

CONSOLIDATED ANNUAL REPORT OF ECHO INVESTMENT GROUP

2018



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Dear Shareholders, Partners and Clients,

Echo Investment has had another successful year with a great operational and financial results. I am pleased to provide you with this report in which we describe all activities of the company: our business achievements and development plans for the coming years.

We continue developing our real estate development business in line with our profitable growth strategy. Currently, we have projects under construction and in preparation with total usable area of c.a. 1.3 million sqm. It is nearly 20% more than at the end of 2017. Last year we handed over a number of projects with more than 160,000 sqm of residential, office and retail space - including the 150th project in our history, which was the Libero shopping centre in Katowice. In 2018, our group generated a net profit of PLN 305 million coming from our core business: construction and selling properties. The biggest impact on the result was connected with handovers of 935 apartments and the increase in the value of properties under construction: mainly the office buildings of the Warsaw Brewery complex, O3 Business Campus III in Kraków, Sagittarius and West Link in Wrocław, as well as Libero in Katowice. The results were also strengthened by our share of the increase of the value of Galeria Młociny being built in Warsaw. Thanks to such achievements, already in December last year we decided to pay our shareholders an advance dividend from the 2018 profit.

Destination projects

Our strategy to build multifunctional projects, new parts of the cities, being destinations for people to live, work and entertain, has gained momentum. Currently such projects state over 45% of our pipeline. Last year, we opened up the first two buildings of Warsaw Brewery. All other buildings of this quarter are at various stages of construction. The entire pro-

ject will be ready in the second half of 2020, when the 4.6 ha plot will turn into great urban space with over 580 apartments owned by individual clients and 450 rental apartments, office buildings with a total area of over 60,000 sqm, a great food and beverage area in the historical cellars and fully developed urban infrastructure, such as streets, public squares and green areas.

A few weeks ago we started construction of another multifunctional project similar to Warsaw Brewery. It will be Fuzja on Tymienieckiego Street in Łódź, with about 90,000 sqm of residential, office, service, entertainment and restaurant space. I am convinced that our experience and skills, the central location and post-industrial architecture of Fuzja will encourage residents of Łódź to live and spend their free time there, as well as attract companies that looks for offices in a unique environment. This place will become a significant point on the city map soon.

Together with the renowned world-famous architectural studio BIG, we are preparing for the landmark Towarowa 22 project in Warsaw. It will be a large, city-forming quarter which will combine offices, apartments, hotel, retail, services, as well as a theatre, a festival cinema or perfectly designed public space, full of greenery and places to relax. By this project we will move the actual city center into Wola and improve the quality of life for the inhabitants of Warsaw. The urban concept prepared was well-received during the international real estate fair MIPIM in Cannes. I am sure that it will be a unique project for our company, and also for Warsaw.

Residential sector

Due to the high demand on the residential market, but also the increased construction cost, last year we focused on defending our margin on the apartments

sold. We started construction of eight investments and sold 986 units. We also devoted a lot of energy to prepare new projects and acquisition of plots. Thanks to this, we will start construction and sale of projects with c.a. 2,300 apartments this year. This is a significant step to strengthen our position among the leading developers in this sector in Poland.

Thanks to the second pillar of our residential business we build apartments for rent together with a financial partner. We established the company Resi4Rent, which will be leading institutional platform of rental apartments in Poland. At present, Echo Investment is building for the company four projects with 1,200 apartments and is preparing to start within coming 12 months another 1,700 units, which will place Resi4Rent on a good way to achieve the target of 5,000 apartments under management by 2020. Already in the third and fourth quarter of 2019, Resi4Rent will start to lease and operate the first projects in Wrocław and Łódź. I am convinced that the business model of Resi4Rent responds to changing consumer preferences and new social trends, and it will allow us to be a pioneer and a leader in this market segment.

Offices

We are pleased with the excellent standing of the office sector, both in Warsaw and in regional cities. Due to the record-breaking demand for high quality space, we could start construction and lease of four investments in Warsaw, Katowice and Wrocław. In 2019, another four projects will be started in Warsaw, Łódź, Gdańsk and Wrocław. Thanks to this, we have about 100,000 sqm of space in offer, which we can quickly provide to potential clients. Last year, we signed lease agreements of around 80,000 sqm, including with such outstanding companies as WeWork, Havas Media, MasterCard and InterCars.

In line with our strategy, we sold well leased buildings West Link and Sagittarius in Wrocław and Symetris II in Łódź to institutional investors. In total, these transactions generated approximately EUR 130 million. We also signed the preliminary agreement for the sale of Gatehouse Offices - the first office building of Warsaw Brewery. Because it is ready and leased, we expect to finalise this contract soon.

Retail

Last year was also successful in the retail property sector. Just before the Christmas shopping season, we opened Libero - a modern, perfectly designed and fully leased shopping centre in the south of Katowice. This project was developed in line with the latest trends on the retail market, with a big component

of space is dedicated to food and beverage, as well as services and entertainment.

In Q2, we will open another retail project - Galeria Młociny in Warsaw. Finishing works are carried out quickly on the construction site, and our lease department finalises the last agreements. Prior to the opening, also this investment will be fully leased to attractive brands and catering operators with excellent food. The main factor behind the success of Galeria Młociny is the unique restaurant and entertainment zone, which will occupy around 20% of the space, which is 6,000 sqm on top floor of the project. This will be unique place in Poland.

Acquisition of plots and the construction market standing

Thinking about further development, since the beginning of 2018 we have bought plots of land for over 170,000 sqm of apartments and offices. We are working on further purchases, with plots for another 340,000 sqm under advanced negotiations, majority of that for residential projects.

Last year we noticed the increase of construction prices. Thanks to the packaging of orders, in-house project management, large scale of orders and standardisation, we managed to keep the costs of materials and services under control. In addition, the increase of costs was largely offset by raising residential prices and obtaining higher than expected rents in office buildings and shopping centres. In recent months, prices of construction services have stabilised, but the challenge remains to provide the construction workforce.

Financial standing

The value of our assets as at 31 December 2018 amounted to almost PLN 4 billion, out of which PLN 2 billion is the value of projects under construction. The continuing low level of indebtedness of the Echo Investment group, which at the end of 2018 amounted to 28%, creates flexibility to quickly react to opportunities that comes on the market. We have great comfort in choosing the optimal sources of financing for development. Last year, we placed PLN 240 million of bonds for individual and institutional investors.

We continue cooperation with the capital market through open communication, regular meetings, transmission of result conferences and organisation of investor chats with analysts, fund managers and individual investors. The evidence of trust in our strategy is 18 recommendations for Echo Investment's shares that have been issued since the beginning of

We continue developing our real estate development business in line with our profitable growth strategy. Currently, we have projects under construction and in preparation with total usable area of c.a. 1.3 million sqm. It is nearly 20% more than at the end of 2017. Last year we handed over a number of projects with more than 160,000 sqm of residential, office and retail space - including the 150th project in our history, which was the Libero shopping centre in Katowice.

2018, of which 12 were “buy” recommendations and 6 “hold” or “neutral”. We are also proud of market recognition for us. We received awards of the Developer of the Year in Prime Property Prize and CIJ Awards 2018, as well as The Best Office Developer of the Year by the jury of Eurobuild Awards 2018.

I encourage you to read our financial report for 2018 in details.

Yours sincerely



Nicklas Lindberg
CEO of Echo Investment

CHAPTER 1

CONSOLIDATED FINANCIAL STATEMENT OF ECHO INVESTMENT GROUP FOR 2018



CONSOLIDATED STATEMENT OF FINANCIAL POSITION [PLN '000]

	NOTE	As at 31.12.2018	As at 31.12.2017 - restated	As at 01.01.2017 - restated
ASSETS				
Non-current assets				
Intangible assets	2	2 468	242	295
Property, plant and equipment	3	8 938	11 162	8 672
Investment property	4	1 007 716	6 117	248 037
Investment property under construction	5	940 427	1 281 230	539 797
Investment in associates and joint ventures	27	258 531	215 891	564 363
Long-term financial assets	8	84 590	86 560	78 692
Deferred tax asset	29	52 493	64 714	91 810
		2 355 163	1 665 916	1 531 666
Current assets				
Inventory	9	771 836	656 005	651 899
Current tax assets		3 381	3 426	736
Other taxes receivable	10	87 177	58 192	20 403
Trade and other receivables	10	211 142	292 406	270 443
Short-term financial assets	8	42 190	80 247	24 544
Derivative financial instruments	13	-	2 410	154
Restricted cash	14	54 719	54 766	27 070
Cash and cash equivalents	14	439 532	676 334	636 359
		1 609 977	1 823 786	1 631 608
Assets held for sale	6	13 500	119 985	198 166
Financial assets held for sale	28	-	243 273	-
Total assets		3 978 640	3 852 960	3 361 440

CONSOLIDATED STATEMENT OF FINANCIAL POSITION CONT. [PLN '000]

	NOTE	As at 31.12.2018	As at 31.12.2017 - restated	As at 01.01.2017 - restated
EQUITY AND LIABILITIES				
Equity				
Equity attributable to equity holders of the parent		1 495 573	1 590 010	1 535 309
Share capital	15	20 635	20 635	20 635
Supplementary capital	15	1 420 922	1 192 117	1 128 096
Revaluation capital	28	-	(49 676)	-
Retained earnings		45 543	437 410	394 760
Foreign currency translation reserve		8 473	(10 476)	(8 182)
Non-controlling interest		(114)	(107)	(100)
		1 495 459	1 589 903	1 535 209
Provisions				
Long-term provisions	16	125 559	85 028	68 522
Short-term provisions	16	135 988	141 963	75 333
Deferred tax liabilities	29	111 303	49 723	41 873
		372 850	276 714	185 728
Long-term liabilities				
Debt liabilities	17	1 149 693	1 026 830	760 981
Derivative financial instruments	18	28 089	-	39
Deferred income	9, 19	57 851	16 073	9 331
		1 235 633	1 042 903	770 351
Short-term liabilities				
Debt liabilities	17	280 729	528 939	220 940
Income tax payable		8 859	7 500	2 338
Other taxes liabilities	18	8 400	35 404	245 225
Trade payable	18	234 623	179 252	163 930
Dividend liabilities	18	-	-	66 030
Other liabilities	18	78 590	138 079	80 019
Deferred income	9, 19	263 497	54 266	75 329
		874 698	943 440	853 811
Liabilities directly associated with assets classified as held for sale		-	-	16 341
Total equity and liabilities		3 978 640	3 852 960	3 361 440
Book value		1 495 573	1 590 010	1 535 309
Number of shares		412 690 582	412 690 582	412 690 582
Book value per one share (in PLN)		3,62	3,85	3,72

CONSOLIDATED PROFIT AND LOSS ACCOUNT [PLN '000]

	NOTE	01.01.2018 - 31.12.2018	01.01.2017 - 31.12.2017 - restated
Revenues	19	713 035	640 985
Cost of sales	20	(578 102)	(490 514)
Gross profit		134 933	150 471
Profit on investment property	21	423 387	233 497
Administrative costs associated with project implementation		(36 599)	(34 822)
Selling expenses		(28 361)	(27 973)
General and administrative expenses		(94 013)	(85 880)
Other operating income	22	49 023	87 516
Other operating expenses	23	(43 916)	(46 980)
Operating profit		404 454	275 829
Financial income	24	41 736	144 641
Financial cost	25	(62 907)	(100 549)
Profit (loss) on FX derivatives	13	(3 795)	4 025
Foreign exchange gains (losses)	26	10 066	(6 869)
Share of profit (loss) of associates and joint ventures	27	34 858	47 322
Profit (loss) before tax		424 412	364 399
Income tax	30	(119 061)	(51 390)
current tax		(45 260)	(16 444)
deferred tax	29	(73 801)	(34 946)
Net profit, including:		305 351	313 009
Equity holders of the parent		305 358	313 016
Non-controlling interest		(7)	(7)
Equity holders of the parent		305 358	313 016
Weighted average number of ordinary shares (in '000) without shares held		412 691	412 691
Profit (loss) per one ordinary share (in PLN)		0,74	0,76
Diluted profit (loss) per one ordinary share (PLN)		0,74	0,76

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME [PLN '000]

	NOTE	01.01.2018 - 31.12.2018	01.01.2017 - 31.12.2017 - restated
Profit for the year		305 351	313 009
Other comprehensive income:			
exchange differences on translation of foreign operations		18 949	(2 294)
revaluation gains	28	(6 054)	(49 676)
Other comprehensive income for the year, net of tax		12 895	(51 970)
Total comprehensive income for the year, including:		318 246	261 039
Comprehensive income attributable to shareholders of the parent company		318 253	261 046
Comprehensive income attributable to non-controlling interest		(7)	(7)

STATEMENT OF CHANGES IN EQUITY [PLN '000]

	Share Capital	Supplementary capital	Revaluation capital	Accumulated retained earnings	Currency translation differences	Equity attributable to equity holders of the parent	Capital of non-controlling interests	Equity total
For the period from 1 January 2018 to 31 December 2018								
Opening balance	20 635	1 192 117	(49 676)	435 150	(10 476)	1 587 750	(107)	1 587 643
Changes in accounting principles				2 260		2 260		2 260
Opening balance, with restated figures	20 635	1 192 117	(49 676)	437 410	(10 476)	1 590 010	(107)	1 589 903
Distribution of previous years' profit/loss	-	228 805	-	(228 805)	-	-	-	-
Dividend paid	-	-	-	(412 690)	-	(412 690)	-	(412 690)
Other comprehensive income	-	-	-	-	18 949	18 949	-	18 949
Results of financial investment's revaluation (EPP shares)	-	-	(6 054)	-	-	(6 054)	-	(6 054)
Results of financial investment's saler (EPP shares)	-	-	55 730	(55 730)	-	-	-	-
Profit (loss) for the period	-	-	-	305 358	-	305 358	(7)	305 351
Closing balance	20 635	1 420 922	-	45 543	8 473	1 495 573	(114)	1 495 459
For the period from 1 January 2017 to 31 December 2017								
Opening balance	20 635	1 128 096	-	393 345	(8 182)	1 533 894	(100)	1 533 794
Changes in accounting principles				1 415		1 415		1 415
Opening balance, with restated figures	20 635	1 128 096	-	394 760	(8 182)	1 535 309	(100)	1 535 209
Distribution of previous years' profit/loss	-	270 366	-	(270 366)	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	-
Dividend approved	-	(206 345)	-	-	-	(206 345)	-	(206 345)
Other comprehensive net income	-	-	-	-	(2 294)	(2 294)	-	(2 294)
Results of financial investment's revaluation (EPP shares)	-	-	(49 676)	-	-	(49 676)	-	(49 676)
Net profit (loss) for the period	-	-	-	313 016	-	313 016	(7)	313 009
Closing balance	20 635	1 192 117	(49 676)	437 410	(10 476)	1 590 010	(107)	1 589 903

CONSOLIDATED CASH FLOW STATEMENT [PLN '000]

	NOTE	01.01.2018 - 31.12.2018	01.01.2017 - 31.12.2017 - restated
Operating cash flow – indirect method			
I. Profit (loss) before tax		424 412	364 399
II. Total adjustments			
Share in net (profit) loss of associates and joint ventures		(34 858)	(47 322)
Depreciation of PP&E		3 489	2 829
Foreign exchange (gains) losses		8 130	1 104
Interest and profit sharing (dividends)		27 490	21 264
(Profit) loss on revaluation of assets and liabilities		(495 877)	(433 942)
(Profit) loss on revaluation of assets and liabilities		1 038	(1 667)
		(490 588)	(457 734)
III. Changes in working capital			
Change in provisions		34 555	66 795
Change in inventories		(67 889)	(37 701)
Change in receivables		55 698	3 477
Change in short-term liabilities, except for loans and borrowings	33	229 905	(173 694)
Change in restricted cash		47	(27 696)
		252 316	(168 819)
IV. Net cash generated from operating activities (I+II+III)		186 140	(262 154)
Income tax paid		(43 857)	(13 970)
V. Net cash generated from operating activities		142 283	(276 124)
B. Cash flows from investing activities			
I. Inflows			
Disposal of intangible assets and tangible fixed assets		950	443
Sale of investments in property	32	359 773	508 621
From borrowings and financial investments		136 192	188 703
Dividend of associates and joint ventures		-	12 173
Sale of investments		237 219	-
		734 134	709 940
II. Outflows			
Purchase of intangible assets and PP&E		(4 500)	(5 270)
Investment in property		(688 879)	(523 608)
On loans and financial investments		(79 675)	(227 306)
		(773 054)	(756 184)
III. Net cash flow from investing activities (I+II)		(38 920)	(46 243)

CONSOLIDATED CASH FLOW STATEMENT CONT. [PLN '000]

	NOTE	01.01.2018 - 31.12.2018	01.01.2017 - 31.12.2017 - restated
C. Cash flow from financing activities	33		
I. Inflows			
Loans and borrowings		558 228	500 222
Issue of debt securities	17	240 000	722 008
		798 228	1 222 230
II. Outflows			
Dividends and other payments to equity holders		(412 691)	(272 375)
Repayment of loans and borrowings		(262 156)	(318 393)
Redemption of debt securities	17	(402 900)	(207 100)
Due to FX derivatives		(1 038)	-
Interest paid		(59 608)	(62 020)
		(1 138 393)	(859 888)
III. Net cash flow from financing activities (I+II)		(340 165)	362 342
D. Total net cash flows (A.III+B.III+C.III)		(236 802)	39 975
E. Change in the balance of cash in consolidated statement of financial position, including:		(236 802)	39 975
change in cash due to foreign exchange gains/losses		-	-
F. Cash and cash equivalents at the beginning of the period		676 334	636 359
G. Cash and cash equivalents at the end of the period (F+D)		439 532	676 334

CHAPTER 2

EXPLANATORY NOTES



Explanatory notes to the consolidated financial statement

NOTE 1

OFF-BALANCE SHEET ITEMS [PLN '000]

	31.12.2018	31.12.2017
Contingent liabilities for other parties:		
due to guarantees and sureties granted	1 231 418	1 014 508
due to court proceedings	100	181
Total contingent liabilities	1 231 518	1 014 689

Contingent liabilities are presented at a nominal value. The Company believes that the fair value of guarantees and warranties is close to zero, due to their low risk of realization. Detailed description of off-balance sheet items is presented as a following table.

SURETY AGREEMENTS BY ECHO INVESTMENT GROUP AS AT 31.12.2018 [PLN '000]

For	Value	Validity	Description
Bletwood Investments Sp. z o.o.	1 446	Entire validity period of the lease and three months following its termination date	Surety for liabilities of CogI II Poland Limited Sp. z o.o. as a collateral of liabilities resulting from the lease agreement of 06.11.2015. Issued in EUR.
HPO AEP Sp. z o.o. Sp.J.	10 750	Until the date of issuance of the occupancy permit for the projects but no later than 07.12.2031.	Surety for liabilities of Echo - Browary Warszawskie Sp. z o.o. Sp.K. and Dellia Investments - Projekt Echo - 115 Sp. z o.o. Sp. K. j as a collateral of liabilities resulting from the lease agreement of 07.12.2016. Mutual surety issued in EUR.
Human Office Polska Sp. z o.o.	100	Until the expiry of obligations under leasing agreement	Surety for liabilities of Sagittarius - Projekt Echo - 113 Sp. z o.o. Sp.K. resulting from the leasing agreement
Total	12 296		

GUARANTEE AGREEMENTS ISSUED BY ECHO INVESTMENT GROUP AS AT 31.12.2018 [PLN '000]

Guarantor	For	Value	Validity	Description
Echo Investment S.A.	Horta Sp. z o.o.	21 500	until 02.07.2020	Performance bond for the final sale agreement of the Aquarius Business House I office building in Wrocław. Issued in EUR.
Echo Investment S.A.	Skua Sp. z o.o.	25 800	until 30.07.2021	Performance bond for the final sale agreement of the Aquarius Business House II office building in Wrocław. Issued in EUR.
Echo Investment S.A. / Santander Bank Polska S.A.	State Treasury	45 466	until 22.05.2019	Surety bond for liabilities of Outlet Park - Projekt Echo - 126 Sp. z o.o. Sp.K.
Echo Investment S.A. / Santander Bank Polska S.A.	State Treasury	4 550	until 20.06.2019	Surety bond for liabilities of Outlet Park - Projekt Echo - 126 Sp. z o.o. Sp.K.
Q22 - Projekt Echo 128 Sp. z o.o. Sp.K. / Echo Investment S.A.	IREEF - Stryków Propco Sp. z o.o.	420 000	until 15.12.2019	Construction work quality guarantee related to the Q22 office building in Warsaw.
Santander Bank Polska S.A.	City of Katowice	2 676	until 31.01.2019	Performance bond for liabilities of Galeria Libero - Projekt Echo - 120 Sp. z o.o. Sp.k. resulting from the agreement of 16.06.2016 on a road construction project.
BGŻ BNP Paribas S.A.	City of Katowice	2 676	until 31.01.2019	Performance bond for liabilities of Galeria Libero - Projekt Echo - 120 Sp. z o.o. Sp.k. resulting from the agreement of 16.06.2016 on a road construction project.
Echo Investment S.A. / PKO BP S.A.	IREEF - Q22 Propco Sp. z o.o.	992	until 31.07.2019	Guarantee securing the execution of liabilities of Echo Investment S.A. resulting from the lease agreement of 24.10.2016. Issued in EUR
Echo - Aurus Sp. z o.o.	Echo - Park Rozwoju Sp. z o.o. Sp.K.	760	until 28.02.2027	Guarantee securing the execution of liabilities of Projekt 133 - City Space - GP Sp. z o.o. Sp.K. resulting from the lease agreement of 4.11.2016. Issued in EUR.
Echo - Aurus Sp. z o.o.	Nobilis - Projekt Echo 117 Sp. z o.o. Sp.K.	761	until 31.07.2027	Guarantee securing the execution of liabilities of Projekt 137 - City Space - GP Sp. z o.o. Sp.k. resulting from the lease agreement of 28.02.2017. Issued in EUR.

