

2017

SEPARATE  
ANNUAL REPORT  
OF ECHO  
INVESTMENT S.A.



**ECHO**  
investment

# CONTENTS

Message from CEO	3
<b>CHAPTER 1</b>	<b>5</b>
<b>Separate financial report of Echo Investment S.A. for 2017</b>	<b>5</b>
<b>CHAPTER 2</b>	<b>12</b>
<b>Explanatory notes</b>	<b>12</b>
Explanatory notes to the statement of financial position	13
Explanatory notes to the profit and loss account	59
Explanatory notes to cash flow statement	67
<b>CHAPTER 3</b>	<b>70</b>
<b>Information on the financial statements</b>	<b>70</b>
01. About the Company	71
The Management Board of Echo Investment S.A.	72
The Supervisory Board of Echo Investment S.A	73
02. Information on the financial statements	75
03. Application of new and amended standards and interpretations	76
04. Published standards and interpretations which are not effective yet and have not been adopted by the company	77
05. Effects of changing the principles of accounting used - transformations of financial statements for previous periods	82
06. Methodology	84
07. Material estimates of the company's management board	91
08. Financial risk management	93
09. Capital risk management	96
10. Additional explanations	97
11. Material post-balance sheet events	100
12. Remuneration of the Management Board and Supervisory Board	101
13. Agreements concluded with an entity authorised to audit financial statements	104
<b>CHAPTER 4</b>	<b>105</b>
<b>Statement of the Management Board</b>	<b>105</b>
<b>Contact</b>	<b>107</b>



### Dear Shareholders, Partners and Clients,

Echo Investment has had a very good year. I am pleased to provide you with our financial report in which we describe our work and its results.

The scale of our Company's activity has been growing rapidly in the recent years, which is why we devote a lot of energy to strengthening our business functions, efficiency and streamlining procedures. We hired over 100 employees in 2017 due to the greater number of projects under construction. Our management spent substantial time meeting shareholders and potential investors, reporting improvements and educating the capital market. The Company is constantly working on improving our compliance system, establishing internal audit function, reviewing procedures and routines. This will positively affect the transparency of operations, facilitate decision-making and reduce risks.

Echo Investment effectively implements its strategy of profitable growth. We have focused on the largest cities in Poland, we sell investment projects successfully. Being the leader among retail and office developers we are dynamically growing in the residential sector. We established advantageous partnerships with EPP at the Galeria Młociny shopping centre and the Towarowa 22 multifunctional project in Warsaw, to be present on the strongest consumer market in Poland. We are also extremely pleased about the first 'destination' projects that we started last year: large, city-forming, multifunctional piece of cities such as Browary Warszawskie and Moje Miejsce in Warsaw. Echo Investment is the only Polish developer with great experience from three sectors of the real estate market: office, retail and residential, so we

are uniquely positioned to create such 'destination' projects in Łódź, Kraków and Wrocław, where we already have bought proper plots. Furthermore, the construction of such projects reflects how Echo Investment understands responsibility for co-creating a friendly urban space.

2017 was the first full year in which the results were generated in accordance with our new strategy, almost exclusively from development activities. Our Group generated a net profit of PLN 312 mln. This is the result of delivering 1,006 apartments to our clients and fair value gains on our investment properties by PLN 234 mln, mainly coming from Libero in Katowice, Sagittarius Business House in Wrocław and O3 Business Campus II in Kraków. The results were also influenced by the recognition of the market value of our EPP's shareholding and the remuneration received for the development of Outlet Park and Galaxy in Szczecin as well as leasing of Q22 in Warsaw.

Our profitable growth strategy objective was successfully implemented in 2017 in the office sector. We concluded preliminary contracts for the sale of pre-leased buildings in Wrocław i.e. Sagittarius and West Link, which will be completed in 2018. Furthermore, we have finalized the sale of three other office buildings completed in 2017. Renowned tenants such as L'Oréal Polska, Nokia Networks, EY, Philips Lighting Poland and HCL decided to locate their offices in our buildings. We successfully cooperate with the dynamically developing sector of shared services (BPO/SSC). That is reflected in the Outsourcing Stars 2016 award which we received last year.

Echo Investment effectively implements its strategy of profitable growth. We have focused on the largest cities in Poland, we sell investment projects successfully. Being the leader among retail and office developers we are dynamically growing in the residential sector. We established advantageous partnerships with EPP at the Galeria Młociny shopping centre and the Towarowa 22 multifunctional project in Warsaw, to be present on the strongest consumer market in Poland. We are also extremely pleased about the first 'destination' projects that we started last year: large, city-forming, multifunctional piece of cities such as Browary Warszawskie and Moje Miejsce in Warsaw. Echo Investment is the only Polish developer with great experience from three sectors of the real estate market: office, retail and residential, so we are uniquely positioned to create such 'destination' projects in Łódź, Kraków and Wrocław, where we already have bought proper plots. Furthermore, the construction of such projects reflects how Echo Investment understands responsibility for co-creating a friendly urban space.

The retail department completed the extension and rental of Outlet Park and Galaxy projects in Szczecin, pre - sold to EPP. Both projects were completed with results better than budgeted. The results of the leasing of Libero in Katowice and Galeria Młociny in Warsaw are also excellent. Libero is over 90% leased and it will be opened for customers already in Q3 2018. In Galeria Młociny our retail specialists designed a new leisure and gastronomy concept. I am convinced that this area will be very attractive and exciting for the future visitors.

The highest growth dynamics we recorded in the residential sector. In 2017 we sold 1,427 units - 54% more than in 2016. Thanks to this result, Echo Investment has entered 9th position on the list of biggest residential developers in Poland. This brings us closer to the strategic goal of becoming the market leader.

Building our future, in 2017 we have acquired plots for over 120,000 sqm of apartments and 240,000 sqm of offices at similar prices as the average prices of the historical land plots we own. A significant part of it will be designed for 'destination' projects. Such projects allow us to reach a better land price, use the resources optimally and generate the effect of scale.

A low level of indebtedness is a positive factor that allows us to look confidently at the future of Echo Investment. It provides us with great comfort when choosing the optimal sources of project financing. Last year we continued cooperation with major Polish banks in terms of lending and we placed over PLN 600 mln in listed corporate bonds sold to individual and institutional investors, which makes us one of the largest issuers of corporate bonds in Poland. In February 2018 the Management Board adopted a resolution on launching another PLN 400 mln bond programme for individual investors.

I encourage you to read our report in detail.  
Yours sincerely,



**Nicklas Lindberg**  
President of Echo Investment

# CHAPTER 1

# SEPARATE FINANCIAL REPORT OF ECHO INVESTMENT S.A. FOR 2017



## STATEMENT OF FINANCIAL POSITION [PLN '000]

	NOTE	31.12.2017	31.12.2016
<b>ASSETS</b>			
<b>1. Non-current assets</b>			
1.1. Intangible assets	1	1 080	281
1.2. Property, plant and equipment	2	4 883	5 031
1.3. Investment property	3	2 212	5 648
1.4. Investments in subsidiaries, joint ventures and associates	4	927 796	2 328 625
1.5. Long-term financial assets	5	1 720 411	160
1.6. Borrowings granted	6	12 487	9 479
1.7. Deferred tax assets	7	14 366	39 751
		<b>2 683 235</b>	<b>2 388 975</b>
<b>2. Current assets</b>			
2.1. Inventories	8	229 422	350 637
2.2. Current tax assets	9	-	-
2.3. Other taxes receivable	9	-	-
2.4. Trade and other receivables	9	201 789	135 688
2.5. Borrowings granted	10	316 253	84 170
2.6. Restricted cash	11	20 771	20 884
2.7. Cash and cash equivalents	11	228 079	21 542
		<b>996 314</b>	<b>612 921</b>
<b>Total assets</b>		<b>3 679 549</b>	<b>3 001 896</b>

## STATEMENT OF FINANCIAL POSITION [PLN '000]

	NOTE	31.12.2017	31.12.2016
<b>EQUITY AND LIABILITIES</b>			
<b>1. Equity</b>			
1.1. Share capital	12	20 635	20 635
1.2. Supplementary capital	13	839 054	1 045 400
1.3. Reserve capital		319 579	49 213
1.4. Retained earnings		2 165	(5 157)
1.5. Profit for the year		632 496	277 688
		<b>1 813 929</b>	<b>1 387 779</b>
<b>2. Provisions</b>			
2.1. Short-term provisions	17	41 814	25 990
2.2. Long-term provisions	17	2 857	-
		<b>44 671</b>	<b>25 990</b>
<b>3. Long-term liabilities</b>			
3.1. Loans, borrowings and bonds	14	835 229	675 163
3.2. Security deposits and advances received	14	577	935
		<b>835 806</b>	<b>676 098</b>
<b>4. Short-term liabilities</b>			
4.1. Loans, borrowings and bonds	16	821 986	672 295
- from subsidiaries		320 864	461 541
4.2. Income tax payable	15	3	1 131
4.3. Other taxes liabilities	15	7 155	2 279
4.4. Trade liabilities	15	35 642	74 666
4.5. Security deposits and advances received	15	65 706	66 114
4.6. Other liabilities	15	54 651	95 544
		<b>985 143</b>	<b>912 029</b>
<b>Total equity and liabilities</b>		<b>3 679 549</b>	<b>3 001 896</b>

## EQUITY AND LIABILITIES [PLN '000]

	NOTE	1.01.2017- 31.12.2017	1.01.2016- 31.12.2016
Revenue	19	446 244	315 137
Cost of sales	20	(321 072)	(199 734)
<b>Profit before tax on sales</b>		<b>125 172</b>	<b>115 403</b>
Profit / loss on investment property		(100)	863
Administrative costs associated with project implementation		(12 958)	(6 448)
Selling expenses	20	(15 158)	(13 593)
General and administrative expenses	20	(81 884)	(64 604)
Other operating income	21	746 108	332 128
Other operating expenses	21	(38 730)	(20 706)
<b>Profit before tax and financial revenue/expenses</b>		<b>722 450</b>	<b>343 043</b>
Financial income	22	1 427	18 342
Financial cost	22	(65 995)	(55 389)
<b>Profit before tax</b>		<b>657 882</b>	<b>305 996</b>
Income tax	22	(25 386)	(21 860)
<b>Profit for the year</b>		<b>632 496</b>	<b>284 136</b>
Profit for the year		632 496	284 136
Weighted average number of ordinary shares		412 690 582	412 690 582
Earnings per ordinary share (in PLN)		1,53	0,69
Weighted average diluted ordinary shares		412 690 582	412 690 582
Diluted earnings per ordinary share (in PLN)		1,53	0,69

## STATEMENT OF FINANCIAL RESULT AND STATEMENT OF OTHER COMPREHENSIVE INCOME [PLN '000]

	NOTE	1.01.2017- 31.12.2017	1.01.2016- 31.12.2016
<b>Profit for the year</b>		<b>632 496</b>	<b>284 136</b>
Other comprehensive income for the year, net of tax		-	-
<b>Other comprehensive income for the year, net of tax</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year, net of tax</b>		<b>632 496</b>	<b>284 136</b>



## CASH FLOW STATEMENT [PLN '000]

	NOTE	1.01.2017- 31.12.2017	1.01.2016- 31.12.2016
<b>Operating cash flow - indirect method</b>			
<b>I. Profit before tax</b>		<b>657 882</b>	<b>305 996</b>
<b>II. Adjustments</b>		<b>(579 919)</b>	<b>(380 121)</b>
1. Depreciation/amortisation		1 576	2 195
2. Foreign exchange gains/ losses		-	(1 927)
3. Interest and profit sharing (dividends)		(575 627)	(376 622)
4. Profit / loss on revaluation of assets and liabilities n		(7 998)	(3 767)
5. Profit / loss on sale of PP&E and investment properties		2 130	-
<b>III. Changes in working capital</b>		<b>58 524</b>	<b>14 131</b>
1. Change in provisions		18 682	(17 592)
2. Change in inventories		121 215	(45 563)
3. Change in receivables		(3 736)	(76 314)
4. Change in short-term liabilities, except for loans and borrowings		(77 750)	157 913
5. Change in restricted cash		113	(4 313)
<b>IV. Net cash generated from operating activities (I+/-II+/-III)</b>		<b>136 487</b>	<b>(59 994)</b>
<b>V. Income tax paid</b>		<b>(1 128)</b>	<b>(14 051)</b>
<b>VI. Net cash generated from operating activities (IV+/-V)</b>		<b>135 359</b>	<b>(74 045)</b>
<b>Cash flows from investing activities</b>			
<b>I. Inflows</b>		<b>600 466</b>	<b>2 901 791</b>
1. Disposal of intangible assets and tangible fixed assets		1 013	1 837
2. Sale of investments in property and intangible assets		8 000	1 500
3. From financial assets, including:		591 453	2 898 454
a) in related parties		590 931	2 862 282
- sale of financial assets		184	543 050
- dividends and profit sharing	21B	386 783	282 537
- repayment of borrowings granted		203 560	343 390
- interest		404	9 604
- redemption of certificates		-	1 683 701
- other proceeds from financial assets		-	-
b) in other parties		522	36 172
- sale of financial assets		522	36 172
- repayment of borrowings granted		-	-
- interest		-	-
4. Other investment inflows		-	-

## CASH FLOW STATEMENT [PLN '000]

	NOTE	1.01.2017- 31.12.2017	1.01.2016- 31.12.2016
<b>II. Outflows</b>		<b>(499 090)</b>	<b>(129 868)</b>
1. Purchase of intangible assets and PP&E		(1 688)	(748)
2. Investment in property and intangible assets		(133)	-
3. On financial assets, including:		(496 850)	(128 671)
a) in related parties		(485 051)	(128 671)
- acquisition of financial assets		(5 314)	(811)
- borrowings granted		(479 737)	(127 860)
b) in other entities		(11 799)	-
- acquisition of financial assets		(11 799)	-
- borrowings granted		-	-
4. Other capital expenditures		(419)	(449)
<b>Net cash flow from investing activities</b>		<b>101 376</b>	<b>2 771 923</b>
<b>Cash flow from financing activities</b>			
<b>I. Inflows</b>	25	<b>1 207 249</b>	<b>647 955</b>
1. Net inflows from issue of shares (interests), and other equity instruments and capital contributions		-	-
2. Loans and borrowings		602 249	547 955
3. Issue of debt securities		605 000	100 000
4. Other financial inflows		-	-
<b>II. Outflows</b>	25	<b>(1 237 560)</b>	<b>(3 336 891)</b>
1. Purchase of equity shares (interests)		-	-
2. Dividends and other payments to equity holders		(272 376)	(2 459 636)
3. Outflows for share of profits other than distributions to owners		-	-
4. Repayment of loans and borrowings		(691 285)	(591 694)
5. Redemption of debt securities		(207 100)	(225 000)
6. Due to other financial liabilities		-	-
7. Payment of liabilities under finance lease agreements		-	-
8. Interest		(59 389)	(60 561)
9. Other financial outflows		(7 410)	-
<b>Net cash flow from financing activities</b>		<b>(30 311)</b>	<b>(2 688 936)</b>
<b>Total net cash flows</b>		<b>206 424</b>	<b>8 942</b>
Change in the balance of cash, including:		<b>206 424</b>	<b>8 942</b>
- change in cash due to foreign exchange gains/losses		-	1 927
<b>Cash at the beginning of the period</b>	25	<b>21 655</b>	<b>19 048</b>
<b>Cash at the end of the period</b>	25	<b>228 079</b>	<b>21 542</b>

## STATEMENT OF CHANGES IN EQUITY [PLN '000]

	Note	Share capital	Supplementary capital	Reserve capital	Profit (loss) brought forward	Current year profit	Total equity
<b>As at 1 January 2017</b>		<b>20 635</b>	<b>1 045 400</b>	<b>49 213</b>	<b>270 366</b>	<b>-</b>	<b>1 385 614</b>
change in accounting principles		-	-		2 165	-	2 165
<b>As at 1 January 2017</b>		<b>20 635</b>	<b>1 045 400</b>	<b>49 213</b>	<b>272 531</b>	<b>-</b>	<b>1 387 779</b>
Changes in the period:							
Distribution of previous years' profit	13	-	-	270 366	(270 366)	-	-
Dividend paid	13		(206 346)	-	-		(206 346)
Dividend approved for payment	13				-		-
Net profit for the period		-	-	-	-	632 496	632 496
Total changes		-	(206 346)	270 366	(270 366)	632 496	426 150
<b>As at 31 December 2017</b>		<b>20 635</b>	<b>839 054</b>	<b>319 579</b>	<b>2 165</b>	<b>632 496</b>	<b>1 813 929</b>
<b>As at 1 January 2016</b>		<b>20 635</b>	<b>105 926</b>	<b>555 763</b>	<b>2 953 433</b>	<b>-</b>	<b>3 635 757</b>
Changes in the period:							
Distribution of previous years' profit	13	-	939 474	400 000	(783 711)	-	555 763
Dividend paid	13			(840 520)	(2 174 879)		(3 015 399)
Dividend approved for payment	13			(66 030)	-		(66 030)
Net profit for the period		-	-	-	-	277 688	277 688
Total changes		-	939 474	(506 550)	(2 958 590)	277 688	(2 247 978)
<b>As at 31 December 2016</b>		<b>20 635</b>	<b>1 045 400</b>	<b>49 213</b>	<b>(5 157)</b>	<b>277 688</b>	<b>1 387 779</b>

# CHAPTER 2

# EXPLANATORY NOTES



# Explanatory notes to the statement of financial position

## NOTE 1A

### INTANGIBLE ASSETS [PLN '000]

The company did not recognize impairment losses on intangible assets during the periods covered by the financial statements. The company has no contractual obligations as at 31 December 2017.

	31.12.2017	31.12.2016
<b>Purchased permits, patents, licences and similar assets, including:</b>	<b>232</b>	<b>281</b>
software	156	235
<b>Intangible assets in development</b>	<b>848</b>	<b>-</b>
<b>Total Intangible assets</b>	<b>1 080</b>	<b>281</b>

## NOTE 1B

### CHANGES IN INTANGIBLE ASSETS BY TYPES [PLN '000]

For the period 01.01.2017 - 31.12.2017	Purchased permits, patents, licences and similar assets		Total intangible assets
	Software	Other	
<b>Gross value of intangible assets at the beginning of the period</b>	<b>5 656</b>	<b>800</b>	<b>6 456</b>
Increases	13	121	134
due to purchase	13	121	134
<b>Gross value of intangible assets at the end of the period</b>	<b>5 669</b>	<b>921</b>	<b>6 590</b>
<b>Accumulated amortisation at the beginning of the period</b>	<b>(5 421)</b>	<b>(754)</b>	<b>(6 175)</b>
Amortisation for the period	(92)	(91)	(183)
Planned	(92)	(91)	(183)
due to sale	-	-	-
<b>Accumulated amortisation at the end of the period</b>	<b>(5 513)</b>	<b>(845)</b>	<b>(6 358)</b>
<b>Net value of intangible assets at the end of the period</b>	<b>156</b>	<b>76</b>	<b>232</b>

All intangible assets owned by the Company were acquired.

Depreciation methods used and adopted periods of use or depreciation rates applied for:

- acquired concessions, patents, licenses and similar values – the straight-line method, 50%, depreciation booked on general administrative costs,
- other intangible assets – not transferred for use as at 31 December 2017 are not depreciated.

### CHANGES IN INTANGIBLE ASSETS BY TYPES [PLN '000]

For the period 01.01.2016 – 31.12.2016	Purchased permits, patents, licences and similar assets		Total Intangible assets
	Software	Other	
<b>Gross value of intangible assets at the beginning of the period</b>	<b>5 435</b>	<b>711</b>	<b>6 146</b>
Increases due to purchase	221	115	336
Decreases due to sale	-	(26)	(26)
<b>Gross value of intangible assets at the end of the period</b>	<b>5 656</b>	<b>800</b>	<b>6 456</b>
<b>Accumulated amortisation at the beginning of the period</b>	<b>(5 327)</b>	<b>(659)</b>	<b>(5 986)</b>
Amortisation for the period	(94)	(95)	(189)
- planned	(94)	(121)	(215)
- due to sale	-	26	26
<b>Accumulated amortisation at the end of the period</b>	<b>(5 421)</b>	<b>(754)</b>	<b>(6 175)</b>
<b>Net value of intangible assets at the end of the period</b>	<b>235</b>	<b>46</b>	<b>281</b>

## NOTE 2A

### PROPERTY, PLANT AND EQUIPMENT [PLN '000]

The company did not recognize impairment losses on tangible assets in the periods covered by the financial statements.

The company has no collateral established on fixed assets.

	31.12.2017	31.12.2016
<b>PP&amp;E, including:</b>	<b>4 883</b>	<b>4 892</b>
- land	252	160
- buildings, premises, civil and water engineering structures	2 670	2 297
- plant and machinery	211	120
- means of transport	959	1 877
- other PP&E	791	438
<b>PP&amp;E under construction</b>	<b>-</b>	<b>139</b>
<b>Advances on PP&amp;E under construction</b>	<b>-</b>	<b>-</b>
<b>Total property, plant and equipment</b>	<b>4 883</b>	<b>5 031</b>

## NOTE 2B

## CHANGES IN PP&amp;E - BY TYPES [PLN '000]

For the period 01.01.2017 - 31.12.2017	Land	Buildings and structures	Technical equipment and machines	Means of transport	Other PP&E	Total
<b>Gross value of PP&amp;E at the beginning of the period</b>	<b>165</b>	<b>2 791</b>	<b>4 998</b>	<b>6 673</b>	<b>3 420</b>	<b>18 047</b>
Increases	93	457	397	1	739	1 687
- due to purchase	93	457	397	1	739	1 687
- due to inventory taking	-	-	-	-	-	-
Decreases	-	-	(263)	(3 377)	(22)	(3 662)
- due to sale	-	-	(263)	(3 377)	(22)	(3 662)
<b>Gross PP&amp;E at the end of the period</b>	<b>258</b>	<b>3 248</b>	<b>5 132</b>	<b>3 297</b>	<b>4 137</b>	<b>16 072</b>
<b>Accumulated depreciation at the beginning of the period</b>	<b>(5)</b>	<b>(494)</b>	<b>(4 878)</b>	<b>(4 796)</b>	<b>(2 982)</b>	<b>(13 155)</b>
Depreciation for the period	(1)	(84)	(43)	2 458	(364)	1 966
- due to depreciation	(1)	(84)	(304)	(623)	(385)	(1 397)
- decrease due to sale	-	-	261	3 081	21	3 363
<b>Accumulated depreciation at the end of the period</b>	<b>(6)</b>	<b>(578)</b>	<b>(4 921)</b>	<b>(2 338)</b>	<b>(3 346)</b>	<b>(11 189)</b>
<b>Accumulated depreciation at the end of the period</b>	<b>252</b>	<b>2 670</b>	<b>211</b>	<b>959</b>	<b>791</b>	<b>4 883</b>

The amount of contractual obligations incurred in connection with the acquisition of tangible assets is PLN 477,000.

## CHANGES IN PP&amp;E - BY TYPES [PLN '000]

For the period 01.01.2016 - 31.12.2016	Land	Buildings and structures	Technical equipment and machines	Means of transport	Other PP&E	Total
<b>Gross value of PP&amp;E at the beginning of the period</b>	<b>168</b>	<b>3 263</b>	<b>4 900</b>	<b>9 514</b>	<b>3 380</b>	<b>21 225</b>
Increases	64	231	228	11	173	707
- due to purchase	-	-	228	11	173	412
- due to inventory taking	64	231	-	-	-	295
Decreases	(67)	(703)	(130)	(2 852)	(133)	(3 885)
- due to sale	(67)	(703)	(130)	(2 852)	(133)	(3 885)
<b>Gross PP&amp;E at the end of the period</b>	<b>165</b>	<b>2 791</b>	<b>4 998</b>	<b>6 673</b>	<b>3 420</b>	<b>18 047</b>
<b>Accumulated depreciation at the beginning of the period</b>	<b>(5)</b>	<b>(504)</b>	<b>(4 779)</b>	<b>(6 238)</b>	<b>(2 754)</b>	<b>(14 280)</b>
Depreciation for the period	-	10	(99)	1 442	(228)	1 125
- due to depreciation	(1)	(80)	(226)	(1 112)	(248)	(1 667)
- due to sale	1	90	127	2 554	20	2 792
<b>Accumulated depreciation at the end of the period</b>	<b>(5)</b>	<b>(494)</b>	<b>(4 878)</b>	<b>(4 796)</b>	<b>(2 982)</b>	<b>(13 155)</b>
<b>Accumulated depreciation at the end of the period</b>	<b>160</b>	<b>2 297</b>	<b>120</b>	<b>1 877</b>	<b>438</b>	<b>4 892</b>

## NOTE 3A

Investment property is recognized by the Company at the moment of its inclusion in the books, at the purchase price/manufacturing cost. After the initial recognition, the Company measures the property at fair value at the end of each calendar quarter.

Profit/loss from the valuation is shown in the 'Profit (loss) on investment property' item in the profit and loss account.

The fair value was determined using a market comparison model based on current market prices. The Company assigned level 2 to investment properties in the fair value hierarchy.

The company has no collateral established on investment properties. The company has no contractual obligations as at 31 December 2017.

## CHANGES IN INVESTMENT PROPERTY [PLN '000]

	01.01.2017- 31.12.2017	01.01.2016- 31.12.2016
<b>Value of property investments at the beginning of the period</b>	<b>5 648</b>	<b>6 285</b>
<b>Increases due to:</b>	-	2 765
- reclassification from inventories	-	-
- revaluation of property	-	2 765
<b>Decreases due to:</b>	<b>(3 436)</b>	<b>(3 402)</b>
- sale	(1 670)	(3 402)
- reclassification to assets held for sale	-	-
- revaluation of property	(1 766)	-
<b>Value of property investments at the end of the period</b>	<b>2 212</b>	<b>5 648</b>

## NOTE 3B

## INVESTMENT PROPERTY - INFLUENCE ON THE RESULT [PLN '000]

	01.01.2017- 31.12.2017	01.01.2016- 31.12.2016
Revenue from investment property rents	475	529
Direct operating expenses (including repair and maintenance costs) on investment property generating rent revenue in the period	(442)	(470)
Direct operating expenses (including repair and maintenance costs) on investment property not generating rent revenue in the period	-	-

## NOTE 4A

The Company's share in the financial result of associates is equal to the total number of votes at their general meeting.

