

FINANCIAL REPORT OF ECHO INVESTMENT

H1 2019



Content

Message from CEO	4
CHAPTER 1	
MANAGEMENT BOARD REPORT	7
01. General information about the Company and its Group	8
The Management Board of Echo Investment S.A	9
The Supervisory Board of Echo Investment S.A.	10
02. Strategy of Echo Investment Group	11
03. Business model	12
04. Ownership structure of Echo Investment S.A. and description of shares	13
05. Major events in H1 2019	15
06. Major events after the balance sheet day	21
07. Residential segment – market outlook and Echo Investment business activities	25
08. Office segment – market outlook and Echo Investment business activities	29
09. Retail segment – market outlook and Echo Investment business activities	31
10. Investment – market outlook and Echo Investment business activities	33
11. The Groups segments – financial structure	35
12. Portfolio of properties	38
13. Main investments in H1 2019 – acquisition of properties	47
14. Factors and one-off events influencing the financial result in Q2 2019	48
15. Factors which will influence the results of the Company and its Group in the perspective of at least the following quarter	49
16. Seasonal or cyclical nature of operations	50
17. Information on dividend	51
18. Financial liabilities of the Company and its Group	53
19. Off balance sheet liabilities	56
20. Remuneration of the Management Board and Supervisory Board	61
21. Influence of the results disclosed in the report for Q2 2019 on fulfilment of result forecasts	64
22. Court, arbitration or public administration proceedings	64
23. Material transactions concluded by the Company or its subsidiary with related parties on terms other than market terms	65
24. Agreements concluded with an entity authorised to audit financial statements	66

CHAPTER 2	
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS	67
EXPLANATORY NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENT	75
INFORMATION ON FINANCIAL STATEMENT OF THE ECHO INVESTMENT GROUP	98
01. Accounting principles adopted in drawing up the financial report of Echo Investment Group	99
02. Echo Investment Group	103
03. Estimates of the Management Board of the Echo Investment Group	109
04. Application of new and amended standards and interpretations issued by the IFRS Interpretations Committee	112
05. Published standards and interpretations which are not effective yet and have not been adopted by the Company	115
06. Effects of changing the accounting principles	116
CHAPTER 3	119
CONDENSED INTERIM STANDALONE FINANCIAL STATEMENTS OF ECHO INVESTMENT S.A.	119
EXPLANATORY NOTES TO THE INTERIM CONDENSED STANDALONE FINANCIAL STATEMENT	126
Explanatory notes to the statement of financial position	127
Explanatory notes to the profit and loss account	153
INFORMATION ON FINANCIAL STATEMENT OF ECHO INVESTMENT S.A.	159
01. Accounting principles adopted in drawing up the semi-annual report of Echo Investment S.A.	160
02. Effects of changing the principles of accounting used	161
03. Methods of determining the financial result	163
04. Material agreements made by Echo Investment S.A. with related parties	165
05. Estimates of the Management Board	167
Contact	171



Dear Shareholders, Partners and Clients,

It is with great pleasure that I present Echo Investment's strong financial report for the first half of 2019, explaining our financial standing and ambitious expansion plans. We continued our growth and maintained a leading position in the markets in which we operate. In this report, I will point out some great achievements, starting with high sales of apartments, through excellent results in leasing office buildings, to the development of the Resi4Rent platform and land purchases for future growth of our business.

In Q2 2019, Echo Investment generated over PLN 36 million net profit, that was due primarily to the increase in the value of projects under construction. The result was also driven by apartments handed over to clients, rents received from the lease of office space in O3 Business Campus III in Krakow and Moje Miejsce I in Warsaw, as well as rents from in Libero in Katowice.

Multifunctional 'destination' projects

Echo Investment is focused on developing multifunctional, 'destination' complex projects, new parts of cities attracting people to live in, work and spend their free time. This part of the business today amounts up to ca. 42% of the total sqm of projects under construction and projects in the pipeline. Today, the ongoing 'destination' projects are Warsaw Brewery and Fuzja in Łódź. In Warsaw Brewery we are getting close to the end of construction works, so we devote a lot of attention to the central part of the project – the squares, a brewery inside the project, restaurants in the historical cellars creating a food hall and the greenery that will not only facilitate meeting places in the project but also create a new meeting points in Warsaw. Shortly we will show you both the excellent concept of developing this area, as well as the first restaurant operators and their ideas for new, attractive formats. That is an exciting moment in this project, and I can't wait for hearing your opinion.

Construction works at Łódź-based Fuzja are proceeding according to schedule. The first residential buildings we put up for sale received a big interest from clients as they really like destination project consisting of both new and historical buildings, so shortly we will start another residential and office phases of this project. At the same time, we started to revitalize the facade of the historic power plant, which will be the heart of this project.

These projects are possible only by putting together all the competences within the company and experience to create urban destinations where the inhabitants of the cities can live, work and entertain.

Residential

We have entered the most intense period for the residential department when the vast majority of this year's housing projects will be commissioned and handed over to clients. In the first half of the year, we handed over the keys to 77 apartments. In July and August, it was 153 units, while the full-year goal is to book the revenues and profits from the handover of approximately 1,250 apartments. We are well on our way to achieving this goal but the coming months are crucial as we are handing over 1000 apartments to clients. We have strengthened the organisation to be able to deliver high quality that Echo Investment stands for.

Thanks to the gradual extension of the offer we can maintain high sales dynamics. Since the beginning of the year, we have signed on average 100 sale contracts per month. By the end of August, we sold 810 units, so the annual sales target of 1,300 premises is within reach. That will mean over 30% growth compared to 2018. We are introducing new, attractive projects, such as the second stage of Nasze Jeżyce in Poznań, Stacja 3.0 at Mińska street in Wrocław, or Stacja Wola at Ordona street in Warsaw. However,

we still have an appetite for increasing our market share to be in line with our target of 2,000 units sold by 2020 as communicated earlier.

Considering the development of the residential business, from the beginning of 2019, Echo Investment purchased land in Kraków, Wrocław, Poznań and Warsaw, where approximately 76,000 sqm of apartments will be developed. Additionally we secured land by preliminary contracts that will extend our landbank by 160,000 sq m of apartments. One of the most significant acquisition is a plot near Domaniewska, Wołoska and Postępu streets in Warsaw, which we are taking over from the Immofinanz group. This shows our determination to achieve a better and better position on the market.

Resi4Rent

The Resi4Rent platform is growing. At the end of this year it will have two completed projects in Wrocław and Łódź with 513 apartments in total. A couple of days ago, we received an occupancy permit for the first project Rychtalska in Wrocław. Apartments are currently being fitted out and equipped with furniture and soon the intensive lease process will be started. We can see a big interest from potential tenants to rent the apartments. By the end of this year, the platform will also receive an occupancy permit for the Wodna project in Łódź, while at the beginning of 2020 - for the second project in Wrocław - Kępa Mieszcząńska at Dmowskiego street.

Resi4Rent has a landbank secured for ca. 3,300 apartments to be started and completed by 2022. Additional plots for 1,800 apartments are under negotiations. We are now also working hard to secure more land to hit our target of 7500 apartments under operation/construction by 2024.

In the first half of the year, the platform started construction of two projects in Warsaw at Taśmowa and Woronicza streets, which will offer 600 units in total. In the third quarter, it began construction of a project in Gdańsk, and plans to start another project in Poznań in September.

Office

At the end of the second quarter of 2019, Echo Investment held office buildings under construction with a total leasable area of 140,000 sqm. A big part of the space under construction is either leased or under advanced negotiations.

In May, the construction of the first office building of Moje Miejsce in Warsaw was completed and the

construction of the second phase of this complex was started. The construction of the React office building in Łódź started in the same month. Construction of Midpoint 71 in Wrocław and the office building in Gdańsk at Nowomiejska street is planned to start by the end of the year

In Katowice, as scheduled, two phases of the Face-2Face complex with 47,000 sqm of lease area are being developed. At the same time, agreements with key tenants are signed, including Medicover, Orange or Perform DAZN. The first building of the complex is already 77 % leased, while the second in 42% and the remaining space are under advanced negotiations with tenants.

The office buildings developed by Echo Investment are gaining the trust of banks. In April, Bank Pekao signed a loan agreement with Echo Investment for the construction of the Villa Offices and the Malthouse Offices. The loan amounts to EUR 87 million. Bank Millennium granted over EUR 20 million loan for the construction of West 4 Business Hub in Wrocław. In the third quarter of 2019, BNP Paribas Bank Polska granted Echo Investment over EUR 19 million loan for the construction of the React office building in Łódź. These agreements confirm the quality of Echo Investment's projects and the trust of the financing institutions.

Retail

In H1 2019, the most significant event for retail department was the opening of Galeria Młociny in Warsaw. Only for the first four days, it was visited by over 220,000 guests. It is fully leased by great retail brands that have prepared refreshed or completely new concepts of their stores. Exceptional eight-meter-high shopfronts, located on the first floor, allow for product display unprecedented in Warsaw. A magnet for clients is the restaurant and entertainment zone, that occupies about 6,000 sqm of space on the top floor. The international retail chain Primark also confirmed its presence in Galeria Młociny. The store at Galeria Młociny will be their first location in Poland. The chain has leased 5,700 sqm (of which 3,700 to be retail space), the premises have already been taken over and fitting-out works are already in progress. I am convinced, that Primark store will be a great anchor tenant, increasing Galeria Młociny attractiveness and supporting footfall and turnover for all retailers. In the third quarter, nearly 40 brands opened their stores at Galeria Młociny, including Forever, New Balance and Lee Cooper, while the food court enriched its offer with Japanese cuisine of the Menya Musahi restaurant. With the unique mix between food&beverage and entertainment on the top

floor of the center combined with offices and retail we are sure this is in line with future retail destinations.

Financial standing

Echo Investment enjoys a very stable financial situation and a low net asset-to-debt ratio, which as at June 30, 2019, was at 28%. The value of assets under construction steadily increases: in the second quarter it was 21% higher than in the corresponding period of 2018. At the same time, the value of housing projects increased by 63%. The Group maintains a high cash

balance: at the end of June 2019, we had PLN 302 million on our accounts.

The stable and continuous growth of our business is one of the pillars of our development strategy. Since the beginning of the year Echo has acquired 109,200 sqm of the buildable land at the value of almost 40 mln EUR that will secure the future growth of the company.

I encourage you to study in detail our financial report for the first half of 2019.

Yours sincerely



Nicklas Lindberg
CEO of Echo Investment

CHAPTER 1

MANAGEMENT BOARD REPORT



General information about the Company and its Group

1996

Incorporation of Echo Investment



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

The parent company Echo Investment S.A., with its office in Kielce, al. Solidarności 36, was registered in Kielce on 23 July 1992. Echo is a Joint Stock Company entered in the National Court Register under no. 0000007025 by the District Court in Kielce, 10th Economic Division of the National Court Register.

Since 5 March 1996, the Company's shares are listed 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

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.



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

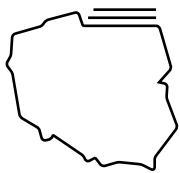


Strategy of Echo Investment Group

In 2016, the Management Board of Echo Investment with the approval of the Supervisory Board developed and implemented “The strategy of profitable growth”. According to its assumptions,

Echo Investment will accelerate the capital turnover and therefore generate higher returns for its shareholders. The Company intends to share profit in the form of regular dividends.

STRATEGY OF ECHO INVESTMENT



POLAND

It is the strongest economy and real estate market in the Central and Eastern Europe. Echo Investment, which has been operating on this market for two decades, knows perfectly its potential, background and principles of functioning. This is why the Company will focus on running projects in the most important Polish cities, which are at the same time the most attractive and liquid real estate markets: Warsaw, Tricity, Poznań, Katowice, Wrocław, Cracow and Łódź.



LEADERSHIP

Echo Investment is one of the biggest real estate development companies operating in Poland. The Company is active in three sectors: office, retail and residential. In accordance with the strategy of profitable growth, Echo Investment is going to be one of the leaders in each of the three sectors. This is going to translate into optimum use of resources and adequately large scale of activity.



FOCUS ON DEVELOPMENT

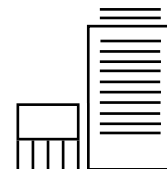
The focus of the adopted strategy model is on development activities, which include land acquisition, construction, lease, active management to increase the market value and then sale of finished project in optimal time for the possible return ratio, capital management, market expectations and trends. Commercial and residential properties under construction constitute majority of the group's assets.



STRATEGIC COOPERATION WITH RELIABLE PARTNERS

Echo Investment values long-term business relations with reliable partners, that created synergies for both sides. Development activities of Echo Investment are complementary to these entities. Such cooperation facilitates expanding Echo's scale of operation, accelerates speed of projects implementation and limits risks. Echo Investment assumes entering into joint-ventures for projects requiring

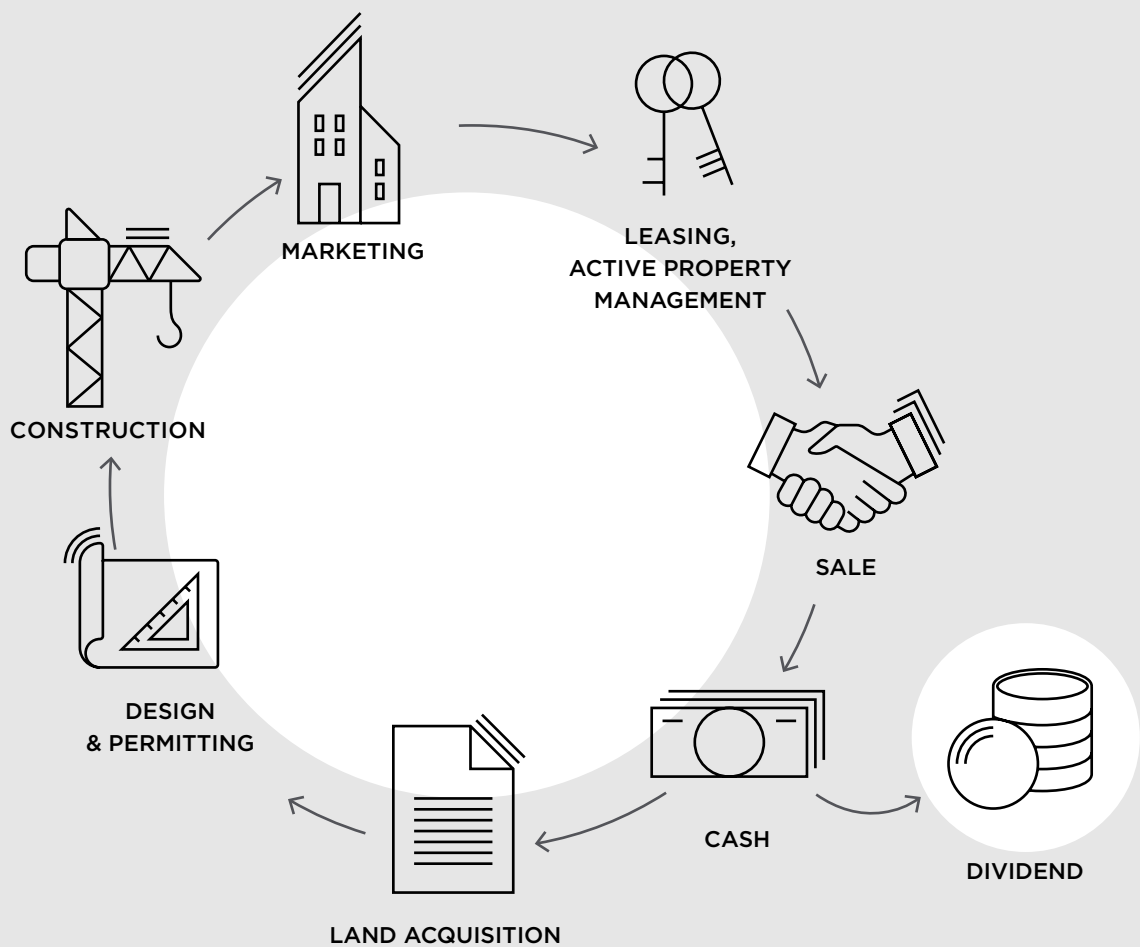
significant capital expenditures, providing its partners with services such as development, planning, leasing, accounting etc. Partners may also be offered by Echo with priority to acquire ready projects on market conditions. Material agreements between Echo Investment and its partners need to be discussed and approved by the Supervisory Board.



DESTINATION PROJECTS

Many years of experience in three real estate sectors gives Echo Investment a competitive advantage resulting from skills to develop large, multi-functional and destination projects. This is why, the Company can buy larger lands where unit price is lower and competition among purchasers is much lower. Combining functions allows to Company to complete a project earlier and design a complex city space.

Business model



Echo Investment Group runs the entire investment process in-house, starting with acquisition of property, through obtaining administrative permits, financing and oversight of construction, to leasing, completion, active property management to increase its

value, taking decision of sale and execution of this decision in optimal moment from return, cash management, expectation and market trends. These steps are taken in most cases through the special purpose vehicles (SPV). The core business of Echo Investment

Group falls into the following categories:

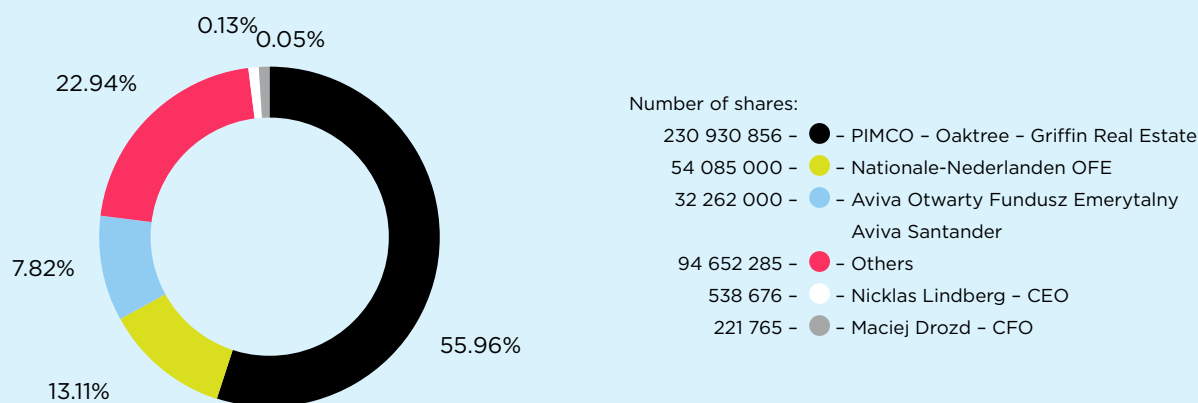
1. construction, lease, active property management to increase its value and sale of office buildings,
2. construction, lease, active property management to

increase its value and sale of retail buildings,

3. construction and sale of residential apartments
4. provision of services (general contractor, managing contractor, leasing, consulting etc.).

Ownership structure of Echo Investment S.A. and description of shares

SHAREHOLDERS OF ECHO INVESTMENT S.A. HOLDING MORE THAN 5% OF THE SHARE CAPITAL AS AT THE BALANCE SHEET DAY



4.1 Description of shares

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

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

4.2 Shareholding structure

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

Data concerning the shareholding structure as at the

balance sheet day result from information on shareholders participating in the Ordinary General Meeting of Echo Investment S.A. of 25 June 2019 and notifications sent to the Company by members of the Management Board.

4.3 Volume of the Company's shares held by managing and supervising persons

To the best of the Company's knowledge, among the persons in charge of Echo Investment S.A. management or supervisory functions, the shareholders of the Company are only Nicklas Lindberg, CEO and Maciej Drozd , CFO.

To the best of the Company's knowledge, none of the other members of the Management Board or the Supervisory Board is a shareholder of the Company directly or indirectly as at the date of publication of the report, none of them was a shareholder on 30 June 2019, as at the balance sheet day and since the beginning of 2019, and none of them concluded any transactions for shares in the Company.