GUARANTEE AGREEMENTS ISSUED BY ECHO INVESTMENT GROUP AS AT 31.12.2018 [PLN '000]

Guarantor	For	Value	Validity	Description
Echo - Aurus Sp. z o.o.	Ventry Investments Sp. z o.o. Sp.K.	1 196	until 09.04.2027	Guarantee securing the execution of liabilities of City Space - GP Sp. z o.o. resulting from the lease agreement of 12.10.2016. Issued in EUR.
Raiffeisen Bank S.A.	Agentia Nationala de Administrare Fiscala	2 163	02.09.2019	Guarantee securing the execution of liabilities of S.C. Echo Investment Project 1 S.R.L. Issued in RON.
Echo Investment S.A.	IB 6 FIZAN / GPF 3 FIZAN	119 131	31.10.2021	Performance bond for liabilities of Rosehill Investments Sp. z o.o. resulting from the framework agreement of 31.08.2017. Issued in EUR.
Echo Investment S.A.	Santander Bank Polska S.A. / Bank BGŻ BNP Paribas S.A.	56 954	until credit conversion from construction into investment loan	Surety bond for costs overrun of the project of Galeria Libero in Katowice.
Echo Investment S.A.	Santadner Bank Polska S.A. / PKO BP S.A. / Bank Gospodarstwa Krajowego / mBank S.A.	39 990	until credit conversion from construction into investment loan	Surety bond for costs overrun of the project of Galeria Młociny in Warsaw and liabilities of Berea Sp. z o.o. resulting from the agreement on 17.10.2017. Issued in EUR.
Echo Investment S.A.	Nobilis - Projekt Echo 117 Sp. z o.o. Sp.K.	40 000	until 31.10.2026	Construction work quality guarantee related to the Nobilis office building in Wrocław.
Echo Investment S.A. / PKO BP S.A.	Novaform Polska Sp. z o.o.	4 616	until 31.05.2019	Guarantee securing the execution of liabilities of Duże Naramowice - Projekt Echo - 111 Sp. z o.o. S.K.A. resulting from the agreement of 08.01.2018.
Echo Investment S.A.	IB 14 FIZAN	88 334	until 24.05.2024	Performance bond for liabilities resulting from the final sale agreement of the West Link office building in Wrocław. Issued in EUR.
Echo - Aurus Sp. z o.o.	Sagittarius - Projekt Echo - 113 Sp. z o. o. Sp.K.	50	until 31.01.2024	Guarantee securing the execution of liabilities of Echo Investment S.A. resulting from the lease agreement of 22.06.2018. Issued in EUR
Sagittarius-Projek Echo - 113 Sp.z o.o. Sp.k. / Echo - SPV 7 Sp. z o.o. / Echo - Aurus Sp. z o.o. / PKO BP S.A.	Warburg-HiH Invest Real Estate GmbH	218 699	until 31.10.2028	Construction work quality guarantee related to the Sagittarius office building in Wrocław. The part of guarantee issued in EUR
Echo Investment S.A.	A 19 Sp. z o.o.	25 800	until contract's termination	Guarantee securing the execution of liabilities of Projekt 22 - Grupa Echo Sp. z o.o. SKA resulting from the good neighbourhood agreement of 04.07.2018. Issued in EUR
Echo-SPV 7 Sp. z o.o.	Ventry Investments Sp. z o.o. Sp.K.	42	until 90 days after contract's termination	Guarantee securing the execution of liabilities of Echo Investment S.A. resulting from the lease agreement of 24.11.2017. Issued in EUR
Echo Investment S.A.	Bank Pekao S.A.	14 147	until 30.06.2029	Cost overrun guarantee agreement regarding housing projects
SPV 7 Sp. z o.o. / Echo Investment S.A.	R4R Wrocław Kępa Sp. z o.o. / SO SPV 103 Sp. z o.o. / R4R Warszawa Browary Sp. z o.o.	82 818	until 31.07.2021	The advance payment guarantee
Total		1 219 122		
Total guarantees and sureties		1 231 418		

NOTE 2

CHANGES IN INTANGIBLE ASSETS BY TYPES [PLN '000]

For the period 01.01.2018 – 31.12.2018	Purchased permits, patents, licences and similar assets	Other intangible assets	Total intangible assets
Gross value of intangible assets at the beginning of the period	6 605	16	6 621
Change due to:			
- purchase	1 778	804	2 582
- sales	(1 093)	-	(1 093)
Gross value of intangible assets at the end of the period	7 290	820	8 110
Accumulated amortisation at the beginning of the period	(6 373)	(6)	(6 379)
Depreciation for the period due to:			
- amortisation	(346)	(15)	(361)
- sales	1 102	(4)	1 098
Accumulated amortisation at the end of the period	(5 617)	(25)	(5 642)
Net value of intangible assets at the end of the period	1 673	795	2 468

CHANGES IN INTANGIBLE ASSETS BY TYPES [PLN '000]

For the period 01.01.2017 – 31.12.2017	Purchased permits, patents, licences and similar assets	Other intangible assets	Total intangible assets
Gross value of intangible assets at the beginning of the period	6 472	16	6 488
Change due to:			
- purchase	133	-	133
Gross value of intangible assets at the end of the period	6 605	16	6 621
Accumulated amortisation at the beginning of the period	(6 190)	(3)	(6 193)
Depreciation for the period due to:			
- amortisation	(183)	(3)	(186)
Accumulated amortisation at the end of the period	(6 373)	(6)	(6 379)
Net value of intangible assets at the end of the period	232	10	242

NOTE 3

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

For the period 01.01.2018 – 31.12.2018	Own land	Buildings and structures	Technical equipment and machines	Means of transport	Other PP&E	Total PP&E
Gross value of PP&E at the beginning of the period	357	4 151	8 423	2 362	8 904	24 198
Increases, due to:						
- purchase		1 008	838	334	437	2 617
Decreases due to:						
- sale	-	-	(2 497)	-	(1 575)	(4 072)
Gross PP&E at the end of the period	357	5 159	6 764	2 696	7 766	22 743
Accumulated depreciation at the beginning of the period	(6)	(748)	(6 375)	(1 384)	(4 523)	(13 036)
Deprecation for the period:						
- depreciation	(2)	(230)	(1 126)	(457)	(1 313)	(3 128)
- correction due to sale	-	13	1 715	(343)	974	2 359
Accumulated depreciation at the end of the period	(8)	(965)	(5 786)	(2 184)	(4 862)	(13 805)
Accumulated depreciation at the end of the period	349	4 194	978	512	2 904	8 938

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

For the period 01.01.2017 – 31.12.2017	Own land	Buildings and structures	Technical equipment and machines	Means of transport	Other PP&E	Total PP&E
Gross value of PP&E at the beginning of the period	265	3 593	7 754	5 707	5 778	23 097
Increases, due to:						
- purchase	92	558	933	33	3 728	5 344
Decreases due to:						
- sale	-	-	(264)	(3 378)	(602)	(4 243)
Gross PP&E at the end of the period	357	4 151	8 423	2 362	8 904	24 198
Accumulated depreciation at the beginning of the period	(4)	(635)	(5 772)	(3 829)	(4 185)	(14 425)
Deprecation for the period:						
- depreciation	(2)	(113)	(863)	(734)	(931)	(2 643)
- correction due to sale	-	-	261	3 179	593	4 033
Accumulated depreciation at the end of the period	(6)	(748)	(6 375)	(1 384)	(4 523)	(13 036)
Accumulated depreciation at the end of the period	351	3 403	2 048	978	4 381	11 162

CHANGES IN INVESTMENT PROPERTY [PLN '000]

	31.12.2018	31.12.2017
Value at the beginning of the period	6 117	248 037
Increases due to:		
- investment properties under construction taking	993 606	-
- expenditure on investments	7 065	9 908
- revaluation of property	928	-
	1 001 599	9 908
Decreases due to:		
- sale	-	(177 964)
- revaluation of property	-	(27 717)
- FX	-	(2 253)
- taking to assets held for sale	-	(43 894)
	-	(251 828)
Value of property investments at the end of the period	1 007 716	6 117

Increasing the value of the investment property in the amount of PLN 993,606 thousand is related to the completion of the projects: O3 Business Campus phase III in Kraków (PLN 142,632 thousand), Galeria Libero in Katowice (PLN 587,501 thousand), Gatehouse Offices (Brewery J) in Warsaw (PLN 263,473 thousand).

The total value of investment properties as at 31 December 2018 includes also land properties located in Radom, Zabrze and Pamiątkowo (near Poznań).

The Group evaluates its investment properties at fair value at the end of each period.

CHANGES IN INVESTMENT PROPERTY UNDER CONSTRUCTION [PLN '000]

	31.12.2018	31.12.2017
Value at the beginning of the period - restated figures	1 281 230	539 797
Increases due to:		
- purchase	118 366	256 475
- expenditure on investments	528 649	270 729
- revaluation of property	506 930	364 113
- movement from inventory	-	90 997
	1 153 945	982 314
Decrease due to:		
- movement to investment properties	(993 606)	-
- sale	(120 222)	(150 272)
- revaluation of property	-	(5 466)
- movement to inventory	(34 536)	(62 645)
- movement to assets held for sale	(346 384)	(22 498)
	(1 494 748)	(240 881)
Value of property under construction at the end of the period	940 427	1 281 230

Expenses incurred for project construction concerned the projects located in Gdańsk, Kraków, Katowice, Łódź and Warsaw.

The Group purchased land in Kraków (value of PLN 95,906 thousand), Katowice (value of PLN 11,000 thousand) and Warsaw (value of PLN 11,460 thousand), on which office projects will be built.

Due to the fulfilment of the conditions enabling the fair value valuation of the investment property under construction, the Group recognised the result from the first update of the value of the office buildings: O3 Business Campus phase III (PLN 65,550 thousand), Moje Miejsce phase I (PLN 36,047 thousand), Face2Face (PLN 19,882 thousand) and Villa Offices and Malthouse Offices (Brewery K, G, H) (PLN 143,226). In addition, in 2018 the Group updated the fair value of the office buildings: Sagittarius Business House in Wrocław (PLN 48,841 thousand), West Link in Wrocław (PLN 5,692 thousand), Gatehouse Offices in Warsaw (Brewery J) (PLN 95,853 thousand), Symetris Business Park, phase II in Łódź (PLN 4,551 thousand) and the shopping centre Libero in Katowice (PLN 87,345 thousand). Valuation profit was decreased by PLN 130,239 thousand of future costs of rental guarantees and profit share.

On 25 May 2018, the companies of the Group concluded a final agreement for the sale of 100% shares in the subsidiary West Gate II - Projekt Echo - 114 Sp.

z o.o. Sp.K. being the owner of the property located in Wrocław, where the West Link office building is located. The fair value of the property as at the day of the sale amounted to PLN 119,508 thousand.

Details regarding the sale of the property in 2018 are described in note 32.

As a result of obtaining the occupancy permit, the Group decreased the value of investment properties under construction by PLN 993,606 thousand and classified the following projects as investment property: O3 Business Campus phase III in Kraków amounted to PLN 142,632 thousand, Libero in Katowice amounted to PLN 577,501 thousand, Gatehouse Offices (Brewery J) in Warsaw amounted to PLN 263,473 thousand (note 4).

In 2018, due to the intention to sell within 12 months, the Group reduced the value of investment properties under construction, by transferring to assets held for sale projects with a total value of PLN 346,384 thousand, including the office buildings commissioned: Sagittarius Business House in Wrocław and Symetris II in Łódź (note 6).

As at 31 December 2018, the Group presented investment properties under construction with a total value of PLN 945,436 thousand. The closing balance of the reporting period consists of office projects including: Moje Miejsce (Beethovena) phases I and II in

Warsaw, Villa Offices and Malthouse Offices (Brewery phases K, G, H) in Warsaw, Face 2 Face phases I and II in Katowice as well as other office projects under construction.

On the fair value hierarchy, investment properties under construction are classified at level 3.

In accordance with IAS 23, the Group activates the part of financial costs which are directly related to the acquisition and production of property components recognized as investment properties under construction. In the case of tied financing, incurred for the implementation of the project, the amount of financial costs reduced by the revenue obtained

from temporary depositing of cash (i.e. the amount of interest on bank deposits with the exception of deposits resulting from blocking of accounts, letters of credit agreements) is activated. In the case of general financing, the financing costs subject to capitalisation are determined according to the weighted average value of all borrowing costs (capitalisation rate) in relation to the expenditures incurred for a given component of assets.

The activated amount of borrowing costs for investment property under construction in 2018 was PLN 1,590 thousand (capitalisation rate 3.66%) while in 2017 it was PLN 1,590 thousand (capitalisation rate of 3.76%).

NOTE 6

CHANGES IN ASSETS HELD FOR SALE [PLN '000]

	31.12.2018	31.12.2017
Value at the beginning of the period	119 985	198 166
Increases due to:		
- investment properties under construction taking	346 384	22 498
- investment properties taking	-	43 894
- inventory taking	-	4 564
- expenditure on investments	11 713	9 746
	358 097	80 702
Decreases due to:		
- inventory taking	(13 404)	-
- revaluation of property	(12 116)	-
- sale	(438 641)	(156 944)
- FX changes	(421)	(1 939)
	(464 582)	(158 883)
Assets held for sale at the end of the period	13 500	119 985

In 2018, due to the intention to sell within 12 months, the Group increased its assets held for sale by transferring commissioned projects Sagittarius Business House in Wrocław and Symetris II in Łódź, with a total value of PLN 346 384 thousand (note 5).

The decrease in assets held for sale is related to the sale: Saigittarius amounted to PLN 276,449 thousand, Symetris phase II amounted to PLN 68,134, real estate in Brasov (Romania) worth PLN 29,029 thousand, real estate in Budapest (Hungary) worth PLN 30,531 thousand, land property in Warsaw on ul. Taśmowa

amounted to PLN 22,498 thousand and land property in Słupsk amounted PLN 12,000 thousand.

Details regarding the sale of properties in 2018 are described in note 32.

As at 31 December 2018, in the item "assets held for sale", the Group recognised land property located in Koszalin in the amount of PLN 13,500 thousand. In the fair value hierarchy for investment properties classified as held for sale, the Group assigned level 3.

NOTE 7

**AMOUNTS REGARDING PROPERTIES INCLUDED IN PROFIT AND LOSS ACCOUNT
[PLN '000]**

	31.12.2018	31.12.2017
Rental income from investment property	28 588	8 735
Direct operating costs (including repair and maintenance costs) related to investment property which generated rental income in a given period	(12 594)	(5 395)

NOTE 8

FINZNCIAL ASSETS [PLN '000]

	31.12.2018	31.12.2017
long-term loans granted (with interests)	82 275	84 315
short-term loans granted (with interests)	42 190	79 760
long-term sureties	2 315	2 245
other securities	-	487
Assets at the end of the period	126 780	166 807
long-term	84 590	86 560
short-term	42 190	80 247

The loans were granted to legal entities and natural persons in PLN, with an interest rate of WIBOR + margin and in EUR – with a fixed interest rate.

As at the balance sheet date, loans with a total value of PLN 114.4 million (converted into PLN) were granted to entities accounted for using the equity method. The loan in the amount of PLN 9 million was granted to the affiliated entity unconsolidated by the full method. The carrying amount of other loans to natural persons and legal persons is PLN 1.1 million. The maximum value of the credit risk associated with the loans is equal to their carrying value.

The Management Board of the Company actively monitors debtors and assesses the ability of them to meet their loan obligations. In particular, it is possible in the case of loans granted to affiliated entities, what enables the Group to assess and identify loans for which the credit risk has significantly increased. The Management Board of the Company did not find such loans. The Management Board assessed the loans with respect to write-offs due to expected credit losses and assessed such a write-off as unimportant. The estimated fair value of loans granted is approximately equal to their carrying amount.

INVENTORY [PLN '000]

	31.12.2018	31.12.2017 - restated
Semi-finished products and work-in-progress	747 549	562 939
Finished products	18 457	87 064
Goods	5 830	6 003
Total inventory	771 836	656 005

The 'finished goods' item includes completed housing units earmarked for sale. The 'half-finished goods and goods in progress' item mostly includes properties held by the Group and the expenditure on housing projects under preparation and under construction. The remaining value of the item relates to the outlays incurred for providing fit-out services.

The 'goods' item includes land earmarked for sale.

Inventories are valued no higher than their feasible net sales value. This value is based on information from the active market. Reversal of inventory write-downs occurs in connection with inventory sales with a price above the item current net value. The amount of inventory write-downs recognized as a cost in the period and reversals of inventory write-downs in the period decreasing the value of inventories in the period as a cost reduction are included in the 'cost of sales' item in the income statement.

In accordance with IAS 23, the Group activates the portion of financial costs directly related to the acquisition and production of assets presented as inventories. The activation concerns the amount of financial expenses determined using the effective interest rate reduced by the income from the temporary placement of cash (i.e. the interest on bank deposits, except for deposits resulting from blockades of accounts or letters of credit) in the case of targeted financing contracted for a given construction project. In the case of general financing, the overall financing costs subject to capitalization are determined by applying the capitalization rate to the expenditure incurred for a given asset.

The activated amount of borrowing costs for inventories in 2018 amounted to PLN 2,189 thousand (capitalisation rate of 3.66%) whereas in 2017 it amounted to PLN 1,020 thousand (capitalisation rate of 3.76%). Payments on apartments received from clients are related to 'inventory' item and they are presented in item 'deferred income' and 'other liabilities'.

The amounts of payments released from escrow accounts are presented in the balance sheet item "deferred income".

Payments received from residential clients are related to 'inventory' item and they are presented in 'deferred income' and 'other liabilities' items.

As at 31 December 2018, the amount of payments released was PLN 321,348 thousand, including long-term PLN 57,851 thousand. As at 31 December 2017, it was PLN 70,339 thousand. PLN, including long-term - PLN 16,073 thousand).

Due to the advance payments related to R4R (i.e. PLN 106,950 thousand), as well as the significant sale of apartments, the balance of "revenue from future periods" increased significantly in 2018. Information on this subject can be found in note no. 19.

Amounts blocked on escrow accounts are presented in the balance sheet item "remaining liabilities".

As at 31 December 2018, the amount of blocked payments on escrow accounts amounted to PLN 50,538 thousand, including long-term PLN 10,416 thousand. As at 31 December 2017 it amounted to PLN 52,890 thousand.

INVENTORIES - IMPACT ON PROFIT/LOSS [PLN '000]

	31.12.2018	31.12.2017 - restated
Amount of inventories recognised as an expense in the period	(539 378)	(485 625)
Impairment losses on inventories recognised in the period as cost	(4 068)	(6 449)
Reversal of impairment losses which decreases the value of inventories recognised in the period as income	10 843	22 663

Inventory write-downs and reversals refer to residential projects included in the 'finished goods' and 'goods' items presented in Note 10 and they are intended to write down the value to the level of the feasible price.

The change in inventory write-down is presented in the income statement as 'cost of sales' and in 2018 it

amounted to PLN 6,775 thousand (in 2017 it amounted to PLN 16,214 thousand).

The reversal of write-downs in 2018 concerned mainly residential projects located in Wrocław (Grotta-Roweckiego) and Warsaw (Las Młociński), in relation to the sale transaction concluded.

NOTE 10

SHORT-TERM RECEIVABLES [PLN '000]

	31.12.2018	31.12.2017
Trade receivables		
- up to 12 months	85 944	80 646
- over 12 months	-	4
Total financial assets	85 944	80 650
Receivables related to sale of EPP's shares	75 230	142 326
Receivables related to sale of Q22 office building	4 520	24 850
Receivables related to sale of shares (Nobilis)	4 052	2 095
Other receivables	25 609	36 623
Prepayments	15 787	5 862
Total non-financial assets	125 198	211 756
Receivables due to VAT tax	85 733	58 192
Receivables due to other taxes	1 444	-
Total receivables due to taxes	87 177	58 192
Total net short-term receivables	298 319	350 598
- impairment losses on receivables	4 141	2 480
Total gross-short-term receivables	302 460	353 078

Receivables on account of deliveries and services result from provided development services, fit-out services, rental of commercial and residential space, and other. A detailed description of the services provided by the Group's companies can be found in note 19.

The company controls the condition and payment capacity of its counterparties on an ongoing basis.

There is no significant risk concentration in relation to any of the clients of the Echo Investment Group. As at 31 December 2018, the Group estimated the value of impairment losses on trade receivables based on a provision matrix based on historical data regarding the repayment of receivables by counterparties.

The item "receivables related to the sale of EPP's shares" shows unpaid as of the balance sheet date part of the receivables from the sale of shares of EPP N.V., which as at the balance sheet date amounted to PLN 75,230 thousand. As at the balance sheet day the receivable was settled.

The maximum value of credit risk related to trade receivables does not significantly differ from the carrying amount. The estimated fair value of trade receivables is the current value of future expected discounted cash flows and does not deviate significantly from the balance sheet value of these receivables.

NOTE 11

**CHANGE IN IMPAIRMENT LOSSES ON SHORT-TERM RECEIVABLES
[PLN '000]**

	31.12.2018	31.12.2017
Opening balance	2 480	3 228
Increase due to:		
- establishment of an impairment loss	2 296	289
	2 296	289
Decrease due to:		
- reversal of a provision	(619)	(403)
- discontinuance of enforcement proceedings	(16)	(432)
- sale of entities		(202)
	(635)	(1 037)
Impairment losses on short-term receivables at the end of the period	4 141	2 480

The Group estimated the value of impairment for trade receivables based on a provision matrix based on historical data regarding the repayment of receiv-

ables by counterparties. The matrix has been presented in the chapter on financial risk management in the part concerning credit risk.

NOTE 12

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

	31.12.2018	31.12.2017
up to 1 month	16 621	8 243
between 1 month and 3 months	4 691	3 285
between 3 months and 6 months	10 266	1 296
between 6 months and 1 year	2 557	407
over 12 months	1 393	2 355
Total (gross) overdue trade receivables	35 528	15 586
write-downs on trade receivables	(4 141)	(2 480)
Total (net) overdue trade receivables	31 387	13 106

NOTE 13

FINANCIAL INSTRUMENTS – ASSETS [PLN ‘000]

	31.12.2018	31.12.2017
Interest Rate Swap	-	70
FX forwards	-	2 340
Total financial investments in derivatives	-	2 410
With maturities:		
- up to 1 year	-	2 378
- from 1 to 3 years	-	32

PROFIT (LOSS) ON FX DERIVATIVES [PLN ‘000]

	1.01.2018- 31.12.2018	1.01.2017- 31.12.2017
- profit/loss on settlement of forwards	(1 038)	1 667
- income/costs due to revaluation of forwards	(2 757)	2 358
Total profit (loss) on FX derivatives	(3 795)	4 025

NOTE 14

CASH – FINANCIAL ASSETS [PLN ‘000]

	31.12.2018	31.12.2017
Cash in hand and at bank	494 251	731 100
Total cash and other monetary assets	494 251	731 100
Including restricted cash:		
- securing the repayment of interest and principal instalments	500	508
- securing the refund of security deposit	3 680	21
- proceeds from residential customers on escrow accounts released by the bank in the course of the progress of investment	50 539	54 237
	54 719	54 766

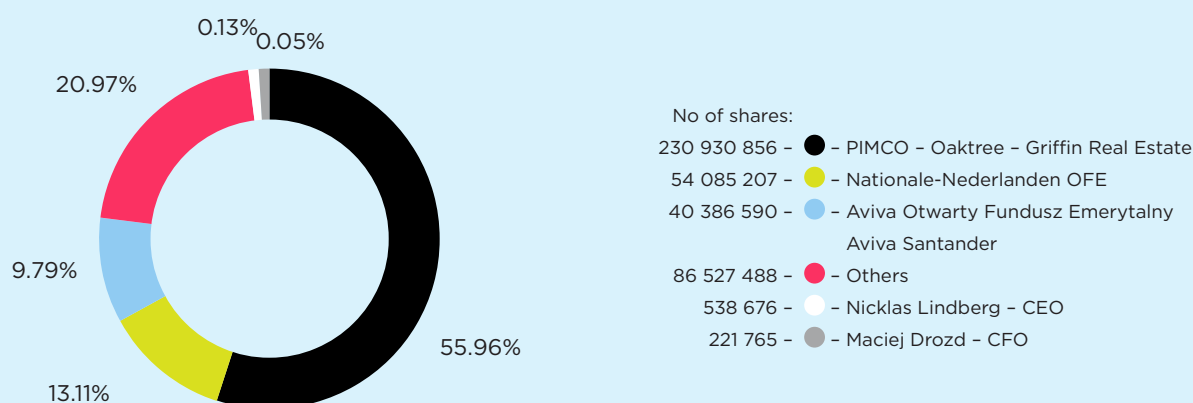
The Group deposits its cash surplus with PKO BP S.A., Alior Bank S.A., Santander Bank Polska S.A. and DNB Nord Polska S.A.

The maximum credit risk of cash is equivalent to the carrying amount of cash.

SHAREHOLDERS OF ECHO INVESTMENT S.A. HOLDING AT LEAST 5% OF SHARE CAPITAL AS AT 31 DECEMBER 2018

Shareholder	No of shares and votes	% of share capital	% VOTES ON GMS
Oaktree-PIMCO-Griffin Real Estate (through Lisala Sp. z o. o.)	230 930 856	55,96	55,96
Nationale Nederlanden OFE	54 085 207	13,11	13,11
Aviva OFE Aviva Santander	40 386 590	9,79	9,79
Nicklas Lindberg - CEO	538 676	0,13	0,13
Maciej Drozd - CFO	221 765	0,05	0,05
Others	86 527 488	20,97	20,97
Total	412 690 582	100,00	100,00

SHAREHOLDERS OF ECHO INVESTMENT S.A. AS AT 31 DECEMBER 2018



DESCRIPTION OF SHARES

The share capital of Echo Investment S.A. is divided into 412,690,582 ordinary bearer shares of A, B, C, D, E and F series. None of the shares has limited rights. The Company's share capital, i.e. the nominal value of all the shares, amounts to PLN 20,635, and it was paid in cash. The nominal value of one share is PLN 0.05. The number of shares equals the number of votes at the General Meeting of Shareholders.

The securities issued by Echo Investment S.A. do not provide their owners with any special controlling powers. Echo Investment S.A. does not have any information on limitations in exercising the voting right or transferring ownership rights by owners of its securities.

SHAREHOLDING STRUCTURE

The PIMCO - Oaktree - Griffin Real Estate consortium remains the major shareholder of Echo Investment S.A. through Lisala sp. z o.o. which is an entity directly controlled by Echo Partners B.V.

Data concerning the shareholding structure as at 31 December 2018 result from information about ownership of shares published by Open Pension Funds and notifications sent to the Company by members of the Management Board.

SUPPLEMENTARY CAPITAL [PLN '000]

	31.12.2018	31.12.2017
From share premium	100 748	100 943
Created out of profits	993 865	1 041 961
Reserve fund	326 309	49 213
Total	1 420 922	1 192 117

Net profit of Echo Investment S.A. for 2017 amounting to PLN 632,496 thousand, according to the resolution of the General Meeting of Shareholders on 25 April, 2018 was divided as following:

- PLN 206,345 thousand was divided among all the shareholders of the Company
- PLN 213,075 thousand was allocated to the Company's Dividend Fund;
- PLN 213,076 thousand was allocated to the Company's supplementary capital.

The Management Board of Echo Investment adopted on November 8, 2018 a resolution on conditional payment of the advance payment for the dividend for the accounting year 2018 to its shareholders, amounting to PLN 206,345 thousand.

Net profit of Echo Investment for 2018 is proposed partially to be distributed to the shareholders.

BOOK VALUE PER SHARE

	31.12.2018	31.12.2017
Equity attributable to equity holders of the parent entity [PLN '000]	1 495 573	1 590 010
Number of shares (in thous. pieces)	412 691	412 691
Book value per share (in PLN)	3,62	3,85
Diluted number of shares	412 691	412 691
Diluted book value per share	3,62	3,85

EARNINGS PER SHARE

	1.01.2018- 31.12.2018	1.01.2017- 31.12.2017
Profit (loss) attributable to the parent entity's shareholders [PLN '000]	305 358	313 016
Weighted average number of ordinary shares (in thousands)	412 691	412 691
Basic profit (loss) per ordinary share (in PLN)	0,74	0,76
Profit (loss) attributable to the parent entity's shareholders [PLN '000]	305 358	313 016
Weighted average diluted number of ordinary shares (in thousands)	412 691	412 691
Diluted profit (loss) per ordinary share (in PLN)	0,74	0,76

In 2018 and 2017 the Company did not use diluting instruments.

