CONSOLIDATED ANNUAL REPORT OF ECHO INVESTMENT GROUP

2019

ECHO
investment

Content

**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.

We are proud that the results for 2019 were higher than the market expectations. The obtained net profit of PLN 300 million results from the increase in the value of our office and retail projects, handover of 1,263 apartments, as well as the sale of office buildings Gatehouse Offices in Warsaw and O3 Business Campus III in Kraków. All this allowed for the payment of an advance dividend of PLN 0.50 per share.

In December 2019, Wing, Hungary's leading real estate company, has become Echo Investment's main shareholder. I am glad to share with you that Noah Steinberg, CEO of Wing and Chairman of Supervisory Board of Echo Investment since January, stated that they intend to continue the company's development in line with our 'Strategy of Profitable Growth' announced in 2016.

Multifunctional 'destination' projects

Today, the ongoing 'destination' projects are Warsaw Brewery and Fuzja in Łódź. In Fuzja we are experiencing great interest from tenants which is reflected in a fact that we have leased almost entire available office space. The same thing applies to Warsaw Brewery – we are in advanced negotiations on the whole remaining office space in the buildings.

On Warsaw Brewery we are finalising construction works and in the end of the year this entire great urban quarter will be fully available for citizens. In the Apartments near Malthouse project we are selling last units.

Attractive restaurateurs and tenants are being introduced into their premises. This is going to be the place to be in Warsaw for working, living and entertainment.

A year ago we have started construction works at Łódź-based Fuzja – the project that met a very warm reception. Its apartments' offer enjoys big interest from clients. In 2019 we received the building permit for the first office buildings in this complex and attracted Fujitsu Poland Global Delivery Center to move its headquarter here. This proofs a great potential and attractiveness of Fuzja in Łódź.

Both projects confirm, that the strategy based on developing integrated part of the cities where the history meets the present in design, is efficient and socially responsible. That is why we are preparing another 'destination' projects, such as Towarowa 22 in Warsaw. I am particularly satisfied of the acquisition of the Tesco shopping mall in Warsaw's Kabaty which is going to be transformed into the new center of the district. Another great deal was concluded in the beginning of 2020 where we secured three standing and working first generation shopping malls belonging to the Tesco Group that enable us to develop around 240,000 sqm mixed use area consisting of residential, office and retail space in Poznań, Łódź and Cracow.

Residential

We systematically strengthen our position is among the biggest residential developers in Poland. As one of the few developers in 2019, we improved our sale results. Our sales team signed 1,357 preliminary agreements, which translates into 38% of growth compare to 2018. Echo Investment began construction and launched nine projects offering over 1,800 apartments.

To develop our residential business, in 2019 and in the beginning of 2020, lands where over 8,000 apartments can be developed, were bought or secured.

Resi4Rent

Our residential-for-rent platform made a breakthrough in 2019: it started to market and lease its first projects Rychtalska in Wrocław and Wodna in Łódź. In just a dozen weeks from commissioning, the Wrocław-based project is rented in almost 70%, and the building in Łódź in approx. 40%.

The platform successfully grows and in just few weeks it will handover the third project Kępa Mieszczańska in Wrocław. With another projects being currently under construction Resi4Rent will manage a portfolio with 2,300 completed units already at the end of 2021. The client's huge interest and speed of leasing exceed our expectations and demonstrates huge potential of the institutional rental market in Poland. This is why we are going to develop the platform further and make it the first choice landlord for those, who seek comfortable apartment for rent from an institutional landlord.

Office

Last year, Echo Investment started construction of four office projects with a total leasable area of over 95,000 sqm, and has obtained the occupancy permit for two office buildings - Moje Miejsce I and Face 2 Face I - with a total area of nearly 40,000 sqm. Our leasing team signed lease agreements for a total area of 96,000 sqm. Among the largest tenants secured last year were such companies as Grupa Żywiec in the Warsaw Brewery, Pyszne.pl in Wrocław's MidPoint 71, LuxMed in O3 Business Campus III in Kraków, Just Gym in My Place in Warsaw, Medicover Polska in Katowice Face2Face, CitySpace in React in Łódź and last but not least Fujitsu Poland Global Delivery Center in Łódź-based Fuzja.

CitySpace

Last year our operator of flexible serviced offices increased its managed area by 70 pct. and it launched over 800 additional workstations. Currently it manages almost 17,000 sqm of space with around 1,900 workstations in ten locations. Last year the company launched as many as four offices: in the Aquarius Business House in Wrocław, Galeria Młociny in Warsaw, the Moje Miejsce office building in Warsaw's Mokotów district and the third building of the O3 Business Campus office complex in Kraków. The spaces under operations is having an occupancy rate of over 71% and it's growing.

Retail and entertainment

The opening of Galeria Młociny was one of key events of 2019, not only for Echo Investment, but for the entire retail sector in Poland. This complex is about 85,000 sqm of modern, well-designed space, where over 6,000 sqm is dedicated to food and entertainment. The international retail chain Primark confirmed its presence in Galeria Młociny. Its store in our scheme opens this spring and it will be the first location in Poland. Moreover, 40 new brands extended Galeria Młociny's offer in stores opened in August and September.

Although not yet fully completed, the Warsaw Brewery project is arousing enormous interest now. This is reflected, among others, by tenants who believed in the potential of this place and chose it for their market debut. Among them was Robert Lewandowski, Pjaca restaurant, as well as Craft & Beer Kumpel Atelier.

Financial standing and future outlook

Echo Investment enjoys a very stable financial situation and a low net asset-to-debt ratio, which as at 31 December 2019, was at 34%. The Group maintains a high cash balance: over PLN 490 million at the end of 2019.

The value of our projects under construction increased over the last four quarters by 30%. This is in line with our strategy to achieve dominant position on markets we operate in. This is why we constantly searching and buy land for further development. In 2019, we acquired land properties for over 170,000 sqm of residential and office space. Also another land for 190,000 sqm is already secured with preliminary

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agreements – mainly for residential projects (including projects for Resi4Rent).

Changes in global economy and all lines of business due to coronavirus, caused close analysis of our action plans to be prepared for the changes in the business environment that are ahead of us. We put great emphasis on the health and safety of our employees and business partners and with that in mind we are continually updating our plans for the next steps to ensure continuity of our business.

I encourage you to study in detail our financial report for 2019.

Yours sincerely

Nicklas Lindberg
CEO of Echo Investment

CONSOLIDATED FINANCIAL STATEMENT OF ECHO INVESTMENT GROUP FOR 2019

CHAPTER 1

CONSOLIDATED STATEMENT OF FINANCIAL POSITION [PLN '000]

	NOTE	As at 31.12.2019	As at 31.12.2018 - restated
ASSETS			
Non-current assets			
Intangible assets	2	3 741	2 468
Property, plant and equipment	3	25 762	8 938
Investment property	4	941 983	988 903
Investment property under construction	5	1 517 866	872 509
Investment in associates and joint ventures	27	254 142	258 531
Long-term financial assets	8	115 862	84 590
Deferred tax asset	29	53 903	52 493
		2 913 259	**2 268 432**
Current assets			
Inventory	9	1 052 327	771 836
Current tax receivables		1 484	3 381
Other taxes receivable	10	59 006	87 177
Trade and other receivables	10	144 844	211 142
Short-term financial assets	8	64 465	42 190
Derivative financial instruments	13	2 669	-
Other financial assets	14	57 157	54 719
Cash and cash equivalents	14	492 295	439 532
		1 874 247	**1 609 977**
Assets held for sale	6	**22 923**	**13 500**
Total assets		**4 810 429**	**3 891 909**

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

	NOTE	As at 31.12.2019	As at 31.12.2018 - restated
EQUITY AND LIABILITIES			
Equity			
Equity attributable to equity holders of the parent		1 562 365	1 495 573
Share capital	15	20 635	20 635
Supplementary capital	15	1 259 252	1 420 922
Revaluation capital		-	-
Retained earnings		281 739	45 543
Foreign currency translation reserve		739	8 473
Non-controlling interest		(122)	(114)
		1 562 243	**1 495 459**
Provisions			
Long-term provisions	16	35 931	58 973
Short-term provisions	16	89 428	115 843
Deferred tax liabilities	29	152 733	111 303
		278 092	**286 119**
Long-term liabilities			
Loans, borrowings and bonds	17	1 602 126	1 149 693
Leasing and perpetual usufruct conversion fee liabilities	28	117 889	-
Other liabilities	18	16 018	28 089
Deferred income	19	45 754	57 851
		1 781 787	**1 235 633**
Short-term liabilities			
Loans, borrowings and bonds	17	367 545	280 729
Income tax payable		5 035	8 859
Other taxes liabilities	18	16 126	8 400
Trade payable	18	238 011	234 623
Leasing and perpetual usufruct conversion fee liabilities	28	67 076	-
Other liabilities	18	87 362	78 590
Deferred income	19	407 152	263 497
		1 188 307	**874 698**
Total equity and liabilities		**4 810 429**	**3 891 909**
Book value		1 562 365	1 495 573
Number of shares		412 690 582	412 690 582
Book value per one share (in PLN)		3,79	3,62

CONSOLIDATED PROFIT AND LOSS ACCOUNT [PLN '000]

	NOTE	1.01.2019–31.12.2019	1.01.2018–31.12.2018
Revenue	19	880 133	713 035
Cost of sales	20	(677 130)	(578 102)
Gross profit		**203 003**	**134 933**
Profit on investment property	21	404 943	423 387
Administrative costs associated with project implementation		(27 511)	(36 599)
Selling expenses		(28 883)	(28 361)
General and administrative expenses		(97 357)	(94 013)
Other operating income	22	22 516	49 023
Other operating expenses	23	(26 558)	(43 916)
Operating profit		**450 153**	**404 454**
Financial income	24	23 808	41 736
Financial cost	25	(69 935)	(62 907)
Profit (loss) on FX derivatives	13	4 100	(3 795)
Foreign exchange gains (losses)	26	2 691	10 066
Share of profit (loss) of associates and joint ventures	27	(12 629)	34 858
Profit before tax		**398 188**	**424 412**
Income tax	30	(98 664)	(119 061)
– current tax		(53 438)	(45 260)
– deferred tax	29	(45 226)	(73 801)
Net profit (loss), including:		**299 524**	**305 351**
Equity holders of the parent		299 532	305 358
Non-controlling interest		(8)	(7)
Equity holders of the parent		299 532	305 358
Weighted average number of ordinary shares (in '000) without shares held		412 691	412 691
Profit (loss) per one ordinary share (in PLN)		0,73	0,74
Diluted profit (loss) per one ordinary share (PLN)		0,73	0,74

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME [PLN '000]

	NOTE	1.01.2019–31.12.2019	1.01.2018–31.12.2018
Profit for the year		**299 524**	**305 351**
Components of other comprehensive income that may be reclassified to profit or loss in later periods			
– exchange differences on translation of foreign entities		(7 734)	18 949
– revaluation gains		-	(6 054)
Other comprehensive income for the year, net of tax		**(7 734)**	**12 895**
Total comprehensive income for the year, including:		**291 790**	**318 246**
Comprehensive income attributable to shareholders of the parent company		291 798	318 253
Comprehensive income attributable to non-controlling interest		(8)	(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 1.01.2019 to 31.12.2019								
Opening balance	**20 635**	**1 420 922**	**-**	**45 543**	**8 473**	**1 495 573**	**(114)**	**1 495 459**
Impact of implementation IFRS 16 as at 1 January 2019				(18 661)		**(18 661)**		**(18 661)**
Opening balance, with restated figures	**20 635**	**1 420 922**	**-**	**26 882**	**8 473**	**1 476 912**	**(114)**	**1 476 798**
Distribution of the result from previous years	-	44 675	-	(44 675)	-	**-**	-	**-**
Dividend paid	-	(206 345)	-	-	-	**(206 345)**	-	**(206 345)**
Other comprehensive income	-	-	-	-	(7 734)	**(7 734)**	-	**(7 734)**
Profit (loss) for the period	-	-	-	299 532	-	**299 532**	(8)	**299 524**
Closing balance	**20 635**	**1 259 252**	**-**	**281 739**	**739**	**1 562 365**	**(122)**	**1 562 243**
For the period from 1.01.2018 to 31.12.2018								
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 the result from previous years	-	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 sale (EPP shares)	**-**	-	55 730	(55 730)	-	**-**	-	**-**
Net 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**

CONSOLIDATED CASH FLOW STATEMENT [PLN '000]

	NOTE	1.01.2019–31.12.2019	1.01.2018–31.12.2018
A. Operating cash flow – indirect method			
I. Profit (loss) before tax		**398 188**	**424 412**
II. Total adjustments			
Share in net (profit) loss of associates and joint ventures		12 629	(34 858)
Depreciation of PP&E		9 472	3 489
FX gains (losses)		(15 541)	8 130
Result on liquidation of Echo Prime Assets subsidiary		(7 210)	-
Interest and profit sharing (dividends)		41 041	27 490
(Profit) loss on revaluation of assets and liabilities		(479 851)	(495 878)
(Profit) loss on revaluation of assets and liabilities		(1 430)	1 038
		(433 681)	**(490 588)**
III. Changes in working capital			
Change in provisions		15 368	34 555
Change in inventories		(161 720)	(67 890)
Change in receivables		86 046	55 698
Change in short-term liabilities, except for loans and borrowings	33	71 204	229 904
Change in restricted cash		(2 438)	47
		8 461	**252 316**
IV. Net cash generated from operating activities (I+II+III)		**(27 031)**	**186 140**
Income tax paid		(55 365)	(43 857)
V. Net cash generated from operating activities			
		(82 396)	**142 283**
B. Cash flows from investing activities			
I. Inflows			
Disposal of intangible assets and tangible fixed assets		891	950
Sale of investments in property	32	580 445	359 773
From borrowings and financial investments		14 308	136 191
Sale of investments		-	237 219
		595 645	**734 134**
II. Outflows			
Purchase of intangible assets and PP&E		(10 810)	(4 500)
Investment in property		(656 236)	(688 879)
On loans and financial investments		(60 957)	(79 674)
		(728 003)	**(773 054)**
III. Net cash flow from investing activities (I+II)		**(132 358)**	**(38 920)**

CONSOLIDATED CASH FLOW STATEMENT CONT. [PLN '000]

	NOTE	1.01.2019–31.12.2019	1.01.2018–31.12.2018
C. Cash flow from financing activities			C.
I. Inflows			
Loans and borrowings		672 145	558 228
Issue of debt securities	17	133 832	240 000
Other financial inflows		1 430	-
		807 407	**798 228**
II. Outflows			
Dividends and other payments to equity holders		(206 345)	(412 691)
Repayment of loans and borrowings		(85 993)	(262 157)
Redemption of debt securities	17	(170 500)	(402 900)
Due to FX derivatives		-	(1 038)
Payments of leasing liabilities		(23 236)	-
Interest paid		(53 816)	(59 608)
		(539 890)	**(1 138 394)**
III. Net cash flow from financing activities (I+II)		**267 517**	**(340 165)**
D. Total net cash flows (A.III+B.III+C.III)		**52 763**	**(236 803)**
E. Change in the balance of cash in consolidated statement of financial position		**52 763**	**(236 803)**
F. Cash and cash equivalents at the beginning of the period		**439 532**	**676 334**
G. Cash and cash equivalents at the end of the period (F+D)		**492 295**	**439 532**

CHAPTER 2

EXPLANATORY NOTES

Explanatory notes to the consolidated financial statement

NOTE 1

OFF-BALANCE SHEET ITEMS [PLN '000]

	31.12.2019	31.12.2018
Contingent liabilities for other parties:		
– due to guarantees and sureties granted	1 378 770	1 231 418
– due to court proceedings	11 042	100
Total contingent liabilities	**1 389 812**	**1 231 518**

Conditional liabilities are presented at nominal value. In the Company's opinion, the fair value of the sureties and guarantees is near zero because the probability that they will be used is low. A detailed description of off-balance sheet items is presented which is a further part of the note. Information on expected loan loss are presented in the section 10 – financial risk management.

SURETY AGREEMENTS BY ECHO INVESTMENT GROUP AS AT 31.12.2019 [PLN '000]

Issuer	For	Value [PLN '000]	Validity	Description
Echo Investment S.A.	Bletwood Investments Sp. z o.o.	1 432	until 04.07.2026	Surety for liabilities of Cogl II Poland Limited Sp. z o.o. as a collateral of liabilities resulting from the lease agreement of 06.11.2015. Issued in EUR.
Echo Investment S.A.	HPO AEP Sp. z o.o. Sp. J.	10 646	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.
Echo Investment S.A.	Human Office Polska Sp. z o.o.	100	until 01.08.2022	Surety for liabilities of Sagittarius – Projekt Echo – 113 Sp. z o.o. Sp.K. resulting from the lease agreement
Echo-Aurus Sp. z o.o.	Human Office Polska Sp. z o.o.	340	until 27.09.2021	Surety for liabilities of Projekt 137 - City Space - GP Sp. z o.o Sp.K. resulting from lease agreement of 27.09.2017.
Echo-Aurus Sp. z o.o.	PKO Leasing S.A.	312	until 06.12.2020	Surety for liabilities of Projekt 137 - City Space - SPV 1 Sp. z o.o resulting from leasing agreement of 6.12.2017
Echo-Aurus Sp. z o.o.	Grenkeleasing Sp. z o.o.	297	until 22.11.2022	Surety for liabilities of Echo Innovations - City Space - GB Sp. z o.o. resulting from leasing agreement of 22.11.2018.
Echo-Aurus Sp. z o.o.	PEAC (Poland) Sp. z o.o.	513	until 05.02.2024	Surety for liabilities of Aquarius - City Space - GP Sp. z o.o. Sp.K. resulting from leasing agreement of 5.02.2019.
Echo - SPV 7 Sp. z o.o. / Echo - Aurus Sp. z o.o.	Warburg-HiH Invest Real Estate GmbH	30 027	until 21.01.2022	Surety for liabilities of Sagittarius - Projekt Echo -113 Sp. z o.o. Sp. K. resulting from sale agreement.
Echo - SPV 7 Sp. z o.o. / Echo - Aurus Sp. z o.o.	Warburg-HiH Invest Real Estate GmbH	152 000	until 31.10.2028	Surety for liabilities of Sagittarius - Projekt Echo-113 Sp. z o.o. Sp.K. resulting from quality guarantee agreement and agreement on fit-out works.
	Total	**195 667**		

GUARANTEES ISSUED BY ECHO INVESTMENT GROUP AS AT 31.12.2019

Issuer	For	Value [PLN '000]	Validity	Description
Echo Investment S.A.	Horta Sp. z o.o.	21 293	until 02.07.2020	Security for the improper performance of the final sale contract of the Aquarius Business House I office building in Wrocław. Issued in EUR.
Echo Investment S.A.	Skua Sp. z o.o.	25 551	until 31.07.2021	Security for the improper performance of the final sale contract and the master lease contract for the Aquarius Business House II office building in Wrocław. Issued in EUR.
PKO BP S.A.	IREEF – Stryków Propco Sp. z o.o.	997	until 31.07.2020	Guarantee for the obligations of Echo Investment S.A. resulting from the lease contract concluded on October 24, 2016. Issued in EUR.
Echo Investment S.A.	issued for Ventry Investments Sp. z o.o. Sp.K. (currently authorised entity EPP Office O3 Business Campus Sp. z o.o)	38 857	until 21.12.2026	Construction guarantee related to the sale of the O3 Business Campus I office building in Kraków. The construction guarantee is secured by a corporate guarantee issued by Echo Investment S.A. The guarantee issued in EUR. The maximum amount of the liability will be successively reduced as the amount of the liability that is secured by the guarantee decreases.
Echo Investment S.A.	issued for Emfold Investments Sp. z o.o. (currently authorised entity Tryton Business Park Sp. z o.o.)	40 533	until 21.12.2026	Construction guarantee related to the sale of the Tryton office building in Gdańsk. The construction guarantee is secured by a corporate guarantee issued by Echo Investment S.A. Guarantee issued in EUR.
Echo Investment S.A.	issued for Flaxton Investments Sp. z o.o. (currently authorised entity EPP Office – Symetris Business Park Sp. z o.o.)	17 339	until 21.12.2026	Construction guarantee related to the sale of the Symetris I office building in Łódź. The construction guarantee is secured by a corporate guarantee issued by Echo Investment S.A. Guarantee issued in EUR.
Echo Investment S.A.	A4 Business Park Sp. z o.o.	23 422	until 26.04.2027	Construction guarantee related to the sale of the A4 Business Park office building stage III in Katowice. The guarantee is secured by a corporate guarantee issued by Echo Investment S.A. Guarantee issued in EUR.
Echo Investment S.A.	EPP Office O3 Business Campus Sp. z o.o	37 048	until 21.12.2027	Construction guarantee related to the sale of the O3 Business Campus II office building in Kraków. The guarantee is secured by a corporate guarantee issued by Echo Investment S.A. Guarantee issued in EUR.
Echo Investment S.A.	Santander Bank Polska S.A. / PKO BP S.A., Bank Gospodarstwa Krajowego and mBank S.A.	39 604	to the date of construction loan conversion into investment loan	Security for exceeding the costs of the Galeria Młociny project in Warsaw and the obligations of Berea Sp. z o.o. arising from the loan agreement concluded on October 17, 2017. Issued in EUR.
Echo Investment S.A.	Nobilis - Projekt Echo - 117 Sp. z o.o. Sp. K.	40 000	until 31.10.2026	Quality guarantee for construction work related to the Nobilis office building in Wrocław.
Echo Investment S.A.	IB 14 FIZAN	76 126	until 24.05.2024	Security for the proper performance of the obligations arising from the contract for the sale of the West Link office building in Wrocław. Issued in EUR. After May 24, 2021 the maximum amount of the liability will be reduced by 80 percent.
Echo Investment S.A.	A 19 Sp. z o.o.	25 551	until 4.07.2038	Guarantee for the obligations of Projekt 22 - "Grupa Echo" Spółka z ograniczoną odpowiedzialnością - SKA (Midpoint 71 project) arising from the good neighborly agreement concluded on July 4, 2018. Issued in EUR.

