/01/2019 - 31/03/2019</b>	<b>01/01/2018 - 31/03/2018</b>
Direct operating costs for investment properties:		
- rent income bearing	1 236	1 199
- other	127	32
	<b>1 363</b>	<b>1 231</b>

**5 Trade receivables and other receivables**

	31/03/2019	31/12/2018
Trade receivables	1 918	1 258
Short term Loans	237	0
Receivables from the state	4 764	3 136
Receivables from related parties	479	521
Prepaid expenses	5 338	3 066
Other receivables	19	0
<b>Short-term receivables</b>	<b>12 755</b>	<b>7 981</b>
Long-term receivables	385	550
<b>Total receivables</b>	<b>13 140</b>	<b>8 531</b>

**6 Inventories**

	31/03/2019	31/12/2018
<b>At the beginning of the reporting period</b>	<b>2 915</b>	<b>5 421</b>
Disposal	0	(2 451)
Revaluation of Inventory	0	( 24)
Foreign exchange gains/ (losses)	22	( 31)
<b>At the end of the reporting period</b>	<b>2 937</b>	<b>2 915</b>

**Notes to the interim condensed consolidated financial statements****7 Cash and cash equivalents**

	31/03/2019	31/12/2018
Cash at bank and on hand	34 539	39 746
Cash on escrow account	3 332	3 400
Short term bank deposits	22 818	59 259
	<b>60 689</b>	<b>102 405</b>

Restricted cash relates to the funds transferred as a result of the implementation of the credit agreement with mBank Hipoteczny as well as VAT accounts resulting from split payments.

**8 Joint ventures**

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

	31/03/2019	31/12/2018
a) Smart City Spółka z ograniczoną odpowiedzialnością sp.k.	1 091	1 620
b) Ursa Park Smart City Spółka z ograniczoną odpowiedzialnością sp.k.	25 696	35 581

	31/03/2019	31/12/2018
a) <u>Smart City Spółka z ograniczoną odpowiedzialnością sp.k.</u>		
<b>Opening balance as at 1 January</b>	<b>1 620</b>	<b>16 486</b>
Group's share of the net profit or loss of the joint ventures presented in theses interim condensed consolidated financial statements	371	(13 057)
Reduction of the joint venture contribution	0	(3 700)
Group's participation in profit distributions	( 900)	0
Transfer of the educational land and liabilities to the joint venture (Note 4)	0	1 890
Other adjustments	0	1
<b>Closing balance</b>	<b>1 091</b>	<b>1 620</b>

	31/03/2019	31/12/2018
b) <u>Ursa Park Smart City Spółka z ograniczoną odpowiedzialnością sp.k.</u>		
<b>Opening balance as at 1 January</b>	<b>35 581</b>	<b>46 586</b>
Group's share in contributions to the joint venture	0	1 250
Group's share in withdrawals of the contributions to the joint venture	(6 014)	(9 707)
Group's share in future contributions to the joint venture	0	10 375
Group's share in joint venture's profit distributions	(4 201)	(6 255)
Amendment of the property rights to the joint venture's net assets	0	(15 880)
Group's share of the net profit or loss of the joint ventures presented in these interim consolidated financial statements	330	9 212
<b>Closing balance</b>	<b>25 696</b>	<b>35 581</b>

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

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

a) Smart City Spółka z ograniczoną odpowiedzialnością sp.k.*Financial information coming from statement of financial position*

	31/03/2019	31/12/2018
<b>Total non-current assets, including</b>	<b>17</b>	<b>18</b>
<i>Fixed assets</i>	17	18
<b>Total current assets, including:</b>	<b>3 042</b>	<b>4 658</b>
<i>Inventory</i>	1 751	3 412
<i>Trade receivables and other receivables</i>	492	430
<i>Cash and cash equivalents</i>	799	816
<b>Total assets</b>	<b>3 059</b>	<b>4 676</b>
<b>Total current liabilities, including:</b>	<b>872</b>	<b>1 432</b>
<i>Trade payables and other liabilities</i>	872	1 432
<b>Total liabilities</b>	<b>872</b>	<b>1 432</b>
<b>Net assets</b>	<b>2 187</b>	<b>3 244</b>
<b>% held by the Group</b>	<b>50%</b>	<b>50%</b>
<b>Carrying amount of investment in joint venture presented in the interim</b>	<b>1 093</b>	<b>1 620</b>

*Financial information from statement of comprehensive income*

	31/03/2019	31/12/2018
Revenue	5 638	8 493
Interest cost	( 1 )	124
Result from continued operations	1 084	(12 268)