CHANGE IN PROVISIONS [PLN '000]

	31.12.2018	31.12.2017
Opening balance		
provisions on expected costs of general administrative (audit, bonuses, leave of absence, etc.)	6	23
provision for estimated penalties and losses	36 920	23 924
provision for estimated costs of warranty repairs, etc.	2 066	2 066
provision for liabilities related to investment projects	4 695	-
provision for master lease	127 080	102 215
provision for profit share	49 187	15 627
provision for fit-out works	5 743	-
provision for final settlement of sale price of investment property	1 294	-
	226 991	143 855
Increases due to:		
provisions on expected costs of general administrative (audit, bonuses, leave of absence, etc.)	4 382	6
provision for estimated penalties and losses	10 595	15 761
provision for estimated costs of warranty repairs, etc.	200	-
provision for court proceedings	6 126	-
provision for liabilities related to investment projects	10 192	5 444
provision for master lease	89 237	101 667
provision for profit share	49 839	61 754
provision for fit-out works	8 414	6 504
provision for final settlement of sale price of investment property	-	1 294
	178 985	192 430
Utilization due to:		
incurred costs of general administrative	(6)	(23)
incurred penalties and losses	(31 548)	(2 765)
incurred costs of warranty repairs, etc.	(2 207)	-
provision for liabilities related to investment projects	(6 134)	(749)
provision for master lease	(96 404)	(76 802)
provision for profit share	(1 583)	(28 194)
provision for fit-out works	(6 547)	(761)
	(144 429)	(109 294)
Closing balance		
provisions on expected costs of general administrative (audit, bonuses, leave of absence, etc.)	4 382	6
provision for estimated penalties and losses	15 967	36 920
provision for estimated costs of warranty repairs, etc.	59	2 066
provision for court proceedings	6 126	-
provision for liabilities related to investment projects	8 753	4 695
provision for master lease	119 913	127 080
provision for profit share	97 443	49 187
provision for fit-out works	7 610	5 743
provision for final settlement of sale price of investment property	1 294	1 294
	261 547	226 991
including:		
Long-term provisions	125 559	85 028
Short-term provisions	135 988	141 963

Reserves for securing rent-free periods (master lease) in the amount of PLN 46,067 thousand were used in the reporting period. They were related to the office buildings sold in 2016: Q22 in Warsaw, Symetris Business Park phase I in Łódź, O3 Business Campus phase I in Kraków and Tryton Business House in Gdańsk.

Furthermore, in the reporting period there were used reserves for securing rent-free periods (master lease) in the amount of PLN 5,299 thousand related to the office buildings sold in 2017: A4 Business Park phase III, Nobilis Business House in Wrocław and in the amount of PLN 1,404 thousand related to the office building sold in 2018. i.e. Sagittarius in Wrocław.

Reserves for rent guarantees and the profit sharing obligation have been divided in accordance with the maturity date from the balance sheet date.

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.

The provision for penalties covers the value of potential penalties the Company may be charged with under concluded agreements, with probability greater than 50%. The provision for estimated warranty repairs costs include the value of repairs or compensation associated with sales of premises and projects, with the probability of being charged greater than 50%.

The provision for investment liabilities is a result of the Group's obligation to pay rent for vacant space and maintenance charges related to rent level which is lower than indicated in the contract, as well as to pay part of the profit generated on the sale of the project. The amount of provisions were estimated based on the Company's best knowledge and its experience.

NOTE 17

LIABILITIES DUE TO LOANS AND BORROWINGS [PLN '000]

	31.12.2018	31.12.2017
Loans and borrowings	270 858	156 961
Debt securities	1 158 669	1 398 070
Interests from loans and borrowings	895	738
Total loans, borrowings and bonds	1 430 422	1 555 769
- of which long-term portion	1 149 693	1 026 830
- of which short-term portion	280 729	528 939

Under "loans and borrowings", the Group presents its special-purpose loans and overdraft facilities. Loans for financing projects are secured mainly by mortgages established on real estates, assignment of receivables from concluded lease agreements, implementation contracts, policies and registered and financial pledges on shares, accounts, assets and rights of subsidiaries. The interest rate on the loans in EUR is based on EURIBOR plus the bank's margin. The Group applies interest rate hedges in the form of IRS instruments. The vast majority of IRSs are not stand-alone instruments, the requirement for their conclusion results from the provisions of loan agreements, and their valuation is carried out together with the loans.

The collateral for current and working credit lines in PLN are declarations of submission to enforcement

and power of attorney to bank accounts. The interest rate on loans is based on the WIBOR rate increased by the bank's margin. According to the best information and data of the Management Boards of the Group companies, during the financial year and until the date of signing the financial statements, there was no breach of the terms of the loan agreements and the agreed collateral levels.

Under "debt securities", the Group presents issued bonds. The bond interest rate is based on the WIBOR rate increased by a margin. The fair value of liabilities related to loans and borrowings and bonds does not significantly differ from the carrying amount. The fair value was determined using the income method based on cash flows discounted at the current market interest rate. The fair value measurement was classified to level 3 of the fair value hierarchy.

TRADE AND OTHER LIABILITIES [PLN '000]

	31.12.2018	31.12.2017
Trade payables maturing:		
up to 12 months	234 623	178 865
over 12 months	-	387
	234 623	179 252
payments on escrow account from clients purchasing apartments	50 538	52 890
security deposits from contractors and deposits received	41 135	43 496
liabilities due to acquisition of shareholdings of Elektrownia	-	23 251
accruals	13 726	17 912
other liabilities	1 280	530
	106 679	138 079
liabilities due to VAT	6 298	35 107
liabilities due to other taxes	2 102	297
	8 400	35 404
Total trade and others liabilities	349 702	352 735

The fair value of trade payables and other liabilities does not differ significantly from their carrying amount.

REVENUES [PLN '000]

	1.01.2018- 31.12.2018	1.01.2017- 31.12.2017 - restated
Sale and lease of residential space	397 044	488 888
Construction and lease of office space	133 888	101 330
Lease of retail space	29 946	18 786
Other sale	152 157	31 981
Profit from sale of goods and services	713 035	640 985

The following are disclosures regarding the main groups of income that will enable users of the financial statements to become acquainted with the nature, amounts, acquisition dates and uncertainties related to income and cash flows resulting from concluded agreements.

REVENUES [PLN '000]

	01.01.2018- 31.12.2018	01.01.2017- 31.12.2017 - restated
Sale (A)	393 521	484 711
Lease (C)	3 523	4 177
Apartments	397 044	488 888
Lease (C)	19 832	23 978
Fit-out services (D)	114 056	77 352
Office	133 888	101 330
Lease (C)	9 361	501
Development services (E)	20 585	18 285
Retail	29 946	18 786
Sale (F)	128 717	4 295
Lease (C)	3 064	3 141
Services (F)	20 376	24 545
Other	152 157	31 981

**(A) Revenues related to property development
- sale of residential and commercial space in
residential projects**

The Group recognises revenue when the obligation to perform the service is fulfilled. The obligation to perform the service is deemed fulfilled when the property is handed over to the buyer, which is based on the acceptance protocol signed by the parties only after completion of the construction property and obtaining the occupancy permit, as well as provided by 100 % payments towards the purchase price of real estate made by the buyer. Agreements included within this income group do not include variable remuneration. Moreover, in the Group's opinion, the concluded agreements do not contain a significant element of financing. Therefore, the Group, as a rule, does not show receivables or other asset balances under contracts related to this group of revenues. Contractual obligations reflect the advance payments made by the customers. The table below presents changes in the balance of contractual liabilities in relation to this group of revenues.

DEFERRED INCOME ['000]

	1.01.2018- 31.12.2018	1.01.2017- 31.12.2017 - restated
Deferred income - opening balance	70 339	94 759
Increase - inflows	644 530	470 470
Presented as revenue in the period	(393 521)	(494 890)
- including revenue presented in the period, considered in balance of received advanced payments at the beginning of the period	(66 746)	(83 828)
Deferred income - closing balance	321 348	70 339

The total value of revenues to be recognised in the future, resulting from contracts for the sale of residential space, signed as at the balance sheet date 31 December 2018, amounts PLN 1,454,017 thousand, of which the Group received advance payments in the amount of PLN 321 348 thousand until the balance sheet date. These revenues will be recognised when the property is delivered to the buyers, after completion of the construction and obtaining the necessary administrative decisions, which follows on average after a period of about 1 to 3 months after completion of the construction.

DEFERRED INCOME RESULTING FROM RESIDENTIAL SALES AGREEMENTS [PLN '000]

Project	Targeted completion	Targeted total value	Total value of deferred revenue related to concluded agreements	Received advance payments / deferred income (long and short-term) (note 9)*	Deposit on apartments (long and short-term) / other liabilities (note 18)**
Dom pod Wilgą III, Kraków	I Q 2019	41 805	41 805	22 608	103
Rydla 32, Kraków	III Q 2019	48 317	48 317	10 365	3 774
Apartamenty GO, Kraków	completed	61 188	1 518	591	749
Osiedle Jarzębinowe IV, Łódź	completed	21 894	3 557	3 557	-
Osiedle Jarzębinowe V, Łódź	III Q 2019	42 844	42 844	6 838	1 989
Osiedle Jarzębinowe VI, Łódź	I Q 2020	19 986	19 986	268	156
Nowa Dzielnica, Łódź	II Q 2019	29 638	29 638	4 515	738
Osiedle Jaśminowe III, Poznań	completed	21 429	336	336	-
Osiedle Jaśminowe IV, Poznań	I Q 2020	32 340	32 340	1 025	1 323
Osiedle Perspektywa I, Poznań	completed	43 919	1 156	47	306
Osiedle Perspektywa II, Poznań	III Q 2019	24 764	24 764	6 930	4 705
Osiedle Perspektywa III, Poznań	IV Q 2019	30 917	30 917	8 238	5 263
Widoki Mokotów, Warsaw	I Q 2020	68 424	68 424	6 511	5 953
Warsaw Brewery A, Warsaw	completed	54 917	2 103	1 910	49
Warsaw Brewery B, Warsaw	III Q 2019	125 033	125 033	46 481	10 066
Warsaw Brewery C, Warsaw	III Q 2019	91 739	91 739	35 041	6 528
Warsaw Brewery E, Warsaw	IV Q 2019	118 907	118 907	-	-
Osiedle Reset I, Warsaw	IV Q 2019	66 151	66 151	12 711	306
Osiedle Reset II, Warsaw	IV Q 2020	116 370	116 370	289	632
Moje Miejsce, Warsaw	III Q 2020	129 470	129 470	106	141
Grota III, Wrocław	IV Q 2019	16 236	16 236	-	627
Zebra, Wrocław	II Q 2019	75 963	75 963	31 706	6 814
Kępa Mieszkańska (R4R), Wrocław	I Q 2020	65 584	65 584	16 595	-
Warsaw Brewery (R4R), Warsaw	III Q 2020	160 208	160 208	41 151	-
Rychtalska (R4R), Wrocław	II Q 2019	67 086	67 086	29 882	-
Wodna (R4R), Łódź	III Q 2019	45 791	45 791	19 322	-
Other				14 326	316
Total		1 620 918	1 426 243	321 348	50 538

* Advance payments released from escrow accounts

** Advance payments (gross) to be released from escrow accounts

(B) Revenues related to property development – sale of commercial real estate – office buildings and shopping centres

The Group recognises 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 Group 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 Group recognises 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 Group 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 Group creates provisions in this respect in accordance with IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”. This provision reduces the remuneration from the contract, and thus recognised revenues from its execution. The result on the sale of commercial real estate classified as investment property in accordance with IAS 40 “Investment Property” is presented in the statement of comprehensive income as Profit (loss) on investment property. Details regarding provisions recognised by the Group as at 31 December 2018 are presented in note 16. The Group recognises additional costs of concluding a sales agreement as an element of the profit and loss account, at the moment of recognising the revenue from the sale of an asset. Moreover, in the Group’s opinion, the concluded agreements do not contain a significant element of financing. The purchase price of the property obtained from the buyer is paid in full in such agreements at the time of the sale. Due to such characteristics of the contracts concluded, the Group, as a rule, does not show receivables or other balances of assets due to contracts related to this group of revenues.

Details regarding the sale transactions that were concluded in 2018 are presented in note 32.

(C) Revenues related to lease

Commercial buildings - shopping centres and offices, commissioned for use, and individual premises in residential projects for rent are a source of rental income for the Group. In accordance with IAS 17 Leases, revenues from the lease of residential and commercial space are recognised on a straight-line basis over the term of the agreements.

(D) Revenues related to fit-out works

As part of services connected with construction of office projects, the market standard is to perform fit-out works of space before their occupancy by tenants. The Group provides fit-out works, which includes preparation and agreement of the scope of works, organisation and carrying out tenders for construction works, as well as supervision and coordination of construction works. The Group recognises revenues when the obligation to perform the service is fulfilled, i.e. during the service provision period. The remuneration resulting from the concluded agreements is permanent and due to the Group after handing over the office space to the tenant. The duration of contracts is relatively short and ranges from 1 to 2 months. Moreover, in the Group's opinion, the concluded agreements do not contain any significant element of financing. Due to such characteristics of the contracts signed, there are no significant balances of assets or liabilities under contracts, except for trade receivables (see note 10).

The total value of revenues to be recognised in the future related to obligations to perform contracts for the implementation of fit-out works signed as at the balance sheet date on 31 December 2018 is PLN 16,186 thousand. These revenues will be recognised at the time of completion of works, which depending on the office building is expected in the following periods:

DEFERRED INCOME RESULTING FROM FIT-OUT WORKS AGREEMENT [PLN '000]

Building	Tenant	Date of execution	Value
Warsaw	Aviva	I Q 2019	527
Tryton Business House, Gdańsk	JB Solution	I Q 2019	333
Tryton Business House, Gdańsk	Gibbs Hybrid	I Q 2019	618
Nobilis Business House, Wrocław	Smith & Nephew	I Q 2019	1 652
Q22, Warsaw	Omni Office	I Q 2019	2 799
Symetris Business Park II, Łódź	Philips Polska	I Q 2019	3 915
A4 Business Park III, Katowice	Rockwell Automation	I Q 2019	834
Q22, Warsaw	William Demant	II Q 2019	1 627
Q22, Warsaw	Boston Scientific	II Q 2019	1 565
Nobilis Business House, Wrocław	PPG Deco	II Q 2019	1 071
O3 Business Campus II, Kraków	SCC Sklep SPAR	II Q 2019	295
Sagittarius Business House, Wrocław	Dussmann Polska	III Q 2019	952
Total			16 186

(E) Revenues related to investment implementation services

As part of the investment implementation services, the Group provides services for the preparation and organisation of the investment process with respect to development projects owned by other entities, entities associated with the Echo Investment Group and unrelated entities. As part of its responsibilities, the Group undertakes the performance of advisory, management, legal and other activities necessary to manage the implementation of the investment. This process includes the preparation of investments, organisation and carrying out tenders for construction works, supervision and coordination of construction works as well as customer service. The Group recognises revenues when the obligation to perform the service is fulfilled, i.e. during the service provision period. The remuneration resulting from the concluded contracts is permanent and due to the Company monthly. Moreover, in the Group's opinion, the concluded agreements do not contain a significant element of financing. Due to such characteristics of the contracts signed, there are no significant balances of assets or liabilities under contracts, except for trade receivables (see note 10).

(F) Other revenues of the Group

The Management Board analysed the other contracts for the provision of services, including real estate intermediation, accounting, legal, consulting, IT, financial, marketing and other services. The Group recognises revenues when the obligation to perform the performance is fulfilled, i.e. for certain contracts - at the end of the given type of service (e.g. signing a real estate sale agreement as a result of the intermediation service in the sale of real estate) or during the period of providing a given type of services (e.g. in the period of provision of accounting, marketing, consulting, legal or real estate management services). In most cases, services are provided on a monthly basis and are accounted for in the same period, and the remuneration for the Group becomes due. 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 Group is entitled to the remuneration only when the contractual obligation is fulfilled. This means that the variable remuneration is known at the moment of recognising the revenue, and its value is not changed later. Moreover, in the Group's opinion, the concluded agreements do not contain a significant element of financing. Due to such characteristics of the contracts signed, there are no significant balances of assets or liabilities under contracts, except for trade receivables (see note 10).

In 2018, the Group was also a party to the sale of a plot of land, where there is located a car park for Galeria Echo in Kielce. In accordance with the previous agreement, the Group bought a plot of land under the car park from the Kielce University of Technology and sold it to the owner of Galeria Echo - Grupa EPP N.V. The Group recognised the revenue from the sale when the obligation to perform the obligation was fulfilled, i.e. in the form of transfer of the real property. The remuneration resulting from the concluded contracts is permanent and has been settled. There are no other balances of assets or liabilities under the contract.

NET OPERATING COSTS [PLN '000]

Cost includes:	1.01.2018- 31.12.2018	1.01.2017- 31.12.2017
Sale and lease of residential space	(284 138)	(369 961)
Construction and lease of office space	(133 660)	(94 020)
Lease of retail space	(16 549)	(8 140)
Other	(143 755)	(18 393)
Total net operating costs	(578 102)	(490 514)

COSTS BY TYPE [PLN '000]

Cost includes:	1.01.2018- 31.12.2018	1.01.2017- 31.12.2017 - restated figures
Value of goods and materials sold	(115 430)	-
Amortisation	(3 489)	(2 829)
Consumption of materials and power	(30 074)	(14 776)
Outsourced services	(612 547)	(416 530)
Taxes and charges	(13 580)	(17 483)
Payroll	(45 335)	(45 074)
Social security contributions and other benefits	(10 025)	(7 259)
Other costs by type	(22 427)	(186 485)
Total costs by type	(852 907)	(690 437)
Change in inventories, finished products and work in progress	(115 832)	(51 248)
Administrative expenses related to execution of projects	(36 599)	(34 822)
Selling and distribution expenses	(28 361)	(27 973)
General and administrative expenses	(94 013)	(85 880)
Cost of products sold	(578 102)	(490 514)

NET PROFIT (LOSS) ON INVESTMENT PROPERTY [PLN '000]

	01.01.2018 – 31.12.2018	01.01.2017 – 31.12.2017
Revenue from the sale of property	447 021	363 094
Property selling costs (Notes 4, 5, 6)	(389 138)	(339 653)
Revaluation of property (Notes 4, 5, 6)	495 742	326 739
Costs of collateral on rental income	(72 724)	(66 033)
Costs of profit share	(57 515)	(50 650)
Net profit (loss) on investment property	423 387	233 497

In 2018, the Group sold investment properties of West Link and Sagittarius in Wrocław, Symetris Business Park II in Łódź and a land properties located in Warsaw, Szczecin, Słupsk, Braşov in Romania and Budapest in Hungary. Transactions are described in note 32.

The item updating the value of the property includes the costs related to securing rent-free periods (master lease) in the office buildings West Link, O3 Business Park (phase III), Sagittarius, Symetris (phase II), Face 2 Face (phase I), Gatehouse (Brewery J) and Villa Offices (Browary K, G, H).

In addition, the updated value of the share of EPP N.V. in profit from the sale of investment properties, including: Symetris (phase II), O3 Business Park (phase II), Galeria Libero in Katowice, Sagittarius Business House in Wrocław and the share in profit from the sale of investment properties due to Globalworth related to projects: Moje Miejsce phase I and Gatehouse (Brewery J).

Under “Termination of reserves and provisions”, the Group presented revenues due to released provisions for master lease in the amount of PLN 6,515 thousand.

OTHER OPERATING INCOME [PLN '000]

	1.01.2018- 31.12.2018	1.01.2017- 31.12.2017
Profits from expansion of EPP's buildings	-	70 907
Reversal of writte-offs and reseves	33 648	3 265
Contractual penalties	5 799	5 184
Termination of reserves and provisions	4 001	2 831
Revaluation of receivable	2 701	721
Profit from sale of non-financial non-current assets	-	603
Compensations	136	447
Other	2 738	3 558
Total other operating income	49 023	87 516

The decrease in the value of other operating revenues is the result of recognising in 2017 revenues from the expansion of facilities for EPP N.V. Based on the shareholders agreement in Echo Polska Properties B.V. (now EPP N.V.) of 1 June 2016, Echo Investment was entitled to receive the additional remuneration

from EPP for expanding three commercial investments belonging to EPP N.V. (Galaxy, Outlet Park III and Outlet Park IV in Szczecin), after meeting certain conditions (including obtaining occupancy permits), which took place in 2017.

NOTE 23

OTHER OPERATING EXPENSES [PLN '000]

	01.01.2018 – 31.12.2018	01.01.2017 – 31.12.2017
Revaluation of receivable	(6 581)	(2 065)
Donations	(621)	(1 756)
Extraordinary damage and losses	(1 424)	(55)
Transfer of assets	-	(1 012)
Established provisions	(19 730)	(11 637)
Costs due to rental guarantee	(7 738)	(26 858)
Other	(7 822)	(3 597)
Total other operating expenses	(43 916)	(46 980)

NOTE 24

FINANCIAL INCOME [PLN '000]

	01.01.2018 – 31.12.2018	01.01.2017 – 31.12.2017
Profits due to revaluation of financial assets	16 065	11 210
Received dividends	15 823	13 904
Income from interest	8 043	5 477
Profit on disposal of investments	-	111 965
Income from revaluation of financial instruments (IRS)	1 068	107
Other financial income	738	1 978
Total financial income	41 736	144 641

The decrease in the value of financial revenues compared to 2017 is the result of the change in the method of valuation of the owned share package of EPP N.V. In 2017, under “revenues from revaluation

of financial assets”, the Group recognised the result from revaluation of EPP shares to the market value in the amount of PLN 111.965 thousand.

NOTE 25

FINANCIAL EXPENSES [PLN '000]

	1.01.2018- 31.12.2018	1.01.2017- 31.12.2017
Interest expense	(54 423)	(44 549)
Measurement of loans using amortised cost	-	484
Commissions	(6 562)	(8 768)
Loss on disposal of investments	(660)	(44 923)
Costs of financial assets revaluation	(1 207)	(2 703)
Other financial costs	(55)	(90)
Total financial costs	(62 907)	(100 549)

In accordance with IAS 23, the Group activates the part of financial costs that are directly related to the acquisition and production of assets. In the case of general financing, the financing costs subject to capitalisation are determined using the weighted average of all borrowing costs in relation to the incurred outlays for a given asset.

The activated amount of borrowing costs in 2018 amounted to PLN 3,698 thousand (including: for inventories PLN 2,189 thousand, for investment properties under construction PLN 1,509 thousand). In 2017, it was PLN 2,610 thousand (including: for inventories PLN 1,020 thousand, for investment property under construction - PLN 1,590 thousand).

GAIN (LOSS) DUE TO EXCHANGE RATE DIFFERENCES [PLN '000]

	01.01.2018 – 31.12.2018	01.01.2017 – 31.12.2017
Realised exchange rate differences' losses over gains surplus	7 883	(3 471)
Unrealised exchange rate differences' losses over gains surplus	2 183	(3 398)
total gain (loss) due to exchange rate differences	10 066	(6 869)

Joint-ventures**Rosehill Investments Sp. z o.o., Berea Sp. z o.o.
(Galeria Młociny)**

On 31 May 2017 Echo Investment Group and a company from EPP N.V. Group concluded a purchase agreement concerning a property on Zgrupowania AK 'Kampinos' Street in Warsaw. Under the concluded transaction the companies purchased shares in Rosehill Investments Sp. z o.o., which is the owner of Galeria Młociny project by way of holding 100% shares in Berea Sp. z o.o. The sales price of the shares in Rosehill Investments Sp. z o.o., which is an indirect owner of the property, was established as EUR 104.5 mln. As at the day of transaction and the balance

date i.e. on 31 December 2018 Echo Investment Group held 30% shares in the project company being the owner of the property and the remaining 70% was held by the EPP N.V. Echo Investment S.A. and EPP N.V. are only responsible for their respective parts of the purchase price. The share of the Group in Berea Sp. z o.o. presented in the financial report is estimated according to the equity method. A summary of financial information in the joint venture is presented below. The carrying value of the investment as at 31 December 2018 amounts to PLN 103,284 thousand.