GUARANTEES ISSUED BY ECHO INVESTMENT GROUP AS AT 31.12.2019

Issuer	For	Value [PLN '000]	Validity	Description
Echo Investment S.A.	issued for Flaxton Investments Sp. z o.o. (currently authorised entity EPP Office – Symetris Business Park Sp. z o.o.)	16 258	until 15.11.2020	Construction guarantee related to the sale of the Symetris project stage II in Łódź. Issued in EUR. The maximum amount of the liability will be successively reduced as the amount of the liability that is secured by the guarantee decreases.
Echo Investment S.A.	PeKaO S.A.	14 147	until 30.06.2029	Guarantee of exceeding the costs of performing residential projects: R4R Łódź Wodna, R4R Wrocław Rychtalska, R4R Warszawa Browary, R4R Wrocław Kępa.
Echo Investment S.A.	R4R Wroclaw Kępa Sp. z o.o. /R4R Warszawa Browary Sp. z o.o.	84 809	until 31.07.2021	Guarantee for advance payments paid by R4R companies in accordance with the preliminary contracts for the sale of real estate: (i) Wrocław, Kępa Mieszczańska, (ii) Warsaw, Browary E. Echo SPV 7 sp.z o.o. joined to preliminary contracts as a joint and several debtor responsible for the obligations of the sellers.
Echo Investment S.A.	IB 6 FIZAN / GPF 3 FIZAN	132 733	until 31.10.2021	Security for the proper performance of the obligations of Rosehill Investments Sp. z o.o. resulting from the program contract concluded on August 31, 2017. Issued in EUR.
Echo Investment S.A.	Tryton Business Park Sp. z o.o.	540	until 31.01.2020	Security for the liabilities of Tryton City Space - GP sp.z o.o. sp.k. arising from the lease contract concluded on June 12, 2018. Issued in EUR.
Echo Investment S.A.	DH Supersam Katowice Sp. z o.o. Sp.k.	359	until 31.01.2020	Security for the liabilities of Supersam City Space - GP sp.z o.o. sp.k. arising from the lease contract concluded on February 28, 2017. Issued in EUR.
Santander Bank Polska S.A.	City of Katowice	758	until 16.01.2020	Security under the warranty and the quality guarantee for the obligations of Galeria Libero - Projekt Echo 120 Sp. z o.o. Sp.K. resulting from the agreement on performing the road project concluded on June 16, 2016.
Echo Investment S.A.	PKO BP S.A.	36 000	until 30.06.2023	Security for exceeding the costs of performing the Moje Miejsce office project in Warsaw.
PKO BP S.A.	LUX Europa III S.a.r.l.	6 450	until 25.03.2020	Security for the liabilities of Dellia Investments - Projekt Echo - 115 Sp. z o.o. Sp.k. arising from the contract of quality guarantee concluded on March 27, 2019.
Echo Investment S.A.	LUX Europa III S.a.r.l.	93 432	until 31.12.2024	Security for the proper performance of Dellia Investments - Projekt Echo - 115 Sp z o.o. Sp.k. arising from the sale contract of the Gatehouse Offices building being part of the Warsaw Brewery complex. Issued in EUR.
Echo Investment S.A.	LUX Europa III S.a.r.l.	163 550	until 30.06.2030	Security for the proper performance of Dellia Investments - Projekt Echo - 115 Sp. z o.o. Sp.k. arising from the sale agreement of the Office Building at the Gate within the Warsaw Brewery complex. Issued in PLN
Echo Investment S.A.	LUX Europa III S.a.r.l.	46 844	until 03.03.2027	Security for the proper performance of the liabilities of Dellia Investments - Projekt Echo - 115 Sp. z o.o. Sp.k. arising from the sale contract of the Gatehouse Offices building being part of the Warsaw Brewery complex. Issued in EUR.
Echo – Aurus Sp. z o.o.	Echo – Park Rozwoju Sp. z o.o. Sp.K.	753	until 28.02.2027	Guarantee securing the liabilities of Projekt 133 - City Space GP Sp. z o.o. Sp.K. arising from the lease agreement concluded on November 4, 2016. Issued in EUR.
Echo – Aurus Sp. z o.o.	Nobilis – Projekt Echo 117 Sp. z o.o. Sp.K.	753	until 31.07.2027	Guarantee securing the liabilities of Nobilis - City Space GP Sp. z o.o. Sp.K. arising from the lease agreement concluded on February 28, 2017. Issued in EUR.

GUARANTEES ISSUED BY ECHO INVESTMENT GROUP AS AT 31.12.2019

Issuer	For	Value [PLN '000]	Validity	Description
Echo – Aurus Sp. z o.o.	issued for Ventry Investments Sp. z o.o. Sp.K. (currently authorised entity EPP Office O3 Business Campus sp. z o.o)	1 184	until 09.04.2027	Guarantee securing the liabilities of Projekt 132 - City Space - GP sp.z o.o. sp.k arising from the lease agreement concluded on October 12, 2016. 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 for the liabilities of Echo Investment S.A. arising from the lease agreement concluded on June 22, 2018. Issued in EUR.
Echo-SPV 7 Sp. z o.o.	issued for Ventry Investments Sp. z o.o. Sp.K. (currently authorised entity EPP Office O3 Business Campus sp. z o.o)	42	until 28.02.2021	Guarantee for the liabilities of Echo Investment S.A. arising from the lease agreement concluded on November 24, 2017. Issued in EUR.
Echo Investment. S.A.	PeKaO S.A.	68 045	to the date of construction loan conversion into investment loan	Guarantee of exceeding the costs of performing the office project as part of the Warsaw Brewery complex in Warsaw. Issued in EUR.
Echo Investment. S.A.	Bank Millenium S.A.	8 045	to the date of construction loan conversion into investment loan	Guarantee of exceeding the costs of performing the West 4 Business Hub office project in Wrocław.
Echo Investment. S.A.	Bank Millenium S.A.	4 557	to the date of construction loan conversion into investment loan	Guarantee securing rent proceeds during the performance of the West 4 Business Hub office project in Wrocław. Issued in EUR.
Echo Investment. S.A.	issued for Echo-Opolska Business Park Sp. z o.o. Sp.k. (currently authorised entity EPP Development 6 Sp. z o.o.)	1 008	until 30.06.2020	Security for the liabilities of Projekt 132 - City space - GP sp.z o.o. sp.k. arising from the lease agreement concluded on June 4, 2019. Issued in EUR.
Echo Investment. S.A.	PeKaO S.A.	70 000	until 29.12.2023	Guarantee securing cost overrun, covering interests on minimal level and securing own contribution on Face2Face office project in Katowice. Issued in PLN.
Echo Investment. S.A.	BNP Paribas Bank Polska S.A.	10 499	until 1.12.2022	Security for exceeding the costs of performing the React office project in Łódź.
Echo Investment. S.A.	EPP Development 6 Sp. z o.o.	34 352	until 9.08.2028	Construction guarantee related to the sale of the O3 Business Campus III office building in Kraków. The guarantee is secured by a corporate guarantee issued by Echo Investment S.A. Guarantee issued in EUR.
PKO BP S.A.	Director of Tax Administration Office in Kielce	873	until 10.02.2021	Lottery guarantee for Galeria Libero - Projekt Echo - 120 Sp. z o.o. SK.
Echo Investment. S.A.	142 - City Space GP Sp. z o.o. sp.k	20	until 22.06.2024	Security for the liabilities of Projekt 142 - City space - GP sp.z o.o. sp.k. arising from the lease agreement concluded on May 21, 2019. Issued in EUR.
Echo Investment. S.A.	142 - City Space GP Sp. z o.o. sp.k	103	until 29.09.2024	Security for the liabilities of Projekt 142 - City space - GP sp.z o.o. sp.k. arising from the lease agreement concluded on May 21, 2019. Issued in EUR.

GUARANTEES ISSUED BY ECHO INVESTMENT GROUP AS AT 31.12.2019

Issuer	For	Value [PLN '000]	Validity	Description
PKO BP S.A.	Skua Sp. z o.o.	24	until 17.12.2020	Bank guarantee issued by Powszechna Kasa Oszczędności Bank Polski S.A at the request of Echo Investment securing the liabilities of Aquarius - City Space - GP spółka z ograniczoną odpowiedzialnością sp.k under the lease agreement of September 5, 2018.
PKO BP S.A.	Horta Sp. z o.o.	594	until 17.12.2020	Bank guarantee issued by Powszechna Kasa Oszczędności Bank Polski S.A at the request of Echo Investment securing the liabilities of Aquarius - City Space - GP spółka z ograniczoną odpowiedzialnością sp.k under the lease agreement of September 5, 2018.
Echo Investment S.A.	Tesco (Polska) Sp. z o.o.	n/d	until 30.06.2025	Echo Investment S.A. corporate guarantee securing performance of liabilities of Projekt 12 - Grupa Echo Sp. z o.o. SKA related to space lease priority in the new shoping centre and resulting from property sale preliminary agreement concluded on July 30, 2019 by Projekt 12 - Grupa Echo Sp. z o.o. SKA and Tesco Polska Sp. z o.o.
	Total	**1 183 103**		

NOTE 2

CHANGES IN PP&E – BY TYPES [PLN ‘000]

For the period 01.01.2019 – 31.12.2019	Purchased permits, patents, licences and similar assets	Other intangible assets	Total intangible assets
Gross value of intangible assets at the beginning of the period	**7 290**	**820**	**8 110**
Changes, due to:			
- purchase	2 446	(112)	2 334
- sale	(3)	-	(3)
Gross value of intangible assets at the end of the period	**9 733**	**708**	**10 441**
Accumulated depreciation at the beginning of the period	**(5 617)**	**(25)**	**(5 642)**
Deprecation for the period:			
- depreciation	(1 055)	(6)	(1 061)
- correction due to sale	3	-	3
Accumulated depreciation at the end of the period	**(6 669)**	**(31)**	**(6 700)**
Net value of intangible assets at the end of the period	**3 064**	**677**	**3 741**

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**
Changes, due to:			
- purchase	1 778	804	2 582
- sale	(1 093)	-	(1 093)
Gross value of intangible assets at the end of the period	**7 290**	**820**	**8 110**
Accumulated depreciation at the beginning of the period	**(6 373)**	**(6)**	**(6 379)**
Deprecation for the period:			
- depreciation	(346)	(15)	(361)
- correction due to sale	1 102	(4)	1 098
Accumulated depreciation 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**

NOTE 3

CHANGES IN PP&E – BY TYPES [PLN '000]

For the period 1.01.2019 – 31.12.2019	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**	**5 159**	**6 764**	**2 696**	**7 766**	**22 742**
– impact of implementation MSSF 16 as of 1st January 2019	-	8 081	-	6 571	-	14 652
Gross value of PP&E at the beginning of the period after corrections	**357**	**13 240**	**6 764**	**9 267**	**7 766**	**37 394**
Increase, due to:						
– purchase	-	1 018	308	305	2 468	4 099
– leasing MSSF 16	-	8 003	-	752	-	8 755
Decreases due to:						
– sale	(64)	(231)	(715)	(557)	(1 269)	(2 836)
– liquidation	-	(752)	(782)	-	(578)	(2 112)
Gross PP&E at the end of the period	**293**	**21 278**	**5 575**	**9 767**	**8 387**	**45 300**
Accumulated depreciation at the beginning of the period	**(8)**	**(965)**	**(5 786)**	**(2 184)**	**(4 862)**	**(13 805)**
Deprecation for the period:						
– depreciation	(3)	(343)	(488)	(416)	(1 170)	(2 420)
– liquidation	-	183	764	-	517	1 464
– leasing IFRS 16	-	(3 504)	-	(2 486)		(5 990)
– correction due to sale	-	13	485	369	346	1 213
Accumulated depreciation at the end of the period	(11)	(4 616)	(5 025)	(4 717)	(5 169)	(19 538)
Net value of PP&E at the end of the period	**282**	**16 662**	**550**	**5 050**	**3 218**	**25 762**

CHANGES IN PP&E – BY TYPES [PLN '000]

For the period 1.01.2018 – 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)
Net value of PP&E at the end of the period	**349**	**4 194**	**978**	**512**	**2 904**	**8 938**

NOTE 4

CHANGES IN INVESTMENT PROPERTY [PLN '000]

	31.12.2019	31.12.2018
Value at the beginning of the period	**988 903**	**6 117**
– impact of implementation IFRS 16 as of 1st January 2019	51 398	-
Value at the beginning of the period after corrections	**1 040 301**	**6 117**
Increases due to:		
– purchase	117 494	-
– taking from investment properties under construction	173 657	993 606
– revaluation of property	-	-
– expenditure on investments	93 178	7 065
– asset on leasing (IFRS 16)	9 528	-
	393 857	**1 000 671**
Decreases due to:		
– sale	(303 637)	-
– sale - asset on leasing IFRS 16	(3 510)	-
– revaluation of property	(7 488)	(17 885)
– taking to assets held for sale	(168 702)	-
– taking to assets held for sale - asset on leasing IFRS 16	(8 838)	-
	(492 175)	**(17 885)**
Value of property investments at the end of the period	**941 983**	**988 903**

The Group assesses properties according to their fair value at the end of each reporting period.

In 2019, due to the intention to sell it within 12 months, the Group reduced its investment properties by moving the O3 Business Campus III office building in Kraków to 'assets for sale' in the amount of PLN 173,635 thousand, including an asset on leasing IFRS 16 amounted PLN 8,838 thousand, as well as a plot located in Pamiątkowo near Poznań, with its value of PLN 3,905 thousand. O3 Business Campus III office building was sold in H2 2019 – see note 6. At the same time, due to completion of Moje Miejsce I office building in Warsaw, its value amounting PLN 173,657 thousand was transferred from „investment property under construction" item to „investment property" item.

In 2019, the Group purchased a property worth PLN 117 494 thousand (PLN 27,460 thousand) located in Warsaw at 14 Komisji Edukacji Narodowej Street (the Kabaty district).

As at December 31, 2019 the property value consists of properties located in Katowice, Radom, Warsaw and Zabrze. At the same time, the balance at the end of the period increased due to the recognition of lease assets (adaptation of IFRS 16) in the amount of PLN 48,578 thousand. zł. Detailed information on the impact of adaptation of IFRS 16 is included in point 08 "Effects of changing the accounting principles".

On March 28, 2019, the Group sold a property located in Warsaw at Grzybowska and Wronia Streets(Gatehouse Offices). The details of the sales transaction are described in note 32.

The fair value of investment properties was classified as level 3 of the fair value hierarchy.

NOTE 5

CHANGES IN INVESTMENT PROPERTY UNDER CONSTRUCTION [PLN ‘000]

	31.12.2019	31.12.2018
Value at the beginning of the period	**872 509**	**1 281 230**
– impact of implementation IFRS 16 as of 1st January 2019	36 355	-
Value at the beginning of the period after corrections	**908 864**	**1 281 230**
Increases due to:		
– purchase	45 850	118 366
– expenditure on investments	399 715	528 649
– revaluation of property	399 472	439 011
– asset on leasing (IFRS 16)	4 156	-
	849 193	**1 086 026**
Decreases due to:		
– movement to investment properties	(173 657)	(993 606)
– sale	(2 829)	(120 222)
– movement to inventory	(63 704)	(34 536)
– movement to assets held for sale	-	(346 384)
	(240 190)	**(1 494 748)**
Value of property under construction at the end of the period	**1 517 866**	**872 509**

In 2019, the Group purchased a property worth PLN 15,000 thousand in Kraków, which was intended for construction of a residential project and a property worth PLN 1,850 thousand located in Warsaw at Chłodna Street.

Expenses incurred for the investment implementation concerned investments located in Kraków, Katowice, Łódź, Gdańsk, Wrocław and Warsaw.

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 Face 2 Face Business Campus II office building in Katowice (PLN 18,166 thousand), West 4 Business Hub I in Wrocław (PLN 9,594 thousand), React I in Łódź (PLN 13,649 thousand) and Midpoint 71 in Wrocław (PLN 41,319 thousand). In addition, the Group updated the fair value of the office buildings at Villahouse Offices and Maltouse Offices in Warsaw (Warsaw Brewery, KGH) (the growth of fair value gain in 2019 amounted to PLN 265,994 thousand), Face to Face I in Katowice (PLN 35,979 thousand) and Moje Miejsce I in Warsaw (PLN 14,678 thousand). The total amount of recognized revenue from the valuation of investment property under construction was PLN 399,379 thousand net, i.e. after taking into account a provision for obligations to protect revenues for rent-free periods (master lease) and profit share.

At the same time, due to completion of Moje Miejsce I office building in Warsaw, its value amounting PLN 173,657 thousand was transferred from „investment property under construction” item to „investment property”.

In 2019, the Group sold a property located in Wrocław to the Municipality of Wrocław. In the report as at December 30, 2019, the Group presented investment properties under construction with a total value of PLN 1,517,866 thousand. The closing balance of the reporting period consists primarily of: Face 2 Face I and II office buildings in Katowice, West 4 Business Hub I and Midpoint 71 in Wrocław and Villahouse as well as Malthouse Offices belonging to the Warsaw Brewery complex in Warsaw. At the same time, the balance at the end of the period increased due to the recognition of lease assets (adaption of IFRS 16) amounting PLN 40,511 thousand. Detailed information on the impact of the adaption of IFRS 16 is presented in point 08 “Effects of changing the accounting principles”.

The fair value of investment properties was classified as level 3 of the fair value hierarchy.

NOTE 6

CHANGES IN ASSETS HELD FOR SALE [PLN '000]

	31.12.2019	31.12.2018
Value at the beginning of the period	**13 500**	**119 985**
– impact of implementation IFRS 16 as of 1st January 2019	5 518	-
Value at the beginning of the period after corrections	**19 018**	**119 985**
Increases due to:		
– taking from investment properties under construction	-	346 384
– taking from investment properties	168 702	-
– taking from investment properties - asset on leasing IFRS 16	8 838	-
– expenditure on investments	-	11 713
	177 540	**358 097**
Decreases due to:		
– taking from inventory	-	(13 404)
– revaluation of property	-	(12 116)
– sale	(164 797)	(438 641)
– sale - asset on leasing IFRS 16	(8 838)	-
– FX changes	-	(421)
	(173 635)	**(464 582)**
Assets held for sale at the end of the period	**22 923**	**13 500**

In 2019, due to the intention to sell it within 12 months, the Group reduced its „investment property" item by moving the O3 Business Campus III office building in Kraków to 'assets for sale' in the amount of PLN 173,635 thousand, including an asset on leasing IFRS 16 amounted PLN 8,838 thousand, as well as a plot located in Pamiątkowo near Poznań, with its value of PLN 3,905 thousand.

Decreasing assets held for sale is related to the sale of the O3 Business Campus III office building in Kraków worth PLN 173,635 thousang, including an asset due to the lease of IFRS 16 in the amount of PLN 8,838 thousand. The details of property sale transactions in 2019 are described in note 32.

As at December 30, 2019, in the item 'assets held for sale', the Group included land properties in Koszalin with a value of PLN 13,500 thousand, in Pamiątkowo near Poznań, with its value of PLN 3,905 thousand and a lease asset in the amount of PLN 5,518 thousand. The detailed impact of the implementation of IFRS 16 is described in point 08 "Effects of changing the accounting principles".

In the fair value hierarchy, for investment property classified as held for sale, the Group assigned level 3.

NOTE 7

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

	31.12.2019	31.12.2018
Rental income from investment property	76 415	28 588
Direct operating costs (including repair and maintenance costs) related to investment property which generated rental income in a given period	(46 211)	12 594

Detailed information on amounts related to properties included in the profit and loss account can be found additionally in note 21.

NOTE 8

FINANCIAL ASSETS [PLN '000]

	31.12.2019	31.12.2018
– long-term loans granted (with interests)	112 508	82 275
– short-term loans granted (with interests)	65 527	42 190
– long-term deosits	2 292	2 315
Assets at the end of the period	**180 327**	**126 780**
– long-term	115 862	84 590
– short-term	64 465	42 190

Loans were granted to legal entities and natural persons in PLN, with the WIBOR interest rate + margin, as well as in EUR - with a fixed interest rate. As at the balance sheet date, loans with a total value of PLN 169.1 million (after conversion into PLN) were granted to entities accounted for using the equity method: Galeria Młociny, Towarowa 22 and Resi4Rent. The carrying amount of loans granted to other entities is PLN 9 million.

The maximum credit risk associated with loans equals their carrying amount. The Company's Management Board actively monitors debtors and assesses that their loan obligations are possible to meet. In particular, it is possible in the case of the loans granted to related entities, which enables the Group to assess and identify the loans for which the credit risk has increased significantly. The Company's Management Board did not state such loans. The Management Board also assessed the loans in terms of making a write-down for expected credit losses and assessed such write-down as immaterial.

The estimated fair value of the loans granted is approximately equal to their carrying amount.