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

	31/03/2019	31/12/2018
<b>Total non-current assets, including</b>	<b>18 700</b>	<b>18 758</b>
<i>Intangible assets</i>	0	58
<i>Investment property</i>	18 700	18 700
<b>Total current assets, including:</b>	<b>98 211</b>	<b>101 879</b>
<i>Inventory</i>	61 975	56 057
<i>Trade receivables and other receivables</i>	26 526	26 746
<i>Cash and cash equivalents</i>	9 710	19 076
<b>Total assets</b>	<b>116 911</b>	<b>120 637</b>
<b>Total current liabilities, including:</b>	<b>65 518</b>	<b>49 476</b>
<i>Trade payables and other liabilities</i>	65 518	49 476
<b>Total liabilities</b>	<b>65 518</b>	<b>49 476</b>
<b>Net assets</b>	<b>51 393</b>	<b>71 161</b>
<b>% held by the Group</b>	<b>50%</b>	<b>50%</b>
<b>Carrying amount of investment in joint venture presented in the consolidated financial statements</b>	<b>25 697</b>	<b>35 581</b>

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

<i>Financial information from statement of comprehensive income</i>	<b>31/03/2019</b>	<b>31/12/2018</b>
Revenue	164	70 428
Interest income	0	1
Interest cost	0	4
Result from continued operations	( 476)	18 397

**9 Share capital**

	<b>Number of shares</b>		<b>Par value of shares</b>	
	<b>31/03/2019</b>	<b>31/12/2018</b>	<b>31/03/2019</b>	<b>31/12/2018</b>
Ordinary shares (in thousands)	26 371	39 354	2 637	3 935

As at the moment of preparation of these condensed interim financial statements share capital amounts to PLN 2.637 thousand.

On January 25, 2019 the National Court Register registered reduction of share capital and change of the articles of the association of CPD S.A, in accordance with the wording of the resolutions taken by the Extraordinary General meeting of the Company on September 14, 2018. The share capital of the Company as at January 25, 2019 amounts to PLN 2.637.113,10, and is divided into 26.371.131 ordinary shares.

On 28 February 28, 2019 Extraordinary General Meeting of CPD S.A. authorised the Management Board of the Company to purchase from Company's shareholders up to 8.700.000 of Company's shares for the purpose of retirement no later than by January 31, 2021.

On March 22, 2019 the Company purchased 3.305.886 own shares. All the purchased shares are ordinary shares with a nominal value of 0.10 zł each. The purchased shares represent 12,54 % of the Company's share capital and represent 12,54% of voting rights at the General Meeting of the Company. However in accordance with the Polish Commercial Company Code, treasury shares cannot be voted, nor do they participate in the distribution of dividends.

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

	<b>31/03/2019</b>	<b>31/12/2018</b>
Deposits of tenants	2 286	2 305

**Current liabilities**

	<b>31/03/2019</b>	<b>31/12/2018</b>
Trade payables	751	6 624
Output VAT and other tax liabilities	10 991	9 157
Deposits of tenants	233	334
Other liabilities	106	571
Advanced sales payments	76 819	76 819
Accruals and deferred income	5 808	7 739
	<b>94 708</b>	<b>101 244</b>



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

The received advance payments results from preliminary agreements for sale of properties owned by 5/92 Gaston Investments Spółka z ograniczoną odpowiedzialnością sp.k., 2/124 Gaston Investments Spółka z ograniczoną odpowiedzialnością sp.k., 3/93 Gaston Investments Spółka z ograniczoną odpowiedzialnością sp.k., IMES Poland Sp. z o.o., as well as auxiliary services related to disposed properties.

**11 Borrowings, including financial leasing**

	31/03/2019	31/12/2018
<b>Non-current</b>		
Bank loans	62 377	63 115
Derivatives (IRS)	318	283
Financial leasing	14 085	14 091
	<b>76 780</b>	<b>77 489</b>
<b>Current</b>		
Bank loans	4 472	4 581
Derivatives (IRS)	298	312
	<b>4 770</b>	<b>4 893</b>
<b>Total borrowings</b>	<b>81 550</b>	<b>82 382</b>

As of March 31, 2019 bank credits consist of:

- payable of PLN 68,849 thousand to Santander Bank S.A. (PLN 4,472 thousand being short-term and PLN 62,377 thousand as long-term).

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

The loan is collateralised by mortgage on Belise Investments property, pledge on it's share, cash deposit as well as guarantees granted by CPD SA and Lakia Enterprises.

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 Santander Bank.

The value of hedging derivatives - the IRS as at the balance sheet date was estimated at PLN 616 thousand. The method of valuation of IRS transactions is presented in note 4.

On 18 June 2014 the subsidiaries Lakia Investments and Robin Investments entered into loan agreements with mBank Hipoteczny. The above mentioned loan was granted to refinance a loan with HSBC Bank Poland from 2006, which was used to finance the office investments located in Cybernetics 7b and Polczyńska 31a. Mortgage credit in the mBank was launched on 1 July 2014. As at balance sheet date Lakia's involvement amounted to EUR 4.806 thousand, and Robin's - EUR 3.722 thousand. According to the terms and conditions of the loan agreement with mBank Hipoteczny, the companies are obliged to repay the entire loan until 20 June 2029.