**JOINT VENTURE'S FINANCIAL DATA –
GALERIA MŁOCINY****SELECTED DATA FROM THE FINANCIAL SITUATION [PLN '000]**

	31.12.2018
Current assets	44 975
Fixed assets - investment property	1 412 120
Total assets	2 967
	1 460 062
Long-term liabilities	
Short-term liabilities	1 153 624
Total liabilities	79 150
Fixed assets - investment property	1 232 774
Equity	227 288
Share of the Echo Investment Group as at 31.12.2018	30,00%
Share of the Echo Investment Group in net assets as at 31.12.2018	68 186

**SELECTED DATA FROM THE STATEMENT OF COMPREHENSIVE
INCOME [PLN '000]**

	1.01.2018- 31.12.2018
Revenue	2 108
Cost of sales	(1 447)
Profits due to revaluation of the property	172 375
General and administrative expenses	(839)
Costs of sell	(1 154)
Other costs / operating costs	(741)
Financial income	23
Financial costs	(133)
Gross profit (loss)	170 192
Income tax	(44 115)
Net profit (loss)	126 077
Total comprehensive income	126 077
Share of the Echo Investment Group in net assets as at 31.12.2018	30,00%
Share of the Group in comprehensive income resulting from Joint Venture	37 823

**Projekt Echo – 138 Sp. z o.o. Sp.K.
(Towarowa 22)**

On 15 September 2016 the Echo Investment Group and the EPP N.V. Group concluded a conditional purchase agreement under which they were planning to purchase a property located at 22 Towarowa Street in Warsaw, where a joint investment enterprise is to be developed. The final purchase agreement was concluded on 23 December 2016. The property sales price was EUR 77.4 mln, however, it will be increased to EUR 119.4 mln upon the fulfilment of conditions stipulated in the agreement. Echo Investment paid EUR 35.82 mln and EPP's contribution amounted to EUR 41.58 mln. Thus, as at the balance date i.e. on 31 December 2018 the Echo Investment Group had 46.26% share in the project company being the owner of the property at 22 Towarowa Street. EPP N.V. held the remaining 53.74%. Upon the fulfilment

of all conditions increasing the price the share of Echo Investment in the transaction and the planned enterprise will ultimately amount to 30% and 70% will be held by EPP N.V. As at the balance sheet day, on 31 December 2018 those conditions were not yet fulfilled.

Echo Investment S.A. and EPP N.V. are only responsible for their proportional parts of the price. The share of the Group in the joint venture is shown in the consolidated financial statement and it is estimated using the equity method. Carrying value of the investment as at 31 December 2018, amounted to PLN 150 315 thousand. A summary of financial information in the joint venture is presented below.

SELECTED DATA FROM THE FINANCIAL SITUATION [PLN '000]

	31.12.2018
Current assets	5 478
Fixed assets - investment property	344 248
Total assets	349 726
Long-term liabilities	798
Short-term liabilities	18 787
Total liabilities	19 585
Equity	330 141
Share of the Echo Investment Group as at 31.12.2018	46,26%
Elimination of mutual transactions between unit and the Group	(2 416)
Share of the Echo Investment Group in net assets as at 31.12.2018	150 315

SELECTED DATA FROM THE STATEMENT OF COMPREHENSIVE INCOME [PLN '000]

	1.01.2018- 31.12.2018
Revenue	13 165
Cost of sales	(15 289)
Costs of projects' sell	(154)
General and administrative expenses	(295)
Financial income	(456)
Financial costs	(624)
Gross profit (loss)	(3 652)
Income tax	-
Net profit (loss)	(3 652)
Total comprehensive income	(3 652)
Share of the Echo Investment Group as at 31.12.2018	46,26%
Share of the Group in comprehensive income resulting from Joint Venture	(1 690)

R4R Poland Sp. z o.o.

On July 20 2018, Echo Investment S.A. acquired 30% of shares and votes in a joint venture. The remaining 70% of shares and votes were acquired by R4R S.a.r.l. According to the agreement, the joint venture will operate as a real estate development platform with apartments for rent in Poland. On the basis of the agreement, Echo Investment S.A. will provide planning, designing and investment contracting services, while R4R Poland Sp. z o.o. will be responsible for operational management.

On 14 September 2018, subsidiaries of R4R Poland sp. o.o. concluded preliminary purchase agreements for four development projects carried out by subsidiaries of Echo Investment S.A. for the total price of PLN 338,670 thousand. The projects have about 1,200 apartments, which, according to assumptions, will be destined for rent. The projects being the subject of the agreements are:

1. Warsaw Brewery, carried out on a property located in Warsaw at ul. Grzybowska 58,
2. Rychtalska, carried out on a property located in Wrocław at ul. Rychtalska,

3. Kępa Mieszczańska, carried out on a property located in Wrocław on the isle of Kępa Mieszczańska,
4. Wodna, carried out on a property located in Łódź at ul. Wodna 23.

In addition, on 14 September 2018, Echo Investment S.A., fulfilling its obligation to co-finance the project, provided capital to R4R Poland Sp. z o.o., acquiring new shares in the increased share capital and granting loans in the amount of PLN 41,354,269.

The share of the Echo Investment Group in the consolidated financial statements is accounted for using the equity method.

Set out below is a summary of the financial information in the joint venture.

The carrying amount of the investment as at 31 December 2018 amounted to PLN 4,932 thousand.

Joint venture data - R4R platform

SELECTED DATA FROM THE FINANCIAL SITUATION [PLN '000]

	31.12.2018
Current assets	29 141
Non-current assets - advance payments on investment properties under construction	136 225
Other current assets	13 287
Total assets	178 653
Long-term liabilities	118 901
Short-term liabilities	43 312
Total liabilities	162 213
Equity	16 440
Share of the Echo Investment Group as at 31.12.2018	30,00%
Share of the Group in net assets as at 31.12.2018	4 932

**SELECTED DATA FROM THE STATEMENT OF COMPREHENSIVE
INCOME [PLN '000]**

	1.01.2018- 31.12.2018
General and administrative expenses	(1 203)
Other revenue / operating costs	(4 008)
Financial income	67
Financial cost	(71)
Gross profit (loss)	(5 215)
Income tax	965
Net profit (loss)	(4 250)
<hr/>	
Total comprehensive income	(4 250)
Share of the Group in net assets as at 31.12.2018	30,00%
Share of the Group in comprehensive income resulting from Joint Venture	(1 275)

NOTE 28

Financial assets held for sale

In 2018, a subsidiary of the Group, i.e. Echo Prime Assets B.V., concluded sales agreements for 51 034 354 shares of EPP N.V. The total sale price decreased by transaction costs amounted to EUR 56.6 million. The result on the transaction was disclosed by the Group in the capitals of the consolidated financial statements under "retained earnings". Inflows from the sale of shares have been presented in the "disposal of investments" item in the consolidated statement of cash flows.

In the reporting period, the Group valued the shares at fair value, and its changes were presented in the

revaluation reserve. The loss due to the revaluation of the block of shares held in 2018 amounted to PLN 6,054 thousand.

Until the sale of shares of EPP N.V., the Echo Investment Group recorded a profit from dividends received from EPP N.V. in the amount of PLN 16,065 thousand. The profit was presented under the item "financial revenues of the consolidated profit and loss account" (note 24).

As at the balance sheet date, i.e. 31 December 2018, the Group does not hold any shares of EPP N.V.

**CHANGE IN DEFERRED INCOME TAX ASSETS (+) AND DEFERRED
TAX PROVISIONS (-) [PLN '000]**

1.01.2018-
31.12.2018 1.01.2017-
31.12.2017
- restated figures

Until 2018, the Group did not recognise deferred income tax assets for the amount of PLN 30,305 thousand on account of tax losses (until 2017 - PLN 27,883 thousand).

The expiry dates of the right to income tax reduction fall in the years: 2019 (PLN 9,091 thousand), 2020 (PLN 9,813 thousand), 2021 (PLN 1,152 thousand), 2022 (PLN 23,231 thousand) and 2023 (PLN 32,631 thousand).

	1.01.2018- 31.12.2018	1.01.2017- 31.12.2017 - restated figures
Deferred tax at the beginning of the period		
measurement of financial instruments	(367)	(69)
valuation of investment property	(39 336)	(3 214)
interests in subsidiaries, jointly controlled entities and associates *	(5 801)	2 855
tax loss	12 328	13 732
liabilities due to loans and bonds (measurement, FX differences, etc.)	(3 682)	629
liabilities due to borrowings (measurement, FX differences, etc.)	(5 610)	(4 042)
liabilities related to investment projects (master lease)	18 940	21 338
activated costs on projects during construction	30 230	33 020
other	8 819	(13 980)
	15 521	50 269
Change in the period		
measurement of financial instruments	367	(298)
valuation of investment property	(71 778)	(36 122)
interests in subsidiaries, jointly controlled entities and associates*	(8 191)	(8 656)
tax loss	2 100	(1 404)
liabilities due to loans and bonds (measurement, FX differences, etc.)	2 101	(4 311)
liabilities due to borrowings (measurement, FX differences, etc.)	1 507	(1 568)
receivables due to borrowings (interests, valuation, FX differences, etc.)	(3 843)	-
liabilities related to investment projects (master lease)	2 740	(2 398)
activated costs on projects during construction	974	(2 790)
other	(309)	22 799
	(74 332)	(34 748)
Total deferred income tax at the end of the period		
measurement of financial instruments	-	(367)
valuation of investment property	(111 114)	(39 336)
interests in subsidiaries, jointly controlled entities and associates*	(13 991)	(5 801)
tax loss	14 428	12 328
liabilities due to loans and bonds (measurement, FX differences, etc.)	(1 581)	(3 682)
liabilities due to borrowings (measurement, FX differences, etc.)	(4 103)	(5 610)
receivables due to loans granted (interests, valuation, currency differences, etc.)	(3 843)	-
liabilities related to investment projects (master lease)	21 680	18 940
activated costs on projects during construction	31 204	30 230
other	8 509	8 819
	(58 811)	15 521
including:		
Deferred tax assets	52 493	64 714
change during the year	(12 221)	(27 096)
Deferred tax provision	111 303	49 723
change during the year	61 580	8 182

* Estimated tax burden related to the expected changes in the Group's structure resulting from the difference between the tax base and the carrying amount of interests of subsidiaries.

INCOME TAX - EFFECTIVE TAX RATE ['000 PLN]

	01.01.2018- 31.12.2018	01.01.2017- 31.12.2017 - restated
Profit before tax (gross profit)	424 413	364 399
Income tax calculated according to the parent company tax rate (19%)	80 638	69 236
Differences		
Tax effect of non-taxable income	(22 530)	(57 060)
Tax effect of non-deductible costs	47 182	29 169
Utilization of previously unrecognized tax losses	(1 937)	(1 471)
Tax losses for which deferred income tax has not been recognized	6 790	15 806
Income tax for the preceding years	(4 187)	-
Interim result of partnerships	(1 636)	(6 471)
Result of closed-end investment funds	(1 469)	(6 853)
Effect of tax rate change	16 209	9 034
Differences total	38 422	(17 846)
Charge on the financial result due to income tax	119 060	51 390

SEGMENT REPORTING

ASSIGNMENT OF ASSETS TO SEGMENTS [PLN '000]

	31.12.2018	31.12.2017 - restated
Residential	1 058 980	777 506
Office	1 368 502	1 169 160
Retail	978 421	645 014
Other	572 737	1 261 280
Total	3 978 640	3 852 960

ASSIGNMENT OF LIABILITIES TO SEGMENTS [PLN '000]

	31.12.2018	31.12.2017 - restated
Residential	404 650	137 097
Office	529 464	547 432
Retail	334 107	83 692
Other	1 214 960	1 494 836
Total	2 483 181	2 263 057

Item includes short-term and long-term provisions and liabilities.

ALLOCATION OF REVENUE TO SEGMENTS [PLN '000]

	01.01.2018 - 31.12.2018	01.01.2017- 31.12.2017 - restated
Residential	397 044	488 888
Office	133 888	101 330
Retail	29 946	18 786
Other	152 157	31 981
Total	713 035	640 985

ALLOCATION OF COST OF SALES TO SEGMENTS [PLN '000]

	01.01.2018 - 31.12.2018	01.01.2017- 31.12.2017 - restated
Residential	(284 138)	(369 961)
Office	(133 660)	(94 020)
Retail	(16 549)	(8 140)
Other	(143 755)	(18 393)
Total	(578 102)	(490 514)

ALLOCATION OF GROSS PROFIT (LOSS) TO SEGMENTS [PLN '000]

	01.01.2018 - 31.12.2018	01.01.2017- 31.12.2017 - restated
Residential	112 906	118 927
Office	228	7 310
Retail	13 397	10 646
Other	8 402	13 588
Total	134 933	150 471

West Link in Wrocław

On 25 May 2018 Echo Investment S.A. and the investment fund FORUM 60 Fundusz Inwestycyjny Zamknięty in which Echo Investment S.A. owns 100% of investment certificates, as a seller, and IB 14 Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych controlled by spółkę Globalworth Poland Real Estate N.V., as a buyer, concluded a final contract concerning the sale of 100% shares in the companies: Elissea Investments Sp. z o.o. and Projekt Echo 114 Sp. z o.o., which are the general partner and limited partner of West Gate II - Projekt Echo 114 Sp. z o.o. Sp.k. being the owner of real estate in Wrocław where the Wert Link office building is located.

The sale price of shares was EUR 2,700 thousand and was calculated based on the quotient of the NOI value - i.e. the difference between operating income and non-deductible operational costs of the building, and the value of the capitalization rate (yield) 6.873%. The price calculated this way amounted to the day of calculating the price around EUR 35.8 mln. This amount was reduced, among others by the value of rent free periods, periods with a rent reduction, income from leased premises, but not transferred, and then increased by the value of the others assets held by the special purpose entity.

The payment of the price was made on the way remittances and the compensation of given balance sheet items, including through the redemption of West Link bonds covered in 2017 by the buyer, among others in order to co-finance the construction of the office building. The price will be subject to further adjustments after closing the transaction based on final cash items, debt and working capital of sold special purpose entities as well costs of other construction and finishing works to be executed and other costs associated with leasing. The loan granted for the construction of the West Link office building by Bank Millennium S.A. was paid off, and all securities established in connection with the loan were abolished.

Sagittarius Business House in Wrocław

On 21 August 2018, a subsidiary of the Group, i.e. Sagittarius - Projekt Echo - 113 Sp. z o.o. Sp.K. with its registered office in Kielce, acting as a seller, and the W-HIH fund, Immo Invest as a buyer represented by Warburg-HIH Invest Real Estate GmbH with its registered office in Germany, concluded the promised agreement for the sale of the seller's company. According to the contract, the company consists, inter alia, of:

1. the right of perpetual usufruct of land located in Wrocław at Sucha Street and Borowska Street, the ownership of the office and commercial building Sagittarius Business House located on these properties and structures related to land;
2. the ownership of selected movable properties;

3. the rights and obligations under the property management contract;
4. the rights and obligations arising from key contracts (including liabilities) concluded by the seller;
5. the copyrights in relation to construction projects of the Sagittarius building;
6. the intellectual property rights (including the rights to the internet domain and the Sagittarius logo).

The sale price amounted to PLN 294,572 thousand (EUR 68.5 million) and was established as the company's NOI and capitalisation rate of 6.175%. This amount has been reduced, among others by the value of rent-free periods, costs of finishing works and increased by the value of receivables from rent and cash.

The amount of EUR 845 thousand was suspended due to minor defects of the building and as-built documents that were to be delivered after the closing of the transaction. The retained amounts will be paid by the end of March 2019 after removing the defects and providing the as-built documentation to the buyer.

On the closing day of the transaction, the seller and the buyer entered into an agreement for finishing works, providing the remuneration due to the seller from the buyer for the performance of finishing works after concluding the final agreement in the parts of the building for lease, which at the date of conclusion of the final agreement have not yet been leased or have been leased, but finishing work has not yet been completed. It is estimated that the remuneration will amount to approximately EUR 2,128 thousand + VAT (i.e. EUR 450 + VAT for each finished square meter of space), which will be paid by the end of September 2020, after the conditions set out in the agreement for finishing works are met.

In addition, at the closing, the seller and buyer also concluded, among others:

1. the rent guarantee contract which provides, above all, the guarantee for the buyer to cover the rent payments and average maintenance fees for the part of the building that have not been leased to third parties on the day of signing the promised agreement; and
2. the contract for the quality and the building structure, under which the seller gave the buyer the guarantee for the building and structures related to the land (including works on removing defects specified in the quality guarantee that the seller was obliged to perform).

After considering all costs related to the transaction, the Group recognised the profit from the sale of investment property in the amount of PLN 24,580 thousand. The result of the sale is presented in the profit and loss account under „profit from investment property”. The received payment in the amount of PLN 290 939 thousand the Group recognised in the

item „disposal of real estate investments” in the part concerning the investment activity of the consolidated cash flow statement.

Symetris Business Park II in Łódź

On 26 July 2018, the Group’s subsidiary, i.e. Symetris - Projekt Echo - 131 Sp. z o.o. Sp.K., acting as a seller, concluded with a subsidiary of EPP N.V. i.e. Flaxton Investments Sp. z o.o. Sp.K., acting as a buyer, a promised contract for the sale of the property, which consists of 12 premises located in the office building of the second phase included in the office complex under the name Symetris Business Park located in Łódź at Aleja Marszałka Józefa Piłsudskiego 88.

The sale price amounted to PLN 81,943 thousand (EUR 19,089 thousand increased by VAT). After considering all costs related to the transaction, the Group recognised the profit on the sale of investment property in the amount of PLN 6,625 thousand.

The sale price was reduced by the so-called rental holidays resulting from signed lease agreements. The seller may receive additional payments based on the fit-out agreement in the amount of EUR 2,579 thousand increased by VAT and as a result of removal of minor technical defects in the amount of EUR 193 thousand increased by VAT. At the same time, in accordance with the rent guarantee agreement (RGA), the Group’s subsidiary was obliged to pay the buyer a one-time payment of EUR 2,121 thousand, and is obliged to pay maintenance charges for vacant space (i.e. 6% of the building’s area) for 3 years.

After considering all costs related to the transaction, the Group recognised the profit on the sale of investment property in the amount of PLN 5 930 thousand. The result on sales is presented in the profit and loss account under „profit from investment property”. The received payment in the amount of PLN 100,790 thousand the Group disclosed in the item „sale of real estate investments” in the part concerning the investment activity of the consolidated cash flow statement.

Land property in Warsaw, Taśmowa Street

On 14 June 2018 a subsidiary of the Echo Investment Group, i.e. Taśmowa - Projekt Echo 116 Sp. z o.o. Sp.k.a concluded an agreement concerning the sale of the right of perpetual usufruct of land located in Warsaw at ul. Taśmowa. The sale price amounted to PLN 27,509 thousand (PLN 22,365 thousand net plus VAT). After considering all costs related to the transaction, the Group recognised a loss on the sale amounting to PLN 692,000 thousand. The Group disclosed the payment received for the sold real estate amounting to PLN 27,509 thousand in the ‘disposal of real estate investment’ item, in the part concerning the investment activity in the consolidated cash flow statement.

Land property in Szczecin, Andrzeja Struga Street

On 29 June 2018 a subsidiary of the Echo Investment Group, i.e. PHS - Projekt CS Sp. z o.o. Sp.k.a concluded an agreement concerning the sale of the right of perpetual usufruct of land located in Szczecin at ul. Andrzeja Struga. The sale price amounted to PLN 2,460 thousand (PLN 2,000 thousand net plus VAT). After considering all costs related to the transaction, the Group recognized a profit on the sale amounting to PLN 1,286 thousand. The Group disclosed the payment received for the sold real estate amounting to PLN 2,460 thousand in the ‘disposal of real estate investment’ section, in the part concerning the investment activity in the consolidated cash flow statement.

Land property in Słupsk, Szczecińska and Krzywoustego Streets

On 14 June 2018 a subsidiary of the Echo Investment Group, i.e. Echo - Arena Sp. z o.o. concluded an agreement of the partial sale of the right of perpetual usufruct of land located in Słupsk at Szczecińska and ul. Krzywoustego Streets. The sale price amounted to PLN 12,300 thousand (PLN 10,000 thousand net plus VAT). After considering all costs related to the transaction, the Group recognized a loss on the sale amounting to PLN 141,000 thousand. The Group disclosed the payment received for the sold real estate amounting to PLN 12,300 thousand in the ‘disposal of real estate investment’ item, in the part concerning the investment activity in the consolidated cash flow statement.

Land property in Brasov, Stadionului 15 (Romania)

On 18 January 2018 a subsidiary of the Echo Investment Group i.e. Echo Investment Project 1 S.R.L. concluded an agreement for the sale of real estate located in Brasov, Stadionului street 15. The sale price amounted to EUR 7,000 thousand. After considering all costs related to the transaction, the Group recognised a profit on the sale amounting to PLN 36,000 thousand.

Land property in Budapest (Hungary)

Echo Investment S.A., as a seller, concluded an agreement with Mundo Shopping Center Development KFT for the sale of 100% shares in the company Echo Investment Hungary KFT, which owns the land located in Budapest. After considering all costs related to the transaction, the Group recognized a loss on the sale of property in the amount of PLN 2,552 thousand.

**CHANGE OF LIABILITIES RESULTING FROM FINANCIAL ACTIVITY
[PLN '000]**

	liabilities due to loans, borrowings and shares	liabilities due to dividend
opening balance as at 01.01.2018	1 555 769	-
Cash flows		
- Inflows	798 228	-
- Outflows	(724 665)	-
Non-cash changes	(198 910)	-
- sale of subsidiary (West Gate II - Projekt Echo 114 Sp. z o.o. Sp.k.)	(26 521)	-
- accrued interest	52 953	-
- valuation of FX differences	4 562	-
- valuation by effective interest rate	1 902	-
- loan repayment settled with sale of interests, properties in subsidiaries	(231 806)	-
closing balance as at 31.12.2018	1 430 422	-

**CHANGE OF LIABILITIES RESULTING FROM FINANCIAL ACTIVITY
[PLN '000]**

	liabilities due to loans, borrowings and shares	liabilities due to dividend
opening balance as at 01.01.2017	981 922	66 030
Cash flows		
- Inflows	1 222 230	-
- Outflows	(587 512)	(272 376)
Non-cash changes	(60 871)	206 346
- sell of the subsidiary (Nobilis)	(122 849)	-
- accrued interest	53 531	-
- valuation of FX differences	7 102	-
- valuation by effective interest ratej	434	-
- dividend approved to be paid in 2017	-	206 346
- other	912	-
closing balance as at 31.12.2017	1 555 769	-

**CHANGE OF SHORT-TERM LIABILITIES, EXCLUDING BORROWINGS
AND LOANS [‘000 PLN]**

	01.01.2018- 31.12.2018	01.01.2017- 31.12.2017
Change of short-term liabilities, excluding borrowings and loans, including	229 904	(173 694)
due to deferred income	251 009	(14 321)
due to trade liabilities and others	14 798	15 628
due to other tax liabilities	(27 004)	(209 821)
due to liabilities on residential deposits on escrow accounts	(4 186)	6 223
due to liabilities on deposits received from sybcontractors and advance payment received	(2 352)	29 411
due to liabilities on deposits received from sybcontractors and advance payment received	(2 361)	(814)

The Group classifies its financial assets in the following categories:

- financial assets measured at amortized cost,
- financial assets are measured at fair value through other comprehensive income,
- financial assets at fair value through profit or loss.

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 analysis of the characteristics of contractual

cash flows from these instruments. The application of IFRS 9 did not lead to a significant change in the classification of the Group's financial assets. IFRS 9 does not, as a rule, introduce any important changes in the classification and measurement of financial liabilities, except for modifications that currently do not result in the cessation of the recognition of existing financial liabilities. As a result of the application of IFRS 9, there was no change in the classification of financial liabilities of the Group.

Instrument	Note	Classification according to IAS 39	Classification according to ISSF 9	Carrying amount as at 31.12.2018 [,000 PLN]	Carrying amount as at 31.12.2017 - restated [,000 PLN]
Financial assets					
Long-term borrowings granted	8	Loans and receivables	Amortised cost	91 175	84 315
Short-term borrowings granted	8	Loans and receivables	Amortised cost	33 290	79 760
Trade receivables	10	Loans and receivables	Amortised cost	195 355	286 544
Cash and cash equivalents	14	Loans and receivables	Amortised cost	494 251	731 100
Financial liabilities					
Liabilities due to securities issued	17	Amortised cost	Amortised cost	1 158 669	1 398 070
Trade receivables	18	Amortised cost	Amortised cost	327 576	299 419
Loans and borrowings	17	Amortised cost	Amortised cost	271 753	157 699

Loans granted, trade receivables and other receivables are measured by the Group at amortized cost, as two conditions are met for them:

1. assets are kept as part of a business model which intention is to maintain assets in order to obtain flows resulting from the contract
2. contractual terms of these financial assets give rise to specified cash flows that are solely repayment of the principal and the interest on the unpaid part of the capital.

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 Group considers all reasonable and confirmed information, including this that relates to the future. The Group will apply the permitted simplification of

measurement of impairment on the basis of expected losses over the whole life for all receivables.

In case of trade receivables, the Group applies the simplified approach and therefore does not monitor changes in credit risk over their life, and estimates the impairment loss in the amount equal to the expected credit losses over the life of receivables.

The Group uses the matrix of provisions, made on the basis of historical data concerning repayment of receivables by contractors, to calculate the value of the impairment loss on trade receivables. The impairment loss is updated on each reporting date. Due to the nature of trade receivables, the impairment loss of the value of receivables, despite the introduction of the changes provided for by the standard, remained close to the value of the write-off calculated according to the rules effective before 1 January 2018.