NOTE 9

INVENTORY [PLN '000]

	31.12.2019	31.12.2018
Semi-finished products and work-in-progress	939 245	747 549
– asset on perpetual usufruct	53 478	-
Finished products	64 925	18 457
Goods	48 157	5 830
Total	**1 052 327**	**771 836**

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 residential projects under preparation and under construction. In addition, this item increased by the asset due to the right to use of land as a result of the adoption of IFRS 16. 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. The 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.

The significant increase in inventories in 2019 is the result of, among others disclosure of lease assets (IFRS 16), transfers from investment property under construction, as well as expenditure incurred and property purchases.

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 2019 amounted to PLN 7,630 thousand (capitalization rate 2.77%) whereas in 2018 it amounted to PLN 2,189 thousand (capitalization rate 3.66%).

In the item "deferred income", the Group presents payments received and unblocked from fiduciary accounts from clients for apartments in residential projects in progress. As at December 31, 2019, the amount of unblocked payments was PLN 452,906 thousand, where long-term: PLN 45,754 thousand. As at December 31, 2018, the amount of unblocked payments was PLN 321,348 thousand, where long-term: PLN 57,851 thousand.

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

	1.01.2019-31.12.2019	1.01.2018-31.12.2018
Amount of inventories recognised as an expense in the period	(657 730)	(539 378)
Impairment losses on inventories recognised in the period as cost	(7 142)	(4 068)
Reversal of impairment losses which decreases the value of inventories recognised in the period as income	24 872	10 843

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 a feasible price.

The inventory value recognized as income / cost in a given period is included in the profit and loss account under "cost of sales".

The change in inventory write-down until December 31, 2019 amounted to PLN 17,730 thousand. As at December 31, 2018, this value amouted to PLN 6,775 thousand.

The reversal of write-downs in 2019 concerned mainly residential projects located in Wrocław (Grota-Roweckiego 111), Poznań (Osiedle Perspektywa), Łódź (Nowa Dzielnica) and Warsaw (Reset), in relation to sale transactions concluded.

NOTE 10

SHORT-TERM RECEIVABLES [PLN '000]

	31.12.2019	31.12.2018
Trade receivables		
– up to 12 months	57 453	85 944
– over 12 months	-	-
Total financial assets	**57 453**	**85 944**
Receivables related to sale of EPP's shares	-	75 230
Receivables related to sale of Q22 office building	-	4 520
Receivables related to sale of shares (Nobilis)	-	4 052
Lease receivables	14 535	-
Receivables from selling Browary J	8 814	-
Advances for the purchase of land	17 584	-
Other receivables	21 704	25 609
Prepayments	24 754	15 787
Total non-financial assets	**87 391**	**125 198**
Receivables due to VAT tax	56 562	85 733
Receivables due to other taxes	2 444	1 444
Total receivables due to taxes	**59 006**	**87 177**
Total net short-term receivables	**203 850**	**298 319**
– impairment losses on receivables	10 899	4 141
Total gross-short-term receivables	**214 749**	**302 460**

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 2019, 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 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]

	31.12.2019	31.12.2018
Opening balance	**4 141**	**2 480**
Increase due to:		
– impairment loss creation	7 551	2 296
	7 551	**2 296**
Decrease due to:		
– reversal of a provision	(763)	(619)
– discontinuance of enforcement proceedings	-	(16)
– repayment	(30)	-
	(793)	**(635)**
Impairment losses on short-term receivables at the end of the period	**10 899**	**4 141**

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

	31.12.2019	31.12.2018
up to 1 month	3 035	16 621
1-3 months	4 441	4 691
3-6 months	2 910	10 266
6-12 months	3 004	2 557
over 12 months	4 730	1 393
Total (gross) overdue trade receivables	**18 120**	**35 528**
write-downs and valuation of trade receivables overdue	(10 899)	(4 141)
Total (net) overdue trade receivables	**7 221**	**31 387**

NOTE 13

FINANCIAL INSTRUMENTS – ASSETS [PLN '000]

	31.12.2019	31.12.2018
FX fowards	2 669	-
Total financial investments in derivatives	**2 669**	**-**
With maturities:		
- up to 1 year	2 669	-

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

	1.01.2019 – 31.12.2019	1.01.2018 – 31.12.2018
Profit/loss on settlement of forwards	1 430	(1 038)
Income/costs due to revaluation of forwards	2 669	(2 757)
Total profit (loss) on FX derivatives	**4 100**	**(3 795)**

NOTE 14

CASH AND ITS EQUIVALENTS [PLN '000]

	31.12.2019	31.12.2018
Cash in hand and at bank	492 295	439 532
Total cash	**492 295**	**439 532**

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

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

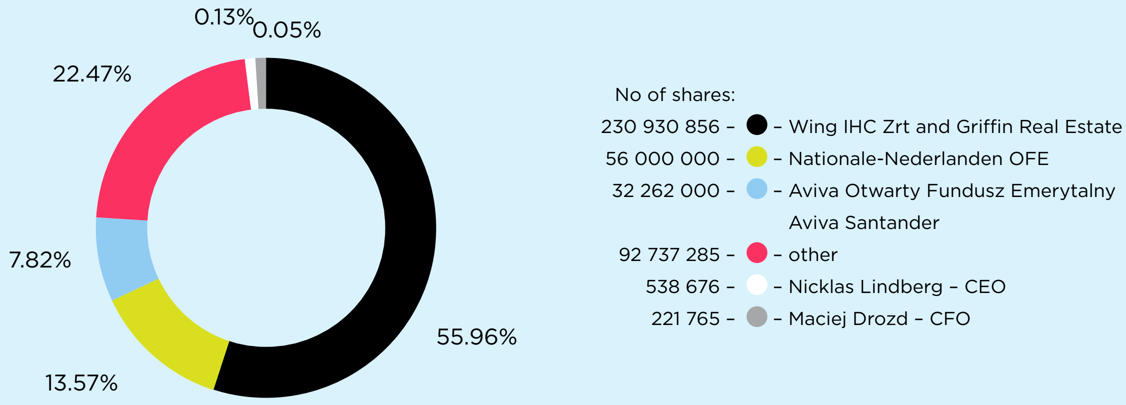
OTHER FINANCIAL ASSETS [PLN '000]

	31.12.2019	31.12.2018
Other financial assets:		
– securing the repayment of interest and principal instalments	12 114	500
– securing the refund of security deposit	6 880	3 680
- on split payment accounts (VAT)	5 546	-
– proceeds from residential customers on escrow accounts released by the bank in the course of the progress of investment	32 617	50 539
Total other monetary assets	**57 157**	**54 719**

Cash at bank earns interest at floating interest rates based on daily bank deposit rates. Short-term deposits are made for various periods, from one day to one month, depending on the Group's current demand for cash. They are subject to determined interest rates.

NOTE 15A

SHAREHOLDERS OF ECHO INVESTMENT S.A. HOLDING MORE THAN 5% OF THE SHARE CAPITAL AS AT 31 DECEMBER 2019



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

Lisala sp. z o.o. remains the major shareholder of Echo Investment S.A. Wing IHC Zrt and Griffin Real Estate are owners of Lisala.

Data concerning the shareholding structure as at 31 December 2019 result from information on shareholders participating in the Ordinary General Meeting of Echo Investment S.A. of 9 January 2020.

NOTE 15B

SUPPLEMENTARY CAPITAL [PLN '000]

	31.12.2019	31.12.2018
From share sale premium	100 748	100 748
Created out of profits	993 865	993 865
Reserve fund	164 639	326 309
Total	**1 259 252**	**1 420 922**

The Ordinary General Meeting of Shareholders (OGMS) of Echo Investment S.A. took place on 25 June 2019 in Warsaw. It was attended by shareholders holding in total 77.9% of shares and votes.

The net profit achieved in the completed financial year 2018 in the amount of PLN 42,431,650.15 was allocated to distribute among all shareholders on the following principles:

1. The profit allocated for distribution increased by PLN 163,913,640.85 from the Dividend Fund (PLN 206,345,291 in total) was allocated for distribution among all shareholders of the Company as the dividend.
2. The amount of PLN 206,345,291 paid by the Company on 19 December 2018 as an advance for dividend for the financial year was included on the dividend basis.

As the dividend corresponded to the amount of the dividend advance payment, the shareholders decided that the Company would not pay any additional funds from the profit for the financial year 2018.

In 2019 the Company has paid an advance dividend in the amount of PLN 206,345 thousand.

NOTE 15C

BOOK VALUE PER SHARE

	31.12.2019	31.12.2018
Equity attributable to equity holders of the parent entity [PLN '000]	1 562 365	1 495 573
Number of shares (in thous. pieces)	412 691	412 691
Book value per share (in PLN)	**3,79**	**3,62**
Diluted number of shares	412 691	412 691
Diluted book value per share	3,79	3,62

EARNINGS PER SHARE

	1.01.2019-31.12.2019	1.01.2018-31.12.2018
Profit (loss) attributable to the parent entity's shareholders [PLN '000]	299 532	305 358
Weighted average number of ordinary shares (in thousands)	412 691	412 691
Basic profit (loss) per ordinary share (in PLN)	**0,73**	**0,74**
Profit (loss) attributable to the parent entity's shareholders [PLN '000]	299 532	305 358
Weighted average diluted number of ordinary shares (in thousands)	412 691	412 691
Diluted profit (loss) per ordinary share (in PLN)	**0,73**	**0,74**

In 2019 and 2018 the Company did not use diluting instruments.

NOTE 16

CHANGE IN PROVISIONS [PLN '000]

	31.12.2019	31.12.2018
Opening balance		
– provisions on expected costs of general administrative (audit, bonuses, leave of absence, etc.)	4 441	6
– provision for estimated penalties and losses	15 967	36 920
– provision for estimated costs of warranty repairs, etc.	-	2 066
– provision for court cases	6 126	-
– provision for liabilities related to investment projects	8 753	4 695
– provision for master lease obligations	33 182	113 345
– provision for profit share obligations	97 443	49 187
– provision for fit-out works	7 610	5 743
– provision for the final settlement of the investment property sale price	1 294	1 294
	174 816	**213 256**
Increases due to:		
– provisions on estimated costs of general administrative (audit, bonuses, leave of absence, etc.)	631	4 382
– provision for estimated penalties and losses	5 247	10 595
– provision for estimated costs of warranty repairs, etc.	-	200
– provision for court cases	369	6 126
– provision for liabilities related to investment projects	7 363	10 192
– provision for master lease obligations	17 888	6 845
– provision for profit share obligations	29 489	49 839
– provision for fit-out works	6 498	8 414
	67 485	**96 592**
Utilization and realeasing due to:		
– incurred costs of general administrative	(4 541)	(6)
– incurred penalties and losses	(8 583)	(31 548)
– incurred costs of warranty repairs, renovations etc.	-	(2 207)
– provision for court cases	(722)	-
– provision for liabilities related to investment projects	(13 531)	(6 134)
– provision for master lease obligations	(31 391)	(87 008)
– provision for profit share obligations	(48 626)	(1 583)
– provision for fit-out works	(8 253)	(6 547)
– provision for the final settlement of the investment property sale price	(1 294)	-
	(116 941)	**(135 033)**
Closing balance		
– provisions on estimated costs of general administrative (audit, bonuses, leave of absence, etc.)	531	4 441
– provision for estimated penalties and losses	12 631	15 967
– provision for court cases	5 773	6 126
– provision for liabilities related to investment projects	2 585	8 753
– provision for master lease obligations	19 679	33 182
– provision for profit share obligations	78 306	97 443
– provision for fit-out works	5 855	7 610

CHANGE IN PROVISIONS [PLN '000]

	31.12.2019	31.12.2018
– provision for the final settlement of the investment property sale price	-	1 294
	125 359	**174 816**
including:		
Long-term provisions	**35 931**	**58 973**
Short-term provisions	**89 428**	**115 843**

In the reporting period, the following provisions for investment liabilities were used:

- related to the office buildings sold in 2016: Q22 in Warsaw, Symetris Business Park I in Łódź, O3 Business Campus I in Kraków and Tryton Business House in Gdańsk, in the amount of PLN 9,362 thousand,
- related to the office buildings sold in 2017: A4 Business Park III in Katowice, O3 Business Campus II in Kraków and Nobilis Business House in Wrocław, in the amount of PLN 11,948 thousand,
- related to the office building sold in 2018: Sagittarius Business House in Wrocław in the amount of PLN 3,614 thousand,
- related to the office building O3 Business Campus III in Kraków, in the amount of PLN 3,505 thousand.

Provisions 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. Penalty reserve includes the value of any penalties that may be charged to the Group under contractual agreements with a probability of charge greater than 50%.

The provision for the anticipated costs of warranty repairs includes the value of repairs or compensation for premises and projects sold, with a probability of loading greater than 50%.

The provision for investment liabilities is related to i.a. provisions for leasing brokerage or other provisions related to projects.

The amounts of provisions were estimated based on the Company's best knowledge and its experience.

NOTE 17

LOANS, BORROWINGS AND BONDS [PLN '000]

	31.12.2019	31.12.2018
Loans and borrowings	819 241	270 858
Debt securities	1 149 510	1 158 669
Interests from loans and borrowings	920	895
Total loans, borrowings and bonds	**1 969 671**	**1 430 422**
– of which long-term portion	1 602 126	1 149 693
– of which short-term portion	367 545	280 729

The „loans and borrowings" item presents special purpose loans and lines of credit in current accounts. The purpose credit agreements are secured by real estate mortgages, assignment of receivables resulting from lease agreements, construction agreements, policies and registered pledges on shares, accounts, belongings and rights of subsidiaries. Interest rates on loans denominated in EUR are based on the EURIBOR plus a margin. The Group uses interest rate hedging in the form of IRS instruments. The majority of IRS instruments are not self-contained but are included in loan agreements and are assessed together with loans.

Credit lines denominated in PLN are secured by blank promissory notes, declarations of submission to enforcement and powers of attorney to bank accounts. The loan interest rate is based on the WIBOR rate plus a bank's margin. According to the best information and data of the Management Boards of the Group's companies, there were no breaches of the terms of loan agreements or the agreed levels of collateral during the financial year and until the date of signing the financial statements.

In the 'debt securities' item the Group presents bonds issued. The interest on bonds is based on the WIBOR rate plus a margin. The fair value of loans and borrowings does not differ significantly from their balance value. The fair value was determined by the income method based on the cash flows discounted by the current market interest rate. The fair value measurement was classified as level 3 of the fair value hierarchy.

ISSUANCE OF BONDS FOR INSTITUTIONAL INVESTORS

As part of the Bond Issuance Programme of up to PLN 1 bln of 2011, which was signed with mBank, Echo Investment issued coupon bonds with a total value of PLN 100 mln on 11 April 2019. The nominal value and the issue price of one bond was PLN 10,000. The bonds were issued for the period ending on 11 April 2023. The interest rate on the bonds was determined based on the variable WIBOR 6M rate plus a margin for investors. The redemption of the bonds on the redemption date will be at the nominal value of the bonds. The interest will be paid semi-annually. The issued bonds are not secured. At the same time, the Company acquired 1,000 own bonds marked with the ISIN code PLECHPS00159 for redemption.

ISSUANCE OF BONDS FOR INDIVIDUAL INVESTORS

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 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 offering was organized 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.

Detailed information of the loan agreements settlements and bond issued are presented in Standalone Financial Report in the note 14.

NOTE 18

TRADE AND OTHER LIABILITIES [PLN '000]

	31.12.2019	31.12.2018
Trade payables maturing:		
– up to 12 months	238 011	234 623
	238 011	**234 623**
Leasing liabilities	183 012	-
Perpetual usufruct conversion fee	1 952	-
Security deposits from contractors and deposits received	57 266	41 135
Payments on escrow account from clients purchasing apartments	32 617	50 538
Accruals	9 914	13 726
Other liabilities	3 583	1 280
	288 344	**106 679**
Liabilities due to vat	5 069	6 298
Liabilities due to other taxes	11 057	2 102
	16 126	**8 400**
Total trade and others liabilities	**542 481**	**349 702**

Fair value of trade and other liabilities does not differ significantly from the valuation at its carrying amount.

NOTE 19

REVENUE [PLN '000]

	1.01.2019-31.12.2019	1.01.2018-31.12.2018
Sale and lease of residential space	556 006	397 044
Construction and lease of office space	76 558	133 888
Lease of retail space	72 511	29 946
Other sale	175 058	152 157
Profit from sale of goods and services	**880 133**	**713 035**

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.

REVENUE [PLN '000]

	1.01.2019-31.12.2019	1.01.2018-31.12.2018
Sale (A)	553 328	393 521
Lease (C)	2 678	3 523
Apartments	**556 006**	**397 044**
Lease (C)	30 044	19 832
Fit-out services (D)	46 514	114 056
Office	**76 558**	**133 888**
Sale (A)	6 850	-
Lease (C)	44 386	9 361
Development services (E)	21 275	20 585
Retail	**72 511**	**29 946**
Sale (F)	167 504	128 717
Lease (C)	1 058	3 064
Services (F)	6 496	20 376
Other	**175 058**	**152 157**

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

The Group recognizes revenues when a obligation to perform a 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]

	1.01.2019-31.12.2019	1.01.2018-31.12.2018
Deferred income - opening balance	**321 348**	**70 339**
Increase - inflows	684 886	644 530
Presented as revenue in the period	(553 328)	(393 521)
– including revenue presented in the period, considered in balance of received advanced payments at the beginning of the period	(123 279)	(66 746)
Deferred income - closing balance	**452 906**	**321 348**

The total value of revenues to be recognized in the future, resulting from contracts for the sale of residential space, signed as at the balance sheet date 31 December 2019, amounts PLN 1,550,990 thousand, of which the Group received advance payments in the amount of PLN 452,906 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 construction is completed.

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

Project	Targeted completion	Targeted total value	Total value of deferred revenue related to concluded agreements	Advanced payments received / deferred income (long-term) (note 9)*	Received advance paymants / deferred income (long and short-term) (note 9)*	Deposit on apartments (long and short-term other liabilities (note 18)**
Dom pod Wilgą III, Kraków	completed	41 839	492	-	420	78
Rydla 32, Kraków	completed	48 557	3 994	-	2 082	51
Apartamenty GO, Kraków	completed	61 188	50	-	-	53
Osiedle Jarzębinowe IV, Łódź	completed	22 098	-	-	-	-
Osiedle Jarzębinowe V, Łódź	completed	43 926	2 952	-	1 189	16
Osiedle Jarzębinowe VI, Łódź	I Q 2020	20 063	20 063	-	10 027	399
Osiedle Jarzębinowe VII, Łódź	IV Q 2020	35 864	35 864	-	4 493	1 206
Nowa Dzielnica, Łódź	completed	30 076	3 503	-	1 023	6
Fuzja I, Łódź	IV Q 2020	104 722	104 722	10 113	-	1 836
Osiedle Jaśminowe III, Poznań	completed	19 736	1	-	1	-
Osiedle Jaśminowe IV, Poznań	I Q 2020	32 498	32 498	-	18 096	663
Osiedle Perspektywa I, Poznań	completed	44 691	146	-	146	-
Osiedle Perspektywa II, Poznań	completed	24 767	10	-	-	11
Osiedle Perspektywa III, Poznań	completed	30 901	3 511	-	2 839	85
Nasze Jeżyce I, Poznań	I Q 2021	57 823	57 823	5 628	-	3 450
Nasze Jeżyce II, Poznań	II Q 2021	63 695	63 695	845	-	121
Apartamenty Esencja, Poznań	IV Q 2020	115 398	115 398	-	14 621	7 767
Widoki Mokotów, Warszawa	II Q 2020	69 271	69 271	-	29 714	7 103
Warsaw Brewery A, Warsaw	completed	55 360	35	-	35	-
Warsaw Brewery B, Warsaw	completed	125 589	19 373	-	17 405	509
Warsaw Brewery C, Warsaw	completed	91 939	11 277	-	10 067	-
Warsaw Brewery E, Warsaw	IV Q 2020	113 470	113 470	24 557	-	778
Osiedle Reset I, Warsaw	completed	67 184	12 620	-	8 207	75
Osiedle Reset II, Warsaw	III Q 2020	118 338	118 338	-	42 304	515
Moje Miejsce, Warsaw	II Q 2020	131 260	131 260	-	27 148	359
Stacja Wola I, Warsaw	III Q 2021	196 495	196 495	4 528	-	1 380
Grota – Roweckiego 111 phase III	completed	16 300	8 939	-	5 851	53
Ogrody Graua, Wrocław	II Q 2020	44 846	44 846	-	11 860	4 270
Stacja 3.0, Wrocław	IV Q 2020	96 644	96 644	83	-	266
Zebra, Wrocław	completed	75 591	2 002	-	80	877
Resi4Rent Kępa Mieszczańska, Wrocław	I Q 2020	65 584	65 584	-	50 593	-
Resi4Rent Warsaw Brewery, Warsaw	III Q 2020	160 208	160 208	-	97 307	-
Resi4Rent Rychtalska, Wrocław	completed	69 653	-	-	-	-
Resi4Rent Wodna, Łódź	completed	45 791	45 791	-	42 168	-
Other		10 115	10 115	-	9 476	690
Total		**2 351 480**	**1 550 990**	**45 754**	**407 152**	**32 617**

* Advanced payments released from escrow accounts.

** Gross advanced payments to be released from escrow accounts.

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

The Group recognizes 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 2019 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.

(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 16 Leases, revenues from the lease of residential and commercial space are recognised on a straight-line basis over the term of the agreements concluded.