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.

As at the end of 2018 bank loans received by Lakia Investments and Robin investments was transferred to liabilities associated with assets held for sales, resulting from transferring the relevant investment properties to assets held for sale. As at March 31, 2019 the bank loans payables amount to PLN 36.682 thousand.

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

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

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

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

**12 Deferred income taxes**

	31/03/2019	31/12/2018
<b>Deferred tax assets before offset</b>	<b>5 537</b>	<b>9 022</b>
Offset against deferred tax liability	(5 537)	(9 022)
<b>Deferred tax assets</b>	<b>0</b>	<b>0</b>
<b>Deferred income tax liabilities before offset</b>	<b>20 005</b>	<b>28 414</b>
Offset against deferred tax asset	(5 537)	(9 022)
<b>Deferred income tax liabilities after offset</b>	<b>14 468</b>	<b>19 392</b>

**13 Revenue by nature**

	01/01/2019 - 31/03/2019	01/01/2018 - 31/03/2018
Rent income	3 160	3 221
Sales of inventories	0	2 501
Real estate advisory services	219	179
Services relating to rental	1 496	1 584
Accounting services	0	9
	<b>4 875</b>	<b>7 494</b>

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

**14 Cost of sales**

	01/01/2019 - 31/03/2019	01/01/2018 - 31/03/2018
Cost of inventories sold	0	2 506
Cost of services provided	398	661
	<b>398</b>	<b>3 167</b>

**15 Administrative costs property related**

	01/01/2019 - 31/03/2019	01/01/2018 - 31/03/2018
Employee expenses	321	378
Property maintenance	1 252	1 221
Real estate tax	337	83
Perpetual usufruct	259	17
Depreciation and amortization	49	60
	<b>2 218</b>	<b>1 759</b>

Reduction of property tax costs in the first quarter of 2018 resulted from derecognition of provisions created for this cost in earlier periods.

Condensed interim consolidated financial statements for the period of 3 months ended 31 March 2019

(All amounts in PLN thousands unless otherwise stated )

Notes to the interim condensed consolidated financial statements

16 Administrative expenses-other

	01/01/2019 - 31/03/2019	01/01/2018 - 31/03/2018
Advisory services	948	745
Legal fees	160	337
Audit fees	6	7
Transportation	8	2
Taxes	30	103
Office maintenance	138	135
Other services	98	61
Costs of not deductible VAT	36	65
Derecognition of elements of investment properties and assets held for sale	645	0
	<b>2 069</b>	<b>1 455</b>

17 Other income

	01/01/2019 - 31/03/2019	01/01/2018 - 31/03/2018
Provisions reversal	1 103	0
Other income	20	138
	<b>1 123</b>	<b>138</b>

18 Financial income and expenses

	01/01/2019 - 31/03/2019	01/01/2018 - 31/03/2018
Interest expense:		
- Bank loans	( 552)	( 559)
- Interest from financial leases	( 264)	( 619)
- Other interest	( 234)	( 1)
- Other	( 7)	( 28)
Revaluation of derivatives (IRS)	( 21)	( 15)
Valuation of amortized cost	( 29)	( 29)
Net exchange differences	( 34)	( 894)
<b>Financial costs</b>	<b>(1 141)</b>	<b>(2 145)</b>
Interest income:		
- Bank interest	133	366
Other financial income	296	0
<b>Financial income</b>	<b>429</b>	<b>366</b>

19 Income tax

	01/01/2019 - 31/03/2019	01/01/2018 - 31/03/2018
Current income tax	119	0
Deferred taxes	(4 925)	1 036
	<b>(4 806)</b>	<b>1 036</b>

**Notes to the interim condensed consolidated financial statements****20 Cash flow from operating activities**

	01/01/2019 - 31/03/2019	01/01/2018 - 31/03/2018
Profit/loss before tax	4 888	11 791
Adjustments for:		
- depreciation of tangible fixed assets	49	53
- foreign exchange differences	49	974
- (gains) losses on revaluation to fair value of investment property	( 460)	(1 214)
venture	(4 716)	( 304)
- currency translation adjustments	( 8)	( 19)
- interest costs	552	559
- loss on investment property disposal	0	7 595
- loss on derivatives valuation	21	15
- result of sale of subsidiaries	0	(16 614)
- other adjustments	587	1
Changes in working capital		
- changes in receivables	(4 609)	(70 460)
- changes in inventories	0	2 450
- change in trade liabilities and other	(6 555)	(3 280)
	<b>(10 202)</b>	<b>(68 453)</b>