The impact of the implementation of IFRS 9 on retained earnings of the Group was immaterial. Additionally, the Group analyses trade receivables, other receivables and loans granted with a significant degree of probability of non-recoverability, in cases justified by the type of business or the structure of recipients - in the amount of reliably estimated impairment loss.

CHAPTER 3

INFORMATION ON THE FINANCIAL STATEMENTS



About the Company

The Echo Investment Group'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.

The parent company - Echo Investment S.A. (later referred to as 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. The Company was established for an indefinite period of time.

The Management Board of Echo Investment S.A

as at 20 March, 2019

The Management Board of Echo Investment S.A. was appointed by the Supervisory Board on 29 June 2017, for 3 years term of office.

Nicklas Lindberg
President of the Board, CEO



Maciej Drozd
Vice-President of the Board,
CFO



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



Małgorzata Turek
Member of the Board



The Supervisory Board of Echo Investment S.A.

as at 20 March, 2019

Karim Khairallah
Chairman of the Supervisory Board



Laurent Luccioni
Deputy Chairman of the Supervisory Board



Mark Abramson
Independent Supervisory Board Member
Deputy Chairman of the Audit Committee



Maciej Dyjas
Supervisory Board Member



Stefan Kawalec
Independent Supervisory Board Member
Chairman of the Audit Committee



Nebil Senman
Supervisory Board Member
Audit Committee Member



Sebastian Zilles
Supervisory Board Member



CHANGES IN THE COMPOSITION OF THE MANAGEMENT BOARD IN 2018

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.

From 31 December, 2018, **Piotr Gromniak** resigned from membership in the Management Board. He remains Member of the Management Board in Resi4Rent – the company in which Echo Investment holds 30% stake.

Echo Investment's Supervisory Board appointed **Małgorzata Turek** as Member of the Board on 7th March, 2019. She is responsible for investment, divestment and planning department.

Małgorzata Turek
Member of the Management Board



Małgorzata Turek has over twenty years of experience in the real estate industry while working for both investment and development companies as well as international law firms. She is a specialist in the field of asset management as well as real estate purchase and sale transactions. Since 2017, she has been the president of the newly formed company Globalworth Poland Real Estate, where she was responsible for the organisation, development of a sustainable property portfolio generating revenues, as well as the estab-

lishment of all key functions of the company. She also gained her experience at Skanska Property Poland, where in 2012-2017 as a board member (Chief Operating Officer), was responsible for the company's transactions and operations. Previously, Małgorzata worked at the renowned law firm Linklaters, where she specialised in transactions on the commercial real estate market. A graduate of the Faculty of Law and Administration of the Jagiellonian University in Krakow and a member of the Bar Association in Poland.

CHANGES IN THE COMPOSITION OF THE SUPERVISORY BOARD IN 2018

There was no changes in the Supervisory Board of Echo Investment S.A. during 2018.

AUDIT COMMITTEE

According to the resolution of the Supervisory Board of the 19 October 2017, the Audit Committee consists of:
Stefan Kawalec – President of the Audit Committee,
Mark E. Abramson – Vice-President of the Audit Committee,

Nebil Senman – Member of the Audit Committee.
Independent members of the Supervisory Board constitute the majority in the Audit Committee.

In this way the Company has fulfilled the requirements of the Act on statutory auditors, audit companies and public supervision of the 11th of May 2017 and one of the 'Best Practices of WSE Listed Companies 2016'.

Information on the financial statement

The consolidated statements of the Echo Investment S.A. present financial data for the 12-month period ending on 31 December 2018 and comparative data for the 12-month period ending on 31 December 2017. The Group's financial statement in this financial statements is presented in thousand of Polish zloty (PLN), if not indicated differently.

DECLARATION OF CONFORMITY

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

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 Consolidated Financial Statement for the year ended 31 December 2018, which was approved for publication on 20 March 2019.

As at 31 December 2018 the Capital Group consisted of 131 entities consolidated according to the full method, and ten entities consolidated according to the equity method. As at 31 December 2017 it consisted of 139 subsidiaries, presented according to the full method, and four associates consolidated according to the equity method. The composition of the Capital Group as at 31 December 2018 is presented in paragraph 3.

Echo Investment Group

3.1. Composition of the Group

Echo Investment S.A. plays the most important role in the structure of the Group, which it supervises, co-executes and provides financial resources for the implementation of development projects. The vast majority of companies being part of the Group were established or purchased in order to execute specif-

ic investment tasks, including those resulting from the construction process of a specific development project. As at 31 December 2018 the Capital Group included 131 subsidiaries consolidated according to the full method and 10 jointly controlled companies consolidated according to the equity method.

SUBSIDIARIES

No	Subsidiary	Registered office	% of capital held	Parent entity
1	53 - Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	Echo Investment S.A.
2	Avatar - Projekt Echo - 119 Sp. z o.o. S.k.a.	Kielce	100%	Echo Investment S.A.
3	Babka Tower - Projekt Echo - 93 Sp. z o.o. Sp. k.	Kielce	100%	Perth Sp. z o.o.
4	Bełchatów - Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	Echo Investment S.A.
5	City Space - GP Sp. z o.o.	Warsaw	100%	Echo Investment S.A.
6	Supersam City Space - GP Sp. z o.o. Sp. k.	Warsaw	100%	City Space Management Sp. z o.o.
7	Rondo 1 City Space - GP Sp. z o.o. Sp. k.	Warsaw	100%	City Space Management Sp. z o.o.
8	Plac Unii City Space - GP Sp. z o.o. Sp. k.	Warsaw	100%	City Space Management Sp. z o.o.
9	City Space Management Sp. z o.o.	Warsaw	100%	Echo Investment S.A.
10	Cornwall Investments Sp. z o.o.	Warsaw	100%	Echo Investment S.A.
11	Cornwall Investments Sp. z o.o. Sp. k.	Warsaw	100%	Echo Investment S.A.
12	Dagnall Sp. z o.o.	Warsaw	100%	Echo Investment S.A.
13	Dellia Investments - Projekt Echo - 115 sp. z o.o. Sp. k.	Kielce	100%	Pudsey Sp z o.o.
14	Doxent Investments Sp. z o.o.	Warsaw	100%	Echo Investment S.A.
15	Duże Naramowice - Projekt Echo - 111 Sp. z o.o. S.k.a.	Kielce	100%	60 FIZ Forum
16	Echo - Advisory Services Sp. z o.o.	Kielce	100%	Echo Investment S.A.
17	Echo - Arena Sp. z o.o.	Kielce	100%	Echo Investment S.A.

SUBSIDIARIES

No	Subsidiary	Registered office	% of capital held	Parent entity
18	Echo – Aurus Sp. z o.o.	Kielce	100%	Echo Investment S.A.
19	Echo – Babka Tower Sp. z o.o.	Kielce	100%	Echo Investment S.A.
20	Echo – Babka Tower Sp. z o.o. Sp. k.	Kielce	100%	Gleann Sp. z o.o.
21	Echo – Browary Warszawskie Sp. z o.o.	Kielce	100%	Echo Investment S.A.
22	Echo – Browary Warszawskie Sp. z o.o. Sp. k.	Kielce	100%	Echo Investment S.A.
23	Echo – Galaxy Sp. z o.o.	Kielce	100%	Echo Investment S.A.
24	Echo – Galaxy Sp. z o.o. S.k.a.	Kielce	100%	Echo Investment S.A.
25	Echo – Nowy Mokotów Sp. z o.o.	Kielce	100%	Echo Investment S.A.
26	Echo – Nowy Mokotów Sp. z o.o. Sp. k.	Kielce	100%	Echo Investment S.A.
27	Echo – Opolska Business Park Sp. z o.o.	Kielce	100%	Echo Investment S.A.
28	Echo – Opolska Business Park Sp. z o.o. Sp. k.	Warsaw	100%	Perth Sp. z o.o.
29	Echo – Property Poznań 1 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
30	Echo – SPV 7 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
31	Tryton – City Space GP Sp. z o.o. Sp. k.	Warsaw	100%	City Space Management Sp. z o.o.
32	Echo Investment ACC – Grupa Echo Sp. z o.o. Sp. k.	Kielce	100%	Echo Investment S.A.
33	Echo Investment Project 1 S.R.L.	Brasov	100%	Echo – Aurus Sp. z o.o.
34	Echo Investment Project Management S.R.L.	Brasov	100%	Echo Investment S.A.
35	Echo Prime Assets BV	Amsterdam	100%	Echo Investment S.A.
36	Elektrownia RE Sp. z o.o.	Kielce	100%	Echo Investment S.A.
37	Fianar Investments Sp. z o.o.	Warsaw	100%	Echo Investment S.A.
38	Galeria Libero – Projekt Echo 120 Sp. z o.o. Sp. k.	Kielce	100%	Fianar Investments Sp. z o.o.
39	Galeria Nova – Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	Echo Investment S.A.
40	Galeria Tarnów – Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	Echo Investment S.A.
41	Gleann Sp. z o.o.	Warsaw	100%	Echo Investment S.A.
42	Gosford Investments Sp. z o.o.	Warsaw	100%	Echo Investment S.A.
43	GRO Nieruchomości Sp. z o.o.	Kraków	100%	Echo Investment S.A.
44	Grupa Echo Sp. z o.o.	Kielce	100%	Echo Investment S.A.
45	Kasztanowa Aleja – Grupa Echo Sp. z o.o. Sp. k.	Kielce	100%	Echo Investment S.A.
46	Kielce – Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	Echo Investment S.A.
47	Klimt House – Grupa Echo Sp. z o.o. Sp. k.	Kielce	100%	Echo Investment S.A.
48	Malta Office Park – Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	Echo Investment S.A.
49	Metropolis – Projekt Echo 121 Sp. z o.o. S.k.a.	Kielce	100%	60 FIZ Forum
50	Oxygen – Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	Echo Investment S.A.
51	Park Postępu – Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	Echo Investment S.A.
52	Park Rozwoju III – Projekt Echo – 112 Sp. z o.o. Sp. k.	Kielce	100%	Perth Sp. z o.o.
53	Perth Sp. z o.o.	Warsaw	100%	Echo Investment S.A.
54	PHS – Projekt CS Sp. z o.o. Sp.k.	Warsaw	100%	Perth Sp. z o.o.
55	Pod Klonami – Grupa Echo Sp. z o.o. Sp. k.	Kielce	100%	Echo Investment S.A.
56	Potton Sp. z o.o.	Warsaw	100%	Echo Investment S.A.
57	PPR – Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	Echo Investment S.A.
58	Princess Investment Sp. z o.o.	Kielce	100%	Echo Investment S.A.

SUBSIDIARIES

No	Subsidiary	Registered office	% of capital held	Parent entity
59	Projekt - Pamiątkowo Sp. z o.o.	Kielce	100%	Echo - SPV 7 Sp. z o.o.
60	Projekt 1 - Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	Echo Investment S.A.
61	Projekt 12 - Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	Echo Investment S.A.
62	Projekt 13 - Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	Echo Investment S.A.
63	Projekt 132 - City Space - GP Sp. z o.o. Sp. k.	Warsaw	100%	City Space Management Sp. z o.o.
64	Projekt 133 - City Space - GP Sp. z o.o. Sp. k.	Warsaw	100%	City Space Management Sp. z o.o.
65	Nobilis - City Space GP Sp. z o.o. Sp. k.	Warsaw	100%	City Space Management Sp. z o.o.
66	Projekt 14 - Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	Echo Investment S.A.
67	Projekt 15 - Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	Echo Investment S.A.
68	Projekt 16 - Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	Echo Investment S.A.
69	Projekt 17 - Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	Echo Investment S.A.
70	Projekt 18 - Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	Echo Investment S.A.
71	Cinema Asset Manager - Grupa Echo sp. z o.o. S.k.a.	Kielce	100%	Echo Investment S.A.
72	Projekt 20 - Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	Echo Investment S.A.
73	Projekt 21 - Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	Echo Investment S.A.
74	Projekt 22 - Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	Echo Investment S.A.
75	Projekt 5 - Grupa Echo Sp. z o.o. S.k.a.	Szczecin	100%	Echo Investment S.A.
76	Projekt Beethovena - Projekt Echo - 122 Sp. z o.o. S.k.a.	Kielce	100%	Echo Investment S.A.
77	Projekt CS Sp. z o.o.	Kielce	100%	Echo Investment S.A.
78	Projekt Echo - 104 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
79	Projekt Echo - 108 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
80	Projekt Echo - 111 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
81	Projekt Echo - 112 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
82	Projekt Echo - 113 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
83	Projekt Echo - 115 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
84	Projekt Echo - 116 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
85	Projekt Echo - 119 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
86	Projekt Echo - 120 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
87	Projekt Echo - 121 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
88	Projekt Echo - 122 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
89	Projekt Echo - 123 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
90	Projekt Echo - 127 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
91	Projekt Echo - 128 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
92	Projekt Echo - 129 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
93	Projekt Echo - 130 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
94	Projekt Echo - 131 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
95	Projekt Echo - 132 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
96	Projekt Echo - 135 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
97	Projekt Echo - 135 Sp. z o.o. Sp. k.	Kielce	100%	Perth Sp. z o.o.
98	Projekt Echo - 136 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
99	Projekt Echo - 136 Sp. z o.o. Sp. k.	Kielce	100%	Echo Investment S.A.

SUBSIDIARIES

No	Subsidiary	Registered office	% of capital held	Parent entity
100	Projekt Echo - 137 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
101	Projekt 139 - Grupa Echo Sp. z o.o. Sp. k.	Kielce	100%	Echo Investment S.A.
102	Projekt 140 - Grupa Echo Sp. z o.o. Sp. k.	Kielce	100%	Echo Investment S.A.
103	Aquarius - City Space - GP Sp. z o.o. Sp. k.	Warsaw	100%	City Space Management Sp. z o.o.
104	142 - City Space - GP Sp. z o.o. Sp. k.	Warsaw	100%	City Space Management Sp. z o.o.
105	Beethovena - City Space - GP Sp. z o.o. Sp. k.	Warsaw	100%	City Space Management Sp. z o.o.
106	Projekt 144 - Grupa Echo Sp. z o.o. Sp. k.	Kielce	100%	Echo Investment S.A.
107	Projekt 145 - Grupa Echo Sp. z o.o. Sp. k.	Kielce	100%	Echo Investment S.A.
108	Projekt 146 - Grupa Echo Sp. z o.o. Sp. k.	Kielce	100%	Echo Investment S.A.
109	Projekt 147 - Grupa Echo Sp. z o.o. Sp. k.	Kielce	100%	Echo Investment S.A.
110	Projekt 148 - Grupa Echo Sp. z o.o. Sp. k.	Kielce	100%	Echo Investment S.A.
111	Projekt Echo - 93 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
112	Projekt Echo - 99 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
113	Projekt K-6 - Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	Echo Investment S.A.
114	Projekt Naramowice - Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	Echo Investment S.A.
115	Projekt Saska Sp. z o.o.	Kielce	95%	Echo Investment S.A.
116	Pudsey Sp. z o.o.	Warsaw	100%	Echo Investment S.A.
117	Pure Systems Sp. z o.o.	Kraków	100%	Echo Investment S.A.
118	Q22 - Projekt Echo - 128 Sp. z o.o. Sp. k.	Kielce	100%	Potton Sp z o.o.
119	Sagittarius - Projekt Echo - 113 Sp. z o.o. Sp. k.	Kielce	100%	Doxent Investments Sp. z o.o.
120	Seaford Sp. z o.o.	Warsaw	100%	Echo Investment S.A.
121	Selmer Investments Sp. z o.o.	Warsaw	100%	Echo Investment S.A.
122	Selmer Investments Sp. z o.o. Sp. k.	Warsaw	100%	Echo Investment S.A.
123	Senja 2 Sp. z o.o.	Warsaw	100%	Echo - Browary Warszawskie Sp. z o.o.
124	Shanklin Sp. z o.o.	Warsaw	100%	Echo Investment S.A.
125	Stranraer Sp. z o.o.	Warsaw	100%	Echo Investment S.A.
126	Strood Sp. z o.o.	Warsaw	100%	Echo Investment S.A.
127	Swanage Sp. z o.o.	Warsaw	100%	Echo Investment S.A.
128	Symetris - Projekt Echo - 131 Sp. z o.o. Sp. k.	Warsaw	100%	Gosford Investments Sp. z o.o.
129	Taśmowa - Projekt Echo - 116 Sp. z o.o. S.k.a.	Kielce	100%	Echo Investment S.A.
130	Tryton - Projekt Echo - 127 Sp. z o.o. Sp. k.	Warsaw	100%	Perth Sp. z o.o.
131	Villea Investments Sp. z o.o.	Warsaw	100%	Echo Investment S.A.

JEDNOSTKI WSPÓŁZALEŻNE:

Lp.	Nazwa spółki	Siedziba	% posiadanego kapitału	Jednostka dominująca
1	Rosehill Investments Sp. z o.o. n (Galeria Młociny)	Warsaw	30%	Echo Investment S.A.
2	Berea Sp. z o.o. (Galeria Młociny)	Warsaw	30%	Rosehill Investments Sp. z o.o.
3	Projekt Echo - 138 Sp. z o.o. Sp. k. (Towarowa 22)	Warsaw	45,26%	Strood Sp. z o.o.
4	Projekt Echo - 138 Sp. z o.o. (Towarowa 22)	Warsaw	30%	Echo Investment S.A.
5	R4R Poland Sp. z o.o.	Warsaw	30%	Echo Investment S.A.
6	R4R Łódź Wodna Sp. z o.o.	Warsaw	30%	R4R Poland Sp. z o.o.
7	R4R Wrocław Kępa Sp. z o.o.	Warsaw	30%	R4R Poland Sp. z o.o.
8	R4R Wrocław Rychtalska Sp. z o.o.	Warsaw	30%	R4R Poland Sp. z o.o.
9	R4R Warsaw Browary Sp. z o.o.	Warsaw	30%	R4R Poland Sp. z o.o.
10	R4R Leasing Sp. z o.o.	Warsaw	30%	R4R Poland Sp. z o.o.

All certificates issued by 60 FIZ Forum are in possession of the Echo Investment S.A.

3.2 Changes in the structure of the group in 2018

INCREASE OF THE CAPITAL GROUP

Lp.	Entity	Action	Date	Share capital
1	Projekt 146 - Grupa Echo Sp. z o.o. Sp.K. with its registered office in Kielce	Registration by the District Court in Kielce	14.02.2018	5 000 PLN
2	Projekt 148 - Grupa Echo Sp. z o.o. Sp.K. with its registered office in Kielce	Registration by the District Court in Kielce	14.02.2018	5 000 PLN
3	Projekt 144 - Grupa Echo Sp. z o.o. Sp.K. with its registered office in Kielce	Registration by the District Court in Kielce	15.02.2018	5 000 PLN
4	Projekt 147 - Grupa Echo Sp. z o.o. Sp.K. with its registered office in Kielce	Registration by the District Court in Kielce	15.02.2018	5 000 PLN
5	Projekt 145 - Grupa Echo Sp. z o.o. Sp.K. with its registered office in Kielce	Registration by the District Court in Kielce	19.02.2018	5 000 PLN

DECREASE OF THE CAPITAL GROUP

Lp.	Entity	Action	Date	Share capital
1	West Gate II – Projekt Echo – 114 Sp. z o.o. Sp. K. with its registered office in Kielce	Disposal of 100% of shares in the company	25.05.2018	1 000 000 PLN
2	Elissea Investments Sp. z o.o with its registered office in Kielce Warsaw	Disposal of 100% of shares in the company	25.05.2018	5 000 PLN
3	Projekt Echo – 114 Sp. z o.o. with its registered office in Kielce	Disposal of 100% of shares in the company	25.05.2018	30 000 PLN
4	Echo Investment Hungary Ingatlanhasznosito Kft with its registered office in Budapest	Disposal of 100% of shares in the company	30.08.2018	22 598 000 PLN
5	Echo – Klimt House Sp. z o.o. w likwidacji, with its registered office in Kielce	Remove from the Register of Entrepreneurs	21.09.2018	80 000 PLN
6	Projekt Echo – 96 Sp. z o.o. w likwidacji with its registered office in Kielce	Remove from the Register of Entrepreneurs	21.09.2018	25 000 PLN
7	Projekt Echo – 100 Sp. z o.o. w likwidacji with its registered office in Kielce	Remove from the Register of Entrepreneurs	24.09.2018	100 000 PLN
8	Projekt Echo – 77 Sp. z o.o. w likwidacji with its registered office in Kielce	Remove from the Register of Entrepreneurs	25.09.2018	50 000 PLN
9	Echo – Pod Klonami Sp. z o.o. w likwidacji with its registered office in Kielce	Remove from the Register of Entrepreneurs	25.09.2018	70 000 PLN
10	Mena Investments Sp. z o.o. w likwidacji with its registered office in Kielce	Remove from the Register of Entrepreneurs	26.09.2018	1 180 000 PLN
11	Projekt Echo – 95 Sp. z o.o. w likwidacji with its registered office in Kielce	Remove from the Register of Entrepreneurs	27.09.2018	60 000 PLN
12	Barconsel Holdings Ltd	Remove from the Register of Entrepreneurs	31.10.2018	106 824 PLN
13	Echo – Project – Management Ingatlanhasznosito Kft.	Remove from the Register of Entrepreneurs	31.12.2018	1 309 694 PLN

OTHER CHANGES

No	Entity	Action	Date
1	City Space – SPV 1 Sp. z o.o.	Transformation into Supersam City Space – GP Sp. z o.o. S.k.	11.01.2018
2	City Space – SPV 2 Sp. z o.o.	Transformation into Rondo 1 City Space – GP Sp. z o.o. S.k.	19.01.2018
3	City Space – SPV 3 Sp. z o.o.	Transformation into Plac Unii City Space – GP Sp. z o.o. S.k.	19.01.2018
4	PPR – Grupa Echo Sp. z o.o. SKA	„Datio in solutum” agreement – transfer of shares from Forum 60 FIZ to Echo Investment S.A.	20.03.2018
5	Avatar – Projekt Echo 119 Sp. z o.o. SKA	„Datio in solutum” agreement – transfer of shares from Forum 60 FIZ to Echo Investment S.A.	20.03.2018
6	Bełchatów – Grupa Echo Sp. z o.o. SKA	„Datio in solutum” agreement – transfer of shares from Forum 60 FIZ to Echo Investment S.A.	20.03.2018
7	Galeria Tarnów – Grupa Echo Sp. z o.o. SKA	„Datio in solutum” agreement – transfer of shares from Forum 60 FIZ to Echo Investment S.A.	20.03.2018
8	Park Postępu – Grupa Echo Sp. z o.o. SKA	„Datio in solutum” agreement – transfer of shares from Forum 60 FIZ to Echo Investment S.A.	20.03.2018
9	Oxygen – Grupa Echo Sp. z o.o. SKA	„Datio in solutum” agreement – transfer of shares from Forum 60 FIZ to Echo Investment S.A.	20.03.2018
10	Kielce – Grupa Echo Sp. z o.o. SKA	„Datio in solutum” agreement – transfer of shares from Forum 60 FIZ to Echo Investment S.A.	20.03.2018
11	Echo – Galaxy Sp. z o.o. SKA	„Datio in solutum” agreement – transfer of shares from Forum 60 FIZ to Echo Investment S.A.	20.03.2018
12	53 – Grupa Echo Sp. z o.o. SKA	„Datio in solutum” agreement – transfer of shares from Forum 60 FIZ to Echo Investment S.A.	20.03.2018
13	Malta Office Park – Grupa Echo Sp. z o.o. SKA	„Datio in solutum” agreement – transfer of shares from Forum 60 FIZ to Echo Investment S.A.	20.03.2018
14	Projekt 1 – Grupa Echo Sp. z o.o. SKA	„Datio in solutum” agreement – transfer of shares from Forum 60 FIZ to Echo Investment S.A.	20.03.2018
15	Projekt 5 – Grupa Echo Sp. z o.o. SKA	„Datio in solutum” agreement – transfer of shares from Forum 60 FIZ to Echo Investment S.A.	20.03.2018
16	Projekt Beethovena – Projekt Echo - 122 Sp. z o.o. SKA	„Datio in solutum” agreement – transfer of shares from Forum 60 FIZ to Echo Investment S.A.	20.03.2018
17	Projekt Echo - 108 Sp. z o.o.	„Datio in solutum” agreement – transfer of shares from Forum 60 FIZ to Echo Investment S.A.	20.03.2018
18	Villea Investments Sp. z o.o.	„Datio in solutum” agreement – transfer of shares from Forum 60 FIZ to Echo Investment S.A.	20.03.2018
19	Pudsey Sp. z o.o.	„Datio in solutum” agreement – transfer of shares from Forum 60 FIZ to Echo Investment S.A.	12.04.2018
20	Seaford Sp. z o.o.	„Datio in solutum” agreement – transfer of shares from Forum 60 FIZ to Echo Investment S.A.	12.04.2018
21	Fianar Investments Sp. z o.o.	„Datio in solutum” agreement – transfer of shares from Forum 60 FIZ to Echo Investment S.A.	12.04.2018
22	Projekt 141 – Grupa Echo Sp. z o.o. Sp.K.	Change of general partner – disposal of rights and obligations in the entity from Grupa Echo Sp. z o. o. to City Space GP Sp. z o. o. with its registered office in Warsaw	30.04.2018
23	Projekt 142 – Grupa Echo Sp. z o.o. Sp.K.	Change of general partner – disposal of rights and obligations in the entity from Grupa Echo Sp. z o. o. to City Space GP Sp. z o.o. with its registered office in Warsaw	30.04.2018
24	Projekt 143 – Grupa Echo Sp. z o.o. Sp.K.	Change of general partner – disposal of rights and obligations in the entity from Grupa Echo Sp. z o. o. to City Space GP Sp. z o. o. with its registered office in Warsaw	30.04.2018