## INTERESTS AND SHARES [PLN '000]

	31.12.2017	31.12.2016
<b>Investments in subsidiaries, joint ventures and associates</b>		
- in subsidiaries	927 796	2 328 625
- in jointly controlled entities	-	-
- in associates	-	-
<b>Total</b>	<b>927 796</b>	<b>2 328 625</b>



## NOTE 4B

## CHANGES IN INTERESTS AND SHARES [PLN '000]

	01.01.2017- 31.12.2017	01.01.2016- 31.12.2016
<b>Balance at the beginning of the period, including:</b>	<b>2 328 625</b>	<b>464 167</b>
- shares and interests	2 328 625	464 167
<b>Increases due to:</b>	<b>42 765</b>	<b>3 058 040</b>
- purchase of interests	41 524	2 088 862
- increase in capital	1 241	969 178
- write-down on assets *		-
<b>Decreases due to:</b>	<b>(1 443 594)</b>	<b>(1 193 582)</b>
- sale of interests	(93)	(1 168 162)
- capital decrease	(1 435 917)	(21 000)
- liquidation of the company	(4)	
- write-down on assets	(7 580)	(4 420)
<b>Balance at the end of the period, including:</b>	<b>927 796</b>	<b>2 328 625</b>
- shares and interests	927 796	2 328 625

In 2017 the Company acquired shares in the following companies:

- Elektrownia RE Sp. z o.o. (value PLN 35,925 thousand)
- Rosehill Investments Sp. z o.o. (value PLN 9 thousand)
- Projekt Echo - 132 Sp. z o.o. (value PLN 5,314 thousand)
- GRO Nieruchomości Sp. z o.o. (value PLN 10 thousand).

In 2017 the Company sold shares in the following companies:

- Echo Investment Ukraina LLC (value PLN 0)
- Villea Investments Sp. z o.o. (value PLN 13 thousand)
- Rosehill Investments Sp. z o.o. (value PLN 9 thousand)
- City Space - SPV 3 Sp. z o.o. (value PLN 0)
- City Space - SPV 2 Sp. z o.o. (value PLN 0)
- City Space - SPV 1 Sp. z o.o. (value PLN 0)
- Echo Innovations - PE-99 Sp. z o.o. Sp.K. (value PLN 10 thousand)
- EI P Project Cyp-1 LTD (value PLN 0)
- Projekt - Pamiętkowo Sp. z o.o. (value PLN 51 thousand)
- Projekt Echo - 117 Sp. z o.o. (value PLN 10 thousand).

In 2017 the Company increased and paid up capital in the following subsidiaries:

- Projekt Echo - 130 Sp. z o.o. (value PLN 10 thousand)
- Echo - Klimt House Sp. z o.o. (value PLN 31 thousand)
- Mena Investment Sp. z o.o. (value PLN 1,175 thousand)
- Echo - Pod Klonami Sp. z o.o. (value PLN 20 thousand)
- Projekt 139 - GE Sp. z o.o. Sp.K. (value PLN 1 thousand)
- Projekt 140 - GE Sp. z o.o. Sp.K. (value PLN 1 thousand)
- Projekt 141 - GE Sp. z o.o. Sp.K. (value PLN 1 thousand)
- Projekt 142 - GE Sp. z o.o. Sp.K. (value PLN 1 thousand)
- Projekt 143 - GE Sp. z o.o. Sp.K. (value PLN 1 thousand).

In 2017 the Company reduced its capital in a subsidiary:

- Echo Prime Assets BV (value PLN 1,435,917 thousand).

In 2017 the Company liquidated the following subsidiaries:

- EI Option S.A. (value PLN 0)
- GP Development SARL (value PLN 4 thousand).

## NOTE 4C

## PLEDGES ON INTERESTS AND SHARES

Subject of the pledge	Value of the pledge	Description
Projekt Echo 120 Sp. z o.o.	EUR 101 mln	A collateral for the loan granted to the subsidiary Galeria Libero – Projekt Echo 120 Sp. Z o.o. Sp.K.by Bank Zachodni WBK S.A.
Projekt Echo 120 Sp. z o.o.	PLN 18 mln	A collateral for the loan granted to the subsidiary Galeria Libero – Projekt Echo 120 Sp. Z o.o. Sp.K. by Bank Zachodni WBK S.A.
Projekt Echo 131 Sp. z o.o.	EUR 37 mln	A collateral for the loan granted to the subsidiary Symetris – Projekt Echo 131 Sp. z o.o. Sp.K. by BGZ BNP Paribas S.A.
Projekt Echo 131 Sp. z o.o.	PLN 5 mln	A collateral for the loan granted to the subsidiary Symetris – Projekt Echo 131 Sp. z o.o. Sp.K. by BGZ BNP Paribas S.A.
Projekt Echo 113 Sp. z o.o.	EUR 48 mln	A collateral for the loan granted to the subsidiary Sagittarius – Projekt Echo 113 Sp. z o.o. Sp.K. by PKO BP S.A.
Projekt Echo 113 Sp. z o.o.	PLN 9 mln	A collateral for the loan granted to the subsidiary Sagittarius – Projekt Echo 113 Sp. z o.o. Sp.K. by PKO BP S.A.
Oxygen – Projekt Echo 95 Sp. z o.o. Sp. K.A.	EUR 26 mln	A collateral for the loan granted to the subsidiary Oxygen – Projekt Echo 125 Sp. z o.o. Sp.K. by Nordea Bank Polski S.A. The Company is in process of pledge on shares cancellation.
Projekt Echo 95 Sp. z o.o.	EUR 26 mln	A collateral for the loan granted to the subsidiary Oxygen – Projekt Echo 125 Sp. z o.o. Sp.K. by Nordea Bank Polski S.A. The Company is in process of pledge on shares cancellation.
Projekt 5 – Grupa Echo Sp. z o.o. Sp.KA	EUR 26 mln	A collateral for the loan granted to the subsidiary Outlet Park- Projekt Echo 125 Sp. z o.o. Sp.K. by PKO BP S.A. The Company is in process of pledge on shares cancellation.

## NOTE 4D

## INTERESTS OR SHARES IN SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES AS AT 31.12.2017

No.	Company name and legal form	Registered office	Business activity	Value of shares /interests according to the purchase price	Revaluation adjustments - opening balance	Revaluation adjustments - movement	Revaluation adjustments - closing balance	Carrying value of interests /shares	% Share capital held	Share in total number of votes at the general meeting	Another basis for control
<b>INTERESTS OR SHARES IN SUBSIDIARIES</b>											
1	<b>Projekt Echo – 93 Sp. z o.o.</b>	Kielce	property lease and management	51	-		-	51	99,00%	99,00%	-
2	<b>Echo – Aurus Sp. z o.o.</b>	Kielce	property lease and management	199 439	-		-	199 439	99,9925%	99,9925%	-
3	<b>Princess Investment Sp. z o.o.</b>	Kielce	construction works involving erection of buildings	5 063	(5 063)		(5 063)	-	99,9875%	99,9875%	-
4	<b>Bęchatów – Grupa Echo Sp. z o.o. S.K.A.</b>	Kielce	property lease and management	1	-		-	1	0,0059%	0,0059%	-
5	<b>PPR – Projekt Echo – 77 Sp. z o.o. S.K.A.</b>	Kielce	property lease and management	-	-		-	-	0,0002%	0,0002%	-
6	<b>Echo – SPV 7 Sp. z o.o.</b>	Kielce	property lease and management	188 601	-		-	188 601	99,9989%	99,9989%	-
7	<b>Grupa Echo Sp. z o.o.</b>	Kielce	business consulting and management	52	-		-	52	100,00%	100,00%	-
8	<b>Kielce – Projekt Echo 129 Sp. z o.o. S.K.A.</b>	Kielce	property lease and management	16	-		-	16	0,0219%	0,0219%	-
9	<b>Echo Investment ACC – Grupa Echo Sp. z o.o. Sp.K.</b>	Kielce	accounting and book keeping activity	51	-		-	51	99,00%	99,00%	-
10	<b>Malta Office Park – Projekt Echo – 96 Sp. z o.o. S.K.A.</b>	Kielce	property lease and management	1	-		-	1	0,0067%	0,0067%	-
11	<b>Echo – Arena Sp. z o.o.</b>	Kielce	construction works involving erection of buildings	1 008	(1 008)		(1 008)	-	99,95%	99,95%	-

## INTERESTS OR SHARES IN SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES AS AT 31.12.2017

No.	Company name and legal form	Registered office	Business activity	Value of shares /interests according to the purchase price	Revaluation adjustments - opening balance	Revaluation adjustments - movement	Revaluation adjustments - closing balance	Carrying value of interests /shares	% Share capital held	Share in total number of votes at the general meeting	Another basis for control
12	<b>Echo - Galaxy Sp. z o.o.</b>	Kielce	construction works involving erection of buildings	51	-		-	51	99,00%	99,00%	-
13	<b>Echo - Opolska Biznes Park Sp. z o.o.</b>	Kielce	property lease and management	52	-		-	52	100,00%	100,00%	-
14	<b>Projekt Saska Sp. z o.o.</b>	Kielce	real estate intermediation	20 420	(20 419)		(20 419)	1	95,00%	95,00%	-
15	<b>Echo - Advisory Services Sp. z o.o.</b>	Kielce	property lease and management	100	(15)	(85)	(100)	-	99,00%	99,00%	-
16	<b>Echo - Klimt House Sp. z o.o.</b>	Kielce	property lease and management	81	(50)	(31)	(81)	-	99,00%	99,00%	-
17	<b>Echo - Browary Warszawskie Sp. z o.o.</b>	Kielce	property lease and management	100	(71)		(71)	29	99,00%	99,00%	-
18	<b>Echo Investment Hungary Ingatlanhasznosító KFT</b>	Budapest	property lease and management	89 130	(80 207)	(5 975)	(86 182)	2 948	100,00%	100,00%	-
19	<b>Echo - Kasztanowa Aleja Sp. z o.o. Sp.K.</b>	Kielce	property lease and management	451	-		-	451	99,90%	99,90%	-
20	<b>Echo - Klimt House Sp. z o.o. Sp.K.</b>	Kielce	property lease and management	501	(200)		(200)	301	99,90%	99,90%	-
21	<b>Echo - Browary Warszawskie Sp. z o.o. Sp.K.</b>	Kielce	property lease and management	20 002	-		-	20 002	99,9995%	99,9995%	-
22	<b>Echo Projekt Management Ingatlanhasznosító Kft.</b>	Budapest	property management	2 126	(2 126)		(2 126)	-	100,00%	100,00%	-
23	<b>53 - Grupa Echo Sp. z o.o. S.K.A.</b>	Kielce	property lease and management	-	-		-	-	0,0504%	0,0504%	-
24	<b>Echo - Galaxy Sp. z o.o. S.K.A.</b>	Kielce	property lease and management	50	(49)		(49)	1	0,0128%	0,0128%	-
25	<b>Galeria Tarnów - Grupa Echo Sp. z o.o. S.K.A.</b>	Kielce	property lease and management	-	-		-	-	0,0651%	0,0651%	-

## INTERESTS OR SHARES IN SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES AS AT 31.12.2017

No.	Company name and legal form	Registered office	Business activity	Value of shares /interests according to the purchase price	Revaluation adjustments - opening balance	Revaluation adjustments - movement	Revaluation adjustments - closing balance	Carrying value of interests /shares	% Share capital held	Share in total number of votes at the general meeting	Another basis for control
26	<b>Duże Naramowice – Projekt Echo – 111 Sp. z o.o. S.K.A.</b>	Kielce	property lease and managementi	17	-		-	17	0,0127%	0,0127%	-
27	<b>Projekt Naramowice – Projekt Echo – 100 Sp. z o.o. S.K.A.</b>	Kielce	construction works involving erection of buildings	63 753	-		-	63 753	0,0319%	0,0319%	-
28	<b>Oxygen – Projekt Echo – 95 Sp. z o.o. S.K.A.</b>	Kielce	property lease and managementi	-	-		-	-	0,0005%	0,0005%	-
29	<b>Park Postępu – Projekt Echo – 130 Sp. z o.o. S.K.A.</b>	Kielce	property lease and managementi	-	-		-	-	0,0001%	0,0001%	-
30	<b>Echo – Nowy Mokotów Sp. z o.o.</b>	Kielce	property lease and managementi	94	(76)		(76)	18	99,90%	99,90%	-
31	<b>Projekt Echo -77 Sp. z o.o.</b>	Kielce	property lease and managementi	50	(14)		(14)	36	99,90%	99,90%	-
32	<b>Metropolis – Grupa Echo 121 Sp. z o.o. S.K.A.</b>	Kielce	property lease and managementi	-	-		-	-	0,000050%	0,000050%	-
33	<b>Galeria Nova – Grupa Echo Sp. z o.o. S.K.A</b>	Kielce	construction works involving erection of buildings	16	-		-	16	100,00%	100,00%	-
34	<b>Echo Investment Projekt Management SRL</b>	Brasov	property management	4 987	(3 957)	(102)	(4 059)	928	99,9998%	99,9998%	-
35	<b>Baronsel Holdings Limited</b>	Nicosia	activity of head offices and holding companies	374 332	(374 306)		(374 306)	26	25,3996%	25,3996%	-
36	<b>Projekt Echo – 95 Sp. z o.o.</b>	Kielce	buying and selling of property on own account	61	(33)		(33)	28	99,80%	99,80%	-
37	<b>Projekt Echo – 96 Sp. z o.o.</b>	Kielce	buying and selling of property on own account	26	-		-	26	99,80%	99,80%	-
38	<b>Projekt Echo – 99 Sp. z o.o.</b>	Kielce	buying and selling of property on own account	97	(42)		(42)	55	99,80%	99,80%	-

## INTERESTS OR SHARES IN SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES AS AT 31.12.2017

No.	Company name and legal form	Registered office	Business activity	Value of shares /interests according to the purchase price	Revaluation adjustments - opening balance	Revaluation adjustments - movement	Revaluation adjustments - closing balance	Carrying value of interests /shares	% Share capital held	Share in total number of votes at the general meeting	Another basis for control
39	<b>Echo - Pod Klonami Sp. z o.o.</b>	Kielce	buying and selling of property on own account	31		(31)	(31)	-	99,90%	99,90%	-
40	<b>Projekt 1 - Grupa Echo Sp. z o. o. S.K.A.</b>	Kielce	property lease and management	2	-		-	2	0,000042%	0,000042%	-
41	<b>Echo - Pod Klonami Sp. z o. o. Sp.K.</b>	Kielce	buying and selling of property on own account	10	-		-	10	99,00%	99,00%	-
42	<b>Projekt CS Sp. z o.o.</b>	Kielce	other monetary intermediation	122	(43)		(43)	79	99,00%	99,00%	-
43	<b>Taśmowa - Projekt Echo - 116 Sp. z o.o. S.K.A.</b>	Kielce	property lease and management	11	-		-	11	100,00%	100,00%	-
44	<b>Projekt 5 - Grupa Echo Sp. z o.o. S.K.A.</b>	Szczecin	property lease and management	-	-		-	-	0,0040%	0,0040%	-
45	<b>Echo - Nowy Mokotów Sp. z o. o. Sp. K.</b>	Kielce	buying and selling of property on own account	1 251	-		-	1 251	99,00%	99,00%	-
46	<b>Projekt Echo - 100 Sp. z o. o.</b>	Kielce	accounting and book keeping activity	63	(27)		(27)	36	100,00%	100,00%	-
47	<b>Mena Investments Sp.z o.o.</b>	Kielce	business consulting and management	1 280	(105)	(1 175)	(1 280)	-	99,00%	99,00%	-
48	<b>Projekt Echo - 104 Sp. z o. o.</b>	Kielce	property lease and management	50	(50)		(50)	-	99,90%	99,90%	-
49	<b>Echo - Babka Tower Sp. z o. o.</b>	Kielce	property lease and management	51	(35)		(35)	16	100,00%	100,00%	-
50	<b>Echo - Property Poznań 1 Sp. z o. o.</b>	Kielce	business consulting and management	197	-		-	197	99,00%	99,00%	-
51	<b>Projekt K-6 - Grupa Echo Sp. z o.o. S.K.A.</b>	Kielce	business consulting and management	61	(50)		(50)	11	99,9980%	99,9980%	-
52	<b>Projekt 12 - Grupa Echo Sp. z o.o - S.K.A.</b>	Kielce	property lease and management	24	-		-	24	0,0040%	0,0040%	-

## INTERESTS OR SHARES IN SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES AS AT 31.12.2017

No.	Company name and legal form	Registered office	Business activity	Value of shares /interests according to the purchase price	Revaluation adjustments - opening balance	Revaluation adjustments - movement	Revaluation adjustments - closing balance	Carrying value of interests /shares	% Share capital held	Share in total number of votes at the general meeting	Another basis for control
53	<b>Projekt 13 – Grupa Echo Sp. z o.o - S.K.A.</b>	Kielce	property lease and management	24	-		-	24	0,0040%	0,0040%	-
54	<b>Projekt 14 – Grupa Echo Sp. z o.o - S.K.A.</b>	Kielce	other financial intermediation	24	-		-	24	0,0040%	0,0040%	-
55	<b>Projekt 15 – Grupa Echo Sp. z o.o - S.K.A.</b>	Kielce	real estate intermediation	50	(29)		(29)	21	100,00%	100,00%	-
56	<b>Projekt 16 – Grupa Echo Sp. z o.o - S.K.A.</b>	Kielce	real estate intermediation	50	-		-	50	100,00%	100,00%	-
57	<b>Projekt 17 – Grupa Echo Sp. z o.o - S.K.A.</b>	Kielce	real estate intermediation	50	-		-	50	100,00%	100,00%	-
58	<b>Projekt 18 – Grupa Echo Sp. z o.o - S.K.A.</b>	Kielce	real estate intermediation	50	-	(36)	(36)	14	100,00%	100,00%	-
59	<b>Projekt 19 – Grupa Echo Sp. z o.o - S.K.A.</b>	Kielce	real estate intermediation	50	(30)		(30)	20	100,00%	100,00%	-
60	<b>Projekt 20 – Grupa Echo Sp. z o.o - S.K.A.</b>	Kielce	real estate intermediation	50	-		-	50	100,00%	100,00%	-
61	<b>Projekt 21 – Grupa Echo Sp. z o.o - S.K.A.</b>	Kielce	real estate intermediation	50	(30)		(30)	20	100,00%	100,00%	-
62	<b>Projekt 22 – Grupa Echo Sp. z o.o - S.K.A.</b>	Kielce	real estate intermediation	50	-		-	50	100,00%	100,00%	-
63	<b>Pure Systems Sp. z o.o.</b>	Kraków	other financial services, except insurance and retirement funds	1				1	99,90%	99,90%	-
64	<b>Projekt Echo – 111 Sp. z o. o.</b>	Kielce	property lease and management	101	(29)		(29)	72	99,95%	99,95%	-
65	<b>Projekt Echo – 112 Sp. z o. o.</b>	Kielce	property lease and management	31	-		-	31	100,00%	100,00%	-
66	<b>Projekt Echo – 113 Sp. z o. o.</b>	Kielce	property lease and management	31	-		-	31	100,00%	100,00%	-

## INTERESTS OR SHARES IN SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES AS AT 31.12.2017

No.	Company name and legal form	Registered office	Business activity	Value of shares /interests according to the purchase price	Revaluation adjustments - opening balance	Revaluation adjustments - movement	Revaluation adjustments - closing balance	Carrying value of interests /shares	% Share capital held	Share in total number of votes at the general meeting	Another basis for control
67	Projekt Echo - 114 Sp. z o. o.	Kielce	property lease and management	31	-		-	31	100,00%	100,00%	-
68	Projekt Echo - 115 Sp. z o. o.	Kielce	property lease and management	31	-		-	31	99,83%	99,83%	-
69	Projekt Echo - 116 Sp. z o. o.	Kielce	property lease and management	31	-		-	31	99,83%	99,83%	-
70	Projekt Echo - 119 Sp. z o. o.	Kielce	property lease and management	25	-	(20)	(20)	5	99,80%	99,80%	-
71	Projekt Echo - 120 Sp. z o. o.	Kielce	property lease and management	31	-		-	31	100,00%	100,00%	-
72	Projekt Echo - 121 Sp. z o. o.	Kielce	property lease and management	31	-		-	31	100,00%	100,00%	-
73	Projekt Echo - 122 Sp. z o. o.	Kielce	property lease and management	31	-		-	31	100,00%	100,00%	-
74	Projekt Echo - 123 Sp. z o. o.	Kielce	property lease and management	31	-		-	31	100,00%	100,00%	-
75	Projekt Echo - 127 Sp. z o. o.	Kielce	property lease and management	31	-		-	31	100,00%	100,00%	-
76	Projekt Echo - 128 Sp. z o. o.	Kielce	property lease and management	31	-		-	31	100,00%	100,00%	-
77	Projekt Echo - 129 Sp. z o. o.	Kielce	property lease and management	51	-	(36)	(36)	15	99,90%	99,90%	-
78	Projekt Echo - 130 Sp. z o. o.	Kielce	property lease and management	41	-	(31)	(31)	10	100,00%	100,00%	-
79	Projekt Echo - 131 Sp. z o. o.	Kielce	property lease and management	31	-	(21)	(21)	10	100,00%	100,00%	-
80	Projekt Echo - 132 Sp. z o. o.	Kielce	property lease and management	5 373	-		-	5 373	100,00%	100,00%	-
81	Projekt Echo - 134 Sp. z o. o.	Pamiątkowo	property lease and management	-	-		-	-	1,00%	1,00%	-



## INTERESTS OR SHARES IN SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES AS AT 31.12.2017

No.	Company name and legal form	Registered office	Business activity	Value of shares /interests according to the purchase price	Revaluation adjustments - opening balance	Revaluation adjustments - movement	Revaluation adjustments - closing balance	Carrying value of interests /shares	% Share capital held	Share in total number of votes at the general meeting	Another basis for control
82	<b>Projekt Echo - 135 Sp. z o. o.</b>	Kielce	property lease and management	31	-		-	31	100,00%	100,00%	-
83	<b>Projekt Echo - 136 Sp. z o. o.</b>	Kielce	property lease and management	31	-		-	31	100,00%	100,00%	-
84	<b>Projekt Echo - 137 Sp. z o. o.</b>	Kielce	property lease and management	31	-		-	31	100,00%	100,00%	-
85	<b>Projekt Echo - 136 Sp. z o. o Sp. K.</b>	Kielce	property lease and management	6	-		-	6	99,00%	99,00%	-
86	<b>Selmer Investments Sp. z o.o.</b>	Warsaw	business consulting and management	12	-		-	12	100,00%	100,00%	-
87	<b>Selmer Investments Sp. K.</b>	Warsaw	business consulting and management	14	-		-	14	100,00%	100,00%	-
88	<b>Cornwall Investments Sp. z o.o.</b>	Warsaw	business consulting and management	12	-		-	12	100,00%	100,00%	-
89	<b>Cornwall Investments Sp. K.</b>	Warsaw	business consulting and management	15	-		-	15	100,00%	100,00%	-
90	<b>City Space - GP Sp. z o. o.</b>	Warsaw	property lease and management	37		(37)	(37)	-	100,00%	100,00%	-
91	<b>City Space - Management Sp. z o.o.</b>	Warsaw	other activity involving hiring of labour	37	(37)		(37)	-	100,00%	100,00%	-
92	<b>Echo Prime Assets BV</b>	Amsterdam	activity of head offices and holdings, excluding financial holdings	406 605	-		-	406 605	100,00%	100,00%	-
93	<b>Elektrownia RE Sp. z o.o.</b>	Kielce	buying and selling of property on own account	36 286				36 286	100,00%	100,00%	-
94	<b>Projekt 139 Grupa Echo Sp. z o.o Sp. K.</b>	Kielce	property lease and management	1				1	99,99%	99,99%	-
95	<b>Projekt 140 Grupa Echo Sp. z o.o Sp. K.</b>	Kielce	property lease and management	1				1	99,99%	99,99%	-

## INTERESTS OR SHARES IN SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES AS AT 31.12.2017

No.	Company name and legal form	Registered office	Business activity	Value of shares /interests according to the purchase price	Revaluation adjustments - opening balance	Revaluation adjustments - movement	Revaluation adjustments - closing balance	Carrying value of interests /shares	% Share capital held	Share in total number of votes at the general meeting	Another basis for control
96	Projekt 141 Grupa Echo Sp. z o.o Sp. K.	Kielce	property lease and management	1				1	99,99%	99,99%	-
97	Projekt 142 Grupa Echo Sp. z o.o Sp. K.	Kielce	property lease and management	1				1	99,99%	99,99%	-
98	Projekt 143 Grupa Echo Sp. z o.o Sp. K.	Kielce	property lease and management	1				1	99,99%	99,99%	-
99	GRO Nieruchomości Sp. z o.o.	Kraków	property lease and management	10				10	100,00%	100,00%	-
			<b>Total</b>	<b>1 423 477</b>	<b>(488 101)</b>	<b>(7 580)</b>	<b>(495 681)</b>	<b>927 796</b>			
<b>INTERESTS OR SHARES IN ASSOCIATES</b>											
1	SPC S.A	Warsaw	management of other entities	34	(34)	-	(34)	-	34,00%	34,00%	-
			<b>Total</b>	<b>34</b>	<b>(34)</b>	<b>-</b>	<b>(34)</b>	<b>-</b>			
<b>TOTAL INTERESTS OR SHARES IN ASSOCIATES</b>				<b>1 423 511</b>	<b>(488 135)</b>	<b>(7 580)</b>	<b>(495 715)</b>	<b>927 796</b>			

In the chart the Company presented a revaluation write-down of the value of owned shares and stocks in subsidiaries, jointly controlled entities and associates, which was made during the financial year.