**21 Related party transactions**

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

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

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

	01/01/2019 - 31/03/2019	01/01/2018 - 31/03/2018
<b>(a) Transactions with key management personnel</b>		
Remuneration of the Management Board members	66	60
Salaries and services provided by the Management Board members	255	250
Remuneration of the Supervisory Board members	138	129
	<b>31/03/2019</b>	<b>31/12/2018</b>
Total receivables	19	0
Total liabilities	179	0
<b>(b) Transactions with the other related parties</b>		
<u>Revenues</u>		
Ursa Park Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.	68	146
<u>Costs</u>		
Kancelaria Radców Prawnych Oleś i Rodzyńkiewicz	1	22
	<b>31/03/2019</b>	<b>31/12/2018</b>
Total liabilities		
Kancelaria Radców Prawnych Oleś i Rodzyńkiewicz	13	55
Total receivables		
Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.	3	66
Ursa Park Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.	476	455

## Notes to the interim condensed consolidated financial statements

### 21 Related party transactions - cont.

#### c) Transactions with shareholders

		31/03/2019	31/12/2018
<i>Laxey Cooperative</i>	- <i>loans receivable</i>	323	329
<i>Laxey Cooperative</i>	- <i>loan receivable allowance</i>	( 92)	( 92)

### 22 Payment of dividends

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

### 23 Earnings per share

	01/01/2019 - 31/03/2019	01/01/2018 - 31/03/2018
Profit attributable to the shareholders in the parent company	9 694	10 755
Weighted average number of ordinary shares (in '000)	26 004	39 354
Earnings per share	0,37	0,27
Diluted profit attributable to shareholders	9 694	10 755
Weighted average number of ordinary shares (in '000)	26 004	39 354
Diluted earnings per share	0,37	0,27

	31/03/2019 after share capital reduction	actual	31/12/2018 after share capital reduction	actual
Net assets at book value	293 577	293 577	326 879	326 879
Weighted average number of ordinary shares (in '000)	23 065	26 371	26 371	39 354
Net assets per share	12,73	11,13	12,40	8,31

### 24 Contingent liabilities

There were no changes in the contingent liabilities during the first quarter of 2019.

### 25 Segment reporting

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

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

### 26 Seasons of activity and unusual events

The activity of the Group of the CPD is not seasonal or cyclical. There were no untypical events in the first quarter of 2019.

**Notes to the interim condensed consolidated financial statements****27 Assets and liabilities held for sale**

As at 31 March 2019 assets and liabilities of these subsidiaries were presented as held for sale.

	31/03/2019	31/03/2018
<b>Assets held for sale</b>		
Investment property	200 824	199 449
Capitalised financial leases from perpetual usufruct	13 438	13 444
	<b>214 262</b>	<b>212 893</b>
<b>Liabilities classified as held for sale</b>		
leases	50 120	50 566
	<b>50 120</b>	<b>50 566</b>
<b>Net assets</b>	<b>164 142</b>	<b>162 327</b>

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

There were no other significant post balance sheet events.

## CPD S.A.

### Condensed interim consolidated financial statements for the period of 3 months ended 31 March 2019

(All amounts in PLN thousands unless otherwise stated )

## 29 Interim financial information of the parent

These interim condensed financial statements of CPD S.A. were prepared in accordance with International Accounting Standard approved by the European Union - IAS 34 Interim financial reporting and in accordance with all applicable IFRS adopted by the European Union.

Information required by IAS 34 is presented in note 2.1 to the consolidated condensed financial statements of CPD Group in note 2.1.

### 29.1 Condensed statement of comprehensive income

	Note	1/1/2019 - 31/3/2019 (unaudited)	1/1/2018 - 31/3/2018 (unaudited)
Administrative costs	29.11	( 384)	( 471)
Marketing costs		( 1)	( 4)
Fair value adjustment on loans granted	29.12	3 446	12 640
<b>OPERATING RESULT</b>		<b>3 061</b>	<b>12 165</b>
Financial income	29.12	134	303
Financial costs	29.12	( 102)	( 97)
<b>PROFIT (LOSS) BEFORE INCOME TAX</b>		<b>3 093</b>	<b>12 371</b>
Income tax		2 224	( 228)
<b>PROFIT (LOSS) FOR THE PERIOD</b>		<b>5 317</b>	<b>12 143</b>
<b>OTHER COMPREHENSIVE INCOME</b>		<b>0</b>	<b>0</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>5 317</b>	<b>12 143</b>
<b>BASIC EARNINGS PER SHARE</b>	29.10	0,20	0,31
<b>DILUTED EARNINGS PER SHARE</b>	29.10	0,20	0,31

Elżbieta Donata Wiczowska  
Chairman of the Board

Colin Kingsnorth  
Board Member

John Purcell  
Board Member

Iwona Makarewicz  
Board Member

(All amounts in PLN thousands unless otherwise stated )