OTHER CHANGES

No	Entity	Action	Date
25	Projekt 141 – Grupa Echo Sp. z o.o. Sp.K.	Change of limited partner – disposal of rights and obligations in a company from Echo Investment S. A. to City Space Management Sp. z o. o. with its registered office in Warsaw	30.04.2018
26	Projekt 142 – Grupa Echo Sp. z o.o. Sp.K.	Change of limited partner – disposal of rights and obligations in a company from Echo Investment S. A. to City Space Management Sp. z o. o. with its registered office in Warsaw	30.04.2018
27	Projekt 143 – Grupa Echo Sp. z o.o. Sp.K.	Change of limited partner – disposal of rights and obligations in a company from Echo Investment S. A. to City Space Management Sp. z o. o. with its registered office in Warsaw	30.04.2018
28	Fianar Investments Sp. z o.o.	Sale of shares in the company by Echo Investment S.A. to Projekt Echo 108 Sp. z o.o.	11.07.2018
29	Pudsey Sp. z o.o.	Sale of shares in the company by Echo Investment S.A. to Projekt Echo 99 Sp. z o.o.	11.07.2018
30	R4R Poland Sp. z o.o. (former Banbury Sp. z o.o.)	Purchase of 30 shares of the company with a total value of PLN 1,500 by Echo Investment S.A.	20.07.2018
31	Villea Investments Sp. z o.o.	Sale of shares in the company by Echo Investment S.A. to Projekt Echo 129 Sp. z o.o.	20.08.2018
32	Banbury Sp. z o.o.	Change of the company's name to R4R Poland Sp. z o.o	13.09.2018
33	Projekt 19 Grupa Echo Sp. z o.o. SKA	Change of the company's name to Cinema Asset Manager - Grupa Echo Sp. z o.o. S.K.A.	25.09.2018
34	Projekt 22 – Grupa Echo Sp. z o.o. SKA	Capital increase in the company was registered by Echo Investment S.A.	01.10.2018
35	Projekt 20 – Grupa Echo Sp. z o.o. SKA	Capital increase in the company was registered by Echo Investment S.A.	08.10.2018
36	Projekt 142 – Grupa Echo Sp. z o.o. Sp.K.	Change of the company's name to 142 – City Space – GP Sp. z o.o. S.K.	31.10.2018
37	Projekt 143 – Grupa Echo Sp. z o.o. Sp.K.	Change of the company's name to Beethovena – City Space - GP Sp. z o.o. S.K.	31.10.2018
38	Projekt Echo – 136 Sp. z o.o. Sp.K.	Capital increase in the company was registered by Echo Investment S.A.	31.10.2018
39	Projekt 137 – City Space – GP Sp. z o.o. Sp.K.	Change of the company's name to Nobilis – City Space GP Sp. z o.o. S.K.	13.11.2018
40	Projekt 141 – Grupa Echo Sp. z o.o. Sp.K.	Change of the company's name to Aquarius – City Space - GP Sp. z o.o. S.K.	14.11.2018
41	Dagnall Sp. z o.o.	„Datio in solutum” agreement – transfer of shares from Echo Prime Assets B.V. to Echo Investment S.A.	26.11.2018
42	Shanklin Sp. z o.o.	„Datio in solutum” agreement – transfer of shares from Echo Prime Assets B.V. to Echo Investment S.A.	26.11.2018
43	Stranraer Sp. z o.o.	„Datio in solutum” agreement – transfer of shares from Echo Prime Assets B.V. to Echo Investment S.A.	26.11.2018
44	Strood Sp. z o.o.	„Datio in solutum” agreement – transfer of shares from Echo Prime Assets B.V. to Echo Investment S.A.	26.11.2018
45	Swanage Sp. z o.o.	„Datio in solutum” agreement – transfer of shares from Echo Prime Assets B.V. to Echo Investment S.A.	26.11.2018
46	Projekt Echo – 138 Sp. z o.o.	„Datio in solutum” agreement – transfer of shares from Echo Prime Assets B.V. to Echo Investment S.A.	26.11.2018
47	Rosehill Investments Sp. z o.o.	„Datio in solutum” agreement – transfer of shares from Echo Prime Assets B.V. to Echo Investment S.A.	26.11.2018
48	Doxent Investments Sp. z o.o.	„Datio in solutum” agreement – transfer of shares from FORUM 60 FIZ to Echo Investment S.A.	28.11.2018

OTHER CHANGES

No	Entity	Action	Date
49	Glenn Sp. z o.o.	„Datio in solutum” agreement – transfer of shares from FORUM 60 FIZ to Echo Investment S.A.	28.11.2018
50	Potton Sp. z o.o.	„Datio in solutum” agreement – transfer of shares from FORUM 60 FIZ to Echo Investment S.A.	28.11.2018
51	Perth Sp. z o.o.	„Datio in solutum” agreement – transfer of shares from FORUM 60 FIZ to Echo Investment S.A.	28.11.2018
52	Gosford Investments Sp. z o.o.	„Datio in solutum” agreement – transfer of shares from FORUM 60 FIZ to Echo Investment S.A.	28.11.2018
53	Echo Innovations – City Space GP Sp. z o.o. Sp.K.	Change of the company’s name to Tryton – City Space GP Sp. z o.o. S.K.	04.12.2018
54	Projekt 140 – Grupa Echo Sp. z o.o. Sp.K.	Capital increase in the company was registered by Echo Investment S.A.	19.12.2018

Application of new and amended standards and interpretations issued by the IFRS Interpretations Committee

Application of new and amended standards and interpretations issued by the IFRS Interpretations Committee

Application of new standards, amended standards and interpretations issued by the IFRS Interpretations Committee, which are applicable to the Company for the reporting period beginning on January 1, 2018. The following standards and amendments to standards became effective on January 1, 2018, of which the impact of applying IFRS 15 “Revenue from contracts with customers” and IFRS 9 “Financial instruments” was discussed in detail.

IFRS 15 “Revenue from contracts with customers”

- published on May 24, 2014 (and Explanations to IFRS 15 “Revenue from contracts with customers” published on April 12, 2016);

As part of the process of commencing the application of IFRS 15, the Company applied the modified approach retrospectively, by comparing the effect of applying IFRS 15 as a correction of the initial balance of retained earnings in the annual reporting period as of the first application date (January 1, 2018). Under this method, the Company applied a retrospective approach only to contracts that were not completed as at the date of first application. Due to the nature of the business, the entity separated the 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). In accordance with the Management Board’s assessment, the Company’s hitherto rules regarding the moment and amount of revenue recognized are in accordance with IFRS 15. As a result of the implementation of IFRS 15, the Company has expanded the scope of disclosures and presentation of information related to the recognition of revenues.

IFRS 9 Financial Instruments

- (published on July 24, 2014);

For the reporting period beginning on January 1, 2018, the Company decided to apply the classification, measurement and impairment rules retrospectively by adjusting the opening balance, without adjusting the comparative periods. In accordance with the requirements of IFRS 9, the Company recognises the majority of assets recognised as loans and receivables at the amortised cost, as two conditions are met: assets are held as part of the business model which intention is to maintain assets to obtain flows resulting from the contract and contractual conditions 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, are measured at fair value through profit or loss, unless an irrevocable decision is made for a given financial capital at their fair value through “Other comprehensive income”. As a result of implementing the requirements of IFRS 9, the Company did not change the classification of financial liabilities in relation to the previous classification in accordance with IAS 39. Additional information on the classification and measurement of financial assets and liabilities is presented in note 26 to the financial statements.

The Company assessed the impact of the implementation of IFRS 9 on the value of impairment losses, therefore the Company did not make a numerical correction of the opening balance of 2018 resulting from the implementation of IFRS 9. Due to the fact that the Company did not apply and does not apply hedge accounting, the entry into force of IFRS 9 had no material impact on consolidated financial statement of the Group.

Other new standards and amendments in standards that became effective as at January 1, 2018 did not have a significant impact on the Company's reporting:

Amendments to IFRS 2 “Classification and measurement of share-based payment transactions”

– (published on June 20, 2016).

IFRIC Interpretation 22 “ Foreign Currency Transactions and Advance Consideration”.

Amendments to IAS 40 “Transfer of investment property”.

Amendments to IFRS 4 “ Applying IFRS 9 Financial Instruments under IFRS 4 Insurance Contracts”.

Amendments to IAS 28 “Investments in Associates and Joint Ventures”,

– being part of the Changes resulting from the review of IFRSs 2014-2016.

Amendments to IFRS 1 “ First-time Adoption of International Financial Reporting Standards”

– as part of Amendments resulting from the review of IFRSs 2014-2016.

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

IFRS 14 “Regulatory Deferral Accounts”

- (issued on 30 January 2014) - The European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard- not yet endorsed by EU at the date of approval of these financial statements
- effective for financial years beginning on or after 1 January 2016;

Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture”

- (issued on 11 September 2014) - the endorsement process of these Amendments has been postponed by EU - the effective date was deferred indefinitely by IASB;

IFRS 16 “Leases”

- (issued on 13 January 2016) - effective for financial years beginning on or after 1 January 2019;

IFRS 16 Leases applies to annual periods beginning on 1 January 2019 or later. In the opinion of the Management Board, the new standard will have an impact on the Group’s financial statements. The impact of IFRS 16 will result in recognition of assets on account of the right to use and the corresponding leasing liabilities for all lease agreements, including those classified so far as operating lease. The Group decided that the new standard will be applied retrospectively with the cumulative effect of the first application of this standard recognised on the first application date.

The Group has analysed the agreements and identified those that will be affected by IFRS 16. The Group

has identified the following types of agreements previously recognised as operating lease:

- The right of perpetual usufruct of land
- Lease of office space, used for further sublease (City Space projects)
- Lease of office space remaining
- Car lease.

For the aforementioned agreements, the Group will recognise the lease liability measured at the current value of lease payments due to the lessor during the lease term discounted at the marginal lending rate. The asset will be recognised at fair value of lease, which will be recognised as investment property or in the value of lease liabilities for other types of agreements. The difference between the asset value and the liability will adjust the value of previous years’ profits. For the perpetual usufruct right, which applies to investment properties measured at fair value, the fair value of the asset due to the right to use will be determined based on the value of the lease liability.

The Group has considered that development of the methodology for determining the marginal lending rate used to calculate lease liabilities as the key issue in the analysis.

The Group’s Management Board is in the final phase of calculating the impact of applying IFRS 16 for the first time. The estimated impact on the statements of financial position of the Group as at the date of first application of IFRS 16, i.e. on 1 January 2019, will result in recognition of additional assets due to the right of use in the amount of PLN 178,010 thousand, lease liabilities in the amount of PLN 189 336 thousand, deferred tax assets in the amount of PLN 2,152 thousand and the impact on the profit of previous years in the amount of PLN 9,174 thousand.

w tysiącach złotych	Asset on usufruct as at 1.01.2019	Lease liabilities as at 1.01.2019	Deferred tax asset	Profit brought forward as at 1.01.2019
perpetual usufruct	111 547	111 547	-	-
Lease of office space to sub-leasing	51 202	62 528	2 152	(9 174)
Other office space lease	8 689	8 689	-	-
Car leasing	6 572	6 572	-	-
Total	178 010	189 336	2 152	(9 174)

IFRS 17 “Insurance Contracts”

- (issued on 18 May 2017) - not yet endorsed by EU at the date of approval of these financial statements - effective for financial years beginning on or after 1 January 2021;

IFRIC 23 “Uncertainty over Income Tax Treatments”

- (issued on 7 June 2017) - effective for financial years beginning on or after 1 January 2019;

Amendments to IFRS 9: “Prepayment Features with Negative Compensation”

- (issued on 12 October 2017) - effective for financial years beginning on or after 1 January 2019;

Amendments to IAS 28: “Long-term Interests in Associates and Joint Ventures”

- (issued on 12 October 2017) - effective for financial years beginning on or after 1 January 2019;

Amendments to IAS 19: “Plan Amendment, Curtailment or Settlement”

- (issued on 7 February 2018) - effective for financial years beginning on or after 1 January 2019;

“Annual Improvements to IFRS Standards 2015-2017 Cycle”

- (issued on 12 December 2017) - not yet endorsed by EU at the date of approval of these financial statements - effective for financial years beginning on or after 1 January 2019;

“Amendments to References to the Conceptual Framework in IFRS Standards”

- (issued on 29 March 2018) - not yet endorsed by EU at the date of approval of these financial statements - effective for financial years beginning on or after 1 January 2020;

Amendment to IFRS 3 “Business Combinations”

- (issued on 22 October 2018) - not yet endorsed by EU at the date of approval of these financial statements - effective for financial years beginning on or after 1 January 2020;

Amendments to IAS 1 and IAS 8: “Definition of Material”

- (issued on 31 October 2018) - not yet endorsed by EU at the date of approval of these financial statements - effective for financial years beginning on or after 1 January 2020.
- The effective dates are dates provided by the International Accounting Standards Board. Effective dates in the European Union may differ from the effective dates provided in standards and are published when the standards are endorsed by the European Union.

Main accounting principles

The most important accounting principles applied in the preparation of these financial statements are presented below. These rules were applied in all presented periods in a continuous manner unless stated otherwise.

FUNCTIONAL CURRENCY AND CURRENCY OF PRESENTATION

Items in the financial statements of each Group's entities are presented in the main currency of the economic environment in which given subsidiary operates (functional currency).

The Group's financial statement is presented in the Polish zloty (PLN) – the presentation currency and the functional currency of the parent company.

Transactions denominated in foreign currencies are translated into the functional currency at the exchange rate effective on the transaction or measurement day when items are revalued. Gains and losses arising from the settlement of such transactions and measurement of assets and liabilities denominated in foreign currencies are recognised in profit or loss.

The Group comprises entities with a functional currency other than PLN. The reporting data of those companies included in these statements have been converted to PLN in accordance with IAS 21. Balance sheet items are translated at the exchange rate on the balance sheet, the profit and loss account items are translated at the average exchange rate for the period (unless this average is not a reasonable approximation of cumulative effect of the rates effective on the transaction days – in which case income and expenses are translated at the dates of the transaction days). The resulting exchange differences are recognised in other comprehensive income and the cumulative amounts are recognised in a separate component of equity. In the moment of the foreign entity disposal, its accumulated currency differences

recognised in equity are recognised in profit and loss account as profit on disposal.

LEASING

Leasing is classified as a financial leasing when the terms of the agreement transfer all potential benefits and risks resulting from holding the title of the asset to the lessee. Leasing where a significant part of the risk and benefits on account of the ownership remains with the lessor (the financing party) constitutes operating leasing.

Lease payments under operating leasing are recognized as costs (when the Group is the lessee) or revenues (when the Group is the lessor) in the profit and loss account using the straight-line method for the duration of the lease contract.

Benefits received by the lessee and additional parties as an incentive to conclude an operating lease agreement are recognized in the profit and loss account using the straight-line method in the period resulting from the leasing agreement.

In a situation where the specifics of the contract indicate that lease payments will be calculated progressively during the term of the contract, the annual instalments of payments are linearized.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment include fixed assets owned by the Group.

The composition of the Group's fixed assets include:

- real estate (not leased and not intended for trade) used by the Group,
- plant and machinery,
- vehicles,
- other.

Fixed assets are measured and presented in the statement at cost less accumulated depreciation and impairment losses.

The Group's land is not depreciated, the remaining fixed assets are depreciated on a straight-line basis over their estimated quarterly-revised useful life. The estimated useful lives of assets is as follows:

- buildings and structures - from 17 to 67 years;
- components for plant and machinery - from 2 to 5 years;
- vehicles - from 1.5 to 15 years;
- other equipment - 5 years.

Subsequent costs are included in the carrying amount of the asset or recognised as a separate fixed asset (where appropriate) only when it is probable that the asset will generate economic benefits for the Group and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to the profit and loss account during the financial period in which they are incurred.

Property, plant and equipment are tested for impairment if events or changes in circumstances imply that the carrying value may not be possible to realise. Impairment is recognised in the amount by which the carrying amount of an asset or cash-generating unit) exceeds its recoverable amount and is recognised in the profit and loss account. The recoverable amount is the higher of fair value less sale costs or value in use.

Gains and losses on disposal of fixed assets, representing the difference between the sales proceeds and the carrying amount of the fixed asset sold are recognised in the profit and loss account under other operating income / expenses.

INVESTMENT PROPERTIES, INVESTMENT PROPERTIES UNDER CONSTRUCTION

Investment properties include leased real estate owned by the Group along with land directly related to the real estate and land purchased and maintained in order to increase the portfolio's value. Investment properties are initially recognised at cost, including costs of a transaction (including exchange rate differences and profit on valuation of loans and borrowings at the adjusted acquisition price. Debt valuation is related to indebtedness incurred to carry out a specific investment project).

In the case of real estate built by the Group, during the construction the Group includes them into investment property under construction, to recognise as investment property once they are available for use. Following the initial recognition, at each balance sheet date, investment properties are stated at fair value. Fair value is updated every quarter. Gains or losses arising from changes in fair value of investment property are recognised in the profit and loss account in the period in which they arise, taking into account related impact on a deferred tax.

The fair values of land and buildings measured at fair value are updated to the effect of reflecting the market conditions prevailing at the end of the reporting period. The fair value of investment property is the price that would have been received for the sale of an asset or paid for the transfer of a liability in a transaction between market participants carried out on normal conditions at the valuation date. The fair values of the property are subject to verification by internal Analyse Department in cooperation with the Management Board, based on transaction concluded on active market, offers, preliminary agreements, knowledge and experience.

Companies from the Group, when calculating the fair value of investment properties under construction, take into account exchange rate differences and profit on valuation of loans and borrowings (at the adjusted acquisition price) related to indebtedness incurred to carry out a specific investment project.

Valuations includes reserves and they are estimated by discounted cash flow method. The values expressed in EUR and USD are converted quarterly at the current exchange rates published by the NBP.

Gains and losses from the measurement of investment property and profits on the sale of investment property are recognised in the profit and loss account as profit (loss) from investment properties. All costs related to repairs and maintenance of investment property are recognised as an expense in the profit and loss account in the period to which they relate.

Investment property under construction is investments (in progress) carried out by the Group which are intended to be of use in the future as investment property for rental. In the case of investment properties under construction, where a significant part of the risks attendant upon the implementation of the construction process has been eliminated and it is possible to reliably measure those properties are measured at fair value. The Group established the conditions, the compliance with which initiates the process of analysis, whether significant risks related to investment property under construction have been completely eliminated. These conditions most notably comprise:

- obtaining a building permit,
- contracting construction works with a value of at least 30% of the investment budget,
- leasing at least 20% of the implemented project.

Risk analysis is also to a large extent determined by the option and manner of project financing.

Each investment property under construction is analysed individually in terms of the possibility of obtaining a reliable measurement of fair value, taking into account the overall economic situation, the availability of data for similar properties and expectations of volatility factors underlying the valuation. Once the above conditions have been fulfilled, as long as according to Group's estimates, the significant risks

relating to the implementation of investment property under construction has been eliminated, the property is valued at fair value. In other cases, given the inability to obtain a reliable measurement of fair value, investment properties under construction are measured at cost less any accumulated impairment losses. While valuating investment property under construction at fair value under the income method, the Group takes into account the degree of implementation of the project at the end of the reporting period and available reliable data on the expected state of the investment property at the time of completion of the construction process. The valuation at cost takes account of costs directly related to the investment in progress. They consist of expenses incurred for the purchase of land, investments in the design and construction of buildings (mainly external services), expenses and other costs incurred during the implementation directly related to the investment.

If the designated use of the given property changes, such property is reclassified accordingly in the financial statements and disclosed under tangible fixed assets or inventories, according to the balance sheet value as of the transfer date i.e. at the previously disclosed fair value.

ASSETS HELD FOR SALE

Assets (or a disposal group) are classified as held for sale if their carrying amount is recovered principally through a sale transaction and not through its further use. This condition is considered to be fulfilled only when the occurrence of the sale transaction is very likely and the asset (or the disposal group) is available for immediate disposal in its current state (in accordance with generally accepted commercial terms). Classification of an asset as held for sale assumes the intention of the company's management to make a sale transaction within one year from the change of classification. They are valued at the lower of the following two amounts: their carrying amount and fair value minus costs of disposal.

INVENTORIES

The item of inventories comprises: semi-finished products and work in process, finished products, goods and advances on deliveries. Given the nature of business, purchased land or incurred fees for perpetual usufruct of land is classified as work in process if the land is designed for development for resale or towards goods if the land is intended for sale. The work in progress includes also the expenses incurred over the process of construction of facilities and sites for sale (design services, construction works, etc. provided by external contractors). Finished products mainly include residential and business premises completed and sold under final sale contracts. The inventories of tangible items of current assets are measured at the value corresponding to the purchase price of land and the cost of production of developers' business products increased by activated financial costs (including exchange rate differences and profit on valuation of loans and borrowings at

the adjusted acquisition price. Debt valuation is related to indebtedness incurred to carry out a specific investment project), being not higher than the net realizable value. This value is collected from information on the active market. Reversal of impairment loss of inventories appears either on the sale of inventories exor due to increased net sales price. Both the amount of write-downs of inventories recognised as an expense in the period and the amount of any reversal of any write-downs decreasing the value of inventories recognised in the period as reduction in cost are stated in the profit and loss accounts under sales cost. The issue of inventories is recognised according to a method of specific cost identification

FINANCIAL INSTRUMENTS

The Company classifies its financial assets as follows:

- financial assets measured at amortised cost,
- financial assets measured at fair value through other comprehensive income,
- financial assets at fair value through profit or loss.

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 analysis of the characteristics of contractual cash flows from these instruments.

Loans granted, trade receivables and trade and other receivables are measured to amortized cost by the Group, as two conditions are met for them: assets are kept under the business model which intention is to maintain assets in order to obtain flows resulting from the agreement, and contractual conditions of these financial assets cause cash flows at specified times only for repayment of capital and interest on the unpaid the outstanding amount of capital.

In accordance with IFRS 9, as at each reporting date, the Group 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 Group considers all reasonable and confirmed information, including this that relates to the future. The Group will apply the permitted simplification of measurement of impairment on the basis of expected losses over the whole life for all receivables.

In case of trade receivables, the Group applies the simplified approach and therefore does not monitor changes in credit risk over their life, and estimates the impairment loss in the amount equal to the expected credit losses over the life of receivables.

The Group uses the matrix of provisions, made on the basis of historical data concerning repayment of receivables by contractors, to calculate the value of the impairment loss on trade receivables. The impairment loss is updated on each reporting date. Due to the nature of trade receivables, the impairment loss of the value of receivables, despite the introduction of the changes provided for by the standard, remained close to the value of the write-off calculated according to the rules effective before 1 January 2018.

Additionally, the Group analyses trade receivables, other receivables and loans granted with a significant degree of probability of non-recoverability, in cases justified by the type of business or the structure of recipients - in the amount of reliably estimated impairment loss.

In the comparative period according to the following rules, financial assets or financial liabilities are measured

at the moment of the first presentation at fair value through profit and loss - including:

- financial assets for trade. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term,
- financial assets designated upon initial recognition as at fair value through profit and loss,
- derivative instruments which fail to meet the conditions for hedge accounting,
- investments held to maturity,
- financial assets other than derivatives, with fixed or determinable payments and fixed maturity, for which the Group has the positive intention and ability to hold to maturity,
- loans and receivables,
- financial assets other than derivatives with fixed or determinable payments that are not quoted in an active market,
- financial assets available for sale
- non-derivative financial assets not classified as financial assets recognised at fair value through profit or loss, loans and receivables and assets held to maturity.

Assets are recognised on the transaction date, and derecognised upon the expiry of the contractual rights to cash flows from the financial asset or where a financial asset is transferred along with all risks and benefits of ownership thereof. The Group applies the weighted average purchase price as the valid method of expenditure in the area of financial instruments.

DERIVATIVES

Derivatives are recognised in the books at the time where the Companies becomes a party to a binding agreement.

The Group takes recourse to derivative instruments to mitigate the risks associated with changes in exchange rates or interest rates. The Group does not apply hedge accounting. At the balance sheet date, derivatives are measured at fair value. Where derivatives with fair value greater than zero are

financial assets, those with negative fair value are financial liabilities.

Profit or loss on derivative instruments is recognized in financial income or expenses respectively, and in the consolidated cash flow statement as cash flows from investing activities if the acquisition results in the recognition of an asset in the consolidated statement of financial position.

PURCHASED BONDS, LOANS, TRADE RECEIVABLES AND OTHER RECEIVABLES

Bonds, loans, trade receivables and other receivables which are financial assets come under the category of "Loans and receivables".

