

STANDALONE ANNUAL REPORT OF ECHO INVESTMENT S.A.

2018



Content

Message from CEO	4
CHAPTER 1	
STANDALONE FINANCIAL REPORT OF ECHO INVESTMENT S.A. FOR 2018	7
CHAPTER 2	
EXPLANATORY NOTES	14
Explanatory notes to the statement of financial position	15
Explanatory notes to the profit and loss account	68
Explanatory notes to cash flow statement	77
CHAPTER 3	
INFORMATION ON THE FINANCIAL STATEMENTS	81
01. About the Company	82
The Management Board of Echo Investment S.A	83
The Supervisory Board of Echo Investment S.A.	84
02. Information on the financial statement	86
03. Application of new and amended standards and interpretations issued by the IFRS Interpretations Committee	87
04. Published standards and interpretations which are not effective yet and have not been adopted by the company	89
05. Main accounting principles	91
06. Methods of determining the financial result	96
07. Effects of changing the principles of accounting used – transformations of financial statements for previous periods	98
08. Material estimates of the Company's management board	100

09.	Financial risk management	102
10.	Capital risk management	106
11.	Material agreements concluded with related entities	107
12.	Material post-balance sheet events	109
13.	Remuneration of the Management Board and Supervisory Board	110
14.	Agreements concluded with an entity authorised to audit financial statements	113

CHAPTER 4

STATEMENT OF THE MANAGEMENT BOARD	114
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Contact	116
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Dear Shareholders, Partners and Clients,

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

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

Destination projects

Our strategy to build multifunctional projects, new parts of the cities, being destinations for people to live, work and entertain, has gained momentum. Currently such projects state over 45% of our pipeline. Last year, we opened up the first two buildings of Warsaw Brewery. All other buildings of this quarter are at various stages of construction. The entire project will be ready in the second half of 2020, when

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

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

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

Residential sector

Due to the high demand on the residential market, but also the increased construction cost, last year we focused on defending our margin on the apartments sold. We started construction of eight investments

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

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

Offices

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

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

Retail

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

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

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

Acquisition of plots and the construction market standing

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

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

Financial standing

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

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

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

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

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

Yours sincerely



Nicklas Lindberg
CEO of Echo Investment

CHAPTER 1

STANDALONE FINANCIAL REPORT OF ECHO INVESTMENT S.A. FOR 2018



STATEMENT OF FINANCIAL POSITION [PLN '000]

	NOTE	As at 31.12.2018	As at 31.12.2017 - restated	As at 01.01.2017 - restated
ASSETS				
Non-current assets				
Intangible assets	1	2 445	1 080	281
Property, plant and equipment	2	5 284	4 883	5 031
Investment property	3	2 212	2 212	5 648
Investment in associates and joint ventures	4	975 449	927 796	2328 625
Long-term financial assets	5	796 125	1 720 411	160
Loans granted	6	221 504	12 487	9 479
Deferred tax asset	7	-	13 840	39 787
		2 003 019	2 682 709	2 389 011
Current assets				
Inventory	8	201 445	217 987	348 921
Current tax assets	9	-	-	-
Other taxes receivable	9	248	-	-
Trade and other receivables	9	109 224	201 789	135 688
Loans granted	10	265 621	316 253	84 170
Restricted cash	11	7 389	20 771	20 884
Cash and cash equivalents	11	181 977	228 079	21 542
		765 904	984 879	611 205
Total assets		2 768 923	3 667 588	3 000 216

STATEMENT OF FINANCIAL POSITION CONT. [PLN '000]

	NOTE	As at 31.12.2018	As at 31.12.2017 - restated	As at 01.01.2017 - restated
EQUITY AND LIABILITIES				
Equity				
Share capital	12	20 635	20 635	20 635
Supplementary capital	13	1 054 295	839 054	1 045 400
Dividend fund		326 309	319 579	49 213
Profit (loss) brought forward		2 243	2 008	272 375
Net profit		42 432	634 896	-
		1 445 914	1 816 172	1 387 623
Provisions				
Long-term provisions	17	17 317	41 814	25 990
Short-term provisions	17	-	2 857	-
Deferred tax liabilities	7	1 468		-
		18 785	44 671	25 990
Long-term liabilities				
Loans, borrowings, bonds	14	903 448	835 229	675 163
Received deposits and advanced payments	14	746	577	935
		904 194	835 806	676 098
Short-term liabilities				
Loans, borrowings, bonds	16	267 725	821 986	672 295
Including from subsidiaries		-	320 864	461 541
Current income tax payable	15	1 219	3	1 131
Other taxes liabilities	15	1 678	7 155	2 279
Trade payable	15	32 595	35 642	74 666
Received deposits and advanced payments	15	74 795	51 502	64 590
Other liabilities	15	22 018	54 651	95 544
		400 030	970 939	910 505
Total equity and liabilities		2 768 923	3 667 588	3 000 216

PROFIT AND LOSS ACCOUNT [PLN '000]

	NOTE	01.01.2018 - 31.12.2018	01.01.2017 - 31.12.2017 - restated
Revenues	19	430 233	458 925
Cost of sales	20	(326 629)	(330 790)
Gross profit		103 604	128 135
Profit on investment property		-	(100)
Administrative costs associated with project implementation		(4 757)	(12 958)
Selling expenses	20	(24 254)	(15 158)
General and administrative expenses	20	(85 748)	(81 884)
Other operating income	21	118 582	746 108
Other operating expenses	21	(52 402)	(38 730)
Operating profit		55 025	725 413
Financial income	22	86 130	1 427
Financial cost	22	(73 076)	(65 995)
Profit (loss) before tax		68 079	660 845
Income tax	23	(25 647)	(25 949)
Net profit		42 432	634 896
Net profit		42 432	634 896
Weighted average number of ordinary shares		412 690 582	412 690 582
Profit (loss) per one ordinary share (in PLN)		0,10	1,54
Weighted average diluted number of ordinary shares		412 690 582	412 690 582
Diluted profit (loss) per one ordinary share (PLN)		0,10	1,54

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

	NOTE	01.01.2018 - 31.12.2018	01.01.2017 - 31.12.2017 - restated
Net profit		42 432	634 896
Other comprehensive income:		-	-
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income		42 432	634 896

CASH FLOW STATEMENT [PLN '000]

NOTE	01.01.2018- 31.12.2018	01.01.2017- 31.12.2017 - restated
Operating cash flow – indirect method		
I. Profit (loss) before tax	68 079	660 845
II. Adjustments	18 080	(579 919)
Amortisation / Depreciation	2 422	1 576
Foreign exchange (gains) losses	-	-
Interest and profit sharing (dividends)	30 678	(575 627)
(Profit) loss on revaluation of assets and liabilities	(15 020)	(7 998)
(Profit) loss on sale of PP&E and investment properties	-	2 130
III. Changes in working capital	60 590	55 561
Change in provisions	(27 354)	18 682
Change in inventories	16 542	121 215
Change in receivables	97 961	(3 736)
Change in short-term liabilities, except for loans and borrowings	(39 941)	(80 713)
Change in restricted cash	13 382	113
IV. Net cash generated from operating activities (I+II+III)	146 749	136 487
V. Income tax paid	(9 123)	(1 128)
VI. Net cash generated from operating activities (IV+/-V)	137 626	135 359
Cash flows from investing activities		
I. Inflows	1 095 545	600 466
Disposal of intangible assets and tangible fixed assets	589	1 013
Sale of investments in property and intangible assets	-	8 000
From financial assets, including:	1 094 956	591 453
In related entities	1 094 956	590 931
Sale of financial assets	-	184
Dividends and share of profit	21B 81 514	386 783
repayment of borrowings granted	392 499	203 560
interest	6 795	404
redemption of certificates	518 354	-
other proceeds from financial assets	95 794	-
In other entities	-	522
sale of financial assets	-	522
repayment of borrowings granted	-	-
interest	-	-
Other investment inflows	-	-

CASH FLOW STATEMENT [PLN '000]

	NOTE	01.01.2018- 31.12.2018	01.01.2017- 31.12.2017 - restated
II. Outflows		(813 518)	(499 090)
Purchase of intangible assets and PP&E		(1 793)	(1 688)
Investments in property and intangible assets		-	(133)
On financial assets, including:		(811 330)	(496 850)
a) in related entities		(788 094)	(485 051)
purchase of financial assets		(250 218)	(5 314)
borrowings granted		(537 876)	(479 737)
b) in other entities		(23 236)	(11 799)
purchase of financial assets		(23 236)	(11 799)
borrowings granted		-	-
Other investment expenditure		(395)	(419)
Net cash flow from investing activities		282 027	101 376
Cash flow from financing activities			
I. Inflows	25	671 675	1 207 249
Net inflows from issue of shares (interests), and other equity instruments and capital contributions		-	-
Loans and borrowings		431 675	602 249
Issue of debt securities		240 000	605 000
Other financial inflows		-	-
II. Outflows	25	(1 137 430)	(1 237 560)
Purchase of equity shares (interests)		-	-
Dividends and other payments to equity holders		(412 690)	(272 376)
Outflows due to profit share, other than distribution of profit to equity holders		-	-
Repayment of loans and borrowings		(250 000)	(691 285)
Redemption of debt securities		(402 900)	(207 100)
Due to other financial liabilities		-	-
Payment of liabilities under finance lease agreements		-	-
Interest paid		(65 440)	(59 389)
Other financial expenses		(6 400)	(7 410)
Net cash flow from financing activities		(465 755)	(30 311)
Total net cash flow		(46 102)	206 424
Change in the balance of cash, including:		(46 102)	206 424
change in cash due to foreign exchange gains/losses		-	-
Cash and cash equivalents at the beginning of the period	25	228 079	21 655
Cash and cash equivalents at the end of the period	25	181 977	228 079

STATEMENT OF CHANGES IN EQUITY [PLN '000]

	Note	Share capital	Supplementa- ry capital	Dividend fund	Accumula- ted retained earnings	Current profit	Total equity
Opening balance as at 1 January 2018		20 635	839 054	319 579	634 661	-	1 813 929
Changes in accounting principles		-	-		2 243	-	2 243
Opening balance as at 1 January 2018		20 635	839 054	319 579	636 904	-	1 816 172
Changes in the period							
Distribution of previous years' profit/ loss	13	-	215 241	213 075	(428 316)	-	-
Dividend paid	13			(206 345)	(206 345)		(412 690)
Dividend approved	13				-		-
Profit (loss) for the period		-	-	-	-	42 432	42 432
Total changes in the period		-	215 241	6 730	(634 661)	42 432	(370 258)
Closing balance as at 31 December 2018		20 635	1 054 295	326 309	2 243	42 432	1 445 914
Opening balance as at 1 January 2017		20 635	1 045 400	49 213	270 366	-	1 385 614
Changes in accounting principles		-	-		2 008	-	2 008
Opening balance as at 1 January 2017		20 635	1 045 400	49 213	272 374	-	1 387 622
Changes in the period							
Distribution of previous years' profit/ loss	13	-	-	270 366	(270 366)	-	-
Dividend paid	13		(206 346)	-	-		(206 346)
Dividend approved	13				-		-
Profit (loss) for the period		-	-	-	-	634 896	634 896
Total changes in the period		-	(206 346)	270 366	(270 366)	634 896	428 550
Closing balance as at 31 December 2017		20 635	839 054	319 579	2 008	634 896	1 816 172

CHAPTER 2

EXPLANATORY NOTES



Explanatory notes to the statement of financial position

NOTE 1A

The company did not recognise impairment losses in “intangible assets” item during the periods covered by the financial statements. The company has no contractual obligations as at 31 December 2018.

INTANGIBLE ASSETS [PLN ‘000]

	31.12.2018	31.12.2017 - restated
Purchased permits, patents, licences and similar assets, including:	1 673	232
Software	14	156
Intangible assets under construction	772	848
Total Intangible assets	2 445	1 080

NOTE 1B

CHANGES IN INTANGIBLE ASSETS BY TYPES [PLN ‘000]

For the period 01.01.2018 - 31.12.2018	Purchased permits, patents, licences and similar assets		Total Intangible assets
	Software	Other	
Gross value of intangible assets at the beginning of the period	5 669	921	6 590
Increases	4	1789	1 793
due to purchase	4	1789	1 793
Decrease	(1 093)	-	(1 093)
Due to sale	(1 093)	-	(1 093)
Gross value of intangible assets at the end of the period	4 580	2 710	7 290
Accumulated amortisation at the beginning of the period	(5 513)	(845)	(6 358)
Amortisation for the period	947	(206)	741
Planned	(89)	(257)	(346)
due to sale	1 036	51	1 087
Accumulated amortisation at the end of the period	(4 566)	(1 051)	(5 617)
Net value of intangible assets at the end of the period	14	1 659	1 673

All intangible assets owned by the Company were acquired. – acquired concessions, patents, licenses and similar values –the straight-line method, 50%, depreciation booked on general administrative costs,

Depreciation methods used and adopted periods of use or depreciation rates applied for: – other intangible assets – not transferred for use as at 31 December 2018 are not depreciated.

CHANGES IN INTANGIBLE ASSETS BY TYPES [PLN '000]

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

NOTE 2A

The company did not recognise impairment losses on tangible assets in the periods covered by the financial statements. The company has no collateral established on fixed assets.

PROPERTY, PLANT AND EQUIPMENT [PLN '000]

	31.12.2018	31.12.2017 restated
PP&E, including:	5 040	4 883
Land	250	252
buildings, premises, civil and water engineering structures	3 490	2 670
plant and machinery	157	211
means of transport	505	959
other PP&E	638	791
PP&E under construction	244	-
Advances on PP&E under construction	-	-
Total property, plant and equipment	5 284	4 883

NOTE 2B

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

For the period 01.01.2018 – 31.12.2018	Own land	Buildings and structures	Technical equipment and machines	Means of transport	Other PP&E	Total
Gross value of PP&E at the beginning of the period	258	3 248	5 132	3 297	4 137	16 072
Increases	-	1 018	634	-	690	2 342
due to purchase	-	1 018	634	-	690	2 342
due to inventories taking	-	-	-	-	-	-
Decreases	-	-	(1 287)	(632)	(463)	(2 382)
due to sale	-	-	(1 287)	(632)	(463)	(2 382)
Gross PP&E at the end of the period	258	4 266	4 479	2 665	4 364	16 032
Accumulated depreciation at the beginning of the period	(6)	(578)	(4 921)	(2 338)	(3 346)	(11 189)
Depreciation for the period	(2)	(198)	599	178	(380)	197
due to depreciation	(2)	(198)	(668)	(445)	(770)	(2 083)
decrease due to sale	-	-	1 267	623	390	2 280
Accumulated depreciation at the end of the period	(8)	(776)	(4 322)	(2 160)	(3 726)	(10 992)
Accumulated depreciation at the end of the period	250	3 490	157	505	638	5 040

The amount of contractual obligations incurred in connection with the acquisition of tangible assets is PLN 672,000.

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

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

NOTE 3A

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

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

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

The company has no collateral established on investment properties. The company has no contractual obligations as at 31 December 2018.

CHANGES IN INVESTMENT PROPERTY [PLN '000]

	01.01.2018- 31.12.2018	01.01.2017- 31.12.2017 restated
Value of property investments at the beginning of the period	2 212	5 648
Increases due to:	-	-
inventory taking	-	-
revaluation of property	-	-
Decreases due to:	-	(3 436)
sale	-	(1 670)
transfer of assets for sale	-	-
revaluation of property	-	(1 766)
Value of property investments at the end of the period	2 212	2 212

NOTE 3B

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

	01.01.2018- 31.12.2018	01.01.2017- 31.12.2017 restated
Revenue from investment property rents	37	475
Direct operating expenses (including repair and maintenance costs) on investment property generating rent revenue in the period	(4)	(442)
Direct operating expenses (including repair and maintenance costs) on investment property not generating rent revenue in the period	-	-

NOTE 4A

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

INTERESTS AND SHARES [PLN '000]

	31.12.2018	31.12.2017 restated
Investments in subsidiaries, joint ventures and associates		
in subsidiaries	924 659	927 796
in joint ventures	-	-
in associates	50 790	-
Total Interests and shares	975 449	927 796

CHANGES IN INTERESTS AND SHARES [PLN '000]

	01.01.2018- 31.12.2018	01.01.2017- 31.12.2017 - restated
Balance at the beginning of the period, including:	927 796	2 328 625
shares and interests	927 796	2 328 625
Increases due to:	362 321	42 765
purchase of interests	126 995	41 524
increase in capital	189 260	1 241
Advanced payments for capital increase	46 066	-
Decreases due to:	(314 668)	(1 443 594)
sale of interests	(49)	(93)
capital decrease	(300 192)	(1 435 917)
subsidiary liquidation	(1 010)	(4)
write-down on assets	(13 417)	(7 580)
Balance at the end of the period, including:	975 449	927 796
shares and interests	975 449	927 796

CHANGES IN THE ECHO INVESTMENT CAPITAL GROUP IN 2018

ACQUISITION OF SHARES IN THE FOLLOWING COMPANIES

Company	Value of shares [‘000 PLN]
Projekt 1 - GE Sp. z o.o. SKA	4 004
Projekt 5 - GE Sp. z o.o. SKA	50
Projekt Echo - 108 Sp. z o.o.	64
Villea Investments Sp. z o.o.	5
Bełchatów GE Sp. z o.o. SKA	72
Fianar Investments Sp. z o.o.	5
PPR - Grupa Echo Sp. z o.o. SKA	159
Pudsey Sp. z o.o.	82
Seaford Sp. z o.o.	5
Kielce-Grupa Echo Sp. z o.o. SKA	136
Malta Office Park-Pe96 Sp. z o.o. SKA	2 467
53 - GE Sp. z o.o. SKA	1 315
Projekt Beethovena - Pe-122 Sp. z o.o. SKA	3 429
Echo-Galaxy Sp. z o.o. SKA	8 560
Galeria Tarnów Grupa Echo Sp. z o.o. SKA	575
Avatar - PE-119 Sp. z o.o. SKA	17 664
Oxygen - PE-95 Sp. z o.o. SKA	26
Park Postępu-PE-130 Sp. z o.o. SKA	1 587
Gosford Investments Sp. z o.o.	5
Doxent Investments Sp. z o.o.	5
Projekt Echo - 138 Sp. z o.o.	2
Gleann Sp. z o.o.	5
Perth Sp. z o.o.	5
Potton Sp. z o.o.	5
Rosehill Investments Sp. z o.o.	44 581
Projekt 140 - GE Sp. z o.o. Sp.K.	15 000
R4R Poland Sp. z o.o.	4
Swanage Sp. z o.o.	10
Stranraer Sp. z o.o.	10
Dagnall Sp. z o.o.	10
Shanklin Sp. z o.o.	10
Strood Sp. z o.o.	27 125

SALE OF SHARES IN THE FOLLOWING COMPANIES

Company	Value of shares [‘000 PLN]
Projekt 141 - GE Sp. z o.o. Sp.K.	6
Projekt 142 - GE Sp. z o.o. Sp.K.	6
Projekt 143 - GE Sp. z o.o. Sp.K.	6
Projekt Echo - 114 Sp. z o.o.	31
Villea Investments Sp. z o.o.	-
Fianar Investments Sp. z o.o.	-
Pudsey Sp. z o.o.	1
Echo Investment Hungary Kft	43
Echo-Projekt-Manabment Kft	-

PAYMENT AND CAPITAL INCREASE IN THE FOLLOWING SUBSIDIARIES

Company	Value of shares [‘000 PLN]
Projekt 139 - GE Sp. z o.o. Sp.K.	5
Projekt 140 - GE Sp. z o.o. Sp.K.	5
Projekt 141 - GE Sp. z o.o. Sp.K.	5
Projekt 142 - GE Sp. z o.o. Sp.K.	5
Projekt 143 - GE Sp. z o.o. Sp.K.	5
Projekt 144 - GE Sp. z o.o. Sp.K.	5
Projekt 145 - GE Sp. z o.o. Sp.K.	5
Projekt 146 - GE Sp. z o.o. Sp.K.	5
Projekt 147 - GE Sp. z o.o. Sp.K.	5
Projekt 148 - GE Sp. z o.o. Sp.K.	5
Projekt 20 - GE Sp. z o.o. SKA	50 000
Projekt 22 - GE Sp. z o.o. SKA	49 000
Projekt Echo - 136 Sp.K.	84 000
R4R Poland Sp. z o.o.	6 220

REDUCTION OF CAPITAL IN A SUBSIDIARY

Company	Value of shares [‘000 PLN]
Echo Prime Assets BV	300 192

On 26 November 2018, Echo Investment disposed 68,102,455 shares of Echo Prime Assets B.V. (“EPA”) against payment, obtaining proceeds from the disposal of shares for redemption in the amount of EUR 87,560,402.29 (the remuneration for the sale of shares). The remuneration due to Echo Investment has been settled as follows:

1. the part of the remuneration in the amount of EUR 22,000,000 was paid in cash to the account of Echo Investment;
2. the part of the remuneration in the amount of EUR 42,576,926,77 was settled on the basis of the set-off agreement of 26 November 2018 in which the parties compensated: (i) receivables of Echo Investment towards EPA resulting from remuneration for repurchase of shares with (ii) receivables of EPA against Echo Investment resulting from the loan agreement of 24 July 2018 in the amount of EUR 42,000,000 with accrued interest at the date of the agreement in the amount of EUR 505,104.66 and receivables for price payment resulting from the assignment of rights and obligations under the policy issued by Hunter & George Partners Limited on 26 May 2017 in the amount of EUR 62 822,11;
3. the remaining part of the remuneration in the amount of EUR 22,992,513.52 was settled on the basis of the datio in solutum agreement of 26 November 2018 under which EPA - in order to release itself from the obligation to pay a part of the remuneration for the repurchase of own shares for redemption - transferred the following assets to Echo Investment:
 - d. 100% of the shares in Strood Sp. z o.o. holding approximately 46% of the capital share in a limited partnership that develops retail, office and residential complex at ul. Towarowa 22 in Warsaw, with a value of EUR 6,312,328;
 - e. 30% of the shares in Rosehill Sp. z o.o. which holds 100% of the shares in Berea Sp. z o.o. developing the construction of Galeria Młociny shopping centre in Warsaw, with a value of EUR 10,374,450;
 - f. 100% of shares in Shanklin Sp. z o.o. with a value of EUR 2,296;
 - g. 100% of shares in Dagnall Sp. z o.o. with a value of EUR 2,216;
 - h. 100% of shares in Stranraer Sp. z o.o. with a value of EUR 2,216;
 - i. 100% of shares in Swanage Sp. z o.o. with a value of EUR 2 216;
 - j. 30% of shares in Projekt Echo - 138 Sp. z o.o. with a value of EUR 499.50;
 - k. receivables under a loan granted to Rosehill Sp. z o.o. in the amount of PLN 5,946,883.90 with interest accrued as at the contract date in the amount of EUR 239,309.12;

- l. receivables for the payment of the remuneration in the amount of EUR 110,099 for securing by EPA of the obligations of Rosehill Sp. z o.o. resulting from the issue of bonds.