VOLUME OF SHARES OF ECHO INVESTMENT S.A. HELD BY MEMBERS OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

Surname	Position in the company	Number of shares held	Share in the capital and votes at GMS
Nicklas Lindberg	President of the Board, CEO	538 676	0.13%
Maciej Drozd	Vice-President of the Board, CFO	221 765	0.05%

Major events in H1 2019



Fuzja 'destination' project on Tymienieckiego st. in Łódź

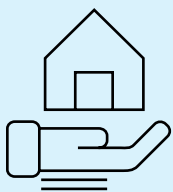
5.1 Starting the multifunctional project Fuzja on Tymienieckiego street in Łódź

Echo Investment has started construction of the new multifunctional project Fuzja in Łódź on Tymienieckiego street. It will be carried out at 7.7 hectares of land occupying the former textile factory of Karol Scheibler in Księży Młyn, which the company purchased in 2017. The city adopted a spatial development plan for this area in 2018, whereas a building permit for the first investment phase - two buildings with approx. 270 apartments became effective on January 2019. Their construction and sale started in April. The first residents will be able to move in at the beginning of 2021. Simultaneously with the completion of the first phase, a public square will be built in front of the power plant and access from Tymienieckiego street.

The project on Tymienieckiego street has the potential to develop around 90,000 sqm of residential, office and service space. The investment will be carried out in several stages. The entire complex will consist of 20 buildings, 14 of which are historical buildings, under conservation protection. The heart of this area will be the building of the former heat and power plant, which will be adapted to new functions. The development plan precisely specifies conservation requirements, and at the same time it leaves great flexibility as to the future functions of the buildings. As

part of the investment, there will also be city squares, common spaces and green areas, the total area of which will be almost 4 ha. Users of this area will have access to amenities such as parking spaces adapted to car sharing services, bicycle paths, bike service stations, parcel machines or publicly available electric loaders. The architectural design is being created in the Medusa Group studio. Fuzja project on Tymienieckiego street is another multifunctional investment after Warsaw Brewery and Moje Miejsce in Warsaw, in which Echo Investment can use experience in various sectors of the real estate market.

Fuzja 'destination' project
on Tymienieckiego st.
in Łódź



5.2 Issuance of PLN 33.8 mln worth of bonds for individual investors

PLN **33,8** mln

**Value of J and J-2-series bonds
placed for individual investors
in Q1 2019**

The Company placed 188,315 J-series bonds and 150,000 J2-series bonds, which were issued on the basis of the Prospectus approved by the Polish Financial Supervision Authority on 16 April 2018. The total issue value of the placed bonds was PLN 33,831,500. The subscription for J-series bonds lasted from 18 February to 1 March 2019, while J2-series bonds from 18 February to 25 February 2019. The allocation of the bonds took place on 5 March 2019. The interest rate on J-series and J2-series bonds is based on the WIBOR 6M rate increased by a 3.4% margin. The bonds have a 4.5-year maturity. The offering was organized by Dom Maklerski PKO Banku Polskiego and the consortium of Noble Securities S.A., Michael / Ström Dom Maklerski S.A. and Dom Maklerski Bank Ochrony Środowiska S.A.

5.3 Review of potential strategic options by major shareholder

The Management Board of Echo Investment S.A. announced that on 14 March 2019, it was notified by its majority direct and indirect shareholder, Lisala sp. z o.o. and Echo Partners B.V. that both entities have decided to undertake a review of the potential strategic options in relation to their investment in the Company and the further development of the Company's business. It cannot be excluded that as part of the process, to the extent permitted under applicable provisions of law, additional information on the Company and its capital group will be disclosed to selected entities. The review of strategic options may result in taking and implementing various types of actions and transactions, including those of a corporate nature. However, it may also be decided that no such action or transaction will be taken or implemented.

EUR **76,8** mln

The target amount of the sale transaction of Gatehouse Offices

5.4 Completion of the sale of Gatehouse Offices - the first office building of the Warsaw Brewery complex

On 29 March 2019, GLL Real Estate Partners signed an agreement with Echo Investment for the purchase of Gatehouse Offices - the first office building of Warsaw Brewery. The final sale price of the office building will amount to EUR 76.8 million, after meeting certain conditions. According to the agreement, the sale price is to be paid in two tranches. The first tranche in the amount of EUR 38.6 million net was paid immediately after the conclusion of the agreement, while the remaining part of the price - after meeting the conditions set by the parties - on 3 July 2019. Together with the first tranche, the purchaser paid the amount of VAT on the entire sale price. Along with the sale agreement, the parties entered into agreements for quality guarantee of the building and rent guarantee, according to which the purchaser is compensated for the loss of operating income resulting from incentives for tenants. The Gatehouse office building received the occupancy permit in the fourth quarter of 2018. It offers 15,700 sqm of space, occupied mainly by L'Oréal Polska, EPAM Poland and WeWork.

Warsaw Brewery is an area between Grzybowska, Wronia, Chłodna and Krochmalna streets, which Echo Investment will reweave into the urban fabric. It will be a new urban quarter, open to all, formed by a potpourri of residential buildings, office buildings and public squares, rest and recreation places, cafes, restaurants and shops.

PLN **100** mln

The value of bonds placed for institutional investors in the second quarter of 2019

5.5 Issuance of bonds for institutional investors

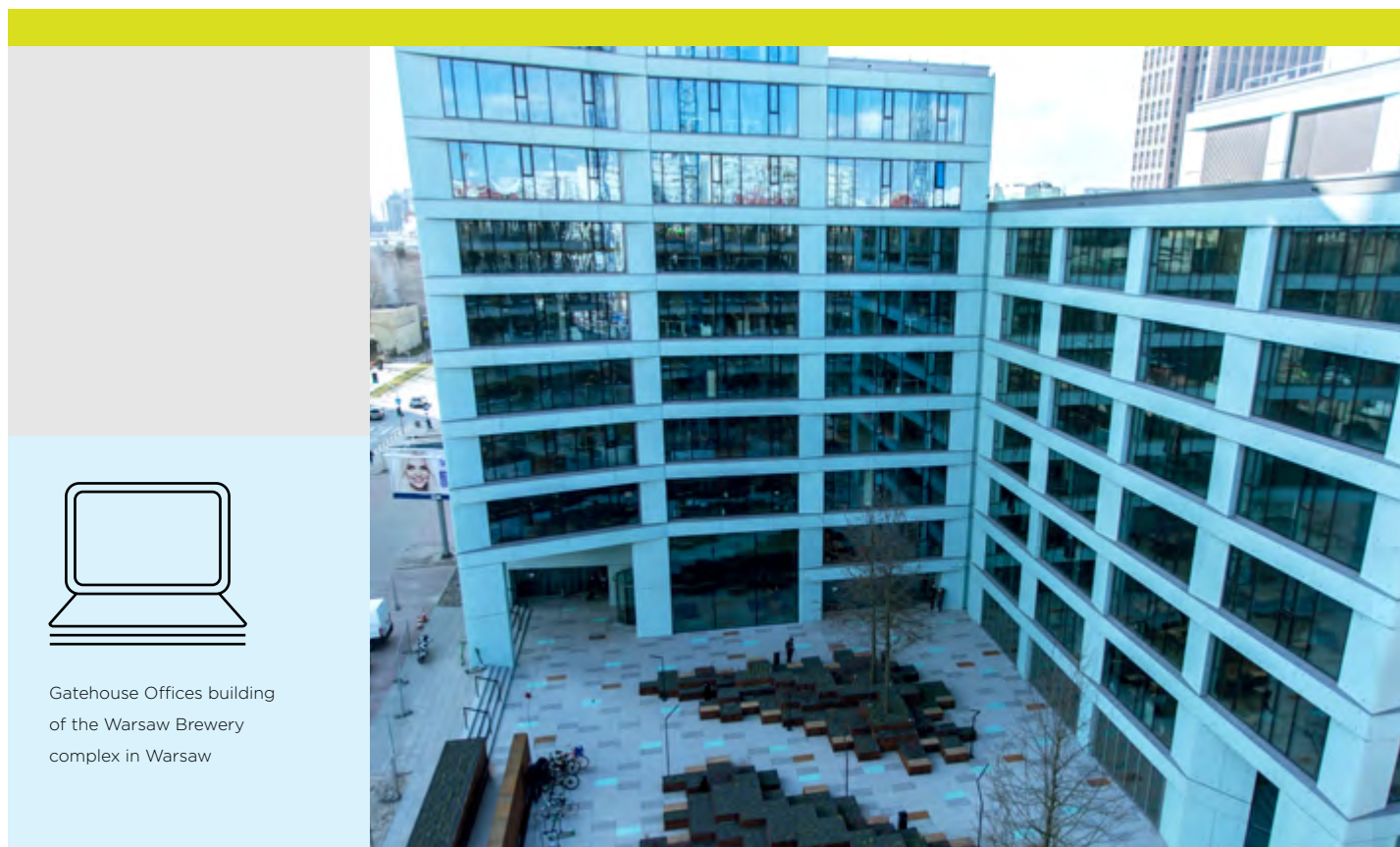
As part of the Bond Issuance Programme of up to PLN 1 bln of 2011, which was signed with mBank, Echo Investment issued coupon bonds with a total value of PLN 100 mln on 11 April 2019. The nominal value and the issue price of one bond was PLN 10,000. The bonds were issued for the period ending on 11 April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

5.6 Obtaining the loan of EUR 87 mln for the construction of two office buildings at Warsaw Brewery

Bank Pekao has granted Echo Investment a loan of EUR 87 mln for the construction of Villa Offices and Malthouse Offices - two office buildings being developed at the Warsaw Brewery complex at Grzybowska street in Warsaw. According to the agreement signed on 25 April 2019, the loan is divided into two tranches. The first one amounts to EUR 54.8 mln of a construction loan and PLN 10 mln of a VAT loan, while the second one - to EUR 32.6 mln of a construction loan and PLN 7 mln of a VAT loan. The loan was granted for a period of 24 months from the date of commissioning, but no longer than until 31 December 2022. The construction loan, after completing the construction of projects, will be transformed into an investment loan of the same amount. It will be granted for 5 years from commissioning, however not longer than until 31 December 2027. Investment and construction loan amounts bear interest at a variable EURIBOR rate, increased by a margin, while a VAT loan - at a variable WIBOR interest rate plus a margin. The agreement provides for an ob-

ligation to meet conditions suspending a payment of loans, including establishing collateral that are standard in this type of transactions.

Warsaw Brewery is a cohesively designed urban space, combining offices, apartments, apartments for rent, services and eating places. The project is being developed in the quarter of Grzybowska, Wronia, Krochmalna and Chłodna streets in Warsaw's Wola district. The construction work began in 2016 and already two years later, the first office building and residential building were put into use. Villa Offices and Malthouse Offices, being financed by Bank Pekao, have a total of 46,000 sqm of leasable space, their construction started last year and their completion is scheduled for 2020.

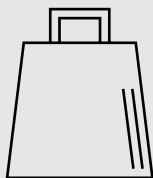


Gatehouse Offices building
of the Warsaw Brewery
complex in Warsaw

5.7 Loan agreement for the construction of West 4 Business Hub in Wrocław

Bank Millennium has concluded an investment loan agreement with Echo Investment in the amount of more than EUR 20 million for the construction of the West 4 Business Hub office building in Wrocław. West 4 Business Hub will be the continuation of West Gate and West Link office buildings that have already been developed at Na Ostatnim Groszu street and successfully leased and sold. The construction of the first office building of the West 4 complex was launched at the end of 2018. The new project West 4 will offer over 80,000 sqm of office space. The first building will have over 15,500 sqm of space. Its construction is in line with the schedule - earthworks have been completed and builders are currently working on a foundation slab and zero level walls.

The first West 4 building is planned for use in the third quarter of 2020. The architectural office Maćków Pracownia Projektowa is responsible for the design. Echo Investment in Wrocław has been present for 12 years. The developer has built, leased and sold five office buildings here: Aquarius, Sagittarius, Nobilis, West Gate and West Link.

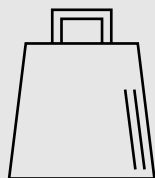


Grand opening of Galeria Młociny in Warsaw

5.8 Opening of Galeria Młociny in Warsaw

After three years of construction, on 23 May 2019, Echo Investment and EPP opened Galeria Młociny at Zgrupowania AK "Kampinos" street in Warsaw. The project has nearly 85,000 sqm of leasable space, of which 76,000 sqm for retail and gastronomy, and 6,000 sqm of office space that was leased by Inter Cars. The architectural design of Galeria Młociny was developed by two architectural design studios - Kuryłowicz & Associates and Chapman Taylor. The general contractor was Erbud, while the financing was provided by a consortium of banks Santander, PKO Bank Polski, mBank and Bank Gospodarstwa Krajowego. The complex will include 220 stores and nearly 50 restaurants and cafes, a medical centre and the first multiplex cinema in Bielany. Among renowned brands present in Galeria Młociny, it is worth mentioning Inditex group (Zara, Zara Home, Oysha, Massimo Dutti, Bershka, Stradivarius, Pull & Bear), H&M, Van Graff, TK Maxx, C & A, CCC, Media Markt and RTV Euro AGD. Brands such as Gagliardi, Sloggi or Mayoral Premiere stores also will open their stores. The international retail chain Primark also confirmed in July its presence in Galeria Młociny. The store at Galeria Młociny will be the first location in Poland. The chain has leased 5,700 sqm (of which 3,700 to be retail space), the premises has already been taken and fitting-out works has already started.

Galeria Młociny was developed right next to the Młociny transport interchange - within easy reach of Warsaw, with direct access to the metro station, several tram lines, city, suburban and country bus lines, a bicycle station and a P&R car park. It is the most important transport hub of the northern part of the city and neighbouring towns that is used by over 24 mln passengers every year. Galeria Młociny's investors are EPP (70% of shares) and Echo Investment (30% of shares). EPP manages the newly-opened complex, while Echo Investment was fully responsible for the development and lease process.



5.9 Ordinary General Meeting of Shareholders

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

The agenda of the Ordinary General Meeting of Shareholders included the following items:

1. Review and approval of the Management Board Report on Operations of Echo Investment S.A. and its Group in 2018;
2. Review and approval of the financial statements for the financial year 2018;
3. Review and approval of the consolidated financial statements for the financial year 2018;
4. Decision on the allocation of the undistributed financial result (profit) from previous years;
5. Decision on the distribution of the profit for 2018;
6. Granting discharge to members of the Management Board and the Supervisory Board;
7. Determining the number of members of the Supervisory Board of the Company for the new term.
8. Appointment of the Supervisory Board.

In accordance with the proposed resolutions, the shareholders reviewed and approved the Management Report on the Operation of Echo Investment S.A. and its Group in 2018, the financial statements for the financial year 2018 and the consolidated financial statements for the financial year 2018.

The undivided financial result (profit) from previous years in the amount of PLN 2,243,582, resulting from the change in the accounting policy applied by the Company, was allocated by the Ordinary General Meeting of Shareholders to the Dividend Fund.

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

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

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

The Ordinary General Meeting of Shareholders granted discharge to all members of the Management Board and Supervisory Board and then determined the number of members of the Supervisory Board of the new term to be seven and appointed all members of the Supervisory Board of the previous term of office for the new term of office.

Major events after the balance sheet day

6.1 The loan for the construction of the Face2Face Business Campus office complex in Katowice

On 3 July 2019, Bank Pekao granted Echo Investment nearly EUR 65 million in construction and investment loans and PLN 18 million in VAT loans. Pursuant to the agreement, the total financing period ends on 31 December 2023. Amounts of the investment and construction loans bear interest according to the variable EURIBOR interest rate, while the VAT loan amount bears interest according to the variable WIBOR interest rate.

The construction work at the Face2Face Business Campus office complex in Katowice at Grundmann street is carried out

in line with the work schedule. In July, the first building reached its maximum height, and 93% of its space is already leased or in advanced negotiations with potential tenants. Facade, roofing, installation and partly fitting out are carried out in the office building. The advancement of the lease and the interest of companies decided that in the fourth quarter of 2018 Echo Investment began the construction of the second phase. Work is currently under way on foundations. Tenants will move into the first Face2Face building in the fourth quarter of 2019, while the second building will be ready a year later.

Ultimately, around 5,000 people will work in both buildings of the complex.

Face2Face Business Campus is another - after A4 Business Park - the Echo Investment's office complex, which is being built in Katowice. It consists of two office buildings - a 7-storey building with an area of 20,000 sqm and a 15-storey tower with an area of 26,000 sqm. The distinguishing feature of this project is the multifunctional and customised development of outdoor areas, where there will be, among others, a basketball court, a dinner zone or a relaxation zone.

Construction of Face2Face Business Campus office complex in Katowice



6.2. The loan for the construction of the first React office building in Łódź

On 31 July 2019, Echo Investment obtained a loan for the construction of the first office building of the React complex, which is being built in Łódź at the corner of Piłsudskiego avenue and Kilińskiego street. The project is financed by BNP Paribas Bank Polska.

Pursuant to the loan agreement signed, the bank granted Echo Investment a EUR 19.2 million construction loan as well as a PLN 4 million VAT loan. The total financing period ends 1 December 2022.

The construction of the first phase of the React office complex at the corner of Kilińskiego street and Piłsudskiego avenue in Łódź, with an area of nearly 15,000 sqm, was started this spring. The entire office complex will offer nearly 50,000 sqm, and the first employees will start working in new offices in the second half of 2020.

React office building
in Łódź



6.3 Implementation of Risk Management Policy

As part of improving corporate governance standards, in July 2019, the Echo Investment Group implemented a Risk Management Policy. The policy describes the objectives of risk management, its place within the management system, and the responsibility and the rights of people involved in the process. The Management Board of Echo Investment S.A. is responsible for the overall risk management, in cooperation with the Supervisory Board and the Audit Committee.

The main goal of the Risk Management Policy is to provide sustainable and stable economic growth of the Group and to promote a proactive approach to reporting, estimating and managing risks related to the Group's operations. The Risk Management Policy formalises and presents in a structured manner the approach to risk management in the Echo Investment Group expected by the Management Board.

Works related to updating the existing risk management procedures in the Echo Investment Group to the guidelines of the Risk Management Policy were started in the second quarter of 2019 and will be continued in 2019 and 2020. Currently, the Group is working on updating IT management systems to expand the functionality of existing systems reporting and assessing risks being identified connected to the implementation of development projects.

6.4 Conditional real estate purchase agreement in Warsaw

On 14 August 2019, Echo Investment signed preliminary contracts for the purchase of perpetual usufruct rights to land and ownership of buildings, constituting a separate object of ownership, located in Warsaw near Domaniewska, Wołoska and Postępu streets. The properties are dedicated to residential development. MBP 1 Sp. z o.o. and MBP 2 Sp. z o.o., which

are part of the Immofinanz group are the sellers. The total area of land properties that are the subject of the transaction is about 50,000 sqm. The total net price will be at least PLN 208 million. The conclusion of promised agreements should take place no later than in 2020 and 2021, after meeting the conditions reserved in the preliminary contracts.

6.5 Sale of O3 Business Campus III office building in Krakow

EPP and Henderson Park on 11 September 2019, have purchased from Echo Investment the third building of O3 Business Campus located in Krakow and are now the owner of the whole complex. The joint venture has acquired the building for EUR 47.2 million EUR in total.

The purchase price was EUR 40,3 million plus VAT tax, which amount accounted for a reduction by the value of certain fit-out works remaining to be completed within the tenants' areas as stated in the signed lease agreements, the value of technical defects; and the value of transaction costs. Echo Investment may obtain additional payments related to the completion of fit-out works within the tenants' areas and with the removal of technical defects in the total amount of nearly EUR 7 million plus VAT.

O3 Business Campus III occupies an area of 18.9 thousand square meters and is currently 73 percent leased. Its office space is inter alia occupied by the Polish operator of serviced offices City Space, the Lux Med medical centre and EPAM Systems Poland. Recently, additional leasing contracts were signed with Danish Crown (1,725 sqm) and Mota Engil (2,725 sqm). Talks about additional rentals are in the advanced stage.

The sale of the O3 Business Campus III office location is the result of a preliminary agreement signed in 2016 in which EPP purchased 7 office buildings from Echo Investment with a total lease area of 112 thousand square meters. Two of the three buildings in the O3 Business Campus became part of EPP's portfolio in 2016 and 2017. In June 2019 they became part of a portfolio owned by a joint venture between Henderson Park and EPP.