(D) Revenues related to fit-out works

As part of services conedted 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 2019 is PLN 10,552 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
Sagittarius Business House, Wrocław	Private Invest Marek Dębnicki	31.01.2020	943
O3 Business Campus III, Kraków	TTEC	1.01.2020	5 454
O3 Business Campus II, Kraków	HCL	1.03.2020	3 546
O3 Business Campus I, Kraków	Ecolab Services Poland	1.03.2020	609
Total			**10 552**

(E) Revenues related to project 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 Group concludes also 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).

NOTE 20

NET OPERATING COSTS [PLN '000]

Including costs related to:	1.01.2019- 31.12.2019	1.01.2018- 31.12.2018
Sale and lease of residential space	(402 350)	(284 138)
Construction and lease of office space	(57 459)	(133 660)
Lease of retail space	(54 245)	(16 549)
Other	(163 076)	(143 755)
Total net operating costs	**(677 130)**	**(578 102)**

COSTS BY TYPE [PLN '000]

Including cost of:	1.01.2019- 31.12.2019	1.01.2018- 31.12.2018
Amortisation	(9 472)	(3 489)
Consumption of materials and power	(112 380)	(145 504)
Outsourced services	(751 413)	(612 547)
Taxes and charges	(13 027)	(13 580)
Payroll	(65 802)	(45 335)
Social security contributions and other benefits	(10 441)	(10 025)
Other costs by type	(69 358)	(22 427)
Total costs by type	**(1 031 892)**	**(852 907)**
Change in inventories, finished products and work in progress	(201 011)	(115 832)
Administrative expenses related to execution of projects	(27 511)	(36 599)
Selling and distribution expenses	(28 883)	(28 361)
General and administrative expenses	(97 357)	(94 013)
Cost of products sold	**(677 130)**	**(578 102)**

NOTE 21

NET PROFIT ON INVESTMENT PROPERTY [PLN '000]

	1.01.2019 – 31.12.2019	1.01.2018 – 31.12.2018
Revenue from the sale of property	535 325	447 021
Property selling costs (notes 4, 5, 6)	(512 197)	(389 138)
Revaluation of property (notes 4, 5, 6), including:	456 807	495 742
- asset on leasing IFRS 16	(3 839)	-
Costs of collateral on rental income (master lease)	(80 133)	(72 724)
Costs of profit share	5 141	(57 515)
Net profit (loss) on investment property	**404 943**	**423 387**

In 2019, the Group sold an investment property of Gatehouse Offices located in Warsaw and the O3 Business Campus III office building in Kraków. Transactions were described in note 32.

Costs of rental holidays and profit share commitments are related mainly in the office buildings Face2Face Business Campus (phase I and II) in Katowice, Villa Offices and Malthouse Offices (Warsaw Brewery K, GH) in Warsaw and Midpoind 71 in Wrocław.

NOTE 22

OTHER OPERATING INCOME [PLN '000]

	1.01.2019 – 31.12.2019	1.01.2018 – 31.12.2018
Interests from operational activity (placements etc.)	3 018	4 001
Contractual penalties	1 520	5 799
Reversal of writte-offs and reseves	8 021	33 648
Revaluation of receivable	1 151	2 701
Profit from sale of non-financial non-current assets	890	136
Compensations	5 675	-
Other	2 241	2 738
Total other operating income	**22 516**	**49 023**

NOTE 23

OTHER OPERATING EXPENSES [PLN '000]

	1.01.2019 – 31.12.2019	1.01.2018 – 31.12.2018
Cost of sale of non-financial non-current assets	(971)	-
Revaluation of receivable	(2 708)	(6 581)
Donations	(276)	(621)
Extraordinary damage and losses	(180)	(1 424)
Established provisions	(5 318)	(19 730)
Contractual penalties	(3 847)	(816)
Costs due to rental guarantee	(6 531)	(7 738)
Other	(6 727)	(7 006)
Total other operating expenses	**(26 558)**	**(43 916)**

NOTE 24

FINANCIAL INCOME [PLN '000]

	1.01.2019 – 31.12.2019	1.01.2018 – 31.12.2018
Received dividends	-	16 065
Profits due to revaluation of financial assets	6 796	-
Income from interest	761	15 823
income from borrowings interest	9 033	8 043
Profit on disposal of investments	7 210	1 068
Other financial income	8	738
Total	**23 808**	**41 736**

Under the 'profit on disposal of investment' in 2019, the Group presented a result on the liquidation of Echo Prime Assets B.V.

NOTE 25

FINANCIAL COSTS [PLN '000]

	1.01.2019 – 31.12.2019	1.01.2018 – 31.12.2018
Interest expense	(50 442)	(54 423)
Commissions	(7 930)	(6 562)
Loss on disposal of investments	(300)	(660)
Costs of financial assets revaluation	(4 350)	(1 207)
Other	-	(55)
Cost of interests due to leasing	(6 913)	-
Total	**(69 935)**	**(62 907)**

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 2019 amounted to PLN 10,785 thousand (including: for inventories PLN 7,630 thousand, for investment properties under construction PLN 3,155 thousand). In 2018, it was PLN 3,698 thousand (including: for inventories PLN 2,189 thousand, for investment properties under construction - PLN 1,590 thousand).

NOTE 26

GAIN DUE TO EXCHANGE RATE DIFFERENCES [PLN '000]

	1.01.2019 – 31.12.2019	1.01.2018 – 31.12.2018
- Realised exchange rate differences' losses over gains surplus	55	7 883
- Unrealised exchange rate differences' losses over gains surplus	2 636	2 183
Total gain due to exchange rate differences	**2 691**	**10 066**

NOTE 27

Joint-ventures

Rosehill Investments Sp. z o.o., Berea Sp. z o.o. (Galeria Młociny)

On 31 May 2017 the Echo Investment Group together with the EPP Group concluded a purchase agreement concerning a property located in Warsaw at ul. Zgrupowania AK „Kampinos". 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 property value was established as EUR 104.5 mln. As at the day of the acquisition and the balance date i.e. on 31 December 2019 the 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 Group. 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.

The carrying value of the investment as at 31 December 2019 amounted to PLN 88,177 thousand. A summary of financial information in the joint venture is presented below.

In 2019, the company analyzed the impairment of net investment value based on the equity method in a jointly controlled company Rosehill Investments Sp. z o.o (Galeria Młociny). In the first half of 2019, due to Galeria Młociny opening, the company updated the fair value of the project in the net assets of the jointly controlled entity. The company estimated that the recoverable amount of the net investment as at the balance sheet date is lower than the value of the shares in net assets as at that day. As a result, the company recognized an impairment loss of PLN 12,756,000 identified in the consolidated profit and loss account reducing the item "share in profits (losses) of entities covered by the equity method."

Joint venture's financial data – Galeria Młociny

SELECTED DATA FROM THE FINANCIAL SITUATION [PLN '000]

	31.12.2019
Current assets	78 065
Fixed assets – investment property	1 787 445
Total assets	**1 865 511**
Long-term liabilities	1 432 000
Short-term liabilities	214 406
Total liabilities	**1 646 406**
Equity	219 105
Share of the Echo Investment S.A. as at 31.12.2019	30,00%
Share of the Echo Investment S.A. in net assets as at 31.12.2019	65 731

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

	1.01.2019 - 31.12.2019
Operating income	69 698
Operating costs	(21 968)
Revenue - revaluation of property	33 457
Costs of general administrative	(1 349)
Costs of sales	(9 685)
Other income / operating costs	(2 435)
Financial income	1 298
Financial costs	(59 720)
Gross profit (loss)	**9 295**
Income tax	(17 130)
Net profit (loss)	**(7 835)**
Total comprehensive income	(7 835)
Share of the Echo Investment Group (%)	30,00%
Share of the Group in comprehensive income of joint-venture	(2 351)

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

On 15 September 2016 the Echo Investment Group and the EPP Group concluded a conditional purchase agreement under which they were planning to purchase a property located at ul. Towarowa 22 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 2019 the Echo Investment Group had 46.26% share in the project company being the owner of the property at ul. Towarowa 22. EPP 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 the EPP Group. As at the balance sheet day, on 31 December 2019 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 Echo Investment Group in the joint venture is shown in the consolidated financial statement and it is estimated using the equity method. The carrying value of the investment as at 31 December 2019, amounted to PLN 147,986 thousand. A summary of financial information in the joint venture is presented below.

Joint venture's financial data – Towarowa 22

SELECTED DATA FROM THE FINANCIAL SITUATION [PLN '000]

	31.12.2019
Current assets	2 269
Fixed assets – investment property	431 657
Other fixed assets	389
Total assets	**434 316**
Long-term liabilities	88 323
Short-term liabilities	20 895
Total liabilities	**109 219**
Equity	325 097
Share of the Echo Investment S.A.	46,26%
Elimination of mutual transactions between unit and the Group	(2 416)
Share of the Echo Investment S.A. in net assets	147 977

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

	1.01.2019 - 31.12.2019
Operating income	12 628
Operating costs	(10 686)
Costs of general administrative	(241)
Other income / operating costs	(939)
Financial costs	(6 249)
Gross profit (loss)	**(5 487)**
Income tax	443
Net profit (loss)	**(5 044)**
Total comprehensive income	**(5 044)**
Share of the Echo Investment Group	46,26%
Share of the Group in comprehensive income of joint-venture	(2 333)

R4R Poland Sp. z o.o.

On 20 July 2018 Echo Investment S.A. acquired 30% of shares and votes in a joint investment venture. The remaining 70% of shares and votes was acquired by R4R S.a.r.l. Pursuant to the agreement, the project will operate as a platform of apartments for rent in Poland. As part of the project, buildings with apartments for rent will be built - primarily in four locations in Warsaw, Łódź and Wrocław. The first tenants will be able to move in in the fourth quarter of 2019. Under the agreement, Echo Investment S.A. will provide planning, design and investment implementation services while R4R Poland Sp. z o.o. will be responsible for the operational management of the platform. On 14 September 2018, subsidiaries of R4R Poland Sp. z o.o. concluded preliminary purchase agreements for four development projects developed by subsidiaries of Echo Investment S.A. for a total price of PLN 338,670 thousand. The projects will create approximately 1,200 apartments, which, according to the assumptions of the project, will be dedicated to rent. The projects that are the subject of the agreements are:

- Warsaw Brewery, being developed on a property located in Warsaw at 58 Grzybowska street,
- Rychtalska, being carried out on a property located in Wrocław at Rychtalska street,
- Kępa Mieszczańska, being constructed on a property located in Wrocław on the island of Kępa Mieszczańska,
- Wodna, being developed on a property located in Łódź at 23 Wodna street.

By fulfilling its commitment to co-finance the project, Echo Investment S.A. provided capital to R4R Poland Sp. z o.o. on 14 September 2018 and took over new shares in the increased share capital of PLN 41 354 269. Moreover, in 2019 Echo Investment S.A. took over new shares in the increased share capital of PLN 9,434,700 and granted R4R Poland Sp. z o.o. a loan amounted PLN 42,099,600.

In 2019, new subsidiaries of R4R Poland Sp. z o.o. were created in order to develop projects located among others in Warsaw (Taśmowa, Woronicza, Wilanowska streets), Gdańsk (Kołobrzeska street), Kraków (3 Maja street) and Poznań (Szczepanowskiego street). The share of the Echo Investment Group in the consolidated financial statements is recognised by using the equity method. The carrying value of the investment as at 31 December 2019 amounted PLN 17,978 thousand. A summary of financial information in the joint venture is provided below.

Joint venture's financial data – Platforma R4R

SELECTED DATA FROM THE FINANCIAL SITUATION [PLN '000]

	31.12.2019
Current assets	40 063
Fixed assets – investment property	109 701
Fixed assets – investment properties under construction	181 037
Fixed assets – advance payments for investment properties under construction	209 738
Other fixed assets	3 300
Total assets	**543 839**
Long-term liabilities	459 191
Short-term liabilities	20 735
Total liabilities	**479 926**
Equity	63 913
Share of the Echo Investment S.A.	30,00%
Elimination of mutual transactions between unit and the Group	(1 196)
Share of the Echo Investment S.A. in net assets	17 978

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

	1.01.2019 - 31.12.2019
Operating income	278
Administrative costs related to project	(131)
Revenue - revaluation of property	30 703
Costs of general administrative	(6 915)
Other income / operating costs	(3 146)
Financial costs	(469)
Gross profit (loss)	**20 320**
Income tax	(4 296)
Net profit (loss)	**16 024**
Total comprehensive income	16 024
Share of the Echo Investment Group	30,00%
Share of the Group in comprehensive income of joint-venture	4 807

NOTE 28

LIABILITIES - CHANGE DUE TO IFRS 16 INTRODUCTION ['000 PLN]

	1 January 2019	New acquisitions	Financial costs	Payments	Project's completion or sale	Reclassifica-tion	31 December 2019
Lease liabilities due to land perpetual usufruct	69 573	2 567	3 970	(4 102)	(20 093)	15 160	67 076
Other lease liabilities	135 332	22 337	6 568	(19 133)	(12 055)	(15 160)	117 889
Total lease liabilities	**204 905**	**24 904**	**10 538**	**(23 235)**	**(32 148)**	**-**	**184 964**

REVENUES - COSTS DUE TO LEASING [PLN '000]

	1.01.2019-31.12.2019	1.01.2018-31.12.2018
Costs related to long-term leasing	16 610	-
Cost related to leasing of low-value assets	878	-
Total	**17 488**	**-**

Total cash outflow due to leasing amounted to PLN 23,236 in 2019.

NOTE 29

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

	1.01.2019-31.12.2019	1.01.2018-31.12.2018
1. Deferred tax at the beginning 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)
– loans receivable (interest, valuation, exchange rate 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
– costs due to created provisions	2 113	-
– other	6 396	8 819
– the impact of implementing IFRS 16 on January 1, 2019	(5 208)	-
	(64 019)	**15 521**
2. Change in the period		
– measurement of financial instruments	(507)	367
– valuation of investment property	(42 516)	(71 778)
– interests in subsidiaries, jointly controlled entities and associates *	2 426	(8 191)
– tax loss	13 419	2 100
– liabilities due to loans and bonds (measurement, FX differences, etc.)	(110)	2 101
– liabilities due to borrowings (measurement, FX differences, etc.)	1 099	1 507
– loans receivable (interest, valuation, exchange rate differences, etc.)	(3 905)	(3 843)
– liabilities related to investment projects (master lease)	7 984	2 740
– activated costs on projects during construction	(10 327)	974
– costs due to created reserves	805	-
– other	(12 690)	(309)
– IFRS 16 Lease	9 512	-
	(34 810)	**(74 332)**
3. Total deferred income tax at the end of the period		
– measurement of financial instruments	(507)	-
– valuation of investment property	(153 629)	(111 114)
– interests in subsidiaries, jointly controlled entities and associates *	(11 565)	(13 991)
– tax loss	27 847	14 428
– liabilities due to loans and bonds (measurement, FX differences, etc.)	(1 691)	(1 581)
– liabilities due to borrowings (measurement, FX differences, etc.)	(3 004)	(4 103)
– loans receivable (interest, valuation, exchange rate differences, etc.)	(7 748)	(3 843)
– liabilities related to investment projects (master lease)	29 663	21 680
– activated costs on projects during construction	20 877	31 204
– costs due to provisions created	2 918	-

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

	1.01.2019-31.12.2019	1.01.2018-31.12.2018
– other	(6 294)	8 509
– IFRS 16 Lease	4 304	-
	(98 829)	**(58 811)**
– including:		
Deferred tax assets	53 903	52 493
– change during the year	1 410	(12 221)
Deferred tax provision	152 733	111 303
– change during the year	41 430	61 580

* Estimated value of tax burden related to anticipated changes in the structure of the Group result from the difference between tax and balance sheet value of subsidiaries interests.

Until 2019, the Group did not recognise deferred income tax assets for the amount of PLN 19,793 thousand on account of tax losses.

The expiry dates of the right to income tax reduction due to tax loss fall in the years: 2020 (PLN 715 thousand), 2021 (PLN 1,082 thousand), 2022 (PLN 27,228 thousand), 2023 (PLN 43,637 thousand) and 2024 (PLN 73,901 thousand).

NOTE 30

INCOME TAX - EFFECTIVE TAX RATE [‘000 PLN]

	1.01.2019-31.12.2019	1.01.2018-31.12.2018
1. Profit before tax (gross profit)	**398 188**	**424 413**
2. Income tax calculated according to the parent company tax rate (19%)	75 655	80 638
3. Differences:		
Tax effect of non-taxable income	(4 664)	(22 530)
Tax effect of non-deductible costs	29 235	47 182
Utilization of previously unrecognized tax losses	(877)	(1 937)
Tax losses for which deferred income tax has not been recognized	4 903	6 790
Tax loss for the preceding years, for which income tax has been recognized	(5 588)	(4 187)
Interim result of partnerships	-	(1 636)
Result of closed-end investment funds	-	(1 469)
Effect of tax rate change	-	16 209
Release of deferred tax in connection with the transformation of companies	-	-
Differences total	**23 009**	**38 422**
Charge on the financial result due to income tax	**98 664**	**119 060**

NOTE 31 SEGMENT REPORTING

NOTE 31A

ASSIGNMENT OF ASSETS TO SEGMENTS [PLN '000]

	31.12.2019	31.12.2018
Residential	1 065 493	1 058 980
Office	2 027 505	1 368 502
Retail	954 277	978 421
Resi4Rent	326 788	
Other	436 366	572 737
Total	**4 810 429**	**3 978 640**

NOTE 31B

ASSIGNMENT OF LIABILITIES TO SEGMENTS [PLN '000]

	31.12.2019	31.12.2018
Residential	435 065	83 692
Office	724 347	547 432
Retail	373 026	165 788
Resi4Rent	210 265	
Other	1 505 484	1 494 836
Total	**3 248 186**	**2 291 748**

NOTE 31C

ALLOCATION OF REVENUE TO SEGMENTS [PLN '000]

	1.01.2019 – 31.12.2019	1.01.2018 – 31.12.2018
Residential	556 005	397 044
Office	76 558	133 888
Retail	72 511	29 946
Other	175 059	152 157
Total	**880 133**	**713 035**

NOTE 31D

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

	1.01.2019 – 31.12.2019	1.01.2018 – 31.12.2018
Residential	(402 350)	(284 138)
Office	(57 459)	(133 660)
Retail	(54 245)	(16 549)
Other	(163 076)	(143 755)
Total	**(677 130)**	**(578 102)**

NOTE 31E

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

	1.01.2019 – 31.12.2019	1.01.2018 – 31.12.2018
Residential	153 655	112 906
Office	19 099	228
Retail	18 266	13 397
Other	11 983	8 402
Total	**203 003**	**134 933**

NOTE 32 Sale of investment properties

GATEHOUSE OFFICES IN WARSAW

The subsidiary of Echo Investment S.A., i.e. Dellia Investments - Projekt Echo 115 Sp. z o.o. Sp.K. with its registered office in Kielce, acting as the seller and the company operating under Luxembourg law LUX Europa III S.a r.l., the entity managed by GLL Real Estate Partners as the buyer, concluded on 28 March, 2019 the final sale agreement on Gatehouse Offices, the office property located in Warsaw at ul. Grzybowska and ul. Wronia. The final sale price of the office building will amount EUR 76.8 million, after meeting certain conditions. Under the contract, the sale price is payable in two tranches. The first installment of EUR 38.6 million net was paid immediately after the agreement was concluded, while the remaining part of the price - after the conditions agreed by the parties are met - on 3 July 2019. Together with the first installment, the buyer paid the amount of VAT on the entire sale price. Together with the sale agreement, the parties concluded building quality and rent guarantee agreements, according to which the buyer has a compensated loss on operating revenues resulting from incentives for tenants.

After considering all costs related to the transaction, the Group recognized a profit on the sale of investment property in the amount of PLN 13,785 thousand.

O3 BUSINESS CAMPUS III IN KRAKÓW

The subsidiary of Echo Investment S.A., i.e. Echo-Opolska Business Park Sp. z o.o. Sp. k., acting as the seller and the subsidiary of EPP N.V. ("" EPP ") - EPP Development 6 Sp. z o.o. acting as the buyer, concluded on 11 September 2019 the sale agreement on the O3 Business Campus III office building that is part of the O3 Business Campus complex located in Kraków at ul. Opolska and al. 29 Listopada. The sale price amounted EUR 40.3 million, increased by VAT, and includes a decrease in the value of fit-out works remaining to be carried out on spaces of tenants resulting from signed lease agreements, the value of defects and transaction costs. The seller may receive additional payments related to the performance of arrangement works on spaces of tenants and the removal of defects in the total amount of EUR 6.9 million plus VAT.

The seller and the buyer also concluded a rent guarantee agreement. The basic provisions of this contract provide a guarantee to the buyer that the seller covers rent payments and service charges for individual parts of the building that have not been rented to third parties on the day of signing the agreement and those that have been rented and for which rent reductions or rent-free periods have been applied. Additionally, in connection with the agreement, its parties concluded, among others, an escrow account agreement, for arrangement works and an agreement on the repayment of the profit participation loan granted by the subsidiary of EPP.