The change in the value of adjustments updating the value of shares was recognized in the result as at 31 December 2017 in the 'Revaluation of investments' item in financial revenue/expenses. The costs included the amount of the impairment loss created amounting to PLN 7,580,000.

According to IFS 12 paragraph 44, the Company analysed asset on owned shares and stocks in subsidiaries and wrote it down, due to lack of possibility to reversal of its value in predictable future.

The Company has 100% control over entities listed above directly – by holding its shares or indirectly, by other subsidiaries controlled by the Company. The exemptions of this are companies: Projekt Echo – 138 Sp. z o.o. and Projekt Saska Sp. z o.o. The company has 100% control over the aforementioned subsidiaries through direct equity or through shares/stocks held by other subsidiaries of the Company, with the exception of Projekt Echo – 138 Sp. z o. o. and Projekt Saska Sp. z o.o.

## INTERESTS OR SHARES IN SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES AS AT 31.12.2016

No.	Company name and legal form	Registered office	Business activity	Value of shares /interests according to the purchase price	Revaluation adjustments - opening balance	Revaluation adjustments - movement	Revaluation adjustments - closing balance	Carrying value of interests /shares	% Share capital held	Share in total number of votes at the general meeting	Another basis for control
<b>INTERESTS / SHARES IN SUBSIDIARIES</b>											
1	<b>Projekt Echo – 93 Sp. z o.o.</b>	Kielce	property lease and management	51	-		-	51	99,00%	99,00%	-
2	<b>Echo – Aurus Sp. z o.o.</b>	Kielce	property lease and management	199 439	-		-	199 439	99,99%	99,99%	-
3	<b>Princess Investment Sp. z o.o.</b>	Kielce	construction works involving erection of buildings	5 063	(2 663)	(2 400)	(5 063)	-	99,99%	99,99%	-
4	<b>Bęchatów – Grupa Echo Sp. z o.o. S.K.A.</b>	Kielce	property lease and management	1	-		-	1	0,01%	0,01%	-
5	<b>PPR – Projekt Echo – 77 Sp. z o.o. S.K.A.</b>	Kielce	property lease and management	-	-		-	-	0,0002%	0,0002%	-
6	<b>Echo – SPV 7 Sp. z o.o.</b>	Kielce	property lease and management	188 601	-		-	188 601	99,9989%	99,9989%	-
7	<b>Grupa Echo Sp. z o.o.</b>	Kielce	business consulting and management	52	-		-	52	100,00%	100,00%	-
8	<b>Kielce – Projekt Echo 129 Sp. z o.o. S.K.A.</b>	Kielce	property lease and management	16	-		-	16	0,0219%	0,0219%	-
9	<b>Echo Investment ACC – Grupa Echo Sp. z o.o. Sp.K.</b>	Kielce	accounting and book keeping activity	51	-		-	51	99,00%	99,00%	-
10	<b>Malta Office Park – Projekt Echo – 96 Sp. z o.o. S.K.A.</b>	Kielce	property lease and management	1	-		-	1	0,0067%	0,0067%	-
11	<b>Echo – Arena Sp. z o.o.</b>	Kielce	construction works involving erection of buildings	1 008	-	(1 008)	(1 008)	-	99,9500%	99,9500%	-

## INTERESTS OR SHARES IN SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES AS AT 31.12.2016

No.	Company name and legal form	Registered office	Business activity	Value of shares /interests according to the purchase price	Revaluation adjustments - opening balance	Revaluation adjustments - movement	Revaluation adjustments - closing balance	Carrying value of interests /shares	% Share capital held	Share in total number of votes at the general meeting	Another basis for control
12	<b>Echo - Galaxy Sp. z o.o.</b>	Kielce	construction works involving erection of buildings	51	-		-	51	99,00%	99,00%	-
13	<b>Echo - Opolska Biznes Park Sp. z o.o.</b>	Kielce	property lease and management	52	-		-	52	100,0000%	100,0000%	-
14	<b>Projekt Saska Sp. z o.o.</b>	Kielce	real estate intermediation	20 420	(20 419)		(20 419)	1	95,0000%	95,0000%	-
15	<b>Echo - Advisory Services Sp. z o.o.</b>	Kielce	property lease and management	100	(15)		(15)	85	99,00%	99,00%	-
16	<b>Echo - Klimt House Sp. z o.o.</b>	Kielce	property lease and management	51	(15)	(35)	(50)	1	99,00%	99,00%	-
17	<b>Echo - Browary Warszawskie Sp. z o.o.</b>	Kielce	property lease and management	100	(14)	(57)	(71)	29	99,00%	99,00%	-
18	<b>Echo Investment Hungary IngatlanhasznositoKFT</b>	Budapest	property lease and management	89 130	(80 207)	-	(80 207)	8 923	100,00%	100,00%	-
19	<b>Echo - Kasztanowa Aleja Sp. z o.o. Sp.K.</b>	Kielce	property lease and management	451	-		-	451	99,90%	99,90%	-
20	<b>Echo - Klimt House Sp. z o.o. Sp.K.</b>	Kielce	property lease and management	501	-	(200)	(200)	301	99,9000%	99,9000%	-
21	<b>Echo - Browary Warszawskie Sp. z o.o. Sp.K.</b>	Kielce	property lease and management	20 002	-		-	20 002	100,00%	100,00%	-
22	<b>Echo Projekt Management Ingatlanhasznosito KFT</b>	Budapest	property management	2 126	(2 126)	-	(2 126)	-	100,00%	100,00%	-
23	<b>53 - Grupa Echo Sp. z o.o. S.K.A.</b>	Kielce	property lease and management	-	-		-	-	0,05%	0,05%	-
24	<b>Echo - Galaxy Sp. z o.o. S.K.A.</b>	Kielce	property lease and management	50	-	(49)	(49)	1	0,01%	0,01%	-
25	<b>Galeria Tarnów - Grupa Echo Sp. z o.o. S.K.A.</b>	Kielce	property lease and management	-	-		-	-	0,07%	0,07%	-

## INTERESTS OR SHARES IN SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES AS AT 31.12.2016

No.	Company name and legal form	Registered office	Business activity	Value of shares /interests according to the purchase price	Revaluation adjustments - opening balance	Revaluation adjustments - movement	Revaluation adjustments - closing balance	Carrying value of interests /shares	% Share capital held	Share in total number of votes at the general meeting	Another basis for control
26	<b>Duże Naramowice – Projekt Echo – 111 Sp. z o.o. S.K.A.</b>	Kielce	property lease and management	17	-		-	17	0,01%	0,01%	-
27	<b>Projekt Naramowice – Projekt Echo – 100 Sp. z o.o. S.K.A.</b>	Kielce	construction works involving erection of buildings	63 753	-		-	63 753	0,03%	0,03%	-
28	<b>Oxygen – Projekt Echo – 95 Sp. z o.o. S.K.A.</b>	Kielce	property lease and management	-	-		-	-	0,00%	0,00%	-
29	<b>Park Postępu – Projekt Echo – 130 Sp. z o.o. S.K.A.</b>	Kielce	property lease and management	-	-		-	-	0,00%	0,00%	-
30	<b>Echo – Nowy Mokotów Sp. z o.o.</b>	Kielce	property lease and management	94	-		-	94	99,90%	99,90%	-
31	<b>Projekt Echo – 77 Sp. z o.o.</b>	Kielce	property lease and management	50	(14)		(14)	36	99,90%	99,90%	-
32	<b>Metropolis – Grupa Echo 121 Sp. z o.o. S.K.A.</b>	Kielce	property lease and management	-	-		-	-	0,0001%	0,0001%	-
33	<b>Echo Investment Ukraina LLC</b>	Kijów	property management	666	(610)	-	(610)	56	100,00%	100,00%	-
34	<b>Galeria Nova – Grupa Echo Sp. z o.o. S.K.A</b>	Kielce	construction works involving erection of buildings	16	-		-	16	100,0000%	100,0000%	-
35	<b>Echo Investment Projekt Management SRL</b>	Brasov	property management	4 987	(3 914)	(43)	(3 957)	1 030	99,9998%	99,9998%	-
36	<b>EI Projekt Cyp – 1 Limited</b>	Nikozja	activity of head offices and holding companies	56 028	(56 028)		(56 028)	-	99,9900%	99,9900%	-
37	<b>Barconsel Holdings Limited</b>	Nikozja	activity of head offices and holding companies	374 332	(374 306)	-	(374 306)	26	25,3996%	25,3996%	-
38	<b>Projekt Echo – 95 Sp. z o.o.</b>	Kielce	buying and selling of property on own account	61	-	(33)	(33)	28	99,8000%	99,8000%	-
39	<b>Projekt Echo – 96 Sp. z o.o.</b>	Kielce	buying and selling of property on own account	26	-		-	26	99,8000%	99,8000%	-

## INTERESTS OR SHARES IN SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES AS AT 31.12.2016

No.	Company name and legal form	Registered office	Business activity	Value of shares /interests according to the purchase price	Revaluation adjustments - opening balance	Revaluation adjustments - movement	Revaluation adjustments - closing balance	Carrying value of interests /shares	% Share capital held	Share in total number of votes at the general meeting	Another basis for control
40	<b>Projekt Echo – 99 Sp. z o. o.</b>	Kielce	buying and selling of property on own account	97	-	(42)	(42)	55	99,8000%	99,8000%	-
41	<b>Echo – Pod Klunami Sp. z o.o.</b>	Kielce	buying and selling of property on own account	11	-	-	-	11	99,9000%	99,9000%	-
42	<b>Projekt 1 – Grupa Echo Sp. z. o. o. S.K.A.</b>	Kielce	property lease and management	2	-	-	-	2	0,0000%	0,0000%	-
43	<b>Echo – Pod Klunami Sp. z o. o. Sp.K.</b>	Kielce	buying and selling of property on own account	10	-	-	-	10	99,0000%	99,0000%	-
44	<b>Projekt CS Sp. z o.o.</b>	Kielce	other monetary intermediation	122	-	(43)	(43)	79	99,0000%	99,0000%	-
45	<b>Taśmowa – Projekt Echo – 116 Sp. z o.o. S.K.A.</b>	Kielce	property lease and management	11	-	-	-	11	100,00%	100,00%	-
46	<b>Projekt 5 – Grupa Echo Sp. z o.o. S.K.A.</b>	Szczecin	property lease and management	-	-	-	-	-	0,00%	0,00%	-
47	<b>Echo – Nowy Mokotów Sp. z o. o. Sp. K.</b>	Kielce	buying and selling of property on own account	1 251	-	(76)	(76)	1 175	99,00%	99,00%	-
48	<b>Projekt Echo – 100 Sp. z o. o.</b>	Kielce	accounting and book keeping activity	63	-	(27)	(27)	36	100,00%	100,00%	-
49	<b>Mena Investments Sp.z o.o.</b>	Kielce	business consulting and management	105	-	(105)	(105)	-	99,0000%	99,0000%	-
50	<b>Echo Innovations – Projekt Echo – 99 Sp. z o. o. Sp.K.</b>	Kielce	buying and selling of property on own account	52	-	(42)	(42)	10	99,80%	99,80%	-
51	<b>Projekt Echo – 104 Sp. z o. o.</b>	Kielce	property lease and management	50	-	(50)	(50)	-	99,9000%	99,9000%	-
52	<b>Echo – Babka Tower Sp. z o. o.</b>	Kielce	property lease and management	51	-	(35)	(35)	16	100,00%	100,00%	-

## INTERESTS OR SHARES IN SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES AS AT 31.12.2016

No.	Company name and legal form	Registered office	Business activity	Value of shares /interests according to the purchase price	Revaluation adjustments - opening balance	Revaluation adjustments - movement	Revaluation adjustments - closing balance	Carrying value of interests /shares	% Share capital held	Share in total number of votes at the general meeting	Another basis for control
53	<b>Echo – Property Poznań 1 Sp. z o. o.</b>	Kielce	business consulting and management	197	-		-	197	99,00%	99,00%	-
54	<b>Projekt K-6 – Grupa Echo Sp. z o.o. S.K.A.</b>	Kielce	business consulting and management	61	-	(50)	(50)	11	100,00%	100,00%	-
55	<b>Projekt 12 – Grupa Echo Sp. z o.o. S.K.A.</b>	Kielce	property lease and management	24	-		-	24	0,00%	0,00%	-
56	<b>Projekt 13 – Grupa Echo Sp. z o.o. S.K.A.</b>	Kielce	property lease and management	24	-		-	24	0,00%	0,00%	-
57	<b>Projekt 14 – Grupa Echo Sp. z o.o. S.K.A.</b>	Kielce	other financial intermediation	24	-		-	24	0,00%	0,00%	-
58	<b>Projekt – Pamiątkowo Sp. z o.o.</b>	Kielce	buying and selling of property on own account	51	-		-	51	100,00%	100,00%	-
59	<b>Projekt 15 – Grupa Echo Sp. z o.o. S.K.A.</b>	Kielce	real estate ntermediation	50	-	(29)	(29)	21	100,00%	100,00%	-
60	<b>Projekt 16 – Grupa Echo Sp. z o.o. S.K.A.</b>	Kielce	real estate ntermediation	50	-		-	50	100,0000%	100,0000%	-
61	<b>Projekt 17 – Grupa Echo Sp. z o.o. S.K.A.</b>	Kielce	real estate ntermediation	50	-		-	50	100,0000%	100,0000%	-
62	<b>Projekt 18 – Grupa Echo Sp. z o.o. S.K.A.</b>	Kielce	real estate ntermediation	50	-		-	50	100,00%	100,00%	-
63	<b>Projekt 19 – Grupa Echo Sp. z o.o. S.K.A.</b>	Kielce	real estate ntermediation	50	-	(30)	(30)	20	100,00%	100,00%	-
64	<b>Projekt 20 – Grupa Echo Sp. z o.o. S.K.A.</b>	Kielce	real estate ntermediation	50	-		-	50	100,00%	100,00%	-
65	<b>Projekt 21 – Grupa Echo Sp. z o.o. S.K.A.</b>	Kielce	real estate ntermediation	50	-	(30)	(30)	20	100,0000%	100,0000%	-
66	<b>Projekt 22 – Grupa Echo Sp. z o.o. S.K.A.</b>	Kielce	real estate ntermediation	50	-		-	50	100,0000%	100,0000%	-



## INTERESTS OR SHARES IN SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES AS AT 31.12.2016

No.	Company name and legal form	Registered office	Business activity	Value of shares /interests according to the purchase price	Revaluation adjustments - opening balance	Revaluation adjustments - movement	Revaluation adjustments - closing balance	Carrying value of interests /shares	% Share capital held	Share in total number of votes at the general meeting	Another basis for control
67	<b>Pure Systems Sp. z o.o.</b>	Cracow	other financial services, except insurance and retirement funds	1				1	99,9000%	99,9000%	-
68	<b>Projekt Echo - 111 Sp. z o.o.</b>	Kielce	property lease and management	101	-	(29)	(29)	72	99,9500%	99,9500%	-
69	<b>Projekt Echo - 112 Sp. z o.o.</b>	Kielce	property lease and management	31	-		-	31	100,0000%	100,0000%	-
70	<b>Projekt Echo - 113 Sp. z o.o.</b>	Kielce	property lease and management	31	-		-	31	100,00%	100,00%	-
71	<b>Projekt Echo - 114 Sp. z o.o.</b>	Kielce	property lease and management	31	-		-	31	100,00%	100,00%	-
72	<b>Projekt Echo - 115 Sp. z o.o.</b>	Kielce	property lease and management	31	-		-	31	99,8300%	99,8300%	-
73	<b>Projekt Echo - 116 Sp. z o.o.</b>	Kielce	property lease and management	31	-		-	31	99,83%	99,83%	-
74	<b>Projekt Echo - 117 Sp. z o.o.</b>	Kielce	property lease and management	31	-		-	31	99,83%	99,83%	-
75	<b>Projekt Echo - 119 Sp. z o.o.</b>	Kielce	property lease and management	26	-		-	26	99,80%	99,80%	-
76	<b>Projekt Echo - 120 Sp. z o.o.</b>	Kielce	property lease and management	31	-		-	31	100,0000%	100,0000%	-
77	<b>Projekt Echo - 121 Sp. z o.o.</b>	Kielce	property lease and management	31	-		-	31	100,0000%	100,0000%	-
78	<b>Projekt Echo - 122 Sp. z o.o.</b>	Kielce	property lease and management	31	-		-	31	100,0000%	100,0000%	-
79	<b>Projekt Echo - 123 Sp. z o.o.</b>	Kielce	property lease and management	31	-		-	31	100,00%	100,00%	-
80	<b>Projekt Echo - 127 Sp. z o.o.</b>	Kielce	property lease and management	31	-		-	31	100,00%	100,00%	-
81	<b>Projekt Echo - 128 Sp. z o.o.</b>	Kielce	property lease and management	31	-		-	31	100,00%	100,00%	-

## INTERESTS OR SHARES IN SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES AS AT 31.12.2016

No.	Company name and legal form	Registered office	Business activity	Value of shares /interests according to the purchase price	Revaluation adjustments - opening balance	Revaluation adjustments - movement	Revaluation adjustments - closing balance	Carrying value of interests /shares	% Share capital held	Share in total number of votes at the general meeting	Another basis for control
82	<b>Projekt Echo – 129 Sp. z o.o.</b>	Kielce	property lease and management	51	-		-	51	99,90%	99,90%	-
83	<b>Projekt Echo – 130 Sp. z o.o.</b>	Kielce	property lease and management	31	-		-	31	100,00%	100,00%	-
84	<b>Projekt Echo – 131 Sp. z o.o.</b>	Kielce	property lease and management	31	-		-	31	100,00%	100,00%	-
85	<b>Projekt Echo – 132 Sp. z o.o.</b>	Kielce	property lease and management	5	-		-	5	100,00%	100,00%	-
86	<b>Projekt Echo – 134 Sp. z o.o.</b>	Pamiątkowo	property lease and management	-	-		-	-	1,00%	1,00%	-
87	<b>Projekt Echo – 135 Sp. z o.o.</b>	Kielce	property lease and management	31	-		-	31	100,00%	100,00%	-
88	<b>Projekt Echo – 136 Sp. z o.o.</b>	Kielce	property lease and management	31	-		-	31	100,00%	100,00%	-
89	<b>Projekt Echo – 137 Sp. z o.o.</b>	Kielce	property lease and management	31	-		-	31	100,00%	100,00%	-
90	<b>EI Option S.A.</b>	Cracow	property lease and management	14 060	(14 060)	-	(14 060)	-	100,00%	100,00%	-
91	<b>Projekt Echo – 136 Sp. z o.o. Sp.K.</b>	Kielce	property lease and management	6	-		-	6	99,00%	99,00%	-
92	<b>Villea Investments Sp. z o.o.</b>	Warsaw	business consulting and management	13				13	100,00%	100,00%	-
93	<b>Selmer Investments Sp. z o.o.</b>	Warsaw	business consulting and management	12	-		-	12	100,00%	100,00%	-
94	<b>Selmer Investments Sp.K.</b>	Warsaw	business consulting and management	14	-		-	14	100,00%	100,00%	-
95	<b>Cornwall Investments Sp. z o.o.</b>	Warsaw	business consulting and management	12	-		-	12	100,00%	100,00%	-
96	<b>Cornwall Investments Sp. K.</b>	Warsaw	business consulting and management	15	-		-	15	100,00%	100,00%	-

## INTERESTS OR SHARES IN SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES AS AT 31.12.2016

No.	Company name and legal form	Registered office	Business activity	Value of shares /interests according to the purchase price	Revaluation adjustments - opening balance	Revaluation adjustments - movement	Revaluation adjustments - closing balance	Carrying value of interests /shares	% Share capital held	Share in total number of votes at the general meeting	Another basis for control
97	City Space - SPV 2 Sp. z o.o.	Warsaw	property lease and management	37	-		-	37	100,00%	100,00%	-
98	City Space - SPV 3 Sp. z o.o.	Warsaw	property lease and management	37	-		-	37	100,00%	100,00%	-
99	City Space - GP Sp. z o. o.	Warsaw	property lease and management	37	-	(37)	(37)	-	100,00%	100,00%	-
100	City Space - Management Sp. z o.o.	Warsaw	other activity involving hiring of labour	37	-	(37)	(37)	-	100,00%	100,00%	-
101	City Space - SPV 1 Sp. z o.o.	Warsaw	property lease and management	37	-		-	37	100,00%	100,00%	-
102	Echo Prime Assets BV	Amsterdam	activity of head offices and holdings, excluding financial holdings	1 842 522	-		-	1 842 522	100,00%	100,00%	-
				2 887 503	(554 391)	(4 487)	(558 878)	2 328 625			
<b>INTERESTS OR SHARES IN ASSOCIATES</b>											
1	SPC S.A	Warsaw	management of other entities	34	(34)	-	(34)	-	34,00%	34,00%	-
				<b>34</b>	<b>(34)</b>	<b>-</b>	<b>(34)</b>	<b>-</b>			
<b>TOTAL INTERESTS OR SHARES IN ASSOCIATES</b>				<b>2 887 537</b>	<b>(554 425)</b>	<b>(4 487)</b>	<b>(558 912)</b>	<b>2 328 625</b>			

## NOTE 5

## LONG-TERM FINANCIAL ASSETS [PLN '000]

	31.12.2017	31.12.2016
Advances received	-	-
Investment certificates	1 720 411	-
Advances on interests	-	-
Receivables for the repurchase of certificates and interest sale	-	160
<b>Total long-term financial assets</b>	<b>1 720 411</b>	<b>160</b>

21 December 2017, the Company acquired from Echo Prime Assets B.V. 200 A series-registered investment certificates and 1 492 074 B series issued by Forum 60 Fundusz Inwestycyjny Zamknięty for the amount of EUR 424 740 774,32. Income generated by EPA B.V. on the disposal of certificates was transferred to the Company on the same day by way of dividend in the total amount of EUR 129 966 343,91, part of which was paid out in cash and part compensated with EPA B.V. receivable from sale price of certificates.

In addition, 21 December 2017, Echo Investment S.A. disposed of 325 756 405 shares of the company EPA B.V. with the purpose of their redemption at EPA B.V. Compensation for this disposal was deducted from the remaining part of the certificate sale price. Total Company's liability resulting from the purchase of the certificates has been settled in accordance with the offsetting agreement from 21 December 2017 between the Company and EPA B.V.

## NOTE 6

## LONG-TERM BORROWINGS GRANTED [PLN '000]

	31.12.2017	31.12.2016
In subsidiaries	1 339	-
In other parties	11 148	9 479
<b>Total long-term borrowings granted</b>	<b>12 487</b>	<b>9 479</b>

21 December 2017, the Company acquired from Echo Prime Assets B.V. 200 A series-registered investment certificates and 1 492 074 B series issued by Forum 60 Fundusz Inwestycyjny Zamknięty for the amount of EUR 424 740 774,32. Income generated by EPA B.V. on the disposal of certificates was transferred to the Company on the same day by way of dividend in the total amount of EUR 129 966 343,91, part of which was paid out in cash and part compensated with EPA B.V. receivable from sale price of certificates.

In addition, 21 December 2017, Echo Investment S.A. disposed of 325 756 405 shares of the company EPA B.V. with the purpose of their redemption at EPA B.V. Compensation for this disposal was deducted from the remaining part of the certificate sale price. Total Company's liability resulting from the purchase of the certificates has been settled in accordance with the offsetting agreement from 21 December 2017 between the Company and EPA B.V.

**LONG-TERM BORROWINGS, WITHOUT INTEREST, AS AT 31.12.2017 [PLN '000]**

Contractor	Amount	Interest	Repayment date
Outlet Park - Projekt Echo - 126 Sp. z o.o. Sp.K.	10 687	WIBOR 3M + margin	31.05.2023
GRO Nieruchomości Sp. z o.o.	1 335	WIBOR 3M + margin	31.12.2021
<b>Total</b>	<b>12 022</b>		

The maximum value of credit risk associated with loans equals their carrying

amount. Loans granted are not secured, they are not overdue and there was no impairment of their value.