Shares in Strood Sp. z o.o. and Rosehill Sp. z o.o. were valued on the basis of the report of 6 November 2018 on the assessment of fair value of these companies prepared by certified auditor from Stratos Management Sp. z o.o. based on financial data of Strood Sp. z o.o. and Rosehill Sp. z o.o. and their subsidiaries as at 30 September 2018 and appraisal of real estate in these companies.

The valuation of shares of EPA for the share redemption purposes was made on the basis of the net asset value (NAV) according to balance sheet prepared as at 23 November 2018. For calculation of EUR values to PLN resulting from the above transaction, the average exchange rate of the National Bank of Poland (“NBP”) EUR to PLN amounted to 4,2972 dated 23 November 2018 was applied.

The revenue of Echo Investment from the sale of EPA shares for the redemption amounted to PLN 377,248,974.85, while the cost of acquisition of shares sold for redemption - determined at nominal value of EPA shares issued in 2016 of EUR 68,102,454.99 in return for the contribution of the FIZ Certificates and the shares of company EPP N.V. - amounted to PLN 301,176,296.98 (calculated according to the average exchange rate of NBP of EUR to PLN 4.4224 from the date of the contribution in kind - according to local laws of the Netherlands).

The company recognised a profit of PLN 76,072,677.87 on this transaction.

All receivables from EPA capital reduction as at 31 December 2018 were settled.

LIQUIDATION OF SUBSIDIARIES

Company
Barconsel Holdings Limited
Projekt Echo - 77 Sp. z o.o.
Projekt Echo - 95 Sp. z o.o.
Projekt Echo - 96 Sp. z o.o.
Projekt Echo - 100 Sp. z o.o.
Mena Investment Sp. z o.o.
Echo-Klimt House Sp. z o.o.
Echo - Pod Klonami Sp. z o.o.

ESTABLISHMENT OF REGISTERED PLEDGES

The company whose shares were pledged	Pledge description
Projekt Echo 120 Sp. z o.o.	A collateral for the loan granted to the subsidiary Galeria Libero - Projekt Echo 120 Sp. z o.o. Sp.K. by Santander Bank Polska S.A. (former Bank Zachodni WBK S.A.) in the amount of EUR 101 mln
Projekt Echo 120 Sp. z o.o.	A collateral for the loan granted to the subsidiary Galeria Libero - Projekt Echo 120 Sp. z o.o. Sp.K. by Santander Bank Polska S.A. (former Bank Zachodni WBK S.A.) in the amount of PLN 18 mln
Projekt Echo 113 Sp. z o.o.	A collateral for the loan granted to the subsidiary Sagittarius - Projekt Echo 113 Sp. z o.o. Sp.K. by PKO BP S.A. in the amount of EUR 48 mln
Projekt Echo 113 Sp. z o.o.	A collateral for the loan granted to the subsidiary Sagittarius - Projekt Echo 113 Sp. z o.o. Sp.K. by PKO BP S.A. in the amount of PLN 9 mln
Projekt Echo 95 Sp. z o.o. *	A collateral for the loan granted to the subsidiary Oxygen - Projekt Echo 95 Sp. z o.o. Sp.K. by Nordea Bank Polska S.A. in the amount of EUR 26 mln
Oxygen - Projekt Echo 95 Sp. z o.o. SKA *	A collateral for the loan granted to the subsidiary Oxygen - Projekt Echo 95 Sp. z o.o. Sp.K. by Nordea Bank Polska S.A. in the amount of EUR 26 mln
Projekt Echo 95 Sp. z o.o. SKA *	A collateral for the loan granted to the subsidiary Oxygen - Projekt Echo 95 Sp. z o.o. Sp.K. by Nordea Bank Polska S.A. in the amount of EUR 26 mln
Projekt 5 - Grupa Echo Sp. z o.o. SKA *	A collateral for the loan granted to the subsidiary Outlet Park - Projekt Echo 125 Sp. z o.o. Sp.K. przyzecz PKO BP S.A. in the amount of EUR 26 mln

* The company conducts the process of deleting pledges on shares.

INTERESTS OR SHARES IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES AS AT 31.12.2018

No.	Company name and legal form	Registered office	Business activity	Value of shares/interests according to the purchase price	Revaluation adjustments – opening balance	Revaluation adjustments – movement	Revaluation adjustments – closing balance	Carrying value of interests/shares	% Share capital held	Share in total number of votes at the general meeting	Another basis for control
INTERESTS OR SHARES IN SUBSIDIARIES											
1	Projekt Echo - 93 Sp. z o.o.	Kielce	property lease and management	51	-		-	51	99,00%	99,00%	-
2	Echo - Aurus Sp. z o.o.	Kielce	property lease and management	199 021	-	-	-	199 021	99,99%	99,99%	-
3	Princess Investment Sp. z o.o.	Kielce	construction works involving erection of buildings	5 063	(5 063)		(5 063)	-	99,99%	99,99%	-
4	Bełchatów - Grupa Echo Sp. z o.o. S.K.A.	Kielce	property lease and management	73	-		-	73	99,95%	99,95%	-
5	PPR - Grupa Echo Sp. z o.o. S.K.A.	Kielce	property lease and management	160	-	(89)	(89)	71	99,95%	99,95%	-
6	Echo - SPV 7 Sp. z o.o.	Kielce	property lease and management	189 018	-		-	189 018	100,00%	100,00%	-
7	Grupa Echo Sp. z o.o.	Kielce	business consulting and management	52	-		-	52	100,00%	100,00%	-
8	Kielce - Grupa Echo Sp. z o.o. S.K.A.	Kielce	property lease and management	153	-		-	153	99,95%	99,95%	-
9	Echo Investment ACC - Grupa Echo Sp. z o.o. Sp.K.	Kielce	accounting and book keeping activity	51	-		-	51	99,00%	99,00%	-
10	Malta Office Park - Grupa Echo Sp. z o.o. S.K.A.	Kielce	property lease and management	2 469	-		-	2 469	99,95%	99,95%	-
11	Echo - Arena Sp. z o.o.	Kielce	implementation of projects by construction of buildings	1 008	(1 008)		(1 008)	-	99,95%	99,95%	-
12	Echo - Galaxy Sp. z o.o.	Kielce	implementation of projects by construction of buildings	51	-		-	51	99,00%	99,00%	-
13	Echo - Opolska Biznes Park Sp. z o.o.	Kielce	property lease and management	52	-		-	52	100,00%	100,00%	-

INTERESTS OR SHARES IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES AS AT 31.12.2018

No.	Company name and legal form	Registered office	Business activity	Value of shares/interests according to the purchase price	Revaluation adjustments - opening balance	Revaluation adjustments - movement	Revaluation adjustments - closing balance	Carrying value of interests/shares	% Share capital held	Share in total number of votes at the general meeting	Another basis for control
14	Projekt Saska Sp. z o.o.	Kielce	real estate brokerage	20 420	(20 419)		(20 419)	1	95,00%	95,00%	-
15	Echo - Advisory Services Sp. z o.o.	Kielce	property lease and management	100	(100)	-	(100)	-	99,00%	99,00%	-
16	Echo - Browary Warszawskie Sp. z o.o.	Kielce	property lease and management	100	(71)		(71)	29	99,00%	99,00%	-
17	Echo - Kasztanowa Aleja Sp. z o.o. Sp.K.	Kielce	property lease and management	451	-		-	451	99,90%	99,90%	-
18	Klimt House - Grupa Echo Sp. z o.o. Sp.K.	Kielce	property lease and management	501	(200)		(200)	301	99,90%	99,90%	-
19	Echo - Browary Warszawskie Sp. z o.o. Sp.K.	Kielce	property lease and management	20 002	-		-	20 002	100,00%	100,00%	-
20	53 - Grupa Echo Sp. z o.o. S.K.A.	Kielce	property lease and management	1 317	-		-	1 317	99,9500%	99,9500%	-
21	Echo - Galaxy Sp. z o.o. S.K.A.	Kielce	property lease and management	8 611	(49)	(8 562)	(8 611)	-	99,95%	99,95%	-
22	Galeria Tarnów - Grupa Echo Sp. z o.o. S.K.A.	Kielce	property lease and management	577	-		-	577	99,95%	99,95%	-
23	Duże Naramowice - Projekt Echo - 111 Sp. z o.o. S.K.A.	Kielce	property lease and management	17	-		-	17	0,0127%	0,0127%	-
24	Avatar - Projekt Echo - 119 Sp. z o.o. S.K.A.		other business consulting and management	17 665				17 665	99,95%	99,95%	-
25	Projekt Naramowice - Projekt Echo - 100 Sp. z o.o. S.K.A.	Kielce	construction works involving erection of buildings	63 753	-		-	63 753	0,0319%	0,0319%	-
26	Oxygen - Grupa Echo Sp. z o.o. S.K.A.	Kielce	property lease and management	27	-		-	27	99,95%	99,95%	-
27	Park Postępu - Grupa Echo Sp. z o.o. S.K.A.	Kielce	property lease and management	1 587	-	(130)	(130)	1 457	99,95%	99,95%	-
28	Echo - Nowy Mokotów Sp. z o.o.	Kielce	property lease and management	94	(76)		(76)	18	99,90%	99,90%	-

INTERESTS OR SHARES IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES AS AT 31.12.2018

No.	Company name and legal form	Registered office	Business activity	Value of shares/interests according to the purchase price	Revaluation adjustments - opening balance	Revaluation adjustments - movement	Revaluation adjustments - closing balance	Carrying value of interests/shares	% Share capital held	Share in total number of votes at the general meeting	Another basis for control
29	Metropolis - Grupa Echo 121 Sp. z o. o. S.K.A.	Kielce	property lease and management	-	-	-	-	-	0,000050%	0,000050%	-
30	Galeria Nova - Grupa Echo Sp. z o.o. S.K.A	Kielce	implementation of projects by construction of buildings	16	-	-	-	16	100,00%	100,00%	-
31	Echo Investment Projekt Management SRL	Brasov	property management	4 129	(4 059)	(76)	(4 135)	(6)	100,00%	100,00%	-
32	Projekt Echo - 99 Sp. z o. o.	Kielce	buying and selling of property on own account	97	(42)	-	(42)	55	99,80%	99,80%	#ADR!
33	Projekt 1 -Grupa Echo Sp. z. o. o. S.K.A.	Kielce	property lease and management	4 007	-	(78)	(78)	3 929	99,95%	99,95%	-
34	Pod Klonami - Grupa Echo Sp. z o. o. Sp.K.	Kielce	buying and selling of property on own account	10	-	-	-	10	99,00%	99,00%	-
35	Projekt CS Sp. z o.o.	Kielce	other cash brokerage	122	(43)	-	(43)	79	99,00%	99,00%	-
36	Taśmowa - Projekt Echo - 116 Sp. z o.o. S.K.A.	Kielce	property lease and management	11	-	-	-	11	100,00%	100,00%	-
37	Projekt 5 - Grupa Echo Sp. z o.o. S.K.A.	Szczecin	property lease and management	51	-	(51)	(51)	-	99,95%	99,95%	-
38	Echo - Nowy Mokotów Sp. z o. o. Sp. K.	Kielce	buying and selling of property on own account	1 251	-	-	-	1 251	99,00%	99,00%	-
39	Projekt Echo - 104 Sp. z o. o.	Kielce	property lease and management	50	(50)	-	(50)	-	99,90%	99,90%	-
40	Projekt Echo - 108 Sp. z o. o.	Kielce	property lease and management	65	-	-	-	65	100,00%	100,00%	-
41	Echo - Babka Tower Sp. z o. o.	Kielce	property lease and management	51	(35)	-	(35)	16	100,00%	100,00%	-
42	Echo - Property Poznan 1 Sp. z o. o.	Kielce	other business consulting and management	197	-	-	-	197	99,00%	99,00%	-

INTERESTS OR SHARES IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES AS AT 31.12.2018

No.	Company name and legal form	Registered office	Business activity	Value of shares/interests according to the purchase price	Revaluation adjustments - opening balance	Revaluation adjustments - movement	Revaluation adjustments - closing balance	Carrying value of interests/shares	% Share capital held	Share in total number of votes at the general meeting	Another basis for control
43	Projekt K-6 - Grupa Echo Sp. z o.o. S.K.A.	Kielce	other business consulting and management	61	(50)		(50)	11	100,00%	100,00%	-
44	Projekt 12 - Grupa Echo Sp. z o.o. - S.K.A.	Kielce	property lease and management	24	-		-	24	100,00%	100,00%	-
45	Projekt 13 - Grupa Echo Sp. z o.o. - S.K.A.	Kielce	property lease and management	24	-		-	24	100,00%	100,00%	-
46	Projekt 14 - Grupa Echo Sp. z o.o. - S.K.A.	Kielce	other financial brokerage	24	-		-	24	100,00%	100,00%	-
47	Projekt 15 - Grupa Echo Sp. z o.o. - S.K.A.	Kielce	real estate brokerage	50	(29)		(29)	21	100,00%	100,00%	-
48	Projekt 16 - Grupa Echo Sp. z o.o. - S.K.A.	Kielce	real estate brokerage	50	-		-	50	100,00%	100,00%	-
49	Projekt 17 - Grupa Echo Sp. z o.o. - S.K.A.	Kielce	real estate brokerage	50	-		-	50	100,00%	100,00%	-
50	Projekt 18 - Grupa Echo Sp. z o.o. - S.K.A.	Kielce	real estate brokerage	50	(36)		(36)	14	100,00%	100,00%	-
51	Projekt 19 - Grupa Echo Sp. z o.o. - S.K.A.	Kielce	real estate brokerage	50	(30)		(30)	20	100,00%	100,00%	-
52	Projekt 20 - Grupa Echo Sp. z o.o. - S.K.A.	Kielce	real estate brokerage	50 050	-		-	50 050	100,00%	100,00%	-
53	Projekt 21 - Grupa Echo Sp. z o.o. - S.K.A.	Kielce	real estate brokerage	50	(30)		(30)	20	100,00%	100,00%	-
54	Projekt 22 - Grupa Echo Sp. z o.o. - S.K.A.	Kielce	real estate brokerage	49 050	-		-	49 050	100,00%	100,00%	-
55	Pure Systems Sp. z o.o.	Kraków	other financial services, except insurance and retirement funds	1				1	99,90%	99,90%	-
56	Projekt Echo - 111 Sp. z o.o.	Kielce	property lease and management	101	(29)		(29)	72	99,95%	99,95%	-
57	Projekt Echo - 112 Sp. z o.o.	Kielce	property lease and management	31	-		-	31	100,00%	100,00%	-

INTERESTS OR SHARES IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES AS AT 31.12.2018

No.	Company name and legal form	Registered office	Business activity	Value of shares/interests according to the purchase price	Revaluation adjustments - opening balance	Revaluation adjustments - movement	Revaluation adjustments - closing balance	Carrying value of interests/shares	% Share capital held	Share in total number of votes at the general meeting	Another basis for control
58	Projekt Echo - 113 Sp. z o. o.	Kielce	property lease and management	31	-		-	31	100,00%	100,00%	-
59	Projekt Echo - 115 Sp. z o. o.	Kielce	property lease and management	31	-		-	31	99,83%	99,83%	-
60	Projekt Echo - 116 Sp. z o. o.	Kielce	property lease and management	31	-		-	31	99,83%	99,83%	-
61	Projekt Echo - 119 Sp. z o. o.	Kielce	property lease and management	25	(20)		(20)	5	99,80%	99,80%	-
62	Projekt Echo - 120 Sp. z o. o.	Kielce	property lease and management	31	-		-	31	100,00%	100,00%	-
63	Projekt Echo - 121 Sp. z o. o.	Kielce	property lease and management	31	-		-	31	100,00%	100,00%	-
64	Projekt Echo - 122 Sp. z o. o.	Kielce	property lease and management	31	-		-	31	100,00%	100,00%	-
65	Projekt Echo - 123 Sp. z o. o.	Kielce	property lease and management	31	-		-	31	100,00%	100,00%	-
66	Projekt Echo - 127 Sp. z o. o.	Kielce	property lease and management	31	-		-	31	100,00%	100,00%	-
67	Projekt Echo - 128 Sp. z o. o.	Kielce	property lease and management	31	-		-	31	100,00%	100,00%	-
68	Projekt Echo - 129 Sp. z o. o.	Kielce	property lease and management	51	(36)	-	(36)	15	99,90%	99,90%	-
69	Projekt Echo - 130 Sp. z o. o.	Kielce	property lease and management	41	(31)	-	(31)	10	100,00%	100,00%	-
70	Projekt Echo - 131 Sp. z o. o.	Kielce	property lease and management	31	(21)	-	(21)	10	100,00%	100,00%	-
71	Projekt Echo - 132 Sp. z o. o.	Kielce	property lease and management	5 373	-	(1 472)	(1 472)	3 901	100,00%	100,00%	-
72	Projekt Echo - 135 Sp. z o. o.	Kielce	property lease and management	31	-		-	31	100,00%	100,00%	-

INTERESTS OR SHARES IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES AS AT 31.12.2018