NOTE 33

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

	liabilities due to loans, borrowings and bonds	dividend liability
Opening balance as at 1.01.2019	**1 430 422**	**-**
Cash flows		
- inflows	805 977	-
- outflows	(310 309)	-
Non-cash changes	43 581	-
- accrued interest	50 176	-
- valuation of FX differences	(5 137)	-
- valuation by effective interest rate	(1 459)	-
Closing balance as at 31.12.2019	**1 969 671**	**-**

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

	liabilities due to loans, borrowings and bonds	dividend liability
Opening balance as at 1.01.2018	**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 by compensation	(231 806)	-
closing balance as at 31.12.2018	**1 430 422**	**-**

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

	1.01.2019 –31.12.2019	1.01.2018 –31.12.2018
Change of short-term liabilities, excluding borrowings and loans, including	**71 204**	**229 904**
- due to deferred income	131 558	251 009
- due to trade liabilities and others	(62 478)	14 798
- due to other tax liabilities	7 726	(27 004)
- due to accurals	(3 812)	(4 186)
- due to liabilities on deposits on escrow account	(17 921)	(2 352)
- due to liabilities on deposits received from subcontractors and advance payment received	16 131	(2 361)

ADDITIONAL EXPLANATION TO CONSOLIDATED CASH-FLOW STATEMENT

Lessee includes in the cash-flow statement following items as part of financial activity:

– monetary payments of main instalments with interests,
– short-term lease instalments,
– lease instalments covering low value assets and,
– variable lease instalments not included in lease liabilities of operational activity.

NOTE 34 INFORMATION ON FINANCIAL INSTRUMENTS

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	IFRS 9 classification	Carrying amount as at 31.12.2019	Carrying amount as at 31.12.2018
FINANCIAL ASSETS				
Long-term borrowings granted	8	Amortisated cost	112 508	82 275
Short-term borrowings granted	8	Amortisated cost	65 527	42 190
Trade receivables	10	Amortisated cost	120 090	195 355
Cash and cash equivalents	14	Amortisated cost	549 452	494 251
FINANCIAL LIABILITIES				
Liabilities due to security issuance	17	Amortisated cost	1 149 510	1 158 669
Trade liabilities	18	Amortisated cost	331 476	327 576
Loans and borrowings	17	Amortisated cost	820 161	271 753

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:

1. 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
2. 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.

NOTE 35 RESULTS OF CHANGES IN PRESENTATION PREVIOUS PERIODS FINANCIAL STATEMENTS TRANSFORMATIONS

In preparing these consolidated financial statements, the accounting principles were applied in the unchanged range with reference to the principles applied in preparing the annual financial statements for the financial year ended 31 December 2018, except for an adjustment in the provision to secure income for rent-free periods (so-called masterlease). The adjustment was calculated after a re-examination of investment projects under way as at 31 December 2018.

In accordance with the Group's accounting policy, the provision to secure income for rent-free periods is recognized at the time of sale of investment projects, when an investment property or an investment property under construction is not fully leased and the Group guarantees a buyer to secure rent-free periods under a defined level of net operating income (NOI). The provision for securing income for rent-free periods is also recognized on investment properties under construction that are measured at fair value.

The Group adjusted the amount of the provision for securing income for rent-free periods as at 31 December 2018 by reducing the value of the provision for securing income for rent-free periods as at 31 December 2018 by PLN 86,731 thousand, simultaneously reducing the fair value of investment properties and investment properties under construction on those projects for which as at a valuation day, the Group did not have any signed sales or preliminary agreements guaranteeing that rent incomings for rent-free periods are secured.

The adjustment described above does not affect the Group's results for 2019 and 2018, as well as the Group's equity as at 31 December 2019 and 31 December 2018.

The most significant changes in comparative data as at 31 December 2018:

CONSOLIDATED STATEMENT OF FINANCIAL POSITION [PLN '000]

	31.12.2018 - approved	31.12.2018 - restated	Change
Assets			
Investment property	1 007 716	988 903	(18 813)
Investment property underconstruction	940 427	872 509	(67 918)
Total assets	**3 978 640**	**3 891 909**	**(86 731)**
Equity and liabilities			
Provisions			
Long-termprovisions	125 559	58 973	(66 586)
Short-termprovisions	135 988	115 843	(20 145)
Total equity and liabilities	**3 978 640**	**3 891 909**	**(86 731)**

CHAPTER 3

INFORMATION ON THE FINANCIAL STATEMENTS

01

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. They are included into Warsaw Stock Exchange Index WIG, mWIG40 subindex, WIG ESG social responsible companies index as well as sector index 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, 2020

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, 2020

Noah M. Steinberg
Chairman of the Supervisory Board

Tibor Veres
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

Péter Kocsis
Supervisory Board Member

Bence Sass
Supervisory Board Member

Nebil Senman
Supervisory Board Member
Audit Committee Member

THE MANAGEMENT BOARD OF ECHO INVESTMENT S.A. AS AT 31 DECEMBER 2019

Nicklas Lindberg – President of the Management Board, CEO;
Maciej Drozd – Vice-President of the Management Board, CFO;
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,
Małgorzata Turek– Member of the Management Board.

CHANGES IN THE COMPOSITION OF THE MANAGEMENT BOARD IN 2019

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.

SUPERVISORY BOARD OF ECHO INVESTMENT S.A. AS AT 31 DECEMBER 2019

Mark Abramson – Independent Supervisory Board Member,
Maciej Dyjas – Member of the Supervisory Board,
Stefan Kawalec – Independent Supervisory Board Member,
Nebil Senman – Member of the Supervisory Board.

CHANGES IN THE COMPOSITION OF THE SUPERVISORY BOARD IN 2019

Due to sale of majority stake of shares of Echo Investment S.A., on 13 December 2019 following representatives of investment funds PIMCO and Oaktree Capital Management resign from their seats in the Supervisory Board: Karim Khairallach (Chairman of the Supervisory Board), Laurent Luccioni (Vice-Chariman the Supervisory Board) and Sebastian Zilles (Member the Supervisory Board).

AUDIT COMMITTEE OF ECHO INVESTMENT S.A. AS AT 31 DECEMBER 2019

Stefan Kawalec – President of the Audit Committee,
Mark E. Abramson – Vice-President of the Audit Committee,
Nebil Senman – Member of the Audit Committee.

CHANGES IN THE AUDIT COMMITTEE COMPOSITION IN 2019

There was no changes in the Audit Committee of Echo Investment S.A. during 2019.

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'.

02

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 2019 and comparative data for the 12-month period ending on 31 December 2018. 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 2019, which was approved for publication on 20 March 2020.

As at 31 December 2019 the Capital Group consisted of 144 entities consolidated according to the full method, and 20 entities consolidated according to the equity method. As at 31 December 2018 it consisted of 131 subsidiaries, presented according to the full method, and ten associates consolidated according to the equity method. The composition of the Capital Group as at 31 December 2019 is presented in paragraph 3.

03

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 specific investment tasks, including those resulting from the construction process of a specific development project.

As at 31 December 2019 the Capital Group included 144 subsidiaries consolidated according to the full method and 20 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	**React – City Space – GP Sp. z o.o. Sp. k.**	Warsaw	100%	City Space Management Sp. z o.o.
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%	Echo Investment S.A.
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	**Elektrownia RE Sp. z o.o.**	Kielce	100%	Echo Investment S.A.
36	**Fianar Investments Sp. z o.o.**	Warsaw	100%	Echo Investment S.A.
37	**Galeria Libero – Projekt Echo 120 Sp. z o.o. Sp. k.**	Kielce	100%	Fianar Investments Sp. z o.o.
38	**Galeria Nova – Grupa Echo Sp. z o.o. S.k.a.**	Kielce	100%	Echo Investment S.A.
39	**Galeria Tarnów – Grupa Echo Sp. z o.o. S.k.a.**	Kielce	100%	Echo Investment S.A.
40	**Gleann Sp. z o.o.**	Warsaw	100%	Echo Investment S.A.
41	**Gosford Investments Sp. z o.o.**	Warsaw	100%	Echo Investment S.A.
42	**GRO Nieruchomości Sp. z o.o.**	Kraków	100%	Echo Investment S.A.
43	**Grupa Echo Sp. z o.o.**	Kielce	100%	Echo Investment S.A.
44	**Kasztanowa Aleja – Grupa Echo Sp. z o.o. Sp. k.**	Kielce	100%	Echo Investment S.A.
45	**Kielce – Grupa Echo Sp. z o.o. S.k.a.**	Kielce	100%	Echo Investment S.A.
46	**Klimt House – Grupa Echo Sp. z o.o. Sp. k.**	Kielce	100%	Echo Investment S.A.
47	**Malta Office Park – Grupa Echo Sp. z o.o. S.k.a.**	Kielce	100%	Echo Investment S.A.
48	**Metropolis – Projekt Echo 121 Sp. z o.o. S.k.a.**	Kielce	100%	Echo Investment S.A.
49	**Oxygen – Grupa Echo Sp. z o.o. S.k.a.**	Kielce	100%	Echo Investment S.A.
50	**Park Postępu – Grupa Echo Sp. z o.o. S.k.a.**	Kielce	100%	Echo Investment S.A.
51	**Park Rozwoju III – Projekt Echo – 112 Sp. z o.o. Sp. k.**	Kielce	100%	Perth Sp. z o.o.
52	**Perth Sp. z o.o.**	Warsaw	100%	Echo Investment S.A.
53	**PHS – Projekt CS Sp. z o.o. Sp.k.**	Warsaw	100%	Perth Sp. z o.o.
54	**Pod Klonami – Grupa Echo Sp. z o.o. Sp. k.**	Kielce	100%	Echo Investment S.A.
55	**Potton Sp. z o.o.**	Warsaw	100%	Echo Investment S.A.
56	**PPR – Grupa Echo Sp. z o.o. S.k.a.**	Kielce	100%	Echo Investment S.A.
57	**Princess Investment Sp. z o.o.**	Kielce	100%	Echo Investment S.A.
58	**Projekt – Pamiątkowo Sp. z o.o.**	Kielce	100%	Echo – SPV 7 Sp. z o.o.

SUBSIDIARIES

No	Subsidiary	Registered office	% of capital held	Parent entity
59	**Projekt 1 – Grupa Echo Sp. z o.o. S.k.a.**	Kielce	100%	Echo Investment S.A.
60	**Projekt 12 – Grupa Echo Sp. z o.o. S.k.a.**	Kielce	100%	Echo Investment S.A.
61	**Projekt 13 – Grupa Echo Sp. z o.o. S.k.a.**	Kielce	100%	Echo Investment S.A.
62	**Projekt 132 – City Space – GP Sp. z o.o. Sp. k.**	Warsaw	100%	City Space Management Sp. z o.o.
63	**Projekt 133 – City Space – GP Sp. z o.o. Sp. k.**	Warsaw	100%	City Space Management Sp. z o.o.
64	**Nobilis – City Space GP Sp. z o.o. Sp. k.**	Warsaw	100%	City Space Management Sp. z o.o.
65	**Projekt 14 – Grupa Echo Sp. z o.o. S.k.a.**	Kielce	100%	Echo Investment S.A.
66	**React – Dagnall Sp. z o.o. S.k.a.**	Kielce	100%	Potton Sp z o.o.
67	**Projekt 16 – Grupa Echo Sp. z o.o. S.k.a.**	Kielce	100%	Echo Investment S.A.
68	**Projekt 17 – Grupa Echo Sp. z o.o. S.k.a.**	Kielce	100%	Echo Investment S.A.
69	**Projekt 18 – Grupa Echo Sp. z o.o. S.k.a.**	Kielce	100%	Echo Investment S.A.
70	**Cinema Asset Manager – Grupa Echo Sp. z o.o. S.k.a.**	Kielce	100%	Echo Investment S.A.
71	**Face2Face – Stranraer Sp. z o.o. S.k.a.**	Kielce	100%	Echo Investment S.A.
72	**Projekt 21 – Grupa Echo Sp. z o.o. S.k.a.**	Kielce	100%	Echo Investment S.A.
73	**Midpoint 71 – Cornwall Investments Sp. z o.o. S.K.A.**	Kielce	100%	Echo Investment S.A.
74	**Projekt 5 – Grupa Echo Sp. z o.o. S.k.a.**	Szczecin	100%	Echo Investment S.A.
75	**Projekt Beethovena – Projekt Echo – 122 Sp. z o.o. S.k.a.**	Kielce	100%	Echo Investment S.A.
76	**Projekt CS Sp. z o.o.**	Kielce	100%	Echo Investment S.A.
77	**Projekt Echo – 104 Sp. z o.o.**	Kielce	100%	Echo Investment S.A.
78	**Projekt Echo – 108 Sp. z o.o.**	Kielce	100%	Echo Investment S.A.
79	**Projekt Echo – 111 Sp. z o.o.**	Kielce	100%	Echo Investment S.A.
80	**Projekt Echo – 112 Sp. z o.o.**	Kielce	100%	Echo Investment S.A.
81	**Projekt Echo – 113 Sp. z o.o.**	Kielce	100%	Echo Investment S.A.
82	**Projekt Echo – 115 Sp. z o.o.**	Kielce	100%	Echo Investment S.A.
83	**Projekt Echo – 116 Sp. z o.o.**	Kielce	100%	Echo Investment S.A.
84	**Projekt Echo – 119 Sp. z o.o.**	Kielce	100%	Echo Investment S.A.
85	**Projekt Echo – 120 Sp. z o.o.**	Kielce	100%	Echo Investment S.A.
86	**Projekt Echo – 121 Sp. z o.o.**	Kielce	100%	Echo Investment S.A.
87	**Projekt Echo – 122 Sp. z o.o.**	Kielce	100%	Echo Investment S.A.
88	**Projekt Echo – 123 Sp. z o.o.**	Kielce	100%	Galeria Nova – Grupa Echo Sp. z o.o. S.k.a.
89	**Projekt Echo – 127 Sp. z o.o.**	Kielce	100%	Echo Investment S.A.
90	**Projekt Echo – 128 Sp. z o.o.**	Kielce	100%	Echo Investment S.A.
91	**Projekt Echo – 129 Sp. z o.o.**	Kielce	100%	Selmer Investments Sp. z o.o. Sp. k.
92	**Projekt Echo – 130 Sp. z o.o.**	Kielce	100%	Echo Investment S.A.
93	**Projekt Echo – 131 Sp. z o.o.**	Kielce	100%	Echo Investment S.A.
94	**Projekt Echo – 132 Sp. z o.o.**	Kielce	100%	Echo Investment S.A.
95	**Projekt Echo – 135 Sp. z o.o.**	Kielce	100%	Echo Investment S.A.
96	**Projekt Echo – 135 Sp. z o.o. Sp. k.**	Kielce	100%	Perth Sp. z o.o.
97	**Projekt Echo – 136 Sp. z o.o.**	Kielce	100%	Echo Investment S.A.
98	**Projekt Echo – 136 Sp. z o.o. Sp. k.**	Kielce	100%	Echo Investment S.A.
99	**Projekt Echo – 137 Sp. z o.o.**	Kielce	100%	Echo Investment S.A.

SUBSIDIARIES

No	Subsidiary	Registered office	% of capital held	Parent entity
100	**Projekt 139 – Grupa Echo Sp. z o.o. Sp. k.**	Kielce	100%	Perth Sp. z o.o.
101	**Projekt 140 – Grupa Echo Sp. z o.o. Sp. k.**	Kielce	100%	Echo Investment S.A.
102	**Aquarius – City Space – GP Sp. z o.o. Sp. k.**	Warsaw	100%	City Space Management Sp. z o.o.
103	**142 – City Space – GP Sp. z o.o. Sp. k.**	Warsaw	100%	City Space Management Sp. z o.o.
104	**Beethovena – City Space – GP Sp. z o.o. Sp. k.**	Warsaw	100%	City Space Management Sp. z o.o.
105	**Projekt 144 – Grupa Echo Sp. z o.o. Sp. k.**	Kielce	100%	Echo – Arena Sp. z o.o.
106	**Projekt 145 – City Space – GP Sp. z o.o. Sp. k.**	Kielce	100%	City Space Management Sp. z o.o.
107	**Projekt 146 – City Space – GP Sp. z o.o. Sp. k.**	Kielce	100%	City Space Management Sp. z o.o.
108	**Projekt 147 – Grupa Echo Sp. z o.o. Sp. k.**	Kielce	100%	Echo Investment S.A.
109	**Projekt 148 – Grupa Echo Sp. z o.o. Sp. k.**	Kielce	100%	Echo Investment S.A.
110	**Projekt Echo – 93 Sp. z o.o.**	Kielce	100%	Echo Investment S.A.
111	**Projekt Echo – 99 Sp. z o.o.**	Kielce	100%	Echo Investment S.A.
112	**Projekt K-6 – Grupa Echo Sp. z o.o. S.k.a.**	Kielce	100%	Echo Investment S.A.
113	**Projekt Naramowice – Grupa Echo Sp. z o.o. S.k.a.**	Kielce	100%	Echo Investment S.A.
114	**Projekt Saska Sp. z o.o.**	Kielce	95%	Echo Investment S.A.
115	**Pudsey Sp. z o.o.**	Warsaw	100%	Echo Investment S.A.
116	**Pure Systems Sp. z o.o.**	Kraków	100%	Echo Investment S.A.
117	**Q22 – Projekt Echo – 128 Sp. z o.o. Sp. k.**	Kielce	100%	Potton Sp z o.o.
118	**Sagittarius – Projekt Echo – 113 Sp. z o.o. Sp. k.**	Kielce	100%	Doxent Investments Sp. z o.o.
119	**Seaford Sp. z o.o.**	Warsaw	100%	Echo Investment S.A.
120	**Selmer Investments Sp. z o.o.**	Warsaw	100%	Echo Investment S.A.
121	**Selmer Investments Sp. z o.o. Sp. k.**	Warsaw	100%	Echo Investment S.A.
122	**Senja 2 Sp. z o.o.**	Warsaw	100%	Echo – Browary Warszawskie Sp. z o.o. Sp. k
123	**Shanklin Sp. z o.o.**	Warsaw	100%	Echo Investment S.A.
124	**Stranraer Sp. z o.o.**	Warsaw	100%	Echo Investment S.A.
125	**Strood Sp. z o.o.**	Warsaw	100%	Echo Investment S.A.
126	**Swanage Sp. z o.o.**	Warsaw	100%	Echo Investment S.A.
127	**Symetris – Projekt Echo – 131 Sp. z o.o. Sp. k.**	Warsaw	100%	Gosford Investments Sp. z o.o.
128	**Taśmowa – Projekt Echo – 116 Sp. z o.o. S.k.a.**	Kielce	100%	Echo Investment S.A.
129	**ZAM – Projekt Echo – 127 Sp. z o.o. Sp. k.**	Warsaw	100%	Perth Sp. z o.o.
130	**Villea Investments Sp. z o.o.**	Warsaw	100%	Echo Investment S.A.
131	**Bowen Sp. z o.o.**	Warsaw	100%	Echo – Browary Warszawskie Sp. z o.o. S.K.
132	**RPGZ IX Sp. z o.o.**	Kraków	100%	Echo Investment S.A.
133	**Projekt 150 – Shanklin Sp. z o.o. Sp. k.**	Kielce	100%	Echo Investment S.A.
134	**Projekt 151 – Projekt 13 – Grupa Echo Sp. z o.o SKA SK**	Kielce	100%	Echo Investment S.A.
135	**Projekt 152 – Projekt 14 – Grupa Echo Sp. z o.o SKA SK**	Kielce	100%	Echo Investment S.A.
136	**Projekt 153 – Projekt 21 – Grupa Echo Sp. z o.o SKA SK**	Kielce	100%	Echo Investment S.A.
137	**Projekt 154 – Projekt K-6 – Grupa Echo Sp. z o.o SKA SK**	Kielce	100%	Echo Investment S.A.
138	**Projekt Echo – 139 Sp. z o.o.**	Kielce	100%	Echo Investment S.A.
139	**Projekt Echo – 140 Sp. z o.o.**	Kielce	100%	Echo Investment S.A.
140	**Projekt Echo – 141 Sp. z o.o.**	Kielce	100%	Echo Investment S.A.

SUBSIDIARIES

No	Subsidiary	Registered office	% of capital held	Parent entity
141	**Projekt Echo – 142 Sp. z o.o.**	Kielce	100%	Echo Investment S.A.
142	**Projekt Echo – 143 Sp. z o.o.**	Kielce	100%	Echo Investment S.A.
143	**Projekt Echo – 144 Sp. z o.o.**	Kielce	100%	Echo Investment S.A.
144	**Projekt Echo – 145 Sp. z o.o.**	Kielce	100%	Echo Investment S.A.