**LONG-TERM BORROWINGS, WITHOUT INTEREST, AS AT 31.12.2016 [PLN '000]**

Contractor	Amount	Interest	Repayment date
Outlet Park - Projekt Echo - 126 Sp. z o.o. Sp.K.	9 400	WIBOR 3M + margin	31.05.2023
<b>Total</b>	<b>9 400</b>		

## NOTE 7

## MOVEMENT IN DEFERRED INCOME TAX ASSETS/PROVISION [PLN '000]

	1.01.2017- 31.12.2017	1.01.2016- 31.12.2016
<b>Deferred income tax assets/provision at the beginning of the period</b>	<b>39 751</b>	<b>46 731</b>
- Financial instruments	(17)	8
- Investment property	178	703
- Receivables and liabilities due to borrowings	(799)	(1 504)
- Liabilities due to loans and bonds	332	(628)
- Tax loss	988	2 047
- Inventories	6 840	10 365
- Interests and shares	35 074	34 234
- Other	(2 845)	1 506
<b>Increases:</b>	<b>11 571</b>	<b>2 505</b>
- Financial instruments	13	-
- Investment property	335	-
- Receivables and liabilities due to borrowings	-	705
- Liabilities due to loans and bonds	-	960
- Tax loss	9 256	-
- Inventories	-	-
- Interests and shares	-	840
- Other	1 967	-
<b>Decreases:</b>	<b>(36 956)</b>	<b>(9 485)</b>
- Financial instruments	-	(25)
- Investment property	-	(525)
- Receivables and liabilities due to borrowings	(610)	-
- Liabilities due to loans and bonds	(232)	-
- Tax loss	-	(1 059)
- Inventories	(1 040)	(3 525)
- Interests and shares	(35 074)	-
- Other	-	(4 351)
<b>Deferred income tax assets/provision at the end of the period</b>	<b>14 366</b>	<b>39 751</b>
- instrumenty finansowe	(4)	(17)
- Investment property	513	178
- Receivables and liabilities due to borrowings	(1 409)	(799)
- Liabilities due to loans and bonds	100	332
- Tax loss	10 244	988
- Inventories	5 800	6 840
- Interests and shares	-	35 074
- Other	(878)	(2 845)

## NOTE 8A

## INVENTORY [PLN '000]

	31.12.2017	31.12.2016
Semi-finished products and work-in-progress	147 172	267 275
Finished products	76 224	60 197
Goods	6 026	23 165
<b>Total</b>	<b>229 422</b>	<b>350 637</b>

Inventories are measured not higher than net realizable value. This value is obtained from information from the active market. The Company has assigned level 2 to inventories in the hierarchy of the fair value. The reversal of the write-down of inventories takes place either in connection with the sale of the inventory or in connection with an increase in the net sale price. The amounts of write-downs of inventories recognized as a cost in the period and the amount of reversals of write-downs reducing the value of inventories recognized as a cost in the period are included in the profit and loss account under 'Cost of sales'.

The 'Finished products' item contains completed residential units intended for sale.

The 'Intermediate products and products in progress' item contains mainly real estate and expenditures on residential projects under preparation and construction. The 'Goods' item contains land for sale.

## NOTE 8B

## INVENTORIES - INFLUENCE ON THE RESULT [PLN '000]

	31.12.2017	31.12.2016
Inventories write-offs recognised as cost in the period	(6 925)	(1 289)
Reversed write-downs on inventories recognised as revenue in the period	22 663	17 040
<b>Movement in write-down on inventories</b>	<b>15 738</b>	<b>15 751</b>

Write-downs of inventories and their reversal concern residential projects and are aimed at the reduction of the value to the level of the price that can be obtained. The value of inventories recognized as revenue/costs in the period is included in the profit and loss account under 'Cost of sales'.

The change in the inventory revaluation write-down in 2017 concerns the residential projects: Grota-Roweckiego in Wrocław, Las Młociński in Warsaw and Kirkor in Warsaw. The change in the write-down on inventories as at 31 December 2017 amounted to PLN 15,738 thousand (PLN 15,751 thousand as at 31 December 2016).

## NOTE 9A

## SHORT-TERM TRADE RECEIVABLES, TAXES AND OTHER [PLN '000]

	31.12.2017	31.12.2016
<b>Receivables from subsidiaries</b>	<b>103 032</b>	<b>113 826</b>
Trade, with maturity:	48 847	66 653
- up to 12 months	48 847	66 653
Other:	54 185	47 173
- due to profit from limited partnerships	54 596	47 173
<b>Write-downs on receivables from related parties</b>	<b>-</b>	<b>-</b>
<b>Receivables from other parties</b>	<b>98 757</b>	<b>21 862</b>
Trade, with maturity:	15 317	9 708
- up to 12 months	15 317	9 708
- over 12 months	-	-
Income tax	-	-
Other:	80 465	6 293
- paid securities	12 947	247
- claims related to repayment of certificates	62 365	-
Advances on deliveries	2 975	5 861
<b>Write-downs on receivables from other parties</b>	<b>(264)</b>	<b>(205)</b>
<b>Total net short-term trade receivables, taxes and other</b>	<b>201 789</b>	<b>135 688</b>
total write-downs on receivables	(264)	(205)
<b>Total</b>	<b>202 053</b>	<b>135 893</b>

The maximum value of credit risk related to trade receivables does not significantly differ from the carrying amount.

Receivables from affiliated companies are not secured. As at 31 December 2017 receivables from affiliated parties were not recorded.

The estimated fair value of trade receivables is the current value of future expected discounted cash flows and it does not deviate significantly from the balance sheet value of these receivables.

Receivables on account of deliveries and services result from rental of office space and residential premises as well as project implementation services. The company controls the condition and payment capacity of its tenants on an ongoing basis. Payments are secured with deposits. The value of the deposit as at 31 December 2017 is PLN 53 thousand (PLN 134 thousand as at 31 December 2016).



## NOTE 9B

## CHANGES IN WRITE-DOWNS ON SHORT-TERM RECEIVABLES [PLN '000]

	01.01.2017- 31.12.2017	01.01.2016- 31.12.2016
<b>Opening balance</b>	<b>205</b>	<b>701</b>
<b>Increases</b>	<b>108</b>	<b>32</b>
- due to recognition of a write-down	108	32
<b>Decreases</b>	<b>(49)</b>	<b>(528)</b>
- due to repayment	-	-
- due to release	(49)	(528)
<b>Write-downs on short-term receivables at the end of the period</b>	<b>264</b>	<b>205</b>

An impairment loss on receivables has been disclosed under 'Other operating revenue/ costs' in the profit and loss account of the Company.

Based on historical experience and expectations regarding future cash flows, the Company creates a write-down of receivables:

- for receivables overdue more than one year - for the full value of receivables,
- in the case of receivables overdue more than half a year, but not longer than a year - 50% of the value of receivables.

## NOTE 9C

GROSS SHORT-TERM TRADE RECEIVABLES, TAXES AND OTHER  
- CURRENCY STRUCTURE [PLN '000]

	31.12.2017	31.12.2016
<b>In the Polish currency (PLN)</b>	<b>202 045</b>	<b>135 893</b>
<b>In foreign currencies, after conversion into PLN</b>	<b>8</b>	<b>-</b>
- unit/currency EUR	-	-
- PLN '000	-	-
- unit/currency USD	2	-
- PLN '000	8	-
<b>Total gross short-term trade receivables, taxes and other</b>	<b>202 053</b>	<b>135 893</b>

## NOTE 9D

**GROSS TRADE RECEIVABLES –WITH REMAINING MATURITY FROM THE BALANCE SHEET DATE [PLN ‘000]**

	31.12.2017	31.12.2016
up to 1 month	29 295	53 113
1 – 3 months	26 298	19 167
3 – 6 months	-	584
6 – 12 months	-	-
over 12 months	-	-
overdue receivables	8 835	3 702
<b>Total (gross) trade receivables</b>	<b>64 428</b>	<b>76 566</b>
write-downs on trade receivables	(264)	(205)
<b>Total (net) trade receivables</b>	<b>64 164</b>	<b>76 361</b>

## NOTE 9E

**OVERDUE GROSS TRADE RECEIVABLES, WITH REMAINING MATURITY FROM THE BALANCE SHEET DATE [PLN ‘000]**

	31.12.2017	31.12.2016
up to 1 month	5 193	3 221
1-3 months	2 185	115
3 – 6 months	1 141	133
6 – 12 months	104	56
over 12 months	212	177
<b>Total (gross) overdue trade receivables</b>	<b>8 835</b>	<b>3 702</b>
write-downs on trade receivables	(264)	(205)
<b>Total (net) overdue trade receivables</b>	<b>8 571</b>	<b>3 497</b>

## NOTE 9F

**GROSS TRADE RECEIVABLES [PLN ‘000]**

	31.12.2017	31.12.2016
Unimpaired current receivables	55 593	72 864
Unimpaired overdue receivables	8 571	3 497
Impaired overdue receivables	264	205
<b>Total</b>	<b>64 428</b>	<b>76 566</b>

## NOTE 9G

## DISPUTED AND OVERDUE RECEIVABLES [PLN '000]

	31.12.2017	31.12.2016
<b>Disputed receivables</b>	-	-
Other	-	-
- not covered by write-down	-	-
<b>Overdue receivables</b>	<b>8 835</b>	<b>3 702</b>
Trade	8 835	3 702
not covered by write-down	8 571	3 497

## NOTE 10A

## SHORT-TERM BORROWINGS GRANTED [PLN '000]

	31.12.2017	31.12.2016
<b>In subsidiaries</b>		
- borrowings granted	307 859	73 272
- interest	6 950	10 898
	<b>314 809</b>	<b>84 170</b>
<b>In other parties</b>		
- borrowings granted	1 444	-
- interest	-	-
	<b>1 444</b>	<b>-</b>
<b>Total</b>	<b>316 253</b>	<b>84 170</b>

The note contains short-term loans with interest and a write-down.

## NOTE 10B

## SHORT-TERM BORROWINGS GRANTED - CURRENCY STRUCTURE [PLN '000]

	31.12.2017	31.12.2016
In the Polish currency (PLN)	281 530	82 255
In foreign currencies (after conversion into PLN)	34 723	1 915
<b>Total</b>	<b>316 253</b>	<b>84 170</b>

The note contains short-term loans with interest.

**BASIC DATA ON MAJOR SHORT-TERM BORROWINGS, WITHOUT INTEREST,  
AS AT 31 DECEMBER 2017 [PLN '000]**

Contractor	Amount	Interest rate	Repayment date
Echo Investment Hungary Ingatlanhasznosito Kft.	32 376	WIBOR 3M + margin	31.12.2018
Echo-Project-Management Ingatlanhasznosito Kft.	778	WIBOR 3M + margin	31.12.2018
Barconsel Holdings Ltd.	100	WIBOR 3M + margin	30.06.2018
City Space Management Sp. z o.o	29	WIBOR 3M + margin	30.09.2018
City Space – SPV 2 Sp. z o.o	4 050	WIBOR 3M + margin	30.09.2018
City Space – SPV 3 Sp. z o.o	498	WIBOR 3M + margin	30.09.2018
Elektrownia Sp. z o.o.	109	WIBOR 3M + margin	30.06.2018
Projekt 17 – Grupa Echo Sp. z o.o. S.K.A	34 277	WIBOR 3M + margin	30.09.2018
Projekt Echo – 136 Sp.K	79 920	WIBOR 3M + margin	30.09.2018
Projekt Echo – 137 Sp. z o.o.	670	WIBOR 3M + margin	31.12.2018
Pure System Sp. z o.o.	1 000	WIBOR 3M + margin	31.12.2018
Echo – SPV 7 Sp. z o.o.	73 600	WIBOR 3M + margin	31.12.2018
Echo Aurus Sp. z o.o.	80 980	WIBOR 3M + margin	31.12.2018
Tryton – Projekt Echo – 127 Sp.K.	1 600	WIBOR 3M + margin	31.12.2018
<b>Total</b>	<b>309 987</b>		

The maximum value of credit risk associated with loans equals their carrying amount. Loans granted are not secured, they are not overdue and there was no impairment of their value. The loans were granted to affiliated entities with good financial standing.

**BASIC DATA ON MAJOR SHORT-TERM BORROWINGS, WITHOUT INTEREST,  
AS AT 31.12. 2016 [PLN '000]**

Contractor	Amount	Interest rate	Repayment date
Echo Investment Hungary Ingatlanhasznosito Kft.	31 405	WIBOR 3M + margin	31.12.2017
Echo Prime Assets BV	830	WIBOR 3M + margin	31.12.2017
Echo-Project-Management Ingatlanhasznosito Kft.	778	WIBOR 3M + margin	31.12.2017
EI Project Cyp-1 Ltd.	50 719	WIBOR 3M + margin	31.12.2017
GP Development Sarl	167	WIBOR 3M + margin	31.12.2017
GP Office Sarl	167	WIBOR 3M + margin	31.12.2017
GP Retail Sarl	167	WIBOR 3M + margin	31.12.2017
Barconsel Holdings Ltd.	100	WIBOR 3M + margin	30.06.2017
Cogl II Poland Limited Sp. z o.o.	498	WIBOR 3M + margin	30.09.2017
Cogl Poland Limited Sp. z o.o.	4 051	WIBOR 3M + margin	30.09.2017
Compass Offices Management Poland Limited Sp. z o.o.	29	WIBOR 3M + margin	30.09.2017
<b>Total</b>	<b>88 911</b>		

## NOTE 11A

## CASH AND CASH EQUIVALENTS [PLN '000]

	31.12.2017	31.12.2016
Restricted cash	20 771	20 884
Cash and cash equivalents	228 079	21 542
<b>Total</b>	<b>248 850</b>	<b>42 426</b>

As at 31 December 2017 the Company had cash in reputable banks, mainly DNB Nord and PKO BP. The maximum value of credit risk associated with cash and cash equivalents is their carrying value.

## NOTE 11B

## CASH AND CASH EQUIVALENTS - CURRENCY STRUCTURE [PLN '000]

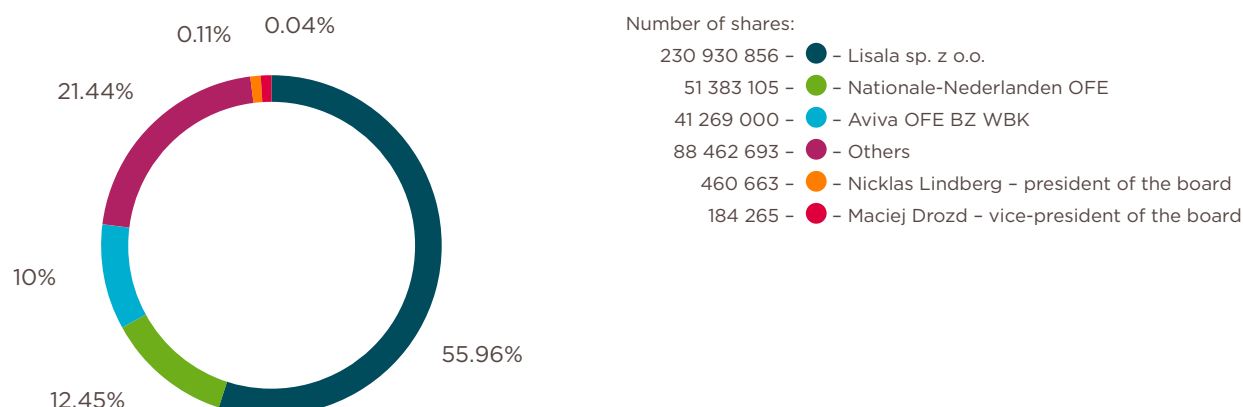
	31.12.2017	31.12.2016
In the Polish currency (PLN)	80 131	36 181
In foreign currencies (after conversion into PLN)	168 719	6 245
- unit/currency EUR	40 448	1 404
- PLN '000	168 705	6 210
- unit/currency USD	4	8
- PLN '000	14	35
<b>Total</b>	<b>248 850</b>	<b>42 426</b>

## NOTE 12

## SHARE CAPITAL

Nominal value per 1 share = 0,05 zł

Series / Issue	Type of share	Type of limited rights to shares	No. of shares	Nominal value of series / issues [PLN '000]
A, B, C, D,E, F	bearer shares	none	412 690 582	20 635
<b>Total no. of shares</b>			<b>412 690 582</b>	
<b>Total share capital</b>				<b>20 635</b>

**SHAREHOLDERS OF ECHO INVESTMENT  
S.A. AS AT 31.12.2017**

**NOTE 13**
**SUPPLEMENTARY CAPITAL [PLN '000]**

	31.12.2017	31.12.2016
Share premium	100 748	100 748
Statutory	6 878	6 878
Created from generated profits according to the statute/articles, above the statutorily required (minimum) value	731 406	937 752
Other	22	22
<b>Total</b>	<b>839 054</b>	<b>1 045 400</b>

**NOTE 13A**
**CHANGES ON RESERVE CAPITAL [PLN '000]**

	01.01.2017- 31.12.2017	01.01.2016- 31.12.2016
<b>Opening balance</b>	<b>49 213</b>	<b>555 763</b>
Changes in the period	-	-
- supplementary capital	270 366	400 000
- advance dividend	-	(906 550)
<b>Closing balance</b>	<b>319 579</b>	<b>49 213</b>

## NOTE 13B

## CHANGE ON PROFIT/LOSS OF PREVIOUS YEARS [PLN '000]

	01.01.2017- 31.12.2017	01.01.2016- 31.12.2016
<b>Opening balance</b>	<b>270 366</b>	<b>2 953 433</b>
Changes in the period		(2 958 650)
- adjustments of result from previous years	2 165	-
- share of profit from previous years	(270 366)	(2 958 650)
<b>Closing balance</b>	<b>2 165</b>	<b>(5 217)</b>

## NOTE 14A

## LONG-TERM LIABILITIES WITHOUT INCOME TAX PROVISION [PLN '000]

	31.12.2017	31.12.2016
<b>Due to subsidiaries</b>	-	-
<b>Due to other parties</b>		
- advances received	-	-
- security deposits received	577	935
- loans	-	-
- due to issue of debt securities	835 229	675 163
<b>Total</b>	<b>835 806</b>	<b>676 098</b>

According to the best information and data of the Company, there were no breaches of terms of loan agreements and established security levels during

the financial year and until the date of signing of the financial statement.

## NOTE 14B

## LONG-TERM LIABILITIES WITHOUT INCOME TAX PROVISION WITH REMAINING MATURITIES FROM THE BALANCE SHEET DATE [PLN '000]

	31.12.2017	31.12.2016
1 - 3 years	258 357	580 963
3 - 5 years	577 449	94 962
Over 5 years	-	173
<b>Total long-term liabilities</b>	<b>835 806</b>	<b>676 098</b>
Interest rates applied for discounting the expected cash flows	5,17%	5,12%

Long-term liabilities in nominal value were presented by the Company in note 14E.

## NOTE 14C

**LONG-TERM LIABILITIES WITHOUT INCOME TAX PROVISION  
- CURRENCY STRUCTURE [PLN '000]**

	31.12.2017	31.12.2016
In the Polish currency (PLN)	835 806	676 098
In foreign currencies (after conversion into PLN)	-	-
<b>Total</b>	<b>835 806</b>	<b>676 098</b>

Financial liabilities on account of debt financial instruments are measured using the amortized cost of the liability component, in accordance with IAS 39. The fair value of long-term liabilities does not differ significantly from their carrying amount.

According to the best information and data of the Management Board of the Company, there was no breach of terms of loan agreements and established security levels during the financial year and until the date of signing of the financial statement.

## NOTE 14D

**CREDIT FACILITIES AS AT 31.12.2017**

Bank	Registered office	Contractual amount of loan/borrowing [PLN '000]	Outstanding loan/borrowing amount [PLN '000]	Interest rate	Repayment deadline	Security
<b>PKO BP S.A.</b>	Warsaw	75 000		WIBOR 1M + margin	31.10.2018	Authorisation to bank account, statement on submission to enforcement proceedings
<b>Alior Bank S.A.*</b>	Warsaw	50 000	50 000	WIBOR 3M + margin	30.01.2018	Authorisation to bank account, statement on submission to enforcement proceedings
<b>BZ WBK S.A.**</b>	Wrocław	75 000	-	WIBOR 1M + margin	30.07.2018	Authorisation to bank account, statement on submission to enforcement proceedings
<b>Raiffeisen Bank Polska S.A.***</b>	Wrocław	62 000	-	WIBOR 1M + margin	14.12.2018	Authorisation to bank account, statement on submission to enforcement proceedings
<b>Total</b>		<b>262 000</b>	<b>50 000</b>			

\* On 25 January 2018 the Company concluded the annexe to the loan agreement in which the loan value was increased to PLN 75 mln and the repayment date was extended to 15 December 2018.

\*\* As at 31 December 2017 the available credit line in the amount of PLN 43 mln. The remaining amount is blocked as collateral for the guarantee granted by BZ WBK in connection with the sale of the Q22 project and a guarantee related to the construction of the road system at Galeria Libero in Katowice.

\*\*\* As at 30.09.2017 the available credit line is PLN 59,9 mln. The remaining amount of the credit line is blocked as collateral of the guarantee provided by Bank Raiffeisen for one of the companies of Echo Group.

The loan value corresponds to undiscounted cash flows.



## CREDIT FACILITIES AS AT 31.12.2016

Bank	Registered office	Contractual amount of loan/ borrowing [PLN '000]	Outstanding loan/ borrowing amount [PLN '000]	Interest rate	Repayment deadline	Security
PKO BP S.A.	Warsaw	75 000 PLN	-	WIBOR 1M + margin	19.08.17	Authorisation to bank account, statement on submission to enforcement proceedings
Alior Bank S.A.	Warsaw	50 000 PLN	-	WIBOR 3M + margin	30.01.17	Authorisation to bank account, statement on submission to enforcement proceedings
BZ WBK S.A.*	Wrocław	75 000 PLN	-	WIBOR 1M + margin	30.07.18	Authorisation to bank account, statement on submission to enforcement proceedings
	<b>Razem</b>	<b>200 000 PLN</b>	<b>-</b>			

\* As at 31 December 2016 the available credit line is PLN 10.2 mln. The remaining amount of the credit line is blocked as collateral of the guarantee provided by BZ WBK in connection with the sale of the Q22 project.

## NOTE 14E

## LONG-TERM AND SHORT-TERM LIABILITIES DUE TO DEBT FINANCIAL INSTRUMENTS ISSUED AS AT 31.12.2017

Series	ISIN code	Bank	Value of issue	Repayment deadline	Interest rate	Security
1/2015	PLECHPS00191	mBank S.A.	197 900	23.04.2018	WIBOR 6M + margin 2,5%	None
3/2013	PLECHPS00126	mBank S.A.	80 000	19.06.2018	WIBOR 6M + margin 3,5%	None
1/2014	PLECHPS00134	mBank S.A.	100 000	19.02.2019	WIBOR 6M + margin 3,6%	None
2/2014	PLECHPS00159	mBank S.A.	70 500	15.05.2019	WIBOR 6M + margin 3,6%	None
1/2016	PLECHPS00209	mBank S.A.	100 000	18.11.2020	WIBOR 6M + margin 3%	None
1/2017	PLECHPS00225	mBank S.A.	155 000	31.03.2021	WIBOR 6M + margin 2,9%	None
2/2017	PLECHPS00258	mBank S.A.	150 000	30.11.2021	WIBOR 6M + margin 2,9%	None
<b>Total non-public bonds</b>			<b>853 400</b>			
<b>Public bonds</b>						
C*	PLECHPS00175	DM PKO BP	75 000	04.03.2018	WIBOR 6M + margin 3,15%	None
D	PLECHPS00183	DM PKO BP	50 000	20.04.2018	WIBOR 6M + margin 3,15%	None
E	PLECHPS00217	DM PKO BP	100 000	06.07.2021	WIBOR 6M + margin 2,9%	None
F	PLECHPS00233	DM PKO BP	125 000	11.10.2022	WIBOR 6M + margin 2,9%	None
G	PLECHPS00241	DM PKO BP	75 000	27.10.2022	WIBOR 6M + margin 2,9%	None
<b>Total public bonds</b>			<b>425 000</b>			
<b>Total</b>			<b>1 278 400</b>			

\* The bonds were redeemed on its redemption date.

The original value of bond issue 1/2015 series amounted to PLN 230 mln, but on 20 November 2017 the Company redeemed 32,100 bonds with a total value of PLN 32,1 mln, as a liquidity management action.

The value of the bond corresponds to undiscounted cash flows, without taking into account the value of interest.

The change in business and economic conditions did not have a significant impact on the fair value of financial liabilities.

As part of the 2nd Bond Issue Programme of up to PLN 300 mln, issued on the basis of a prospectus which was approved by the Financial Supervision Authority on 26 May 2017, the Company made the following subscriptions:

- 8-9 June 2017 - series E bonds in the amount of PLN 100 mln
- 20-22 September 2017 - series F bonds in the amount of PLN 125 mln
- 4-5 October 2017 - G series bonds in the amount of PLN 75 mln

Under the Bond Issue Programme signed with mBank with a value of up to PLN 1 bln the Company issued coupon bonds for institutional investors with a total value of PLN 305 mln. Value of the first tranche issued 31 March 2017 amounted to PLN 155 mln and its redemption date is 31 March 2021. The second tranche was issued on 30 November 2017, its value amounted to PLN 150 mln and it has a four-year maturity period. The nominal value and the issue price of both tranches of bonds amounted to PLN 10,000. The interest rate on the bonds was based on the variable WIBOR 6M rate plus a margin. Interest will be paid in semi-annual periods. The bonds issued are not secured.

The company acquired bonds for redemption:

- for PLN 175 mln - 28 April 2017
- for PLN 32,1 mln - 29 November 2017.

## NOTE 15A

**SHORT-TERM TRADE LIABILITIES, TAXES, SECURITY DEPOSITS RECEIVED, ADVANCES RECEIVED AND OTHER - WITHOUT PROVISIONS [PLN '000]**

	31.12.2017	31.12.2016
Trade, due to subsidiaries, with maturity:	3 025	5 240
- up to 12 months	3 025	5 240
- over 12 months	-	-
Trade, due to other companies, with maturity:	32 617	69 426
- up to 12 months	32 617	69 426
- over 12 months	-	-
<b>Total short-term trade liabilities</b>	<b>35 642</b>	<b>74 666</b>
Advances received	58 470	58 883
Security deposits received	7 236	7 231
<b>Total security deposits and advance payments received</b>	<b>65 706</b>	<b>66 114</b>
Taxes, customs duties, insurance and other benefits	7 158	3 410
<b>Total tax</b>	<b>7 158</b>	<b>3 410</b>
Other liabilities	54 651	95 544
- payroll	3	10
- other (due to):	54 648	95 534
- dividend	-	66 030
- cash on escrow account	20 771	21 215
- acquisition of interests	23 251	-
- other	10 626	8 289
- bonuses for management and employees	8 184	6 388
<b>Total other short-term liabilities</b>	<b>54 651</b>	<b>95 544</b>
<b>Total</b>	<b>163 157</b>	<b>239 734</b>

The fair value of trade and other liabilities does not differ materially from their carrying value.