## 29.2 Condensed statement of financial position

ASSETS	Note	31/3/2019 (unaudited)	31/12/2018
<b>Non-current assets</b>			
Long-term receivables	29.6	114 612	120 239
Shares in subsidiaries	29.5	28 801	28 091
		<b>143 413</b>	<b>148 330</b>
<b>Current assets</b>			
Trade receivables and other receivables, including:	29.7	1 369	914
- receivables and loans		1 301	911
- prepayments		68	3
Cash and cash equivalents		1 255	35 952
		<b>2 624</b>	<b>36 866</b>
<b>Total assets</b>		<b>146 037</b>	<b>185 196</b>
<b>EQUITY</b>			
Share capital	29.8	2 637	3 935
Treasury shares for redemption		(43 010)	(160 110)
Share premium		677 034	835 846
Embedded element at inception date		(27 909)	(27 909)
Other reserves		987	987
Retained earnings		(490 439)	(495 756)
<b>Total equity</b>		<b>119 300</b>	<b>156 993</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	29.9	12 434	11 665
Deferred tax liabilities		8 263	10 487
		<b>20 697</b>	<b>22 152</b>
<b>Current liabilities</b>			
Borrowings	29.9	5 922	5 880
Trade payables and other payables		118	171
		<b>6 040</b>	<b>6 051</b>
<b>Total liabilities</b>		<b>146 037</b>	<b>185 196</b>

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Board Member

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Board Member



(All amounts in PLN thousands unless otherwise stated )

## 29.3 Condensed statement of changes in equity

	Note	Share capital	Treasury shares for redemption	Share premium	Embedded element at inception date	Other reserves	Retained earnings	Total
<b>As of 1/1/2018</b>		<b>3 935</b>	<b>( 17 199)</b>	<b>835 846</b>	<b>( 27 909)</b>	<b>987</b>	<b>( 327 982)</b>	<b>467 678</b>
IFRS 9 first time adoption		0	0	0	0	0	(15 540)	(15 540)
		0	0	0	0	0	(15 540)	(15 540)
<u>Comprehensive income:</u>								
Profit (loss) for the period		0	0	0	0	0	12 143	12 143
		0	0	0	0	0	12 143	12 143
<b>As of 31/03/2018/unaudited</b>		<b>3 935</b>	<b>( 17 199)</b>	<b>835 846</b>	<b>( 27 909)</b>	<b>987</b>	<b>( 331 379)</b>	<b>464 281</b>
<b>As of 1/1/2018</b>		<b>3 935</b>	<b>( 17 199)</b>	<b>835 846</b>	<b>( 27 909)</b>	<b>987</b>	<b>( 327 982)</b>	<b>467 678</b>
IFRS 9 first time adoption		0	0	0	0	0	(15 540)	(15 540)
Treasury shares aquisition		0	(142 911)	0	0	0	0	(142 911)
Merger with Buffy		0	0	0	0	0	(172 979)	(172 979)
		0	(142 911)	0	0	0	(188 519)	(331 430)
<u>Comprehensive income:</u>								
Profit (loss) for the period		0	0	0	0	0	20 745	20 745
		0	0	0	0	0	20 745	20 745
<b>As of 31/12/2018</b>		<b>3 935</b>	<b>( 160 110)</b>	<b>835 846</b>	<b>( 27 909)</b>	<b>987</b>	<b>( 495 756)</b>	<b>156 993</b>
<b>As of 1/1/2019</b>		<b>3 935</b>	<b>( 160 110)</b>	<b>835 846</b>	<b>( 27 909)</b>	<b>987</b>	<b>( 495 756)</b>	<b>156 993</b>
Treasury shares redemption	29.8	(1 298)	160 110	(158 812)	0	0	0	0
Treasury shares aquisition		0	(43 010)	0	0	0	0	(43 010)
		(1 298)	117 100	(158 812)	0	0	0	(43 010)
<u>Comprehensive income:</u>								
Profit (loss) for the period		0	0	0	0	0	5 317	5 317
		0	0	0	0	0	5 317	5 317
<b>As of 31/03/2019/unaudited</b>		<b>2 637</b>	<b>( 43 010)</b>	<b>677 034</b>	<b>( 27 909)</b>	<b>987</b>	<b>( 490 439)</b>	<b>119 300</b>

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Chairman of the Board

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Board Member

John Purcell  
Board Member

Iwona Makarewicz  
Board Member

(All amounts in PLN thousands unless otherwise stated )

## 29.4 Condensed statement of cash flows

	Note	1/1/2019 - 31/3/2019 (unaudited)	1/1/2018 - 31/3/2018 (unaudited)
<b>Cash flow from operating activities</b>			
Cash generated from operations	29.13	( 430)	( 173)
<b>Net cash generated from investing activities</b>		<b>( 430)</b>	<b>( 173)</b>
<b>Cash flows from investing activities</b>			
Loans granted		( 807)	(1 817)
Loan repayments received		9 536	36 516
Interest received		14	1 926
<b>Net cash used in investing activities</b>		<b>8 743</b>	<b>36 625</b>
<b>Cash flows from financing activities</b>			
Repayment of loans		(43 010)	0
<b>Net cash used in financing activities</b>		<b>( 43 010)</b>	<b>0</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>( 34 697)</b>	<b>36 452</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>35 952</b>	<b>69 721</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>1 255</b>	<b>106 173</b>