JOINT VENTURES

No	Subsidiary	Registered office	% of capital held	Parent entity
1	**Rosehill Investments Sp. z o.o.**	Warsaw	30%	Echo Investment S.A.
2	**Berea Sp. z o.o.**	Warsaw	30%	Rosehill Investments Sp. z o.o.
3	**Projekt Echo – 138 Sp. z o.o. Sp. k.**	Warsaw	45,26%	Strood Sp. z o.o.
4	**Projekt Echo – 138 Sp. z o.o.**	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 Warszawa 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.
11	**R4R Poznań Szczepanowskiego Sp. z o.o.**	Warsaw	30%	R4R Poland Sp. z o.o.
12	**R4R Warszawa Taśmowa Sp. z o.o.**	Warsaw	30%	R4R Poland Sp. z o.o.
13	**R4R Warszawa Woronicza Sp. z o.o.**	Warsaw	30%	R4R Poland Sp. z o.o.
14	**R4R Gdańsk Kołobrzeska Sp. z o.o.**	Warsaw	30%	R4R Poland Sp. z o.o.
15	**R4R RE Sp. z o.o.**	Warsaw	30%	R4R Poland Sp. z o.o.
16	**R4R Kraków 3 Maja Sp. z o.o.**	Warsaw	30%	R4R Poland Sp. z o.o.
17	**R4R Warszawa Wilanowska Sp. z o.o.**	Warsaw	30%	R4R Poland Sp. z o.o.
18	**R4R RE Wave 3 Sp. z o.o.**	Warsaw	30%	R4R Poland Sp. z o.o.
19	**R4R Warszawa Pohorskiego Sp. z o.o.**	Warsaw	30%	R4R Poland Sp. z o.o.
20	**R4R Warszawa Żwirki 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 Q4 2019

INCREASE OF THE CAPITAL GROUP

No	Entity	Action	Date	Share capital
1	**Bowen Sp. z o.o. with its registered seat in Warsaw**	Share purchase agreement	14.03.2019	5 000 PLN
2	**RPGZ IX Sp. z o.o. with its registered seat in Kraków**	Share purchase agreement	24.04.2019	5 000 PLN
3	**Projekt 150 – Projekt 12 – Grupa Echo SP. z o.o. SKA SK**	Registration by the District Court in Kielce	14.08.2019	5 000 PLN
4	**Projekt 151 – Projekt 13 – Grupa Echo Sp. z o.o. SKA SK**	Registration by the District Court in Kielce	23.08.2019	5 000 PLN
5	**Projekt 152 – Projekt 14 – Grupa Echo Sp. z o.o. SKA SK**	Registration by the District Court in Kielce	23.08.2019	5 000 PLN
6	**Projekt 153 – Projekt 21 – Grupa Echo Sp. z o.o. SKA SK**	Registration by the District Court in Kielce	14.08.2019	5 000 PLN
7	**Projekt 154 – Projekt K-6 – Grupa Echo Sp. z o.o. SKA SK**	Registration by the District Court in Kielce	14.08.2019	5 000 PLN
8	**Projekt Echo – 139 Sp. z o.o.**	Registration by the District Court in Kielce	22.10.2019	5 000 PLN
9	**Projekt Echo – 140 Sp. z o.o.**	Registration by the District Court in Kielce	04.11.2019	5 000 PLN
10	**Projekt Echo – 141 Sp. z o.o.**	Registration by the District Court in Kielce	27.01.2020	5 000 PLN
11	**Projekt Echo – 142 Sp. z o.o.**	Registration by the District Court in Kielce	28.01.2020	5 000 PLN
12	**Projekt Echo – 143 Sp. z o.o.**	Registration by the District Court in Kielce	24.01.2020	5 000 PLN
13	**Projekt Echo – 144 Sp. z o.o.**	Registration by the District Court in Kielce	28.01.2020	5 000 PLN
14	**Projekt Echo – 145 Sp. z o.o.**	Registration by the District Court in Kielce	23.01.2020	5 000 PLN

DECREASE OF THE CAPITAL GROUP

No	Entity	Action	Date	Share capital
1	**Echo Prime Assets BV z siedzibą w Amsterdamie**	Removal from the Register of Entrepreneurs	24.06.2019	24 141 141 EUR

OTHER CHANGES

No	Entity	Action	Date
1	**Projekt 17 – Grupa Echo Sp. z o.o.-S.K.A.**	Capital increase in the company was registered by Echo Investment S.A.	01.02.2019
2	**Projekt 139 – Grupa Echo Sp. z o.o. Sp.k.**	Change of limited partner – disposal of rights and obligations in the company from Echo Investment S.A. to Perth Sp. z o.o. with its registered office in Warsaw	01.03.2019
3	**Projekt 144 – Grupa Echo Sp. z o.o. Sp.k.**	Change of limited partner – disposal of rights and obligations in the company from Echo Investment S.A. to Echo - Arena Sp. z o.o. with its registered office in Kielce	01.03.2019
4	**City Space – GP Sp. z o.o.**	Capital increase in the company was registered by Echo Investment S.A.	20.03.2019
5	**City Space Management Sp. z o.o.**	Capital increase in the company was registered by Echo Investment S.A.	26.03.2019
6	**Projekt 145 – Grupa Echo Sp. z o.o. Sp.k.**	Change of limited partner – disposal of rights and obligations in the company from Echo Investment S.A. to City Space Management Sp. z o.o. with its registered office in Warsaw	30.04.2019
7	**Projekt 146 – Grupa Echo Sp. z o.o. Sp.k.**	Change of limited partner – disposal of rights and obligations in the company from Echo Investment S.A. to City Space Management Sp. z o.o. with its registered office in Warsaw	30.04.2019
8	**Cornwall Investments Sp. z o.o. Sp.k.**	Change of limited partner – disposal of rights and obligations in the company from Echo Investment S.A. to City Space Management Sp. z o.o. with its registered office in Warsaw	30.04.2019
9	**Projekt 145 – Grupa Echo Sp. z o.o. Sp.k.**	Change of limited partner – disposal of rights and obligations in the company from Grupa Echo Sp. z o.o. to City Space GP Sp. z o.o. with its registered office in Warsaw	30.04.2019
10	**Projekt 146 – Grupa Echo Sp. z o.o. Sp.k.**	Change of limited partner – disposal of rights and obligations in the company from Grupa Echo Sp. z o.o. to City Space GP Sp. z o.o. with its registered office in Warsaw	30.04.2019
11	**Cornwall Investments Sp. z o.o. Sp.k.**	Change of limited partner – disposal of rights and obligations in the company from Cornwall Investments Sp. z o.o. to City Space GP Sp. z o.o. with its registered office in Warsaw	30.04.2019
12	**Projekt 20 – Grupa Echo Sp. z o.o. S.K.A.**	Change of limited partner – disposal of rights and obligations in the company from Grupa Echo Sp. z o.o. to Stranraer Sp. z o.o. with its registered office in Warsaw	31.05.2019
13	**Projekt 15 – Grupa Echo Sp. z o.o. S.K.A.**	Change of limited partner – disposal of rights and obligations in the company from Grupa Echo Sp. z o.o. to Dagnall Sp. z o.o. with its registered office in Warsaw	25.06.2019
14	**Projekt 15 – Grupa Echo Sp. z o.o. S.K.A.**	Contract for sale of shares in Echo Investment S.A. to Potton Sp. z o.o. with its registered seat in Warsaw	25.06.2019
15	**Projekt 12 – Grupa Echo Sp. z o.o. S.K.A.**	Change of limited partner – disposal of rights and obligations in the company from Projekt 150 – Projekt 12 - Grupa Echo Sp. z o.o. Sp. K.A Sp. Komandytowa to Shanklin Sp. z o.o. with its registered office in Warsaw	20.08.2019
16	**Projekt Echo 129 Sp. z o.o.**	Contract for sale of shares in Echo Investment S.A. to Selmer Investments Sp. z o.o. SP. K. with its registered office in Warsaw	20.08.2019
17	**Projekt 22 – Grupa Echo Sp. z o.o. Sp.K.A.**	Change of limited partner – disposal of rights and obligations in the company from Grupa Echo Sp. z o.o. to Cornwall Investments Sp. z o.o. with its registered office in Warsaw	31.07.2019
18	**Projekt 20 – Grupa Echo Sp. z o.o. Sp.K.A.**	Change of the company's name to Face2Face - Stranraer Sp. z o.o. Sp.k.	31.07.2019
19	**Cornwall Investments Sp. z o.o. SK**	Change of the company's name to React - City Space - GP Sp. z o.o. Sp.k.	06.08.2019
20	**Projekt 15 - Grupa Echo Sp. z o.o. S.k.a.**	Change of the company's name to React - Dagnall Sp. z o.o. Sp.k.	30.07.2019

OTHER CHANGES

No	Entity	Action	Date
21	**Projekt 146 – Grupa Echo Sp. z o.o Sp. K**	Change of the company's name to Projekt 146 - City Space - GP Sp. z o. o. Sp. k	04.07.2019
22	**Projekt 145 – Grupa Echo Sp. z o.o. Sp. K**	Change of the company's name to Projekt 145 – City Space – GP Sp. z o.o. Sp.k.	02.07.2019
23	**Tryton - Projekt Echo - 127 Sp. z o.o. SK**	Change of the company's name to ZAM - Projekt Echo - 127 Sp. z o.o. Sp.k.	26.09.2019
24	**Projekt 22 – Grupa Echo Sp. z o.o. S.K.A.**	Change of the company's name to Midpoint 71 – Cornwall Investments Sp. z o.o. S.K.A.	07.10.2019
25	**Villea Investments Sp. z o.o.**	Sale of shares in the company by Projekt Echo 129 Sp. z o.o. to Echo Investment S.A.	24.10.2019
26	**Projekt Echo – 129 Sp. z o.o.**	Sale of shares in the company by Grupa Echo Sp. z o.o. to Selmer Investments Sp. z o.o. S.K.	24.10.2019
27	**R4R Poland Sp. z o.o.**	Capital increase in the company was registered by Echo Investment S.A.	04.11.2019
28	**Projekt Echo – 123 Sp. z o.o.**	Sale of shares in the company by Echo Investment S.A. to Galeria Nova – Grupa Echo Sp. z o.o. S.K.A.	18.12.2019
29	**Duże Naramowice – Projekt Echo – 111 Sp. z o.o. S.K.A.**	Sale of shares in the company by Forum 60 Fundusz Inwestycyjny Zamknięty to Echo Investment S.A.	23.12.2019
30	**Metropolis – Projekt Echo 121 Sp. z o.o. S.K.A.**	Sale of shares in the company by Forum 60 Fundusz Inwestycyjny Zamknięty to Echo Investment S.A.	23.12.2019
31	**Projekt 150 – Projekt 12 – Grupa Echo Sp. z o.o. S.K.A. S.K**	Change of the company's name to Projekt 150 – Shanklin Sp. z o.o. Sp.k.	31.12.2019

04

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

The following standards and changes in standards became effective on 1 January 2019:

IFRIC 23 'Uncertainty related to income tax recognition'

The interpretation explains how to recognise and measure income tax in accordance with IAS 12 if there is uncertainty about its recognition. It does not apply to taxes or fees that do not fall within the scope of IAS 12, or it does not cover interest and penalty requirements related to the uncertain recognition of income tax. The interpretation applies in particular to:

- separate consideration of uncertain tax treatment by the entity;
- assumptions made by the entity concerning the inspection of tax treatment by tax authorities;
- how the entity determines taxable income (tax loss), the tax base, unused tax losses, unused tax credits and tax rates;
- how the entity the entity reflects changes in facts and circumstances.

The entity must determine whether it considers each uncertain tax treatment separately or in combination with one or more other uncertain tax treatment. The approach, which better provides for resolution of uncertainty, should be followed. The interpretation has no significant impact on the financial statements of the Company and its Group.

Amendments to IFRS 9 'Contracts with prepayment features with negative compensation'

In accordance with IFRS 9, a debt instrument may be measured at amortized cost or at fair value through other total income, provided that contractual cash flows are only the principal repayments and interest on the outstanding principal amount (the SPPI criterion) and the instrument is held under the appropriate business model for this classification. Amendments to IFRS 9 specify that a financial asset meets the SPPI criterion regardless of any event or circumstance that cause early termination of the contract and regardless of which party pays or receives reasonable compensation for early termination. The amendments do not have a significant impact on the financial statements of the Company and its Group.

Amendments to IAS 19 'Plan amendments, curtailments, and settlements'

The amendments to IAS 19 specify that in the event of the plan amendment, curtailment or settlement in the annual reporting period, the entity is obligated to determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using actuarial assumptions used to remeasure the net defined benefit liability (asset) that reflects the plan benefits and the plan assets after the event. The entity is also obligated to determine net interest for the remainder of the period following the plan amendment, curtailment or settlement using the defined benefit obligation (asset) reflecting the plan benefits and the plan assets after that event, and the discount rate used for remeasurement of net liability (asset) for the defined benefits. The amendments do not have a significant impact on the financial statements of the Company and its Group.

Amendments to IAS 28 'Long-term interests in associates and joint ventures'

The amendments specify that the entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied, but as a rule they form part of the entity's net investment in the associate or joint venture (long-term interests). This explanation is important because it suggests that the expected credit loss model in IFRS 9 is applied to such long-term interests. The amendments also specify that when applying IFRS 9, an entity does not take into account losses of an associate or joint venture or any losses due to impairment of net investment in the associate or joint venture that result from the application of IAS 28 Investments in associates. The amendments do not have a significant impact on the interim condensed financial statements of the Company and the Group.

Amendments resulting from the review of IFRS 2015-2017: IFRS 3 'Business combinations'

The amendments explain that when an entity gains control over the entity that is a joint operation, it applies the requirements for a business combination in stages, including to re-measure previously owned interests in the joint operation at fair value. In this way, the acquirer reassesses all previously held interests in the joint operation. The amendments do not have a significant impact on the financial statements of the Company and its Group.

IFRS 11 'Joint arrangements'

The amendments specify that a party that participates in a joint operation but does not exercise joint control over it may obtain joint control over the joint operation in which the activities of the joint operation is a business as defined in IFRS 3. In such cases, previously held interests in the joint operation are not subject to revaluation. The amendments do not have a significant impact on the financial statements of the Company and its Group.

IAS 12 'Income tax'

The amendments specify that the tax consequences of dividend payments are more directly related to past transactions or events that led to distributable profits than to payments to owners. Therefore, the entity recognises the tax consequences of dividend payments in profit or loss, other total income or equity, depending on where the entity recognised these past transactions or events. The amendments do not have a significant impact on the financial statements of the Company and its Group.

IAS 23 'Borrowing costs'

The amendments specify that the entity treats all loans originally contracted to produce a qualifying asset as part of general loans when, in principle, all activities necessary to prepare the asset for its intended use or sale are completed. The amendments do not have a significant impact on the financial statements of the Company and its Group.

The Company has not decided to apply earlier any standard, interpretation or amendment that was published but has not yet entered into force in the light of European Union regulations. All these amendments introduced were analysed by the Group's Management Board. In addition to introducing changes resulting from the application of IFRS 16 'Leases', which the Group has applied since 1 January 2019, the Management Board of the Group believes that other amendments do not have a material impact on the financial position, results of operations of the Group or the scope of information presented in to these interim condensed consolidated financial statements.

Changes to the Group's accounting policy introduced as a result of the adaption of IFRS 16

In order for a contract to be classified as a leasing agreement, the following conditions must be met:

- the contract must relate to an identified asset for which the supplier does not have a significant converting right;
- the contract should give the beneficiary the right to control the use of the identified asset for a specified period of time. This means that the user has the right to take advantage of the economic benefits of using a given component and the right to decide on its use;
- the contract must be payable.

The Group applies the following simplifications, based on not including the lease liability:

- short-term lease - a short-term lease agreement is a contract with no option to purchase an asset, concluded for a period shorter than 12 months from the beginning of the contract;
- low-value lease - the basis for the assessment of the low value should be the value of the new asset. The Management Board of the Group has decided that this applies to lease agreements regarding assets whose value did not exceed PLN 15,000 (when new), which can be treated as the upper limit of recognition as a low value item. If lease and non-lease components are identified in a contract, the Group chooses a practical solution according to which it recognises each lease component and any accompanying non-lease components as a single lease component. In addition, in the case of a portfolio of leases with similar characteristics, the Group applies the standard to the entire portfolio when it reasonably expects that the impact that the application of this standard to the portfolio will have on the financial statements will not be significantly different from the impact of applying it to individual leases under this portfolio. The duration of a lease contract is defined as the irrevocable duration of the lease contract including also possible periods of renewal of the lease contract if the lessee is reasonably certain that the lessee will use this option and possible periods of notice for the lease contract if the lessee is reasonably sure that this option will not be used. At the time of the first recognition, the Group recognises the lease liability measured at the current value of lease payments due to the lessor over the lease period discounted at the marginal lending rate typical for a given asset.

Lease payments include:
- fixed payments less any incentives due;
- variable lease payments, that depend on the index or the rate, initially priced using the index or the rate effective as at the starting date of the contract;
- amounts whose payment by the lessee is expected within the guaranteed residual value;
- the exercise price of the purchase option, if it can be assumed with sufficient certainty that the lessee will use this option;
- penalty payments for termination of the lease, if the lease terms stipulate that the lessee may use the option of termination of the lease.

At the same time, the Group recognises an asset for the right to use in the same amount as a liability, adjusted for all lease payments paid on or before the start date, less any lease incentives received and increased by any initial direct costs incurred by the lessee. After initial recognition, the Group recognises a lease
liability by:
- increasing the carrying amount to reflect interest on a lease liability;
- reducing the carrying amount to reflect lease payments paid, and;
- updating the valuation of the carrying amount to take account of any reassessment or change in the lease or to account for substantially constant lease payments.

After the date of commencement of the lease, the asset under the right of use is measured at cost less total depreciation and (amortization) and total impairment losses as well as the lease liability adjusted for any revaluation. Depreciation is calculated using the straight-line method over the estimated useful life. If a lease agreement transfers to the Group the title of a given component before the end of a lease period or when the cost of the asset due to the right of use reflects the fact that the Group will exercise the option to buy the residual value of the leased asset, the Group depreciates the asset due to the right to use from the commencement of the lease contract until the end of the estimated useful life of the asset. In other cases, the Group depreciates assets due to the right of use from the date of commencement of the contract to the earlier of the two dates: the end date of the economic life of the asset or end date of the lease. For lease contracts, the subject of which is an asset that, in accordance with the Group's accounting policies, is measured at fair value, the Group does not depreciate such assets due to the right to use, but measures them at fair value. For an asset under the right to use regarding the right of perpetual usufruct, which is measured at fair value in accordance with the Group's accounting policies, this value at each balance sheet date is equal to the value of the lease liability.

05

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

Applies to financial statements for the financial year beginning on 1 January 2019 or later. Position as at 23 January 2020.

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 17 Insurance Contracts

(issued on 18 May 2017)
Not yet endorsed by EU at the date of approval of these financial statements. The standard is effective for financial years beginning on or after 1 January 2021.

Amendments to References to the Conceptual Framework in IFRS Standards

(issued on 29 March 2018)
The standard is effective for financial years beginning on or after 1 January 2020.

Amendments to IFRS 3 Business Combinations

(issued on 22 October 2018)
Not yet endorsed by EU at the date of approval of these financial statements. The standard is 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)
The standard is effective for financial years beginning on or after 1 January 2020.

Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform

(issued on 26 September 2019)
The standard is effective for financial years beginning on or after 1 January 2020.

Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current

(issued on 23 January 2020)
Not yet endorsed by EU at the date of approval of these financial statements. The standard is effective for financial years beginning on or after 1 January 2022.

The effective dates are 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.

06

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, excluding capital items, that should be recalculated according to historical currency exchange. 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

THE GROUP AS A LESSEE

In order for a contract to be classified as a leasing agreement, the following conditions must be met:

- the contract must relate to an identified asset for which the supplier does not have a significant converting right
- the contract should give the beneficiary the right to control the use of the identified asset for a specified period of time. This means that the user has the right to take advantage of the economic benefits of using a given component and the right to decide on its use
- the contract must be payable.

The Group applies the following simplifications, based on not including the lease liability:

- short-term lease - a short-term lease agreement is a contract with no option to purchase an asset, concluded for a period shorter than 12 months from the beginning of the contract
- low-value lease - the basis for the assessment of the „low" value should be the value of the new asset. The Management Board of the Group has decided that this applies to lease agreements regarding assets whose value did not exceed PLN 15,000 (when new), which can be treated as the upper limit of recognition as a low value item.

The Group recognizes the right of perpetual usufruct of land granted by administrative decisions as a leasing contract. This applies to all land, including those related to development projects presented as inventory.

If lease and non-lease components are identified in a contract, the Group chooses a practical solution according to which it recognises each lease component and any accompanying non-lease components as a single lease component.

In addition, in the case of a portfolio of leases with similar characteristics, the Group applies the standard to the entire portfolio when it reasonably expects that the impact that the application of this standard to the portfolio will have on the financial statements will not be significantly different from the impact of applying it to individual leases under this portfolio.

The duration of the lease contract is defined as the irrevocable duration of the lease contract including also possible periods of renewal of the lease contract if the lessee is reasonably certain that the lessee will use this option and possible periods of notice for the lease contract if the lessee is reasonably sure that this option will not be used.

At the time of the first recognition, the Group recognises the lease liability measured at the current value of lease payments due to the lessor over the lease period discounted at the marginal lending rate typical for a given asset. Lease payments include:
- fixed payments less any incentives due; – variable lease payments, that depend on the index or the rate, initially priced using the index or the rate effective as at the starting date of the contract;
- amounts whose payment by the lessee is expected within the guaranteed residual value;
- the exercise price of the purchase option, if it can be assumed with sufficient certainty that the lessee will use this option;
- penalty payments for termination of the lease, if the lease terms stipulate that the lessee may use the option of termination of the lease.

At the same time, the Group recognises an asset for the right to use in the same amount as a liability, adjusted for all lease payments paid on or before the start date, less any lease incentives received and increased by any initial direct costs incurred by the lessee.

After the initial recognition, the Group recognizes a lease liability by:
- increasing the carrying amount to reflect interest on a lease liability,
- reducing the carrying amount to reflect lease payments paid, and
- updating the carrying amount valuation to take account of any reassessment or change in the lease, listed below (changes in the lease contract), or to account for substantially constant
- lease payments.

Changes to the lease agreement that make it necessary to update the value of the liability include:
- a change in the leasing period,
- a change in the assessment of the call option of the underlying asset.

For the above changes, the Group uses an updated discount rate:
- a change in the amount expected to be paid under the guaranteed final value,
- a change in future lease payments resulting from a change in the index or rate used to set those payments, including, for example, a change to take into account changes in rental rates in the free market following a review of those rentals.