## NOTE 15B

**SHORT-TERM TRADE LIABILITIES, TAXES, SECURITY DEPOSITS RECEIVED,  
ADVANCES RECEIVED AND OTHER - WITHOUT PROVISIONS [PLN '000]**

	31.12.2017	31.12.2016
In the Polish currency (PLN)	139 915	226 612
In foreign currencies (after translation into PLN)	23 242	13 122
- unit/currency EUR	5 572	2 960
- PLN '000	23 236	13 097
- unit/currency USD	2	6
- PLN '000	6	25
<b>Total</b>	<b>163 157</b>	<b>239 734</b>

## NOTE 16A

**SHORT-TERM LOANS, BORROWINGS AND BONDS [PLN '000]**

	31.12.2017	31.12.2016
<b>Due to subsidiaries</b>		
- borrowings	320 864	461 541
	<b>320 864</b>	<b>461 541</b>
<b>Due to other parties</b>		
- loans and borrowings	50 000	-
- due to issue of debt securities	451 122	210 754
	<b>501 122</b>	<b>210 754</b>
<b>Total</b>	<b>821 986</b>	<b>672 295</b>

According to the best information and data of the Company, there were no breaches of terms of loan agreements and established security levels during the financial year and until the date of signing of the financial statement.

## NOTE 16B

## SHORT-TERM LOANS, BORROWINGS AND BONDS – CURRENCY STRUCTURE [PLN '000]

	31.12.2017	31.12.2016
In the Polish currency (PLN)	821 986	672 295
In foreign currencies (by currency and after translation into PLN)	-	-
<b>Total</b>	<b>821 986</b>	<b>672 295</b>

## BASIC DATA ON MAJOR SHORT-TERM BORROWINGS, WITHOUT INTEREST, AS AT 31.12.2017

Contractor	Value ['000 PLN]	Interest rate	Repayment date
FORUM 60 Fundusz Inwestycyjny Zamknięty	317 955	WIBOR 3M + margin	30.06.2018
<b>Total</b>	<b>317 955</b>		

## BASIC DATA ON MAJOR SHORT-TERM BORROWINGS, WITHOUT INTEREST, AS AT 31.12.2016

Contractor	Value ['000 PLN]	Interest rate	Repayment date
Echo – Aurus Sp. z o. o.	40 500	WIBOR 3M + margin	31.12.2017
Echo – SPV 7 Sp. z o. o.	145 536	WIBOR 3M + margin	31.12.2017
FORUM 60 Fundusz Inwestycyjny Zamknięty	270 955	WIBOR 3M + margin	31.12.2017
<b>Total</b>	<b>456 991</b>		

## NOTE 17

## MOVEMENT IN SHORT-TERM PROVISIONS - DUE TO [PLN '000]

	31.12.2017	31.12.2016
<b>At the beginning of the period</b>		
- provisions for penalties	2 000	2 000
- provisions for expected losses	-	30 908
- court proceedings	2 066	2 066
- provision for costs	21 924	8 592
	<b>25 990</b>	<b>43 566</b>
<b>Increases</b>		
- provisions for expected losses	-	-
- provision for costs	18 681	17 259
- court proceedings	-	-
	<b>18 681</b>	<b>17 259</b>
<b>Utilisation due to</b>		
- provision for penalties	-	-
	-	-
<b>Release due to</b>		
- provision for costs	-	(3 927)
- provisions for expected losses	-	(30 908)
	-	(34 835)
<b>At the end of the period</b>		
- provisions for penalties	2 000	2 000
- provisions for expected losses	-	-
- court proceedings	2 066	2 066
- provision for costs	40 605	21 924
	<b>44 671</b>	<b>25 990</b>

Provision for penalties includes the value of any penalties with which the Company may be charged due to contracts concluded, with a probability of charging that exceeds 50%. The amount of the provision was estimated based on the best knowledge of the Company and based on its past experience.

The provision for projected costs of warranty repairs includes the value of repairs or compensation for sold premises and projects with a probability of

charging that exceeds 50%. The amount of the provision was estimated based on the best knowledge of the Company and based on its past experience.

The dates of crystallising of the provisions for penalties and losses, warranty costs and court cases are not possible to be estimated, however, there is a high probability of their implementation within 12 months from the balance sheet date.



## ECHO INVESTMENT GUARANTEE AGREEMENTS AS AT 31.12.2017

For	Value [PLN '000]	Validity	Description
Horta Sp. z o.o.	20 855	until 02.07.2020	Performance bond concerning execution of the final sales agreement concerning the Acquarius Business House I office building in Wrocław. Issued in EUR.
Skua Sp. z o.o.	25 025	until 30.07.2021	Performance bond concerning the execution of the final sales agreement concerning the Acquarius Business House II office building in Wrocław. Issued in EUR.
Skarb Państwa	43 045	until 22.05.2018	Surety bond concerning liabilities of Outlet Park – Projekt Echo – 126 Sp. z o.o. Sp. K.
mBank S.A.*	14 777	until fulfillment of suitable financial indexes, no longer than 31.03.2021	Surety bond for liabilities of Nobilis – Projekt Echo – 117 Sp. z o.o. Sp. K. resulting from loan agreement of 16.06.2016. Issued in EUR.
mBank S.A.*	5 489	until project completion, no longer than 31.03.2018	Surety bond for construction cost overrun concerning the Nobilis office building in Wrocław.
BGŻ BNP Paribas S.A.	5 101	until project completion date	Surety bond for cost overrun and liabilities resulting from debt service in the period of construction of the Symetris I and II office building in Łódź. Issued in EUR.
IREEF – Stryków Propco Sp. z o.o.	420 000	until 15.12.2019	Construction work quality guarantee related to Q22 in Warsaw.
IREEF – Stryków Propco Sp. z o.o.	26 537	until 15.12.2021	Rent guarantee related to the sale of Q22 office building in Warsaw. The collateral of rent guarantee is a bank guarantee issued by BZ WBK S.A. for Echo Investment S.A. The guarantee is issued in EUR.
IREEF – Stryków Propco Sp. z o.o.	144 066	until 15.12.2018	Surety bond concerning failure to execute liabilities of Q22 – Projekt Echo – 128 Sp. z o.o. Sp. k. resulting from the sales contract concerning Q22 in Warsaw of 16.12.2016. Issued in EUR.
Ventry Investments Sp. z o.o.	27 567	until 20.12.2019	Rent guarantee related to the sale of O3 Business Campus I in Kraków. The collateral of rent guarantee is a corporate guarantee issued by Echo Investment S.A. Partly issued in EUR.
Emfold Investments Sp. z o.o.	41 990	until 20.12.2019	Rent guarantee related to the sale of the Tryton office building in Gdańsk. The collateral of rent guarantee is a corporate guarantee issued by Echo Investment S.A. Partly issued in EUR.
Flaxton Investments Sp. z o.o.	17 682	until 20.12.2019	Rent guarantee related to the sale of the Symetris office building in Łódź. The collateral of rent guarantee is a corporate guarantee issued by Echo Investment S.A. Partly issued in EUR.
Bank Millenium S.A.	7 300	until project completion, no longer than 30.06.2019	Surety bond for cost overrun of West Link office building in Wrocław and liabilities of West Gate II – Projekt Echo – 114 Sp.z o.o. Sp. K., resulting from loan agreement of 23.03.2017
Projekt Echo 135 Sp. z o.o. Sp.K.	20 928	until 25.04.2020	Rental guarantee related to sale of office building A4 Business Park phase III in Katowice. Surety bond for rental guarantee is corporate guarantee issued by Echo Investment S.A. Partly issued in EUR.



<b>Sagittarius – Projekt Echo – 113 Sp. z o.o. Sp.K.</b>	25 700	until 30.09.2020	Surety bond for loan agreement of 01.06.2017 and construction cost overrun up to PLN 25,7 mln related to agreement of 01.06.2017
<b>IREEF – Stryków Propco Sp. z o.o.</b>	498	until 01.08.2018	Guarantee for liabilities of Echo Investment S.A. due to lease agreement of 24.10.2016
<b>BZ WBK S.A. oraz Bank BGŻ BNP Paribas S.A.</b>	55 244	until credit conversion, from building loan to investment loan	Surety bond for cost overrun on Galeria Libero in Katowice
<b>BZ WBK S.A., PKO BP S.A. oraz Bank Gospodarstwa Krajowego</b>	42 668	until credit conversion, from building loan to investment loan	Surety bond for cost overrun in construction of the Galeria Młociny project in Warsaw and liabilities of Berea Sp. z o.o. subsidiary resulting from loan agreement of 17.10.2017. Issued in EUR.
<b>Ventry Investments Sp. z o.o. Sp.K.</b>	46 070	until 27.12.2020	Rent guarantee related to the sale of O3 Business Campus II in Cracow. The collateral of rent guarantee is a corporate guarantee issued by Echo Investment
<b>Nobilis – Projekt Echo – 117 Sp. z o.o. Sp. K.*</b>	40 000	until 31.10.2026	Construction work quality guarantee related to Nobilis office building in Wrocław.
<b>Nobilis – Projekt Echo – 117 Sp. z o.o. Sp. K.*</b>	15 503	until 31.10.2026	Rent guarantee related to the sale of Nobilis office building in Wrocław.
<b>Total</b>	<b>1 046 045</b>		

\* Due to sale of Nobilis building, the guarantees expired on 6.03.2018.

## ECHO INVESTMENT GUARANTEE AGREEMENTS AS AT 31.12.2016

For	Value [PLN '000]	Validity	Description
<b>Horta Sp. z o.o.</b>	22 120	until 02.07.2020	Performance bond concerning execution of the final sales agreement concerning the Acquarius Business House I office building in Wrocław. Issued in EUR.
<b>Skua Sp. z o.o.</b>	39 816	until 30.07.2021	Performance bond concerning the execution of the final sales agreement concerning the Acquarius Business House II office building in Wrocław. Issued in EUR.
<b>State Treasury</b>	40 163	until 22.05.2017	Surety bond concerning liabilities of Outlet Park - Projekt Echo - 126 Sp. z o.o. Sp. K.
<b>mBank S.A.*</b>	15 674	until dnia potwierdzenia spełnienia odpowiednich wskaźników finansowych, nie później niż until 31.03.2021	Surety bond for liabilities of Nobilis - Projekt Echo - 117 Sp. z o.o. Sp. K. resulting from loan agreement of 16.06.2016. Issued in EUR.
<b>mBank S.A.*</b>	5 489	until daty zakończenia projektu, nie później niż until 31.03.2018	Surety bond for construction cost overrun concerning the Nobilis office building in Wrocław.
<b>BGŻ BNP Paribas S.A.</b>	13 030	until daty zakończenia inwestycji	Surety bond for cost overrun and liabilities resulting from debt service in the period of construction of the Symetris I and II office building in Łódź. Issued in EUR.
<b>Nokia Solutions and Networks Sp. z o.o.</b>	8 788	until 30.06.2018	Surety bond for liabilities resulting from lease of 29.08.2016. Issued in EUR.
<b>IREEF - Stryków Propco Sp. z o.o.</b>	420 000	until 15.12.2019	Construction work quality guarantee related to Q22 in Warsaw.
<b>IREEF - Stryków Propco Sp. z o.o.</b>	58 877	until 15.12.2021	Rent guarantee related to the sale of Q22 office building in Warsaw. The collateral of rent guarantee is a bank guarantee issued by BZ WBK S.A. for Echo Investment S.A. The guarantee is issued in EUR.
<b>IREEF - Stryków Propco Sp. z o.o.</b>	152 808	until 15.12.2018	Surety bond concerning failure to execute liabilities of Q22 - Projekt Echo - 128 Sp. z o.o. Sp. k. resulting from the sales contract concerning Q22 in Warsaw of 16.12.2016. Issued in EUR.
<b>Ventry Investments Sp. z o.o. Sp.k.</b>	29 121	until 20.12.2019	Rent guarantee related to the sale of O3 Business Campus I in Kraków. The collateral of rent guarantee is a corporate guarantee issued by Echo Investment S.A. Partly issued in EUR.
<b>Emfold Investments Sp. z o.o. Sp. K.</b>	44 349	until 20.12.2019	Rent guarantee related to the sale of the Tryton office building in Gdańsk. The collateral of rent guarantee is a corporate guarantee issued by Echo Investment S.A. Partly issued in EUR.
<b>FTF Columbus S.A.</b>	24 600	until 26.02.2017	Performance bond concerning the contract concluded 22.06.2015 by Echo Investment S.A. for FTF Columbus S.A.
<b>Flaxton Investments Sp. z o.o. Sp. K.</b>	18 596	until 20.12.2019	Rent guarantee related to the sale of the Symetris office building in Łódź. The collateral of rent guarantee is a corporate guarantee issued by Echo Investment S.A. Partly issued in EUR.
<b>Total</b>	<b>893 431</b>		

# Explanatory notes to the profit and loss account

## NOTE 19A

## OPERATING INCOME STRUCTURE - TYPES OF ACTIVITIES [PLN '000]

	01.01.2017- 31.12.2017	01.01.2016- 31.12.2016
<b>Sale of residential and commercial space</b>	<b>297 348</b>	<b>129 256</b>
- from related parties	-	-
<b>Property development services</b>	<b>75 459</b>	<b>81 860</b>
- from related parties	69 701	81 031
- from subsidiaries	69 701	81 031
<b>Sale of plots</b>	<b>993</b>	<b>1 786</b>
- from related parties	-	-
<b>Lease services</b>	<b>7 033</b>	<b>4 784</b>
from related parties:	2 244	1 961
- from subsidiaries	2 244	1 961
- from the parent company	-	-
<b>Legal, accounting, consulting and IT services</b>	<b>19 016</b>	<b>35 383</b>
from related parties:	18 534	35 331
- from subsidiaries	18 534	35 331
- from jointly controlled entities	-	-
<b>Financial, marketing, securing services and other revenue</b>	<b>46 395</b>	<b>62 068</b>
from related parties:	42 701	59 711
- from subsidiaries	42 701	59 672
- from key personnel	1	39
<b>Total operating revenue</b>	<b>446 244</b>	<b>315 137</b>
from related parties:	133 180	178 034
- from subsidiaries	133 180	177 995
- from the parent company	-	-
- from key personnel	1	39

The company did not conclude transactions with affiliated entities on terms other than market terms. Agreements regarding significant transactions with affiliated entities implemented in the previous year were presented by the Company in additional explanations.

## NOTE 19B

## OPERATING REVENUE - TERRITORIAL STRUCTURE [PLN '000]

	01.01.2017- 31.12.2017	01.01.2016- 31.12.2016
<b>Domestic</b>	<b>445 377</b>	<b>315 121</b>
- from related parties	133 180	178 018
<b>Abroad</b>	<b>867</b>	<b>16</b>
- from related parties	-	16
<b>Total net revenue from sale of products</b>	<b>446 244</b>	<b>315 137</b>
- from related parties	133 180	178 034

## NOTE 19C

## DEFERRED REVENUE FROM PROPERTY LEASE AGREEMENTS [PLN '000]

	01.01.2017- 31.12.2017	01.01.2016- 31.12.2016
Up to 12 months	-	319
1 - 5 years	-	637
Over 5 years	-	-
<b>Total</b>	<b>-</b>	<b>956</b>

On the basis of the concluded contracts, these amounts will be increased by the incurred operating costs related to the activity of the tenants.

## NOTE 20A

## OPERATING EXPENSES BY TYPE [PLN '000]

	01.01.2017- 31.12.2017	01.01.2016- 31.12.2016
Amortisation	1 576	2 195
Consumption of materials and energy	5 253	22 083
Third party services	241 284	258 417
Taxes and charges	4 839	5 508
Remunerations	46 351	38 772
Social security and other benefits	7 008	5 618
Other costs by type (due to)	6 033	4 625
- business travel	2 304	1 846
- other	3 729	2 779
<b>Total</b>	<b>312 344</b>	<b>337 218</b>
Movement in inventory and products	119 155	(46 095)
Own work capitalised (negative value)	(427)	(296)
Administrative expenses related to projects*	(12 958)	(6 448)
Cost of sales (negative value)*	(15 158)	(16 499)
General administrative expenses (negative value)*	(81 884)	(68 146)
<b>Manufacturing cost of products sold</b>	<b>321 072</b>	<b>199 734</b>

\* The costs of employee benefits and depreciation are disclosed in the costs of sales and general administrative expenses.

## NOTE 21A

## OTHER OPERATING REVENUE [PLN '000]

	01.01.2017- 31.12.2017	01.01.2016- 31.12.2016
<b>Released provisions</b>	-	<b>18 272</b>
- due to receivables	-	-
- due to expected costs	-	18 272
<b>Other, including:</b>	<b>1 834</b>	<b>6 828</b>
- contractual penalties	39	48
- revenue from sale of debt	-	5 000
- revenue from sale of non-financial non-current assets	714	1 123
- other	1 081	657
<b>Interest on borrowings</b>	-	-
- from related parties, including:	-	-
- from subsidiaries	-	-
- from other entities	-	-
<b>Valuation</b>	-	<b>29 333</b>
- from borrowings granted	-	29 333
<b>Other interests</b>	<b>194</b>	<b>677</b>
- from other entities	194	677
<b>Total</b>	<b>2 028</b>	<b>55 110</b>

## NOTE 21B

## OTHER OPERATING INCOME FROM DIVIDENDS AND SHARES IN PROFITS [PLN '000]

	01.01.2017- 31.12.2017	01.01.2016- 31.12.2016
<b>From related parties including:</b>	<b>744 080</b>	<b>277 018</b>
- from subsidiaries	744 080	277 018
<b>From other entities</b>	-	-
<b>Total</b>	<b>744 080</b>	<b>277 018</b>

## NOTE 21C

## OTHER OPERATING EXPENSES [PLN '000]

	01.01.2017- 31.12.2017	01.01.2016- 31.12.2016
<b>Provisions established</b>	<b>18 711</b>	<b>6 451</b>
- due to expected costs	18 681	6 444
- due to receivables	30	7
<b>Other, including:</b>	<b>8 437</b>	<b>6 495</b>
- Donations	1 663	1 801
- Costs of liabilities sales	1 964	-
- contractual penalties	-	3 882
- due to rental guarantees	2 764	-
- other	2 046	812
<b>Revaluation</b>	<b>685</b>	<b>-</b>
- borrowings granted	685	-
<b>Interests due to borrowings</b>	<b>10 897</b>	<b>7 760</b>
- from related parties, including:	10 897	7 760
- from subsidiaries	10 897	7 760
<b>Total</b>	<b>38 730</b>	<b>20 706</b>

## NOTE 22A

## FINANCIAL REVENUE FROM INTEREST [PLN '000]

	01.01.2017- 31.12.2017	01.01.2016- 31.12.2016
<b>Other interest</b>		
- from other entities	899	918
<b>Total</b>	<b>899</b>	<b>918</b>

## NOTE 22B

## OTHER FINANCIAL REVENUE [PLN '000]

	01.01.2017- 31.12.2017	01.01.2016- 31.12.2016
Foreign exchange gains	-	4 350
Profit on sale of interests	-	12 914
Revaluation of borrowings, loans and bonds	-	-
Revaluation of shares	-	-
Other	528	160
<b>Total</b>	<b>528</b>	<b>17 424</b>

## NOTE 22C

## FINANCIAL COSTS OF INTEREST [PLN' 000]

	01.01.2017- 31.12.2017	01.01.2016- 31.12.2016
<b>On borrowings, loans and bonds</b>		
- for other entities:	43 969	43 886
	<b>43 969</b>	<b>43 886</b>
<b>Other interest</b>		
- for other entities	45	128
	<b>45</b>	<b>128</b>
<b>Revaluation of loans, borrowings and bonds</b>		
	-	1 981
<b>Total financial costs of interest</b>	<b>44 014</b>	<b>45 995</b>

The amount of borrowing costs capitalized to the value of inventories as at 31 December 2017 amounted to PLN 6,771 thousand (PLN 2,183 thousand as at 31 December 2016).

## NOTE 22D

## OTHER FINANCIAL COSTS [PLN '000]

	01.01.2017- 31.12.2017	01.01.2016- 31.12.2016
<b>Foreign exchange losses</b>	<b>1 353</b>	-
- executed	41	-
- unrealised	1 312	-
<b>Loss on disposal</b>	<b>6 537</b>	-
- shares	6 537	-
<b>Other, including</b>	<b>6 512</b>	<b>4 974</b>
- commissions	6 430	4 862
- other	82	112
<b>Revaluation of investments</b>	<b>7 579</b>	<b>4 420</b>
- including shares	7 579	4 420
<b>Total</b>	<b>21 981</b>	<b>9 394</b>



## NOTE 23A

## INCOME TAX - EFFECTIVE TAX RATE [PLN '000]

	01.01.2017- 31.12.2017	01.01.2016- 31.12.2016
<b>Profit before tax</b>	<b>657 882</b>	<b>305 996</b>
<b>Income tax according to the national rates</b>	<b>124 998</b>	<b>58 139</b>
Dividends received	(133 247)	(38 993)
Distribution of profit from limited partnerships (S.K.)	(8 128)	(1 382)
Company's tax burden relative to the result of limited partnerships (subsidiaries)	8 862	5 990
Provisions on expected costs	2 801	2 026
Measurement of interests of a subsidiary representing a permanent difference	3 164	-
Write-downs on borrowings granted due to which deferred income tax was not recognised	24 599	
deffered income tax non recognized	964	43
Movements in the measurement of other items	1 373	3 163
<b>Charges on the financial result due to income tax</b>	<b>25 386</b>	<b>21 860</b>

## NOTE 23B

## DEFERRED INCOME TAX, TERM OF SETTLEMENT [PLN '000]

	31.12.2017	31.12.2016
Deferred income tax liabilities		
- to be settled within 12 months	(7 953)	2 673
- to be settled after 12 months	(612)	(509)
Deferred income tax assets		
- to be settled within 12 months	-	-
- to be settled after 12 months	(5 801)	(41 915)
<b>Total</b>	<b>(14 366)</b>	<b>(39 751)</b>

## NOTE 23C

## TAX BURDEN INCLUDED IN PROFIT OR LOSS [PLN '000]

	31.12.2017	31.12.2016
Current income tax		
- current tax burden due to income tax	-	13 358
- adjustments relative to current income tax result from previous years	-	1 521
Deffered income tax		
- related to arises and changes of temporary differences	25 385	6 981
<b>Total</b>	<b>25 385</b>	<b>21 860</b>

**NOTE 24****PROFIT DISTRIBUTION**

The net profit generated by Echo Investment S.A. in 2016, amounting to PLN 275,523 thousand, was allocated to cover losses from previous years (PLN 5,157 thousand) and to be distributed among the Company's shareholders (PLN 270,366 thousand) in accordance with a resolution of the General Meeting of Shareholders of 29 June 2017.

The total profit to be distributed among shareholders was determined as PLN 557,132 thousand by the General Meeting in a resolution of 29 June 2017 and it consisted of the profit generated in 2016 amounting to PLN 270,366 thousand, the reserve fund of PLN 80,421 thousand and PLN 206,345 thousand from the supplementary capital.

Pursuant to a resolution of the Management Board of 23 November 2016, the amount of PLN 350,787 thousand was allocated to the interim dividend for the financial year 2016. The first tranche of the interim dividend amounting to PLN 284,757 thousand was paid on 29 December 2016 and the second tranche - PLN 66,030 thousand - on 26 June 2017.

The difference between the total adopted dividend and the interim dividend amounting to PLN 206,345 thousand was paid on 21 July 2017.

In accordance with the dividend policy, the Management Board will propose to distribute PLN 0,5 per share out of the consolidated net profit.

# Explanatory notes to cash flow statement

## NOTE 25A

### CASH INCLUDED IN THE CASH FLOW STATEMENT [PLN '000]

	01.01.2017- 31.12.2017	01.01.2016- 31.12.2016
<b>Opening balance, including</b>	<b>21 542</b>	<b>19 048</b>
- cash in hand and at bank	21 542	19 048
<b>Closing balance</b>	<b>228 079</b>	<b>21 542</b>
- cash in hand and at bank	228 079	21 542

### ADDITIONAL EXPLANATIONS TO THE STRUCTURE OF THE CASH FLOW STATEMENT

Investing activities comprise interest on loans granted.

## NOTE 25B

### CHANGES OF LIABILITIES RELATED TO FINANCIAL ACTIVITY [PLN '000]

	Liabilities due to loans, borrowings and bonds	Other liabilities - including dividend
<b>Opening balance as at 01.01.2017:</b>	<b>1 347 458</b>	<b>66 030</b>
Cash flow		
- inflows	1 207 249	
- outflows	(898 385)	(272 376)
<b>Non-cash changes</b>	<b>893</b>	<b>206 346</b>
- accrued interest	4 321	
- exchange rate differences valuation		
- effective interest rates valuation	(3 428)	
- dividend approved to be paid		206 346
<b>Closing balance as at 31.12.2017:</b>	<b>1 657 215</b>	<b>-</b>

## NOTE 26

## INFORMATION ON FINANCIAL INSTRUMENTS [PLN '000]

Type of instrument	Note	Balance value at 31.12.2017	Balance value at 31.12.2016
<b>FINANCIAL ASSETS</b>			
<b>Long-term financial assets</b>	5	<b>1 720 411</b>	-
- investment certificates		1 720 411	-
<b>Loans and receivables</b>		<b>392 904</b>	<b>170 010</b>
- long-term loans	6	12 487	9 479
- short-term loans	10	316 253	84 170
- trade payables	9	64 164	76 361
- advances paid	-	-	-
<b>Cash and other monetary assets</b>		<b>248 850</b>	<b>42 426</b>
- restricted cash	11	20 771	20 884
- cash and cash equivalents	11	228 079	21 542
<b>FINANCIAL LIABILITIES</b>			
<b>Other financial liabilities</b>		<b>1 692 857</b>	<b>1 422 124</b>
- liabilities due to issue of debt securities	14,16	1 286 351	885 917
- trade liabilities	15	35 642	74 666
- loans and borrowings	16	370 864	461 541

The main financial instruments used by the Company:

- loans granted measured at amortized purchase price determined using the effective interest rate method,
- financial liabilities – i.e. liabilities on account of the issue of debt securities, bank loans and other liabilities (loans and trade liabilities). Financial liabilities are measured using the amortized cost method of the liability component, in accordance with IAS 39.