No.	Company name and legal form	Registered office	Business activity	Value of shares/interests according to the purchase price	Revaluation adjustments - opening balance	Revaluation adjustments - movement	Revaluation adjustments - closing balance	Carrying value of interests/shares	% Share capital held	Share in total number of votes at the general meeting	Another basis for control
73	Projekt Echo - 136 Sp. z o. o.	Kielce	property lease and management	31	-		-	31	100,00%	100,00%	-
74	Projekt Echo - 137 Sp. z o. o.	Kielce	property lease and management	31	-		-	31	100,00%	100,00%	-
75	Projekt Echo - 136 Sp. z o. o Sp. K.	Kielce	property lease and management	84 006	-		-	84 006	99,00%	99,00%	-
76	Villea investments Sp. z o. o.	Warsaw	property lease and management	5				5	100,00%	100,00%	-
77	Selmer Investments Sp. z o.o.	Warsaw	other business consulting and management	12	-		-	12	100,00%	100,00%	-
78	Selmer Investments Sp. K.	Warsaw	other business consulting and management	14	-		-	14	100,00%	100,00%	-
79	Cornwall Investments Sp. z o.o.	Warsaw	other business consulting and management	12	-		-	12	100,00%	100,00%	-
80	Cornwall Investments Sp. K.	Warsaw	other business consulting and management	15	-		-	15	100,00%	100,00%	-
81	Gosford Investments Sp.z o.o	Warsaw	property lease and management	5				5	100,00%	100,00%	-
82	Fianar Investments Sp. Z o.o.	Warsaw	other business consulting and management	5				5	100,00%	100,00%	-
83	Doxent Investments Sp.z o.o.	Warsaw	property lease and management	5				5	100,00%	100,00%	-
84	City Space - GP Sp. z o. o.	Warsaw	property lease and management	37	(37)		(37)	-	100,00%	100,00%	-
85	City Space - Management Sp. z o.o.	Warsaw	other activity involving hiring of labour	37	(37)		(37)	-	100,00%	100,00%	-
86	Echo Prime Assets BV	Amsterdam	activity of head offices and holdings, excluding financial holdings	106 413	-		-	106 413	100,00%	100,00%	-
87	Gleann Sp. z o.o.	Warsaw	property lease and management	5				5	100,00%	100,00%	-

INTERESTS OR SHARES IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES AS AT 31.12.2018

No.	Company name and legal form	Registered office	Business activity	Value of shares/interests according to the purchase price	Revaluation adjustments - opening balance	Revaluation adjustments - movement	Revaluation adjustments - closing balance	Carrying value of interests/shares	% Share capital held	Share in total number of votes at the general meeting	Another basis for control
88	Perth Sp. z o.o.	Warsaw	property lease and management	5				5	100,00%	100,00%	-
89	Potton Sp. z o.o.	Warsaw	property lease and management	5				5	100,00%	100,00%	-
90	Pudsey Sp. z o.o.	Warsaw	other business consulting and management	82				82	100,00%	100,00%	-
91	Seaford Sp. z o.o.	Warsaw	other business consulting and management	6				6	100,00%	100,00%	-
92	Elektrownia RE Sp.z o.o.		buying and selling of property on own account	36 286				36 286	100,00%	100,00%	-
93	Projekt 139 Grupa Echo Sp. z o.o Sp. K.	Kielce	property lease and management	6				6	99,99%	99,99%	-
94	Projekt 140 Grupa Echo Sp. z o.o Sp. K.	Kielce	property lease and management	15 006				15 006	99,99%	99,99%	-
95	GRO Nieruchomości Sp. z o.o.	Kraków	property lease and management	10				10	100,00%	100,00%	-
96	Projekt 144 Grupa Echo Sp. z o.o Sp. K.	Kielce	property lease and management	6				6	99,99%	99,99%	-
97	Projekt 145 Grupa Echo Sp. z o.o Sp. K.	Kielce	property lease and management	6				6	99,99%	99,99%	-
98	Projekt 146 Grupa Echo Sp. z o.o Sp. K.	Kielce	property lease and management	6				6	99,99%	99,99%	-
99	Projekt 147 Grupa Echo Sp. z o.o Sp. K.	Kielce	property lease and management	6				6	99,99%	99,99%	-
100	Projekt 148 Grupa Echo Sp. z o.o Sp. K.	Kielce	property lease and management	6				6	99,99%	99,99%	-
101	Swanage Sp. z o.o.	Warsaw	property lease and management	10		(10)	(10)	-	100,00%	100,00%	-
102	Stranraer Sp. z o.o.	Warsaw	property lease and management	10				10	100,00%	100,00%	-

INTERESTS OR SHARES IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES AS AT 31.12.2018

No.	Company name and legal form	Registered office	Business activity	Value of shares/interests according to the purchase price	Revaluation adjustments - opening balance	Revaluation adjustments - movement	Revaluation adjustments - closing balance	Carrying value of interests/shares	% Share capital held	Share in total number of votes at the general meeting	Another basis for control
103	Dagnall Sp. z o.o.	Warsaw	property lease and management	10				10	100,00%	100,00%	-
104	Shanklin Sp. z o.o.	Warsaw	property lease and management	10				10	100,00%	100,00%	-
105	Strood Sp. z o.o.	Warsaw	property lease and management	27 125				27 125	100,00%	100,00%	-
106	Projekt Beethovena - Projekt Echo - 122 Sp. z o.o - S.K.A.	Kielce	property lease and management	3 430		-	-	3 430	99,95%	99,95%	-
Total				920 662	(31 601)	(10 468)	(42 069)	878 593			
INTERESTS OR SHARES IN ASSOCIATES											
1	"SPC" S.A	Warsaw	management of other entities	34	(34)	-	(34)	-	34,00%	34,00%	-
Total				34	(34)	-	(34)	-			
INTERESTS OR SHARES IN JOINT-VENTURES											
1	Rosehill Investments Sp. z o.o.	Warsaw	property lease and management	44 581	-	-	-	44 581	30,00%	30,00%	-
2	Projekt Echo - 138 Sp. z o.o.	Warsaw	property lease and management	2	-	-	-	2	30,00%	30,00%	-
3	R4R Poland Sp. z o.o.	Warsaw	property lease and management	6 207	-	-	-	6 207	30,00%	30,00%	-
Total				50 790	-	-	-	50 790			
TOTAL INTERESTS OR SHARES IN SUBSIDIARIES, JOINT-VENTURES AND ASSOCIATES				971 486	(31 635)	(10 468)	(42 103)	929 383			

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

If the revaluation write-down is not made, in opinion of the Company, there were no indications as at the balance sheet date that

the need to change the value of adjustments have to be made. The change in the value of adjustments updating the value of shares was recognised in the result as at 31 December 2018 in the 'revaluation of investments' item in financial revenue/expenses. The costs included the amount of the impairment loss created amounting to PLN 10,468,000.

According to IFS 12 paragraph 44, the Company analysed asset on owned shares in subsidiaries and does not create it, due to lack of possibility to reversal of its value in predictable future.

The Company has 100% control over entities listed above directly – by holding its shares or indirectly, by other subsidiaries controlled

by the Company. The exemptions of this are companies: Projekt Saska Sp. z o.o., Rosehill Investments Sp. z o.o., Projekt Echo - 138 Sp. z o.o. and R4R Poland Sp. z o.o.

INTERESTS OR SHARES IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES AS AT 31.12.2017

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

INTERESTS OR SHARES IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES AS AT 31.12.2017

No.	Company name and legal form	Registered office	Business activity	Value of shares/interests according to the purchase price	Revaluation adjustments - opening balance	Revaluation adjustments - movement	Revaluation adjustments - closing balance	Carrying value of interests/shares	% Share capital held	Share in total number of votes at the general meeting	Another basis for control
14	Projekt Saska Sp. z o.o.	Kielce	real estate brokerage	20 420	(20 419)		(20 419)	1	95,00%	95,00%	-
15	Echo – Advisory Services Sp. z o.o.	Kielce	property lease and management	100	(15)	(85)	(100)	-	99,00%	99,00%	-
16	Echo – Klimt House Sp. z o.o.	Kielce	property lease and management	81	(50)	(31)	(81)	-	99,00%	99,00%	-
17	Echo – Browary Warszawskie Sp. z o.o.	Kielce	property lease and management	100	(71)		(71)	29	99,00%	99,00%	-
18	Echo Investment Hungary Ingatlanhasznosito Kft..	Budapest	property lease and management	89 130	(80 207)	(5 975)	(86 182)	2 948	100,00%	100,00%	-
19	Echo – Kasztanowa Aleja Sp. z o.o. Sp.K.	Kielce	property lease and management	451	-		-	451	99,90%	99,90%	-
20	Echo – Klimt House Sp. z o.o. Sp.K.	Kielce	property lease and management	501	(200)		(200)	301	99,90%	99,90%	-
21	Echo – Browary Warszawskie Sp. z o.o. Sp.K.	Kielce	property lease and management	20 002	-		-	20 002	99,9995%	99,9995%	-
22	Echo Projekt Management Ingatlanhasznosito Kft.	Budapest	property management	2 126	(2 126)		(2 126)	-	100,00%	100,00%	-
23	53 – Grupa Echo Sp. z o.o. S.K.A.	Kielce	property lease and management	-	-		-	-	0,0504%	0,0504%	-
24	Echo – Galaxy Sp. z o.o. S.K.A.	Kielce	property lease and management	50	(49)		(49)	1	0,0128%	0,0128%	-
25	Galeria Tarnów – Grupa Echo Sp. z o.o. S.K.A.	Kielce	property lease and management	-	-		-	-	0,0651%	0,0651%	-
26	Duże Naramowice – Projekt Echo – 111 Sp. z o.o. S.K.A.	Kielce	property lease and management	17	-		-	17	0,0127%	0,0127%	-
27	Projekt Naramowice – Projekt Echo – 100 Sp. z o.o. S.K.A.	Kielce	construction works involving erection of buildings	63 753	-		-	63 753	0,0319%	0,0319%	-
28	Oxygen – Projekt Echo – 95 Sp. z o.o. S.K.A.	Kielce	property lease and management	-	-		-	-	0,0005%	0,0005%	-

INTERESTS OR SHARES IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES AS AT 31.12.2017

No.	Company name and legal form	Registered office	Business activity	Value of shares/interests according to the purchase price	Revaluation adjustments - opening balance	Revaluation adjustments - movement	Revaluation adjustments - closing balance	Carrying value of interests/shares	% Share capital held	Share in total number of votes at the general meeting	Another basis for control
29	Park Postępu – Projekt Echo – 130 Sp. z o.o. S.K.A.	Kielce	property lease and management	-	-		-	-	0,0001%	0,0001%	-
30	Echo – Nowy Mokotów Sp. z o.o.	Kielce	property lease and management	94	(76)		(76)	18	99,90%	99,90%	-
31	Projekt Echo – 77 Sp. z o.o.	Kielce	property lease and management	50	(14)		(14)	36	99,90%	99,90%	-
32	Metropolis – Grupa Echo 121 Sp. z o.o. S.K.A.	Kielce	property lease and management	-	-		-	-	0,000050%	0,000050%	-
33	Galeria Nova – Grupa Echo Sp. z o.o. S.K.A.	Kielce	implementation of projects by construction of buildings	16	-		-	16	100,00%	100,00%	-
34	Echo Investment Projekt Management SRL	Brasov	property management	4 987	(3 957)	(102)	(4 059)	928	99,9998%	99,9998%	-
35	Barconsel Holdings Limited	Nicosia	activity of head offices and holdings, excluding financial holdings	374 332	(374 306)		(374 306)	26	25,3996%	25,3996%	-
36	Projekt Echo – 95 Sp. z o.o.	Kielce	buying and selling of property on own account	61	(33)		(33)	28	99,80%	99,80%	-
37	Projekt Echo – 96 Sp. z o.o.	Kielce	buying and selling of property on own account	26	-		-	26	99,80%	99,80%	-
38	Projekt Echo – 99 Sp. z o.o.	Kielce	buying and selling of property on own account	97	(42)		(42)	55	99,80%	99,80%	-
39	Echo – Pod Klonami Sp. z o.o.	Kielce	buying and selling of property on own account	31		(31)	(31)	-	99,90%	99,90%	-
40	Projekt 1 – Grupa Echo Sp. z o.o. S.K.A.	Kielce	property lease and management	2	-		-	2	0,000042%	0,000042%	-

INTERESTS OR SHARES IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES AS AT 31.12.2017

No.	Company name and legal form	Registered office	Business activity	Value of shares/interests according to the purchase price	Revaluation adjustments – opening balance	Revaluation adjustments – movement	Revaluation adjustments – closing balance	Carrying value of interests/shares	% Share capital held	Share in total number of votes at the general meeting	Another basis for control
41	Echo – Pod Klonami Sp. z o.o. Sp.K.	Kielce	buying and selling of property on own account	10	-		-	10	99,00%	99,00%	-
42	Projekt CS Sp. z o.o.	Kielce	other financial brokerage	122	(43)		(43)	79	99,00%	99,00%	-
43	Taśmowa – Projekt Echo – 116 Sp. z o.o. S.K.A.	Kielce	property lease and management	11	-		-	11	100,00%	100,00%	-
44	Projekt 5 – Grupa Echo Sp. z o.o. S.K.A.	Szczecin	property lease and management	-	-		-	-	0,0040%	0,0040%	-
45	Echo – Nowy Mokotów Sp. z o.o. Sp. K.	Kielce	buying and selling of property on own account	1 251	-		-	1 251	99,00%	99,00%	-
46	Projekt Echo – 100 Sp. z o.o.	Kielce	accounting and book keeping activity	63	(27)		(27)	36	100,00%	100,00%	-
47	Mena Investments Sp.z o.o.	Kielce	other business consulting and management	1 280	(105)	(1 175)	(1 280)	-	99,00%	99,00%	-
48	Projekt Echo – 104 Sp. z o.o.	Kielce	property lease and management	50	(50)		(50)	-	99,90%	99,90%	-
49	Echo – Babka Tower Sp. z o.o.	Kielce	property lease and management	51	(35)		(35)	16	100,00%	100,00%	-
50	Echo – Property Poznań 1 Sp. z o.o.	Kielce	other business consulting and management	197	-		-	197	99,00%	99,00%	-
51	Projekt K-6 – Grupa Echo Sp. z o.o. S.K.A.	Kielce	other business consulting and management	61	(50)		(50)	11	99,9980%	99,9980%	-
52	Projekt 12 – Grupa Echo Sp. z o.o - S.K.A.	Kielce	property lease and management	24	-		-	24	0,0040%	0,0040%	-
53	Projekt 13 – Grupa Echo Sp. z o.o - S.K.A.	Kielce	property lease and management	24	-		-	24	0,0040%	0,0040%	-
54	Projekt 14 – Grupa Echo Sp. z o.o - S.K.A.	Kielce	other financial brokerage	24	-		-	24	0,0040%	0,0040%	-
55	Projekt 15 – Grupa Echo Sp. z o.o - S.K.A.	Kielce	real estate brokerage	50	(29)		(29)	21	100,00%	100,00%	-

INTERESTS OR SHARES IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES AS AT 31.12.2017

No.	Company name and legal form	Registered office	Business activity	Value of shares/interests according to the purchase price	Revaluation adjustments - opening balance	Revaluation adjustments - movement	Revaluation adjustments - closing balance	Carrying value of interests/shares	% Share capital held	Share in total number of votes at the general meeting	Another basis for control
56	Projekt 16 - Grupa Echo Sp. z o.o - S.K.A.	Kielce	real estate brokerage	50	-		-	50	100,00%	100,00%	-
57	Projekt 17 - Grupa Echo Sp. z o.o - S.K.A.	Kielce	real estate brokerage	50	-		-	50	100,00%	100,00%	-
58	Projekt 18 - Grupa Echo Sp. z o.o - S.K.A.	Kielce	real estate brokerage	50	-	(36)	(36)	14	100,00%	100,00%	-
59	Projekt 19 - Grupa Echo Sp. z o.o - S.K.A.	Kielce	real estate brokerage	50	(30)		(30)	20	100,00%	100,00%	-
60	Projekt 20 - Grupa Echo Sp. z o.o - S.K.A.	Kielce	real estate brokerage	50	-		-	50	100,00%	100,00%	-
61	Projekt 21 - Grupa Echo Sp. z o.o - S.K.A.	Kielce	real estate brokerage	50	(30)		(30)	20	100,00%	100,00%	-
62	Projekt 22 - Grupa Echo Sp. z o.o - S.K.A.	Kielce	real estate brokerage	50	-		-	50	100,00%	100,00%	-
63	Pure Systems Sp. z o.o.	Kraków	other financial services, except insurance and retirement funds	1				1	99,90%	99,90%	-
64	Projekt Echo - 111 Sp. z o.o.	Kielce	property lease and management	101	(29)		(29)	72	99,95%	99,95%	-
65	Projekt Echo - 112 Sp. z o.o.	Kielce	property lease and management	31	-		-	31	100,00%	100,00%	-
66	Projekt Echo - 113 Sp. z o.o.	Kielce	property lease and management	31	-		-	31	100,00%	100,00%	-
67	Projekt Echo - 114 Sp. z o.o.	Kielce	property lease and management	31	-		-	31	100,00%	100,00%	-
68	Projekt Echo - 115 Sp. z o.o.	Kielce	property lease and management	31	-		-	31	99,83%	99,83%	-
69	Projekt Echo - 116 Sp. z o.o.	Kielce	property lease and management	31	-		-	31	99,83%	99,83%	-
70	Projekt Echo - 119 Sp. z o.o.	Kielce	property lease and management	25	-	(20)	(20)	5	99,80%	99,80%	-

INTERESTS OR SHARES IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES AS AT 31.12.2017

No.	Company name and legal form	Registered office	Business activity	Value of shares/interests according to the purchase price	Revaluation adjustments - opening balance	Revaluation adjustments - movement	Revaluation adjustments - closing balance	Carrying value of interests/shares	% Share capital held	Share in total number of votes at the general meeting	Another basis for control
71	Projekt Echo - 120 Sp. z o.o.	Kielce	property lease and management	31	-		-	31	100,00%	100,00%	-
72	Projekt Echo - 121 Sp. z o.o.	Kielce	property lease and management	31	-		-	31	100,00%	100,00%	-
73	Projekt Echo - 122 Sp. z o.o.	Kielce	property lease and management	31	-		-	31	100,00%	100,00%	-
74	Projekt Echo - 123 Sp. z o.o.	Kielce	property lease and management	31	-		-	31	100,00%	100,00%	-
75	Projekt Echo - 127 Sp. z o.o.	Kielce	property lease and management	31	-		-	31	100,00%	100,00%	-
76	Projekt Echo - 128 Sp. z o.o.	Kielce	property lease and management	31	-		-	31	100,00%	100,00%	-
77	Projekt Echo - 129 Sp. z o.o.	Kielce	property lease and management	51	-	(36)	(36)	15	99,90%	99,90%	-
78	Projekt Echo - 130 Sp. z o.o.	Kielce	property lease and management	41	-	(31)	(31)	10	100,00%	100,00%	-
79	Projekt Echo - 131 Sp. z o.o.	Kielce	property lease and management	31	-	(21)	(21)	10	100,00%	100,00%	-
80	Projekt Echo - 132 Sp. z o.o.	Kielce	property lease and management	5 373	-		-	5 373	100,00%	100,00%	-
81	Projekt Echo - 134 Sp. z o.o.	Pamiątkowo	property lease and management	-	-		-	-	1,00%	1,00%	-
82	Projekt Echo - 135 Sp. z o.o.	Kielce	property lease and management	31	-		-	31	100,00%	100,00%	-
83	Projekt Echo - 136 Sp. z o.o.	Kielce	property lease and management	31	-		-	31	100,00%	100,00%	-
84	Projekt Echo - 137 Sp. z o.o.	Kielce	property lease and management	31	-		-	31	100,00%	100,00%	-
85	Projekt Echo - 136 Sp. z o.o Sp. K.	Kielce	property lease and management	6	-		-	6	99,00%	99,00%	-

INTERESTS OR SHARES IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES AS AT 31.12.2017

No.	Company name and legal form	Registered office	Business activity	Value of shares/interests according to the purchase price	Revaluation adjustments - opening balance	Revaluation adjustments - movement	Revaluation adjustments - closing balance	Carrying value of interests/shares	% Share capital held	Share in total number of votes at the general meeting	Another basis for control
86	Selmer Investments Sp. z o.o.	Warsaw	other business consulting and management	12	-		-	12	100,00%	100,00%	-
87	Selmer Investments Sp. K.	Warsaw	other business consulting and management	14	-		-	14	100,00%	100,00%	-
88	Cornwall Investments Sp. z o.o.	Warsaw	other business consulting and management	12	-		-	12	100,00%	100,00%	-
89	Cornwall Investments Sp. K.	Warsaw	other business consulting and management	15	-		-	15	100,00%	100,00%	-
90	City Space - GP Sp. z o.o.	Warsaw	property lease and management	37		(37)	(37)	-	100,00%	100,00%	-
91	City Space - Management Sp. z o.o.	Warsaw	other activity involving hiring of labour	37	(37)		(37)	-	100,00%	100,00%	-
92	Echo Prime Assets BV	Amsterdam	activity of head offices and holdings, excluding financial holdings	406 605	-		-	406 605	100,00%	100,00%	-
93	Elektrownia RE Sp. z o.o.	Kielce	buying and selling of property on own account	36 286				36 286	100,00%	100,00%	-
94	Projekt 139 Grupa Echo Sp. z o.o Sp. K.	Kielce	property lease and management	1				1	99,99%	99,99%	-
95	Projekt 140 Grupa Echo Sp. z o.o Sp. K.	Kielce	property lease and management	1				1	99,99%	99,99%	-
96	Projekt 141 Grupa Echo Sp. z o.o Sp. K.	Kielce	property lease and management	1				1	99,99%	99,99%	-
97	Projekt 142 Grupa Echo Sp. z o.o Sp. K.	Kielce	property lease and management	1				1	99,99%	99,99%	-
98	Projekt 143 Grupa Echo Sp. z o.o Sp. K.	Kielce	property lease and management	1				1	99,99%	99,99%	-
99	GRO Nieruchomości Sp. z o.o.	Kraków	property lease and management	10				10	100,00%	100,00%	-
Total				1 423 477	(488 101)	(7 580)	(495 681)	927 796			

INTERESTS OR SHARES IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES AS AT 31.12.2017

No.	Company name and legal form	Registered office	Business activity	Value of shares/interests according to the purchase price	Revaluation adjustments - opening balance	Revaluation adjustments - movement	Revaluation adjustments - closing balance	Carrying value of interests/shares	% Share capital held	Share in total number of votes at the general meeting	Another basis for control
INTERESTS OR SHARES IN ASSOCIATES											
1	SPC S.A.	Warsaw	management of other entities	34	(34)	-	(34)	-	34,00%	34,00%	-
			Total	34	(34)	-	(34)	-			
INTERESTS OR SHARES IN SUBSIDIARIES, JOINT-VENTURES AND ASSOCIATES				1 423 511	(488 135)	(7 580)	(495 715)	927 796			

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

The change in the value of adjustments updating the value of shares was recognized in the result as at 31 December 2018 in the 'Revaluation of investments' item in financial revenue/ expenses. The costs included

the amount of the impairment loss created amounting to PLN 7,580,000.