Purchased bonds, loans, trade receivables and trade and other receivables which are financial assets are initially recognised at fair value (plus transaction costs if any), and subsequently measured at amortised cost, less the accumulated impairment losses. The value of receivables based on the probability of their payment by revaluation write-off.

Revaluation write-offs on trade and other receivables are created at the end of each quarter, where there is objective evidence that the Group will not be able to collect all amounts arising under the original terms of receivables. The following factors suggest that the receivable is impaired: serious financial problems of the debtor or delay in payments. The amount of the provision is the difference between the carrying value of the receivable and the present value of estimated future cash flows arising thereunder and discounted with the original effective interest rate. The amount of loss is recognised in the profit and loss account as "other operating expenses". Subsequent repayment of previously written-off receivables is recognised in "other operating income" in the profit and loss account.

Advances to suppliers are valued at cash expenditure and according to received VAT invoices in evidence of granting an advance.

FINANCIAL ASSETS HELD FOR SALE

On the day of recognition, these assets are measured at fair value increased by transaction costs, while at the balance sheet date they are measured at fair value.

Gains or losses arising from changes in the fair value of an asset is recognised directly in other comprehensive income. In the event of impairment, (in case of material or long-term drop of fair value of given bond under its cost) the amounts previously recognised in other comprehensive income is reclassified to profit or loss.

Assets available for sale include stocks and shares in companies other than subsidiaries and associates which are not quoted in an active market, which are current or non-current assets.

In cases where no fair value can be determined, their valuations are carried at cost less accumulated impairment losses, whereas valuation effects are recognised in profit or loss.

CASH

Cash at bank and in hand and short-term investments held to maturity and other financial assets (liquid debt instruments readily convertible to cash) are measured at nominal value plus accrued interest. The same definition of cash shall apply to cashflow report. According to the Company, restricted cash mostly include funds constituting security for bank guarantees and funds accumulated on open residential fiduciary accounts.

FINANCIAL LIABILITIES (INCLUDING TRADE)

Financial liabilities include loans, borrowings, debt securities, trade payables and other financial liabilities. Financial liabilities (including trade payables) are initially measured at fair value less transaction costs. Following the initial recognition, long-term liabilities are measured at amortised cost. In cases where the difference between that value and the calculated value of the amount payable has no significant impact on the Group's financial results, such obligations are measured at the amount due.

The advances for the purchase of goods and services take into account both invoiced (including apartments) and non-invoiced advances received.

CONTRACTS OF ISSUED FINANCIAL GUARANTEES

Contracts of issued financial guarantees are recognised initially at fair value (equal to the premium received or estimated using valuation techniques), then the higher of two values: amount of provision determined based on estimates of the amount of probable expenditure required to settle the obligation arising from the guarantee agreement initial value less depreciation.

Financial guarantee contracts are recognised also in liabilities and off-balance sheet receivables. At each balance sheet date, the Group assesses whether there is a likelihood of having to make payments and create reserves.

INCOME TAX

Income tax on the profit or loss for the year includes the tax currently payable and deferred tax. Income tax is recognised in the profit and loss account, except for amounts related to items recognised in other comprehensive income, in which case the income tax is accordingly recognised in other comprehensive income. The current portion of the income tax is the expected tax on the taxable income for the year, calculated by using tax rates enacted at the balance sheet date, together with any tax adjustments for previous years. Deferred tax is calculated by using the liability method on temporary differences between the carrying amounts of assets and liabilities

and their corresponding tax values used to calculate the tax base.

Deferred tax assets are recognised for all taxable temporary differences except when the difference is due to:

- the initial recognition of goodwill or
- the initial recognition of an asset or liability in a transaction other than a merger of two business operators, provided that at the time of the transaction it has no impact on the financial result or the tax base.

Deferred tax liabilities are recognised for all deductible temporary differences to the extent that it is probable that profit will be taxable, which will provide for deduction of negative temporary differences. The exception is that, when this difference arises from the initial recognition of an asset or liability in a transaction other than a merger of two business operators, provided that at the time of the transaction it has no impact on the financial result or the taxable base. Deferred tax assets arising from tax losses and negative temporary differences created to the amount for which it is probable that tax income will be achieved in the future providing for the settlement of these differences and losses. For the calculation of deferred income tax the tax rate is applied which will apply in the periods in which the assets will be realised or the liability settled. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority on the same taxable entity, or when the entities of the Group hold a legally enforceable right to set off.

No deferred tax is created on temporary differences arising on investments in subsidiaries, jointly controlled entities and associates where the Group controls the reversal of such differences and it is probable that they will not reverse in the foreseeable future. Deferred income tax is recognised in profit or loss or in other comprehensive income depending on where the position was entered to which the tax applies.

EQUITY CAPITAL

The share capital is measured at nominal value shown at the National Court Register. The differences between the fair value of the payment received and the nominal value of shares are recognised in the reserve fund as capital from sales of shares above their nominal value.

The supplementary capital consists of the surplus of the issuance above the nominal value of shares and the consolidated profits of companies approved at the Ordinary AGM. The share issue costs incurred by increasing the share capital reduce the company's supplementary capital to the amount of surplus issue value above the nominal value of shares. Foreign exchange differences on the foreign operations translation include the effect of translation of items in the foreign entities financial statements from foreign currencies into Polish zlotys.

PROVISIONS

The provisions are recognised when the Group is under a present obligation resulting from past events, it is probable that fulfillment of this obligation will cause an outflow of resources representing economic costs and a reliable estimate of the amount of the obligation can be made.

Provisions are measured at the present value of the costs estimated in accordance with the best knowledge of the management of the Group, the incursion of which is required to settle the present liability at the balance sheet date.

Methods of determining the financial result

The financial result is determined using the calculation method.

REVENUE

Revenue from the sale of the Group's residential and service premises are recognised on the date of hand-over of real estate to the buyer. This occurs on the basis of the acceptance protocol signed by the parties providing only after completion of the construction of real estate and receiving the occupancy permit on condition that the buyer will pay 100% towards the purchase price of real estate. Revenues from the lease of residential and commercial properties are recognised on a straight-line basis during the term of the agreements. The Group present revenue from other agreements on provision of services in a moment of obligation fulfillment.

COST OF SALES

Sales cost is measured at production cost by taking recourse to the method of detailed identification of the real costs of sold assets or percentage share of, e.g.: sold area of land, sold shares, etc. In particular, the cost of sold premises and land is determined in proportion to its share in the total cost of construction of the facility and in all the land constituting a project.

ADMINISTRATIVE COSTS RELATED TO PROJECTS

Administrative costs related to projects include administrative costs indirectly related to the implementation of development projects which include: land perpetual usufruct tax, real estate tax, maintenance fees, property protection, administrative staff remuneration costs and employee maintenance costs in the part where they are assigned to the project and other costs related to maintaining inventories.

These costs, despite an indirect connection with the implementation of development projects, are not

capitalized in the value of inventories/investment properties, because:

- in light of IAS 2, these costs are excluded from the purchase price or the cost of inventories due to the fact that they are not incurred in order to bring inventories to their current status and place;
- IAS 40, which refers in this respect to the provisions of IAS 16, does not permit capitalization of administrative and general management costs in the value of investment property.

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.

CONSOLIDATION OF SUBSIDIARIES

Subsidiaries are all entities over which the Group exercises control, which usually occurs when the Company:

- exercises authority over the entity,
- is exposed to changing financial results or holds rights to variable financial results,

- is capable of using the authority exercised over the entity in which the investment was made to influence the amount of their financial results.

Subsidiaries are consolidated in the full method from the date of extending authority over them to the time of losing it.

Financial statements of subsidiaries present data for the same accounting period as the parent company, using consistent accountancy methods.

The process of consolidation eliminates all intra-group transactions and accounting balances.

Elimination also extends to the value of shares held by the Company and other consolidated entities in subsidiaries which represents the share of the Company and other Group entities subject to consolidation in the equity of subsidiaries. Jointly controlled entities are consolidated in accordance with the equity method.

The most important role in the structure of the Group is played by Echo Investment S.A., which is the owner of units of the Group, supervises, co-participates and provides funds for the implementation of ongoing developer's projects. The companies included in its composition have been established or acquired in order to carry out specific investment tasks and mostly do not engage in business operations other than that which would result from the process of execution of specific project, and next from the provision of services of lease assets already completed or other services.

COMBINATIONS OF ECONOMIC ENTITIES

The Group has subsidiaries which hold real estate. At the time of the acquisition, the Group considers whether the acquisition is the acquisition of an enterprise or the acquisition of an asset. The Group recognizes acquisition as a business combination under which an integrated set of activities was purchased along with investment property.

The acquisition of subsidiaries by the Group, except for the acquisition of entities under common control, is accounted for according to the acquisition method. The payment transferred in the business combination transaction is measured at fair value, calculated as the collective fair value of the Group's assets transferred, liabilities contracted to the previous owners of the acquired entity and capital instruments issued by the Group in exchange for acquisition of control over the acquired entity. The costs related to the acquisition are recognized in the result at the time they are incurred.

Goodwill is valued as the excess of the amount of payment transferred, the amount of non-controlling interest in the acquired entity and the fair value of shares in the acquiree previously held the acquirer over the fair value of identifiable net assets acquired

and liabilities measured at the acquisition date. If, after re-verification, the net value of identifiable assets and liabilities valued at the date of acquisition, exceeds the sum of the payment transferred, the value of non-controlling interests in the acquiree and the fair value of shares in that entity previously held by the acquirer, this surplus is recognized directly in the result as a gain on bargain purchase.

Non-controlling shares that form part of ownership interests and entitle owners to a proportionate share in the net assets of the entity in the event of its liquidation can be initially measured at fair value or proportionally to non-controlling interests in the recognized value of identifiable net assets of the acquiree. The selection of the valuation method is made individually for each takeover transaction.

In the event that the acquisition of subsidiaries does not constitute a takeover of the business, it is recognized as the acquisition of a group of assets and liabilities. The acquisition cost is allocated to assets and liabilities acquired based on their relative fair values and no goodwill or deferred income tax is recognized.

INVESTMENTS IN ASSOCIATED COMPANIES AND JOINT VENTURES

Associates are the companies which the parent company has a direct or indirect (through subsidiaries) influence on yet are not its subsidiaries or joint ventures.

Joint ventures are contractual arrangements whereby two or more parties undertake a business which is subject to co-control. Joint ventures are joint contractual agreement according to which co-controlling parts have rights to net assets resulting from the contractual agreement.

The financial year of associates, joint ventures and the parent company is the same.

The Group's investments in associates and joint ventures are accounted for in the consolidated financial statements using the equity method. Under the equity method, the investment in an associate or joint venture is initially recognized at cost and subsequently adjusted to take account of the Group's interest in the financial result and other comprehensive income of the associate or joint venture. If the Group's share of losses in an associate or joint venture exceeds its share in the entity, the Group ceases to recognize its share of further losses. Additional losses are recognized only to the extent consistent with legal or customary liabilities assumed by the Group or to payments made on behalf of an associate or joint venture.

An investment in an associate or joint venture is accounted for using the equity method from the date on which the entity acquired the status of a joint venture or associate. On the date of investing in an

associate or joint venture, the amount by which the investment costs exceed the Group's share of the net fair value of the identifiable assets and liabilities of that entity is recognized as goodwill and included in the balance value of the investment.

The amount by which the Group's share of net fair value in identifiable assets and liabilities exceeds investment costs is recognized directly in profit or loss in the period in which the investment was made.

The requirements of IAS 39 apply when assessing the need to recognize impairment of a Group's investment in an associate or joint venture. If necessary, the entire investment balance sheet is tested for impairment under IAS 36 "Impairment of Assets" as a single asset, comparing its recoverable amount with the balance value. Impairment recognized is part of the balance value of the investment.

Reversal of this impairment is recognized in accordance with IAS 36 to a degree corresponding to a subsequent increase in the recoverable amount of the investment.

The Group ceases to apply the equity method on the date a given investment ceases to be its associate or joint venture and when it is classified as earmarked for sale. The difference between the balance value of an associate or joint venture at the date of discontinuance of the equity method and the fair value of retained interests and proceeds from the disposal of a portion of the interest in that entity is taken into account when calculating the gain or loss on disposal of an associate or joint venture.

If the Group reduces its share in an associate or in a joint venture but it continues to settle it using the equity method, it transfers to the financial result any portion of profit or loss previously recognized in other total income, corresponding to the share reduction, provided that the profit or loss is subject to reclassification to the financial result at the time of the disposal of related assets or liabilities.

Unrealized profits and losses resulting from transactions between the Group and the entity recognized under the equity method are subject to consolidation eliminations in accordance with the Group's share in the equity of the entity recognized using the equity method.

VALUATION TO FAIR VALUE

The Group measures financial instruments such as instruments available for sale as well as derivative instruments and non-financial assets such as investment properties at fair value as at each balance sheet date. Fair value is defined 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 usual terms of asset disposal between market participants on the valuation date under current market conditions. The fair value measurement is based on the assumption that the sale transaction of an

asset or liability transfer takes place on the market available for the main market for a given asset or liability, available to the Group, 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 when determining the price of an asset or liability, market participants act in their best economic interest.

The fair value measurement of a non-financial asset takes into account the market participant's ability to generate economic benefits through the largest 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 Group applies 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 their fair value is disclosed in the financial statements are classified in the fair value hierarchy as described below based on the lowest input data level that is significant for the fair value measurement taken as a whole:

- Level 1 - Quoted (unadjusted) market prices in 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, the Group assesses in the financial statements whether transfers took place between levels of the hierarchy by reassessing the classification to individual levels, guided by the relevance of the input data from the lowest level that is significant for the valuation to fair value treated as a whole.

REPORTING BY SEGMENTS

The Group's business segments are presented in accordance with data from internal management reporting and analyzed by the key operational decision maker. The key operating decision maker, which is responsible for the allocation of resources and the assessment of operating segments' results, is the Management Board of Echo Investment S.A.

In the Group, the following reporting segments were identified, which are identical to operating segments defined on the basis of the type of projects implemented:

- residential areas (rental and sale of residential and service areas),
- shopping centres (rental),

- office buildings (rental), others (services for external clients - accountancy, leasing, development).

Principles for determining revenues, costs, segment's result measurement, asset valuation and segment's liabilities are the accounting policies adopted for the preparation and presentation of the Group's consolidated financial statements, as well as accounting policies that specifically relate to segment reporting. The operating segment profit margin is measured as 'gross profit / loss on sales'.

Segment financial data are included in note 32 to the financial statements.

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.

CASH FLOW

The cash flow statement is prepared using the indirect method. Liabilities on account of overdraft facilities are denominated as loan debt rather than cash equivalent.

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

Changing the principles of accounting

The annual consolidated financial statements have been prepared by in accordance with IFRS applicable for financial statements.

The accounting principles used to prepare these consolidated financial statements are consistent with those used while preparing the consolidated financial statements of the Company for the year ended 31 December 2017, except for the voluntary change in accounting principles adopted by the Company and except for the application of new standards, amendments to standards and interpretations issued by the IMSF Committee applicable to the Company in case of the reporting period beginning on 1 January 2018.

The voluntary change of the principles of accounting

The Management Board has made a decision on the voluntary change of the accounting policy for recognising revenue from the sale of residential and commercial premises as well as the cost of sales corresponding to those revenues. So far, revenues from the sale of residential and commercial premises have been recognised in accordance with IAS 18 “Revenues” at the time of transfer of ownership of these premises pursuant to sale agreements after project completion and the right of use of the premises is obtained. In the opinion of the Management Board, the first-time adopted IFRS 15 “Revenue from contracts with customers”, which replaces IAS 18, do not affect this principle. However, the Management Board, after analysing, among others current general market practice, has decided that the moment reflecting better the moment of transferring significant risks and benefits (transferring control in accordance with IFRS 15) to the buyer of the premises is not signing the final agreement on the transfer of the ownership of the premises, but handing over real estate to the

buyer. It is done on the basis of the acceptance protocol signed by the parties only after completion of the construction process of real estate and obtaining the occupancy permit, and also provided the buyer makes 100% payments towards the purchase price of the property. In the opinion of the Management Board, meeting the above conditions, in particular receiving the entire payment and the acceptance of the premises by the buyer by signing the acceptance report, eliminates the risks associated with the development process and effectively leads to transfer of benefits and risks (control) under the premises of the buyer. When deciding, the Management Board has analysed historical cases of withdrawal from the agreements (not entering into the transfer agreement) after signing the acceptance protocol and has stated that it happens sporadically, which confirms the above conclusions.

The adopted change results in an earlier recognition of revenue from the sale and the cost of sales, and thus - a margin on the sale of premises. In accordance with the requirements of IAS 8 “Accounting principles (policy), changes in estimates and errors”, the above change in the accounting principles was introduced retrospectively. It means that the opening balance of the equity of the Company (Group) of the earliest period presented, i.e. as at 1 January 2017, as well as comparative data presented in these consolidated financial statements, such as the changed accounting policy had always been applied.

In summary, the Group has decided to change its accounting policy in the above-mentioned scope because in the opinion of the Management Board, new rules for recognising revenues will provide more reliable and useful information. The new accounting policy reflects better the economic content of sales transactions of residential premises, including the moment of the transfer of benefits and risks, and it

is consistent with general market practice in this area among residential developers.

The impact of the above changes on particular items of the statement of financial position as at 1 January 2017 and 31 December 2017, as well as on the profit and loss account for the period from 1 January 2017 to 31 December 2017 are presented in the tables below.

The new accounting policy is consistent with the provisions of International Accounting Standards, in

particular with the provisions of IFRS 15 “Revenue from contracts with customers”.

The comparative data in these financial statements have been restated accordingly. The impact of the above changes on particular items of the statements of financial standing as at 1 January 2017 and 31 December 2017, as well as on the profit and loss account for the period from 1 January 2017 to 31 December 2017 are presented in the tables below.

Major changes in comparative data as at 31 December 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION [PLN ‘000]

	31.12.2017 - approved	31.12.2017 - restated	Change
ASSETS			
Inventory	682 436	656 005	(26 431)
Total assets	3 879 391	3 852 960	(26 431)
EQUITY AND LIABILITIES			
Equity			
Equity attributable to equity holders of the parent	1 587 750	1 590 010	2 260
Retained earnings	435 150	437 410	2 260
Provisions			
Deferred tax provision	49 193	49 723	530
Deferred income	83 487	54 266	(29 221)
Total equity and liabilities	3 879 391	3 852 960	(26 431)

CONSOLIDATED PROFIT AND LOSS ACCOUNT [PLN ‘000]

	01.01.2017 – 31.12.2017 - approved	01.01.2017 – 31.12.2017 - restated	Change
Revenue	621 862	640 985	19 123
Cost of sales	(472 435)	(490 514)	(18 079)
Gross profit (loss)	149 427	150 471	1 044
Operating profit	274 785	275 829	1 044
Profit (loss) before tax	363 355	364 399	1 044
Income tax	(51 191)	(51 389)	(198)
Deferred portion	(34 748)	(34 946)	(198)
Net profit (loss), including:	312 164	313 010	846
Equity holders of the parent	312 171	313 017	846

INVENTORY [PLN '000]

	31.12.2017 - approved	31.12.2017 - restated	Change
Finished goods	113 495	87 064	(26 431)
Total inventory	682 436	656 005	(26 431)

INVENTORY - IMPACT ON PROFIT [PLN '000]

	31.12.2017 - approved	31.12.2017 - restated	Change
Inventory value recognised as cost of the period	467 546	449 467	(18 079)

REVENUE [PLN '000]

	01.01.2017 - 31.12.2017 - approved	01.01.2017 - 31.12.2017 - restated	Change
Sale of residential space	465 669	484 792	19 123
Total revenue	621 862	640 985	19 123

COST OF SALES [PLN '000]

	01.01.2017 - 31.12.2017 - approved	01.01.2017 - 31.12.2017 - restated	Change
Sale and lease of residential space	(351 882)	(369 961)	(18 079)
Total cost of sales	(472 435)	(490 514)	(18 079)

COST - BY TYPE [PLN '000]

	01.01.2017 - 31.12.2017 - approved	01.01.2017 - 31.12.2017 - restated	Change
Change of inventory of finished goods and goods in production	(69 327)	(51 248)	18 079
Cost of production	(472 435)	(490 514)	(18 079)

CHANGE IN DEFERRED INCOME TAX ASSETS (+) AND DEFERRED TAX PROVISIONS (-) [PLN '000]

	01.01.2017 - 31.12.2017 - approved	01.01.2017 - 31.12.2017 - restated	Change
Change in the period			
other	17 610	18 140	530
	(34 749)	(34 219)	530
Deffered income tax provision	49 193	49 723	530
change in the year	7 652	8 182	530

Major changes in comparative data as at 1 January 2017

CONSOLIDATED STATEMENT OF THE FINANCIAL POSITION ['000]

	01.01.2017 - approved	01.01.2017 - restated	Change
ASSETS			
Inventory	660 251	651 899	(8 352)
Total assets	3 369 792	3 361 440	(8 352)
EQUITY AND LIABILITIES			
Equity			
Equity attributable to equity holders of the parent	1 533 894	1 535 309	1 415
Retained earnings	393 345	394 760	1 415
Provisions			
Deferred tax provision	41 541	41 873	332
Deferred income	85 428	75 329	(10 099)
Total equity and liabilities	3 369 792	3 361 440	(8 352)

Material estimates of the Company's management board

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:

INVESTMENT PROPERTIES / INVESTMENT PROPERTIES UNDER CONSTRUCTION / ASSETS HELD FOR SALE

Investment real estate includes facilities leased to clients by companies which are part of the Group. The fair value of investment real estate is classified at level 3 in the fair value hierarchy. There were no transfers between the levels.

The fair value of real estate properties which are almost 100% commercialized and generate a fixed income is determined by the unit according to the income method, using simple capitalization

technique as the quotient of the project's net operating income (NOI) and the yield, or using the value resulting from external valuation, a preliminary contract for the sale of real estate, a letter of intent or a purchase offer, provided they exist. The net operating income (NOI) is updated quarterly on the basis of existing rental agreements. Values expressed in EUR are calculated every quarter according to the applicable rates published by the National Bank of Poland. For real estate under construction and/or commercialization, valued in accordance with the criteria described in item 2 (Methods of determining the financial result), the property valuation is based on the income method using the technique of discounted cash flows, which takes into account future proceeds from lease (including rent payment guarantees), real estate sales and expenditures to be paid. The yield used to determine residual values recognized in cash flows result from the Management Board's estimates based on preliminary agreements for the sale of real estate, letters of intent, external valuations of appraisers or their familiarity with the market. The rates used also take into account the risk, and the level of risk is assessed individually for each property subject to its status.

According to the valuations prepared by the Group, the value of investment properties as at 31 December 2018 amounted to PLN 1,007,716 thousand and consisted of office buildings valued at fair value (PLN 1,001,599 thousand) and other properties (PLN 6,117 thousand). The capitalization rate used to estimate the value of the office buildings as at 31 December

2018, measured using the income method, amounted 5,25% – 7,15%, and for retail properties – 6,50 %.

As at 31 December 2017, the value of investment properties amounted to PLN 6,117 thousand and also consisted only of the item: other properties.

The value of investment properties under construction as at 31 December 2018 amounted to PLN 940,427 thousand and consisted of properties valued at the fair value (PLN 404,203 thousand) and properties valued according to the value of incurred expenditures (PLN 536,224 thousand).

The capitalization rates used to estimate the value of property valued using the income method were: for office properties 5,50%-7,25%. When calculating the fair value of investment property under construction, the Group companies take into account foreign exchange differences and the result on the measurement of loans and borrowings at adjusted acquisition cost (SCN). The valuation of debt is related to the debt incurred in order to implement a specific investment project.

As at 31 December 2017, the value of investment properties under construction amounted to PLN 1,281,230 thousand and consisted of properties valued at the fair value (PLN 677,840 thousand) and properties valued according to the value of incurred expenditures (PLN 603,990 thousand). The capitalization rates used to estimate the value of properties valued using the income method were: for

office buildings (4 facilities) from 6.00% to 7.85%; for a building from the shopping centre segment 6.50%.

Under the 'assets held for sale' item the Group presents the properties with reference to which a decision was made to sell them within 12 months. This item includes completed projects as well as ongoing projects and investment plots. As at 31 December 2018, the value of assets held for sale was PLN 13,500 thousand and consisted of investment land.

As at 31 December 2017, the value of assets held for sale amounted to PLN 119,985 thousand and consisted of investment lands (PLN 119,985 thousand). The capitalization rates used to estimate the fair value of office buildings ranged from 6.5% to 8.0%.

FINANCIAL INSTRUMENTS VALUED ACCORDING TO FAIR VALUE

The fair value of financial instruments (located in the fair value hierarchy level 2) that are not traded on the active market is determined using valuation techniques (the income method). The Company is guided by the judgment in the selection of valuation methods and it adopts assumptions based on market conditions existing at each balance sheet date. In particular, concluded forward contracts and concluded option agreements are valued on the basis of valuations provided by banks, which use such data as current exchange rates, their historical volatility and interest rates on deposits (WIBOR, EURIBOR) when calculating them.