EUR **47.2** mln

Total targeted price for O3 Business Campus II

O3 Business Campus III office building in Krakow



6.6 Advanced dividend from the 2019 profit

The Management Board of Echo Investment adopted on 11 September 2019 a resolution on conditional payment of the advance payment for the dividend for the accounting year 2019 to its shareholders. The total amount of the advance dividend will amount to PLN 206.3 million, i.e. PLN 0.5 per share. The amount of dividend advance payment will not exceed half of the Company's profit generated after the end of the previous financial year, as published in the financial report dated 30 June 2019 and referring to the period from 1 January 2019 to 30 June 2019, increased by a reserve capital created in order to pay dividend or an advance payment towards the

dividend and reduced by uncovered losses and value of own shares. The advance dividend is to be paid on 21 October 2019 to those shareholders who will hold shares on 14 October 2019, i.e. 7 days before the payment date. The advanced dividend will be paid subject to the approval of the Supervisory Board and the audit of the financial statements of Echo Investment S.A. for the period from 1 January 2019 to 30 June 2019, by an expert auditor of Ernst & Young Audyt Polska, in which the net profit of the Company achieved from the end of the previous accounting year is confirmed.

0,50 PLN

**Amount of advanced dividend
paid from 2019 profit**

Residential segment – market outlook and Echo Investment business activities

Perspectives of each market sectors in coming 12 months:

-  - Very optimistic
-  - Optimistic
-  - Neutral
-  - Pesimistic
-  - Very pesimistic

7.1 Residential market in Poland



In the second quarter of 2019, the demand and the supply keep on an even keel in six largest Polish cities, while the number of apartments sold and put up for sale was lower than recorded in the first quarter. From April to June 2019, according to JLL, developers have sold less than 15,000 apartments. The number of units sold exceeded the number of units put up for sale by only about 200 units. Due to the high demand with limited supply, prices of apartments showed an upward trend. In the second quarter of this year process increased by approximately 2.9% compared to the prices recorded in the first quarter.

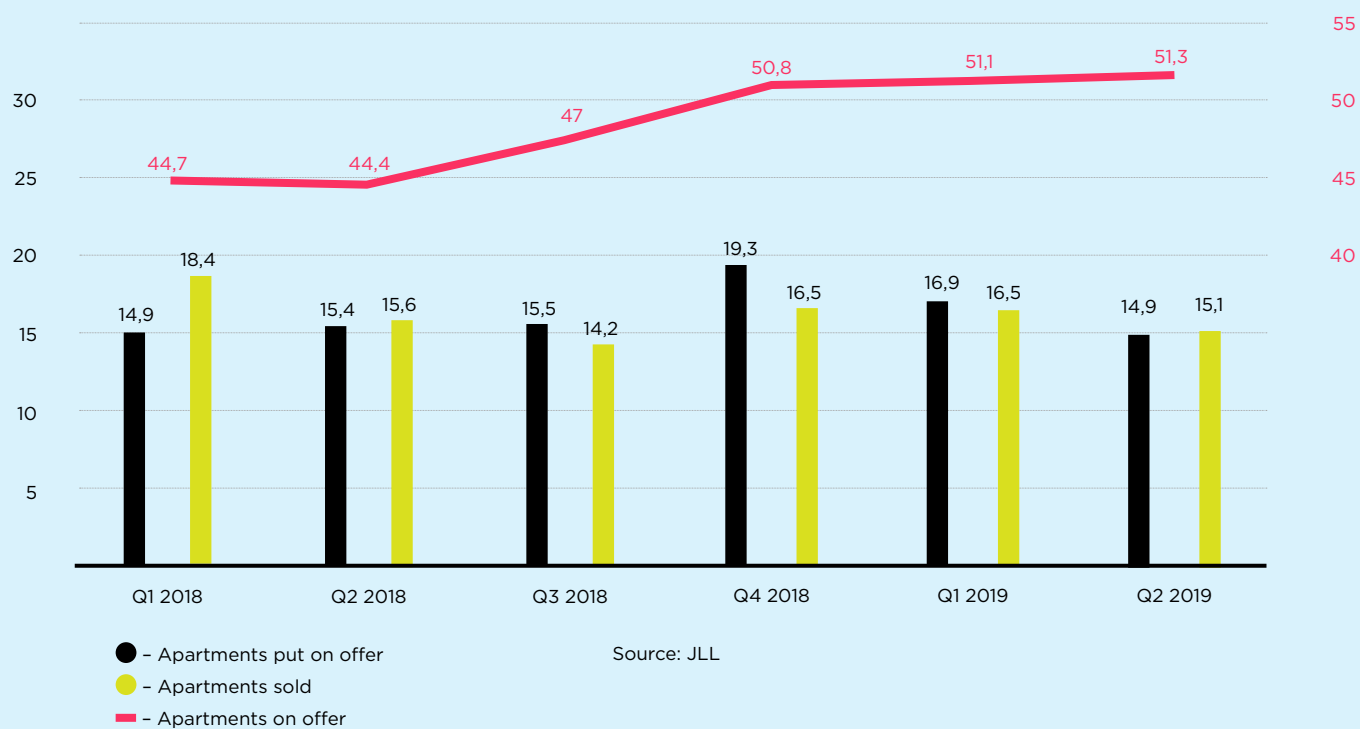
Over the past three years, the average number of residential units put up for sale quarterly was around 16,500, while in the second quarter of 2019 it amounted to 14,900, which means that a deviation from the average value amounted to 10%. However, this result is very similar to the number of apartments launched for sale in the second quarter of 2018, when approximately 15,400 apartments were launched for sale. From April to June 2019, the activity of developers varied widely depending on the city. The largest increase in activity occurred in Wrocław and Łódź, where approximately 35% more units were marketed than in the first quarter of 2019. This is another quarter of significant increases in the capital of Lower Silesia. The offer was supplemented with a similar number of apartments as in the first quarter in Warsaw (-0.2%) and the Tri-City (3.4%). After a large increase in the

number of apartments offered in Kraków and Poznań at the beginning of the year, the second quarter surprised with large drops in newly started projects. In Kraków, 44% fewer premises were launched, while in Poznań - 65% fewer. In total, in the last four quarters, the supply in the six largest Polish cities amounted to 66,000 apartments and was by 4,200 units bigger than the demand.

In quarterly terms, the average prices of apartments offered by developers increased by approximately 2%. However, there were large differences between individual markets. The most important increases were recorded in Kraków (5.7%) and in the Tri-City (3.4%), while the prices remained unchanged in Poznań and Łódź. Annual increases in Warsaw, Kraków, Wrocław and the Tri-City range from 11.1% to 11.6%, while in Łódź and Poznań amount from 6% to 3.4%.

The decrease in the number of apartments sold in the second quarter of 2019 was 8.4% compared to the first quarter. After a relatively weak beginning of the year in the Tri-City and Wrocław, sales in these cities returned to levels recorded in 2018. On the other hand, sales in all other markets dropped: in Warsaw by 14.5%, in Kraków by 21.5%, in Łódź by 22.2% and in Poznań by 18%. In total, in the last four quarters, developers sold 62,400 apartments in six largest agglomerations.

APARTMENTS SOLD AND PUT UP FOR SALE AND OFFER SIZE [THOUS.]



7.2 Echo Investment's activities in the sector of apartments for sale

Echo Investment sold 641 apartments in the first half of 2019 - 16% more than in the first half of 2018. The developer sold the most units in Warsaw (Moje Miejsce and Reset), Łódź (Osiedle Jarzębinowe and Fuzja) and Poznań (Apartamenty Esencja and Osiedle Jaśminowe). In July and August, sales remained at a good, stable level. In total, in the first eight months, sales of apartments in Echo Investment amounted to 810 units. Throughout the year, the company intends to sell approximately 1,300 apartments, which will mean over 30% growth compared to 2018.

Nearly 1,000 Echo Investment's apartments were put up for sale in the first six months of the year. It includes projects: Apartments Esencja and Nasze Jeżyce I in Poznań, Fuzja and Osiedle Jarzębinowe VII in Łódź and Stacja 3.0 in Wrocław. By the end of the year, it is planned to start five more projects with nearly 1,100 apartments.

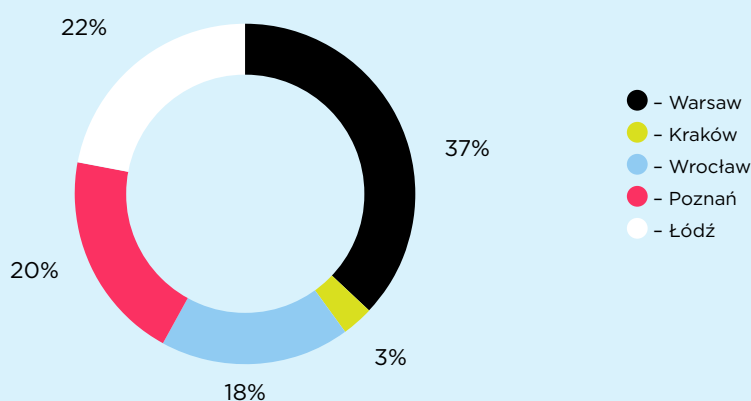
From the beginning of the year to the end of June, Echo Investment handed over 77 apartments to clients, while by the end of August - 230 apartments. In the first half of the year, two projects received occupancy permits: Dom pod Wilga III in Kraków and Osiedle Perspektywa II in Poznań. In total, they offer over 150 apartments. As scheduled, most residential projects will receive occupancy permits in the second half of the year, which means that the vast majority of handovers will also occur then. As early as in the third quarter, Nowa Dzielnica and Osiedle Jarzębinowe V in Łódź, Rydla 32 in Kraków and Zebra in Wrocław

received a permit for use, with a total of 560 units. Until the end of the year, projects with around 630 apartments will get their occupancy permits, including Warsaw Brewery. This year's plan of handovers assumes around 1,250 apartments, which will mean about 35% dynamics compared to 2018.

Considering the development of the residential business, from the beginning of 2019, Echo Investment purchased land in Kraków, Wrocław, Poznań and Warsaw, where approximately 77,000 sqm of apartments will be developed. A significant part of plots of land secured by preliminary contracts is also intended for residential purposes. This is, among others a plot near Domaniewska, Wołoska and Postępu streets in Warsaw, which the company takes over from the Immofinanz group.

To successfully maintain competitive advantages, Echo Investment has established cooperation with suppliers of modern residential management solutions. Responding to the needs of customers, the developer equips each apartment with the heart of the remote management system for access, temperature, lightening and other functions. It also responds to new social and communication needs of city residents by planning so-called life-services. In cooperation with Samsung Electronics, the company created the first showroom presenting the possibilities of a smart home in the Warsaw Brewery project.

**ECHO INVESTMENT'S UNDER CONSTRUCTION
- BY CITIES [UNITS]**



7.3 Echo Investment's activities in the sector of apartments for rent

The Resi4Rent residential for rent platform is growing and expanding its reach. In the first half of the year, the company started construction of two projects in Warsaw at Taśmowa and Woronicza streets, which will offer 600 units in total. In the third quarter, it began construction of a project in Gdańsk Kołobrzaska street (302 units), while it is planned to start another project at Szczepanowskiego street in Poznań with 160 apartments in September.

In the third quarter of 2019, Resi4Rent received an occupancy permission for the first project Rychtalska in Wrocław. Apartments are currently being fitted out and equipped with furniture, an intensive lease process is underway. By the end of this year, the platform will also receive an occupancy permit for the Wodna project in Łódź, while at the beginning of 2020 - for the second project in Wrocław - Kępa Mieszcząńska at Dmowskiego street.

The strategic goal of Resi4Rent is to develop a platform of 5,000 - 7,000 apartments for rent in the next 2-3 years. In total, the platform currently has seven projects under construction with over 2,100 apartments. Secured projects in Warsaw and Kraków will allow Resi4Rent to build further 2,000 units.

On 26 June 2019, a bank consortium of Santander Bank Polska and Helaba (Landesbank Hessen-Thüringen) granted Resi4Rent PLN 198 million of a construction loan for four projects, which together will offer approximately 1,060 apartments for rent. They are located in Poznań at Szczepanowskiego street, Warsaw at Taśmowa street and Woronicza street as well as in Gdańsk at Kolobrzaska street. The construction loan will be converted into an investment loan of up to PLN 230 million after the projects are completed and settled. Projects financed by Santander Bank Polska and Helaba will be ready by the end of 2020 and in 2021. Last year, the financing of the first four Resi4Rent projects located in Warsaw, Wrocław and Łódź was provided by a consortium headed by Bank Pekao.

Resi4Rent is an institutional platform of mid-market apartments, dedicated exclusively to long-term rental, that offers finished premises, equipped with basic furniture and appliances, or completely furnished as requested. The platform was established in 2018. It is a joint venture of Echo Investment, which owns 30% of shares, and one of the leading international fund management companies, which controls 70%. Echo Investment is a project developer for Resi4Rent and provides services for the platform, such as site search and acquisition.

Office segment – market outlook and Echo Investment business activities

Perspectives of each market sectors in coming 12 months:

- ↑ - Very optimistic
- ↗ - Optimistic
- - Neutral
- ↘ - Pesimistic
- ↓ - Very pesimistic

8.1. Office market in Poland

↑ Warsaw

After a benign first quarter of 2019, the market strongly accelerated in the second quarter and, as predicted by analysts, a significant growth in demand for office space took place. It reached a record level on a quarterly basis and amounted to 266,000 sqm. The biggest lease contracts signed concerned space for Getin Noble Bank and Warta. Both companies leased more than 30,000 sqm in total.

The vacancy rate dropped to 8.5%. It should be highlighted that this rate is definitely lower in the city centre and amounted to 5.6%. The strong demand resulted in noticeable reduction in incentives for tenants with stable rents at EUR 23-24 per 1 sqm per month in the centre and around EUR 15.5-16 outside the centre of Warsaw.

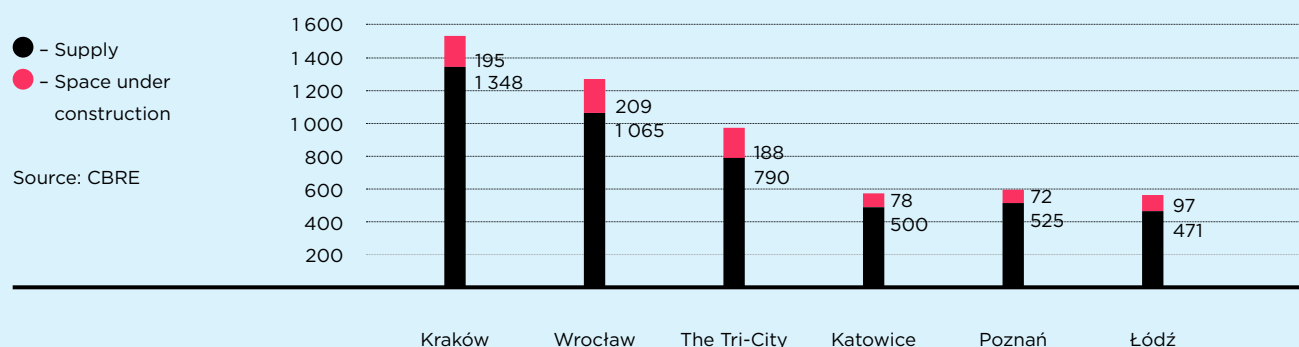
Due to very high-demand activity, developers are not slowing down. In the first half of the year, they completed a total of 80,500 sqm of office space. The largest new facility was the Moje Miejsce office building by Echo Investment located in Mokotów. Currently, about 780,000 sqm are under construction. Most of these projects (approximately 70%) are located in the city centre and in Wola district.

↑ Regional markets

In the biggest six cities, the amount of office space put into service in the second quarter of 2019 was similar to the amount reached in the first quarter, i.e. 113,000 sqm. In total, 235,000 sqm were put into service from the beginning of the year within 24 projects. The majority of space was put into use in Kraków and Poznań. About 850,000 sqm are under construction, mainly in Wrocław, Kraków, Łódź and the Tri-City.

On the demand side, very positive data was recorded. In the second quarter, approximately 50,000 sqm were leased, more than in the first quarter of 2019: by Knight Frank analysts total demand amounted to 294,000 sqm. The vacancy rate has not changed and amounts to approximately 9.4%. There were also no changes in the level of rents, which vary depending on the city and the location between EUR 10.5 and EUR 15 per sqm per month.

SUPPLY OF OFFICE SPACE IN REGIONAL CITIES AT THE END OF THE SECOND QUARTER OF 2019 [THOUS. SQM.]



Source: CBRE

8.2 Echo Investment's activities in the office sector

At the end of the second quarter of 2019, Echo Investment held office buildings under construction with a total leasable area of 140,000 sqm. In May, the construction of the first office building of Moje Miejsce in Warsaw was completed (it was the largest building put into service in the second quarter in Warsaw) and the construction of the second phase of this complex was started. Tenants, including Havas Media, are already working in the first building. The construction of the React office building in Łódź started in the same month. Construction of Midpoint 71 in Wrocław and the office building in Gdańsk at Nowomiejska street is planned to start by the end of the year.

In Katowice, as scheduled, two phases of the Face2Face complex with 47,000 sqm of lease area are being developed. At the same time, agreements with key tenants are signed, including Medicover, Orange, Perform Content or DAZN. The first Face2Face building reached its target height in July. Works on facade and ventilation, electricity, plumbing and elevators are underway in the building. Negotiations with potential tenants are very promising.

The largest signed lease agreement in the first half of the year concerned nearly 11,000 sqm of space in the at the Warsaw Brewery complex. WeWork, the flexible office space network, was the tenant. Because WeWork had previously rented space in the Gatehouse Offices, this will make Warsaw Brewery one of the largest co-working spaces in Poland. The Villahouse Offices reached their target 16-storey height in the summer. The building is undergoing facade installation of and ventilation, electricity, plumbing and elevators. Talks with potential tenants for office space in Warsaw Brewery are very promising.

Further office buildings developed by Echo Investment are gaining the trust of banks. In April, Bank Pekao signed a loan agreement with Echo Investment for the construction of the Villahouse Offices and the Malthouse Offices. The loan amounts to EUR 87 million. Bank Millennium granted over EUR 20 million in loan for the construction of West 4 Business Hub in Wrocław. In the third quarter of 2019, BNP Paribas Bank Polska granted Echo Investment over EUR 19 million in loan for the construction of the React office building in Łódź. These contracts confirm the quality of Echo Investment's projects and the trust of the investor of the financial community.

Retail segment - market outlook and Echo Investment business activities

Perspectives of each market sectors in coming 12 months:

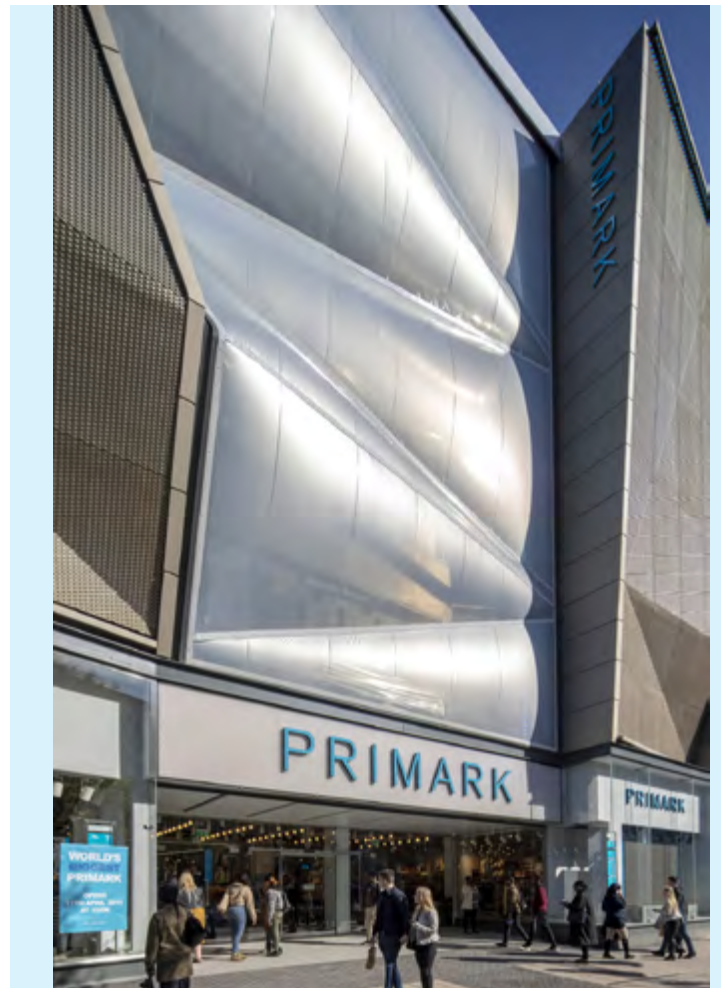
- ↑ - Very optimistic
- ↗ - Optimistic
- - Neutral
- ↘ - Pesimistic
- ↓ - Very pesimistic

→ 9.1 Retail real estate market in Poland

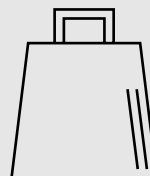
After a quite benign beginning of the year, the retail market gathered pace in the second quarter. Developers delivered 177,000 sqm of retail space to the market at that time, including Galeria Młociny with an area of 84,800 sqm, which was developed by Echo Investment and EPP. It is worth mentioning that it is the biggest shopping centre that has been opened since 2016. The remaining part of the supply consisted of seven other facilities and expansion of existing malls.