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

The Company has 100% control over entities listed above directly – by holding its shares

or indirectly, by other subsidiaries controlled by the Company. The exemptions of this are companies: Projekt Echo – 138 Sp. z o.o. and Projekt Saska Sp. z o.o.

LONG-TERM FINANCIAL ASSETS [PLN '000]

	31.12.2018	31.12.2017 restated
Advances received	-	-
Investment certificates	170 849	1 720 411
Bonds	625 276	-
Receivables for redemption of certificates and sale of shares	-	-
Total long-term financial assets	796 125	1 720 411

On 31 December 2017, Echo Investment purchased from the subsidiary Echo Prime Assets B.V. ("EPA") 100% of registered investment certificates issued by Forum 60 Fundusz Inwestycyjny Zamknięty ("FIZ") ("Certificates") in the amount of EUR 424,748,448.32 / PLN 1,782,884.442.18 according to the average exchange rate EUR to PLN of the National Bank of Poland as of 21 December 2017 - 4.1975.

In 2018, Echo Investment made the following redemption of Certificates (repurchase dates):

(i) On 6 February 2018, Echo Investment redeemed 374,000 Certificates with a total purchase price of PLN 447,217,980. The redemption price was settled in cash (PLN 128,064,681.64) and pursuant to the agreement of February 7, 2018 on set-off with FIZ receivable under three loan agreements granted to Echo Investment with interest in the amount of PLN 319,153,098.36;

(ii) On 15 March 2018, Echo Investment redeemed 236,669 Certificates with a total purchase price of PLN 282,005,313.64. The redemption price was settled by transfer in the amount of PLN 241,891,596.64 and pursuant to the datio in solutum agreement dated 20 March 2018 under which FIZ, in order to release itself from obligation expressed in cash, transferred to Echo Investment of the shares of thirteen limited joint-stock partnerships and two limited liability companies, with a total value of PLN 40,113,717. Shares and stocks of the above companies have been valued using the fair value method verified by TFI;

(iii) On 10 April 2018, Echo Investment redeemed 33,660 Certificates with a total purchase price of PLN 40,124,403. The redemption price was settled by a cash transfer of PLN 40,032,047 and the datio in solutum agreement under which FIZ, in order to release itself from obligation expressed in cash, transferred to Echo Investment of the shares of three limit-

ed liability companies with a total value of PLN 92,356. Shares of the above the companies were measured using the fair value method verified by TFI.

(iv) On 25 May 2018, Echo Investment redeemed 38,260 Certificates with a total purchase price of PLN 45,999,998, settled in full by a transfer in cash.

(v) On 23 November 2018, Echo Investment redeemed 614,427 Certificates with a total purchase price of PLN 740,988,996. The redemption price was settled on the basis of the agreements concluded on 28 November 2018: (i) the datio in solutum agreement and the debt assumption agreement under which FIZ, in order to release itself from obligation expressed in cash, transferred to Echo Investment of the receivables under loan granted to Berea Sp. z o.o. in the amount of PLN 45,526,313.25 as at the date of conclusion of this agreement, (ii) the datio in solutum agreement under which FIZ, in order to release itself from obligation expressed in cash, transferred to Echo Investment of the receivables from bonds issued by affiliated companies of Echo Investment with the total market value of bonds with interest as at the date of conclusion of this agreement in the amount of PLN 695,454,842.54, (iii) the datio in solutum agreement under which FIZ, in order to release itself from the obligation expressed in cash, transferred to Echo Investment of the shares in five limited liability companies with a total value of PLN 25,000. The remaining part of the redemption in the amount of PLN 1,806.21 was settled by a cash transfer. The bonds were valued by TFI in accordance with the "The model of valuation of debt securities included in the portfolio of assets" dated 13 March 2018, amended on 22 November 2018, applicable to FIZ.

The total annual revenue of Echo Investment from the disposal of Certificates for redemption amounted to PLN

1,556,346,656.64, while the cost of the purchase price of the redeemed Certificates amounted to PLN 1,549,572,620.19. Echo Investment achieved, as result of transaction with FIZ, the total booking profit (equal to tax profit) of PLN 6,774,036.45. The receipt of the receivables under the loan agreement with Berea Sp. z o.o. and the bonds from affiliated companies did not result in booking or tax profit for Echo Investment as the receivables received constituted the repayment by FIZ of price for the repurchase of Certificates.

As at 31 December, 2018, based on the individual analysis of selected bonds, the Company estimated an impairment loss on such bonds in the amount of PLN 31 million.

The bonds meet the SPPI test in accordance with IFRS 9 par. 4.1.2. Therefore, they are not valued at fair value, but at amortized cost. This valuation does not significantly differ from valuation at fair

value. The bonds were issued by related entities of good financial standing. In relation to related entities, the credit risk in the opinion of the Management Board is minimized by the ongoing control of operating activity and review of investment projects of these entities. In the view of the Management Board, through monitoring of the operations of subsidiaries and periodical confirming the profitability of their projects, Echo Investment has the opportunity to assess and identify receivables from bonds in which the credit risk significantly increased. The Management Board of Echo Investment did not find such bonds. The Management Board assessed the issued bonds in order to create a write-off due to expected credit losses based on the assessment of the credibility of the Echo Investment Capital Group. In accordance with the requirements of IFRS 9, an impairment loss was created in respect of expected bond losses in the amount of PLN 288 thousand.

NOTE 6

LONG-TERM LOANS GRANTED [PLN '000]

	31.12.2018	31.12.2017 restated
In subsidiaries	140 100	1 339
In joint-ventures	81 404	
In other entities	-	11 148
Total long-term loans granted	221 504	12 487

Loans meet the SPPI test in accordance with IFRS 9, paragraph 4.1.2. Therefore, they are not measured at fair value, but at amortised cost. The valuation does not differ significantly from the fair valuation.

The maximum value of credit risk related to loans equals their carrying value. The loans granted are not secured. The loans granted are not overdue and the value of the loans has not been lost. In respect of affiliated companies, the risk is minimised through the control of their operations on a regular basis and through the evaluation of investment projects in the aforementioned companies. In the opinion of the

Management Board, through the ability to monitor the operations of subsidiaries and periodically confirm the profitability of their projects, the Company has the opportunity to assess and identify loans for which the credit risk has increased significantly. The Management Board of the Company did not find such loans. The Management Board assessed the loans with respect to write-offs due to expected credit losses. Based on the financial credibility of Echo Investment Group, according to IFRS 9, a write-off for expected loans in respect of loans amounted to PLN 650 thousand was created.

LONG-TERM BORROWINGS, WITHOUT INTEREST, AS AT 31.12.2018 [PLN '000]

Contractor	Amount	Interest	Repayment date
GRO Nieruchomości Sp. z o.o.	21 642	WIBOR 3M + margin	31.12.2021
R4R Poland Sp. z o.o.	35 151	WIBOR 3M + margin	1.07.2026
Galeria Libero Sp. z o.o. Sp.K.	115 540	WIBOR 3M + margin	10.10.2026
Berea Sp. z o.o.	41 193	WIBOR 3M + margin	31.12.2020
Total	213 526		

The maximum value of credit risk associated with loans equals their carrying amount. Loans granted are not secured,

they are not overdue and there was no impairment of their value.

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

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

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

	01.01.2018- 31.12.2018	01.01.2017- 31.12.2017 - restated
Deferred tax assets/provision at the beginning of the period	13 840	39 788
Financial instruments	(4)	(17)
Investment property	513	178
Receivables and liabilities due to borrowings	(1 409)	(799)
Liabilities due to loans and bonds	100	332
Tax loss	10 244	988
Inventory	5 800	6 840
Interests and shares	-	35 074
Other	(1 404)	(2 808)
Increases	4	11 008
Financial instruments	4	13
Investment property	-	335
Receivables and liabilities due to borrowings	-	-
Liabilities due to loans and bonds	-	-
Tax loss	-	9 256
Inventory	-	-
Interests and shares	-	-
Other	-	1 404
Decreases	(15 312)	(36 956)
Financial instruments	-	-
Investment property	-	-
Receivables and liabilities due to borrowings	(2 292)	(610)
Liabilities due to loans and bonds	(879)	(232)
Tax loss	(6 790)	-
Inventory	(2 198)	(1 040)
Interests and shares	-	(35 074)
Other	(3 153)	-
Deferred tax assets/provision at the end of the period	(1 468)	13 840
Financial instruments	-	(4)
Investment property	513	513
Receivables and liabilities due to borrowings	(3 701)	(1 409)
Liabilities due to loans and bonds	(779)	100
Tax loss	3 454	10 244
Inventory	3 602	5 800
Interests and shares	-	-
Other	(4 557)	(1 404)

NOTE 8A

INVENTORY [PLN '000]

	31.12.2018	31.12.2017 restated
Semi-finished products and work-in-progress	188 298	147 172
Finished products	11 559	64 789
Goods	1 588	6 026
Total	201 445	217 987

inventories are measured at production or purchase cost, but not higher than net realisable value. This value is obtained from information from the active market. The Company has assigned level 2 to inventories in the hierarchy of the fair value. The reversal of the write-down of inventories takes place either in connection with the sale of the inventory or in connection with an increase in the net sale price. The amounts of write-downs of inventories recognised as a cost in the period and the amount of reversals of write-downs reducing the value of inven-

tories recognised as a cost in the period are included in the profit and loss account under 'cost of sales'.

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

The 'intermediate products and products in progress' item contains mainly real estate and expenditures on residential projects under preparation and construction.

The 'goods' item contains land for sale.

NOTE 8B

INVENTORIES - INFLUENCE ON THE RESULT [PLN '000]

	31.12.2018	31.12.2017 restated
Inventories write-offs recognised as cost in the period	(4)	(6 925)
Reversed write-downs on inventories recognised as revenue in the period	8 745	22 663
Movement in write-down on inventories	8 741	15 738

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

The change in the inventory revaluation write-down in 2018 concerns the residential projects: Grota-Roweckiego in Wrocław, Las Młociński in Warsaw and Nowa Dzielnica in Łódź. The change in the write-down on inventories as at 31 December 2018 amounted to PLN 8,741,000, while PLN 15,738,000 as at 31 December 2017.

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

	31.12.2018	31.12.2017 restated
Receivables from subsidiaries	72 548	103 032
Trade, with maturity:	22 806	48 847
up to 12 months	22 806	48 847
Other:	49 742	54 185
due to profit from limited partnerships	49 742	54 185
Write-downs on receivables from related parties	-	-
Receivables from other parties	36 924	98 757
Trade, with maturity:	25 643	15 317
up to 12 months	25 643	15 317
over 12 months	-	-
Income tax	248	-
Other	5 336	80 465
paid securities	4 831	12 947
claims related to repayment of certificates		62 365
Security deposits paid	-	-
Advances on deliveries	5 697	2 975
Write-downs on receivables from other parties	(1 545)	(264)
Total net short-term trade receivables, taxes and other	109 472	201 789
total write-downs on receivables	(1 545)	(264)
Total	111 017	202 053

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 it does not deviate significantly from the balance sheet value of these receivables.

Receivables from affiliated companies are not secured. In relation to related entities, the credit risk, in the opinion of the Management Board, is minimised through regular monitoring of operating activities and the assessment of investment projects of these companies.

In the opinion of the Management Board, through the ability to monitor the operations of subsidiaries and the periodic confirmation of the profitability of their

projects, the Company has the option of assessing receivables for which credit risk has increased significantly. The Management Board of the Company did not find such receivables, even with respect to overdue receivables over 30 days, based on the assessment of investment projects of subsidiaries.

Receivables on account of deliveries and services result from rental of office space and residential premises as well as project implementation services and other services. The company controls the condition and payment capacity of its contractors on an ongoing basis. There is no significant risk concentration in relation to any of the clients of the Company from outside the Echo Investment Group. As at 31 December 2018, the Company estimated the impairment loss on trade receivables by applying a provision matrix based on historical data regarding the repayment of receivables by contractors.

NOTE 9B

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

	01.01.2018- 31.12.2018	01.01.2017- 31.12.2017 - restated
Opening balance	264	205
Increases	1 380	108
due to recognition of a write-down	1 380	108
Decreases	(99)	(49)
due to repayment	-	-
due to release	(99)	(49)
Write-downs on short-term receivables at the end of the period	1 545	264

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

NOTE 9C

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

	31.12.2018	31.12.2017 - restated
In the Polish currency (PLN)	105 117	202 045
In foreign currencies, after translation into PLN	5 900	8
unit/currency EUR	1 365	-
PLN '000	5 870	-
unit/currency USD	8	2
PLN '000	30	8
Total gross short-term trade receivables, taxes and other	111 017	202 053

NOTE 9D

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

	31.12.2018	31.12.2017 - restated
up to 1 month	18 339	29 295
between 1 month and 3 months	11 752	26 298
between 3 month and 6 months	-	-
between 6 month and 12 months	-	-
over 12 months	-	-
overdue receivables	19 388	8 835
Total (gross) trade receivables	49 479	64 428
write-downs on trade receivables	(1 030)	(264)
Total (net) trade receivables	48 449	64 164

NOTE 9E

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

	31.12.2018	31.12.2017 - restated
up to 1 month	5 042	5 193
between 1 month and 3 months	2 487	2 185
between 3 month and 6 months	9 381	1 141
between 6 month and 12 months	1 978	104
over 12 months	500	212
Total (gross) overdue trade receivables	19 388	8 835
write-downs on trade receivables	(1 030)	(264)
Total (net) overdue trade receivables	18 358	8 571

NOTE 9F

GROSS TRADE RECEIVABLES [PLN '000]

	31.12.2018	31.12.2017 - restated
Unimpaired current receivables	30 091	55 593
Unimpaired overdue receivables	17 843	8 571
Impaired overdue receivables	1 545	264
Total	49 479	64 428

NOTE 9G

DISPUTED AND OVERDUE RECEIVABLES [PLN '000]

	31.12.2018	31.12.2017 - restated
Disputed receivables	-	-
Other	-	-
not covered by write-down	-	-
Overdue receivables	19 388	8 835
Trade	19 388	8 835
not covered by write-down	17 843	8 571

SHORT-TERM LOANS GRANTED [PLN '000]

	31.12.2018	31.12.2017 - restated
In subsidiaries		
loans granted	229 533	307 859
interest	9 427	6 950
	238 960	314 809
In joint-ventures		
loans granted	25 566	-
Interest	1 095	-
	26 661	-
In other entities		
loans granted	-	1 444
Interest	-	-
	-	1 444
	Total	
	265 621	316 253

Loans meet the SPPI test in accordance with IFRS 9, paragraph 4.1.2. Therefore, they are not measured at fair value, but at amortised cost. The valuation does not differ significantly from the fair valuation.

The maximum value of credit risk related to loans equals their carrying value. The loans granted are not secured. The loans granted are not overdue and the value of the loans has not been lost. In respect of affiliated companies, the risk is minimised through the control of their operations on a regular basis and through the evaluation of investment projects in the aforemen-

tioned companies. In the opinion of the Management Board, through the ability to monitor the operations of subsidiaries and periodically confirm the profitability of their projects, the Company has the opportunity to assess and identify loans for which the credit risk has increased significantly. The Management Board of the Company did not find such loans. The Management Board assessed the loans with respect to write-offs due to expected credit losses. Based on the financial credibility of Echo Investment Group, according to IFRS 9, a write-off for expected loans in respect of loans amounted to PLN 650 thousand was created.

SHORT-TERM LOANS GRANTED - CURRENCY STRUCTURE [PLN '000]

	31.12.2018	31.12.2017 - restated
In the Polish currency (PLN)	265 621	281 530
In foreign currencies (after translation into PLN)	-	34 723
Total	265 621	316 253

The note includes short-term borrowings with interests.

BASIC DATA ON MAJOR SHORT-TERM BORROWINGS, WITHOUT INTEREST, AS AT 31 DECEMBER 2018 [PLN '000]

Contractor	Amount	Interest rate	Maturity
Villea Investments Sp. z o.o.	63 100	WIBOR 3M + margin	31.03.2019
Rosehill Investments Sp. z o.o.	25 555	WIBOR 3M + margin	31.03.2019
Elektrownia Sp. z o.o.	109	WIBOR 3M + margin	30.06.2019
City Space - SPV 3 Sp. z o.o.	498	WIBOR 3M + margin	30.09.2019
City Space - Management Sp. z o.o.	29	WIBOR 3M + margin	30.09.2019
City Space - SPV 2 Sp. z o.o.	4 051	WIBOR 3M + margin	30.09.2019
Fianar Investments Sp. z o.o.	71 360	WIBOR 3M + margin	31.12.2019
Echo - SPV 7 Sp. z o.o.	39 400	WIBOR 3M + margin	31.12.2019
Echo Aurus Sp. z o.o.	55 980	WIBOR 3M + margin	31.12.2019
Berea Sp. z o.o.	11	WIBOR 3M + margin	31.12.2019
Total	260 093		

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

In relation to related entities, the credit risk, in the opinion of the Management Board, is minimised through regular monitoring of operating activities

and the assessment of investment projects of these companies.

Thanks to the ability to monitor the operations of subsidiaries and the periodic confirmation of the profitability of their projects, the Company has the option of assessing and identifying loans for which credit risk has increased significantly. The Management Board of the Company did not find such loans.

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

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

NOTE 11A

CASH AND CASH EQUIVALENTS [PLN '000]

	31.12.2018	31.12.2017 - restated
Restricted cash	7 389	20 771
Cash and cash equivalents	181 977	228 079
Total	189 366	248 850

As at 31 December 2018 the Company had cash in reputable banks, mainly DNB Nord, PKO BP and Santander Bank Polska. The maximum value of credit

risk associated with cash and cash equivalents is their carrying value.