The difference from the valuation of stocks and shares is taken to the revenue/financial costs item in the profit and loss report.

The fair values of financial instruments do not differ significantly from their carrying amounts.

## NOTE 27

On 19 December 2017, the Central Anticorruption Bureau (CBA) seized Przemysław Krych, a member of Echo Investment's supervisory board, and Mikołaj Martynuska, a management board member.

The Company is not a party to the proceedings, hence has no access to the files of the proceeding. According to public releases, both individuals are charged with transferring a donation by Echo Investment to the Foundation for Disabled People. The donation is allegedly linked with the Company's efforts to be able to carry on its development project on the construction site in Cracow, where Cracovia hotel is located. The building is under conservatory protection. These efforts were unsuccessful. The Company has not completed any project on the site. The scope of conservatory protection has been unchanged. After five years of fruitless efforts, in December 2016, the Company eventually sold the property to the State Treasury (Ministry of Culture and National Heritage), recording a loss.

Echo Investment Group takes good care of relationships with its clients, business partners, and contractors, as well as with other stakeholders. As a socially responsible entity, for many years the Company has been involved in charitable events, supported community campaigns, sponsored various events and activities of organizations working for people in need or for local communities. The Foundation for Disabled People is one of many entities which, in recent years, Echo has helped to fulfill an important mission, what was described in details i.a. in the Management Report for 2017.

Echo Investment declares a full cooperation with the authorities to clarify the situation as soon as possible. In order to protect the company's interest, both Przemysław Krych and Mikołaj Martynuska, immediately after the detention, have resigned from all the positions in the company. At the same time, they issued a statement in which they declared they had not committed the offence they are charged with and that they will prove their innocence in the proceedings.

The ongoing proceedings have no impact on the Company's current activities, including any of its other projects. The company runs its usual business. In the opinion of the management board, the situation doesn't threaten stability nor credibility of the Company and its Group and does not affect, in any way, these financial statements.

# CHAPTER 3

# INFORMATION ON THE FINANCIAL STATEMENTS



# About the Company

01

Echo Investment S.A.'s core activity consists in the construction, lease and sale of office and retail buildings, construction and sale of residential buildings as well as trade in real estate.

Echo Investment S.A. (later referred to as Echo or the Company), with its registered office in Kielce, al. Solidarności 36, was registered in Kielce on 23 July 1992. Echo is a Joint Stock Company entered into the

National Court Register under no. 0000007025 by the District Court in Kielce, 10th Economic Department of the National Court Register.

Since 5 March 1996, the Company's shares are quoted at the Warsaw Stock Exchange on the regulated market, sector - WIG - Real Estate (former WIG-Developers). The Company was established for an indefinite period of time.

# The Management Board of Echo Investment S.A.

as at 31 december 2017



**Nicklas Lindberg**  
President of the Management Board,  
CEO



**Maciej Drozd**  
Vice-President of the Management  
Board, CFO



**Piotr Gromniak**  
Vice-President of the Management  
Board



**Artur Langner**  
Vice-President of the Management  
Board



**Marcin Materny**  
Member of the Management  
Board



**Rafał Mazurczak**  
Member of the Management  
Board



**Waldemar Olbryk**  
Member of the Management  
Board



# The Supervisory Board of Echo Investment S.A

as at 31 december 2017



**Karim Khairallah**  
Chairman



**Laurent Luccioni**  
Vice-Chairman



**Mark Abramson**  
Independent Member of the  
Supervisory Board



**Maciej Dyjas**  
Member of the Supervisory  
Board



**Stefan Kawalec**  
Independent Member of the  
Supervisory Board



**Nebil Senman**  
Member of the Supervisory  
Board



**Sebastian Zilles**  
Member of the Supervisory  
Board

In 2017 the Supervisory Board confirmed after the inquiry that Mark. E. Abramson and Stefan Kawalec are independent members of the supervisory board.

The Management Board of Echo Investment S.A.  
as at 31 December 2016:

Nicklas Lindberg - President of the Management Board, CEO  
Maciej Drozd - Vice-President of the Management Board, CFO  
Piotr Gromniak - Vice-President of the Management Board  
Artur Langner - Vice-President of the Management Board  
Marcin Materny - Member of the Management Board  
Rafał Mazurczak - Member of the Management Board.

The Supervisory Board of Echo Investment S.A.  
as at 31 December 2016:

Karim Khairallah - Chairman  
Laurent Luccioni - Vice-Chairman  
Maciej Dyjas - Member of the Supervisory Board  
Stefan Kawalec - Member of the Supervisory Board  
meeting meeting the criteria of independence  
Przemysław Krych - Member of the Supervisory Board  
Nebil Senman - Member of the Supervisory Board  
Sebastian Zilles - Member of the Supervisory Board.

# Information on the financial statements

02

The statements of the Echo Investment S.A. present financial data for the 12-month period ending on 31 December 2017 and comparative data for the 12-month period ending on 31 December 2016.

The financial statements have been drawn up in accordance with the historical cost principle with the exception of investment property, which was measured at fair value.

The reporting currency in the financial statements and the functional currency of Echo Investment S.A. is Polish zloty (PLN). Unless indicated otherwise, all financial data in the Company's financial statements has been presented in thousand zlotys (PLN).

## **DECLARATION OF CONFORMITY**

The statements have been prepared in compliance with the International Financial Reporting Standards (IFRS), as adopted by the European Commission.

To fully understand the financial situation and business results of the Company as the parent company of the Echo Investment Capital Group, these financial statements should be read together with the full consolidated financial statements for the 12-month period ending on 31 December 2017. The consolidated

financial statements are available at the Company's website [www.echo.com.pl/en](http://www.echo.com.pl/en).

## **ASSUMPTION OF CONTINUITY IN OPERATIONS**

The statements have been drawn up according to the going concern principle as there are no circumstances indicating a threat to continued activity.

## **APPROVAL OF FINANCIAL STATEMENTS**

The Company drew up the Separate Financial Statement for the year ended 31 December 2017, which was approved for publication on 23 March 2018.

# Application of new and amended standards and interpretations

## 03

The accounting principles and policies applied during the preparation of this financial report are in compliance with the principles applied in the last annual financial report, except for the new standards, amendments to standards and interpretations issued by the IFRS [Interpretation of International Financial Reporting Standards] Committee, which are applicable to the Company for the reporting period beginning on January 1, 2017.

The following new and amended standards have been applied in this report, all of them effective on January 1, 2017:

- Amendments to IAS 7 Statement of Cash Flows as result of the Disclosure initiative;

- Amendments to IAS 12 Income Taxes regarding the recognition of deferred tax assets for unrealised losses;
- Amendments resulting from Annual Improvements 2014-2016 Cycle.

The changes applied had no significant effect on the presentation of data and the valuation in the financial statements, except for the additional disclosure to the cash flow statement, which was presented in note 25B.

The Management Board of the Company used its best knowledge regarding the application of standards and interpretations as well as the methods and principles for the valuation of individual items of the separate financial statements.

# Published standards and interpretations which are not effective yet and have not been adopted by the company

04

In these financial statements the Company did not opt for earlier application of the following published standards, interpretations or amendments to existing standards before their effective date:

## 1. IFRS 9 'Financial Instruments'

(published on 24 July 2014) applicable to annual periods beginning on 1 January 2018 or later.

IFRS 9 replaces IAS 39 'Financial Instruments: Recognition and Measurement' and it contains requirements for the classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting. The new requirements have been in force since 1 January 2018. The Company decided to apply the classification, measurement and impairment rules retrospectively by adjusting the opening balance as at 1 January 2018, without adjusting the comparative periods.

The new IFRS 9 standard replaces the four categories of classification of financial assets which are included in IAS 39 with three categories i.e. in accordance with IFRS 9 such financial instruments may be classified as measured at fair value (through profit or loss or other comprehensive income) or as measured at amortized cost.

The classification of assets takes place at the moment of initial recognition. It depends on the financial instruments management model adopted by the entity and analyzes of the characteristics of contractual cash flows from these instruments. Most of the requirements of IAS 39 concerning the classification and measurement of financial liabilities have been transferred to IFRS 9 in an unchanged form. The key

change is the requirement for entities to present the effects of changes in own credit risk from financial liabilities designated for measurement at fair value through profit or loss in the 'Other comprehensive income' item. In accordance with IFRS 9 all modifications of financial liabilities that do not result in their removal from the balance sheet are recognized in correspondence including the profit and loss account.

The standard also introduces a new approach to impairment estimation, which is based on the determination of expected loss in comparison with the loss model required by IAS 39. Furthermore, the standard contains new guidelines on hedge accounting, aimed at simplifying the current solutions and a better reflection of risk management principles.

### FINANCIAL ASSETS - CLASSIFICATION AND VALUATION

After assessing the financial assets held by the Company in terms of their classification and measurement, in accordance with the requirements of IFRS 9, the Company assessed that the majority of assets so far recognized as loans and receivables will continue to be measured at amortized cost as both conditions are met for them: assets are maintained as part of the business model whose purpose is to maintain assets in order to obtain flows resulting from the contract; and, the contractual terms of these financial assets give rise, at specified times, to cash flows that are solely repayment of principal and interest on the unpaid part of the capital. Other financial assets, including derivative instruments, will be measured at fair value through profit or loss unless an irrevocable decision to include them at fair value through 'Other comprehensive income' is made for the given financial capital instruments.

As at 31 December 2017 the Company has equity instruments (shares) that are qualified under IAS 39 as 'Financial assets available for sale'. In accordance with IFRS 9, in the case of stocks and shares other than shares and interests in subsidiaries, associates and joint ventures the Company may irrevocably choose to recognize them at their fair value through 'Other comprehensive income' as at the date of implementation of IFRS 9. If the Company chooses to recognize equity instruments at fair value through 'Other comprehensive income', the result from fair value measurement will be recognized in 'Other comprehensive income' and in the case of sales, the profit/loss will not be reclassified to the profit and loss account. The company decided to apply such a method of valuation for all capital financial instruments recognized as 'Financial assets available for sale' as at 31 December 2017.

## Impairment

The new impairment model will apply to financial assets classified, in accordance with the provisions of IFRS 9, as financial assets assessed at amortized cost or to fair value through other comprehensive income, except for equity instruments. In accordance with IFRS 9, as at each reporting date, the entity estimates the amount of the impairment loss in the amount equal to the expected credit losses:

- until the end of the expected maturity period (the so-called life) of a given financial asset if the credit risk related to a given instrument has significantly increased since the initial recognition of that instrument; or
- in the next 12 months if the credit risk related to a given instrument has not significantly increased since the initial recognition of a given instrument.

While determining the future expected impairment, the entity considers all reasonable and confirmed information, including those that relate to the future. The Company will apply the permitted simplification of measurement of impairment on the basis of expected losses over the whole life for all trade receivables, lease receivables and contracts with customers.

The Company is also an issuer of guaranties and sureties, which are presented in note 18, including loans guarantees and sureties. Currently the Company is confirming if the revaluation of result of guaranties and sureties granted, based on the expected loss model, will have a material impact on this financial statement.

The Company assessed the impact of the implementation of IFRS 9, at this moment, on the value of the impairment write-down as unimportant, therefore the Company does not expect it not make a numerical correction of the opening balance 2018 resulting from the implementation of IFRS 9, and the implemen-

tation of IFRS 9 will have no numerical impact on the financial statements which will be published in 2018. The Company expects that the implementation of IFRS 9 will affect the scope of disclosures and presentations regarding financial instruments in the financial statements.

## Financial liabilities

As a result of implementing the requirements of IFRS 9, the Company does not anticipate changes in the classification of financial liabilities in relation to the previous classification in accordance with IAS 39, which could have a significant impact on the balance sheet and/or the financial result of the Company. Furthermore, the Company analyzed its financial liabilities in terms of their modifications until the implementation of IFRS 9 and did not identify significant cases requiring recognition of a one-off result on modification of these liabilities as at the date of implementation.

## Hedge accounting

Due to the fact that the Company did not apply and does not apply hedge accounting, the entry of IFRS 9 into force does not affect the financial statements of the Company.

## 2. IFRS 15 'Revenues from contracts with customers'

(published on 28 May 2014), including amendments to IFRS 15. Date of entry of IFRS 15 into force (published on 11 September 2015) - applicable to the annual periods beginning on 1 January 2018 or later.

## 3. Explanation to IFRS 15 'Revenue from contracts with customers'

(published on 12 April 2016) - applicable to annual periods beginning on 1 January 2018 or later.

IFRS 15 'Revenues from contracts with customers' replaces the existing standards of IAS 18 'Revenues', IAS 11 'Construction Contracts' and interpretations related to these standards. The new revenue recognition model required by IFRS 15 applies to all contracts with customers, except for those that fall within the scope of other IFRS (for example leases, insurance and financial instruments). The effective date of the new standard is 1 January 2018.

The company will begin to apply IFRS 15 and apply a modified approach retrospectively, which results in the aggregation of the effect of applying IFRS 15 as an adjustment to the initial balance of retained earnings in the annual reporting period including the first application date (i.e. 1 January 2018). Under this method, the Company will apply a retrospective approach only

to contracts that are not completed as at the date of first application.

Due to the nature of its operations, the entity has separated areas covered by the analysis by grouping contracts with the same commercial purpose (in particular broken down into individual goods or services promised in contracts).

### **Identification at the level of contract revenue recognition:**

#### **REVENUES RELATED TO PROPERTY DEVELOPMENT (I.E. SALE OF HOUSING UNITS)**

The Company recognizes revenues when the obligation to perform the service is fulfilled. The obligation to perform the service is considered fulfilled when control over the goods or services being its subject has been transferred onto the customer (at the moment of signing the notarial deed which transfers the control to the buyer). Agreements included in this group of revenues do not include variable remuneration. Moreover, in the Company's opinion, the concluded agreements do not contain a significant element of financing. The Company incurs additional costs of concluding the contract – these costs arise at the moment of signing the notarial deed which transfers the control over the unit to the purchaser. These costs are recognized by the Company as part of the profit and loss account at the time the revenue is recognized. The analysis of IFRS 15 does not result in the separation of new contractual obligations other than those previously identified in the application of the existing accounting policy.

In the opinion of the Management Board, the principles applied so far comply with the guidelines of IFRS 15 in terms of the moment and amount of revenue recognized.

#### **REVENUES FROM THE SALE OF INVESTMENT PROPERTIES**

The Company recognizes the types and numbers of services to which it has committed for the benefit of the buyer under the contract for the sale of real estate, including rent guarantees. As part of the sale of investment properties, the Company recognizes revenue when the obligation to perform the service is fulfilled, i.e. when the notarial deed is signed, which is the moment when the control over the property is transferred to the buyer. The Company recognizes the amount of revenue in the amount of the price resulting from the transaction specified in the contract between the entity and the buyer. Its level is determined at the fair value, taking into account the amount of future liabilities resulting from the economic content of the concluded contract. The variable element occurring in this type of contracts (due to its dependence on future events) is the amount concerning rental guarantee. Despite the uncertainty, the Company is able to reliably estimate the cost that it will have to incur on account of the vacant

space in the building in the period specified in the contract at the moment of conclusion of the contract. The Company recognizes the remuneration due to the customer as a reduction of the transaction price, and thus a decrease in revenues – unless the remuneration is due to the customer in return for separate goods or services. The Company recognizes additional costs of concluding a sales agreement as an element of the profit and loss account at the moment of recognizing the revenue from the sale of an asset. The analysis of IFRS 15 does not result in the separation of new contractual obligations other than those previously identified as part of the application of the existing accounting policy.

In the opinion of the Management Board, the principles applied so far comply with the guidelines of IFRS 15 in terms of the moment and amount of revenue recognized.

#### **REVENUES RELATED TO PROPERTY RENTAL**

Implementation of IFRS 15 does not affect the recognition of rental income. These revenues are still recognized in accordance with IAS 17 'Leases' until the introduction of IFRS 16 'Leases' (i.e. 1 January 2019).

#### **OTHER REVENUES REALIZED BY THE COMPANY**

The Management Board analyzed the other contracts for the provision of services, including real estate intermediation services, accounting services, legal, management, marketing and consulting. The Company recognizes the revenue when the obligation to perform the service is fulfilled, i.e. for certain contracts – at the time of completion of a given type of service (e.g. signing a real estate sale contract as a result of the real estate intermediation service) or during the provision of a given type of service (e.g. period of provision of bookkeeping services, marketing services, consultancy, legal and property management). For some contracts (e.g. real estate intermediation) the remuneration resulting from concluded contracts contains a variable element, however, the nature of these contracts shows that the Company is entitled to remuneration only when the contractual obligation is fulfilled, which results in the fact that the variable remuneration is known at the moment of recognizing revenue and its value is not changed later. Moreover, in the Company's opinion, the concluded agreements do not contain a significant element of financing. The analysis of IFRS 15 does not result in the separation of new contractual obligations other than those previously identified as part of the application of the existing accounting policy.

In the opinion of the Management Board, the principles applied so far comply with the guidelines of IFRS 15 in terms of the moment and amount of revenue recognized..

Based on the above analysis, the Company concludes that the implementation of IFRS 15 will not

have a numerical impact on the financial statements in the period ended on 31 December 2018. Nevertheless, as a result of the implementation of IFRS 15, the Company expects an expanded scope of disclosures and presentation of information related to the recognition of revenues in its financial statements which will be published in 2018. Furthermore, starting from 1 January 2018, the Company made changes to the relevant accounting processes and policies in order to reflect the requirements contained in the 5-step model required by IFRS 15.

#### 4. IFRS 16 ‘Leases’

(published on 13 January 2016) – applicable to annual periods beginning on 1 January 2019 or later.

IFRS 16 ‘Leases’ replaces the existing leasing arrangements including IAS 17, IFRIC 4, SIC 15 and SIC 27.

IFRS 16 introduces a single lease recognition model to the lessee requiring recognition of assets and liabilities for all lease transactions (unless the lease term is 12 months or less or the asset is of low value) and depreciation of the asset leased separately from interest on the lease liability in the profit and loss account. The lessor’s approach remains essentially unchanged compared to the solutions in IAS 17. The classification of leasing as operational or financial is still required. The standard also introduces a new model of assessment whether the concluded contracts constitute leasing introducing the criteria for identifying the asset being the subject of the contract and when the right to control the use of a given asset is transferred.

The Company made a preliminary assessment of the expected impact of the implementation of IFRS 16 on its consolidated financial statements. It shows that the application of the new standard will have an impact on the recognition, presentation, measurement and disclosure of relevant assets and liabilities resulting from operating leases (primarily car leasing and perpetual usufruct of land) concluded in the financial statements. The company is in the process of a detailed analysis of the impact of the implementation of IFRS 16 on the financial statements. The company plans to implement IFRS 16 on 1 January 2019 using a modified retrospective approach and a standard that results in the recognition of equity adjustments.

#### 5. Amendments to IFRS 4 ‘Application of IFRS 9 Financial Instruments’ together with IFRS 4 ‘Insurance Contracts’

(published on 12 September 2016) – applicable to annual periods beginning on 1 January 2018 or later. The company does not expect the standard will affect its financial statement

#### 6. Amendments to IAS 28 and IFRS 1 resulting from the annual programme of amendments 2014-2016

(published on 8 December 2016), applicable to annual periods beginning on 1 January 2018 or later. The company does not expect the standard to have a significant impact on the financial statements.

#### 7. IFRS 14 ‘Regulatory accruals’

(published on 30 January 2014) – applicable to annual periods beginning on 1 January 2016 or later. According to the decision of the European Commission, the process of approving the standard in the preliminary version will not be initiated before the final version appears. Not approved by the EU until the date of approval of these financial statements. The company does not expect the standard to have a significant impact on the financial statements.

#### 8. IFRS 17 ‘Insurance Contracts’

(published on 18 May 2017) – not approved by the EU until the date of approval of these financial statements. Applicable for annual periods beginning on 1 January 2021 or later. The company does not expect the standard to have a significant impact on the financial statements.

#### 9. Amendments to IFRS 2 ‘Classification and measurement of share-based payment transactions’

(published on 20 June 2016) – applicable to annual periods beginning on or 1 January 2018 or later. Not approved by the EU until the date of approval of these financial statements. The company does not expect the changes to have a significant impact on the financial statements.

#### 10. Amendments to IFRS 9 ‘Prepayment features with negative compensation’

(published on 12 October 2017) – applicable to annual periods beginning on 1 January 2019 or later. Not approved by the EU until the date of approval of these financial statements. The company does not expect the changes to have a significant impact on the financial statements.

#### 11. Amendments to IFRS 10 and IAS 28 ‘Sale or transfer of assets between the investor and its associate or joint venture’

(published on 11 September 2014). The work leading to the approval of these amendments has been



postponed indefinitely by the EU, the date of its entry into force has been postponed by the IASB for an indefinite period. Not approved by the EU until the date of approval of these financial statements. The company will apply the change after its approval by the European Union. The company has not yet completed the analysis regarding the impact of the changes on the financial statements.

#### **12. Amendments to IAS 28 ‘Long-term shares in associates and joint ventures’ ‘stowarzyszonych i wspólnych przedsiębiorstwach’**

(published on 12 October 2017) – applicable to annual periods beginning on 1 January 2019 or later. Not approved by the EU until the date of approval of these financial statements. The company has not yet completed the analysis regarding the impact of the changes on the financial statements.

#### **13. Amendments to IAS 40 ‘Transfer of Investment Property’**

(published on 8 December 2016) – applicable to annual periods beginning on 1 January 2018 or later. Not approved by the EU until the date of approval of these financial statements. The company has not yet completed the analysis regarding the impact of the changes on the financial statements.

#### **14. Changes resulting from the review of IFRS 2014-2016**

(published on 8 December 2016). Amendments to IFRS 12 apply to annual periods beginning on 1 January 2017 or later while Amendments to IFRS 1 and IAS 28 – to annual periods beginning on 1 January 2018 or later. Not approved by the EU until the date of approval of these financial statements. The company does not expect the changes to have a significant impact on the financial statements.

#### **15. Changes resulting from the review of IFRS 2015-2017**

(published on 12 December 2017) – applicable to annual periods beginning on 1 January 2019 or later. Not approved by the EU until the date of approval of these financial statements. The company has not yet completed the analysis regarding the impact of the changes on the financial statements.

#### **16. IFRIC 22 ‘Transactions in Foreign Currency and Advances’**

(published on 8 December 2016) – applicable to annual periods beginning on 1 January 2018 or later. Not approved by the EU until the date of approval of these financial statements. The company does not expect the interpretation to have a significant impact on the financial statements.

#### **17. IFRIC 23 ‘Uncertainty related to the recognition of income tax’**

(published on 7 June 2017) – applicable to annual periods beginning on 1 January 2019 or later. Not approved by the EU until the date of approval of these financial statements. The company does not expect the interpretation to have a significant impact on the financial statements.

#### **18. Amendments to IAS 19 ‘Amendment, Curtailment or Settlement’**

(published on 7 February 2018) – applicable to annual periods beginning on 1 January 2019 or later. Not approved by the EU until the date of approval of these financial statements.

# Effects of changing the principles of accounting used – transformations of financial statements for previous periods

05

In 2017 the Company made presentation changes in its separate profit and loss account. The changes result from the application of the updated methodology of assigning costs related to development projects, previously allocated to the 'General & administrative expenses' and 'Costs of sales'.

In connection with the above change, the following presentation changes have been made in these separate financial statements in comparison to the separate financial statements for the period ended on 31 December 2016:

- Change in the allocation of costs related to the remuneration of employees employed as part of construction teams, project managers and leasing managers, presented so far in the cost of sales line. With regard to the costs related to the residential projects being implemented (incurred during their implementation – before the facility was put into operation) – a change was made consisting in capitalization of these costs in the value of inventories because these costs are part of the definition of the so-called costs of processing inventories as defined in IAS 2.
- Change in the allocation of costs related to the remuneration of employees supporting the operational activity of the Company (including employees of accounting, financial and marketing departments) and administrative costs related to employees (the so-called human resource costs). These costs, due to their indirect connection with the implementation of development projects, have been transferred from the general & administrative expenses to the newly created line in the profit and loss account 'Administrative costs related to projects'. The lack of capitalization of these costs in the value of inventories results from the fact that they are not incurred in order to bring inventories to their current status and place, and

are not in line with the definition of production costs of investment property under construction.

- Change in the presentation of some marketing costs, previously presented in the cost of sales line and as part of the cost of sales. Due to the indirect relationship of these costs with the implementation of development projects, they were reclassified to the newly created line in the profit and loss account 'Administrative costs associated with project implementation'. The lack of capitalization of these costs in the value of inventories results from the fact that they are not incurred in order to bring inventories to their current status and place.
- Change in the presentation of costs related to the maintenance of inventories, presented so far in the line of general & administrative expenses. Due to the indirect relationship of these costs with the implementation of development projects, they were reclassified to the newly created line in the profit and loss account 'Administrative costs associated with project implementation'. The lack of capitalization of these costs in the value of inventories results from the fact that they are not incurred in order to bring inventories to their current status and place. The comparative data in these financial statements have been transformed accordingly.

The change made it possible to determine the level of costs related to the implementation of development projects in more detail. It affects the balance sheet items and the result, which is presented below.