The Group applies an unchanged discount rate, unless the change in lease payments results from changes in variable interest rates. In that case, the Group shall use a revised discount rate that reflects changes in the interest rate.

The Group shall recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group recognizes the remaining amount of the revaluation in the result.

After the date of commencement of the lease, the asset under the right of use is measured at cost less total depreciation and amortization (impairment) and total impairment loss and the revised lease liability adjusted for any revaluation. Depreciation is calculated using the straight-line method over the estimated useful life. If the lease agreement transfers to the Group the title of the asset before the end of the lease period or when the cost of the asset due to the right of use reflects the fact that the Group will exercise the option to buy the residual value of the leased asset, the Group depreciates the asset from the right of use from the moment of commencement of the leasing contract until the end of the estimated economic useful life of the asset. In other cases, the Group depreciates assets due to the right of use from the date of commencement of the contract to the earlier of two dates: the date of the end of the economic life of the asset or the end date of the lease. For lease contracts, the subject of which is an asset which, in accordance with the Group's accounting policies, is measured at fair value, the Group does not depreciate such assets due to the right of use but measures them at fair value. For an asset under the right to use regarding the right of perpetual usufruct, which is measured at fair value in accordance with the Group's accounting policies, this value at each balance sheet date is equal to the value of the lease liability, taking into account the level of perpetual usufruct right expiry since the beginning of financial year.

The Group has decided to include assets due to the right of use in the same line of the statement of financial position, in which the corresponding leased assets are presented when they are the property of the Group. Liabilities are presented appropriately in long-term - when the asset due to the right of use is classified as a fixed asset, investment property or investment property under construction, or short-term

- when perpetual usufruct concerns assets classified as inventory.

The Group classifies assets due to the right of use resulting from contracts / decisions issued to the following balance sheet items and applies the appropriate accounting policy for certain items:

Contract type and presentation in the balance sheet	Valuation method as at the balance sheet date	Impact on the income statement
Office space lease agreements:		
- investment property, or	Fair value measurement	Yes
- fixed assets	Depreciation	Yes
Rental agreement on means of transport:		
- fixed assets	Depreciation	Yes
Perpetual usufruct of land:		
- investment property, or	Valuation at fair value (*)	Yes
- investment property under construction, not valued at fair value, or	Depreciation with simultaneous capitalization of depreciation costs in the value of investment property under construction	Yes
- fixed assets	Depreciation	Yes
- inventory	Depreciation with simultaneous capitalization of depreciation costs in inventory	No

*) The fair value of the asset due to the right of usufruct resulting from the right of perpetual usufruct of land is determined in the amount of the leasing liability calculated at a given balance sheet day.

Lease liabilities are covered by IFRS 9 with respect to determining when these liabilities meet the criteria for removing them from the balance sheet. A liability in accordance with IFRS 9 par. B.3.31-B.3.34 is removed from the balance sheet once it has been settled, expired or the debtor has been legally released from debt, e.g. by transferring the debt to another party. The right of perpetual usufruct of land, in relation to which the Group is legally released from the debt arising from the obligation to pay fees for perpetual usufruct or transformation fees only at the time of legal (notarial) transfer of a share in the land belonging to the premises sold to the buyer, is a special case. Therefore, until the transfer of the above ownership, the liabilities of the lease of land, as well as the corresponding assets due to the right to use the land in perpetual usufruct, remain on the balance sheet, although in accordance with the policies described in section 20. Methods for determining the financial result, revenues from the sale of residential and service premises are recognized when the property is delivered to the buyer. For this reason, when the premises are transferred to the buyer (which is also the moment when the proceeds from the sale of the premises are recognized), a portion of the related leasing asset is transferred from inventory to receivables from the buyer, in the amount corresponding to the recognized liability for the leasing of the given land. Until the (notarial) transfer of the property to the purchaser, both the receivable and the liability are disclosed as short-term, because they will be settled by transfer to the buyer during the “operating cycle”. On the date of transfer of ownership to the buyer, the liability for land lease and receivables from the purchaser of premises are derecognised through the cost of sales.

The Group as a lessor

In the case of contracts where the Group acts as a lessor, each lease contract is classified as operating or finance lease. Lease agreements under which the lessor retains a significant portion of the risks and rewards of ownership of the leased asset are classified as operating leases. A leasing contract is classified as a financial leasing if, as a result of this contract, substantially all of the risk and rewards of ownership of the leased asset are transferred to the lessee.

In the case of operating lease agreements, the Group recognizes lease revenues on an on-going basis in the statement of comprehensive income. In the case of finance leases, the Group derecognises the asset that is the subject of the agreement while recognizing the lease receivable.

a. sub-leasing - a transaction for which an underlying asset is re-leased by a lessee ('intermediate lessor') to a third party, and the lease ('head lease') between the head lessor and lessee remains in effect.
The Group classifies sub-leasing as follows:
- if it was decided to choose a short-term lease exemption for main lease, subleasing is classified as operating lease
- otherwise, sub-leasing is classified in relation to the asset due to the right to use the principal lease and not the underlying asset.
- If the sub-lease agreement is classified as operating lease, the indirect lessor (the Group) continues to recognize the lease liability and asset due to the right to use of the main lease. At the same time, it recognizes sublease leasing revenues on an ongoing basis.
- If the sub-lease agreement is classified as financial lease, the indirect lessor (the Group):
- ceases to recognize the asset due to the right to use the main lease as at the date of the initial sub-lease agreement;
- recognizes the net investment from sub-leasing instead and assesses it for impairment (lease receivable);
- continues to recognize the original lease liability.

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 CONSTRACTION

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. Property fair values 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, or based on external valuations prepared by experts. As a rule, valuations of office real estate, for which the Group carries out an active sales preparation process, are prepared internally, based on available market data, in particular a level of discount rate (yield) discussed with potential buyers, and based on levels of rent and other rental conditions. The discounted net cash flow (DCF) method is used to determine the fair value.

In the case of investment property under construction, the valuation is reduced by the discounted expenditure necessary to complete the investment, taking into account the development margin. At the time the property is measured at fair value, the Group recognizes at the same time the provisions related to real estate for securing rent-free periods, which granted and/or due to profit share in the event of contractual arrangements providing for the profit share of the sale of the property of other parties.

Provisions for securing rent-free periods include all expected future payments related to acquiring tenants that the Group expects to pay economically, i.e. primarily costs of rent-free periods (periods with reduced rents), costs of fit-out work to be carried out, costs other leasing incentives for tenants and costs of agents. Recognized provisions for projects sold adjust the result recognized on the valuation of investment property presented under "revaluation of immovable property ", and for projects sold - under "profit / loss on the sale of the property". The values expressed in EUR and USD are converted every quarter according to the current exchange rates published by the National Bank of Poland.

In the event of a change in the use of the property, it shall be appropriately reclassified in the financial statements. The property is transferred and recognized in the item of property, plant and equipment or inventory at the previously disclosed carrying amount.

The result on the sale of investment property is recognized under 'profit / loss on investment property'.

The Group transfers investment properties to a category of assets held for sale only when the property is sold outside the ordinary operating cycle, e.g. as a result of discontinuing operations in a given segment / region. This is due to the adopted strategy of the Echo Investment Group, according to which real estate is maintained by the Group and sold at the best moment - in the opinion of the Management Board - that takes into account expectations regarding return on invested capital, availability of capital for other investments, as well as basing the decision on the market situation and expectations for its further development. The Group's goal is to build properties and increase their value through active management of investment projects. Therefore, the Group classifies investment projects as investment properties (or investment properties under construction) and reclassifies them to assets held for sale only in rare situations.

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.

INVENTORY

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, 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 value of inventories is also increased by sales bonuses / commissions granted due to selling premises, which, according to IFRS 15, the Group recognizes as additional costs of concluding the contract. The Group accounts capitalized bonuses / commissions when recognizing sales revenue (see section Methods for determining the financial result) proportionally to their share in the entire construction cost of a given facility and in entire land constituting the given project. The Group does not capitalize bonus / commissions of sellers after completing construction of a residential project based on the simplification provided for in IFRS 15, point 94 and recognizes these costs when incurred.

FINANCIAL ASSETS

In accordance with IFRS 9, the Group classifies its financial assets into the following categories:
- 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 and restricted cash that are not in line with a definition of cash equivalents in accordance with IAS 7 "Cash flow" (i.e. collateral for bank guarantees and funds accumulated on open residential fiduciary accounts) and trade receivables and other receivables are measured by the Group at amortized cost, as two conditions are met for them: assets are held under a business model whose intention is to hold assets in order to obtain contractual flows and the contractual terms of these financial assets create cash flows at repetitive times that are only repayment of principal and interest on outstanding capital.

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.

RECEIVABLES

Trade and other receivables are recognized in the balance sheet at transaction price and then at amortized cost using the effective interest method, reducing them by impairment losses. When the difference between the value at amortized cost and the value of the amount of the payment required does not have a significant effect on the Company's financial results, such receivables are recognized in the balance sheet as the amount of the payment required.

The value of receivables is updated taking into account the degree of probability of their payment by making a write-down. The rules for creating revaluation write-offs are described below in the section Impairment of financial assets. Advances for deliveries are valued according to cash disbursed and in accordance with received VAT invoices documenting the granting of advance payments.

LOANS GRANTED

Loans granted are non-derivative financial assets with a fixed or determinable payment that are not listed on an active market, other than those classified as financial assets at fair value through profit or loss or other comprehensive income. These assets are booked under at the date of the transaction, and derecognized when the contractual rights to cash flows from a financial asset expire or when the financial asset is transferred along with all the risks and benefits of ownership of the asset.

Loans granted are recognized as at the date of entering the books at fair value plus transaction costs, then as at the balance sheet date at amortized cost determined using the effective interest method.

The rules for recognition of impairment write-downs are described below in the section Impairment of financial assets.

LOSS OF VALUE OF FINANCIAL ASSETS ('ECL')

Pursuant to IFRS 9, as at each reporting day, the Group estimates the amount of the impairment loss equal to the expected credit loss ('ECL'). The Group calculates the write-off as follows for individual asset categories:

Trade receivables

The Group uses a simplified approach and therefore does not monitor changes in credit risk during its lifetime and measures the impairment loss in the amount equal to the expected credit losses ('ECL') over the life of the debt. To calculate the value of the impairment loss for trade receivables, the Company uses a provision matrix made once a year as at December 31 based on historical data regarding the payment of receivables by contractors. Impairment losses are updated as at each reporting day. The provision matrix is based on the analysis of the payment of receivables in individual past due groups and determining the probability of non-payment of receivables from a given age range based on historical data. For the purposes of the analysis, trade receivables are divided into two groups: receivables from the sale of apartments, the lease and other receivables. The calculated probability of non-payment of receivables in each of the past due groups for specific categories of receivables is applied to the current balance of receivables in each of the past due groups and the write-off for the expected credit losses of receivables is calculated.

Additionally, the Group analyzes individual trade receivables and other receivables where it is highly probable they will become uncollectible, in cases justified by the type of business or the client structure - and recognizes the write-off in a reliably estimated value. Such receivables are excluded from the calculation of the allowance for expected credit losses.

Loans granted and covered bonds

The Group calculates the expected credit losses ('ECL') for loans and bonds as the difference between the cash flows arising from the contracts signed and the cash flows that the entity expects to receive. Loans granted and covered bonds are classified as low risk instruments. Therefore, the write-off for expected credit losses is calculated for a period of 12 months.

The Group calculates the cash flows that it expects to obtain based on the default ratio determined on the basis of the margin on the bonds issued by the Group and adjusted by the recovery ratio.

In addition, the Group provides the individual analysis of loans granted and bonds covered with a significant level of probability of default, in cases justified by the type of business or the client structure - and recognizes the write-off in a reliably estimated value. Such loans and bonds are excluded from the calculation of the write-off for expected credit losses.

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 ex-change rates or interest rates. The Group does not apply hedge accounting.

At the balance sheet date, derivatives are measured at fair value. Whereas 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.

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.

FINANCIAL LIABILITIES

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

Financial liabilities are initially recognized at fair value less transaction costs, and then measured using the “amortized cost” method. The valuation of liabilities includes all costs of obtaining financing, including directly related to financing costs of bank fees, costs of brokers and agents, legal costs, experts, a bank monitor, and costs related to marketing at obtaining the capital, occurring in the issue of bonds.

Trade liabilities are initially measured at fair value, and subsequently, long-term liabilities are measured at amortized cost using the effective interest method. In cases where the difference between the value at amortized cost and the value in the amount of the payment required does not have a significant effect on the financial results of the Group, such liabilities are recognized in the balance sheet in the amount of the payment required.

CONTRACTS OF ISSUED FINANCIAL GUARANTEES

Financial guarantee contracts are recognized in off-balance sheet liabilities and receivables. At each balance sheet date, the Group assesses whether there is a likelihood of a need to make a withdrawal and create a provision. The amount of the provision is determined based on estimates of the amount of probable expenditure necessary to settle the liability arising from the guarantee contract. At the same time, in accordance with the requirements of IFRS 9, the Group creates the provision for expected credit losses (‘ECL’) due to financial guarantees granted.

The Group calculates the expected credit loss (‘ECL’) regarding the guarantees given as expected payments to compensate the guarantee holder for the incurred credit loss. The Group first determines the value of the Group’s exposure due to guarantees granted (the actual total value of the contingent liability as at the balance sheet date) and reduces it by any amounts that the entity expects to receive from the guarantee holder, the debtor or any other party. The net exposure resulting from the guarantee thus determined is multiplied by the default ratio (determined on the basis of the margin on bonds issued by the Group and adjusted for the recovery ratio).

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 with the balance sheet method as tax to be paid or reimbursed in the future on the differences between the carrying values of assets and liabilities and the corresponding tax values used to calculate the tax base, except for temporary differences which arise at the time of initial recognition of an asset or liability, and do not affect the accounting or tax result. For the calculation of deferred income tax, a tax rate is used which will apply in the reporting periods in which assets will be settled or liabilities will be released.

Deferred tax is not created for temporary differences on investments in subsidiaries, jointly controlled entities and associates, if the Group controls the reversal of these differences and they will not be reversed in foreseeable future. Deferred income tax assets due to tax loss are created, if the settlement of the loss in the following years is probable.

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

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 share issue costs reduce the Group's supplementary capital to the amount of surplus issue value above the nominal value of shares.

PROVISIONS

The provisions are recognised when the Group is under a present obligation resulting from past events, it is probable that fulfilment 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.

In accordance with the adopted principle, no provisions are made for retirement benefits. Due to the age of employees and their rotation, potential reserves would not have a significant impact on the presented financial statements. Upon their occurrence, the payment of retirement severance pays will be booked on a cash basis.

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Methods of determining the financial result

The financial result is determined using the calculation method.

REVENUE

The amount of revenue is equal to the remuneration determined in agreements with clients excluding amounts receiving on behalf of the third party. In accordance with IFRS 15, the Group recognises revenues when the obligation is fulfilled (or in the course of fulfilling) by transferring a promised goods or services (i.e. an asset) to a customer. The asset is transferred when the customer obtains control of that asset. After fulfilling (or in the course of fulfilling) obligations, the entity recognises an amount equal to a transaction price as income, which has been assigned to that performance obligation. To determine the transaction price, the entity shall consider the terms of the contract and its usual commercial practices. The transaction price is the amount of remuneration that the entity expects to be entitled to in exchange for the transfer of promised goods or services to the customer, excluding amounts collected on behalf of third parties (for example, certain sales taxes). The remuneration specified in the contract with the client may include fixed amounts, variable amounts or both.

Revenue from the sale of residential and service premises are recognised on the date of handover 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. Paid apartments are also considered to be cases of minor underpayments (up to PLN 500), larger underpayments, which the Group decides not to collect from customers, or in the event of receivables from tenant changes, which, according to arrangements, are payable later than the moment of handover of the premises.

Revenues from the rental of residential and commercial space are recognised on a straight-line basis over the term of the contracts concluded. Revenue from other contracts for the provision of services (legal, consulting, IT, financial, marketing, security and other services) is recognised by the Group when the performance obligation is met.

COST OF SALES

Costs of goods, products and services sold consist of costs incurred in respect of revenues of a given financial year and overheads not yet incurred.

The cost of goods and products sold is measured at the production cost, using the method of detailed identification of the actual cost of assets sold or the percentage share e.g. of the land or shares sold, etc. In particular, the cost of sales of premises and land sold is determined proportionally to their share in the total cost of construction of the facility and the entire land constituting a given project.

ADMINISTRATIVE COSTS RELATED TO PROJECTS

Administrative costs related to projects include administrative costs indirectly related to the implementation of development projects which include: real estate tax, maintenance fees, property protection, administrative staff remuneration costs and maintenance costs of employees responsible for construction of projects in the part where cannot be assigned to a specific project or they relate to projects completed and other costs related to the maintenance of development projects. Costs of employees responsible for construction of projects in the part where cannot be assigned to a specific project, during the construction period are capitalised in the value of project. Costs are allocated on the basis of working hours reported by employees. These costs, despite an indirect connection with the construction

of development projects, are not capitalised 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 capitalisation of administrative and general management costs in the value of investment property.

FINANCING COSTS

Financial costs related to the current period are recognized in the profit and loss account according to the amortized cost method described in the Liabilities section, except for costs subject to activation in accordance with the solution included in IAS 23.

The Group activates the part of financial expenses which is directly related to the acquisition and production of financial assets recognized as stock and projects commenced. In the case of targeted financing for a given construction project, activation covers the amount of financial costs 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 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.

In accordance with the requirements of IAS 23, the Group begins to activate financial costs when the Group undertakes actions necessary to prepare an asset for its intended use or sale. These activities involve more than just activities related to its physical construction. They also include technical and administrative work prior to commencing physical construction, such as activities related to obtaining necessary permits, design and preparatory works. However, such activities do not include the holding of an asset when no production or development that changes the asset's condition is taking place.

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 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 measured at fair value 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 31 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.

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Effects of changing the accounting principles

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 2018, 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 2019.

Application of IFRS 16 Leases for the first time

The Group has implemented IFRS 16 Leases since 1 January 2019. The standard introduced one model of lease recognition in the lessee's accounting books - in general, IFRS 16 assumes recognition of all lease agreements in a model similar to the financial leasing approach in line with IAS 17. The new IFRS 16 standard Leases replaces IAS 17, as well as interpretations IFRIC 4, SIC 15 and SIC 27. The Group applied IFRS 16 retrospectively, with reference to the cumulative effect of the first application of this standard, as an adjustment to the opening balance of retained earnings as at 1 January 2019.

In accordance with IFRS 16, a contract is a lease or it includes a lease if it delegates the right to control an identified asset for a given period in exchange for remuneration. As at the date of transition to IFRS 16, the Group recognised the asset due to the right of use and the lease liability. The Company separately recognises the cost of interest and depreciation.

When applying this standard retrospectively, the Company made use of the following exemptions:

- The Group does not apply this Standard to contracts that have not previously been identified as leasing agreements in accordance with IAS 17 and IFRIC 4;
- The Group will apply a single discount rate to the portfolio of leases of a similar nature;
- Operating lease agreements, with the remaining leasing period shorter than 12 months on 1 January 2019, were treated as short-term leases and thus recognition of these contracts will not change;
- Operating lease agreements for which the underlying asset is of low value (e.g. office equipment) have not been recalculated and their recognition has not changed;
- The Company did not separate lease and non-lease components.

On 1 January 2019, the Group, as the lessee, recognised lease liabilities measured at the current value of other lease payments, discounted according to marginal Group interest rates, and recognised assets due to the right of use in the amount equal to lease liabilities. The Group decided to present assets under the right of use under the same item, in which the relevant underlying assets would be represented if they were the property of the Group (the lessee).

As a real estate developer, the Group presents leasing liabilities:

- related to the inventory item – short-term liabilities;
- related to investment property, office space and cars – long-term liabilities.

The Group classifies assets related to rights to use, resulting from agreements signed and decisions issued, to the following balance sheet items and applies appropriate accounting policies for certain items:

Agreement type and presentation in the balance sheet	Measurement method as at the balance sheet date	Impact on the profit and loss statement
Office space lease agreements:		
- investment properties, or	Fair value measurement	Yes
- fixed assets	Depreciation	Yes
Lease agreements on means of transport:		
- fixed assets	Depreciation	Yes
Perpetual usufruct of land:		
- investment properties, or	Fair value measurement *	Yes
- investment properties under construction, not measured at fair value, or	Depreciation with simultaneous capitalisation of depreciation costs in the value of investment property under construction	No
- fixed assets, or	Depreciation	Yes
- inventory	Depreciation with simultaneous capitalisation of depreciation costs in inventory	No

* Fair value of the asset due to the right to use, resulting from the right of perpetual usufruct of land, is determined in the amount of the lease liability calculated as at the given balance sheet date, measured at fair value through other comprehensive income.

Lease liabilities are covered by IFRS 9 with respect to determining when these liabilities meet the criteria for removing them from the balance sheet. In accordance with IFRS 9 paragraph B.3.31 – B.3.34, the liability is removed from the balance sheet when it is settled, expired or the debtor was legally released from debt, for example by transferring the debt to another party. A special case is the right of perpetual usufruct of land, in relation to which the Group is legally released from debt resulting from obligations to pay fees for perpetual usufruct or conversion fees only at the time of legal (notarial) transfer to the buyer of a share in the land belonging to the premises sold. Therefore, until the transfer of the above land ownership, lease liabilities as well as corresponding assets due to the right to use land in perpetual usufruct, remain included in the balance sheet, despite the fact that, in accordance with the policies described in the section "Methods for determining the financial result", revenues from the sale of residential premises and services are recognised when the property is handed over to the buyer. For this reason, when the premises is handed over to the buyer (which is also the moment when the proceeds from the sale of the premises are recognised), a part of the lease asset related to the premises is transferred from inventory to receivables from the buyer, in the amount corresponding to the recognised transformation fee liability on a given land. Until the transfer (notarial) to the purchaser of the property, both the receivable and the liability are presented as short-term, because they will be settled by transfer to the buyer during the "operating cycle". On the date of the transfer of ownership to the buyer, the land lease liability and the receivable from the purchaser of the premises are derecognised.