NOTE 11B

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

	31.12.2018	31.12.2017 - restated
In the Polish currency (PLN)	174 855	80 131
In foreign currencies (after translation into PLN)	14 511	168 719
unit/currency EUR	3 627	40 448
PLN '000	14 508	168 705
unit/currency USD	1	4
PLN '000	3	14
Total	189 366	248 850

SHARE CAPITAL

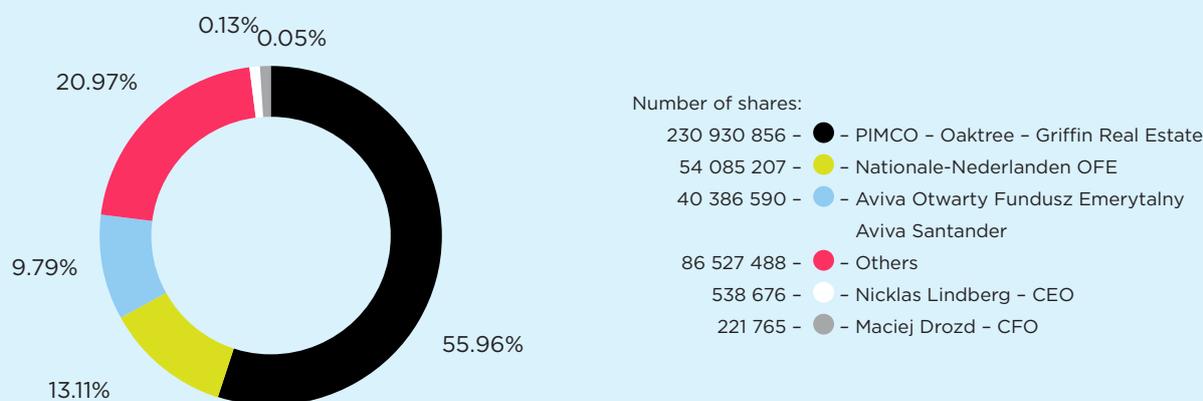
Nominal value per 1
share = 0,05 PLN

Series / Issue	Type of share	Type of limited rights to shares	No. of shares
A, B, C, D, E, F	bearer shares	none	412 690 582
Total no. of shares			412 690 582
Total share capital			

**SHAREHOLDERS OF ECHO INVESTMENT S.A.
HOLDING MORE THAN 5% OF THE SHARE CAPITAL AS AT 31.12.2018**

Shareholder	Number of shares / votes	% of capital held	% of votes on GMS
Oaktree-PIMCO-Griffin Real Estate (through Lisala Sp. z o. o.)	230 930 856	55,96	55,96
Nationale Nederlanden OFE	54 085 207	13,11	13,11
Aviva OFE Aviva Santander	40 386 590	9,79	9,79
Nicklas Lindberg - CEO	538 676	0,13	0,13
Maciej Drozd - CFO	221 765	0,05	0,05
Other	86 527 488	20,97	20,97
Total	412 690 582	100,00	100,00

**SHAREHOLDERS OF ECHO INVESTMENT S.A.
HOLDING MORE THAN 5% OF THE SHARE CAPITAL AS AT 31.12.2018**



SUPPLEMENTARY CAPITAL [PLN '000]

	31.12.2018	31.12.2017 - restated
Share premium	100 748	100 748
Statutory	6 878	6 878
Created from generated profits according to the statute/articles, above the statutorily required (minimum) value	946 647	731 406
Other	22	22
Total	1 054 295	839 054

NOTE 13A

CHANGES ON RESERVE CAPITAL [PLN '000]

	01.01.2018- 31.12.2018	01.01.2017- 31.12.2017 - restated
Opening balance	319 579	49 213
Changes in the period	-	-
supplementary capital	-	270 366
reserve capital	(206 345)	-
retained profit from previous year	213 075	-
Closing balance	326 309	319 579

NOTE 13B

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

	01.01.2018- 31.12.2018	01.01.2017- 31.12.2017 - restated
Opening balance	634 661	270 366
Changes in the period		
adjustments of result from previous years	2 243	2 008
distribution of result from previous years		(270 366)
Closing balance	2 243	2 008

NOTE 14A

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

	31.12.2018	31.12.2017 - restated
Due to subsidiaries	-	-
Due to other entities		
advances received	-	-
security deposits received	746	577
Loans	-	-
due to issue of debt securities	903 448	835 229
Total	904 194	835 806

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

NOTE 14B

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

	31.12.2018	31.12.2017 - restated
Between 1 to 3 years	483 671	258 357
Between 3 to 5 years	420 368	577 449
Over 5 years	155	-
Total Long-Term Liabilities	904 194	835 806
Interest rates applied for discounting the expected cash flows	5,02%	5,17%

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

NOTE 14C

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

	31.12.2018	31.12.2017 - restated
In the Polish currency (PLN)	904 194	835 806
In foreign currencies (after translation into PLN)	-	-
Total	904 194	835 806

Financial liabilities on account of debt financial instruments are measured using the amortized cost of the liability component, in accordance with IFRS 9. The fair value of long-term liabilities does not differ significantly from their carrying amount.

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

CREDIT FACILITIES OF ECHO INVESTMENT S.A. AS AT 31.12.2018 [‘000]

Bank	Contractual amount of loan	Outstanding loan amount	Interest rate	Repayment deadline	Security
PKO BP S.A.*	75 000		WIBOR 1M + margin	30.10.2020	Authorisation to bank account, statement on submission to enforcement proceedings
Alior Bank S.A.	75 000	50 000	WIBOR 3M + margin	15.12.2019	Authorisation to bank account, statement on submission to enforcement proceedings
Santander Bank Polska S.A.**	100 000		WIBOR 1M + margin	30.11.2020	Authorisation to bank account, statement on submission to enforcement proceedings
Raiffeisen Bank Polska S.A***	62 000		WIBOR 1M + margin	16.12.2019	Authorisation to bank account, statement on submission to enforcement proceedings
Total	312 000****	50 000			

* The available loan amount as at 31 December 2018 is decreased by the guarantees issued and amounts to PLN 54.1 million.

** Under the credit limit of PLN 100 million, the Company has been granted a sublimit for current loan up to PLN 75 million and a sublimit up to PLN 25 million for guarantees. As at 31 December 2018, the limit for guarantees was used in the amount of PLN 24.2 million.

*** As at 31 December 2018, the available loan amount is reduced by the guarantees issued and amounts to nearly PLN 60 million.

**** Including the guarantee limit in Santander Bank Polska S.A in the amount of PLN 25 million. The total amount of limits for current and working loans as at 31 December 2018 is PLN 287 million.

CREDIT FACILITIES OF ECHO INVESTMENT S.A. AS AT 31.12.2017 [‘000]

Bank	Siedziba	Contractual amount of loan	Outstanding loan amount	Interest rate	Repayment deadline	Security
PKO BP S.A.	Warsaw	75 000		WIBOR 1M + margin	31.10.2018	Authorisation to bank account, statement on submission to enforcement proceedings
Alior Bank S.A.*	Warsaw	50 000	50 000	WIBOR 3M + margin	30.01.2018	Authorisation to bank account, statement on submission to enforcement proceedings
Santander Bank Polska S.A.**	Wrocław	75 000	-	WIBOR 1M + margin	30.07.2018	Authorisation to bank account, statement on submission to enforcement proceedings
Raiffeisen Bank Polska S.A ***	Wrocław	62 000	-	WIBOR 1M + margin	14.12.2018	Authorisation to bank account, statement on submission to enforcement proceedings
Total		262 000	50 000			

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

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

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

The loan value corresponds to undiscounted cash flows.

COMPANY'S LIABILITIES DUE TO BONDS ISSUED AS AT 31.12.2018 [PLN '000]

Bonds for institutional investors

Series	ISIN code	Bank / brokerage house	Nominal value	Maturity	Interest rate	Guarantees / securities	Quotation market
1/2014	PLECHPS00134	mBank S.A.	100 000	19.02.2019*	WIBOR 6M + margin 3,6%	-	ASO CATALYST
2/2014	PLECHPS00159	mBank S.A.	70 500	15.05.2019	WIBOR 6M + margin 3,6%	-	ASO CATALYST
1/2016	PLECHPS00209	mBank S.A.	100 000	18.11.2020	WIBOR 6M + margin 3,0%	-	ASO CATALYST
1/2017	PLECHPS00225	mBank S.A.	155 000	31.03.2021	WIBOR 6M + margin 2,9%	-	ASO CATALYST
2/2017	PLECHPS00258	mBank S.A.	150 000	30.11.2021	WIBOR 6M + margin 2,9%	-	ASO CATALYST
1/2018	PLECHPS00282	mBank S.A.	140 000	25.04.2022	WIBOR 6M + margin 2,9%	-	ASO CATALYST
Total			715 500				

Bonds for individual investors

E-series	PLECHPS00217	DM PKO BP S.A.	100 000	06.07.2021	WIBOR 6M + margin 2,9%	-	regulated market CATALYST
F-series	PLECHPS00233	DM PKO BP S.A.	125 000	11.10.2022	WIBOR 6M + margin 2,9%	-	regulated market CATALYST
G-series	PLECHPS00241	DM PKO BP S.A.	75 000	27.10.2022	WIBOR 6M + margin 2,9%	-	regulated market CATALYST
H-series	PLECHPS00266	DM PKO BP S.A.	50 000	22.05.2022	WIBOR 6M + margin 2,8%	-	regulated market CATALYST
I-series	PLECHPS00274	DM PKO Banku Polskiego S.A., Noble Securities S.A. i Centralny Dom Maklerski Pekao S.A.	50 000	08.11.2023	WIBOR 6M + margin 3,4%	-	regulated market CATALYST
Total			400 000				
Total bonds			1 115 500				

* Redeemed in its redemption date.

The value of the bond corresponds to undiscounted cash flows, without taking into account the value of interest. The change in business and economic conditions did not have a significant impact on the fair value of financial liabilities.

ALLOCATION OF BOND PROCEEDS

The funds obtained from the Echo Investment 2018 bond issuance, according to the Prospectus and other related documents, were used for current liquidity management and the Company's further development. In particular, it was used for acquisition of properties and projects development - both by the Company, as well as by the companies of its Group.

BONDS REDEEMED BY ECHO INVESTMENT IN 2018

Series	Date	Amount [PLN mln]
Bonds for individual investors - C-series	5.03.2018	75
Bonds for individual investors - D-series	20.04.2018	50
Bonds for institutional investors - series 1/2015	23.04.2018	197,9
Bonds for institutional investors - series 3/2013	19.06.2018	80
Total		402,9

BONDS ISSUED BY ECHO INVESTMENT IN 2018

Series	Date of subscription	Amount [PLN mln]
Bonds for individual investors - H-series	25 - 30.04.2018	50
Bonds for individual investors - I-series	11 - 19.10.2018	50
Bonds for institutional investors - series 1/2018	23.04.2018	140
Total		240

The H-series and I-series bonds for individual investors were issued under the 3rd Bond Issue Program up to the amount of PLN 400 million, covered by the base prospectus, which was approved by the Polish Financial Supervision Authority on 16 April 2018.

The bonds for institutional investors of 1/2018 series were issued under the Bond Issue Program signed with mBank S.A. up to a maximum of PLN 1 billion (see current report no. 7/2011 of 1 February 2011).

The nominal value and the issue price of one bond amounted to PLN 10,000. The bonds were issued for the period ending on 25 April 2022. The interest rate on the bonds was determined based on the variable rate WIBOR 6M increased by the investors' margin. Interest will be paid in half-year periods. The redemption of the bonds on the redemption date will take place at the nominal value of the bonds. The issued bonds are not secured.

LONG-TERM AND SHORT-TERM LIABILITIES DUE TO DEBT FINANCIAL INSTRUMENTS ISSUED AS AT 31.12.2017 [PLN '000]

Series	ISIN code	Bank / brokerage house	Nominal value	Maturity	Interest rate	Guarantees / securities
Bonds for institutional investors						
1/2015	PLECHPS00191	mBank S.A.	197 900	23.04.2018	WIBOR 6M + margin 2,5%	-
3/2013	PLECHPS00126	mBank S.A.	80 000	19.06.2018	WIBOR 6M + margin 3,5%	-
1/2014	PLECHPS00134	mBank S.A.	100 000	19.02.2019	WIBOR 6M + margin 3,6%	-
2/2014	PLECHPS00159	mBank S.A.	70 500	15.05.2019	WIBOR 6M + margin 3,6%	-
1/2016	PLECHPS00209	mBank S.A.	100 000	18.11.2020	WIBOR 6M + margin 3%	-
1/2017	PLECHPS00225	mBank S.A.	155 000	31.03.2021	WIBOR 6M + margin 2,9%	-
2/2017	PLECHPS00258	mBank S.A.	150 000	30.11.2021	WIBOR 6M + margin 2,9%	-
Total			853 400			
Bonds for individual investors						
C	PLECHPS00175	DM PKO BP	75 000	04.03.2018	WIBOR 6M + margin 3,15%	-
D	PLECHPS00183	DM PKO BP	50 000	20.04.2018	WIBOR 6M + margin 3,15%	-
E	PLECHPS00217	DM PKO BP	100 000	06.07.2021	WIBOR 6M + margin 2,9%	-
F	PLECHPS00233	DM PKO BP	125 000	11.10.2022	WIBOR 6M + margin 2,9%	-
G	PLECHPS00241	DM PKO BP	75 000	27.10.2022	WIBOR 6M + margin 2,9%	-
Total			425 000			
Total bonds			1 278 400			

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

	31.12.2018	31.12.2017 - restated
Trade, due to subsidiaries, with maturity:	3 002	3 025
up to 12 months	3 002	3 025
over 12 months	-	-
Trade, due to other entities, with maturity:	29 593	32 617
up to 12 months	29 593	32 617
over 12 months	-	-
Total short-term trade liabilities	32 595	35 642
Advances received	69 657	44 266
Security deposits received	5 138	7 236
Total security deposits and advances received	74 795	51 502
Taxes, customs duties, insurance and other benefits	2 897	7 158
Total tax	2 897	7 158
Other liabilities	22 018	54 651
payroll	2	3
other (due to)	22 016	54 648
dividend	-	-
cash on escrow account	7 389	20 771
acquisition of shares	-	23 251
Other	14 627	10 626
bonuses for management and employees	10 867	8 184
Total other short-term liabilities	22 018	54 651
	Total	148 953
	132 305	148 953

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

NOTE 15B

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

	31.12.2018	31.12.2017 - restated
In the Polish currency (PLN)	132 289	139 915
In foreign currencies (after translation into PLN)	16	23 242
unit/currency EUR	4	5 572
PLN '000	16	23 236
unit/currency USD	-	2
PLN '000	-	6
Total	132 305	163 157

NOTE 16A

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

	31.12.2018	31.12.2017 - restated
Due to subsidiaries		
borrowings	-	320 864
	-	320 864
Due to other entities		
loans and borrowings	50 000	50 000
due to issue of debt securities	217 725	451 122
	267 725	501 122
Total	267 725	821 986

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

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

	31.12.2018	31.12.2017 - restated
In the Polish currency (PLN)	267 725	821 986
In foreign currencies (by currency and after translation into PLN)	-	-
Total	267 725	821 986

As at 31.12.2018 the Company has no short-term borrowings without interests.

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

Contractor	Value ['000 PLN]	Interest rate	Maturity
FORUM 60 Fundusz Inwestycyjny Zamknięty	317 955	WIBOR 3M + margin	30.06.2018
Total	317 955		

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

	31.12.2018	31.12.2017 - restated
At the beginning of the period		
provisions for penalties	2 000	2 000
provisions for expected losses	-	-
court proceedings	2 066	2 066
provision for costs	40 605	21 924
	44 671	25 990
Increases		
provisions for guarantees	270	-
provision for costs	11 363	18 681
court proceedings	-	-
	11 633	18 681
Utilisation due to		
provision for costs	(10 000)	-
provision for penalties	(2 066)	-
	(12 066)	-
Release due to		
provision for costs	(26 921)	-
provisions for expected losses	-	-
	(26 921)	-
At the end of the period		
provisions for penalties	2 000	2 000
provisions for guarantees	270	-
court proceedings	-	2 066
provision for costs	15 047	40 605
	17 317	44 671

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

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

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

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

CONTINGENT OFF-BALANCE SHEET LIABILITIES [PLN '000]

	31.12.2018	31.12.2017 - restated
Contingent receivables	-	-
Contingent liabilities		
For related parties	1 215 651	859 676
due to guarantees and sureties granted	1 215 651	859 676
For other parties	-	-
due to guarantees and sureties granted	-	-
Total contingent	1 215 651	859 676
Other		
due to court proceedings against Echo Investment	100	181
	100	181
Total	1 215 751	859 857

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

For	Value ['000]	Date of change	Description
Bletwood Investments Sp. z o.o.	1 446	Entire validity period of the lease and three months following its termination date	Surety for liabilities of 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.
HPO AEP Sp. z o.o. Sp.J.	10 750	Until the date of issuance of the occupancy permit for the projects but no later than 07.12.2031.	Surety for liabilities of Echo – Browary Warszawskie Sp. z o.o. Sp.K. and Dellia Investments – Projekt Echo – 115 Sp. z o.o. Sp. K. j as a collateral of liabilities resulting from the lease agreement of 07.12.2016. Mutual surety issued in EUR.
Human Office Polska Sp. z o.o.	100	Until the expiry of obligations under leasing agreement	Surety for liabilities of Sagittarius – Projekt Echo – 113 Sp. z o.o. Sp.K. resulting from the leasing agreement
Total	12 296		

SURETY AGREEMENTS ISSUED BY ECHO INVESTMENT GROUP AS AT 31.12.2017 [PLN '000]

For	Value ['000]	Date of change	Description
Bletwood Investments Sp. z o.o.	1 403	Entire validity period of the lease and three months following its termination date	Surety bond for liabilities of Cogl II Poland Limited Sp. z o.o. as a collateral of the liabilities resulting from the lease concluded on 06.11.2015. Issued in EUR.
HPO AEP Sp. z o.o. Sp.J.	10 427	Until acquisition of an occupancy permit for the projects but no later than 07.12.2031.	Surety bond for liabilities of Echo – Browary Warszawskie Sp. z o.o. Sp.K. and Dellia Investments – Projekt Echo – 115 Sp. z o.o. Sp. K. as a collateral of liabilities resulting from the lease concluded on 07.12.2016. Mutual surety issued in EUR.
Total	11 830		

GUARANTEE AGREEMENTS ISSUED BY ECHO INVESTMENT S.A. AS AT 31.12.2018 [PLN '000]

For	Value	Validity	Description
Horta Sp. z o.o.	21 500	until 02.07.2020	Performance bond for the final sale agreement of the Aquarius Business House I office building in Wrocław. Issued in EUR.
Skua Sp. z o.o.	25 800	until 30.07.2021	Performance bond for the final sale agreement of the Aquarius Business House II office building in Wrocław. Issued in EUR.
State Treasury	45 466	until 22.05.2019	Surety bond for liabilities of Outlet Park - Projekt Echo - 126 Sp. z o.o. Sp.K.
State Treasury	4 550	until 20.06.2019	Surety bond for liabilities of Outlet Park - Projekt Echo - 126 Sp. z o.o. Sp.K.
IREEF - Stryków Propco Sp. z o.o.	420 000	until 15.12.2019	Construction work quality guarantee related to the Q22 office building in Warsaw.
IREEF - Stryków Propco Sp. z o.o.	27 358	until 15.12.2021	Rental guarantee related to sale of Q22 office building in Warsaw. Issued in EUR.
Ventry Investments Sp. z o.o.	28 360	until 20.12.2019	Rental guarantee related to sale of O3 Business Campus I office building in Kraków. Performance bond for the rental guarantee is corporate guarantee issued by Echo Investment S.A. Partially issued in EUR.
Emfold Investments Sp. z o.o.	43 193	until 20.12.2019	Rental guarantee related to sale of Tryton office building in Gdańsk. Performance bond for the rental guarantee is corporate guarantee issued by Echo Investment S.A. Partially issued in EUR.
Flaxton Investments Sp. z o.o.	18 148	until 20.12.2019	Rental guarantee related to sale of Symetris I office building in Łódź. Performance bond for the rental guarantee is corporate guarantee issued by Echo Investment S.A. Partially issued in EUR.
Projekt Echo 135 Sp. z o.o. Sp.k.	21 538	until 25.04.2020	Rental guarantee related to sale of A4 Business Park III office building in Katowice. Performance bond for the rental guarantee is corporate guarantee issued by Echo Investment S.A. Partially issued in EUR.
IREEF - Stryków Propco Sp. z o.o.	992	until 31.07.2019	Guarantee securing the execution of liabilities of Echo Investment S.A. resulting from the lease agreement of 24.10.2016. Issued in EUR
Santander Bank Polska S.A. oraz Bank BGŻ BNP Paribas S.A.	56 954	until credit conversion from construction into investment loan	Surety bond for costs overrun of the project of Galeria Libero in Katowice. Issued in EUR.
Santander Bank Polska S.A., PKO BP S.A., Bank Gospodarstwa Krajowego oraz mBank SA	39 990	until credit conversion from construction into investment loan	Surety bond for costs overrun of the project of Galeria Młociny in Warsaw and liabilities of Berea Sp. z o.o. resulting from the agreement on 17.10.2017. Issued in EUR.
Ventry Investments Sp. z o.o. Sp.K.	47 399	until 27.12.2020	Corporate guarantee of Echo Investment S.A. securing the rental guarantee related to sale of Q3 Business Campus II office building in Kraków. Partially issued in EUR.
Nobilis - Projekt Echo - 117 Sp. z o.o. Sp. K.	40 000	until 31.10.2026	Construction work quality guarantee related to the Nobilis office building in Wrocław.
Nobilis - Projekt Echo - 117 Sp. z o.o. Sp. K.	15 983	until 28.12.2020	Rental guarantee related to sale of Nobilis office building in Wrocław. Issued in EUR.
Novaform Polska Sp. z o.o.	4 616	until 31.05.2019	Guarantee securing the execution of liabilities of Duże Naramowice - Projekt Echo - 111 Sp. z o.o. S.K.A. resulting from the agreement of 08.01.2018.
IB 14 FIZAN	88 334	until 24.05.2024	Performance bond for liabilities resulting from the final sale agreement of the West Link office building in Wrocław. Issued in EUR.
A 19 Sp. z o.o.	25 800	Until termination of agreement concluded on 4.07.2018	Performance bond for liabilities of Projekt 22 - „Grupa Echo” Sp. z o.o. - SKA resulting from agreement concluded on 4.07.2018 r. Issued in EUR.
Flaxton Investments Sp. z o.o.	11 278	until 27.07.2021	Rental guarantee related to sale of Symetris II office building in Łódź. Partially issued in EUR.