Major changes in the comparable data for 2016:

**STATEMENT OF FINANCIAL SITUATION ['000 PLN]**

	Data transformed	Data confirmed	Change
<b>Assets</b>			
Deferred income tax asset	39 751	40 259	(508)
Inventories	350 637	347 964	2 673
<b>Equity and liabilities</b>			
Net profit	277 688	275 523	2 165

**PROFIT AND LOSS ACCOUNT ['000 PLN]**

	Data transformed	Data confirmed	Change
Prime costs of sale	(199 734)	(188 046)	(11 688)
Administrative costs related to projects	(6 448)	-	(6 448)
Costs of sales	(16 499)	(29 192)	12 693
General administrative costs	(68 146)	(76 262)	8 116
<b>Profit before tax and inclusion of financial income/costs</b>	<b>336 595</b>	<b>333 922</b>	<b>2 673</b>
<b>Gross profit</b>	<b>299 548</b>	<b>296 875</b>	<b>2 673</b>
Gross profit	(21 860)	(21 352)	(508)
<b>Net profit</b>	<b>277 688</b>	<b>275 523</b>	<b>2 165</b>

## 6.1. Main accounting principles

### INTANGIBLE ASSETS

Intangible assets are recognised, if it is likely that they will result in economic benefits directly attributable to these assets in the future. Intangible assets are initially recognised at the purchase price or the manufacturing cost. After the initial recognition, intangible assets are measured at the purchase price or the manufacturing cost, less amortisation and impairment losses.

Straight line amortisation of intangible assets is applied over the expected useful life of intangible assets, which is verified on a quarterly basis. The estimated useful lives of assets are:

- for permits, patents, licenses etc. – 2 years,
- for other items – 2 years.

Intangible assets are tested for impairment, if certain events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is disclosed in the amount by which the carrying value of an asset exceeds the recoverable value.

### PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment include the Company's tangible assets.

The Company's tangible assets include:

- property (not leased and not intended for trading) used by the Company,
- machinery and equipment,
- means of transport,
- other complete and usable items with an expected useful life of more than one year.

PP&E is measured and presented in the statement at the purchase price or the manufacturing cost, less depreciation and impairment losses.

Land held by the Company is not depreciated and other PP&E is depreciated using straight line meth-

od over their estimated useful life, which is verified on a quarterly basis. The estimated useful lives of assets are:

- for buildings and structures – 22 to 67 years,
- for machines and equipment – 2 to 5 years,
- for means of transport – 1.5 to 10 years,
- for other equipment – 5 years

Further expenditures are recognised at the carrying value of a PP&E item or recognised as a separate tangible asset (where appropriate) only when it is probable that this item will result in economic benefits for the Company and the cost of a given item can be credibly measured. Any other expenditures on repairs and maintenance are recognised in the profit and loss account in the financial year in which they were incurred. PP&E is tested for impairment, if certain events or changes in circumstances indicate that the carrying value may not be recoverable.

An impairment loss is disclosed in the amount by which the carrying value of an asset (or a cash-generating item to which an asset is related) exceeds the recoverable value, and is recognised in the profit and loss account. The recoverable value is one of the two amounts, whichever is higher: fair value less selling costs or use value.

Profits and losses on the disposal of PP&E which constitute differences between sales revenue and the carrying value of a sold PP&E item are recognised in the profit and loss account under other operating revenue/costs.

### LEASE

Lease is classified as finance lease, if the terms of the agreement essentially transfer all potential benefits and risks from holding an ownership title to an asset to the lessee.

Operating lease is a lease arrangement where a significant portion of risks and benefits from the ownership title rests with the lessor (the financing party).

Operating lease payments are recognised as costs (if the Company is a lessee) or as revenue (if the Company is a lessor) in the profit and loss account, using the straight line method for the duration of the lease agreement.

Benefits received by the lessee and benefits due as incentive to conclude an operating lease agreement are recognised in the profit and loss account, using the straight-line method for the duration of the lease agreement. When the nature of the contract indicates that the lease payments will be accrued progressively for the duration of the agreement, the annual payments are depreciated with the straight line method.

#### **INTERESTS AND SHARES IN SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES**

Stocks and shares in subsidiaries, co-subsidiaries and associates, presented at purchase price adjusted for subsequent impairment losses. The impairment test is carried out when there are indications that the carrying amount of the investment will not be recovered. The Company analyzes the net assets of the companies in which it holds shares because the main asset of these units is investment real estate measured at fair value while the largest item of liabilities are tied loans and therefore the net asset value reflects the fair value of shareholding. In the case of impairment, the write-down is recognized in the profit and loss account in the financial costs item. The impairment loss is recognized in the amount by which the balance sheet value exceeds the recoverable amount. If the write-down is reversed, its value is recognized in the financial income item.

Subsidiaries are the entities controlled by the Company. Executing control over subsidiaries occurs in following cases:

- management over indicated entity,
- undergoing exposition for changeable returns or possessing rights to changeable returns due to its involvement in indicated entity,
- possibility to execute power to influence on generated returns.

The Company verifies executing control over other entities if any circumstances indicating change of one or more conditions listed above appears.

Interests and shares in subsidiaries, jointly controlled entities and associates are presented at the purchase price adjusted for subsequent impairment losses. An impairment test is conducted when there are indications that the carrying value of an investment will not be recovered. The Company analyses the value of net assets of companies in which it holds interests because the main asset of these entities is investment property measured at fair value, while the main liabil-

ity are special purpose loans and, consequently, the net value of assets reflects the fair value of the held interests. In the event of impairment, an impairment loss is recognised in the profit and loss account under "financial cost".

The impairment loss is recognised in the amount by which the carrying value exceeds the recoverable value. If the impairment loss is reversed, its value is recognised under financial revenue.

Associated companies are the units which the Company has a significant influence on yet are not subsidiaries or shares in joint enterprises of the Company. A significant influence is the ability to participate in decision making regarding financial and operational policies of the business but it does not involve control or co-control of the policy.

#### **INVENTORIES**

The following items are recognised under inventories: semi-finished products, work-in-progress, finished products and goods. Given the specific nature of business, the purchased land or the incurred fees due to perpetual usufruct of land are classified as "work-in-progress" - if the land is intended for development and resale, or as "goods" - if the land is intended for sale. "Work-in-progress" also includes the incurred expenditures related to the process of implementing projects for sale (design services, construction works etc., performed by external contractors). "Finished products" include mainly completed residential and commercial developments sold under final agreements.

Inventories of current assets are measured at the purchase price of land and at the manufacturing costs of products in the property development business, plus capitalised financial costs, but not exceeding the net realisable value. This value is obtained based on information from the active market. An inventory write-off is reversed due to the sale of an inventory item or increase in the net selling price. Inventory write-offs disclosed in the period as cost and reversals of inventory write-downs disclosed in the period as a decrease of costs are presented in the profit and loss account under 'cost of sales'.

The 'finished goods' item includes completed apartments earmarked for sale. The 'intermediates and products in progress' item mostly includes properties held by the Company and the expenditure on residential projects under preparation or constructions. The 'goods' item includes the land earmarked for sale.

#### **FINANCIAL INSTRUMENTS**

The Company classifies its financial assets and liabilities as follows:

- items of financial assets or financial liabilities measured at fair value through the profit and loss account,
- financial assets held for trade. A financial asset is included in this category, if it is purchased primarily for short-term sale,
- financial assets designated at initial recognition as measured at the fair value through the profit and loss account,
- derivatives which do not fulfil the criteria for hedge accounting,
- investments held to maturity
- borrowings and receivables,
- financial assets available for sale,
- non-derivative financial assets not classified as financial assets disclosed at the fair value through the profit and loss account, borrowings and receivables, and assets held to maturity.

Assets are entered into the books as of the transaction date and cancelled from the balance sheet when the contractual rights to cash flows from a financial asset expire, or when a financial asset is transferred along with all risks and benefits resulting from that asset.

#### **FINANCIAL ASSETS DISCLOSED AT THE FAIR VALUE THROUGH THE PROFIT AND LOSS ACCOUNT**

These assets are classified as current assets, if they are intended for trade or are expected to be recovered within 12 months from the balance sheet date. In this category, the Company includes investments in securities.

As of the initial recognition and as of the balance sheet date, financial assets are measured at the fair value through the profit and loss account.

#### **DERIVATIVES**

Derivative instruments are recognised in the books when the Company becomes a party to a binding agreement. The Company uses derivatives to mitigate the FX or interest rate risk. The Company does not apply hedge accounting.

As of the balance sheet date, derivatives are measured at their fair value. Derivatives with a positive fair value are financial assets, while derivatives with a negative fair value are financial liabilities.

Profit or loss on derivatives is recognised in financial revenue or costs respectively, while in the cash flow statement, it is recognised as cash flow from operating activity, if the purchase leads to the recognition of an asset in the Company's balance sheet.

#### **LOANS GRANTED, TRADE AND OTHER RECEIVABLES**

Loans granted, trade receivables and other receivables constituting financial assets are included in the

'Loans and receivables' category. Purchased bonds, loans granted, trade receivables and other receivables constituting financial assets are initially recognized at fair value (increased by transaction costs if they occurred) and then they are measured at amortized cost, reducing them by impairment write-downs. The value of receivables is updated taking into account the probability of their payment by making a write-down. Write-downs adjusting trade receivables and other receivables are created at the end of each quarter, when there is objective evidence that the Company will not be able to receive all amounts due arising from the original terms of receivables. Premises indicating that the receivables lost value include: serious financial problems of the debtor or delays in repayments. The amount of the provision is the difference between the balance value of a given receivable and the current value of estimated future cash flows related to it discounted by the original effective interest rate. The amount of the loss is recognized in the profit and loss account under the 'other operating expense' item. Subsequent repayment of previously written-down receivables is recognized in the 'other operating income' item in the profit and loss account. Advance payments for deliveries are valued at cash expended and according to received VAT invoices documenting the advance payment.

#### **HELD FOR SALE**

Financial assets available for sale are entered into the books as of the transaction date and cancelled from the balance sheet when the contractual rights to cash flows from a financial asset expire, or when a financial asset is transferred along with all risks and benefits resulting from that asset. As of the day of entry into the books, these assets are measured at the fair value plus transaction costs, while as of the balance sheet date, they are measured at the fair value, taking account of impairment losses recognised in the income statement. Profits or losses from movements in the fair value of an asset are recognised in other comprehensive income. Write-downs on financial assets are recognised at the end of every quarter, if there is objective evidence that the Company will not receive all amounts due under the original terms of the assets. Assets available for sale include shares and interests in companies which are not subsidiaries and associates, are not quoted on an active market, and which comprise short-term or long-term assets. Where it is not possible to determine their fair value, the assets are measured at the purchase price, less impairment losses, and the effects of the measurement are recognised in the financial profit or loss.

#### **CASH AND CASH EQUIVALENTS**

Cash in bank and cash in hand, short-term deposits held to maturity and other financial assets that fulfil the definition of a cash equivalent are measured at the nominal value. Foreign currency cash is meas-

ured as of the reporting date. The same definition of cash applies to the cash flow statement.

According to the Company, the financial resources of limited disposability mostly include funds constituting security for bank guarantees and funds accumulated on open residential fiduciary accounts.

#### **FINANCIAL GUARANTEE AGREEMENTS**

Financial guarantees are recognised as financial instruments. These agreements are initially recognised at the fair value (equal to a received bonus or estimated using measurement techniques) and, subsequently, at one of the two values, whichever is higher:

- amount of provision determined based on the estimated probable expenditure necessary to settle a liability under a guarantee agreement;
- initial value less amortisation/depreciation.

In addition, financial guarantee agreements are disclosed in off-balance sheet liabilities and receivables. On every balance sheet date, the Company verifies whether a payment and the creation of a provision are likely

#### **INCOME TAX**

Income tax on the profit or loss for the financial year includes current and deferred income tax. Income tax is recognised in the profit and loss account, except for amounts related to items recognised directly in equity or in other comprehensive income; in this case, income tax is disclosed in equity and other comprehensive income respectively.

The current portion of income tax is the expected amount of tax on taxable income for a given year, calculated based on the tax rates determined as of the balance sheet date along with any tax adjustments for previous years. Deferred tax is calculated with the balance sheet method as tax to be paid or reimbursed in the future on the differences between the carrying values of assets and liabilities and the corresponding tax values used to calculate the tax base, except for temporary differences which arise at the time of initial recognition of an asset or liability, and do not affect the accounting or tax result.

Deferred tax is not created for temporary differences on investments in subsidiaries, jointly controlled entities and associates, if the Company controls the reversal of these differences and they will not be reversed in foreseeable future.

Deferred income tax assets due to tax loss are created, if the settlement of the loss in the following years is probable. For the calculation of deferred income tax, a tax rate is used which will apply in the reporting periods in which assets will be settled or liabilities will be released.

Deferred income tax is estimated on every balance sheet date by recognising differences in the profit and loss account, other comprehensive income or equity, depending where the temporary difference from which the deferred tax is subtracted was recognised. Assets and provisions on deferred income tax are presented jointly.

#### **EQUITY**

Share capital is measured at the nominal value disclosed in the National Court Register.

Differences between the fair value of a payment and the nominal value of shares are recognised in the share premium. The issue costs of shares decrease the Company's supplementary capital down to the amount of the share premium.

#### **PROVISIONS**

Provisions are established when the Company has a present obligation as a result of past events and when it is probable that the fulfilment of that obligation will involve an outflow of assets representing economic benefits and the amount of such obligation can be credibly estimated. Provisions are measured at the current value of costs estimated by the Company's management according to its best knowledge which must be incurred to settle a current liability as of the balance sheet date.

#### **FINANCIAL LIABILITIES - INCLUDING TRADE LIABILITIES**

Financial liabilities include loans, borrowings, debt securities, not payable interest on bank loans accounted for according to the accrual principle as well as the discount of debt securities to be settled in subsequent accounting periods. Foreign currency loans are measured at the selling rate of the bank serving the Company.

Financial liabilities are initially recognised at the fair value less costs of transaction and subsequently measured with the method "amortised cost of a liability", according to IAS 39. Measurement takes account of the risk and the possibility of an early repayment of long-term liabilities.

Trade liabilities are initially measured at the fair value and, subsequently, long-term liabilities are measured at the amortised cost, using the effective interest rate method. When the difference between the amortised cost value and the value in the amount payable does not significantly affect the Company's financial results, such liabilities are recognised in the balance sheet at the amount payable. Advances on deliveries include invoiced advances (including advances on apartments) and non-invoiced advances. Trade liabilities include security deposits.

## CURRENCY TRANSACTIONS

Transactions denominated in currencies other than PLN are converted into Polish zloty using the exchange rate applicable for the transaction.

As at the balance sheet date, monetary assets and liabilities denominated in currencies other than PLN are converted into Polish zlotys using the average exchange rate established for the given currency at the end of the reporting period by the National Bank of Poland. Foreign exchange differences arising from the conversion are recognized in the financial income (expense) or, in the case of accounting policies, capitalized in the value of the assets. Non-monetary assets and liabilities disclosed at historical cost expressed in a foreign currency are presented at the historical exchange rate of the transaction date. Non-monetary assets and liabilities recognized at fair value expressed in foreign currency are converted at the exchange rate from the valuation date to the fair value. Gains or losses arising from the conversion of non-monetary assets and liabilities at fair value are recognized in the statement of income or loss on account of changes in fair value (i.e. respectively, in other total income or in profit or loss subject to where the change of fair value is recognized).

## CASH FLOW STATEMENT

The cash flow statement is prepared using the indirect method. Liabilities due to overdraft facilities are presented as debt due to loan and not as cash equivalents.

## VALUATION TO FAIR VALUE

The Company values financial instruments, such as available-for-sale instruments and derivative instruments, as well as non-financial assets, such as investment properties, at fair value as at each balance sheet date. Fair value is understood as the price that would have been received from the sale of an asset or paid to transfer a liability in a transaction carried out on the ordinary terms of selling an asset between market participants as at the valuation date under current market conditions. The fair value measurement is based on the assumption that the transaction of sale of an asset or liability transfer takes place on the main market available for the given asset or liability, or in the absence of the main market, on the most advantageous market for a given asset or liability.

The fair value of an asset or liability is measured assuming that market participants act in their best economic interest when determining the price of an asset or liability.

The fair value measurement of a non-financial asset takes into account the market participant's ability to generate economic benefits through the greatest possible and best use of the asset or its disposal to

another market participant that would ensure the greatest possible and best use of the asset.

The company uses valuation techniques that are appropriate to the circumstances and for which sufficient data is available to measure fair value, with the maximum use of appropriate observable input data and the minimum use of unobservable input data. All assets and liabilities that are measured at fair value or the fair value of which is disclosed in the financial statements are classified in the fair value hierarchy as described below, based on the lowest level of input data, which is significant for the fair value measurement taken as a whole:

- Level 1 - Quoted (unadjusted) market prices on an active market for identical assets or liabilities,
- Level 2 - Valuation techniques for which the lowest level of input data, which is significant for the fair value measurement as a whole, is directly or indirectly observable,
- Level 3 - Valuation techniques for which the lowest level of input data, which is significant for the fair value measurement as a whole, is unobservable.

At each balance sheet date, in the case of assets and liabilities occurring at particular balance sheet dates in the financial statements, the Company assesses whether transfers took place between levels of the hierarchy by reassessing the classification to individual levels, guided by the relevance of input data from the lowest level that is significant for the valuation to fair value treated as a whole.

## SEGMENT REPORTING

The Company does not separate segments according to IFRS 8, paragraph 4. This information is presented in the consolidated financial statements of the Echo Investment Capital Group.

## NET PROFIT PER SHARE

The net profit per share for each period is calculated by dividing the net profit for a given period attributable to ordinary shareholders of the parent entity by the weighted average number of shares issued during the period.



## 6.2. Methods of determining the financial result

The financial result is determined using the calculation method.

### REVENUE

Revenue from the sale of goods and products is disclosed at the fair value of the received or due payment, less rebates, discounts and taxes on the sale, and recognised at the moment of the delivery of goods and products and the transfer of risks and benefits from the ownership title to the goods and products to the buyer, and when the amount of revenue can be credibly determined. In particular, revenue from the sale of residential and commercial premises constructed by the Company is recognised according to IAS 18 and IFRIC 15 at the time of the transfer of the ownership title to these premises in a sale agreement, after the development is completed and the right to use the premises has been acquired.

Revenue from the lease of residential and commercial areas is recognised on a straight line basis for the duration of the concluded agreements.

Revenue from legal, consulting, IT, financial, marketing, security and other sales services is recognised in the period in which such services were provided.

### COST OF SALES

Manufacturing costs of goods, products and services sold include the incurred costs related to revenue for the financial year and the costs accrued but not yet incurred. The costs of goods and products sold are measured at the manufacturing costs, using strict identification of actual costs of the sold assets or the percentage share, e.g.: of the sold land, interests etc. In particular, the prime cost of the sold premises and land is determined proportionately to their share in the overall construction cost of an object and in the whole land comprising a project.

The cost of goods and products sold is measured at the level of production costs, using the method of detailed identification of the actual costs of assets sold or the percentage share of e.g. land or shares sold, etc. In particular, the self-cost of premises and land sold is determined in proportion to their participation in the entire construction cost of a given facility and in the whole land constituting a given project. Detailed identification of costs related to employees' remuneration, recognized as part of the cost of sales, is made on the basis of time worked by employees, divided into individual projects.

### ADMINISTRATIVE COSTS RELATED TO PROJECTS

Project-related administrative costs include the administrative costs which are indirectly related to the execution of development projects such as: perpetual usufruct fees, real property taxes, operating fees, property protection, administrative staff's remuneration, employee maintenance costs in the portion attributable to the project, and other stock maintenance related costs.

These costs, despite their indirect connection with development projects, are not capitalized in the value of inventory / investment property because:

- in the light of IAS 2, they are excluded from the purchase price or cost of stock production as they are not incurred in order to bring the stock to its current status and location;
- IAS 40 in relations to IAS 16, does not allow to capitalize general and administrative costs in the value of investment properties.

### EXTERNAL FINANCING COSTS

Borrowing costs related to the current period are recognized in the profit and loss account, except for costs subject to activation in accordance with IAS 23. The Group applies the part of financial costs which are directly related to the acquisition and recovery of assets that require a longer period of preparation for their intended use or sale as inventories and projects started. Activation covers the amount of financial costs determined using the effective interest rate minus income received from temporary depositing of cash (i.e. interest on bank deposits with the exception of deposits resulting from the blocking of accounts, accreditation agreements) in the case of targeted financing for a given construction project. In the case of general financing, the general financing costs subject to capitalization are determined using the capitalization rate in relation to the expenditures incurred for a given asset component.

## INVENTORIES

Inventories: semi-finished products and work in progress, finished goods and goods. Owing to the specific nature of the activity, land purchased or fees incurred for the right of perpetual usufruct of land are classified as work in progress – if the land is to be developed for further resale, or as goods – if the land is for sale. Work in progress also covers the costs associated with the implementation of projects for sale, such as expenditure on:

- design services, construction work, etc. provided by third parties,
- salaries of employees employed in construction teams, project managers and leasing managers.

Detailed identification of costs related to employee salaries, which is included in the cost of goods sold, is made on the basis of the employee's time records, broken down into individual projects.

Finished products mainly include residential and service units completed and sold on the basis of final contracts. The stock of property, plant and equipment are measured at the cost of acquisition of land property and the cost of product manufacture, increased by the activated financial costs incurred but no higher than the net realizable value. This value is derived from information from the active market. Reversal of stock write-offs takes place in connection with the sale of the stock or an increase in the net sales price. The amount of stock write-offs recognized as a cost and the reversals of write-offs decreasing the value of stock included in the period are recorded in the 'cost of goods sold' item. Stock disposals are accounted for using the method of detailed identification of their purchase prices and production costs.

# Material estimates of the company's management board

07

The preparation of the financial statements requires the Management Board of the Company to adopt certain assumptions and make estimates and judgments that affect the figures disclosed in the financial statements. Assumptions and estimates are based on the best knowledge of current and future events and activities, however, actual results may differ from those anticipated. Estimates and related assumptions are subject to ongoing verification. Change in accounting estimates is recognized in the period in which they were changed - if it concerns only this period, or in the current and future period - if the changes concern both the current and future period.

The main fields in which the Management Board's estimates have a material impact on the financial statements and key sources of uncertainty as at the balance sheet date are:

## **INVENTORIES**

When estimating the write-down on inventory held by the Company as of the balance sheet date, information from the active market regarding the expected sales prices and current market trends as well as information from preliminary sales agreements concluded by the Company is analysed. Assumptions used when calculating the write-down mainly relate to market prices of property applicable in a given market segment.

According to the Management Board, a change of these assumptions would not materially affect the value of the inventory write-down as of the balance sheet date because the adopted assumptions and information on the value of the write-down were largely based on the concluded sales agreements. In the case of land recognised under inventories, the value of the write-downs results from the usefulness of land for the Company's current and prospective business estimated by the Management Board.

## **IMPAIRMENT OF INTERESTS IN SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES**

An impairment test is conducted when there are indications that the carrying value of an investment will not be recovered. The assessment of the impairment of interests in subsidiaries, jointly-controlled and associated companies is based on an analysis of the fair value of assets and liabilities held by the companies and the expected prospective cash flows from the operations of such companies. In the course of the assessment, the Company also evaluates the duration and extent to which the current value of the shares is lower than its purchase price and a company's perspectives and plans for its investment developments. All material impairments of the fair value of assets in subsidiaries have been regarded to be long-term by the Management Board and have resulted in impairment losses on interests in subsidiaries. In particular, for material subsidiaries which, as at 31 December 2017, did not run any material operating activity, the value of the recognised write-downs corresponds to the total difference between the net value of the subsidiary's assets and the purchase price of the interests.

## ANALYSIS OF EXPOSURE TO IMPAIRMENT OF INTERESTS, SHARES AND FUNDS [PLN '000]

	Value calculated for the purpose of analysis:	
	as at 31.12.2017	as at 31.12.2016
Interests, shares and funds held	2 648 207	2 328 625
Financial revenues/expenses from the measurement of interests, shares and funds	(3 121)	(4 420)
Estimated percentage change in the value of interests, shares and funds	+/- 1 p.p.	+/- 1 p.p.
Estimated financial revenues/expenses from a potential change in the value of interests, shares and funds	26 482	23 286
<b>Total effect on the gross result for the period</b>	<b>26 482</b>	<b>23 286</b>
Income tax	5 032	4 426
<b>Total effect on the net result for the period</b>	<b>21 450</b>	<b>18 862</b>

When calculating the impairment of interests, shares and funds held in subsidiaries, associates and jointly controlled entities, the Company refers to the net value of the these companies' assets and takes into consideration the cash flow generated by investment properties held by these companies.

**ASSET FROM DEFERRED INCOME TAX**

The Company recognizes deferred tax asset based on the assumption that tax profit will be achieved in the future and it will be possible to use it. This assumption would be unjustified if the tax results deteriorated in the future.

The Management Board verifies the adopted estimates regarding the probability of recovering deferred tax assets based on changes in factors taken into account when making them, new information and past experience. Detailed information on deferred tax assets is presented in note 7.

**UNCERTAINTY CONNECTED WITH TAX SETTLEMENTS**

The regulations concerning the tax on goods and services, corporation tax and social security charges are subject to frequent changes.

These frequent changes lead to the absence of relevant benchmarks, inconsistent interpretations and a few established precedents that might be applicable. Existing regulations also contain ambiguities that cause differences in opinions as to the legal interpretation of the tax legislation, between state authorities as well as state bodies and businesses.

Tax settlements and other areas of activity (for example customs or foreign exchange) may be subject to inspection

by the authorities that are entitled to impose high penalties and fines as well as any additional tax liability resulting from checks must be paid with a high interest. These conditions make the tax risk in Poland higher than in the countries with more mature tax systems.

Consequently, the amounts presented and disclosed in the financial statements may change in the future as a result of the final decision of the tax auditing authority.