The impact of the implementation of IFRS 16 on 1 January 2019 resulted in recognition of an asset due to the right of use in the amount of PLN 177 495 thousand and lease liabilities in the amount of PLN 204 904 thousand, of which PLN 69 572 thousand relates to inventories, PLN 56 877 thousand to investment property, PLN 71 883 thousand to office space, and PLN 6 572 thousand to cars.

The Group recognised deferred tax assets in the amount of PLN 27 980 thousand and a provision for deferred tax in the amount of PLN 25 513 thousand. After offsetting, the Group disclosed in the Financial Statements the asset for deferred tax in the amount of PLN 2 467 thousand. The impact of the application of IFRS 16 for the first time on the result of previous years amounted to PLN 21 402 thousand.

IMPACT OF THE IMPLEMENTATION OF IFRS 16 AS AT 1 JANUARY 2019. [PLN '000]

	Approved financial report 31 December 2018	IFRS 16 adjustments	1 January 2019
Assets			
Non-current assets	**2 355 163**	**107 612**	**2 462 775**
Fixed assets	8 938	14 651	23 589
Investment property	1 007 716	51 398	1 059 114
Investment property under construction	940 427	36 355	976 782
Deferred tax asset	52 493	5 208	57 701
Current assets	**1 609 977**	**69 573**	**1 679 550**
Inventory	771 836	69 573	841 409
Assets held for sale	13 500	5 518	19 018
Total assets	**3 978 640**	**182 703**	**4 161 343**
Equity and liabilities			
Equity	1 495 459	(18 661)	1 476 798
Retained earnings	45 543	(18 661)	26 882
Provisions	**372 850**	**(3 540)**	**369 310**
Long-term provisions	125 559	(2 909)	122 650
Short-term provisions	135 988	(631)	135 357
Long-term liabilities	**1 235 633**	**135 332**	**1 370 965**
Other liabilities	28 089	135 332	163 421
Short-term liabilities	**874 698**	**69 572**	**944 270**
Other liabilities	78 590	69 572	148 162
Total equity and liabilities	**3 978 640**	**182 703**	**4 161 343**

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Material estimates of the group'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.

After a change in the strategy of the Echo Investment Group, the Group most often measures properties at fair value during construction and / or commercialisation. The property valuation is based on the income method using the discounted cash flow technique, which takes into account future proceeds from rent (including rent guarantees), the sale of real estate and other expenditure to be incurred. 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. The fair value of real estate properties which are almost 100% commercialised 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.

According to the valuations prepared by the Group, the value of investment properties as at 31 December 2019 amounted to PLN 941,983 thousand and consisted of Libero shopping centre in Katowice (PLN 592,185 thousand), Moje Miejsce I office building in Warsaw (PLN 186,159 thousand) - valued at fair value and other properties (PLN 163,639 thousand). The capitalization rate used to estimate the value of the buildings measured using the income method as at 31 December 2019, amounted to 6,50% – 6,75%.

The value of investment properties as at 31 December 2018 amounted to PLN 988,903 thousand and consisted of office buildings valued at fair value (PLN 982,786 thousand) and other properties (PLN 6,117 thousand). The capitalization rate used to estimate the value of the office buildings measured using the income method amounted to 5,25% – 7,15%, and for retail properties - 6,50 %.

The value of investment properties under construction as at 31 December 2019 amounted to PLN 1,517,866 thousand and consisted of properties valued at the fair value (PLN 1,113,543 thousand) and properties valued according to the value of incurred expenditures (PLN 404,323 thousand). The capitalization rates used to estimate the value of property valued using the income method were: for office properties 4.60%-7.50%. 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 2018, the value of investment property under construction amounted to PLN 872,509 thousand and consisted of real estate measured at fair value (PLN 336,285 thousand) and real estate valued at the value of expenditure incurred (PLN 536,224 thousand). Capitalization rates used to estimate the value of office properties valued using the income method were 5.50% to 7.25%.

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 2019, the value of assets held for sale was PLN 22,923 thousand and consisted of investment.

As at 31 December 2018, the value of assets held for sale was PLN 13,500 thousand and consisted of investment land.

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.

As at 31 December 2019, the value of reserves established to secure rent free periods amounted to PLN 19,67 thousand. As at 31 December 2018, the value of reserves established to secure rent free periods amounted to PLN 33,182 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 2019, the value of provision for costs on account of the profit share from the sale of real estate amounted to PLN 78,306 thousand. 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 97,443 thousand.

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.

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 2019, 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.

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.

LEASING

The adaption and application of IFRS 16 required the Company to make various estimates and to engage in professional judgment. The main area in which it happened concerning the assessment of lease periods, in agreements for an indefinite period and in agreements for which the Company was entitled to extend the agreement. When determining a lease period, the Company had to consider all facts and circumstances, including the existence of economic incentives to use or not to extend the agreement and any termination option. The Company also estimated the discount rate used in the calculation of the lease liability - as a risk-free rate increased by the characteristic margin for the given asset to which the lease relates.

As at 1 January 2019, the average weighted IBR rate used to discount of liability valuation amounted to 5.73%.

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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 2019 and as at 31 December 2018, 100% of liabilities on loans and debt securities yielded variable-rate interest. As at 31 December 2019, 55.81% of loans granted yielded fixed-rate interest, the remaining part - variable-rate interest. As at 31 December 2018, 43.3% of loans granted were yielding fixed-rate interest, the remaining part - variable-rate interest.

As at 31 December 2019, 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 31.12.2019	as at 31.12.2018
Balance of liabilities due to debt securities issue	1 149 510	1 158 669
Financial costs of debt securities issue's interests	42 300	56 077
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	11 495	11 587
Total impact on the gross results for the period	**11 495**	**11 587**
Income tax	2 184	2 201
Total impact on the net results for the period	**9 311**	**9 386**

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

		Value calculated for the analysis
	as at 31.12.2019	as at 31.12.2018
Balance of liabilities due to loans and borrowings	819 241	270 858
Financial costs of interests	8 009	3 087
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)	8 192	2 709
Total impact on the gross results for the period	**8 192**	**2 709**
Income tax	1 557	515
Total impact on the net results for the period	**6 635**	**2 194**

INTEREST RATES' RISK – CASH, CASH EQUIVALENTS AND OTHER FINANCIAL ASSETS [PLN '000]

		Value calculated for the analysis
	as at 31.12.2019	as at 31.12.2018
Balance of cash, cash equivalents and other financial assets	549 451	494 250
Financial income from granted loans' interests	3 018	4 001
Estimated change in the interest rates	+/- 1 p.p.	+/- 1 p.p.
Financial income from granted loans' interests, taking into account interests rates' changes	5 495	4 943
Total impact on the gross results for the period	**5 495**	**4 943**
Income tax	1 044	939
Total impact on the net results for the period	**4 451**	**4 003**

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

		Value calculated for the analysis
	as at 31.12.2019	as at 31.12.2018
Balance of granted loans	71 706	66 759
Financial income from granted loans' interests	1 815	5 642
Estimated change in the interest rates	+/- 1 p.p.	+/- 1 p.p.
Financial income from granted loans' interests, taking into account interests rates' changes	717	668
Total impact on the gross results for the period	**717**	**668**
Income tax	136	127
Total impact on the net results for the period	**581**	**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 2019 they amounted EUR 144,485 thousand, however as at 31 December 2018 – EUR 47,637 thousand) the lease agreements, where rents are dependent on the PLN/EUR 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 EUR 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 2019 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 2019 the Group remained hedged for cash flows of EUR 68.9 million. 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. As at 31 December 2019, 64.5% of cash held by the Group were denominated in PLN, 35.5% – denominated in EUR. As at 31 December 2018, 74.2% of cash held by the Group were denominated in PLN, 25.8% – denominated in EUR.

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 31.12.2019	as at 31.12.2018
Balance of receivables from sale of projects and other (in EUR)	7 423	28 217
Estimated change of exchange rate (EUR)	+/- 10 p.p.	+/- 10 p.p.
FX difference due to exchange rate's change	742	2 822
Estimated (deferred) income tax	141	536
Impact on the net result	601	2 286

CURRENCY RISK – BORROWINGS RECEIVABLES [PLN '000]

	as at 31.12.2019	Value calculated for the analysis as at 31.12.2018
Balance of receivables due to borrowings (in EUR)	28 130	26 667
Estimated change of exchange rate (EUR)	+/- 10 p.p.	+/- 10 p.p.
FX difference due to exchange rate's change	2 813	2 667
Estimated (deferred) income tax	534	507
Impact on the net result	2 279	2 160

CURRENCY RISK – BORROWINGS LIABILITIES [PLN '000]

	as at 31.12.2019	Value calculated for the analysis as at 31.12.2018
Balance of liabilities due to borrowings (in EUR)	13 485	4 772
Estimated change of exchange rate (EUR)	+/- 10 p.p.	+/- 10 p.p.
FX difference due to exchange rate's change	1 349	477
Estimated (deferred) income tax	256	91
Impact on the net result	1 093	386

CURRENCY RISK – LOANS LIABILITIES [PLN '000]

	as at 31.12.2019	Value calculated for the analysis as at 31.12.2018
Balance of liabilities due to loans (in EUR)	601 806	200 066
Estimated change of exchange rate (EUR)	+/- 10 p.p.	+/- 10 p.p.
FX difference due to exchange rate's change	60 181	20 007
Estimated (deferred) income tax	11 434	3 801
Impact on the net result	48 747	16 206

CURRENCY RISK – BONDS LIABILITIES [PLN '000]

	as at 31.12.2019	Value calculated for the analysis as at 31.12.2018
Balance of liabilities due to bonds issued (in EUR)	79 700	48 395
Estimated change of exchange rate (EUR)	+/- 10 p.p.	+/- 10 p.p.
FX difference due to exchange rate's change	7 970	4 840
Estimated (deferred) income tax	1 514	920
Impact on the net result	6 456	3 920

CURRENCY RISK – CASH, CASH EQUIVALENTS AND OTHER FINANCIAL ASSETS [PLN '000]

		Value calculated for the analysis
	as at 31.12.2019	as at 31.12.2018
Balance of cash, cash equivalents and other financial assets (in EUR)	195 065	127 597
Estimated change of exchange rate (EUR)	+/- 10 p.p.	+/- 10 p.p.
FX difference due to exchange rate's change	19 506	12 760
Estimated (deferred) income tax	3 706	2 424
Impact on the net result	15 800	10 336

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.

31 December 2019	Default rate weighted average	Gross value of trade receivables [PLN '000]	Provision for expected credit losses [PLN '000]
current	0,00%	50 232	0
1-30 days	42,44%	3 035	1 288
31-90 days	34,14%	4 441	1 516
91-360 days	61,99%	5 914	3 666
over 361 days	93,64%	4 730	4 429
Total		**68 352**	**10 899**

As at 31 December 2019, 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.

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 2019 out of PLN 225 million available under current and working capital loans, the Group had PLN 1,6 million of free limit and PLN 492 million of non-restricted cash. 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 and PLN 439 million of non-restricted cash.

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 2019:

ANALYSIS OF UNDISCOUNTED FINANCIAL LIABILITIES AS AT 31.12.2019 [PLN '000]

Period	Loans	Borrowings	Bonds	Leasing	Guarantees and sureties	Derivates	Trade and other liabilities
Up to 1 year	219 629	6 367	141 549	69 563	48 593	2 669	240 195
1 – 3 years	136 178	-	762 995	42 805	416 167	-	-
3 – 5 years	316 978	-	173 864	28 013	276 244	-	-
5 – 10 years	-	7 312	-	30 673	448 665	-	-
Over 10 years	133 697	-	71 102	13 910	189 101	-	-
Total	**806 482**	**13 679**	**1 149 510**	**184 964**	**1 378 770**	**2 669**	**240 195**

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

Period	Loans	Bonds	Guarantees and sureties	Derivates	Trade and other liabilities
Up to 1 year	56 799	6 312	210 534	483 140	245 247
1 – 3 years	8 146	12 008	483 348	346 293	141
3 – 5 years	8 146	-	419 918	-	-
5 – 10 years	180 341	-	-	377 088	-
Over 10 years	-	-	44 869	24 897	-
Total	**253 432**	**18 320**	**1 158 669**	**1 231 418**	**245 388**

Future estimated interest repayments are included into the analysis.

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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) increased by not paid dividend, less cash, cash equivalents and other financial assets. The total capital is calculated as equity shown in the balance sheet inclusive of net debt.

DEBT RATIO [PLN '000]

	Note	31.12.2019	31.12.2018
Total loans, borrowings and bonds	17	1 969 671	1 430 422
Liability for dividend		-	-
Cash and equivalents	14	(492 295)	(439 532)
Other financial assets	14	(57 157)	(54 719)
Net debt		1 420 219	936 171
Total equity		1 562 365	1 495 573
Total capital		2 982 584	2 431 744
Debt ratio		**47,62%**	**38,50%**

Value of presented ratios are within the financial assumptions of the Group.

12

Agreements concluded with related entities

As a result of transactions with related entities as at 31 December 2019, the Echo Investment SA Group held liabilities of PLN 3,033 thousand.

The Group incurred PLN 52,291 thousand costs in transactions with related parties and achieved revenues in the amount of PLN 49,522 thousand.

As a result of transactions with the management board members as at 31 December 2019, the Echo Investment SA Group held revenues in the amount of PLN 1,504 thousand and advanced payments in the amount of PLN 1,005 thousand.

As a result of transactions with jointly controlled entities as at 31 December 2019, the Echo Investment Group held:

- receivables on account of loans granted in the amount of PLN 169,092 thousand,
- receivables in the amount of PLN 21,652
- Thousand,
- liabilities in the amount of PLN 10,646 thousand.

The Group generated revenues in amount of PLN 107,274 thousand in transactions with jointly controlled entities.

In 2019, the Group received advance payments of PLN 113,005 thousand from jointly controlled 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.

13

Material post-balance sheet events

13.1 Change in the Supervisory Board

Following the sale of 56 percent of the shares and complete withdrawal from the Echo Investment's shareholding by the funds PIMCO and Oaktree Capital Management, the following persons resigned from the Supervisory Board, effective immediately on 13 December 2019: Karim Khairallah - Chairman of the Supervisory Board, Laurent Luccioni - Vice-Chairman and Sebastian A. Zilles –Member of the Supervisory Board. Therefore, the Extraordinary General Meeting of Shareholders, held on 9 January 2020, appointed Noah Steinberg to the Supervisory Board, who was asigned to be Chairman of the Supervisory Board, Tibor Veres, who became Vice-Chairman of the Supervisory Board, and Péter Kocsis and Bence Sass, who became Supervisory Board Members of the current term. New members of the Supervisory Board are related to the Hungarian company Wing, which is the new main shareholder of Echo Investment.

13.2 Wing's announcement of a tender offer to sell additional 10.04 percent shares of Echo Investment

Due to Wing indirectly exceeded the threshold of 33 percent of the shares and the votes at the General Meeting of Shareholders of Echo Investment, on 3 February 2020 the Hungarian company announced the tender offer for the sale of additional 41,444,928 shares of Echo Investment, entitling to 10.04 percent of the total number of the votes at the General Meeting of Shareholders, at a price of PLN 4.65 per share. Subscriptions started on 21 February 2020 and ended on 18 March 2020.

The tender offer is conducted through Santander Biuro Maklerskie brokerage house.

13.3 Preliminary agreement of three plots with first generation shopping centres in Cracow, Poznań and Łódź

On 28 February 2020, Echo Investment has signed preliminary contracts to acquire the plots situated in Poznań at Opieńskiego Street, Łódź at Widzewska Street and Cracow at Kapelanka Street. The sites belonging to companies of the Tesco Group are perfectly located and consistent with the Echo Investment's strategy to continue growing the residential part of the business. The developer plans to dedicate all the plots to mixed use projects. On the sites the company is to deliver 4,000 apartments, retail space and in Cracow also a building with office purposes. The existing shopping centers will be managed by Echo Investment until construction works begin. The Tesco's office space and store in Cracow will operate undistracted until a new building has been developed on the plot to relocate the store and offices. The projects in Poznań and Łódź will continue to operate until permits are in place and construction starts. The total area of the acquired plots amounts to 190,000 sqm. The net price will amounts to EUR 42.5 million. The transaction will be concluded not later than early 2021, after fulfilment of certain conditions of preliminary agreement.

This is another transaction concluded between Echo Investment and Tesco. At the end of last year, the developer bought Tesco in Kabaty in Warsaw at Komisji Edukacji Narodowej Street from the retail chain. This area located next to the metro station in Kabaty is going to be transformed into a destination project.

13.4 Impact of the coronavirus SARS-CoV-2 and COVID-19 outbreak on the operations and financial results of the company

Based on preliminary analysis, the Management Board of the company announced to the company shareholders that, according to its current knowledge and assessment, the coronavirus SARS-CoV-2 and COVID-19 outbreak and subsequent Government imposed limitations related to them may, depending on their duration and intensity, significantly and adversely affect the operations and financial results of the Company.

The influence, in particular, may be related to:

a. income generated by shopping centers due to the limitations imposed on shopping centers' functioning, including cinemas and gastronomic establishments (as Echo Investment owns Libero in Katowice and 30% of Galeria Młociny in Warsaw);
b. residential apartments' sales volume, in particular in the event of potential tightening of the mortgage loan eligibility criteria by banks or other disruptions on the housing or banking market;
c. timely execution of projects and transactions undertaken by the Company or its related entities within a planned schedule, in particular due to possible delays in construction works, caused by potential shortages of the construction personnel and/or interruptions in supplies of material and components;
d. timing of the sale of commercial projects and their prices that may be achieved; and
e. availability and terms of new financing if banks and other lenders are materially affected by the extended economic downturn.

The Management Board is implementing certain actions aimed at mitigating to the extent possible the adverse impact of the factors mentioned above, which, in particular, may be partially offset in the future by the potential decrease in costs of construction works resulting from the reduced demand.

14

Remuneration of the Management Board and Supervisory Board

REMUNERATION OF THE MANAGEMENT BOARD [PLN]

	2019					2018				
	From Echo Investment S.A. Basic remuneration	Bonuses	For holding functions or providing services to other companies of the Group	Other benefits	Total	From Echo Investment S.A. Basic remuneration	Bonuses	For holding functions or providing services to other companies of the Group	Other benefits	Total
Nicklas Lindberg	1 076 227	20 861 365	2 192 026	843 250	**24 972 867**	1 642 625	636 083	1 992 623	-	**4 271 331**
Maciej Drozd	753 413	359 100	721 999	1 080	**1 835 592**	845 162	420 000	572 579	-	**1 837 741**
Piotr Gromniak (resigned on 31.12.2018)	-	-	-	-	-	244 200	120 000	856 000	-	**1 220 200**
Artur Langner	233 973	167 400	850 800	4 002	**1 256 175**	243 600	210 045	986 090	-	**1 439 735**
Marcin Materny	240 000	125 280	702 842	8 676	**1 076 798**	247 350	216 000	890 000	-	**1 353 350**
Rafał Mazurczak	200 000	180 000	814 032	8 676	**1 202 708**	246 539	216 000	877 032	-	**1 339 571**
Waldemar Olbryk	702 000	386 100	-	6 704	**1 094 804**	707 280	150 645	-	-	**857 925**
Małgorzata Turek (appointed on 7.03.2019)	217 857	-	467 500	3 702	**689 059**	-	-	-	-	-
Total	**3 423 470**	**22 079 245**	**5 749 199**	**876 090**		**4 176 756**	**1 968 773**	**6 174 324**	**-**	
Total annual remuneration					**32 128 003**					**12 319 853**

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.

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 bonus 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). Due to the sale of majority stake of Echo Investment's shares, in December 2019 performance bonus was paid in the amount of PLN 19,579,000.

In January 2020, Nicklas Lindberg and Maciej Drozd – the company CFO, have signed the new management contracts for the period of 5 years. The employment conditions will remain similar to the previous and the conditions of bonus payment will be precise until June 2020.

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 2019, 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 2019 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. or due to acquisition.

REMUNERATION OF THE SUPERVISORY BOARD [PLN]

	2019		2018	
	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	180 000	–	130 333	–
Maciej Dyjas	60 000	–	60 000	–
Stefan Kawalec	180 000	–	180 000	–
Nebil Senman	60 000	–	60 000	–
Sebastian Zilles	–	–	–	–
Total	**480 000**	–	**430 333**	–

REMUNERATION OF THE SUPERVISORY BOARD

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.

15

Agreements concluded with an audit company

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 separate 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 2019	377 000
Review and audit of the interim standalone and consolidated financial statements for H1 2019	117 000
Additional audit of the interim standalone financial statements for H1 2019	89 000
Total	**583 000**

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

Kielce, 20 March, 2020

Anna Gabryszewska-Wybraniec
Chief Accountant

CHAPTER 4

STATEMENT OF THE MANAGEMENT BOARD

The Management Board of Echo Investment S.A. declares that, to the best of its knowledge, the annual separate financial statements for 2019 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 2019, 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, 2020

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