GUARANTEE AGREEMENTS ISSUED BY ECHO INVESTMENT S.A. AS AT 31.12.2018 [PLN '000]

For	Value	Validity	Description
Bank Polska Kasa Opieki S.A.	14 147	until 30.06.2029	Cost overrun guarantee agreement regarding housing projects
R4R Wrocław Kępa Sp. z o.o. / SO SPV 103 Sp. z o.o. / R4R Warszawa Browary Sp. z o.o.	82 818	until 31.07.2021	The advance payment guarantee
IB 6 FIZAN / GPF 3 FIZAN	119 131	until 31.10.2021	Performance bond for liabilities of Rosehill Investments Sp. z o.o. resulting from the framework agreement of 31.08.2017. Issued in EUR.
Total 1 203 355			

IFRS 9 introduced a model based on the concept of expected loss, also in relation to the issuer of financial guarantees. The company does not conduct separate activities in this area, but is only a party to guarantees and sureties in relation to office and commercial projects developed by subsidiaries. Such guarantees constitute either security related to development of projects or after-sales security for new investors and they are a form of security commonly used on the market. In the opinion of the Management Board, through the ability to monitor

the operations of subsidiaries, the Company has the full ability to monitor credit risk associated with the issued guarantees. Entities of the Echo Investment Capital Group are fully capable and ready to meet contractual obligations, so the Management Board of the Company did not find any material expected losses due to issuing guarantees and sureties by the Company. In accordance with IFRS 9 requirements, the provision due to expected credit loss amounted to PLN 270 thousand was created.

ECHO INVESTMENT GUARANTEE AGREEMENTS AS AT 31.12.2017

For	Value [PLN '000]	Validity	Description
Horta Sp. z o.o.	20 855	until 02.07.2020	Performance bond concerning execution of the final sales agreement concerning the Acquarius Business House I office building in Wrocław. Issued in EUR.
Skua Sp. z o.o.	25 025	until 30.07.2021	Performance bond concerning the execution of the final sales agreement concerning the Acquarius Business House II office building in Wrocław. Issued in EUR.
State Treasury	43 045	until 22.05.2018	Surety bond concerning liabilities of Outlet Park – Projekt Echo – 126 Sp. z o.o. Sp. K.
mBank S.A.*	14 777	until fulfillment of suitable financial indexes, no longer than 31.03.2021	Surety bond for liabilities of Nobilis – Projekt Echo – 117 Sp. z o.o. Sp. K. resulting from loan agreement of 16.06.2016. Issued in EUR.
mBank S.A.*	5 489	until project completion, no longer than 31.03.2018	Surety bond for construction cost overrun concerning the Nobilis office building in Wrocław.
BGŻ BNP Paribas S.A.	5 101	until project completion date	Surety bond for cost overrun and liabilities resulting from debt service in the period of construction of the Symetris I and II office building in Łódź. Issued in EUR.
IREEF – Stryków Propco Sp. z o.o.	420 000	until 15.12.2019	Construction work quality guarantee related to Q22 in Warsaw.
IREEF – Stryków Propco Sp. z o.o.	26 537	until 15.12.2021	Rent guarantee related to the sale of Q22 office building in Warsaw. The collateral of rent guarantee is a bank guarantee issued by BZ WBK S.A. for Echo Investment S.A. The guarantee is issued in EUR.
IREEF – Stryków Propco Sp. z o.o.	144 066	until 15.12.2018	Surety bond concerning failure to execute liabilities of Q22 – Projekt Echo – 128 Sp. z o.o. Sp. k. resulting from the sales contract concerning Q22 in Warsaw of 16.12.2016. Issued in EUR.
Ventry Investments Sp. z o.o.	27 567	until 20.12.2019	Rent guarantee related to the sale of O3 Business Campus I in Kraków. The collateral of rent guarantee is a corporate guarantee issued by Echo Investment S.A. Partly issued in EUR.
Emfold Investments Sp. z o.o.	41 990	until 20.12.2019	Rent guarantee related to the sale of the Tryton office building in Gdańsk. The collateral of rent guarantee is a corporate guarantee issued by Echo Investment S.A. Partly issued in EUR.
Flaxton Investments Sp. z o.o.	17 682	until 20.12.2019	Rent guarantee related to the sale of the Symetris office building in Łódź. The collateral of rent guarantee is a corporate guarantee issued by Echo Investment S.A. Partly issued in EUR.
Bank Millenium S.A.	7 300	until project completion, no longer than 30.06.2019	Surety bond for cost overrun of West Link office building in Wrocław and liabilities of West Gate II – Projekt Echo – 114 Sp.z o.o. Sp. K., resulting from loan agreement of 23.03.2017
Projekt Echo 135 Sp. z o.o. Sp.K.	20 928	until 25.04.2020	Rental guarantee related to sale of office building A4 Business Park phase III in Katowice. Surety bond for rental guarantee is corporate guarantee issued by Echo Investment S.A. Partly issued in EUR.
Sagittarius – Projekt Echo – 113 Sp. z o.o. Sp.K.	25 700	until 30.09.2020	Surety bond for loan agreement of 01.06.2017 and construction cost overrun up to PLN 25,7 mln related to agreement of 01.06.2017

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

Explanatory notes to the profit and loss account

NOTE 19A

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

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

	01.01.2018- 31.12.2018	01.01.2017- 31.12.2017 - restated
Sale of residential and commercial area	187 986	310 029
from related entities	-	-
Property development services	196 843	75 459
from related entities	131 506	69 701
from subsidiaries	131 506	69 701
Sale of plots	1 337	993
from related entities	-	-
Lease services	4 932	7 033
from related entities	2 751	2 244
from subsidiaries	2 751	2 244
from the parent company	-	-
Legal, accounting, consulting and IT services	6 609	19 016
from related entities	6 506	18 534
from subsidiaries	6 506	18 534
from joint ventures	-	-
Financial, marketing, securing services and other revenue	32 526	46 395
from related entities	30 824	42 701
from subsidiaries	30 821	42 701
from key personnel	3	1
Total operating revenue	430 233	458 925
from related entities	171 587	133 180
from subsidiaries	171 584	133 180
from the parent company	-	-
from key personnel	3	1

NOTE 19B

The company did not conclude transactions with affiliated entities on terms other than market terms. Agreements regarding significant transactions with affiliated

entities implemented in the previous year were presented by the Company in additional explanations.

REVENUES RELATED TO PROPERTY DEVELOPMENT (I.E. SALE OF RESIDENTIAL AND COMMERCIAL UNITS)

to perform the service is fulfilled. The obligation to perform the service is considered fulfilled AT the time of handover of the property to the buyer, which follows on the basis of the acceptance protocol signed by the parties, only after completion of the property construction process and obtaining the occupancy permit, and provided that the buyer makes 100% payments towards the purchase price.

Agreements included in this group of revenues do not include variable remunera-

tion. Moreover, in the Company's opinion, the concluded agreements do not contain a significant element of financing.

Due to such nature of contracts, the Company, as a rule, does not show receivables or other assets balances under contracts related to this group of revenues. The contractual obligations reflect the short-term down payments made by the clients. The table below presents changes in the liabilities balance under agreements in relation to this group of revenues.

SHORT-TERM ADVANCED PAYMENTS RECEIVED [PLN '000]

	01.01.2018- 31.12.2018	01.01.2017- 31.12.2017 restated
Short-term advanced payments received (note 15A)		
Opening balance	44 266	58 883
Increase – payments	213 377	295 412
Presented as revenue in the period	(187 986)	(310 029)
Including revenue in the period, recognized in received advanced payments balance at the beginning of the period	(40 089)	(40 149)
Short-term advanced payments received (note 15A)		
Closing balance	69 957	44 266

The total value of future revenues related to obligations to perform a contract for the sale of residential and commercial space, resulting from agreements signed on 31 December 2018, is PLN 264,387,000, of which until the balance sheet date the Company received advance payments in

the amount of PLN 69 657,000. These revenues will be recognised when the property is delivered to buyers, after completion of construction and obtaining the necessary administrative decisions, which follows on average after about 1-3 months after completion of construction.

REVENUES OF INVESTMENT IMPLEMENTATION SERVICES

The Company provides services for implementation of development projects: preparation and organisation of the investment process of projects owned by other entities - mostly subsidiaries. As part of its duties, the Company undertakes to perform supervisory, management, legal and other activities necessary to manage the investment. The process includes preparation of investments, organisation and service of tenders for construction works, supervision and coordination of construction works as well as customer

service. The company recognises revenues at the time of fulfilment of the obligation to perform the service, i.e. during the service provision period. The remuneration resulting from the concluded contracts is permanent and due to the Company monthly. In addition, in the Company's opinion, the concluded contracts do not contain a significant element of financing. Due to such nature of the contracts signed, there are no significant balances of assets or liabilities under contracts, except for trade receivables (see note 9).

REVENUE FROM DEVELOPMENT SERVICES [PLN '000]

Project	Targeted completion	Targeted revenue	Total value deferred revenue related to liabilities resulting from concluded agreements	Received advanced payments
Osiedle Jarzębinowe IV, Łódź	zakończony	21 894	3 557	3 557
Dom Pod Wilgą III, Kraków	I Q 2019	41 805	41 805	22 608
Osiedle Jarzębinowe VI, Łódź	I Q 2020	19 986	19 986	268
Nowa Dzielnica, Łódź	II Q 2019	29 638	29 638	4 515
Rydla 32, Kraków	III Q 2019	48 317	48 317	10 365
Osiedle Jarzębinowe V, Łódź	III Q 2019	42 844	42 844	6 838
Łódź Wodna R4R	III Q 2019	45 791	45 791	19 322
Grota 111 etap III, Wrocław	IV Q 2019	16 236	16 236	-
Others		2 184	2 184	2 184
	Total	268 695	250 358	69 657

OTHER REVENUES OF THE COMPANY

The Management Board analysed the other contracts for the provision of services, including real estate intermediation services, book-keeping, legal, consulting, informatic, financial, marketing and other services, most of which are carried out for affiliated entities within activities under Echo Investment SA's holding company. The Company recognises the revenue when the obligation to perform the service is fulfilled, i.e. for certain contracts - at the time of completion of a given type of service (e.g. signing a real estate sale contract as a result of the real estate intermediation service) or during the provision of a given type of service (e.g. period of provision of bookkeeping services, marketing services, consultancy, legal and property management). In the majority of cases, services are provided on a monthly basis and are thus accounted for and payable to the Company.

For some contracts (e.g. real estate intermediation) the remuneration resulting from concluded contracts contains a variable element, however, the nature of these contracts shows that the Company is entitled to remuneration only when the contractual obligation is fulfilled, which results in the fact that the variable remuneration is known at the moment of recognizing revenue and its value is not changed later. Moreover, in the Company's opinion, the concluded agreements do not contain a significant element of financing. In connection with this nature of the contracts signed, there are no significant balances of assets or liabilities under contracts, other than trade receivables (see note 9).

OPERATING REVENUE - TERRITORIAL STRUCTURE [PLN '000]

	01.01.2018- 31.12.2018	01.01.2017- 31.12.2017 restated
Domestic	429 884	458 058
from related entities	171 238	133 180
Abroad	349	867
from related entities	349	-
Total net revenue from sale of products	430 233	458 925
from related entities	171 587	133 180

NOTE 20A

OPERATING EXPENSES BY TYPE [PLN '000]

	01.01.2018- 31.12.2018	01.01.2017- 31.12.2017 restated
Value of goods and materials sold	115 430	-
Amortisation	2 422	1 576
Consumption of materials and energy	21 777	5 253
Third party services	206 050	241 284
Taxes and charges	3 734	4 839
Remunerations	47 976	46 351
Social security and other benefits	11 583	7 008
Other costs by type (due to)	13 456	6 033
business travel	3 018	2 304
Other	10 438	3 729
Total	422 428	312 344
Movement in inventory and products	18 960	128 873
Own work capitalised (negative value)	-	(427)
Administrative expenses related to projects	(4 757)	(12 958)
Selling expenses (negative value)	(24 254)	(15 158)
General administrative expenses (negative value)	(85 748)	(81 884)
Manufacturing cost of products sold	326 629	330 790

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

NOTE 21A

OTHER OPERATING REVENUE [PLN '000]

	01.01.2018- 31.12.2018	01.01.2017- 31.12.2017 restated
Released provisions	17 624	-
due to receivables	-	-
due to expected costs	17 624	-
Other, including:	1 463	1 834
contractual penalties	-	39
revenue from sale of debt	-	-
revenue from sale of non-financial non-current assets	555	714
Other	908	1 081
Interest on borrowings	22 292	-
from related entities, including:	15 885	-
from subsidiaries	15 885	-
from other entities	6 407	-
Valuation	-	-
from loans granted	-	-
Other interests	132	194
from other entities	132	194
Total	41 511	2 028

NOTE 21B

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

	01.01.2018- 31.12.2018	01.01.2017- 31.12.2017 restated
From related entities including	77 071	744 080
from subsidiaries	77 071	744 080
From other entities	-	-
Total	77 071	744 080

NOTE 21C

OTHER OPERATING EXPENSES [PLN '000]

	01.01.2018- 31.12.2018	01.01.2017- 31.12.2017 restated
Provisions established	1 282	18 711
due to expected costs	-	18 681
due to receivables	1 282	30
Other, including:	12 334	8 437
Donations	621	1 663
cost of loan sales	8 826	1 964
contractual penalties	24	-
due to rent guarantee agreements	-	2 764
compensation due to rent guarantee agreements	563	-
Other	2 300	2 046
Revaluation	35 417	685
loans and bonds*	35 417	685
Interests due to borrowings	3 369	10 897
from related parties, including:	3 369	10 897
from subsidiaries	-	10 897
Total	52 402	38 730

* The company has reviewed receivables on account of loans and bonds. Based on expected and current results and cash flows of borrowers, the company has estimated impairment losses on individual loans and bonds. The company has made a write-off on account of loans and bonds amounted to PLN 34 million.

NOTE 22A

FINANCIAL INCOME FROM INTEREST [PLN '000]

	01.01.2018- 31.12.2018	01.01.2017- 31.12.2017 restated
Other interest		
from other entities	1 331	899
Total	1 331	899

NOTE 22B

OTHER FINANCIAL INCOME [PLN '000]

	01.01.2018- 31.12.2018	01.01.2017- 31.12.2017 restated
Foreign exchange gains	1 974	-
Profit on sale of interests	87	-
Profit on interests and certificates redemption*	82 738	-
Other	-	528
Total	84 799	528

The transactions are described in the notes 4B and 5.

FINANCIAL COSTS OF INTEREST [PLN' 000]

	01.01.2018- 31.12.2018	01.01.2017- 31.12.2017 restated
On borrowings, loans and bonds		
for other entities:	52 925	43 969
	52 925	43 969
Other interest		
for other entities	60	45
	60	45
Revaluation of loans, borrowings and bonds	-	-
	-	-
Total Financial Costs of Interest	52 985	44 014

The amount of borrowing costs capitalized to the value of inventories as at 31 December 2018 amounted to PLN 3,846,000, however PLN 6,771,000 as at 31 December 2017.

OTHER FINANCIAL COSTS [PLN '000]

	01.01.2018- 31.12.2018	01.01.2017- 31.12.2017 restated
Foreign exchange losses	-	1 353
executed	-	41
non- executed	-	1 312
Loss on disposal	-	6 537
Interests	-	6 537
Other, including	6 674	6 512
commissions	6 400	6 430
Other	274	82
Revaluation of investments	13 417	7 579
including interests	13 417	7 579
Total	20 091	21 981

Write-off on share value is described in the note 4D.

NOTE 23A

INCOME TAX - EFFECTIVE TAX RATE [PLN '000]

	01.01.2018- 31.12.2018	01.01.2017- 31.12.2017 restated
Profit before tax	68 079	660 845
Income tax according to the national rates 19%	12 935	125 561
Dividends received	(14 250)	(133 247)
Distribution of profit from limited partnerships (Sp.K.)	(3 052)	(8 128)
Company's tax burden relative to the result of limited partnerships (subsidiaries)	2 135	8 862
Representation costs and other non-deductible costs during the year	14 354	2 801
Provision for expected cost	1 205	3 164
Measurement of interests of a subsidiary representing a permanent difference	1 989	24 599
Write-downs on loans granted due to which deferred tax was not recognised	6 729	964
Movements in the measurement of other items	3 602	1 373
Charges on the financial result due to income tax	25 647	25 949

NOTE 23B

DEFERRED TAX, TERM OF SETTLEMENT [PLN '000]

	31.12.2018	31.12.2017 restated
Deferred tax liabilities		
to be settled within 12 months	4 804	(7 390)
to be settled after 12 months	267	(612)
Deferred tax assets		
to be settled within 12 months	-	-
to be settled after 12 months	(3 603)	(5 801)
Total	1 468	(13 803)

NOTE 23C

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

	31.12.2018	31.12.2017 restated
Current income tax		
current tax burden due to income tax	10 328	-
adjustments relative to current income tax result from previous years	11	-
Deffered income tax		
related to arises and changes of temporary differences	15 307	25 949
Total	25 646	25 949

NOTE 24

PROFIT DISTRIBUTION

The net profit generated by Echo Investment S.A. in 2017, amounting to PLN 632,496 thousand, in accordance with a resolution of the General Meeting of Shareholders of 25 April 2018, was distributed as follows:

- PLN 206,345 thousand - for distribution among the Company's shareholders;
- PLN 213,075 thousand - for the Dividend Fund;
- PLN 213,076 thousand - for the supplementary capital of the Company.

Financial statements of Echo Investment S.A. for 2017 was approved by a resolution of the General Meeting of Shareholders of 25 April 2018.

On 8th November, 2018, the Management Board of Echo Investment made the resolution on the advanced dividend from profit earned in 2018 in the total amount of PLN 206,354,00.

Net profit generated by Echo Investment S.A. in 2018 is proposed to partially include to distribution between shareholders.

Explanatory notes to cash flow statement

NOTE 25A

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

	31.12.2018	31.12.2017 - restated
Opening balance, including	228 079	21 542
cash in hand and at bank	228 079	21 542
Closing balance	181 977	228 079
cash in hand and at bank	181 977	228 079

ADDITIONAL EXPLANATION TO CASH-FLOW STATEMENT STRUCTURE

In investing activity the Company does not present interests on borrowings granted.