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

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

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

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

(All amounts in PLN thousands unless otherwise stated )

**Notes to the interim condensed financial statements****29.5 Shares in subsidiaries**

			31/3/2019	31/12/2018
Name	Country	Share		
Celtic Investments Ltd	Cyprus	100%	48 000	48 000
Impairment			(48 000)	(48 000)
Lakia Enterprises Ltd	Cyprus	100%	105 000	105 000
Impairment			(105 000)	(105 000)
Celtic Asset Management (*)	Poland	100%	0	0
Challange Eighteen sp. z o.o.	Poland	100%	5 032	5 032
Imes Poland sp. z o.o.	Poland	100%	23 769	23 059
			<b>28 801</b>	<b>28 091</b>

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

Under the Share Purchase Agreement signed in January 2015 regarding the aquisition of shares in Imes Poland sp. z o.o., the aquisition price included fixed (known at the time the contract was concluded) and conditinal component. Conditional payments may have been triggered by the following circumstances: 1) reimbursement of VAT, which in case received, was supposed to cover demolition costs that the seller originally incurred, and 2) obtaining favorable tax rulings regarding the lack or decrease of obligation in real estate property tax. During 2018 Imes Poland Sp. z o.o. was granted the refund of overpaid real estate tax for the year 2009 in the amount of PLN 710 thousand, hence the obligation appeared to increase the purchase price of shares by the value of the return.

**29.6 Long-term receivables**

	31/3/2019	31/12/2018
Long-term loans with related parties, including:		
- loans	171 731	179 816
- fair value adjustment	(57 119)	(59 820)
	<b>114 612</b>	<b>119 996</b>
Long-term loans to other parties, including:		
- loans	6	6
- fair value adjustment	( 6)	0
	<b>0</b>	<b>6</b>

**Details of the loans granted to related parties 31.03.2019**

Related party	Currency of the loan	Fair value of loans granted	Interest Rate	Margin	Maturity
2/124 Gaston Investments	PLN	4 001	3M WIBOR	1,55%	on demand
3/93 Gaston Investments	PLN	3 755	3M WIBOR	1,55%	on demand
5/92 Gaston Investments	PLN	6 179	3M WIBOR	1,55%	on demand
6/150 Gaston Investments	PLN	1 937	3M WIBOR	1,55%	on demand
7/120 Gaston Investments	PLN	2 008	3M WIBOR	1,55%	on demand
12/132 Gaston Investments	PLN	3 678	3M WIBOR	1,55%	on demand
13/155 Gaston Investments	PLN	4 568	3M WIBOR	1,55%	on demand
19/97 Gaston Investments	PLN	784	3M WIBOR	1,55%	on demand
20/140 Gaston Investments	PLN	936	3M WIBOR	1,55%	on demand

(All amounts in PLN thousands unless otherwise stated )

**Notes to the interim condensed financial statements****29.6 Long-term receivables - continued**

Belize Investments	PLN	14 491	3M WIBOR	1,55%	on demand
Celtic Asset Management	PLN	630	3M WIBOR	1,55%	on demand
Challange Eighteen	PLN	44 533	3M WIBOR	1,55%	on demand
Elara Investments	PLN	635	3M WIBOR	1,55%	on demand
Gaston Investments	PLN	250	3M WIBOR	1,55%	on demand
HUB Developments	PLN	1 351	3M WIBOR	1,55%	on demand
Lakia Enterprises Limited	PLN	24 876	3M WIBOR	1,55%	on demand
		<b>114 612</b>			

**Details of the loans granted to other parties 31.03.2019**

Other party	Currency of the loan	Fair value of loans granted	Interest Rate	Maturity
Dobalin	PLN	0	8%	on demand
		<b>0</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 is equal to their carrying amount. Loans are not secured.

(All amounts in PLN thousands unless otherwise stated )

**Notes to the interim condensed financial statements****29.7 Trade receivables and other receivables**

	31/3/2019	31/12/2018
Trade receivables from related parties	0	0
Short-term loans with related parties, including:	329	0
- loans	22 625	22 163
- fair value adjustment	(22 296)	(22 163)
VAT receivables	0	0
Other tax receivables	5	0
Other receivables from related parties	869	801
Other receivables from other parties	98	110
Prepayments	68	3
Other receivables	0	0
<b>Short-term receivables</b>	<b>1 369</b>	<b>914</b>

**Details of the loans granted to related parties 31.03.2019**

Related party	Currency of the loan	Fair value of loans granted	Interest Rate	Margin	Maturity
Mandy Investments	PLN		0 3M WIBOR	1,55%	on demand

The remaining balance of loans granted to related parties is related to loan to Company's significant investor, Coöperatieve Laxey Worldwide W.A. The loan balance amounts to PLN 329 thousand as of 31 March 2019. The loan was reclassified from long-term receivables and presented as short-term as of 31 March 2019. The loan was repaid in April 2019.