The saturation of shopping centres in Poland, according to JLL, amounts to 265 sqm per 1,000 residents and is close to the average of Western European countries. Therefore projects prepared for construction must be distinguished by an innovative approach to the functional concept, the selection of tenants and the project. It makes this market more demanding and requires a lot of experience from investors and developers.

An important event on the retail market was an announcement that the Primark brand enters the Polish market. The first store of this popular Irish chain will be opened at Galeria Młociny. Also brands such as Sloggi, Gagliardi and Pesto Cafe are present in this facility. In addition, other brands have announced that they are



The Primark store in Birmingham. In just a few months, this Irish chain will open its first branch in Poland - at Galeria Młociny in Warsaw.



PRIMARK®

going to entry in the coming months: H&M weekend, American Urban Outfitters and H&M Monki.

Rents in retail facilities remain stable, i.e. the highest rates reached EUR 130 per sqm in Warsaw, while in regional cities rents range from EUR 40 to 60 per sqm.

9.2 Echo Investment's activities in the retail sector

In the first quarter, the retail department of Echo Investment was focused on finalising the last lease agreements and finishing works in Galeria Młociny, that was opened on 23 May. The almost fully leased facility has gathered more than 220 stores and service outlets, comfortable offices, a medical centre, children's play areas, a fitness club and nearly 50 restaurants, cafes and dining spots, as well as the first multi-screen cinema in Bielany. In line with trends in the retail space sector, approximately 20% of space of the centre has been dedicated to a non-commercial offer - services, entertainment and food court. The restaurant and entertainment space - occupying the entire +2 level and connected to the green roof garden - was designed by architects from the renowned Broadway Malyan studio. The centre was developed just next to the Młociny transport hub - in one of the best transit locations in Warsaw, with easy access to the metro station, numerous tram lines and city, suburban and country bus lines, a bicycle station and a P&R car park. It is the most important transport interchange of the northern part of the city and neighbouring towns, that is used by over 24 million passengers every year. Galeria Młociny's investors are EPP (70% of shares) and Echo Investment (30% of shares). While the former manages the newly

opened complex, the latter was fully responsible for the development process and leasing. Among renowned brands present in Galeria Młociny, it is worth mentioning Inditex group (Zara, Zara Home, Oysha, Massimo Dutti, Bershka, Stradivarius, Pull & Bear), H&M, Van Graff, TK Maxx, C & A, CCC, Media Markt and RTV Euro AGD. Brands such as Gagliardi, Sloggi or Mayoral Premiere stores also will open their stores. The international retail chain Primark also confirmed in July its presence in Galeria Młociny. The store at Galeria Młociny will be the first location in Poland. The chain has leased 5,700 sqm (of which 3,700 to be retail space), the premises has already been taken and fitting-out works will start soon. Primark has also confirmed that it will start the recruitment process in Poland in September.

In the spring, the first cut of the spade took place on the site of the former Karol Scheibler factory at ul. Tymienieckiego in Łódź, and thus construction of Fuzja was started - another city-forming project carried out by Echo Investment. The retail department is working on the concept of commercialisation of service and restaurant spaces of this project. The first lease agreements have also been signed by future tenants of service spaces in the Warsaw Brewery project.

Investment – market outlook and Echo Investment business activities

Perspectives of each market sectors in coming 12 months:

- ↑ - Very optimistic
- ↗ - Optimistic
- - Neutral
- ↘ - Pesimistic
- ↓ - Very pesimistic

↑ 10.1. Strong activity on the investment market

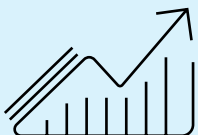
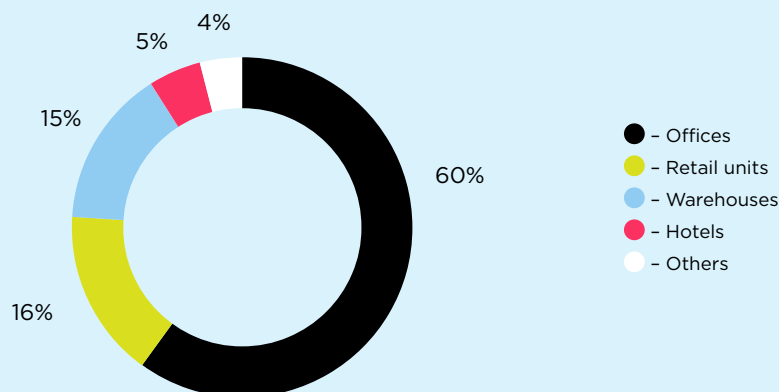
In the first half of 2019, the investment market was very active. The volume of transactions reached almost EUR 2.7 billion. Transactions on the office market accounted for over 60% of this amount, approximately 16% related to retail projects and about 15% to warehouses.

In case of the office market, 46 transactions with a total value of EUR 1.6 billion were settled. It is worth noting that 40% was connected to acquisitions in regional cities. The largest transactions include the purchase of the West Station office buildings in Warsaw by Mapletree Investment, Ethos in Warsaw by Credit Suisse, Business Garden Wrocław by ISOC

and the Gatehouse Offices (in the Warsaw Brewery complex) by GLL. The yields for the best products on the office market in Warsaw dropped below 5%, while on regional markets they remained unchanged from 5.75% to 7%.

The total value of transactions on the retail market amounted to approximately EUR 450 million, 11 transactions were closed within this amount. The largest purchase was the second tranche of the M1 portfolio, which went to EPP. The most important are also the takeover of King Cross Praga in Warsaw by Atrium RE and Silesia Outlet in Gliwice by Neinver RE. The yields for the best products amounted to around 4%.

SHARE OF SECTORS IN INVESTMENT TRANSACTIONS IN POLAND IN THE FIRST HALF OF 2019



10.2 Echo Investment's activities on the investment market

The excellent performance of the investment market in Poland is conducive to achieving the strategic goal of Echo Investment i.e. focusing solely on development activity.

The most important event in H1 2019 on the investment market from Echo Investment's point of view was closing of the sale transaction of Gatehouse Offices - the first office building of Warsaw Brewery. The transaction was signed by the purchaser - GLL Real Estate Partners - on 29 March 2019. The final sale price of the office building will amount to EUR 76.8 million, after meeting certain conditions. According to the agreement, the sale price is to be paid in two tranches. The first tranche in the amount of EUR 38.6 million net was paid immediately after the conclusion of the agreement, while the remaining part of the price - after meeting the conditions set by the parties - on 3 July 2019.

The Gatehouse office building received the occupancy permit in the fourth quarter of 2018. It offers

15,700 sqm of space, occupied mainly by L'Oréal Polska, EPAM Poland and WeWork.

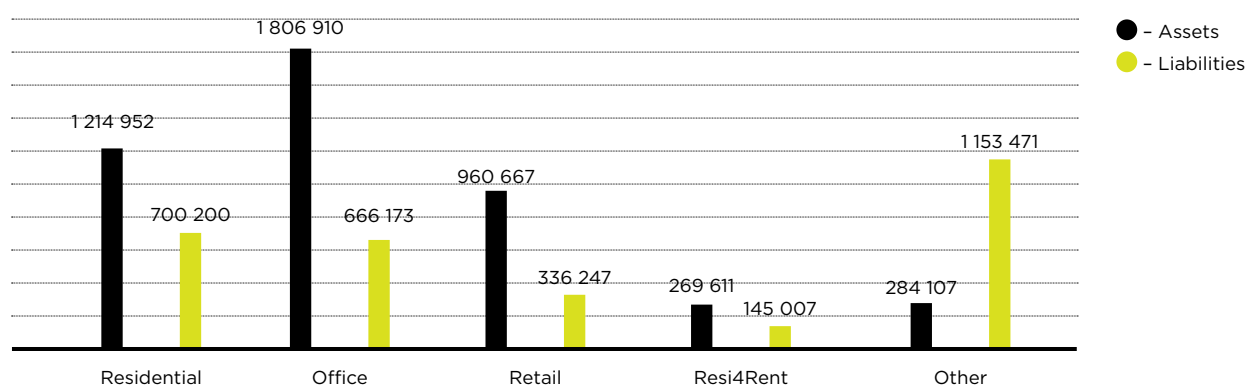
In the third quarter, Echo Investment sold the third building of the O3 Business Campus office complex in Kraków purchased by a consortium of Henderson Park and EPP. The transaction amounted to EUR 47.2 million.

Echo Investment is preparing to market further projects. Currently, the developer owns the completed Moje Miejsce I office building in Warsaw, the Libero shopping centre in Katowice and 30% shares in Galeria Młociny in Warsaw.

The excellent performance of the market encourages to start developing new projects and facilitates access to capital. From the beginning of the year, Echo Investment's special purpose vehicles received bank loans for construction of the Villahouse Offices and the Malthouse Offices in the Warsaw Brewery complex in Warsaw, West 4 Business Hub in Wrocław, Face2Face in Katowice and React in Łódź.

The Groups segments - financial structure

ASSIGNMENT OF ASSETS AND LIABILITIES TO SEGMENTS
AS AT 30.06.2019 [‘000 PLN]



ASSIGNMENT OF ASSETS TO SEGMENTS [‘000 PLN]

	30.06.2019	30.06.2018
Residential	1 214 052	962 441
Office	1 806 910	1 261 948
Retail	960 667	739 586
Resi4Rent	269 611	-
Other	284 107	733 807
Total	4 535 347	3 697 782

PLN **4 535** mln

Total value of assets as at
30.06.2019

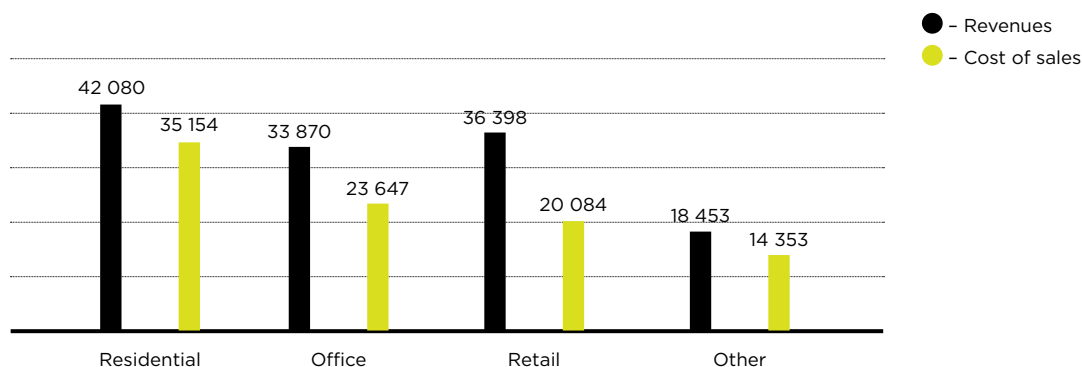
PLN **3 001** mln

Total value of liabilities as at
30.06.2019

ASSIGNMENT OF LIABILITIES TO SEGMENTS ['000 PLN]

	30.06.2019	30.06.2018
Residential	700 200	317 101
Office	666 173	493 399
Retail	336 247	127 590
Resi4Rent	145 007	-
Other	1 153 471	1 244 622
Total	3 001 098	2 182 712

ASSIGNMENT OF REVENUE AND COST OF SALES TO SEGMENTS FOR THE PERIOD FROM 01.01.2019 TO 30.06.2019 [PLN '000]



PLN **37,6** mln

Gross profit for H1 2019

ASSIGNMENT OF REVENUE, COST OF SALES AND GROSS PROFIT TO SEGMENTS FOR THE PERIOD FROM 01.01.2019 TO 30.06.2019 [PLN '000]

	Revenues	Cost of sales	Gross profit
Residential	42 080	35 154	6 926
Office	33 870	23 648	10 222
Retail	36 398	20 084	16 314
Other	18 453	14 353	4 100
Total	130 801	93 239	37 562

RESIDENTIAL SEGMENT [PLN '000]

	Revenues	Cost of sales	Gross profit
Sales	41 282	31 211	10 071
Rents	151	88	63
Maintenance of the project in preparation and construction	647	1 592	(945)
Costs of projects completed in previous years	-	2 263	(2 263)
Total	42 080	35 154	6 926

OFFICE SEGMENT [PLN '000]

	Revenues	Cost of sales	Gross profit
Rents	15 595	8 236	7 359
Services (fit-outs)	18 130	15 103	3 027
Maintenance of the project in preparation and construction	145	309	(164)
Total	33 870	23 648	10 222

RETAIL SEGMENT [PLN '000]

	Revenues	Cost of sales	Gross profit
Sales	6 440	5 111	1 329
Rents	25 792	11 301	14 491
Services (development)	3 993	3 283	710
Maintenance of the project in preparation and construction	173	389	(216)
Total	36 398	20 084	16 314

OTHER [PLN '000]

	Revenues	Cost of sales	Gross profit
Sales	12 348	11 762	586
Rents	2 526	700	1 826
Services	3 579	1 891	1 688
Total	18 453	14 353	4 100

Portfolio of properties

12.1 Residential

Definitions:

Sales level - the item exclusively concerns preliminary contracts

An estimated budget includes the value of land, cost of design, construction and external supervision. It does not include the cost of supply maintenance, interest costs or activated financial

costs, marketing and total personnel costs related to the project. The Company estimates additional costs to equal on average 6% of the targeted budget.

RESIDENTIAL PROJECTS UNDER CONSTRUCTION

Project / address	Sales area [sqm]	Number of units	Sales level [% of units]	Targeted revenues [PLN mln]	Targeted budget [PLN mln]	Expenditure incurred [%]	Start	Targeted completion
Rydla 32 Kraków, ul. Rydla	5 700	95	100%	48,5	36,5	86%	I kw. 2018	III kw. 2019
Osiedle Jarzębinowe V Łódź, ul. Okopowa	8 100	145	87%	43,1	34,0	87%	IV kw. 2017	III kw. 2019
Osiedle Jarzębinowe VI Łódź, ul. Okopowa	3 300	52	35%	20,0	15,7	52%	IV kw. 2018	I kw. 2020
Osiedle Jarzębinowe VII Łódź, ul. Okopowa	6 100	105	1%	35,6	28,4	13%	II kw. 2019	IV kw. 2020
Nowa Dzielnica Łódź, ul. Wodna	5 300	87	80%	29,7	22,8	94%	III kw. 2017	III kw. 2019
Fuzja I Łódź, ul. Tymienieckiego	14 200	282	20%	104,0	78,8	12%	I kw. 2019	IV kw. 2020
Osiedle Jaśminowe IV Poznań, ul. Sielawy	5 300	103	92%	32,4	23,4	49%	II kw. 2018	I kw. 2020
Osiedle Perspektywa III Poznań, ul. Sielawy	5 600	105	99%	30,9	25,4	62%	IV kw. 2017	IV kw. 2019
Apartamenty Esencja Poznań, ul. Grabary	12 500	261	28%	114,8	86,6	22%	I kw. 2019	IV kw. 2020
Nasze Jeżyce I Poznań, ul. Szczepanowskiego	7 500	142	17%	57,7	44,5	19%	II kw. 2019	I kw. 2021

RESIDENTIAL PROJECTS UNDER CONSTRUCTION

Project / address	Sales area [sqm]	Number of units	Sales level [% of units]	Targeted revenues [PLN mln]	Targeted budget [PLN mln]	Expenditure incurred [%]	Start	Targeted completion
Warsaw Brewery B Warsaw, ul. Grzybowska	10 500	190	97%	125,0	77,0	77%	IV kw. 2017	III kw. 2019
Warsaw Brewery C Warsaw, ul. Grzybowska	6 900	114	98%	91,8	50,8	82%	IV kw. 2017	III kw. 2019
Warsaw Brewery E Warsaw, ul. Grzybowska	5 700	81	30%	113,4	72,1	28%	IV kw. 2018	IV kw. 2020
Widoki Mokotów Warsaw, ul. Puławska	4 800	77	41%	69,2	50,3	54%	IV kw. 2017	I kw. 2020
Osiedle Reset I Warsaw, ul. Taśmowa	7 300	159	91%	66,2	55,3	88%	IV kw. 2017	IV kw. 2019
Osiedle Reset II Warsaw, ul. Taśmowa	12 200	255	60%	117,8	95,9	43%	IV kw. 2018	IV kw. 2020
Moje Miejsce Warsaw, ul. Beethovena	13 300	251	62%	131,2	96,6	51%	III kw. 2018	II kw. 2020
Zebra Wrocław, ul. Zakładowa	11 300	233	97%	75,6	55,3	81%	III kw. 2017	III kw. 2019
Grota - Roweckiego 111 phase III Wrocław, ul. Grota-Roweckiego	2 600	53	92%	16,1	12,7	56%	IV kw. 2018	IV kw. 2019
Ogrody Graua Wrocław, ul. Gdańska	4 000	57	47%	44,2	32,5	40%	IV kw. 2018	II kw. 2020
Stacja 3.0 Wrocław, ul. Mińska	11 000	204	0%	88,2	64,7	20%	II kw. 2019	IV kw. 2020
Total	163 200	3 051		1 455,4	1 059,3			

RESIDENTIAL PROJECTS IN PREPARATION

Project / address	Sales area [sqm]	Number of units	Targeted revenues [PLN mln]	Targeted budget [PLN mln]	Expenditure incurred [%]	Targeted start	Targeted completion
Wita Stwosza I Kraków, ul. Wita Stwosza	13 700	217	132,2	82,6	18%	Q3 2020	Q1 2022
Wita Stwosza II Kraków, ul. Wita Stwosza	12 400	196	121,7	73,9	18%	Q3 2021	Q1 2023
Rydłówka I Kraków, ul. Rydłówka	5 900	108	53,8	41,1	25%	Q1 2020	Q3 2021
Rydłówka II Kraków, ul. Rydłówka	6 000	110	55,4	41,4	26%	Q2 2020	Q4 2021
Osiedle Krk I Kraków, Krowodrza	9 700	218	87,0	65,6	40%	Q4 2019	Q1 2021
Osiedle Krk II Kraków, Krowodrza	9 700	218	89,9	66,3	29%	Q1 2020	Q4 2021
Osiedle Jarzębinowe VIII Łódź, ul. Okopowa	6 100	101	36,2	28,9	12%	Q1 2020	Q4 2021

RESIDENTIAL PROJECTS IN PREPARATION

Project / address	Sales area [sqm]	Number of units	Targeted revenues [PLN mln]	Targeted budget [PLN mln]	Expenditure incurred [%]	Targeted start	Targeted completion
Nasze Jeżyce II Poznań, ul. Szczepanowskiego	8 100	168	61,6	47,2	15%	Q3 2019	Q2 2021
Apartamenty Esencja II Poznań, ul. Garbary	5 100	100	45,8	36,0	23%	Q3 2020	Q1 2022
Stacja Wola I Warsaw, ul. Ordona	20 100	387	191,0	137,8	26%	Q4 2019	Q4 2021
Stacja Wola II Warsaw, ul. Ordona	28 800	535	280,7	196,4	26%	Q1 2021	Q1 2023
Fuzja II Łódź, ul. Tymienieckiego	11 700	212	90,0	64,4	9%	Q2 2020	Q1 2022
Fuzja III Łódź, ul. Tymienieckiego	8 600	152	70,4	47,8	9%	Q2 2021	Q4 2022
Osiedle Enter I Poznań, ul. Sielawy	12 000	222	76,5	56,6	4%	Q4 2019	Q3 2021
Osiedle Enter II Poznań, ul. Sielawy	8 500	153	54,8	40,0	4%	Q2 2020	Q1 2022
Osiedle Enter III Poznań, ul. Sielawy	9 600	159	62,0	45,0	3%	Q2 2021	Q1 2023
Total	176 000	3 256	1 509	1 071,2			

12.2 Residential projects for rental platform Resi4Rent

Definitions:

An estimated budget of Resi4Rent projects includes the value of land, cost of design, construction and external supervision, development services and financial costs. It does not include the cost of the platform operation, such as marketing.