NOTE 25B

CHANGE OF LIABILITIES ARISING OUT OF FINANCIAL ACTIVITY

	liabilities due to loans, borrowings and bonds	other liabilities - dividend included
Balance at the beginning of the period, 01.01.2018	1 657 215	-
Financial cash flows		
incomes	671 675	-
expenses	(724 740)	(412 690)
Non-monetary changes	(432 977)	412 690
accrued interest	54 035	-
Borrowings repayment	(486 895)	
valuation of exchange differences		-
valuation by effective interest rate	(116)	-
dividend approved for payment	-	412 690
Expenses	-	-
Balance at the end of the period, 31.12.2018	1 171 173	-

CHANGE OF LIABILITIES ARISING OUT OF FINANCIAL ACTIVITY

	liabilities due to loans, borrowings and bonds	other liabilities - dividend included
Balance at the beginning of the period, 01.01.2017	1 347 458	66 030
Financial cash flows		
incomes	1 207 249	-
expenses	(898 385)	(272 376)
Non-monetary changes	893	206 346
accrued interest	4 321	-
valuation of exchange differences	-	-
valuation by effective interest rate	(3 428)	
dividend approved for payment	-	206 346
Balance at the end of the period, 31.12.2017	1 657 215	-

INFORMATION ON FINANCIAL INSTRUMENTS [PLN '000]

Type of instrument	Note	IFRS 39	IAS 9	Balance value at 31.12.2017	Balance value at 31.12.2016
FINANCIAL ASSETS					
Long-term financial assets	5			796 125	1 720 411
investment certificates				170 849	1 720 411
bonds		N/D	amortised cost	625 276	-
Borrowings and receivables				535 574	392 904
long-term borrowings	6	borrowings and receivables	amortised cost	221 504	12 487
short-term borrowings	10	borrowings and receivables	amortised cost	265 621	316 253
trade receivables	9	borrowings and receivables	amortised cost	48 449	64 164
Cash and other monetary assets				189 366	248 850
restricted cash	11	borrowings and receivables	amortised cost	7 389	20 771
cash and cash equivalents	11	borrowings and receivables	amortised cost	181 977	228 079
FINANCIAL LIABILITIES					
Other financial liabilities				1 203 768	1 692 857
liabilities due to issue of debt securities	14,16	borrowings and receivables	amortised cost	1 121 173	1 286 351
trade liabilities	15	borrowings and receivables	amortised cost	32 595	35 642
loans and borrowings	16	borrowings and receivables	amortised cost	50 000	370 864

IFRS 9, which replaced IAS 39, defines three categories of financial assets, depending on the business model in terms of asset management and the characteristics of cash flows resulting from the agreement:

- assets measured after initial recognition at amortized cost - if financial assets are held according to the business model, the purpose of which is to maintain financial assets to obtain cash flows arising from the agreement and the contractual terms relating to those financial assets give rise to cash flows that are only repayment of the principal and the interest;
- assets measured after initial recognition at fair value through other comprehensive income - if financial assets are held according to the business model, the purpose of which is both to maintain financial assets to obtain contractual cash flows and to sell financial assets and the contractual terms relating to those financial assets give rise to cash flows, which are only repayment of the principal and the interest;
- assets measured at fair value through the profit and loss account - all other financial assets.

In the opinion of the Management Board, detailed in point 8 of the additional information "Financial risk management", the exposure of the Company, due to the nature of its operations, to credit risk is low.

The application of IFRS 9 did not lead to a significant change in the classification of the Company's financial assets. IFRS 9 does not, as a rule, introduce any significant changes to the classification and measurement of financial liabilities, except for modifications that currently do not result in the derecognition of existing financial liability. As a result of the application of IFRS 9, there was no change in the classification of financial liabilities of the Company. The application of IFRS 9 also did not change the carrying amounts of financial assets or liabilities, in particular in determining the value of impairment of financial assets by departing from the concept of loss incurred in favour of expected loss, where the entire expected credit loss is recognised ex-ante. In the opinion of the Management Board, detailed in point 8 of additional information "Financial

risk management “, the exposure of the Company, due to the specificity of its operations, to credit risk is low.

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

The main financial instruments used by the Company:

- loans and bonds granted measured at amortized purchase price determined using the effective interest rate method,
- financial liabilities – i.e. liabilities on account of the issue of debt securities, bank loans and other liabilities (loans and trade liabilities).

CHAPTER 3

INFORMATION ON THE FINANCIAL STATEMENTS



About the Company

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

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

1992. Echo is a Joint Stock Company entered into the National Court Register under no. 0000007025 by the District Court in Kielce, 10th Economic Department of the National Court Register. Since 5 March 1996, the Company's shares are quoted at the Warsaw Stock Exchange on the regulated market, sector - WIG - Real Estate. The Company was established for an indefinite period of time.

The Management Board of Echo Investment S.A

as at 20 March, 2019

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

Nicklas Lindberg
President of the Board, CEO



Maciej Drozd
Vice-President of the Board,
CFO



Artur Langner
Vice-President of the Board



Marcin Materny
Member of the Board



Rafał Mazurczak
Member of the Board



Waldemar Olbryk
Member of the Board



Małgorzata Turek
Member of the Board



The Supervisory Board of Echo Investment S.A.

as at 20 March, 2019

Karim Khairallah
Chairman of the Supervisory Board



Laurent Luccioni
Deputy Chairman of the Supervisory Board



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



Maciej Dyjas
Supervisory Board Member



Stefan Kawalec
Independent Supervisory Board Member
Chairman of the Audit Committee



Nebil Senman
Supervisory Board Member
Audit Committee Member



Sebastian Zilles
Supervisory Board Member



CHANGES IN THE COMPOSITION OF THE MANAGEMENT BOARD IN 2018

The Management Board of Echo Investment S.A. as at 31 December 2017:

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

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

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

Małgorzata Turek
Member of the Management Board



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

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

CHANGES IN THE COMPOSITION OF THE SUPERVISORY BOARD IN 2018

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

AUDIT COMMITTEE

According to the resolution of the Supervisory Board of the 19 October 2017, the Audit Committee consists of:

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

Independent members of the Supervisory Board constitute the majority in the Audit Committee. In this way the Company has fulfilled the requirements of the Act on statutory auditors, audit companies and public supervision of the 11th of May 2017 and one of the 'Best Practices of WSE Listed Companies 2016'.

Information on the financial statement

The statements of the Echo Investment S.A. present financial data for the 12-month period ending on 31 December 2018 and comparative data for the 12-month period ending on 31 December 2017.

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

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

DECLARATION OF CONFORMITY

The statements have been prepared in compliance with the International Financial Reporting Standards (IFRS), as adopted by the European Commission. To fully understand the financial situation and business results of the Company as the parent company of the Echo Investment Capital Group, these financial

statements should be read together with the full consolidated financial statements for the 12-month period ending on 31 December 2018. The consolidated financial statements are available at the Company's website <https://en.echo.com.pl/>.

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

The Management Board of the Company has used its best judgment regarding the application of standards and interpretations, as well as the methods and principles of measurement of individual items of standalone financial statements.

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

The following standards and amendments to standards became effective on January 1, 2018, of which the impact of applying IFRS 15 “Revenue from contracts with customers” and IFRS 9 “Financial instruments” was discussed in detail.

IFRS 15 “Revenue from contracts with customers”

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

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

IFRS 9 Financial Instruments

- (published on July 24, 2014);

For the reporting period beginning on January 1, 2018, the Company decided to apply the classification, measurement and impairment rules retrospectively

Due to immaterial impact of new standard application, the Company did not apply it as at 1 January 2018. Starting from 1 January 2018, the Company recognises expected loans loss according to IFRS 9. In accordance with the requirements of IFRS 9, the Company recognises the majority of assets recognised as loans and receivables at the amortised cost, as two conditions are met: assets are held as part of the business model which intention is to maintain assets to obtain flows resulting from the contract and contractual conditions of these financial assets give rise at specified times to cash flows that are solely repayment of principal and interest on the unpaid part of the capital. Other financial assets, including derivative instruments, are measured at fair value through profit or loss, unless an irrevocable decision is made for a given financial capital at their fair value through “Other comprehensive income”. As a result of implementing the requirements of IFRS 9, the Company did not change the classification of financial liabilities in relation to the previous classification in accordance with IAS 39. Additional information on the classification and measurement of financial assets and liabilities is presented in note 26 to the financial statements.

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

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

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

- (published on June 20, 2016).

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

Amendments to IAS 40 “Transfer of investment property”.

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

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

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

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

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

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

IFRS 14 'Regulatory Deferral Accounts'

- effective for financial years beginning on or after 1 January 2016 (issued on 30 January 2014). The European Commission (EC) 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;

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 EC. The effective date was deferred indefinitely by IASB;

IFRS 16 'Leases'

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

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

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

- The right of perpetual usufruct of land
- Lease of office space
- Car lease

For the aforementioned agreements, the Group will recognise the lease liability measured at the current value of lease payments due to the lessor during the lease term discounted at the marginal lending rate. The asset due to the right of usufruct will be included in the value of the leasing liability. Therefore, the application of IFRS 16 for the first time will have no impact on retained earnings.

In addition, the Company has decided to make use of the exemption in relation to leasing agreements for which the underlying asset is of low value. This applies mainly to rental agreements for office equipment.

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

The Group's Management Board is in the final phase of calculating the impact of applying IFRS 16 for the first time. The estimated impact on the statements of financial position of the Group as at the date of first application of IFRS 16, i.e. on 1 January 2019, will result in the recognition of additional assets due to the right of usufruct in the amount of PLN 24.2 million and leasing liabilities in the amount of PLN 24.2 million.

IFRS 17 'Insurance Contracts'

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

PLN '000	Asset on perpetual usefruct as at 01.01.2019	Leasing liabilities as at 01.01.2019	Profit from previous years as at 01.01.2019
Perpetual usefruct of plots	9 874	9 874	-
Leasing of office space	7 895	7 895	-
Car leasing	6 439	6 439	-
Total	24 207	24 207	-

IFRIC 23 'Uncertainty over Income Tax Treatments'

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

Amendments to IFRS 9 'Prepayment Features with Negative Compensation'

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

Amendments to IAS 28 'Long-term Interests in Associates and Joint Ventures'

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

'Annual Improvements to IFRS Standards 2015-2017 Cycle'

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

Amendments to IAS 19 'Plan Amendment, Curtailment or Settlement'

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

'Amendments to References to the Conceptual Framework in IFRS Standards'

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

Amendment to IFRS 3 'Business Combinations'

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

Amendments to IAS 1 and IAS 8 'Definition of Material'

- effective for financial years beginning on or after 1 January 2020 (issued on 31 October 2018). Not yet endorsed by EU at the date of approval of these financial statements.

The effective dates are dates provided by the International Accounting Standards Board. Effective dates in the European Union may differ from the effective dates provided in standards and are published when the standards are endorsed by the European Union.

Main accounting principles

INTANGIBLE ASSETS

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

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

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

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

PROPERTY, PLANT AND EQUIPMENT

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

The Company's tangible assets include:

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

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

Land held by the Company is not depreciated and other PP&E is depreciated using straight line method over their estimated useful life, which is verified on a quarterly basis. The estimated useful lives of assets are:

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

Further expenditures are recognised at the carrying value of a PP&E item or recognised as a separate tangible asset (where appropriate) only when it is probable that this item will result in economic benefits for the Company and the cost of a given item can be credibly measured. Any other expenditures on repairs and maintenance are recognised in the profit and loss account in the financial year in which they were incurred.

PP&E is tested for impairment, if certain events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is disclosed in the amount by which the carrying value of an asset (or a cash-generating item to which an asset is related) exceeds the recoverable value, and is recognised in the profit and loss account. The recoverable value is one of the two amounts, whichever is higher: fair value less selling costs or use value.

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

LEASE

Lease is classified as finance lease, if the terms of the agreement essentially transfer all potential benefits

and risks from holding an ownership title to an asset to the lessee.

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

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

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

INTERESTS AND SHARES IN SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES

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

The impairment loss is recognised in the amount by which the balance sheet value exceeds the recoverable amount. If the write-down is reversed, its value is recognized in the financial income item. Subsidiaries are the entities controlled by the Company. Executing control over subsidiaries occurs in following cases:

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

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

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

investment property measured at fair value, while the main liability are special purpose loans and, consequently, the net value of assets reflects the fair value of the held interests. In the event of impairment, an impairment loss is recognised in the profit and loss account under “financial cost”.

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

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

INVENTORIES

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

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

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

FINANCIAL INSTRUMENTS

The Company classifies its financial assets as follows:

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

The classification of assets takes place at the moment of initial recognition. It depends on the financial in-

struments management model adopted by the entity and analysis of the characteristics of contractual cash flows from these instruments.

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

In accordance with IFRS 9, as at each reporting date, the Company estimates the amount of the impairment loss in the amount equal to the expected credit losses:

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

While determining the future expected impairment, the Company considers all reasonable and confirmed information, including this that relates to the future. The Company will apply the permitted simplification of measurement of impairment on the basis of expected losses over the whole life for all receivables. In case of trade receivables, the Company 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 Company uses the matrix of provisions, made on the basis of historical data concerning repayment of receivables by contractors, to calculate the value of the impairment loss on trade receivables. The impairment loss is updated on each reporting date. Due to the nature of trade receivables, the impairment loss of the value of receivables, despite the introduction of the changes provided for by the standard, remained close to the value of the write-off calculated according to the rules effective before 1 January 2018.

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

In the comparative period according to the following rules, financial assets or financial liabilities are measured at the moment of the first presentation at fair value through profit and loss – including:

- financial assets for trade. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term,

- financial assets designated upon initial recognition as at fair value through profit and loss,
- derivative instruments which fail to meet the conditions for hedge accounting,
- investments held to maturity,
- financial assets other than derivatives, with fixed or determinable payments and fixed maturity, for which the Company has the positive intention and ability to hold to maturity,
- loans and receivables,
- financial assets other than derivatives with fixed or determinable payments that are not quoted in an active market,
- financial assets available for sale
- non-derivative financial assets not classified as financial assets recognised at fair value through profit or loss, loans and receivables and assets held to maturity.

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

CASH AND CASH EQUIVALENTS

Cash in bank and cash in hand, short-term deposits held to maturity and other financial assets that fulfil the definition of a cash equivalent are measured at the nominal value. Foreign currency cash is measured as of the reporting date. The same definition of cash applies to the cash flow statement. According to the Company, the financial resources of limited disposability mostly include funds constituting security for bank guarantees and funds accumulated on open residential fiduciary accounts.

INCOME TAX

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

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

Deferred tax is not created for temporary differences on investments in subsidiaries, jointly controlled

entities and associates, if the Company controls the reversal of these differences and they will not be reversed in foreseeable future. Deferred income tax assets due to tax loss are created, if the settlement of the loss in the following years is probable. For the calculation of deferred income tax, a tax rate is used which will apply in the reporting periods in which assets will be settled or liabilities will be released.

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

EQUITY

Share capital is measured at the nominal value disclosed in the National Court Register. Differences between the fair value of a payment and the nominal value of shares are recognised in the share premium. The issue costs of shares decrease the Company's supplementary capital down to the amount of the share premium.

PROVISIONS

Provisions are established when the Company has a present obligation as a result of past events and when it is probable that the fulfilment of that obligation will involve an outflow of assets representing economic benefits and the amount of such obligation can be credibly estimated.

Provisions are measured at the current value of costs estimated by the Company's management according to its best knowledge which must be incurred to settle a current liability as of the balance sheet date.

FINANCIAL LIABILITIES - INCLUDING TRADE LIABILITIES

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

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

Trade liabilities are initially measured at the fair value and, subsequently, long-term liabilities are measured at the amortised cost, using the effective interest rate method. When the difference between the amortised cost value and the value in the amount payable does not significantly affect the Company's financial results, such liabilities are recognised in the balance sheet at the amount payable. Advances on deliver-

ies include invoiced advances (including advances on apartments) and non-invoiced advances. Trade liabilities include security deposits.

CURRENCY TRANSACTIONS

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

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

CASH FLOW STATEMENT

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

VALUATION TO FAIR VALUE

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

The fair value measurement is based on the assumption that the transaction of sale of an asset or liability transfer takes place on the main market available for the given asset or liability, or in the absence of the main market, on the most advantageous market for a given asset or liability.

The fair value of an asset or liability is measured assuming that market participants act in their best economic interest when determining the price of an asset or liability. The fair value measurement of a non-financial asset takes into account the market participant's ability to generate economic benefits through the greatest possible and best use of the asset or its disposal to another market participant

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

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

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

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

SEGMENT REPORTING

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

NET PROFIT PER SHARE

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

Methods of determining the financial result

REVENUE

The revenue from the sale of goods and products is recognized at fair value received or payable, minus rebates, discounts and sales taxes related to the sales, and it is recognized at the time the goods and products are delivered and the risks and benefits resulting from ownership of the goods and products are transferred to the buyer as well as when the amount of revenue can be measured reliably. In particular, the revenue from sales of residential and commercial properties is recognized in accordance with IAS 18 and IFRIC 15 at the time of transfer of ownership of such units after the completion of the facility and obtaining an occupancy permit for the units. The revenue from the rental of residential and commercial space is recognized on a linear basis over the contract period. The revenue from legal, consulting, IT, financial, marketing, assurance and other sales services are recognized in the period in which the services are provided.

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. This item also includes costs that are directly related to revenue from related entities on account of services provided (including investment services, construction and engineering consultancy).

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. The detailed identification of the costs associated with employees' salaries as part of the cost of sales, is made on the

basis of the employee's working time records, broken down into the individual projects developed.

ADMINISTRATIVE COSTS ASSOCIATED WITH PROJECTS

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

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

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

EXTERNAL FINANCING COSTS

Financial costs related to the current period are recognized in the profit and loss account, except for costs subject to activation in accordance with the solution included in IAS 23. The Company activates the part of financial expenses which is directly related to the acquisition and production of financial assets requiring a longer preparation period for their intended use or sale, recognized as stock and projects commenced. The activation concerns the amount of financial expenses determined using an effective interest rate minus net cash receipts (i.e. interest on bank deposits, except for deposits resulting from blockades or accreditation agreements) in the case of targeted financing incurred for a given construction

project. General financing costs subject to capitalization are determined using the capitalization rate with respect to the expenditure incurred for a given element of assets.

INVENTORY

Inventory includes: semi-finished products, products in progress and finished products as well as commodities. Owing to the specific nature of the activity, land or perpetual usufruct of land are classified as production in progress – if the land is to be developed for further resale, or as commodities – if the land is for sale. Production in progress also covers the expenditure associated with the implementation of projects for sale, such as the expenditure on:

- design services, construction work, etc. provided by third parties, salaries of the people employed in construction teams. Detailed identification of costs related to employee salaries, which is included in the cost of goods sold, is made on the basis of the employee's record files, broken down into individual projects.

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

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

Change of accounting policy

Annual standalone financial statements were prepared in accordance with IAS.

The accounting policies applied by the Company in these annual standalone financial statements are the same as those applied by the Company in its standalone financial statements for the year ended 31 December 2017, except for voluntary change in accounting policies of the Company and the application of the new standards, changes to the standards and amendments which became effective as of 1 January 2018.

Voluntary change of accounting policy

The Management Board of the Company decided to introduce the voluntary change in accounting policy with respect to accounting for revenue from sale of residential and commercial units and related costs of sales. Revenues were historically accounted for in accordance with IAS 18 'Revenue' once the notarial deed transferring the ownership of the unit was signed, which happened after the development project was finalized and occupancy permit was obtained. In the opinion of the Management, the provisions of newly adopted IFRS 15 'Revenue from contracts with customers' are not changing that rule. Having analyzed, inter alia the current market practice, the Management decided however, that the moment that better reflects transfer of significant risks and rewards (transfer of control under IFRS 15) to the customer occurs once the apartment is handed over. This happens based on hand over protocol signed by the parties and always after the development process is completed, occupancy permit is obtained and the customer paid 100% of the sale price. In the opinion of the Management Board, fulfilment of these condi-

tions eliminates risk related to development process and effectively leads to transfer of risks and rewards (transfer of control). In the course of the analysis, the Management Board of the Company analyzed historical cases of with-drawal from the sale contract after signing the hand over protocol and found out that these are extremely rare, which confirms the above conclusions.

The adopted change leads to quicker recognition of sales revenues and related costs of sales and, as a result, sales margin on sale of units. In accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' the change made is required to be accounted for retro-spectively. The opening balance of the earliest presented period, i.e. 1 January 2017, was restated with adjustment to retained earnings recognized. In addition comparative data were restated as if the change of the accounting policy had always been applied.