**29.8 Share capital**

	The number of shares (in thousands)		Value of shares	
	31/3/2019	31/12/2018	31/3/2019	31/12/2018
Ordinary shares (in thousands)	26 371	39 354	2 637	3 935

As of 31 December 2018 the share capital amounted to PLN 3 935 thousand. During the period of 3 months ended 31 March 2019 12 982 892 treasury shares were redeemed (entitling to same number of voting rights, shares code: ISIN PLCELPD00013). The redemption was the result of the resolution of the Extraordinary General Meeting dated 14 September 2018, regarding the redemption of Company's treasury shares. Share capital as at 31 March 2019 and as at the date of these financial statements amounts to PLN 2 637 thousand.

All shares issued by the Company are ordinary shares. The Company's Articles of Association do not grant special rights to the Company's shares, including preference for voting rights or appointing members of the Company's governing bodies. The Company's shareholders do not hold any shares granting special control rights.

(All amounts in PLN thousands unless otherwise stated )

**Notes to the interim condensed financial statements****29.9 Borrowings**

	31/3/2019	31/12/2018
Bank borrowings	0	0
Loans from related parties	18 356	17 545
- long-term	12 434	11 665
- short-term	5 922	5 880
	<b>18 356</b>	<b>17 545</b>

Loan payables as of 31 March 2019 and 31 December 2018 relate to a loan from a subsidiary Lakia Enterprises (interest rate on the loan is 3M WIBOR + margin 0.50%), loan from a subsidiary Lakia Investments (interest rate on the loan is 3M WIBOR + margin 1.55%) and loan from the subsidiary Robin Investments (interest rate on the loan is 3M WIBOR + margin 1.55%). As at 31 March 2019 loan balances are as follows: Lakia Enterprises: PLN 9 999 thousand (capital: PLN 7 630 thousand , interest: PLN 2 369 thousand ); Lakia Investments is PLN 5 922 thousand (capital: PLN 5 259 thousand, interest: PLN 663 thousand); Robin Investments: PLN 1 721 thousand PLN (capital: PLN 1 600 thousand, interest PLN 121 thousand).

In addition during the period of 3 months ended 31 March 2019 the Company was granted with a new loan from subsidiary Imes Poland Sp. z o.o. (interest rate on the loan is 3M WIBOR + margin 1.55%). The loan balance as of 31 March 2019 amounts to PLN 714 thousand (capital: PLN 710 thousand, interest PLN 4 thousand).

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

The loans are not secured.

**29.10 Earnings (loss) per share**

	1/1/2019 - 31/3/2019	1/1/2018 - 31/3/2018
Profit attributable to the shareholders	5 317	12 143
Weighted average number of ordinary shares (in '000)	26 004	39 354
Earnings per share (in PLN)	0,20	0,31
Diluted profit attributable to shareholders	5 317	12 143
Weighted average number of ordinary shares (in '000)	26 004	39 354
Diluted earnings per share (in PLN)	0,20	0,31

(All amounts in PLN thousands unless otherwise stated )

**Notes to the interim condensed financial statements****29.11 Administrative costs**

	1/1/2019 - 31/3/2019	1/1/2018 - 31/3/2018
Advisory services	42	144
Salaries	280	229
Auditor's remuneration	6	7
Costs of non deductible VAT	18	57
Other services	38	34
	<b>384</b>	<b>471</b>

**29.12 Financial income and expenses and fair value adjustment on loans granted**

	1/1/2019 - 31/3/2019	1/1/2018 - 31/3/2018
Fair value adjustment on loans granted	3 446	12 640

Since 1 January 2018, the Company applies IFRS 9 "Financial Instruments" for the purpose of loans granted presentation and valuation. As a result of the application of the standard the method of valuation of loans granted changed. The Company used to recognize loans granted under amortized cost method, while since 1 January 2018 loans are measured at fair value through profit and loss. The company presents the cumulative effect of interest income on loans granted and the effect of revaluation in one line of the statement of comprehensive income as a fair value adjustment on loans granted. More information on the application of IFRS 9 for the first time is presented in the Company's annual report for the year ended 31 December 2018.

	1/1/2019 - 31/3/2019	1/1/2018 - 31/3/2018
Interest income:		
- Bank interest	65	274
Other financial income	68	0
Net exchange differences	1	29
<b>Financial income</b>	<b>134</b>	<b>303</b>
Interest costs:		
- Interest from related parties	102	97
Net exchange differences	0	0
Other financial costs	0	0
<b>Financial costs</b>	<b>102</b>	<b>97</b>

**29.13 Cash flow from operating activities**

	1/1/2019 - 31/3/2019	1/1/2018 - 31/3/2018
Profit/loss before tax	3 093	12 371
Adjustments for:		
- exchange differences	0	( 29)
- depreciation	0	0
- interest costs	102	97
- fair value adjustment on loans granted	(3 446)	(12 640)
Changes in working capital:		
- changes in trade receivables and other	( 126)	246
- change in trade liabilities and other	( 53)	( 218)
	<b>( 430)</b>	<b>( 173)</b>

(All amounts in PLN thousands unless otherwise stated )

**Notes to the interim condensed financial statements****29.14 Related party transactions**

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

Futhermore CPD S.A. enters into transactions with key management, subsidiaries and other affiliated parties either controlled by key staff of CPD Group or affiliated through relationship of Supervisory Board Members.