RESIDENTIAL PROJECTS FOR RENTAL PLATFORM RESI4RENT UNDER CONSTRUCTION

Project / address	Sales area [sqm]	Number of units	Targeted annual rental revenues [PLN mln]	Targeted budget [PLN mln]	Start	Targeted completion	Comments
Rychtalska Wrocław, ul. Zakładowa	11 400	302	8,4	76,8	Q4 2017	Q3 2019	Preliminary sale agreement from Echo Investment to Resi4Rent
Warsaw Brewery Warsaw, ul. Grzybowska	19 000	451	16,6	187,6	Q4 2017	Q3 2020	Preliminary sale agreement from Echo Investment to Resi4Rent
Wodna Łódź, ul. Wodna	7 900	211	4,9	52,4	Q4 2017	Q4 2019	Preliminary sale agreement from Echo Investment to Resi4Rent
Kępa Mieszczańska Wrocław, ul. Dmowskiego	9 300	269	6,8	76,3	Q2 2018	Q1 2020	Preliminary sale agreement from Echo Investment to Resi4Rent
Taśmowa Warsaw, ul. Taśmowa	13 000	372	10,9	113,4	Q1 2019	Q4 2020	Project owned by Resi4Rent
Woronicza Warsaw, ul. Woronicza	7 900	229	6,3	61,8	Q2 2019	Q1 2021	Project owned by Resi4Rent
Total	68 500	1 834	53,9	568,3			

RESIDENTIAL PROJECTS FOR RENTAL PLATFORM RESI4RENT IN PREPARATION

Project / address	Sales area [sqm]	Number of units	Targeted annual rental revenues [PLN mln]	Targeted budget [PLN mln]	Targeted start	Targeted completion	Comments
Szczepanowskiego Poznań, ul. Szczepanowskiego	5 000	160	3,8	42,9	Q3 2019	Q3 2021	Preliminary sale agreement from Echo Investment to Resi4Rent
Kołobrzeska Gdańsk, ul. Kołobrzeska	10 200	302	8,8	90,3	Q3 2019	Q3 2021	Plot acquired by Resi4Rent in Q3 2019
Total	15 200	462	12,6	133,2			

12.3 Office

Definitions:

GLA – gross leasable area

NOI – net operating income with the assumption of full rental and the average market rent rates

ROFO – (right of first offer)

Due to 25% of capital participation in the project, ROFO partner is entitled to 25% of profit after sale of project.

Completion – date of commissioning permit. Significant part of fit-out works to be done after this date. An estimated budget includes the value of land, cost of design, construction and external supervision. It does not include the personnel costs related to the project, cost of marketing, leasing and financing, which are estimated by the Company to equal on average 7% the targeted budget. In addition, it does not

include costs reducing sales revenue (price), such as master lease, profit share and costs of projects sale. Fair value includes currency differences on investment loans

The recognised fair value gain is reduced by the profit share obligation and the provision to secure rent-free periods (master lease).

OFFICE BUILDING IN OPERATION

Project / address	GLA [sqm]	Leasing [%]	NOI [EUR mln]	Targeted budget [PLN mln]	Expenditure incurred [%]	Recognized fair value gain [PLN mln]	Completion	Comments
O3 Business Campus III Kraków, ul. Opolska	18 900	73%	3,3	118,9	73%	53,5	Q1 2018	ROFO agreement with EPP. Sold to EPP in Q3 2019.
Moje Miejsce I Warsaw, ul. Beethovena	18 700	64%	3,4	149,4	90%	36,5	Q2 2019	ROFO agreement with Globalworth Poland
Total	37 600		6,7	268,3		90,0		

OFFICE BUILDINGS UNDER CONSTRUCTION

Project / address	GLA [sqm]	Leasing [%]	NOI [EUR mln]	Targeted budget [PLN mln]	Expenditure incurred [%]	Recognized fair value gain [PLN mln]	Start	Targeted completion	Comments
Face 2 Face I Katowice, ul. Grundmanna	20 400	77%	3,6	151,8	42%	18,3	Q2 2018	Q4 2019	
Villa Offices and Malthouse Offices (Brewery KGH) Warsaw, ul. Grzybowska	45 600	24%	10,7	498,2	27%	184,5	Q3 2018	Q3 2020	
West 4 Business Hub I Wrocław, ul. Na Ostatnim Groszu	15 600	-	2,6	112,6	21%	-	Q4 2018	Q3 2020	
Face 2 Face II Katowice, ul. Grundmanna	26 400	42%	4,6	196,1	15%	4,9	Q4 2018	Q4 2020	
Moje Miejsce II Warsaw, ul. Beethovena	16 900	-	3,0	133,7	23%	-	Q2 2019	Q4 2020	ROFO agreement with Globalworth Poland
React I Łódź, al. Piłsudskiego	15 000	-	2,6	102,4	14%	-	Q2 2019	Q4 2020	
Total	139 900		27,2	1 194,8		207,7			

OFFICE BUILDINGS IN PREPARATION

Project / address	GLA [sqm]	NOI [EUR mln]	Targeted budget [PLN mln]	Expenditure incurred [%]	Targeted start	Targeted completion
Solidarności Gdańsk, ul. Nowomiejska	30 600	5,1	211,1	11%	Q4 2019	Q4 2021
Midpoint 71 Wrocław, ul. Powstańców Śląskich	36 100	6,6	292,2	17%	Q3 2019	Q2 2021
Wita Stwosza Kraków, ul. Wita Stwosza	29 600	5,2	234,8	13%	Q3 2020	Q2 2022
Al. Pokoju (phase I) Kraków, ul. Fabryczna / Al. Pokoju	19 500	3,4	160,1	23%	Q1 2020	Q3 2021
Al. Pokoju (phase II) Kraków, ul. Fabryczna / Al. Pokoju	21 900	3,9	180,5	23%	Q3 2020	Q2 2022
Swobodna Wrocław, ul. Swobodna	33 100	6,2	288,4	16%	Q2 2020	Q2 2022
React II Łódź, al. Piłsudskiego	26 600	4,5	180,4	6%	Q2 2020	Q1 2022
React III Łódź, al. Piłsudskiego	12 700	2,2	91,5	5%	Q4 2021	Q1 2023
Fuzja C Łódź, ul. Tymienieckiego	9 600	1,7	72,3	7%	Q2 2020	Q1 2022
Fuzja D Łódź, ul. Tymienieckiego	10 300	1,9	77,2	7%	Q2 2020	Q1 2022
Piotra Skargi Katowice, ul. P. Skargi	22 700	3,8	151,5	8%	Q2 2020	Q1 2022
Total	252 700	44,7	1 939,7			

12.4 Retail

Definitions:

GLA – gross leaseable area

NOI – net operating income with the assumption of full rental and the average market rent rates

ROFO – right of first offer

Due to 25% of capital participation in the project, ROFO partner is entitled to 25% of profit after sale of project.

Completion – date of commissioning permit.

Significant part of fit-out works to be done after this date. An estimated budget includes the value of land, cost of design, construction and external supervision. It does not include the personnel costs related to the project, cost of marketing, leasing and financing, which are estimated by the Company to equal on average 7% the targeted budget. In addition, it does not

include costs reducing sales revenue (price), such as master lease, profit share and costs of projects sale. Fair value includes currency differences on investment loans

The recognised fair value gain is reduced by the profit share obligation and the provision to secure rent-free periods (master lease).

RETAIL PROJECT IN OPERATION

Project / address	GLA [sqm]	Leasing [%]	NOI [EUR mln]	Targeted budget [PLN mln]	Expenditure incurred [%]	Recognized fair value gain [PLN mln]	Completion	Comments
Libero Katowice, ul. Kościuszki	44 900	99%	9,4	383,5	100%	175,0	Q4 2018	ROFO agreement with EPP
Galeria Młociny Warsaw, ul. Zgrupowania AK "Kampinos"	84 800	97%	22,1	1 276,2	89%	72,0*	Q2 2019	Joint-venture with EPP holding 70% of stake
Total	129 700		31,5	1 659,7		247,0		

* 30% of the project value.

12.5 Towarowa 22

Definitions:

GLA – gross leaseable area

Joint-venture with EPP. Echo Investment Group will own 30% shares in the project. Start of construction is expected in 2021/2022.

TOWAROWA 22, WARSAW

Function	Usable space [sqm]	NOI [EUR mln]	Targeted budget [PLN mln]	Expenditure incurred [%]
Retail, services and entertainment	116 500	39,1	1 933,1	16%
Office	60 700	14,7	780,7	14%
Hotel	18 900	5,1	288,6	12%
Total	196 100	58,9	3 002,4	

TOWAROWA 22, WARSAW

Function	Usable space [sqm]	Number of apartments	Targeted revenues [PLN mln]	Targeted annual rental revenues [PLN mln]	Targeted budget [PLN mln]	Expenditure incurred [%]
Apartments for sale	18 400	261	324,5	-	216,5	13%
Apartments for lease	16 300	444	-	14,7	144,5	18%
Total	34 700	705	324,5	14,7	361,0	

12.6 Land Bank

EARLY STAGE PROJECTS

Project / address	Plot area [sqm]	Potential of leasing/sales area [sqm]	Comments
Łódź, ul. Tymienieckiego	32 100	37 400	Plot for office and services
Wrocław, ul. Na Ostatnim Groszu	32 300	55 000	Plot for next phases of West 4 Business Hub office project
Warsaw, ul. Chłodna/Wronia	600	1 100	Plot for residential
Poznań, ul. Hetmańska	65 300	80 000	Plot for residential and office
Kraków, al. Pokoju	4 000	18 500	Plot for residential
Poznań, Naramowice	58 100	49 700	Plot for residential
Total	192 400	241 700	

INVESTMENT PROPERTIES

Property	Plot area [sqm]	Comments
Poznań, Pamiątkowo	874 200	Preliminary sale agreement
Poznań, Naramowice	99 500	
Koszalin, ul. Krakusa i Wandy	39 300	Preliminary sale agreement
Katowice, ul. Jankego	26 200	
Poznań, Sołacz	17 300	
Zabrze, ul. Miarki	8 100	
Warsaw, ul. Konstruktorska	7 200	
Radom, Beliny	6 300	
Warsaw, ul. Woronicza	5 100	Plot for the Student House dormitory
Total	1 083 200	

Main investments in H1 2019 - acquisition of properties

PROPERTIES ACQUIRED BY ECHO INVESTMENT GROUP IN 2019

Date of transaction	Address	Legal form	Area	Capacity
Q1 2019	Wrocław, ul. Swobodna	perpetual usufruct	7,900 sqm	33,100 sqm of office and services space
Q1 2019	Wrocław, ul. Mińska	ownership	8,900 sqm	11,000 sqm of residential space
Q1 2019	Kraków, ul. Rydlówka	ownership	9,100 sqm	12,000 sqm of residential space
Q1 2019	Kraków, Al. Pokoju 2	perpetual usufruct	4,000 sqm	18,500 sqm of residential space
Q2 2019	Poznań, ul. Garbary	perpetual usufruct	2,900 sqm	5,000 sqm of residential space
Q2 2019	Kraków, Krowodrza	perpetual usufruct	7,800 sqm	19,300 sqm of residential space
Q2 2019	Warsaw ul. Antoniewska	ownership	14,400 sqm	10,200 sqm of residential space

PLN **1,600**

Average land price in 1 sqm of leasable or sellable space possible to build on plots acquired in 2019.

In H1 2019 Echo Investment has acquired land properties for approximately 109,100 sqm of residential and office space. The total value of this transactions amounted to PLN 169,3 mln. In addition, plots for 209,800 sqm of residential, office and retail space has been secured by preliminary agreements.

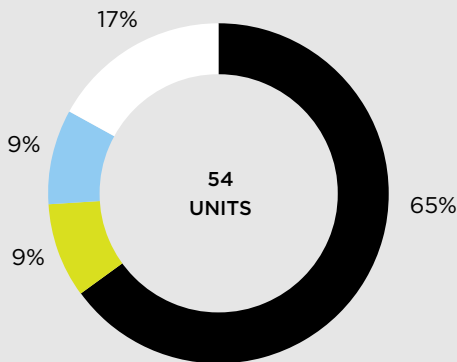
The potential of purchased real properties is estimated based on planning documents and guidelines valid at the date of purchase. Ultimately, the use of each property is determined at a later stage of project preparation, taking into account current planning documents, arrangements, market potential and finally accepted project concept.

Factors and one-off events influencing the financial result in Q2 2019

Factors which influenced the Group's financial results in Q2 2019

a. Revenue resulting from hand overs of 54 housing units.

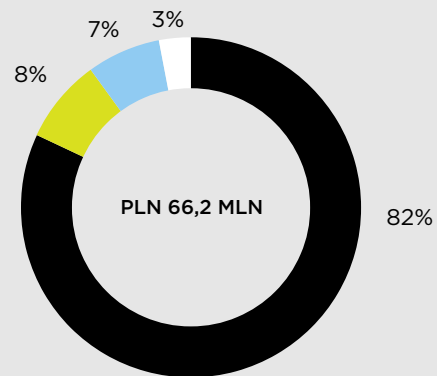
RESIDENTIAL PROJECTS SHARES IN THE TOTAL NUMBER OF FINAL CONTRACTS [UNITS]



- - Dom pod Wilgą III, Kraków
- - Park Sowińskiego III, Poznań
- - Osiedle Jarzębinowe IV, Łódź
- - Other

b. Profit on investment property amounting to PLN 66,2 mln.

PROFIT ON INVESTMENT PROPERTY BY ASSETS [MLN PLN]



- - Villa Offices and Malthouse Offices (Warsaw Brewery K, GH), Warsaw
- - O3 Business Campus III, Kraków
- - Face2 Face Business Campus II, Katowice (first valuation)
- - Other (including change of the fair value of Libero Katowice amounting PLN -9 mln)

c. Costs of sales and overheads.

d. Valuation of liabilities related to of bonds and loans in accordance with amortised cost principle.

e. Cash and loans valuation on resulting from of currency exchange fluctuations.

f. Measurement and settlement of FX hedging instruments.

g. Interest on deposits and borrowings granted.

Factors which will influence the results of the Company and its Group in the perspective of at least the following quarter

Factors which will influence the results of the Company and its Group in the perspective of at least the following quarter

- a. Revenues from hand overs of apartments, mainly in the projects:
 - Dom pod Wilgą III and Rydla 32 in Kraków;
 - Osiedle Jarzębinowe V and Nowa Dzielnica in Łódź;
 - Osiedle Perspektywa II and III in Poznań;
 - Warsaw Brewery B and C, Reset I in Warsaw;
 - Zebra in Wrocław.
- b. Revaluation of the fair value of the properties owned by the Group, which are in the course of leasing and construction:
 - Face 2 Face I & II in Katowice;
 - Moje Miejsce I in Warsaw;
 - Villa Offices and Malthouse Offices (Warsaw Brewery KGH) in Warsaw;
 - Moje Miejsce I in Warsaw;
 - Libero in Katowice.
- c. The first valuations to the fair value of the office buildings under construction:
 - React I in Łódź;
 - Moje Miejsce II in Warsaw;
- West 4 Business Hub I in Wrocław;
- Mid Point 71 in Wrocław.
- d. Valuation and sale of completed projects:
 - O3 Bussines Campus III in Kraków.
- e. Valuation of interests entities accounted for using the equity method:
 - Galeria Młociny in Warsaw;
 - Towarowa 22 in Warsaw;
 - Resi4Rent.
- f. Sale and administrative costs.
- g. Valuation of liabilities on account of bonds and loans, at amortized cost.
- h. Valuation of loans and cash on account of changes in exchange rates of foreign currencies.

Seasonal or cyclical nature of operations

The Group's activity covers several segments of the real estate market. Accounting revenues from sale of housing developments depends on the commissioned residential buildings and revenue on these operations is generated in every quarter but it varies in terms of stability. Revenue and results from general investment

contractor services, sales of commercial investments and trade in property may be irregular. Due to seasonal nature of construction process, completion of vast majority of residential projects is scheduled for the second half of a given year. Due to this fact Echo Investment hands over ready apartments to clients and also

recognizes revenue and profit earned on them in third and fourth quarters, and in H1 number of apartments hand over is relatively low.

The Management Board cannot exclude other one-off events which may influence results generated in a given period.

Information on dividend

17.1 The dividend policy

On 26 April, 2017 the Management Board of Echo Investment adopted a resolution on the Company's dividend policy. The adopted dividend policy states that from the profit in 2018 and subsequent years the Management Board will be recommending the payment of the dividend up to amount of 70% of the consolidated net profit of the Capital Group attributable to shareholders of the parent company.

When recommending the dividend payment the Management Board will take into consideration the current and expected

condition of the Company and the Capital Group as well as their development strategy, in particular:

- safe and the most effective management of debt and liquidity in the Group;
- investment plans resulting from the development strategy, purchase of land in particular.

Assumptions of the dividend policy were based on predictions concerning future profits from the Group's property development operations.

“The dividend policy states that from the profit in 2018 and subsequent years the Management Board recommends the payment of the dividend up to amount of 70% of the consolidated net profit”

17.2 Advance dividend from the 2018 profit

The Management Board of Echo Investment adopted on November 8, 2018 a resolution on conditional payment of the advance payment for the dividend for the accounting year 2018 to its shareholders. The total amount for the payment of the advance dividend amounted to PLN 206.3 mln, i.e. PLN 0.5 per share. The amount of the dividend payment did not exceed half of the Company's net profit from the end of the previous accounting year, increased by the reserve capital created for the purpose of further payment of dividend or advances for dividend and reduced by uncovered losses and own shares. The advance dividend was to be

paid on December 19, 2018 to those shareholders who hold shares on December 12, 2018, i.e. 7 days before the payment date. The advance dividend was paid subject to the approval of the Supervisory Board (obtained on November 15, 2018) and confirmation by the audit of the financial statements of Echo Investment S.A. for the period from January 1, 2018 to June 30, 2018, by an expert auditor of Ernst & Young Audyt Polska, in which the assumed net profit of the Company achieved from the end of the previous accounting year (the condition fulfilled on November 16, 2018).

0,50 PLN

Amount of advanced dividend paid from 2018 profit

Pursuant to the resolution of the Ordinary General Meeting of Shareholders of Echo Investment S.A. of 25 June 2019, the net profit achieved by the company in the completed financial year 2018 in the amount of PLN 42,431,650.15 was allocated for distribution to all shareholders on the following principles:

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

Because the dividend corresponded to the amount of dividend advance paid, the shareholders decided that the company would not pay additional funds from the profit for the financial year 2018.

The shareholders also decided that the undistributed financial result (profit) from previous years in the amount of PLN 2,243,582, created in connection with the change of the accounting policy applied by the company, the Ordinary General Meeting of Shareholders allocated to the Dividend Fund.

17.3 Advanced dividend from the 2019 profit

The Management Board of Echo Investment adopted on 11 September 2019 a resolution on conditional payment of the advance payment for the dividend for the accounting year 2019 to its shareholders. The total amount of the advance dividend will amount to PLN 206.3 million, i.e. PLN 0.5 per share. The amount of dividend advance payment will not exceed half of the Company's profit generated after the end of the previous financial year, as published in the financial report dated 30 June 2019 and referring to the period from 1 January 2019 to 30 June 2019, increased by a reserve capital created in order to pay dividend or an advance payment towards the

dividend and reduced by uncovered losses and value of own shares. The advance dividend is to be paid on 21 October 2019 to those shareholders who will hold shares on 14 October 2019, i.e. 7 days before the payment date. The advanced dividend will be paid subject to the approval of the Supervisory Board and the audit of the financial statements of Echo Investment S.A. for the period from 1 January 2019 to 30 June 2019, by an expert auditor of Ernst & Young Audyt Polska, in which the net profit of the Company achieved from the end of the previous accounting year is confirmed.