To sum up, the Company has decided to change its accounting policy because in the opinion of the Management Board new revenue recognition rules will provide more reliable and useful information. The new accounting policy better reflects the economic substance of sales transactions of residential premises, including the moment of transfer of risks and rewards, and is consistent with the observed market practice applied by other residential developers.

New accounting policy is in line with International Financial Reporting Standards, especially with IFRS 15 'Revenue from contracts with customers'. The comparative data in these financial statements have been restated accordingly. The impact of the above changes on particular items of the statement of financial position as at 31 December 2017, as well

as the profit and loss account for the period from 1 January 2017 to 31 March 2017 is presented in the tables below.

Major changes in the comparable data as at 31 December 2017:

STATEMENT OF FINANCIAL POSITION [PLN '000]

	Data transformed	Data confirmed	Change
ASSETS			
Deferred income tax	13 840	14 366	(526)
Inventory	217 987	229 422	(11 435)
EQUITY AND LIABILITIES			
Profit brought forward	2 008	2 165	(157)
Net profit	634 896	632 496	2 400
Deposits and advanced payments	51 502	65 706	(14 204)

CONDENSED PROFIT AND LOSS ACCOUNT [PLN '000]

	Data transformed	Data confirmed	Change
Revenues	458 925	446 244	12 681
Cost of sales	(330 790)	(321 072)	(9 718)
Gross profit	128 135	125 172	2 963
Operating profit	725 413	722 450	2 963
Profit before tax, financial revenues and costs			
Profit (loss) before tax	660 845	657 882	2 963
Income tax	(25 949)	(25 386)	(563)
Net profit	634 896	632 496	2 400

Major changes in the comparable data as at 1 January 2017:

STATEMENT OF FINANCIAL POSITION [PLN '000]

	Data transformed	Data confirmed	Change
ASSETS			
Deferred income tax	39 787	39 751	36
Inventory	348 921	350 637	(1 716)
EQUITY AND LIABILITIES			
Profit brought forward	272 375	272 531	(156)
Net profit	-	-	-
Deposits and advanced payments	64 590	66 114	(1 524)

Material estimates of the Company's management board

To prepare the financial statements, the Company's Management Board had to make certain estimates and assumptions, which are reflected in the statements. The actual results may differ from the estimates. Main areas where the Management Board's estimates materially affect the financial statements:

INVENTORY

When estimating the write-down on in-inventory held by the Company as of the balance sheet date, information from the active market regarding the expected sales prices and current market trends as well as information from preliminary sales agreements concluded by the Company is analysed.

Assumptions used when calculating the write-down mainly relate to market prices of property applicable in a given market segment. According to the Management

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

IMPAIRMENT OF INTERESTS IN SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES

An impairment test is conducted when there are indications that the carrying value of an investment will not be recovered. The assessment of the impairment of interests in subsidiaries, jointly-controlled and associated companies is based on

an analysis of the fair value of assets and liabilities held by the companies and the expected prospective cash flows from the operations of such companies. In the course of the assessment, the Company also evaluates the duration and extent to which the current value of the shares is lower than its purchase price and a company's perspectives and plans for its investment developments. All material impairment of the fair value of assets in subsidiaries have been regarded to be long-term by the Management Board and have resulted in impairment losses on interests in subsidiaries. In particular, for material subsidiaries which, as at 31 December 2018, did not run any material operating activity, the value of the recognised write-downs corresponds to the total difference between the net value of the subsidiary's assets and the purchase price of the interests.

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

	Value calculated for the analysis	
	As at 31.12.2018	As at 31.12.2017
Interests, shares and funds held	1 146 298	2 648 207
Financial revenues/expenses from the measurement of interests, shares and fund	32 649	(3 121)
Estimated percentage change in the value of interests, shares and funds	+/- 1 p.p.	+/- 1 p.p.
Estimated financial revenues/expenses from a potential change in the value of interests, shares and funds	11 463	26 482
Total effect on the gross profit for the period	11 463	26 482
Income tax	2 178	5 032
Total effect on the net result for the period	9 285	21 450

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

DEFERRED INCOME TAX

The Company's Management Board is obliged to assess the probability of the realisation of deferred income tax assets. When preparing the financial statements, the Company estimates the value of the deferred income tax provision and asset based on, among other things, the value of prospective income tax burden. The process involves analysing current income tax burden and the value of temporary differences from different treatment of transactions in terms of fiscal and accounting aspects, resulting in the creation of deferred income tax assets and provisions.

A number of assumptions are adopted for determining the value of deferred income tax assets and provisions in the assessment process described above. The above estimates take account of fiscal forecasts, historic tax burden, currently available strategies for planning the Company's operating activity and timelines for realising the individual temporary differences. Since the above estimates may change due to external factors, the Company may periodically adjust the deferred income tax assets and provisions, which in turn may affect the Company's financial standing and performance.

UNCERTAINTY CONNECTED WITH TAX SETTLEMENTS

The regulations concerning the tax on goods and services, corporation tax and social security charges are subject to fre-

quent changes. These frequent changes lead to the absence of relevant benchmarks, inconsistent interpretations and a few established precedents that might be applicable. Existing regulations also contain ambiguities that cause differences in opinions as to the legal interpretation of the tax legislation, between state authorities as well as state bodies and businesses. Tax settlements and other areas of activity (for example customs or foreign exchange) may be subject to inspection by the authorities that are entitled to impose high penalties and fines as well as any additional tax liability resulting from checks must be paid with a high interest. These conditions make the tax risk in Poland higher than in the countries with more mature tax systems. Consequently, the amounts presented and disclosed in the financial statements may change in the future as a result of the final decision of the tax auditing authority.

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

operation was artificial. Any occurrence of: – unreasonable division of operations, – involvement of intermediaries despite the lack of economic or economic justification, elements that are mutually abrasive or compensatory and – any other actions of similar effect to the aforementioned, may be treated as a premise of the existence of artificial operations subject to GAAR regulations. The new regulations will require much greater judgment when assessing tax consequences of individual transactions. The GAAR clause should apply to transactions closed after it enters into force and to transactions that were closed before the GAAR clause entered into force, for which advantages were or still are being achieved after the date of the clause's entry into force. The implementation of the above provisions will allow Polish tax authorities to question the legal arrangements and agreements such as restructuring and reorganization of the group.

Financial risk management

PRICE RISK

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

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

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

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

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

	Value calculated for the analysis	
	As at 31.12.2018	As at 31.12.2017
Granted loans' balance	487 125	328 740
Financial income from granted loans' interests	20 236	3 624
Estimated change in the interest rates	+/- 1 p.p.	+/- 1 p.p.
Estimated change in the interest rates on financial revenue due to granted loans' interests	4 871	3 287
Total impact on the gross results for the period	4 871	3 287
Income tax	927	625
Total impact on the net results for the period	3 945	2 662

The Company granted loans in PLN with a variable interest rate dependent on WIBOR + margin. If on 31 December 2018,

interest rates had been higher or lower by 1 percentage point that current interest rates, the Company's net profit would

have been higher or lower by PLN 927 thousand on account of higher or lower interest on loans granted in PLN.

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

	Value calculated for the analysis	
	As at 31.12.2018	As at 31.12.2017
Balance of liabilities on debt securities issue	1 121 173	1 286 351
Financial costs of debt securities issue's interests	(55 033)	(48 787)
Estimated change in the interest rates	+/- 1 p.p.	+/- 1 p.p.
Estimated financial costs of debt securities issue's interests rates, taking into account increase / (decrease) of interests rates	11 212	12 864
Total impact on the gross results for the period	11 212	12 864
Income tax	2 130	2 444
Total impact on the net results for the period	9 082	10 420

INTEREST RATES' RISK - CASH [PLN '000]

	Value calculated for the analysis	
	As at 31.12.2018	As at 31.12.2017
Balance of cash	189 366	248 850
Other operational income from interests	132	194
Estimated change in the interest rates	+/- 1 p.p.	+/- 1 p.p.
Estimated other operational income from interests taking into account interests rates' changes	1 894	2 489
Total impact on the gross results for the period	1 894	2 489
Income tax	360	473
Total impact on the net results for the period	1 533	2 015

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

	Value calculated for the analysis	
	As at 31.12.2018	As at 31.12.2017
Balance of loans and borrowings	50 000	50 000
Financial costs of interests	(1 736)	(1 916)
Estimated change in the interest rates	+/- 1 p.p.	+/- 1 p.p.
Estimated financial costs of loan interest as a result of interest rate's change	500	500
Total impact on the gross results for the period	500	500
Income tax	95	95
Total impact on the net results for the period	405	405

FX RISK

As of the balance sheet date and during the financial year, the Company did not hold any other material foreign currency cash. Therefore, the risk has been esti-

mated as not material and no analysis has been performed of the exposure of other balance sheet items to changing foreign exchange rates.

CREDIT RISK

The credit risk occurs in cash, borrowings granted, derivatives, deposits in banks and financial institutions as well as, in relation to the Company's customers and tenants, in the form of unsettled amounts due. The nature of the Company's operations in the area of the sale of residential space, lease and services means that the Company

is not exposed to significant credit risk. As at 31 December 2018, the Company estimated the value of impairment write downs on trade receivables, applying a provision matrix based on historical data regarding the repayment of receivables by counterparties 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 amount of the loss allowance.

Exposure and the amount of the loss allowance as to 31 December 2018

WRITE-OFF ON EXPECTED LOANS LOSS AS AT 31.12.2018 [PLN '000]

Period	The weighted average of default rates	The gross value of commercial receivables	The loss allowance
ongoing	0,00%	30 091	-
1-30	0,00%	5 042	-
31-90	0,02%	2 487	1
91-360	0,26%	11 359	29
>361	74,79%	500	374

The Company has procedures in place to protect the credit worthiness of its customers and tenants; security deposits and guarantees are also used for tenants. There is no significant concentration of risk in relation to any of the Company's customers outside the Echo Investment Group. In relation to related entities, the credit risk, in the opinion of the Management Board, is minimised through regular monitoring of operating activities and the assessment of investment projects of

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

With regard to all classes of financial assets, the Company considers that the credit risk associated with financial instruments is too low. In the opinion of the Management Board, in view of the presented activity characteristics, the risk of non-performance of contractual

obligations is small, the debtors of the Company have a high short-term ability to fulfil their obligations within the scope of contracts concluded with the Company, and possible adverse changes in business and economic 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.

LIQUIDITY RISK

The liquidity risk occurs when the Company is unable to settle its financial liabilities in due time. The Company manages the liquidity risk by maintaining an adequate amount of supplementary capital, using bank services and reserve loan facilities, and by constantly monitoring the forecast and actual cash flows. Given the dynamic nature of its business, the Company ensures flexible funding through the availability of cash and by diversifying the sources of funding.

In the opinion of the Management Board, the Company has sufficient cash to settle all liabilities in due time. In the long term, the liquidity risk is minimised by the available bank loans. At any time, the Company may use sufficient funds from the loan facilities granted by banks. The analyses of the Company's financial liabilities and derivatives settled in the net amount which will be settled at specific maturities, based on the period remaining until the contractual maturity as of the

balance sheet date, have been presented in the respective notes: loans, borrowings, debt securities, trade receivables and trade liabilities.

Analysis of the Company's undiscounted financial liabilities which will be settled at specific maturities, based on the period remaining until the contractual maturity as of the balance sheet day 31 December 2018 and 31 December 2017:

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

Period	Guarantees	Bonds	Trade and other payables	Loans
Up to 1 year	603 422	217 725	54 613	50 000
1 - 3 years	469 749	483 671	-	-
3 - 5 years	-	420 368	-	-
Over 5 years	142 481	-	-	-
Total	1 215 651	1 121 764	54 613	50 000

The debt ratios as at 31 December 2018 and 31 December 2017 were in line with the Company's targets.

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

Period	Guarantees	Bonds	Trade and other payables	Loans
Up to 1 year	198 199	451 122	90 292	50 000
1 - 3 years	686 263	258 218	-	-
3 - 5 years	121 583	577 011	-	-
Over 5 years	51 830	-	-	-
Total	1 057 875	1 286 351	90 292	50 000

Capital risk management

The Company's objective in terms of capital management is to protect the Company's ability to continue its business, allowing for the generation of returns for the shareholders, and to maintain an optimal structure of capital to reduce its cost.

When managing this risk, the Company makes decisions on the financial leverage, the dividend policy, the issue of new shares, the repurchase and subsequent redemption or resale of the issued shares, or the sale of assets to reduce debt. The Company monitors the capital using debt ratios.

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

DEBT RATIO [PLN '000]

	Note	31.12.2018	31.12.2017
Total loans, borrowings and bonds	14, 16	1 171 173	1 657 215
Liability for dividend	24	-	-
Cash and equivalents	11	(189 366)	(248 850)
Net debt		981 807	1 408 365
Total equity		1 445 914	1 816 172
Total capital		2 427 721	3 224 537
Debt ratio		40,44%	43,68%

The value of debt ratios, as at 31 December 2018 and 31 December 2017 respectively, was consistent with the Company's objectives.

Material agreements concluded with related entities

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

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

MATERIAL AGREEMENTS CONCLUDED WITH RELATED ENTITIES AND PERFORMED DURING 2018 [‘000 PLN]

Subject of the contract	Date of agreement	Contractor - investor	Value
Comprehensive investment management and consulting services in all matters related to the construction of Galeria Libero shopping centre in Katowice	01.07.2016	Galeria Libero - Projekt Echo - 120 Sp. z o.o. Sp.K.	6 483
Contract of leasing services for Galeria Libero shopping centre in Katowice	02.02.2011	Galeria Libero - Projekt Echo - 120 Sp. z o.o. Sp.K.	2 771
Comprehensive investment management and consulting services in all matters related to the construction of the office complex phase II in Wrocław	01.04.2016	Sagittarius - Projekt Echo - 113 Sp. z o.o. Sp.K.	1 794
Contract of leasing services for the complex of office buildings on Grzybowska St. in Warsaw	01.09.2016	Dellia Investments - Projekt Echo - 115 Sp. z o.o. Sp.K.	4 067
Contract of the collateral's provision	16.12.2016	Q22 - Projekt Echo - 128 Sp. z o.o. Sp.K.	2 100
Contract of construction management and leasing of the Galeria Młociny in Warsaw	31.05.2017	Berea Sp. z o.o.	16 540
Comprehensive investment management and consulting services in all matters related to the construction of an office building on Grzybowska St. in Warsaw	30.06.2017	Dellia Investments - Projekt Echo - 115 Sp. z o.o. Sp.K.	2 824
Comprehensive investment management and consulting services in all matters related to the construction of an office building on Beethovena St. in Warsaw	01.08.2017	Projekt Beethovena - Projekt Echo - 122 Sp. z o.o. S.K.A.	3 122
Comprehensive investment management and consulting services in all matters related to the construction of a project on Grzybowskie st. in Warsaw	01.10.2017	Echo - Browary Warszawskie Sp. z o.o. Sp.K.	2 815
Contract of brokering in search for buyers of a property	01.08.2018	Sagittarius - Projekt Echo - 113 Sp. z o.o. Sp.K.	2 664
Comprehensive investment management and consulting services in all matters related to the construction of an office building in Katowice	01.06.2018	Projekt 20 - Grupa Echo Sp. z o.o. S.K.A.	2 441
Agreement regarding the performance of consulting, management, legal and engineering tasks necessary to manage the investment	29.06.2018	Dellia Investments - Projekt Echo - 115 Sp. z o.o. Sp.K.	1 898
Sale agreement for the ownership of a property on Św. Stanisława 1 St. in Warsaw	23.03.2018	Senia 2 Sp. z o.o.	1 550

MATERIAL AGREEMENTS CONCLUDED WITH RELATED ENTITIES AND PERFORMED DURING 2018 [‘000 PLN]

Subject of the contract	Date of agreement	Contractor - investor	Value
Comprehensive investment management and consulting services in all matters related to the construction of a residential for rent building on Grzybowska St. in Warsaw	01.12.2017	Dellia Investments - Projekt Echo - 115 Sp. z o.o. Sp.K.	2 184

Listed above transactions with related entities concern subsidiaries.

TRANSACTION WITH RELATED ENTITIES AS AT 31.12.2018 [‘000 PLN]

Related entity	Sales	Purchase	Receivables	Liabilities
Subsidiaries	171 584	81 717	22 806	3 002
Management of the Company	3	-	-	-
Total	171 587	81 717	22 806	3 002

TRANSACTION WITH RELATED ENTITIES AS AT 31.12.2017 [‘000 PLN]

Related entity	Sales	Purchase	Receivables	Liabilities
Subsidiaries	133 180	31 355	48 847	3 025
Management of the Company	1	-	-	-
Total	133 181	31 355	48 847	3 025

Material post-balance sheet events

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

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

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

12.2 Review of potential strategic options by major shareholder

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

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

12.3 The change in the law concerning perpetual usufruct

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

Remuneration of the Management Board and Supervisory Board

REMUNERATION OF THE MANAGEMENT BOARD [PLN]

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

THE CEO' BONUS SYSTEM

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

- annual performance-based bonus, paid for 2018 in the amount specified above,
- additional performance-based bonus described below.

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

The contract was signed for 5 years and the remuneration is payable at the end of the term of the contract. According to the amendment for the agreement, in 2017 Nicklas Lindberg received and advanced payment for additional bonus remuneration amounted to PLN 3,392 thousand gross (payment was reduced by an advanced tax liability). This payment will decrease the final amount of total additional bonus payment. In addition, should the contract be terminated earlier by mutual agreement of the parties, Mr Lindberg is entitled to receive a partial bonus of 1/5 of the entire amount due to him per each year of his work. Estimation of Nicklas Lindberg's incentive program value for accounting purposes on 31 December 2018 amounts to PLN 6,717,308 and on 31 December 2017 - to PLN 3,684,457.



REMUNERATION OF MEMBERS OF THE MANAGEMENT BOARD

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

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

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

REMUNERATION OF THE SUPERVISORY BOARD [PLN]

	2018		2017	
	From Echo Investment S.A.	For holding functions or providing services to other companies of the Group	From Echo Investment S.A.	For holding functions or providing services to other companies of the Group
Karim Khairallah	-	-	-	-
Laurent Luccioni	-	-	-	-
Mark E. Abramson (appointed on 16.10.2017)	130 333	-	12 581	-
Maciej Dyjas	60 000	-	60 000	-
Stefan Kawalec	180 000	-	180 000	-
Przemysław Krych (resigned on 20.12.2017)	-	-	58 226	-
Nebil Senman	60 000	-	60 000	-
Sebastian Zilles	-	-	-	-
Total	430 333	-	370 807	-

REMUNERATION OF THE SUPERVISORY BOARD

The remuneration of the Supervisory Board is determined in the form of resolutions of the General Meeting of the Company's Shareholders. The resolution which is currently in force is resolution no. 23 of the General Meeting of Shareholders of 25 April 2018, which determines the amount of remuneration for Supervisory Board members as follows:

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

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

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

Agreements concluded with an entity authorised to audit financial statements

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

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

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

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

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

The document is signed with qualified electronic signature

Nicklas Lindberg

President of the Board, CEO

Maciej Drozd

Vice-President of the Board, CFO

Artur Langner

Vice-President of the Board

Marcin Materny

Member of the Board

Rafał Mazurczak

Member of the Board

Waldemar Olbryk

Member of the Board

Małgorzata Turek

Member of the Board

Anna Gabryszewska-Wybraniec

Chief Accountant

Kielce, 20 March, 2019

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 standalone financial statements for 2018 and comparative data have been presented in compliance with the applicable accounting principles, and that they reflect in a true, reliable and transparent manner the economic and financial situation of Echo Investment S.A. and its financial result. The management report of Echo Investment S.A. presents a true view of development, accomplishments and situation of Echo Investment S.A., including a description of fundamental risks and threats.

The Management Board of Echo Investment S.A. declares that the entity authorised to audit financial statements, auditing the annual financial statements for 2018, was selected in accordance with the laws. This entity and the statutory auditors conducting the audit fulfilled the conditions required to express an unbiased and independent opinion on the audited annual financial statements, pursuant to the applicable laws and professional standards.

The document is signed with qualified electronic signature

Nicklas Lindberg

President of the Board, CEO

Maciej Drozd

Vice-President of the Board, CFO

Artur Langner

Vice-President of the Board

Marcin Materny

Member of the Board

Rafał Mazurczak

Member of the Board

Waldemar Olbryk

Member of the Board

Małgorzata Turek

Member of the Board

Kielce, 20 March, 2019

Contact

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