As at 31 December 2018, the Group did not change the valuation principles for financial instruments, there were no changes in the classification or movements between levels of the fair value hierarchy. There is no difference between the carrying value and the fair value of financial instruments.

INVENTORY

When estimating the amount of the write-down revaluating the inventories held by the Group as at the balance sheet date, information from the active market is analyzed regarding expected sales prices and current market trends as well as information resulting from preliminary sales contracts concluded by the Group.

Assumptions used in the calculation of the write-down are mainly based on valid market prices of real estate in a given market segment. In the case of land included in the item of inventories, the value

of write-downs results from the suitability of the given land for the needs of the current and future operations of the Group estimated by the Management. Data regarding write-downs updating the value of inventories to the net value possible to obtain and reversing write-downs on this account are presented in note 9.

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 require much greater judgment when assessing tax consequences of individual transactions. The GAAR clause should apply to transac-

tions 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 allowed Polish tax authorities to question the legal arrangements and agreements such as restructuring and reorganization of the group.

ASSET FROM DEFERRED INCOME TAX

The Group 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.

SECURING REVENUE FOR RENT-FREE PERIODS (MASTER LEASE)

When an investment property is selling, it occurs that buildings are not fully commercialized at the time of sale. The price is calculated based on the project's projected revenue (NOI) while the Group signs a contract securing the rent-free periods (master lease).

Securing rental proceeds (master lease) is estimated on the basis of information obtained from the office project leasing team, accepted by the Member of the Management Board responsible for this segment of activity, concerning:

- terms of signed lease agreements,
- assumptions for vacant areas, such as expected transfer dates, estimates of rent rates and rental holidays.

The following is calculated on this basis:

- for vacancies: the rent that would be paid by the potential future tenant,
- for signed contracts: rental holidays (if any).

The estimate is made from the balance sheet date for the period of securing rental proceeds. In each calculated month:

- if a vacancy is expected on an area in a given month, the cost of securing rental revenue is a full rent which is provided for on this area;
- if it is expected that a given area will be transferred and the tenant has a rental holiday, the cost of securing the rental proceeds related to this area in a given

- month is equal to the value of rental holidays;
- if it is expected that the tenants' rental holidays are over in a given month, the cost of securing the rental proceeds is equal to zero.

The basic rent and the maintenance fees are calculated in this way, the exception being that there are no rental holidays on maintenance fees.

The total of these values discounted as at the balance sheet date is the value of the reserve for securing rent-free periods (master lease).

The reserve for securing rent-free periods (master lease) is calculated for projects sold and projects valued using the income method. Therefore, the first reserve for a

master lease is created together with the first valuation of the project at fair value.

As at 31 December 2018, the value of reserves established to secure rent free periods amounted to PLN 1,119,912 thousand.

As at 31 December 2017, the value of reserves established to secure rent free periods amounted to PLN 132,503 thousand

PROFIT SHARE FROM SALE OF REAL ESTATE

A profit share is a share in the minority investor's profit. It results from concluded agreements according to which the investor is obliged to pay the capital constituting a share in the investment. The capital is contributed to the entities which perform the project in the form of a loan or an issue participating bonds. At the

time of the sale of the project, the capital is returned to the investor along with due profit share (calculated as the sale price - costs). The provision for the profit share is estimated for projects valued using the income method in proportion to the released profit on real estate. Therefore, the first provision for the profit share is created along with the first valuation of the project at fair value.

As at 31 December 2018, the value of provision for costs on account of the profit share from the sale of real estate amounted to PLN 97,442 thousand.

As at 31 December 2017, the value of provision for costs on account of the profit share from the sale of real estate amounted to PLN 49,187 thousand.

Financial risk management

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

The Group's exposure to interest rate risk stems from financial assets and liabilities, in particular with loans granted, bank deposits, bank loans received and bonds issued. Borrowings, loans, and bonds bear interest at variable rates and make the Group vulnerable to interest rate risk, while loans bear interest at fixed interest rates and expose the Group to fluctuations in fair value of financial instruments. In addition, the Group is exposed to the risk of interest rate fluctuations in the case of borrowing a new loan or refinancing existing debt into long-term financing.

As at 31 December 2018 and as at 31 December 2017, 100% of liabilities on loans and debt securities yielded variable-rate interest.

As at 31 December 2018, 43,3% of loans granted yielded fixed-rate interest, the remaining part - variable-rate interest.

As at 31 December 2017, 10,6% of loans granted were yielding fixed-rate interest, the remaining part - variable-rate interest.

As at 31 December 2018, the Group did not apply interest rate hedge in the form of IRS instruments.

INTEREST RATES' RISK - LIABILITIES DUE TO DEBT SECURITIES ISSUE [PLN '000]

	Value calculated for the analysis	
	as at 31.12.2018	as at 31.12.2017
Balance of liabilities due to debt securities issue	1 158 669	1 401 582
Financial costs of debt securities issue's interests	56 077	48 787
Estimated change in the interest rates	+/- 1 p.p.	+/- 1 p.p.
Financial costs of debt securities issue's interests rates, taking into account increase / (decrease) of interests rates	11 587	14 016
Total impact on the gross results for the period	11 587	14 016
Income tax	2 201	2 663
Total impact on the net results for the period	9 386	11 353

INTEREST RATES' RISK - LIABILITIES DUE TO LOANS AND BORROWINGS [PLN '000]

	Value calculated for the analysis	
	as at 31.12.2018	as at 31.12.2017
Balance of liabilities due to loans and borrowings	270 858	156 961
Financial costs of interests	3 087	2 869
Estimated change in the interest rates	+/- 1 p.p.	+/- 1 p.p.
Change of interest as a result of interest rate's change (on a yearly basis)	2 709	1 570
Total impact on the gross results for the period	2 709	1 570
Income tax	515	298
Total impact on the net results for the period	2 194	1 272

INTEREST RATES' RISK - CASH [PLN '000]

	Value calculated for the analysis	
	as at 31.12.2018	as at 31.12.2017
Balance of cash	494 250	731 100
Other operational income from interests	4 001	21 016
Estimated change in the interest rates	+/- 1 p.p.	+/- 1 p.p.
Other operational income from interests taking into account interests rates' changes	4 943	7 311
Total impact on the gross results for the period	4 943	7 311
Income tax	939	1 389
Total impact on the net results for the period	4 003	5 922

INTEREST RATES' RISK - LOANS GRANTED [PLN '000]

	Value calculated for the analysis	
	as at 31.12.2018	as at 31.12.2017
Balance of granted loans	66 759	145 180
Financial income from granted loans' interests	5 642	5 433
Estimated change in the interest rates	+/- 1 p.p.	+/- 1 p.p.
Financial income from granted loans' interests, taking into account interests rates' changes	668	1 452
Total impact on the gross results for the period	668	1 452
Income tax	127	276
Total impact on the net results for the period	541	1 176

CURRENCY RISK

The risk of foreign exchange rate fluctuations is related to the investment loans and borrowings denominated in foreign currencies within the Group (as at 31 December 2018 they amounted EUR 47,637 thousand, however as at 31 December 2017 – EUR 30,909 thousand) the lease agreements, where rents are dependent on the PLN/EURO exchange rate and other receivables expressed in foreign currencies. This risk arises on the opportunity of the following types of financial events:

- currency translation of received loans (tranches of loans) and funds from the sale of commercial projects from EURO to PLN;
- repayment of loan instalments;
- obtaining receivables in respect of property lease;
- currency translation of other receivables in foreign currency.

The Group uses natural hedging: contracts with tenants are expressed in the currency of the loan that was taken out to finance the investment.

Payments received from the tenants obtained in this way are intended for repayment of the aforementioned loans. Such linking of funding with sources of income reduces the foreign exchange risk to a minimum or eliminates it completely.

In 2018 in order to safeguard from exchange rate risk the Group opened positions on the forward currency market by acquiring derivative financial instruments hedging the exchange rate of EUR to PLN. As a result of opened position, as of 31 December 2018 the

Group remained hedged for cash flows of EUR 19.37 million. This amount is included in the joint venture, where 30% is owned by the Group.

Transactions were conducted on the basis of bank agreements, not speculatively and were a part of hedging policy (but not treated by the Group as hedge accounting as defined by IAS39) with the intention of securing future cash flows from conversion of loan tranches granted in EUR and funds from the sale of commercial projects.

The Group pursues a uniform risk management policy of exchange rate changes and constantly monitors risk areas, while using available strategies and mechanisms to minimise the negative effects of market volatility and cash flow hedges. The Group maintains financial surpluses mostly in the PLN. The amounts held in bank accounts in other currencies are mainly to current transactions. At the end of 2018, 74.2% of cash held by the Group were denominated in PLN, 25.8% – denominated in EUR. As at the end of 2017, 34.4% of cash held by the Group were denominated in PLN, 64% – denominated in EUR and 1.6% denominated in other currencies.

Based on the simulations, it was found that the impact of changes in EUR/PLN interest rates by 10% net profit would be a maximum increase or decrease, within individual categories of receivables and liabilities:

CURRENCY RISK - RECEIVABLES DUE TO SALE OF PROJECTS AND OTHER [PLN '000]

	Value calculated for the analysis	
	as at 31.12.2018	as at 31.12.2017
Balance of liabilities from sale of projects and other (in EUR)	28 217	194 562
Estimated change of exchange rate (EUR)	+/- 10 p.p.	+/- 10 p.p.
FX difference due to exchange rate's change	2 822	19 456
Estimated (deferred) income tax	536	3 697
Impact on the net results	2 286	15 759

INTEREST RATES' RISK - BORROWINGS RECEIVABLES [PLN '000]

	Value calculated for the analysis	
	as at 31.12.2018	as at 31.12.2017
Balance of liabilities from borrowings (in EUR)	26 667	73 393
Estimated change of exchange rate (EUR)	+/- 10 p.p.	+/- 10 p.p.
FX difference due to exchange rate's change	2 667	7 339
Estimated (deferred) income tax	507	1 394
Impact on the net results	2 160	5 945

INTEREST RATES' RISK - BORROWINGS LIABILITIES [PLN '000]

	Value calculated for the analysis	
	as at 31.12.2018	as at 31.12.2017
Balance of liabilities from borrowings (in EUR)	4 772	46 435
Estimated change of exchange rate (EUR)	+/- 10 p.p.	+/- 10 p.p.
FX difference due to exchange rate's change	477	4 644
Estimated (deferred) income tax	91	882
Impact on the net results	386	3 762

INTEREST RATES' RISK - LOANS LIABILITIES [PLN '000]

	Value calculated for the analysis	
	as at 31.12.2018	as at 31.12.2017
Balance of liabilities from loans denominated in EUR	200 066	82 483
Estimated change of exchange rate (EUR)	+/- 10 p.p.	+/- 10 p.p.
FX difference due to exchange rate's change	20 007	8 248
Estimated (deferred) income tax	3 801	1 567
Impact on the net results	16 206	6 681

INTEREST RATES' RISK - ISSUED BONDS' LIABILITIES [PLN '000]

	Value calculated for the analysis	
	as at 31.12.2018	as at 31.12.2017
Balance of liabilities from bonds in EUR	48 395	116 368
Estimated change of exchange rate (EUR)	+/- 10 p.p.	+/- 10 p.p.
FX difference due to exchange rate's change	4 840	11 637
Estimated (deferred) income tax	920	2 211
Impact on the net results	3 920	9 426

INTEREST RATES' RISK – CASH [PLN '000]

	Value calculated for the analysis	
	as at 31.12.2018	as at 31.12.2017
Balance of cash in EUR	127 597	494 434
Estimated change of exchange rate (EUR)	+/- 10 p.p.	+/- 10 p.p.
FX difference due to exchange rate's change	12 760	49 443
Estimated (deferred) income tax	2 424	9 394
Impact on the net results	10 336	40 049

CREDIT RISK

Credit risk arises in the case of cash, granted borrowings, derivative financial instruments and deposits in banks and financial institutions, as well as in relation to clients and tenants of the Group in the form of outstanding receivables.

The specifics of the Group's operations in the field of sales of residential space, lease and provision of services mean that the Group is not exposed to significant credit risk.

As at 31 December 2018, the Group estimated the value of impairment losses on trade receivables based on the provision matrix based on historical data regarding repayment of receivables by contractors in the division of types of sales revenues. Credit loss ratios were calculated on the basis of a model based on historical repayment of receivables in individual overdue groups. The table below presents data on exposures and the value of impairment losses on expected credit losses.

In addition, the Group has implemented procedures to assess the creditworthiness of customers and tenants, whereas for the latter hedging in the form of deposits and guarantees are applied as collateral. No significant concentration of risk occurs

in relation to any of the customers of the Group. In the case of cash and deposits in banks, the Group uses the services of reputable entities.

With regard to all classes of financial assets, the Group considers that the credit risk associated with financial instruments is too low. In the Management Board's opinion, in view of the presented business characteristics, the risk of non-performance of contractual obligations is low, the Group's debtors have a high short-term ability to fulfil their obligations within the scope of contracts concluded with the Group, and possible adverse changes in economic and business conditions in the long term may - but not necessarily and, in the opinion of the Management Board, they should not - limit their ability to fulfil their obligations within the scope resulting from concluded agreements.

31 December 2018	Default rate weighted average	Gross value of trade receivables [PLN '000]	Allowance for expected credit losses [PLN '000]
current	0,12%	12 868	15
1-30 days	0,21%	14 965	32
31-90 days	5,04%	567	29
91-360 days	50,43%	487	245
over 361 days	84,91%	3 040	2 581
Total		31 927	2 902

LOSS OF LIQUIDITY

The risk of losing liquidity is the risk that the Group will not be able to settle its financial liabilities on their due dates. The Group manages the liquidity risk by maintaining the appropriate amount of the available cash reserve, using the offer of banking services and reserve credit lines and by monitoring the forecast and actual cash flows.

As at 31 December 2018 out of PLN 287 million available under current and working capital loans, the Group had PLN 214 million of free limit (the debt results from a PLN 50 million loan in Alior Bank and blockades in the amount of PLN 23 million as well as guarantees granted by Bank PKO BP S.A. and Raiffeisen Bank Polska S.A.).

As at 31 December 2017, out of PLN 262 million available under the current and working capital loans, the Group had the unused amount of PLN 177.9 million.

Due to the dynamic nature of its operations, the Group retains the flexibility of financing through the availability

of cash and the diversity of sources of financing.

The Group has sufficient funds to pay all liabilities in due time. Liquidity risk is minimised in the longer term through the availability of bank credit facilities. At any time, the Group may use sufficient funds from the loan facilities granted by banks.

The analysis of the Group's undiscounted financial liabilities that will be settled in appropriate aging periods based on the time remaining to contractual maturity date as at the balance day 31 December 2018:

ANALYSIS OF UNDISCOUNTED FINANCIAL LIABILITIES AS AT 31.12.2018 [PLN '000]

Period	Loans	Borrowings	Bonds	Trade liabilities and other
Do 1 roku	56 799	6 312	210 534	245 247
1 - 3 lata	8 146	12 008	483 348	141
3 - 5 lat	8 146	-	419 918	-
5 - 10 lat	180 341	-	-	-
Powyżej 10 lat	-	-	44 869	-
Total	253 432	18 320	1 158 669	245 388

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

Period	Loans	Borrowings	Bonds	Trade liabilities and other
Do 1 roku	71 886	5 927	450 429	179 252
1 - 3 lata	1 189	6 904	335 253	-
3 - 5 lat	61 249	-	577 949	-
5 - 10 lat	-	10 544	-	-
Powyżej 10 lat	-	-	41 748	-
Total	134 324	23 375	1 405 379	179 252

The analysis includes estimated future interest payments.

Capital risk management

The Group's objective in managing capital is to protect the Group's ability to continue its operations, so that it can generate return for shareholders and to maintain an optimal capital structure to reduce its cost.

While managing the capital, the Group makes decisions regarding the level of financial leverage, dividend policy, issuance of new shares or purchasing and subsequent redemption or resale of previously issued shares and the possible sale of assets to reduce debt.

The Group monitors its capital by such methods as debt ratios. This ratio is calculated as the ratio of net debt to total capital. Net debt is calculated as the sum of loans and borrowings (including current and long-term loans reported in the balance sheet) less cash and cash equivalents. The total capital is calculated as equity shown in the balance sheet inclusive of net debt.

DEBT RATIO [PLN '000]

	Note	31.12.2018	31.12.2017
Total loans, borrowings and bonds	17	1 430 422	1 555 769
Cash and equivalents	14	(494 251)	(731 100)
Net debt		936 171	824 669
Total equity		1 495 573	1 590 010
Total capital		2 431 744	2 414 679
Debt ratio		38,50%	34,15%

The values of the presented ratios are within the financial assumptions of the Group.

Agreements concluded with related entities

As a result of transactions with related entities as at 31 December 2018, the Echo Investment SA Group held:

- trade liabilities of PLN 1,516 thousand,
- receivables in the amount of PLN 11,628 thousand.

The Group incurred PLN 15,168 thousand in transactions with related parties and achieved revenues in the amount of PLN 5,723 thousand.

In 2018, the Group received advance payments from related entities in the amount of PLN 7,767 thousand.

As a result of transactions with the management board members as at 31 December 2018, the Echo Investment SA Group held:

- receivables in the amount of PLN 843 thousand.

As a result of transactions with jointly controlled entities as at 31 December 2018, the Echo Investment SA Group held:

- receivables on account of loans granted in the amount of PLN 114,397 thousand,
- trade receivables in the amount of PLN 17,177 thousand.

The Group generated revenues in amount of PLN 18,687 thousand in transactions with jointly controlled entities.

In 2018, the Group received advance payments of PLN 108,277 thousand from jointly controlled entities.

As a result of transactions with related entities as at 31 December 2017, the Echo Investment SA Group held:

- receivables due to loans granted in the amount of PLN 2,625 thousand,
- receivables due to the sale of shares with interest in the amount of EUR 12,688 thousand,
- liabilities due to bonds with interest in the amount of EUR 28,664 thousand.
- trade liabilities in the amount of PLN 2,871 thousand,
- trade receivables in the amount of PLN 6,246 thousand.

The Group incurred PLN 15,894 thousand in transactions with the dominant entity and generated revenues of PLN 5 467 thousand.

As a result of transactions with jointly controlled entities as at 31 December 2017, the Echo Investment SA Group held:

- receivables on account of loans granted in the amount of PLN 44,605 thousand and EUR 6,193 thousand.
- trade receivables in the amount of PLN 13,017 thousand.

In transactions with jointly controlled entities, the Group generated revenues in the amount of PLN 12,297 thousand.

Material post-balance sheet events

13.1 Starting the multifunctional project on Tymienieckiego street in Łódź

On 30 January 2019, Echo Investment - through its subsidiaries - obtained a legally binding building permit for the first stage of a multi-purpose project on the site of the former Scheibler's factory in Łódź at Tymienieckiego street. Under the first stage two residential buildings with approx. 270 apartments will be developed. Their construction will start in April. Ultimately, in the whole project around 90,000 sqm of residential, office and service space as well as public space, squares and streets will be created. The area of the whole land is 7.7 ha. The whole project will be multi-stage.

13.2 Issue of bonds for individual investors with a total value of PLN 33.8 million

After the balance sheet date, the Company placed 188,315 J-series bonds and 150,000 J2-series bonds, which were issued on the basis of the Prospectus approved by the Polish Financial Supervision Authority on 16 April 2018. The total issue value of the placed bonds was PLN 33,831,500. The subscription for J-series bonds lasted from 18 February 18 to 1 March 2019, while J2-series bonds from 18 February to 25 February 2019. The allocation of the bonds took place on 5 March 2019.

The interest rate on J-series and J2-series bonds is based on the WIBOR 6M rate increased by a 3.4% margin. The bonds have a 4.5-year maturity. The offer was participated by Dom Maklerski PKO Banku Polskiego and the consortium of Noble Securities S.A., Michael / Ström Dom Maklerski S.A. and Dom Maklerski Bank Ochrony Środowiska S.A.

13.3 Review of potential strategic options by major shareholder

The Management Board of Echo Investment S.A. announced that on 14 March 2019, it was notified by its majority direct and indirect shareholder, Lisala sp. z o.o. and Echo Partners B.V. that both entities have decided to undertake a review of the potential strategic options in relation to their investment in the Company and the further development of the Company's business. It cannot be excluded that as part of the process, to the extent permitted under applicable provisions of law, additional information on the Company and its capital group will be disclosed to selected entities.

The review of strategic options may result in taking and implementing various types of actions and transactions, including those of a corporate nature. However, it may also be decided that no such action or transaction will be taken or implemented.

13.4 The change in the law concerning perpetual usufruct

On 5 October 2018, the act on transforming the perpetual usufruct right of lands developed for housing purposes into land ownership entered into force (Journal of Laws of 2018, item 1716). Pursuant to the act, dated 1 January 2019, the perpetual usufruct right to lands developed for housing purposes is transformed into the ownership right of these lands. In relation to land built-up with multi-family residential buildings that have not yet been put into use, the day of transformation will be the date of the validation of the decision allowing the use of the building for such properties. Since the entry into force, the act has already been amended several times, also after the balance sheet date in 2019. The Group applied for the transformation and is seeking to pay the transformation fees for 99 years.

Remuneration of the Management Board and Supervisory Board

REMUNERATION OF THE MANAGEMENT BOARD [PLN]

	2018			2017		
	From Echo Investment S.A. Basic remuneration	Bonus	For holding functions or providing services to other companies of the Group	From Echo Investment S.A. Basic remuneration	Bonus	For holding functions or providing services to other companies of the Group
Nicklas Lindberg	1 642 625	636 083	1 992 623	1 012 390	4 079 945	3 258 203
Maciej Drozd	845 162	420 000	572 579	979 511	2 127 660	120 000
Piotr Gromniak (resigned on 31.12.2018)	244 200	120 000	856 000	240 000	97 000	769 000
Artur Langner	243 600	210 045	986 090	240 000	120 000	756 000
Marcin Materny	247 350	216 000	890 000	240 000	83 000	58 726
Mikołaj Martynuska (appointed on 10.10.2017, resigned on 21.12.2017)	-	-	-	54 194	-	629 000
Rafał Mazurczak	246 539	216 000	877 032	233 619	-	499 032
Waldemar Olbryk (appointed on 10.10.2017)	707 280	150 645	-	158 516	-	-
Total	4 176 756	1 968 773	6 174 324	3 158 230	6 507 605	6 089 961
Total annual remuneration			12 319 853			15 755 796

THE CEO' BONUS SYSTEM

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

- annual performance-based bonus, paid for 2018 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 2018 amounts to PLN 6,717,308 and on 31 December 2017 - to PLN 3,684,457.



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 monthly 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 2018, in addition to the specific objectives set out for each Member of the Management Board in accordance with their scope of responsibility, the Supervisory Board established four common objectives for the Management Board, which concerned the sale of real estate, security on construction sites, strengthening internal systems and strengthening employee competencies.

In 2018 and as at the date of this report, there were no agreements concluded between the Company and the managing persons, providing for compensation in the event of their resignation or dismissal without a valid reason or if their dismissal is due to a merger of Echo Investment S.A. by acquisition.

REMUNERATION OF THE SUPERVISORY BOARD [PLN]

	2018		2017	
	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)	130 333	-	12 581	-
Maciej Dyjas	60 000	-	60 000	-
Stefan Kawalec	180 000	-	180 000	-
Przemysław Krych (resigned on 20.12.2017)	-	-	58 226	-
Nebil Senman	60 000	-	60 000	-
Sebastian Zilles	-	-	-	-
Total	430 333	-	370 807	-

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. 23 of the General Meeting of Shareholders of 25 April 2018, 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

The Supervisory Board of Echo Investment S.A., upon the recommendation of the Audit Committee, has selected Ernst & Young Audyt Polska sp. o.o. sp.k. based in Warsaw, Rondo ONZ 1, registered as

number 130 in the list of expert auditors to audit standalone financial reports of Echo Investment and consolidated financial reports of the Echo Investment Capital Group for the years 2018-2019.

The Management Board, authorised by the Supervisory Board, concluded an agreement with the selected auditor on 1 August 2018.

THE NET REMUNERATION DUE TO THE AUDITOR ENTITLED TO AUDIT FINANCIAL REPORTS OF THE COMPANY AND THE GROUP

Due	Contractual amount [PLN]
Review and audit of the standalone and consolidated financial statements for 2018	256 000
Review and audit of the interim standalone and consolidated financial statements for H1 2018	125 000
Additional audit of the interim standalone financial statements for H1 2018	78 000
Implementation of agreed procedures regarding the public bonds prospectus in 2018 with annex	108 000
Total	567 000

The document is signed with qualified electronic signature

Nicklas Lindberg

President of the Board, CEO

Maciej Drozd

Vice-President of the Board, CFO

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

Małgorzata Turek

Member of the Board

Anna Gabryszewska-Wybraniec

Chief Accountant

Kielce, 20 March, 2019

PART 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 2018 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 2018, 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.

The document is signed with qualified electronic signature

Nicklas Lindberg

President of the Board, CEO

Maciej Drozd

Vice-President of the Board, CFO

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

Małgorzata Turek

Member of the Board

Kielce, 20 March, 2019

Contact

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