0,50 PLN

**Amount of advanced dividend
paid from 2019 profit**

Financial liabilities of the Company and its Group

18.1 Bonds

COMPANY'S LIABILITIES DUE TO BONDS ISSUED AS AT 30.06.2019 [PLN '000]

Series	ISIN code	Bank	Nominal value	Maturity	Interest rate	Guarantees / securities	Quotation market
Bonds for institutional investors							
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
1/2019	PLECHPS00308	mBank S.A.	100 000	11.04.2023	WIBOR 6M + margin 4,25%	-	ASO CATALYST
Total			645 000				
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	Consortium: 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
J and J2-series	PLECHPS00290	J-series: consortium Noble Securities S.A., Michael / Ström Dom Maklerski S.A., Dom Maklerski Banku Ochrony Środowiska S.A. J2-series: DM PKO Banku Polskiego S.A.		33 832	21.09.2023	WIBOR 6M + margin 3,4%	- regulated market CATALYST
Total			433 832				
Total bonds			1 078 832				

BONDS REDEEMED BY ECHO INVESTMENT IN H1 2019 [‘000 PLN]

Series	ISIN code	Bank	Nominal value	Maturity	Interest rate
1/2014 for institutional investors	PLECHPS00134	mBank S.A.	100 000	19.02.2019	WIBOR 6M + margin 3,6%
2/2014 for institutional investors*	PLECHPS00159	mBank S.A.	70 500	15.05.2019	WIBOR 6M + margin 3,6%

* 1,000 of bonds of this series worth PLN 10 million were redeemed on 12 April 2019.

BONDS ISSUED BY ECHO INVESTMENT IN H1 2019 [‘000 PLN]

Series	ISIN code	Bank	Nominal value	Maturity	Interest rate
J-series for individual investors	PLECHPS00290	consortium of Noble Securities S.A., Michael / Ström Dom Maklerski S.A., Dom Maklerski Banku Ochrony Środowiska S.A	18 832	21.09.2023	WIBOR 6M + margin 3,4%
J2-series for individual investors	PLECHPS00290	DM PKO Banku Polskiego S.A	15 000	21.09.2023	WIBOR 6M + margin 3,4%
1/2019 for institutional investors	PLECHPS00308	mBank S.A.	100 000	11.04.2023	WIBOR 6M + margin 4,25%

All bonds issued by Echo Investment S.A. are not secured. All bonds are traded on regulated market of Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie).

Echo Investment S.A. did not issue or redeem any bonds after balance-sheet day.

18.2 Credit facilities

CREDIT FACILITIES OF ECHO INVESTMENT S.A. AS AT 30.06.2019 [‘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		WIBOR 3M + margin	15.12.2019	Authorisation to bank account, statement on submission to enforcement proceedings
Santander S.A.**	100 000	2 595	WIBOR 1M + margin	30.11.2020	Authorisation to bank account, statement on submission to enforcement proceedings
BNP Paribas ***	62 000		WIBOR 1M + margin	16.12.2019	Authorisation to bank account, statement on submission to enforcement proceedings
Total	312 000	2 595			

* The available loan amount as at 30 June 2019 is decreased by the guarantees issued and amounts to PLN 58.5 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 30 June 2019, the limit for guarantees was used in the amount of PLN 24.2 million.

*** As at 30 June 2019, the available loan amount is reduced by the guarantees issued and amounts to nearly PLN 60 million.

INVESTMENT LOANS OF ECHO INVESTMENT GROUP AS AT 30.06.2019 [‘000]

Borrower	Bank	Contractual amount of loan	Outstanding loan amount	Interest rate	Repayment deadline	Security
Galeria Libero - Projekt Echo 120 Sp. z o.o. Sp. K.	Santander Bank Polska S.A., Bank	67 566 EUR	57 331 EUR	Margin + EURIBOR 3M	10.04.2026	Mortgages, registered and financial pledges, authorisation to bank account, subordination agreement, submission to enforcement proceedings, transfer of rights and claims of selected agreements
	BNP Paribas S.A.	12 000 PLN	0 PLN	Margin + WIBOR 1M	10.07.2021	
Berea Sp. z o.o.*	Santander Bank Polska S.A.,	**56 100 EUR	48 701 EUR	Margin + EURIBOR 3M	30.04.2025	Mortgages, registered and financial pledges, authorisation to bank account, subordination agreement, submission to enforcement proceedings, transfer of rights and claims of selected agreements
	PKO BP S.A., Bank Gospodarstwa Krajowego	10 350 PLN	10 030 PLN	Margin + WIBOR 1M	30.04.2020	
Projekt Beethovena - Projekt Echo - 122 Sp. z o.o. SKA	PKO BP S.A.	50 280 EUR	18 402 EUR	Margin + EURIBOR 3M	30.09.2023	Mortgages, registered and financial pledges, authorisation to bank account, subordination agreement, submission to enforcement proceedings, transfer of rights and claims of selected agreements
		16 000 PLN	0 PLN	Margin + WIBOR 1M	31.03.2021	
Dellia Investments - Projekt Echo 115 Sp. z o.o. Sp.K.	Bank Polska Kasa Opieki S.A.	87 386 EUR	0 EUR	Margin + EURIBOR 3M	31.12.2027	Mortgages, registered and financial pledges, authorisation to bank account, subordination agreement, submission to enforcement proceedings, transfer of rights and claims of selected agreements
		17 000 PLN	0 PLN	Margin + WIBOR 1M	31.12.2022	
Projekt 17 - Grupa Echo Sp. z o.o. SKA	Bank Millennium S.A.	20 630 EUR	0 EUR	Margin + EURIBOR 3M	30.06.2023	Mortgages, registered and financial pledges, authorisation to bank account, subordination agreement, submission to enforcement proceedings, transfer of rights and claims of selected agreements
		4 000 PLN	0 PLN	Margin + WIBOR 1M	30.06.2021	
Echo - Opolska Business Park Sp. z o.o. Sp.K.	PKO BP S.A.	16 842 EUR	0 EUR	Margin + EURIBOR 3M	30.11.2021	Mortgages, registered and financial pledges, authorisation to bank account, subordination agreement, submission to enforcement proceedings, transfer of rights and claims of selected agreements
Total		298 804 EUR	125 434 EUR			
		59 350 PLN	10 030 PLN			

* Echo Investment owns 30% of shares in Berea Sp. z o.o. and presents 30% of credit value.

** After fulfilment specified conditions the construction loan will be converted into an investment loan of a value of EUR 56,7 mln.

Off balance sheet liabilities

19.1 Guarantee agreements

GUARANTEES ISSUED BY ECHO INVESTMENT GROUP AS AT 30.06.2019 [PLN '000]

Issuer	For	Value	Validity	Description
Echo Investment S.A.	Horta Sp. z o.o.	21 260	until 02.07.2020	Performance bond for the final sale agreement of the Aquarius Business House I office building in Wrocław. Issued in EUR.
Echo Investment S.A.	Skua Sp. z o.o.	25 512	until 30.07.2021	Performance bond for the final sale agreement of the Aquarius Business House I office building in Wrocław. Issued in EUR.
Echo Investment S.A.	IREEF - Stryków Propco Sp. z o.o.	420 000	until 15.12.2019	Construction work quality guarantee related to the Q22 office building in Warsaw.
PKO BP S.A. commissioned by Echo Investment S.A.	IREEF - Stryków Propco Sp. z o.o.	981	until 31.08.2019	Guarantee securing the execution of liabilities of Echo Investment S.A. resulting from the lease agreement of 24.10.2016. Issued in EUR.
Echo Investment S.A.	Santander Bank Polska S.A. and BNP Paribas Bank Polska S.A.	56 318	to the date of construction loan conversion into investment loan	Surety bond for costs overrun of the project of Libero in Katowice. Issued in EUR.
Echo Investment S.A.	Santander Bank Polska S.A., PKO BP S.A., Bank Gospodarstwa Krajowego and mBank S.A.	39 544	to the date of construction loan conversion into investment loan	Surety bond for costs overrun of the project of Galeria Młociny in Warsaw and liabilities of Berea Sp. z o.o. resulting from the agreement on 17.10.2017. Issued in EUR.
Echo Investment S.A.	Nobilis - Projekt Echo - 117 Sp. z o.o. Sp. K.	40 000	until 31.10.2026	Construction work quality guarantee related to the Nobilis office building in Wrocław.
PKO BP S.A. commissioned by Echo Investment S.A.	Novaform Polska Sp. z o.o.	4 616	until 28.02.2020	Guarantee securing the execution of liabilities of Duże Naradowice - Projekt Echo - 111 Sp. z o.o. S.K.A. resulting from the agreement of 8.01.2018.
Echo Investment S.A. and PKO BP S.A. commissioned by Echo Investment S.A.	IB 14 FIZAN	87 348	until 24.05.2024	Performance bond for liabilities resulting from the final sale agreement of the West Link office building in Wrocław. Issued in EUR.
Echo Investment S.A.	A 19 Sp. z o.o.	25 512	until termination of the agreement concluded on 4.07.2018	Guarantee securing the execution of liabilities of Projekt 22 Grupa Echo Sp. z o.o. SKA, resulting from the agreement concluded on 4.07.2018. Issued in EUR.
Echo Investment S.A.	Bank Polska Kasa Opieki S.A.	14 147	until 30.06.2029	Guarantee securing costs overrun of the residential projects.

GUARANTEES ISSUED BY ECHO INVESTMENT GROUP AS AT 30.06.2019 [PLN '000]

Issuer	For	Value	Validity	Description
Echo Investment S.A.	R4R Wrocław Kępa Sp. z o.o./SO SPV 103 Sp. z o.o./R4R Warszawa Browary Sp. z o.o.	151 895	until 31.07.2021	Guarantee of deposit refund.
Echo Investment S.A.	IB 6 FIZAN / GPF 3 FIZAN	132 531	until 31.10.2021	Guarantee securing the execution of liabilities of Rosehill Investments Sp. z o.o., resulting from framework agreement concluded on 31.08.2017. Issued in EUR.
Echo Investment S.A.	Tryton Business Park Sp. z o.o.	539	until 31.01.2020	Guarantee securing the execution of liabilities of Tryton City Space - GP Sp. z o.o. Sp.k. resulting from the lease agreement of 12.06.2018. Issued in EUR
Echo Investment S.A.	DH Supersam Kato- wice Sp. z o.o. Sp.K.	359	until 31.01.2020	Guarantee securing the execution of liabilities of Supersam City Space - GP Sp. z o.o. Sp.k. resulting from the lease agreement of 28.02.2017. Issued in EUR.
Santander Bank Polska S.A. com- missioned by Echo Investment S.A.	City of Katowice	758	until 15.01.2020	Performance bond for liabilities of Galeria Libero - Projekt Echo - 120 Sp. z o.o. Sp.K. resulting from the agreement of 16.06.2016 on a road construction project.
Echo Investment S.A.	PKO BP S.A.	36 000	until 30.06.2023	Cost overrun guarantee agreement regarding Moje Miejsce office project in Warsaw.
PKO BP S.A. com- missioned by Echo Investment S.A.	LUX Europa III S.a.r.l.	6 450	until 25.03.2020	Guarantee securing the execution of liabilities of Dellia Investments - Projekt Echo - 115 Sp z o.o. Sp.k. resulting from quality guarantee agreement on 27.03.2019.
Echo Investment S.A.	LUX Europa III S.a.r.l.	97 041	until 31.12.2024	Performance bond for liabilities of Dellia Investments - Projekt Echo - 115 Sp. z o.o. Sp.K. resulting from the sale agreement of Gatehouse Offices, one of office buildings of Warsaw Brewery complex in Warsaw. Partially issued in EUR.
Echo Investment S.A.	LUX Europa III S.a.r.l.	14 609	until 30.06.2029	Performance bond for liabilities of Dellia Investments - Projekt Echo - 115 Sp. z o.o. Sp.K. resulting from the sale agreement of Gatehouse Offices, one of office buildings of Warsaw Brewery complex in Warsaw. Partially issued in EUR.
Echo Investment S.A.	LUX Europa III S.a.r.l.	163 550	until 30.06.2023	Performance bond for liabilities of Dellia Investments - Projekt Echo - 115 Sp. z o.o. Sp.K. resulting from the sale agreement of Gatehouse Offices, one of office buildings of Warsaw Brewery complex in Warsaw. Partially issued in EUR.
Echo Investment S.A.	LUX Europa III S.a.r.l.	46 772	until 3.03.2027	Performance bond for liabilities of Dellia Investments - Projekt Echo - 115 Sp. z o.o. Sp.K. resulting from the sale agreement of Gatehouse Offices, one of office buildings of Warsaw Brewery complex in Warsaw. Partially issued in EUR.
Echo - Aurus Sp. z o.o.	Echo - Park Rozwoju Sp. z o.o. Sp.K.	752	until 28.02.2027	Performance bond for liabilities of Projekt 133 - City Space GP Sp. z o.o. Sp.K., resulting from lease agreement concluded on 4.11.2016. Issued in EUR.
Echo - Aurus Sp. z o.o.	Nobilis - Projekt Echo 117 Sp. z o.o. Sp.K.	752	until 31.07.2027	Performance bond for liabilities of Projekt 137 - City Space GP Sp. z o.o. Sp.K., resulting from lease agreement concluded on 28.02.2017 r. Issued in EUR.
Echo - Aurus Sp. z o.o.	Ventry Investments Sp. z o.o. Sp.K.	1 182	until 09.04.2027	Performance bond for liabilities of City Space - GP Sp. z o.o., resulting from lease agreement concluded on 12.10.2016 r. Issued in EUR.
Raiffeisen Bank S.A.	Agentia Nationala de Administrare Fiscala	2 104	until 02.09.2019	Performance bond for liabilities of S.C. Echo Investment Project 1 S.R.L. Issued in RON.
Echo - Aurus Sp. z o.o.	Sagittarius - Projekt Echo 113 Sp. z o.o. Sp.K.	50	until 31.01.2024	Performance bond for liabilities of Echo Investment S.A., resulting from lease agreement concluded on 22.06.2018 r. Issued in EUR.
Sagittarius-Projek Echo - 113 Sp.z o.o. Sp.k./Echo - SPV 7 Sp. z o.o./Echo - Aurus Sp. z o.o./PKO BP S.A.	Warburg-HiH Invest Real Estate GmbH	218 044	until 31.10.2028	Construction work quality guarantee related to the Sagittarius office building in Wrocław. Partially issued in EUR.
Echo-SPV 7 Sp. z o.o.	Ventry Investments Sp. z o.o. Sp.K.	42	until 90 days after lease agreement expiry	Performance bond for liabilities of Echo Investment S.A., resulting from lease agreement concluded on 24.11.2017 r. Issued in EUR.

GUARANTEES ISSUED BY ECHO INVESTMENT GROUP AS AT 30.06.2019 [PLN '000]

Issuer	For	Value	Validity	Description
Echo Investment S.A.	PKO BP S.A.	67 941	to the date of construction loan conversion into investment loan	Cost overrun guarantee agreement related to the office project in Warsaw Brewery complex in Warsaw. Issued in EUR.
Echo Investment S.A.	Bank Millenium S.A.	8 045	to the date of construction loan conversion into investment loan	Cost overrun guarantee agreement related to the office project West 4 Business Hub in Wrocław.
Echo Investment S.A.	Bank Millenium S.A.	4 550	to the date of construction loan conversion into investment loan	Guarantee securing rental income during construction of West 4 Business Hub in Wrocław. Issued in EUR.
Echo Investment S.A.	PKO BP S.A.	107 418	until 30.11.2021	Guarantee securing execution of liabilities of Echo-Opolska Business Park Sp. z o.o.Sp.K. resulting from loan agreement. Issued in EUR.
Echo Investment S.A.	Echo-Opolska Business Park Sp. z o.o. Sp.K.	1 006	until 30.06.2020	Performance bond for liabilities of 132 - City Space - GP Sp. z o.o. Sp.K. resulting from leasing agreement signed on 4.06.2019. Issued in EUR.
Total		1 797 628		

The total value of current guarantee agreements in force received by the Group as at 30 June 2019 is as follows:

- under lease agreements concluded: PLN 2,688,352, EUR 3,433,414;
- on account of project implementation: PLN 95,310,457, EUR 1,391,687, USD 22,108.

Due to the fact, that provisions for liabilities on rent free period are already presented in the consolidated balance sheet, liabilities for that item are not presented above.

AMENDMENTS TO GUARANTEE AGREEMENTS OF ECHO INVESTMENT GROUP IN Q2 2019

Change	Issuer	For	Date of change	Value ['000]	Description
expiry	Echo Investment S.A./Santander Bank Polska S.A.	State Treasury	22.05.2019	45 466 PLN	Performance bond for liabilities of Outlet Park - Projekt Echo - 126 Sp. z o.o. Sp.K.
expiry	Echo Investment S.A./Santander Bank Polska S.A.	State Treasury	20.06.2019	4 550 PLN	Performance bond for liabilities of Outlet Park - Projekt Echo - 126 Sp. z o.o. Sp.K.
increase of value to EUR 32 million	Echo Investment S.A.	IB 6 FIZAN / GPF 3 FIZAN	20.05.2019	31 169 EUR	Performance bond for liabilities of Rosehill Investments Sp. z o.o. resulting from framework agreement concluded on 31.08.2017. Issued in EUR.
increase of value to PLN 152 million	Echo Investment S.A.	R4R Wrocław Kępa Sp. z o.o./SO SPV 103 Sp. z o.o./R4R Warszawa Browary Sp. z o.o.	28.06.2019	151 895 PLN	The advance payment guarantee
issue	Echo Investment S.A.	Bank Polska Kasa Opieki S.A.	25.04.2019	15 979 EUR	Cost overrun guarantee agreement related to the office project in Warsaw Brewery complex in Warsaw. Issued in EUR.
issue	Echo Investment S.A.	Bank Millenium S.A.	26.04.2019	8 045 PLN	Cost overrun guarantee agreement related to the office project West 4 Business Hub in Wrocław.
issue	Echo Investment S.A.	Bank Millenium S.A.	26.04.2019	1 070 EUR	Guarantee securing rental income during construction of West 4 Business Hub in Wrocław. Issued in EUR.
issue	Echo Investment S.A.	Echo-Opolska Business Park Sp. z o.o. Sp.k.	28.06.2019	236 EUR	Performance bond for liabilities of 132 - City Space - GP Sp. z o.o. Sp.K. resulting from leasing agreement signed on 4.06.2019. Issued in EUR.
issue	Echo Investment S.A.	PKO BP S.A.	11.06.2019	25 263 EUR	Guarantee securing execution of liabilities of Echo-Opolska Business Park Sp. z o.o.Sp.K. resulting from loan agreement. Issued in EUR.

19.2 Surety agreements

SURETY AGREEMENTS ISSUED BY ECHO INVESTMENT GROUP AS AT 30.06.2019 [PLN '000]

Issuer	For	Value	Validity	Description
Echo Investment S.A.	Bletwood Investments Sp. z o.o.	1 430	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.
Echo Investment S.A.	HPO AEP Sp. z o.o. Sp. J.	10 630	Until the date of issuance of the occupancy permit for the projects but no later than 07.12.2031.	Surety for liabilities of Echo - Browary Warszawskie Sp. z o.o. Sp.K. and Dellia Investments - Projekt Echo - 115 Sp. z o.o. Sp. K. j as a collateral of liabilities resulting from the lease agreement of 07.12.2016. Mutual surety issued in EUR.
Echo Investment S.A.	Human Office Polska Sp. z o.o.	100	Until 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
Echo-Aurus Sp. z o.o.	Human Office Polska Sp. z o.o.	340	until 27.09.2021	Surety for liabilities of Projekt 137 - City Spcae - GP Sp. z o.o. Sp.K. resulting from the lease agreement of 27.09.2017.
Echo-Aurus Sp. z o.o.	PKO Leasing S.A.	312	until 06.12.2020	Surety for liabilities of City Space - SPV 1 Sp. z o.o. resulting from the lease agreement of 06.12.2017.
Echo-Aurus Sp. z o.o.	Grenkeleasing Sp. z o.o.	297	until 22.11.2022	Surety for liabilities of Echo Innovations - City Space - GP Sp. z o.o. resulting from the lease agreement of 22.11.2018.
Echo-Aurus Sp. z o.o.	PEAC (Poland) Sp. z o.o.	513	until 05.02.2024	Surety for liabilities of Aquarius - City Space - GP Sp. z o.o. Sp.K. resulting from the lease agreement of 5.02.2019.
Total		13 622		

The total value of current sureties in force received by the Group as at 30 June 2019 is as follows:


- under lease agreements concluded: PLN 1,155,565, EUR 14,685,895, USD 300,000;
- on account of project implementation: EUR 8,500,000;
- other: PLN 15,000,000, EUR 48,578,305.