On 15 July 2016 changes were introduced to the Tax Code in order to reflect the provisions of the General Anti-Avoidance Rule (GAAR). GAAR is designed to prevent the creation and use of artificial legal structures developed in order to avoid paying taxes in Poland. GAAR defines tax evasion as an act primarily for the purpose of obtaining a tax advantage, contradictory in given circumstances to the subject matter and purpose of the provisions of the tax law. According to GAAR, an operation like that does not result in a tax advantage if the mode of operation was artificial.

Any occurrence of:

- unreasonable division of operations,
- involvement of intermediaries despite the lack of economic or economic justification,
- elements that are mutually abrasive or compensatory and

- any other actions of similar effect to the aforementioned,
- may be treated as a premise of the existence of artificial operations subject to GAAR regulations.

The new regulations will require much greater judgment when assessing tax consequences of individual transactions. The GAAR clause should apply to transactions closed after it enters into force and to transactions that were closed before the GAAR clause entered into force, for which advantages were or still are being achieved after the date of the clause's entry into force. The implementation of the above provisions will allow Polish tax authorities to question the legal arrangements and agreements such as restructuring and reorganization of the group.

# Financial risk management

08

## PRICE RISK

The price risk is not material. The Company does not trade in securities on any active market. The Company may conclude transactions on derivatives to hedge against the FX risk related to the forecast cash flows.

## RISK OF CHANGES IN CASH FLOWS AND FAIR VALUE RELATED TO INTEREST RATE

The Company's exposure to the interest rate risk is related to financial assets and liabilities, in particular the granted borrowings, cash, the received bank loans and the issued bonds. Borrowings, loans and bonds bearing a variable interest rate expose the Company to the interest rate risk, while borrowings and loans with

a fixed interest rate expose the Company to variations of the fair value of financial instruments. In addition, the Company is exposed to the risk of interest rate variations when raising a new loan or refinancing an existing long-term debt.

## INTEREST RATE RISK OF BORROWINGS GRANTED [PLN '000]

Value calculated for the purpose of analysis:

	as at 31.12.2017	as at 31.12.2016
Balance of borrowings granted	328 740	93 649
Financial revenue from interest on borrowings granted	3 624	7 841
Estimated change of interest rates	+/-1 p.p.	+/-1 p.p.
Financial revenue from interest on borrowings granted, taking account of changes of interest rates	3 287	936
<b>Total: effect on the gross result for the period</b>	<b>3 287</b>	<b>936</b>
Income tax	625	178
<b>Total: effect on the net result for the period</b>	<b>2 662</b>	<b>758</b>

The Company granted loans in PLN 2017, interest rates had been higher or lower by 1 percentage point that current interest rates, the Company's net profit would have been higher or lower by PLN 266,200 thousand on account of higher or lower interest on loans granted in PLN.

### INTEREST RATE RISK OF LIABILITIES DUE TO ISSUE OF DEBT SECURITIES [PLN '000]

Value calculated for the purpose of analysis:

	as at 31.12.2017	as at 31.12.2016
Balance of liabilities due to issue of debt securities	1 286 351	885 917
Financial costs of interest on the issue of debt securities	(48 787)	(43 893)
Estimated change of interest rates	+/-1 p.p.	+/-1 p.p.
Financial costs of interest on the issue of debt securities	12 864	8 859
<b>Total: effect on the gross result for the period</b>	<b>12 864</b>	<b>8 859</b>
Income tax	2 444	1 683
<b>Total: effect on the net result for the period</b>	<b>10 420</b>	<b>7 176</b>

### INTEREST RATE RISK - CASH [PLN '000]

Value calculated for the purpose of analysis:

	as at 31.12.2017	as at 31.12.2016
Balance of cash	248 850	42 426
Other operating revenue from interest	194	677
Estimated change of interest rates	+/-1 p.p.	+/-1 p.p.
Other operating revenue from interest, taking account of changes of interest rates	2 489	424
<b>Total: effect on the gross result for the period</b>	<b>2 489</b>	<b>424</b>
Income tax	473	81
<b>Total: effect on the net result for the period</b>	<b>2 015</b>	<b>343</b>

### INTEREST RATE RISK - LOAN LIABILITIES [PLN '000]

Value calculated for the purpose of analysis:

	as at 31.12.2017	as at 31.12.2016
Balance of loan liabilities	50 000	-
Financial costs of interest on loans	(1 916)	(2 176)
Estimated change of interest rates	+/-1 p.p.	+/-1 p.p.
Estimated financial costs of interest on loans taking account of increase/ (decrease) in interest rates	500	-
<b>Total: effect on the gross result for the period</b>	<b>500</b>	<b>-</b>
Income tax	95	-
<b>Total: effect on the net result for the period</b>	<b>405</b>	<b>-</b>

**FX RISK**

As of the balance sheet date and during the financial year, the Company did not hold any other material foreign currency cash. Therefore, the risk has been estimated as not material and no analysis has been performed of the exposure of other balance sheet items to changing foreign exchange rates.

**CREDIT RISK**

The credit risk occurs in cash, borrowings granted, derivatives, deposits in banks and financial institutions as well as, in relation to the Company's customers and tenants, in the form of unsettled amounts due. The Company has procedures in place to protect the credit worthiness of its customers and tenants; security deposits and guarantees are also used for tenants. There is no significant concentration of risk in relation to any of the Company's customers outside the Echo Investment Group. In relation to related entities, the credit risk, in the opinion of the Management Board, is minimised through regular monitoring of operating

activities and the assessment of investment projects of these companies. For cash and deposits in financial institutions and in banks, the Company uses the services of renowned companies.

**LIQUIDITY RISK**

The liquidity risk occurs when the Company is unable to settle its financial liabilities in due time. The Company manages the liquidity risk by maintaining an adequate amount of supplementary capital, using bank services and reserve loan facilities, and by constantly monitoring the forecast and actual cash flows. Given the dynamic nature of its business, the Company ensures flexible funding through the availability of cash and by diversifying the sources of funding. In the opinion of the Management Board, the Company has sufficient cash to settle all liabilities in due time. In the long term, the liquidity risk is minimised by the available bank loans. At any time, the Company may use sufficient funds from the loan facilities granted by banks. The analyses of the Company's finan-

cial liabilities and derivatives settled in the net amount which will be settled at specific maturities, based on the period remaining until the contractual maturity as of the balance sheet date, have been presented in the respective notes: loans, borrowings, debt securities, trade receivables and trade liabilities. Analysis of the Company's undiscounted financial liabilities which will be settled at specific maturities, based on the period remaining until the contractual maturity as of the balance sheet day 31 December 2017 and 31 December 2016:

**ANALYSIS OF UNDISCOUNTED FINANCIAL LIABILITIES AS AT 31.12.2017 [PLN '000]**

Okres	Financial guarantees	Bonds	Trade and other liabilities	Loans
Up to 1 year	198 199	451 122	90 292	50 000
1-3 years	686 263	258 218	-	-
3-5 years	121 583	577 011	-	-
Over 5 years	51 830	-	-	-
<b>Total</b>	<b>1 057 875</b>	<b>1 286 351</b>	<b>90 292</b>	<b>50 000</b>

The debt ratios as at 31 December 2017 and 31 December 2016 were in line with the Company's targets.

**ANALYSIS OF UNDISCOUNTED FINANCIAL LIABILITIES AS AT 31.12.2016 [PLN '000]**

Okres	Financial guarantees	Bonds	Trade and other liabilities	Loans
Up to 1 year	64 763	176 634	170 210	-
1-3 years	692 181	609 960	-	-
3-5 years	136 487	99 323	-	-
Over 5 years	12 548	-	-	-
<b>Total</b>	<b>905 979</b>	<b>885 917</b>	<b>170 210</b>	<b>-</b>

# Capital risk management

09

The Company's objective in terms of capital management is to protect the Company's ability to continue its business, allowing for the generation of returns for the shareholders, and to maintain an optimal structure of capital to reduce its cost. When managing this risk, the Company makes decisions on the financial leverage, the dividend policy, the issue of new shares, the repurchase and subsequent redemption or resale of the issued shares, or the sale of assets to reduce

debt. The Company monitors the capital using debt ratios. This ratio is calculated as the relation between net debt and total equity. The net debt is calculated as the sum of loans and borrowings (including current and long-term loans and borrowings disclosed in the balance sheet) less cash and cash equivalents. The total value of capital is calculated as equity disclosed in the balance sheet along with the net debt.

## DEBT RATIOS [PLN '000]

	Note	31.12.2017	31.12.2016
Total loans, borrowings and bonds	14, 16	1 657 215	1 347 458
Dividend liability	24	-	66 030
Cash and cash equivalents	11	(248 850)	(42 426)
Net debt		1 408 365	1 371 062
Total equity		1 813 929	1 387 779
Total capital		3 222 294	2 758 841
Debt ratio		43,71%	49,70%

The value of debt ratios, as at 31.12.2017 and 31.12.2016 respectively, was consistent with the Company's objectives.



# Additional explanations

10

## MATERIAL AGREEMENTS CONCLUDED WITH RELATED ENTITIES AND PERFORMED DURING THE PERIOD

According to the Echo Investment S.A. Group's strategy for building shopping centres, office buildings and selected residential buildings through a separate

subsidiary, a large portion of Echo Investment's transactions is concluded with related parties.

## MATERIAL AGREEMENTS CONCLUDED WITH RELATED ENTITIES AND PERFORMED DURING 2017 [‘000 PLN]

Subject of the contract	Date of agreement	Contractor – investor	Value
Comprehensive investment management and consulting services in all matters related to the construction of an office building on Maria Curie-Skłodowska St. in Wrocław	31.10.2014	Nobilis – Projekt Echo – 117 Sp. z o.o. Sp.K.	1 436
Comprehensive investment management and consulting services in all matters related to the construction of an office building on Szybowcowa St. in Wrocław	01.07.2016	West Gate II – Projekt Echo – 114 Sp. z o.o. Sp.K.	2 179
Comprehensive investment management and consulting services in all matters related to the construction of Galeria Libero shopping centre in Katowice	01.07.2016	Galeria Libero – Projekt Echo – 120 Sp. z o.o. Sp.K.	7 196
Contract of marketing services for an upcoming residential project on Jedności Narodowej St. in Wrocław	08.09.2010	Echo – Browary Warszawskie Sp. z o.o. Sp.K.	1 542
Contract of leasing services for a shopping centre on Kosciuszko St. in Katowice	02.02.2011	Galeria Libero – Projekt Echo – 120 Sp. z o.o. Sp.K.	1 071
Contract of leasing services for an office building on Jana Pawła II Av. in Warsaw	01.03.2013	Q22 – Projekt Echo – 128 Sp. z o.o. Sp.K.	2 052
Contract of marketing services for an upcoming project on Konstruktorska St. in Warsaw	09.04.2013	Echo – Nowy Mokotów Sp. z o.o. Sp.K.	1 376
Comprehensive investment management and consulting services in all matters related to the construction of Q22 office building in Warsaw	01.07.2013	Q22 – Projekt Echo – 128 Sp. z o.o. Sp.K.	1 013
Contract of leasing services for an office building on Opolska St. in Cracow	01.10.2014	Echo – Opolska Business Park Sp. z o.o. Sp.K.	4 085
Contract of leasing services for an office building on Grunwaldzki Square in Wrocław	15.05.2015	Nobilis – Projekt Echo – 117 Sp. z o.o. Sp.K.	1 459
Comprehensive investment management and consulting services in all matters related to the construction of a residential building on Konstruktorska St. in Warsaw	01.09.2015	Echo – Nowy Mokotów Sp. z o.o. Sp.K.	1 618
Comprehensive investment management and consulting services in all matters related to the construction of the O3 Business Campus II office building in Cracow	01.04.2016	Echo – Opolska Business Park Sp. z o.o. Sp.K.	2 394
Comprehensive investment management and consulting services in all matters related to the construction of the office complex phase II in Wrocław	01.04.2016	Sagittarius – Projekt Echo – 113 Sp. z o.o. Sp.K.	3 992

Fit out works of an office building in Lodz	01.06.2016	Symetris – Projekt Echo – 131 Sp. z o.o. Sp.K.	1 642
Fit out works of an office building in Katowice	06.05.2016	Projekt Echo – 135 Sp. z o.o. Sp.K.	10 598
Contract of leasing services for an office building in Lodz	11.05.2016	Symetris – Projekt Echo – 131 Sp. z o.o. Sp.K.	1 500
Comprehensive investment management and consulting services in all matters related to the construction of an office building in Lodz	01.06.2016	Symetris – Projekt Echo – 131 Sp. z o.o. Sp.K.	1 355
Contract of marketing services for an upcoming project on Konstruktorska St. in Warsaw	27.06.2016	Dellia Investments – Projekt Echo – 115 Sp. z o.o. Sp.K.	1 419
Contract of financial intermediation	04.07.2016	Galeria Libero – Projekt Echo – 120 Sp. z o.o. Sp.K.	1 813
Contract of leasing services for an office building on Szybowcowa St. in Lodz	01.08.2016	West Gate II – Projekt Echo – 114 Sp. z o.o. Sp.K.	1 288
Contract of leasing services for an office building in Wroclaw	01.09.2016	Sagittarius – Projekt Echo – 113 Sp. z o.o. Sp.K.	3 129
Comprehensive investment management and consulting services in all matters related to the construction of a shopping centre in Warsaw	15.09.2016	Projekt Echo – 138 Sp. z o.o. Sp.K.	5 092
Comprehensive investment management and consulting services in all matters related to the construction of a residential building on Rakowiecka St. in Cracow	31.10.2016	Pure Sysytems Sp. z o.o.	1 006
Comprehensive investment management and consulting services in all matters related to the construction of the O3 Business Campus III office building on Opolska St. in Cracow	01.11.2016	Echo – Opolska Business Park Sp. z o.o. Sp.K.	3 376
Contract of the collateral's provision	16.12.2016	Q22 – Projekt Echo – 128 Sp. z o.o. Sp.K.	2 100
Contract of construction management and leasing of the Galeria Młociny in Warsaw.	31.05.2017	Berea Sp. z o.o.	1 816
Contract of fit-out coordination of an office building on Jana Pawla II St. in Warsaw	01.06.2017	Q22 – Projekt Echo – 128 Sp. z o.o. Sp.K.	1 039
Comprehensive investment management and consulting services in all matters related to the construction of an office building on Grzybowska St. in Warsaw	30.06.2017	Dellia Investments – Projekt Echo – 115 Sp. z o.o. Sp.K.	1 412
Comprehensive investment management and consulting services in all matters related to the construction of an office building on Beethovena St. in Warsaw	01.08.2017	Projekt BeethovenaProjekt Echo – 122 Sp. z o.o. Sp.K.A.	1 301
Contract of brokering in search for buyers of a property on Opolska St. in Cracow	01.09.2017	Echo – Opolska Business Park Sp. z o.o. Sp.K.	1 813

Listed above transactions with related entities concern subsidiaries.

**TRANSACTION WITH RELATED PARTIES AS AT 31.12.2017 ['000 PLN]**

Related part	Sales	Sales	Receivables	Liabilities
Subsidiary	133 180	31 355	48 847	3 025
Management of the Company	1	-	-	-
<b>Total</b>	<b>133 181</b>	<b>31 355</b>	<b>48 847</b>	<b>3 025</b>

**TRANSACTION WITH RELATED PARTIES AS AT 31.12.2016 ['000 PLN]**

Related part	Sales	Sales	Receivables	Liabilities
Subsidiary	177 995	22 808	66 653	5 240
Management of the Company	39	-	-	-
<b>Total</b>	<b>178 034</b>	<b>22 808</b>	<b>66 653</b>	<b>5 240</b>

# Material post-balance sheet events

11

**14 February 2018** – the Management Board of the Company adopted a resolution regarding the establishment of a public issue programme up to the amount of PLN 400 mln or the equivalent of this amount in EUR. The bonds will be offered in a public offering which will be carried out after the approval of the prospectus by the Polish Financial Supervision Authority. The detailed terms of the bond issue will be determined prior to the issue of a given series of bonds. The company plans to introduce bonds to trading on the Catalyst regulated market which is operated by Warsaw Stock Exchange.

# Remuneration of the Management Board and Supervisory Board

12

## REMUNERATION OF THE MANAGEMENT BOARD [PLN IF NOT INDICATED]

	From Echo Investment S.A.		2017	Z Echo Investment S.A.		2016
	Basic remuneration	Bonus	for holding functions or providing services to other companies of the Group	Basic remuneration	Bonus	for holding functions or providing services to other companies of the Group
<b>Nicklas Lindberg</b> (appointed on 18.04.2016)	1 012 390	4 079 945	1 080 768 PLN 522 054 EUR	768 742	658 890	369 714 EUR
<b>Maciej Drozd</b>	979 511	2 127 660	120 000	1 097 595	440 780	401 338
<b>Piotr Gromniak</b>	240 000	97 000	769 000	618 000	829 000	135 000
<b>Artur Langner</b>	240 000	120 000	756 000	546 000	766 000	120 000
<b>Marcin Materny</b> (appointed on 15.09.2016)	240 000	83 000	629 000	60 000	-	115 500
<b>Mikołaj Martynuska</b> (appointed on 10.10.2017, resigned on 21.12.2017)	54 194	-	58 726	-	-	-
<b>Rafał Mazurczak</b> (appointed on 15.09.2016)	233 619	-	499 032	60 000	-	365 500
<b>Waldemar Lesiak</b> (resigned on 30.05.2016)	-	-	-	314 491	382 000	969 244
<b>Waldemar Olbryk</b> (appointed on 10.10.2017)	158 516	-	-	-	-	-
<b>Total</b>	<b>3 158 230</b>	<b>6 507 605</b>	<b>3 912 526 PLN 522 054 EUR</b>	<b>3 464 828</b>	<b>3 076 670</b>	<b>2 106 582 PLN 369 714 EUR</b>
<b>Total annual remuneration</b>			<b>13 578 361 PLN 522 054 EUR</b>			<b>8 648 080 PLN 369 714 EUR</b>



## THE CEO' BONUS SYSTEM

Nicklas Lindberg's management contract of 18 April 2016 provides for performance-based bonuses:

- annual performance-based bonus, paid for 2017 in the amount specified above,
- additional performance-based bonus described below.

The amount of the additional performance-based bonus depends on the increase of the share price of Echo Investment S.A. above the base value that is determined at the level of PLN 7.5 minus the cumulated amount of the dividend per share. The contract provides for bonus amount depending on the increase of the share price above the base level.

The contract was signed for 5 years and the remuneration is payable at the end of the term of the contract. According to the amendment for the agreement, in 2017 Nicklas Lindberg received and advanced payment for additional bonus remuneration amounted to PLN 3,392 thousand gross (payment was reduced by an advanced tax liability). This payment will decrease the final amount of total additional bonus payment. In addition, should the contract be terminated earlier by mutual agreement of the parties, Mr Lindberg is entitled to receive a partial bonus of 1/5 of the entire amount due to him per each year of his work. Estimation of Nicklas Lindberg's incentive program value for accounting purposes on 31 December 2017 amounts to PLN 3,684,457 and on 31 December 2016 - to PLN 3,888,193.



## REMUNERATION OF MEMBERS OF THE MANAGEMENT BOARD

Members of the Management Board receive remuneration and bonuses in accordance with the remuneration model described in the 'Work Rules of the Management Board' adopted by the Supervisory Board in a resolution of 21 March 2013. The bonus system is based on an agreement in accordance with the MBO methodology (Management by Objectives) and it is related to the company's results. Each Member of the Management Board may receive an annual bonus expressed in a multiple of the basic salary, depending on the key business objectives which he/she has an influence on in the scope of their responsibility. At the same time, all Members of the Management Board have common goals, the execution of which below the expected level will result in a reduction of the bonus. The amount of remuneration and bonuses of Management Board Members is confirmed by a resolution of the Supervisory Board every time.

In 2017, in addition to the specific objectives set for each Member of the Management Board in accordance with their scope of responsibility, the Supervisory Board established four joint objectives for the Management Board, the implementation of which will determine the amount of the bonus:

- development of a system of finishing and equipment standards for development projects,
- implementation of superior standards and safety procedures at construction sites,
- implementation of the project finishing standard and post-sales support,
- development strategy for selected multifunctional projects.

In 2017 and as at 31 December 2017, there were no agreements between the Company and its managerial staff providing for a compensation if such persons resign or are dismissed from their position without a valid reason or if they are recalled or dismissed as a result of a merger of the Company by acquisition.

## REMUNERATION OF THE SUPERVISORY BOARD [PLN]

	2017		2016	
	From Echo Investment S.A.	For holding functions or providing services to other companies of the Group	From Echo Investment S.A.	For holding functions or providing services to other companies of the Group
Karim Khairallah	-	-	-	-
Laurent Luccioni	-	-	-	-
Mark E. Abramson (appointed on 16.10.2017)	12 581	-	-	-
Maciej Dyjas	60 000	-	60 000	-
Stefan Kawalec	180 000	-	180 000	-
Przemysław Krych	58 226	-	60 000	-
Nebil Senman	60 000	-	60 000	-
Sebastian Zilles	-	-	-	-
<b>Total</b>	<b>370 807</b>	<b>-</b>	<b>360 000</b>	<b>-</b>



## REMUNERATION OF THE SUPERVISORY BOARD

The remuneration of the Supervisory Board is determined in the form of resolutions of the General Meeting of the Company's Shareholders. The resolution which is currently in force is resolution no. 6 of the General Meeting of Shareholders of 27 October 2015, which determines the amount of remuneration for Supervisory Board members as follows:

- monthly remuneration of the Chairman of the Supervisory Board - PLN 10,000 gross,
- monthly remuneration of the Deputy Chairman of the Supervisory Board - PLN 7,000 gross,
- monthly remuneration of a Member of the Supervisory Board - PLN 5,000 gross,

- additional monthly remuneration for the chairmen of the Supervisory Board committees - PLN 10,000 gross.

Members of the Supervisory Board shall also be entitled to reimbursement of costs incurred in connection with the exercise of the function, in particular - travel costs to the place of Supervisory Board meetings and back, costs of individual supervision as well as costs of accommodation and meals.

# Agreements concluded with an entity authorised to audit financial statements

13

Pursuant to §13 section 1 letter b) of the Company's Statute, the Supervisory Board of the Company chose the company entitled to audit its financial reports on July 13th, 2016 in accordance with the professional norms and regulations. It will

be Ernst & Young Audyt Polska Sp. z o. o. Sp. K. with its registered office at Rondo ONZ Street in Warsaw, entered in the list of certifying accountants under no. 130. The Supervisory Board empowered the Management Board to conclude a con-

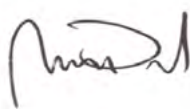
tract with EY Audyt Polska with regard to the audit of the Company's separate financial reports and consolidated financial reports of the Company's Group in the years 2016-2017.

## ERNST & YOUNG AUDYT POLSKA SP. Z O.O. SP. K. NET REMUNERATION PAID OR DUE

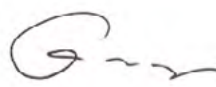
Subject	Amount [PLN]
Audit and review of the separate and consolidated financial statements for 2016	355 000
Additional review of the financial statements for the dividend purpose in 2016	60 000
Audit and review of the separate and consolidated financial statements for 2017	330 000
Additional review of the financial statements and letter of attestation in 2017	288 800



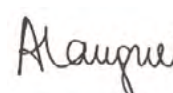
**Nicklas Lindberg**  
President of the Board,  
CEO



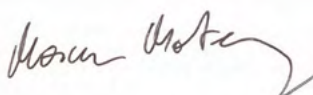
**Maciej Drozd**  
Vice-President of the Board,  
CFO



**Piotr Gromniak**  
Vice-President of the Board



**Artur Langner**  
Vice-President of the Board



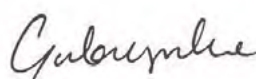
**Marcin Materny**  
Member of the Board



**Rafał Mazurczak**  
Member of the Board



**Waldemar Olbryk**  
Member of the Board



**Anna Gabryszewska-Wybraniec**  
Główny Księgowy

Kielce, 23 March, 2018



# CHAPTER 4

# STATEMENT OF THE MANAGEMENT BOARD

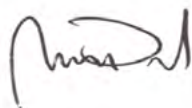


The Management Board of Echo Investment S.A. declares that, to the best of its knowledge, the annual separate financial statements for 2017 and comparative data have been presented in compliance with the applicable accounting principles, and that they reflect in a true, reliable and transparent manner the economic and financial situation of Echo Investment S.A. and its financial result. The management report of Echo Investment S.A. presents a true view of development, accomplishments and situation of Echo Investment S.A., including a description of fundamental risks and threats.

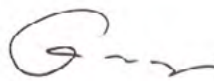
The Management Board of Echo Investment S.A. declares that the entity authorised to audit financial statements, auditing the annual financial statements for 2017, was selected in accordance with the laws. This entity and the statutory auditors conducting the audit fulfilled the conditions required to express an unbiased and independent opinion on the audited annual financial statements, pursuant to the applicable laws and professional standards.



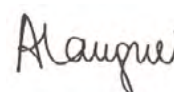
**Nicklas Lindberg**  
President of the Board,  
CEO



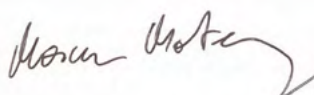
**Maciej Drozd**  
Vice-President of the Board,  
CEO



**Piotr Gromniak**  
Vice-President of the Board



**Artur Langner**  
Vice-President of the Board



**Marcin Materny**  
Member of the Board



**Rafał Mazurczak**  
Member of the Board



**Waldemar Olbryk**  
Member of the Board

Kielce, 23 March 2018

# ECHO

investment



## CONTACT

---

Echo Investment S.A.  
Warsaw office  
Q22 building  
al. Jana Pawła II 22  
00-133 Warsaw

Emil Górecki, Echo Investment's Communication and Investor Relations manager is happy to answer your questions regarding this financial statements and the Company's activity.

**Emil Górecki**  
Emil.Gorecki@echo.com.pl  
tel. +48 22 4 300 300