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

**a) Transactions with key management personnel**

	1/1/2019 - 31/3/2019	1/1/2018 - 31/3/2018
Remuneration of members of the Supervisory Board	138	129
Remuneration of members of the Board of Directors	60	60

**b) Transactions with major investor**

	31/3/2019	31/12/2018
Laxey - loans	329	329
Laxey - fair value adjustment	0	( 92)

The loan was repaid after balance sheet date in April 2019.

**c) Transactions with subsidiaries**

Revenues - mainly related to loans granted	1/1/2019 - 31/3/2019	1/1/2018 - 31/3/2018
<i>2/124 Gaston Investments</i>	35	32
<i>3/93 Gaston Investments</i>	32	29
<i>Ursa Park Smart City</i>	68	0
<i>5/92 Gaston Investments</i>	59	44
<i>6/150 Gaston Investments</i>	16	13
<i>7/120 Gaston Investments</i>	17	14
<i>8/126 Gaston Investments</i>	0	20
<i>9/151 Gaston Investments</i>	0	7
<i>10/165 Gaston Investments</i>	0	11
<i>12/132 Gaston Investments</i>	34	28
<i>13/155 Gaston Investments</i>	39	34
<i>15/167 Gaston Investments</i>	0	10
<i>16/88 Gaston Investments</i>	6	6
<i>18 Gaston Investments</i>	9	14
<i>19/97 Gaston Investments</i>	7	6
<i>20/140 Gaston Investments</i>	8	7
<i>Antigo Investments</i>	19	25
<i>Belise Investments</i>	105	105
<i>Buffy Holdings No1 Ltd</i>	0	955
<i>Celtic Asset Management</i>	9	8
<i>Celtic Investments Ltd</i>	2	2
<i>Challange Eighteen</i>	279	1 022
<i>Elara Investments</i>	25	24
<i>Gaston Investments</i>	50	61
<i>Hub Developments</i>	20	20
<i>Lakia Enterprises Ltd</i>	211	207
<i>Mandy investments</i>	130	130



(All amounts in PLN thousands unless otherwise stated )

**Notes to the interim condensed financial statements****29.14 Related party transactions - continued**

	<b>1/1/2019 - 31/3/2019</b>	<b>1/1/2018 - 31/3/2018</b>
Costs - mainly related to loans received		
<i>Lakia Enterprises Ltd</i>	42	42
<i>Lakia Investments</i>	42	42
<i>Robin Investments</i>	13	13
<i>Gaston Investments</i>	1	1
Liabilities - mainly related to loans received	<b>31/3/2019</b>	<b>31/12/2018</b>
<i>Lakia Enterprises Ltd</i>	9 999	9 957
<i>Lakia Investments</i>	5 922	5 880
<i>Robin Investments</i>	1 721	1 708
<i>Imes Poland</i>	714	0
<i>Gaston Investments</i>	2	2
Receivables - mainly related to loans granted	<b>31/3/2019</b>	<b>31/12/2018</b>
<i>1/95 Gaston Investments</i>	12	0
<i>2/124 Gaston Investments</i>	4 001	3 932
<i>3/93 Gaston Investments</i>	3 755	3 690
<i>Ursa Park Smart City</i>	427	359
<i>5/92 Gaston Investments</i>	6 179	6 073
<i>6/150 Gaston Investments</i>	1 937	1 831
<i>7/120 Gaston Investments</i>	2 008	1 925
<i>12/132 Gaston Investments</i>	3 678	3 453
<i>13/155 Gaston Investments</i>	4 568	4 322
<i>19/97 Gaston Investments</i>	784	752
<i>20/140 Gaston Investments</i>	936	899
<i>Belise Investments</i>	14 921	14 671
<i>Celtic Asset Management</i>	630	630
<i>Challenge Eighteen</i>	44 533	51 165
<i>Elara Investments</i>	635	635
<i>Gaston Investments</i>	250	250
<i>Hub Developments</i>	1 351	1 351
<i>Lakia Enterprises Ltd</i>	24 876	24 846
<b>d) Transactions with other related party</b>		
Costs	<b>1/1/2019 - 31/3/2019</b>	<b>1/1/2018 - 31/3/2018</b>
<i>Kancelaria Radców Prawnych Oleś&amp;Rodzynkiewicz sp. komandytowa</i>	3	32