Due to the fact, that the loan liabilities are already presented in the consolidated balance sheet, commitments related to the loans are not included above.

There were no changes in sureties issued by Echo Investment Group in H1 2019.

Remuneration of the Management Board and Supervisory Board

REMUNERATION OF THE MANAGEMENT BOARD ['000 PLN]



	H1 2019					H1 2018				
	Basic remuneration	Bonus	From subsidiaries, joint-ventures and associates	Other benefits	Total	Basic remuneration	Bonus	From subsidiaries, joint-ventures and associates	Other benefits	Total
Nicklas Lindberg	536 789	642 705	1 052 677	372 978	2 605 150	529 398	628 230	1 080 676	172 666	2 410 970
Maciej Drozd	375 894	359 100	349 630	540	1 085 164	468 496	420 000	260 666	540	1 149 702
Piotr Gromniak (resigned on 31 December, 2018)	-	-	-	-	-	120 000	-	288 000	1 800	409 800
Artur Langner	120 000	167 400	592 800	1 800	882 000	120 000	210 045	678 090	1 800	1 009 935
Marcin Materny	120 000	125 280	453 326	3 900	702 506	120 000	216 000	609 000	2 850	947 850
Rafał Mazurczak	120 000	180 000	564 516	3 900	868 416	118 739	216 000	627 516	3 900	966 155
Waldemar Olbryk	351 000	386 100		2 640	739 740	351 000	150 645	-	2 640	504 285
Małgorzata Turek (appointed on 7 March, 2019)	80 000	-	170 000	1 500	251 500	-	-	-	-	-
Total	1 703 683	1 860 585	3 182 949	387 258		1 827 633	1 840 920	3 543 948	186 196	
Total in H1					7 134 475					7 398 697

THE CEO' BONUS SYSTEM

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

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

The amount of the additional performance-based bonus depends on the increase of the share price of Echo Investment S.A. above the base value that is determined at the level of PLN 7.5 minus the cumulated amount of the dividend per share. The contract provides for bonus amount depending on the increase of the share price above the base level. The contract was signed for 5 years and the 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. In case of change of control over the Company, Nicklas Lindberg is entitled to receive the bonus for the whole 5-years period. Estimation of Nicklas Lindberg's incentive program value for accounting purposes on 30 June 2019 amounts to PLN 11,246,949 and on 30 June 2018 amounted to PLN 7,552,710.

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 H1 2019 and as at the date of this report, there were no agreements concluded between the Company and the managing persons, providing for compensation in the event of their resignation or dismissal without a valid reason or if their dismissal is due to a merger of Echo Investment S.A. or due to acquisition.

REMUNERATION OF THE SUPERVISORY BOARD ['000 PLN]



	H1 2019		H1 2018	
	From Echo Investment S.A.	From subsidiaries, joint-ventures and associates	From Echo Investment S.A.	From subsidiaries, joint-ventures and associates
Karim Khairallah	-	-	-	-
Laurent Luccioni	-	-	-	-
Mark E. Abramson	90 000	-	50 333	-
Maciej Dyjas	30 000	-	30 000	-
Stefan Kawalec	90 000	-	90 000	-
Nebil Senman	30 000	-	30 000	-
Sebastian Zilles	-	-	-	-
Total	240 000	-	200 333	-

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.

Influence of the results disclosed in the report for Q2 2019 on fulfilment of result forecasts

Echo Investment S.A. did not publish any forecasts of financial results.

Court, arbitration or public administration proceedings

Between 1 January and 30 June 2019, there were no proceedings pending in court, a competent arbitration authority or a public administration authority concerning liabilities or claims of Echo Investment S.A. or its subsidiary the value, of which equaled at least 10% of the Company's equity.

Material transactions concluded by the Company or its subsidiary with related parties on terms other than market terms

In the first half of 2019, no material transactions were concluded between Echo Investment S.A. and its subsidiaries, and related parties on terms other than market terms.

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 separate financial reports of Echo Investment and consolidated financial reports of the Echo Investment Capital Group for the years 2018-2019. The Management Board, authorised by the Supervisory Board, concluded an agreement with the selected auditor on 1 August 2018.

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

Due	Contractual amount
Review of the interim separated and consolidated financial statements for H1 2018	125 000
Review of the interim separated and consolidated financial statements for H1 2019	117 000
Incremental work for the audit of the separated financial statement for H1 2018	78 000
Incremental work for the audit of the separated financial statement for H1 2019	89 000

CHAPTER 2

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS



CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION [PLN '000]

	Note	As at 30.06.2019 non-audited	As at 31.12.2018	As at 30.06.2018 non-audited
ASSETS				
Non-current assets				
Intangible assets		2 916	2 468	183
Property, plant and equipment	2	19 668	8 938	10 204
Investment property	3	832 784	1 007 716	148 749
Investment property under construction	4	1 118 253	940 427	1 129 178
Investment in associates and joint ventures	14	255 681	258 531	258 364
Long-term financial assets		131 689	84 590	81 386
Deferred tax asset		57 792	52 493	57 175
		2 418 783	2 355 163	1 685 239
Current assets				
Inventory	6	1 208 290	771 836	743 341
Current tax assets		3 807	3 381	980
Other taxes receivable		62 048	87 177	56 949
Trade and other receivables		248 991	211 142	293 296
Short-term financial assets		18 139	42 190	20 545
Derivative financial instruments		1 095	-	-
Restricted cash		73 554	54 719	88 122
Cash and cash equivalents		309 071	439 532	342 655
		1 924 995	1 609 977	1 545 888
Assets held for sale	5	191 569	13 500	395 415
Financial assets held for sale		-	-	71 240
Total assets		4 535 347	3 978 640	3 697 782

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

	Note	As at 30.06.2019 non-audited	As at 31.12.2018	As at 30.06.2018 non-audited
EQUITY AND LIABILITIES				
Equity				
Equity attributable to equity holders of the parent		1 534 368	1 495 573	1 515 179
Share capital		20 635	20 635	20 635
Supplementary capital		1 420 922	1 420 922	1 420 922
Revaluation capital		-	-	(17 007)
Retained earnings		92 045	45 543	93 823
Foreign currency translation reserve		766	8 473	(3 194)
Non-controlling interest		(119)	(114)	(109)
		1 534 249	1 495 459	1 515 070
Provisions				
Long-term provisions	7	150 540	125 559	63 818
Short-term provisions	7	129 071	135 988	163 496
Deferred tax liabilities		104 944	111 303	79 782
		384 555	372 850	307 096
Long-term liabilities				
Debt liabilities	8	1 427 443	1 149 693	1 035 428
Leasing and perpetual usufruct conversion fee liabilities	17	127 896	-	-
Other liabilities		24 138	28 089	15 280
Deferred income		114 489	57 851	11 901
		1 693 966	1 235 633	1 062 609
Short-term liabilities				
Debt liabilities	8	58 975	280 729	331 086
Derivative financial instruments		-	-	7
Income tax payable		1 535	8 859	929
Other taxes liabilities		5 614	8 400	9 616
Trade payable		169 095	234 623	154 314
Leasing and perpetual usufruct conversion fee liabilities	17	63 773	-	-
Other liabilities		116 790	78 590	132 909
Deferred income		506 795	263 497	184 146
		922 577	874 698	813 007
Total equity and liabilities		4 535 347	3 978 640	3 697 782
Book value		1 534 368	1 495 573	1 515 179
Number of shares		412 690 582	412 690 582	412 690 582
Book value per one share (in PLN)		3,72	3,62	3,67

CONDENSED INTERIM CONSOLIDATED PROFIT AND LOSS ACCOUNT [PLN '000]

	Note	01.01.2019 - 30.06.2019 non-audited	01.01.2018 - 30.06.2018 non-audited	01.04.2019 - 30.06.2019 non-audited	01.04.2018 - 30.06.2018 non-audited
Revenues	9	130 801	190 764	61 386	126 378
Cost of sales		(93 239)	(155 246)	(42 449)	(106 020)
Gross profit		37 562	35 518	18 937	20 358
Profit on investment property	10	130 804	185 943	67 329	87 364
Administrative costs associated with project implementation		(10 330)	(20 327)	(4 868)	(7 355)
Selling expenses		(8 610)	(11 698)	(4 185)	(6 584)
General and administrative expenses		(49 565)	(49 574)	(27 484)	(27 023)
Other operating income		24 336	19 204	13 651	3 342
Other operating expenses		(19 402)	(27 212)	(10 652)	(19 518)
Operating profit		104 795	131 854	52 728	50 584
Financial income	11	16 133	25 804	10 430	19 365
Financial cost	12	(34 251)	(35 220)	(16 615)	(17 396)
Profit (loss) on FX derivatives		1 095	(2 450)	1 095	(1 474)
Foreign exchange gains (losses)		3 858	11 863	4 349	12 975
Share of profit (loss) of associates and joint ventures		(2 000)	42 351	371	44 146
Profit before tax		89 630	174 202	52 358	108 200
Income tax		(21 731)	(47 715)	(16 288)	(32 389)
current tax		(30 922)	(10 117)	(2 492)	(7 608)
deferred tax		9 191	(37 598)	(13 796)	(24 781)
Net profit (loss), including:		67 899	126 487	36 070	75 811
Equity holders of the parent		67 904	126 489	36 071	75 812
Non-controlling interest		(5)	(2)	(1)	(1)
Equity holders of the parent		67 904	126 489	36 071	75 812
Weighted average number of ordinary shares (in '000) without shares held		412 691	412 691	412 691	412 691
Profit (loss) per one ordinary share (in PLN)		0,16	0,31		
Diluted profit (loss) per one ordinary share (PLN)		0,16	0,31		

CONDENSED INTERIM CONSOLIDATED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
[PLN '000]

	01.01.2019 - 30.06.2019 non-audited	01.01.2018 - 30.06.2018 non-audited	01.04.2019 - 30.06.2019 non-audited	01.04.2018 - 30.06.2018 non-audited
Profit for the year	67 899	126 487	36 070	75 811
Components of other comprehensive income that may be reclassified to profit or loss in later periods				
exchange differences on translation of foreign operations	(7 707)	7 282	(7 315)	6 175
revaluation gains	-	(2 257)	-	(38 358)
Other comprehensive income for the year, net of tax	(7 707)	5 025	(7 315)	(32 183)
Total comprehensive income for the year, including:	60 192	131 512	28 755	43 628
Comprehensive income attributable to shareholders of the parent company	60 197	131 514	28 756	43 629
Comprehensive income attributable to non-controlling interest	(5)	(2)	(1)	(1)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY [PLN '000]

	Share Capital	Supple- mentary capital	Reva- luation capital	Accumula- ted retained earnings	Currency translation differences	Equity attributable to equity holders of the parent	Capital of non-con- trolling interests	Equity total
For the period from 1 January 2019 to 30 June 2019								
Opening balance	20 635	1 420 922	-	45 543	8 473	1 495 573	(114)	1 495 459
Impact of implementation MSSF 16 on 1st January 2019				(21 402)		(21 402)		(21 402)
Opening balance, with restated figures	20 635	1 420 922	-	24 141	8 473	1 474 171	(114)	1 474 057
Other comprehensive income	-	-	-	-	(7 707)	(7 707)	-	(7 707)
Results of financial investment's re- valuation (EPP shares)	-	-		67 904	-	67 904	(5)	67 899
Closing balance	20 635	1 420 922	-	92 045	766	1 534 368	(119)	1 534 249
For the period from 1 January 2016 to 31 December 2017								
Opening balance	20 635	1 192 117	(49 676)	435 150	(10 476)	1 587 750	(107)	1 587 643
Changes in accounting principles	-	-	-	2 260	-	2 260	-	2 260
Opening balance, with restated figures	20 635	1 192 117	(49 676)	437 410	(10 476)	1 590 010	(107)	1 589 903
Distribution of previous years' profit/ loss	-	228 805	-	(228 805)	-	-	-	-
Dividend paid	-	-	-	(206 345)	-	(206 345)	-	(206 345)
Other comprehensive net income	-	-	-	-	7 282	7 282	-	7 282
Results of financial investment's re- valuation (EPP shares)	-	-	(2 257)	-	-	(2 257)	-	(2 257)
Results of financial investment's saler (EPP shares)	-	-	34 926	(34 926)	-	-	-	-
Net profit (loss) for the period	-	-		126 489	-	126 489	(2)	126 487
Closing balance	20 635	1 420 922	(17 007)	93 823	(3 194)	1 515 179	(109)	1 515 070

CONSOLIDATED CASH FLOW STATEMENT [PLN '000]

	01.01.2019 - 30.06.2019 non-audited	01.01.2018 - 30.06.2018 non-audited
A. Operating cash flow – indirect method		
I. Profit (loss) before tax	89 630	174 202
II. Total adjustments		
Share in net (profit) loss of associates and joint ventures	2 000	(42 351)
Depreciation of PP&E	4 581	1 664
Foreign exchange (gains) losses, including	(12 326)	956
- profit of Echo Prime Assets BV. liquidation	(7 210)	-
Interest and profit sharing (dividends)	14 948	12 729
(Profit) loss on revaluation of assets and liabilities	(168 863)	(220 658)
(Profit) loss on revaluation of assets and liabilities	-	108
	(159 660)	(247 552)
III. Changes in working capital		
Change in provisions	18 063	322
Change in inventories	(329 854)	(83 679)
Change in receivables	(7 685)	(2 302)
Change in short-term liabilities, except for loans and borrowings	341 818	110 934
Change in restricted cash	(18 836)	(33 356)
	3 506	(8 081)
IV. Net cash generated from operating activities (I+II+III)	(66 524)	(81 431)
Income tax paid	(38 671)	(14 243)
V. Net cash generated from operating activities	(105 195)	(95 674)
B. Cash flows from investing activities		
I. Inflows		
Disposal of intangible assets and tangible fixed assets	832	138
Sale of investments in property	236 918	66 432
From borrowings and financial investments	8 168	118 746
Sale of investments	-	163 614
	245 918	348 930
II. Outflows		
Purchase of intangible assets and PP&E	(4 272)	(1 042)
Investment in property	(271 431)	(276 358)
On loans and financial investments	(28 587)	(35 417)
	(304 290)	(312 817)
III. Net cash flow from investing activities (I+II)	(58 372)	36 113

CONSOLIDATED CASH FLOW STATEMENT CONT. [PLN '000]

	01.01.2019 - 30.06.2019 non-audited	01.01.2018 - 30.06.2018 non-audited
C. Cash flow from financing activities		
I. Inflows		
Loans and borrowings	181 508	284 257
Issue of debt securities	133 832	190 000
Other financial inflows	-	-
	315 340	474 257
II. Outflows		
Dividends and other payments to equity holders	-	(206 345)
Repayment of loans and borrowings	(84 543)	(134 034)
Redemption of debt securities	(170 500)	(402 900)
Due to FX derivatives	-	(108)
Interest paid	(27 191)	(4 988)
	(282 234)	(748 375)
III. Net cash flow from financing activities (I+II)	33 106	(274 118)
D. Total net cash flows (A.III+B.III+C.III)	(130 461)	(333 679)
E. Change in the balance of cash in consolidated statement of financial position, including:	(130 461)	(333 679)
- incl. change in cash due to foreign exchange gains/losses	-	-
F. Cash and cash equivalents at the beginning of the period	439 532	676 334
G. Cash and cash equivalents at the end of the period (F+D)	309 071	342 655

EXPLANATORY NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENT

Note 1

OFF-BALANCE SHEET ITEMS [PLN '000]

Contingent liabilities are presented according to their nominal value.

	30.06.2019	31.12.2018	30.06.2018
Off-balance sheet liabilities	1 811 250	1 231 418	1 107 040
Total	1 811 250	1 231 418	1 107 040

In the Company's opinion, the fair value of guarantees and sureties is close to zero, due to the low risk of completion. A detailed description of the off-balance sheet items is presented in the form of a table constituting the further part of the note.

Note 1A

SURETY AGREEMENTS ISSUED BY ECHO INVESTMENT GROUP AS AT 30.06.2019 [PLN '000]

Issuer	For	Value	Validity	Description
Echo Investment S.A.	Bletwood Investments Sp. z o.o.	1 430	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.
Echo Investment S.A.	HPO AEP Sp. z o.o. Sp. J.	10 630	Until the date of issuance of the occupancy permit for the projects but no later than 07.12.2031.	Surety for liabilities of Echo - Browary Warszawskie Sp. z o.o. Sp.K. and Dellia Investments - Projekt Echo - 115 Sp. z o.o. Sp. K. j as a collateral of liabilities resulting from the lease agreement of 07.12.2016. Mutual surety issued in EUR.
Echo Investment S.A.	Human Office Polska Sp. z o.o.	100	Until 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
Echo-Aurus Sp. z o.o.	Human Office Polska Sp. z o.o.	340	until 27.09.2021	Surety for liabilities of Projekt 137 - City Spcae - GP Sp. z o.o. Sp.K. resulting from the lease agreement of 27.09.2017.
Echo-Aurus Sp. z o.o.	PKO Leasing S.A.	312	until 06.12.2020	Surety for liabilities of City Space - SPV 1 Sp. z o.o. resulting from the lease agreement of 06.12.2017.
Echo-Aurus Sp. z o.o.	Grenkeleasing Sp. z o.o.	297	until 22.11.2022	Surety for liabilities of Echo Innovations - City Space - GP Sp. z o.o. resulting from the lease agreement of 22.11.2018.
Echo-Aurus Sp. z o.o.	PEAC (Poland) Sp. z o.o.	513	until 05.02.2024	Surety for liabilities of Aquarius - City Space - GP Sp. z o.o. Sp.K. resulting from the lease agreement of 5.02.2019.
Total		13 622		

GUARANTEES ISSUED BY ECHO INVESTMENT GROUP AS AT 30.06.2019 [PLN '000]

Issuer	For	Value	Validity	Description
Echo Investment S.A.	Horta Sp. z o.o.	21 260	until 02.07.2020	Performance bond for the final sale agreement of the Aquarius Business House I office building in Wrocław. Issued in EUR.
Echo Investment S.A.	Skua Sp. z o.o.	25 512	until 30.07.2021	Performance bond for the final sale agreement of the Aquarius Business House I office building in Wrocław. Issued in EUR.
Echo Investment S.A.	IREEF - Stryków Propco Sp. z o.o.	420 000	until 15.12.2019	Construction work quality guarantee related to the Q22 office building in Warsaw.
PKO BP S.A. commissioned by Echo Investment S.A.	IREEF - Stryków Propco Sp. z o.o.	981	until 31.08.2019	Guarantee securing the execution of liabilities of Echo Investment S.A. resulting from the lease agreement of 24.10.2016. Issued in EUR.
Echo Investment S.A.	Santander Bank Polska S.A. and BNP Paribas Bank Polska S.A.	56 318	to the date of construction loan conversion into investment loan	Surety bond for costs overrun of the project of Libero in Katowice. Issued in EUR.
Echo Investment S.A.	Santander Bank Polska S.A., PKO BP S.A., Bank Gospodarstwa Krajowego and mBank S.A.	39 544	to the date of construction loan conversion into investment loan	Surety bond for costs overrun of the project of Galeria Młociny in Warsaw and liabilities of Berea Sp. z o.o. resulting from the agreement on 17.10.2017. Issued in EUR.
Echo Investment S.A.	Nobilis - Projekt Echo - 117 Sp. z o.o. Sp. K.	40 000	until 31.10.2026	Construction work quality guarantee related to the Nobilis office building in Wrocław.
PKO BP S.A. commissioned by Echo Investment S.A.	Novaform Polska Sp. z o.o.	4 616	until 28.02.2020	Guarantee securing the execution of liabilities of Duże Naradowice - Projekt Echo - 111 Sp. z o.o. S.K.A. resulting from the agreement of 8.01.2018.
Echo Investment S.A. and PKO BP S.A. commissioned by Echo Investment S.A.	IB 14 FIZAN	87 348	until 24.05.2024	Performance bond for liabilities resulting from the final sale agreement of the West Link office building in Wrocław. Issued in EUR.
Echo Investment S.A.	A 19 Sp. z o.o.	25 512	until termination of the agreement concluded on 4.07.2018	Guarantee securing the execution of liabilities of Projekt 22 Grupa Echo Sp. z o.o. SKA, resulting from the agreement concluded on 4.07.2018. Issued in EUR.
Echo Investment S.A.	Bank Polska Kasa Opieki S.A.	14 147	until 30.06.2029	Guarantee securing costs overrun of the residential projects.
Echo Investment S.A.	R4R Wrocław Kępa Sp. z o.o./SO SPV 103 Sp. z o.o./R4R Warszawa Browary Sp. z o.o.	151 895	until 31.07.2021	Guarantee of deposit refund.
Echo Investment S.A.	IB 6 FIZAN / GPF 3 FIZAN	132 531	until 31.10.2021	Guarantee securing the execution of liabilities of Rosehill Investments Sp. z o.o., resulting from framework agreement concluded on 31.08.2017. Issued in EUR.
Echo Investment S.A.	Tryton Business Park Sp. z o.o.	539	until 31.01.2020	Guarantee securing the execution of liabilities of Tryton City Space - GP Sp. z o.o. Sp.k. resulting from the lease agreement of 12.06.2018. Issued in EUR.
Echo Investment S.A.	DH Supersam Katowice Sp. z o.o. Sp.K.	359	until 31.01.2020	Guarantee securing the execution of liabilities of Supersam City Space - GP Sp. z o.o. Sp.k. resulting from the lease agreement of 28.02.2017. Issued in EUR.
Santander Bank Polska S.A. commissioned by Echo Investment S.A.	City of Katowice	758	until 15.01.2020	Performance bond for liabilities of Galeria Libero - Projekt Echo - 120 Sp. z o.o. Sp.K. resulting from the agreement of 16.06.2016 on a road construction project.
Echo Investment S.A.	PKO BP S.A.	36 000	until 30.06.2023	Cost overrun guarantee agreement regarding Moje Miejsce office project in Warsaw.
PKO BP S.A. commissioned by Echo Investment S.A.	LUX Europa III S.a.r.l.	6 450	until 25.03.2020	Guarantee securing the execution of liabilities of Dellia Investments - Projekt Echo - 115 Sp z o.o. Sp.k. resulting from quality guarantee agreement on 27.03.2019.
Echo Investment S.A.	LUX Europa III S.a.r.l.	97 041	until 31.12.2024	Performance bond for liabilities of Dellia Investments - Projekt Echo - 115 Sp. z o.o. Sp.K. resulting from the sale agreement of Gatehouse Offices, one of office buildings of Warsaw Brewery complex in Warsaw. Partially issued in EUR.

GUARANTEES ISSUED BY ECHO INVESTMENT GROUP AS AT 30.06.2019 [PLN '000]

Issuer	For	Value	Validity	Description
Echo Investment S.A.	LUX Europa III S.a.r.l.	14 609	until 30.06.2029	Performance bond for liabilities of Dellia Investments - Projekt Echo - 115 Sp. z o.o. Sp.K. resulting from the sale agreement of Gatehouse Offices, one of office buildings of Warsaw Brewery complex in Warsaw. Partially issued in EUR.
Echo Investment S.A.	LUX Europa III S.a.r.l.	163 550	until 30.06.2023	Performance bond for liabilities of Dellia Investments - Projekt Echo - 115 Sp. z o.o. Sp.K. resulting from the sale agreement of Gatehouse Offices, one of office buildings of Warsaw Brewery complex in Warsaw. Partially issued in EUR.
Echo Investment S.A.	LUX Europa III S.a.r.l.	46 772	until 3.03.2027	Performance bond for liabilities of Dellia Investments - Projekt Echo - 115 Sp. z o.o. Sp.K. resulting from the sale agreement of Gatehouse Offices, one of office buildings of Warsaw Brewery complex in Warsaw. Partially issued in EUR.
Echo - Aurus Sp. z o.o.	Echo - Park Rozwoju Sp. z o.o. Sp.K.	752	until 28.02.2027	Performance bond for liabilities of Projekt 133 - City Space GP Sp. z o.o. Sp.K., resulting from lease agreement concluded on 4.11.2016. Issued in EUR.
Echo - Aurus Sp. z o.o.	Nobilis - Projekt Echo 117 Sp. z o.o. Sp.K.	752	until 31.07.2027	Performance bond for liabilities of Projekt 137 - City Space GP Sp. z o.o. Sp.K., resulting from lease agreement concluded on 28.02.2017 r. Issued in EUR.
Echo - Aurus Sp. z o.o.	Ventry Investments Sp. z o.o. Sp.K.	1 182	until 09.04.2027	Performance bond for liabilities of City Space - GP Sp. z o.o., resulting from lease agreement concluded on 12.10.2016 r. Issued in EUR.
Raiffeisen Bank S.A.	Agentia Nationala de Administrare Fiscala	2 104	until 02.09.2019	Performance bond for liabilities of S.C. Echo Investment Project 1 S.R.L. Issued in RON.
Echo - Aurus Sp. z o.o.	Sagittarius - Projekt Echo 113 Sp. z o.o. Sp.K.	50	until 31.01.2024	Performance bond for liabilities of Echo Investment S.A., resulting from lease agreement concluded on 22.06.2018 r. Issued in EUR.
Sagittarius-Projekt Echo - 113 Sp.z o.o. Sp.k./Echo - SPV 7 Sp. z o.o./Echo - Aurus Sp. z o.o./PKO BP S.A.	Warburg-HiH Invest Real Estate GmbH	218 044	until 31.10.2028	Construction work quality guarantee related to the Sagittarius office building in Wrocław. Partially issued in EUR.
Echo-SPV 7 Sp. z o.o.	Ventry Investments Sp. z o.o. Sp.K.	42	until 90 days after lease agreement expiry	Performance bond for liabilities of Echo Investment S.A., resulting from lease agreement concluded on 24.11.2017 r. Issued in EUR.
Echo Investment S.A.	PKO BP S.A.	67 941	to the date of construction loan conversion into investment loan	Cost overrun guarantee agreement related to the office project in Warsaw Brewery complex in Warsaw. Issued in EUR.
Echo Investment S.A.	Bank Millenium S.A.	8 045	to the date of construction loan conversion into investment loan	Cost overrun guarantee agreement related to the office project West 4 Business Hub in Wrocław.
Echo Investment S.A.	Bank Millenium S.A.	4 550	to the date of construction loan conversion into investment loan	Guarantee securing rental income during construction of West 4 Business Hub in Wrocław. Issued in EUR.
Echo Investment S.A.	PKO BP S.A.	107 418	until 30.11.2021	Guarantee securing execution of liabilities of Echo-Opolska Business Park Sp. z o.o.Sp.K. resulting from loan agreement. Issued in EUR.
Echo Investment S.A.	Echo-Opolska Business Park Sp. z o.o. Sp.K.	1 006	until 30.06.2020	Performance bond for liabilities of 132 - City Space - GP Sp. z o.o. Sp.K. resulting from leasing agreement signed on 4.06.2019. Issued in EUR.
Total		1 797 628		

PROPERTY, PLANT AND EQUIPMENT [PLN '000]

	30.06.2019	31.12.2018	30.06.2018
PP&E, including:	19 668	8 694	8 555
a) Land	283	349	350
b) buildings, premises, civil and water engineering structures, including:	10 438	4 194	3 340
- Asset on leasing (MSSF 16)	6 327	-	-
c) plant and machinery	762	978	1 799
d) means of transport, including:	5 545	513	680
- Asset on leasing (MSSF 16)	5 267	-	-
e) other PP&E	2 640	2 660	2 386
PP&E under construction	-	244	1 649
Total Property, Plant and Equipment	19 668	8 938	10 204

In H1 asset on leasing was amortised in the amount of PLN 3,058,000 , out of which buildings (offices) PLN 1,788,000, means of transport (cars) PLN 1,270,000.

CHANGES IN INVESTMENT PROPERTY [PLN '000]

	30.06.2019	31.12.2018	30.06.2018
Value at the beginning of the period	1 007 716	6 117	6 117
- impact of implementation MSSF 16 as of 1st January 2019	51 398	-	-
Value at the beginning of the period after corrections	1 059 114	6 117	6 117
a) Increases due to:			
- investment properties under construction taking	187 193	993 606	142 632
- revaluation of property	-	928	-
- expenditure on investments	70 239	7 065	-
- asset on leasing (MSSF 16)	389	-	-
	257 821	1 001 599	142 632
b) Decreases due to:			
- sale	(303 637)	-	-
- sale - asset on leasing (IFRS 16)	(3 510)	-	-
- revaluation of property	(4 453)	-	-
- FX	(163 713)	-	-
- taking to assets held for sale- asset on leasing MSSF 16	(8 838)	-	-
	(484 151)	-	-
Value of property investments at the end of the period	832 784	1 007 716	148 749

The Group assesses its properties according to their fair value at the end of each calendar quarter of a year.

In the first half of 2019, due to the intention to sell it within 12 months, the Group reduced its investment property item by moving the O3 Business Campus III office building in Kraków to 'assets for sale' in the amount of PLN 172,551 thousand, including asset on leasing IFRS 16 amounts PLN 8,838,000. At the same time, due to completion of Moje Miejsce I office building in Warsaw, its value amounting PLN 187,193,000 was transferred from „investment property under construction” item to „investment property”.

As at 30 June 2019 the value of investment consists of properties located in Katowice, Radom, Pamiątkowo, Warsaw and Zabrze. At the same time, the balance at the end of the period increased due to the recognition of lease assets (adaptation of IFRS 16) amounting PLN 39,439,000. Detailed information on the impact of adaptation of IFRS 16 is described in chapter 2 “effects of changing the accounting principles”.

On 28 March 2019, the Group sold the Gatehouse Offices office building located in Warsaw at Grzybowska and Wronia streets. The details of the transaction are described in note 15.

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

CHANGES IN INVESTMENT PROPERTY UNDER CONSTRUCTION [PLN '000]

	30.06.2019	31.12.2018	30.06.2018
Value at the beginning of the period	940 427	1 281 230	1 281 230
- impact of implementation MSSF 16 as of 1st January 2019	36 355	-	-
Value at the beginning of the period after corrections	976 782	1 281 230	1 281 230
a) Increases due to:			
purchase	44 000	118 366	40 281
expenditure on investments	157 193	528 649	212 886
revaluation of property	161 958	506 930	205 093
asset on leasing (MSSF 16)	4 677	-	-
	367 828	1 153 945	458 260
b) Decreases due to:			
movement to investment properties	(187 193)	(993 606)	(142 632)
sale	-	(120 222)	(120 222)
movement to inventory	(39 164)	(34 536)	(1 074)
movement to assets held for sale	-	(346 384)	(346 384)
	(226 357)	(1 494 748)	(610 312)
Value of property under construction at the end of the period	1 118 253	940 427	1 129 178

In the first half of 2019, the Group purchased a property in Wrocław worth PLN 44,000 thousand, which was dedicated to construction of residential projects.

Expenses incurred for the investment implementation concerned investments located in Kraków, Katowice, Łódź, Gdańsk, Wrocław and Warsaw. Additionally, the item increased by the value of perpetual usufruct asset, due to application of IFRS 16.

Due to the fulfilment of the conditions enabling the fair value valuation of the investment property under construction, the Group recognised the result from the first update of the value of the Face 2 Face Business Campus II office building in Katowice in the amount of PLN 4,908 thousand.

In the first half of 2019, the Group updated the fair value of the office buildings: the Villa Offices and the Malthouse Offices in Warsaw (Warsaw Brewery K and GH) in the amount of PLN 81,066 thousand, Face 2 Face Business Campus I and II in Katowice (PLN 17,934 thousand) and Moje Miejsce I in Warsaw (PLN 19,651 thousand). The total amount of recognised revenue from the valuation of investment property

under construction was PLN 118,651 thousand net – taking into account provisions for master lease and profit share.

At the same time, due to completion of Moje Miejsce I office building in Warsaw, its value amounting PLN 187,193,000 was transferred from „investment property under construction” item to „investment property”.

In the report as at 30 June 2019, the Group presented investment properties under construction with a total value of PLN 1,304,680 thousand. The closing balance of the reporting period consists primarily of: Face 2 Face I and II office buildings in Katowice, Moje Miejsce I and II in Warsaw, and office buildings Villa Offices and Malthouse Offices belonging to the Warsaw Brewery complex in Warsaw. At the same time, the balance at the end of the period increased due to the recognition of lease assets (adaption of IFRS 16) amounting PLN 41,032,000. Detailed information on the impact of the adaption of IFRS 16 is presented in chapter 2 “Effects of changing the accounting principles”.

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

CHANGES IN ASSETS HELD FOR SALE [PLN '000]

	30.06.2019	31.12.2018	30.06.2018
Value at the beginning of the period	13 500	119 985	119 985
- impact of implementation MSSF 16 as of 1st January 2019	5 518	-	-
Value at the beginning of the period after corrections	19 018	119 985	119 985
Increases due to:			
investment properties under construction taking	-	346 384	346 384
investment properties taking	163 713	-	-
investment properties taking - asset on leasing MSSF 16	8 838	-	-
inventory taking	-	11 713	107
expenditure on investments	-	-	-
	172 551	358 097	346 491
Decreases due to:			
inventory taking	-	(13 404)	-
revaluation of property	-	(438 641)	(58 527)
sale	-	(421)	(421)
FX changes	-	(464 582)	(71 061)
Assets held for sale at the end of the period	191 569	13 500	395 415

In the first half of 2019, due to the intention to sell within 12 months, the Group increased the value of assets held for sale by transferring the O3 Business Campus III office building in Kraków from the investment property item, whose value is PLN 172,261,000, including asset on leasing IFRS 16 amounts PLN 8,548,000.

As at 30 June 2019, in the item 'assets held for sale', the Group included land properties in Koszalin with a value of PLN 13,500 thousand. PLN, investment property of O3

Business Campus III in Krakow worth PLN 172 262 thousand. PLN and lease asset in the amount of PLN 5,518 thousand. The detailed impact of the implementation of IFRS 16 is described in chapter 2 "Effects of changing the accounting principles".

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

Note 6

INVENTORY [PLN '000]

	30.06.2019	31.12.2018	30.06.2018
Semi-finished products and work-in-progress	1 178 862	747 549	688 161
- asset on perpetual usufruct	67 437	-	-
Finished products	28 045	18 457	50 536
Goods	1 383	5 830	4 644
Total inventory	1 208 290	771 836	743 341

The 'finished products' item included completed housing units earmarked for sale.

The 'semi-finished goods and work in progress' item mostly includes properties held by the Group as well as expenditure on residential project under preparation or under construction.

The 'goods' item includes the land earmarked for sale.

Inventories are valued no higher than their net realizable value. This value is derived from the information from the active market. Reversal of inventory write-downs results from inventory sales or an increase in their net sales price. The amounts of inventory write-downs recognized as a cost in the period and the amounts of reversals

of inventory write-downs recognized as an income in the period are included in the 'cost of sales' item in the profit and loss account. Significant increase of inventory in H1 2019 was i.a. an effects of presenting the asset on leasing (IFRS 16), transfer from „investment property under construction”, expenditures incurred and acquisition of properties.

In the section “deferred income”, the Group presents received payments from clients for residential projects in progress, which have been realised from escrow accounts. As at 30 June 2018, the amount of payments released was PLN 196,047 thousand (as at 30 June 30 2017 amounted PLN 186,780 thousand), including long-term amounted PLN 11,901 thousand.

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

	1.01.2019- 30.06.2019	1.01.2018- 31.12.2018	1.01.2018- 30.06.2018
Amount of inventories recognised as an expense in the period	(89 108)	(539 378)	(155 400)
Impairment losses on inventories recognised in the period as cost	-	(4 068)	-
Reversal of impairment losses which decreases the value of inventories recognised in the period as income	1 945	10 843	2 990

Inventory write-downs and reversals refer to residential and they are intended to write down the value to the level of the feasible price.

The value of inventories recognized as revenue / cost in a given period is recognized in the income statement as “cost of sales”.

The reversal of write-downs for the period up to 30 June 2019 was mainly related to residential projects located in Wrocław (Grota-Roweckiego 111), Łódź (Nowa Dzielnica) and Poznań (Naramowice).

The change in inventory write-downs up to 30 June 2019 amounted to PLN 1,945 thousand (as at 30 June 2018 amounted PLN 2,990 thousand).

Note 7

CHANGE IN PROVISIONS [PLN '000]

	30.06.2019	31.12.2018	30.06.2018
Opening balance			
- provisions on expected costs of general administrative (audit, bonuses, leave of absence, etc.)	4 441	6	6
- provision for estimated penalties and losses	15 967	36 920	36 920
- provision for estimated costs of warranty repairs, etc.	-	2 066	2 066
- provision for court cases	6 126	-	-
- provision for profit share and master lease	8 753	4 695	4 695
- provision for master lease obligations	119 913	127 080	127 080
- provision for profit share obligations	97 443	49 187	49 187
- provision for fit-out works	7 610	5 743	5 743
- provision for the final settlement of the investment property sale price	1 294	1 294	1 294
	261 547	226 991	226 991
Increases due to:			
- provisions on estimated costs of general administrative (audit, bonuses, leave of absence, etc.)	451	4 382	-
- provision for estimated penalties and losses	217	10 595	9 941
- provision for estimated costs of warranty repairs, etc.	-	200	-
- provision for court cases	369	6 126	4 876
- provision for profit share and master lease	4 297	10 192	5 266
- provision for master lease obligations	54 122	89 237	11 528
- provision for profit share obligations	30 535	49 839	33 780
- provision for fit-out works	5 019	8 414	-
	95 010	178 985	65 391
Utilization due to:			
- incurred costs of general administrative	(100)	(6)	(6)
- incurred penalties and losses	(8 093)	(31 548)	(13 197)
- incurred costs of warranty repairs, renovations etc.	-	(2 207)	(2 066)
- provision for profit share and master lease	(9 216)	(6 134)	(3 208)
- provision for master lease obligations	(26 974)	(96 404)	(46 591)
- provision for profit share obligations	(29 189)	(1 583)	-
- provision for fit-out works	(3 375)	(6 547)	-
	(76 947)	(144 429)	(65 068)
Closing balance			
- provisions on estimated costs of general administrative (audit, bonuses, leave of absence, etc.)	4 792	4 441	-
- provision for estimated penalties and losses	8 091	15 967	33 664
- provision for court cases	6 495	6 126	4 876
- provision for liabilities related to investment projects	3 834	8 753	6 753
- provision for master lease obligations	147 061	119 913	92 017
- provision for profit share obligations	98 789	97 443	82 967

CHANGE IN PROVISIONS [PLN '000]

	30.06.2019	31.12.2018	30.06.2018
- Provision for fit-out works	9 255	7 610	5 743
- Provision for the final settlement of the investment property sale price	1 294	1 294	1 294
	279 611	261 547	227 314
Including:			
Long-term provisions	150 540	125 559	63 818
Short-term provisions	129 071	135 988	163 496

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

- related to the office buildings sold in 2016: Q22 in Warsaw, Symetris Business Park I in Łódź, O3 Business Campus I in Kraków and Tryton Business House in Gdańsk, in the amount of PLN 6,024 thousand,
- related to the office buildings sold in 2017: A4 Business Park III, O3 Business Campus II in Kraków and Nobilis Business House in Wrocław, in the amount of PLN 7,421 thousand,
- related to the office building sold in 2018: Sagittarius Business House in the amount of PLN 2,006 thousand,
- related to the office buildings: O3 Business Campus III in Kraków and Moje Miejsce I in Warsaw, in the amount of PLN 9,943 thousand.

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

The dates of crystallising of the provisions for penalties and losses, warranty costs and court cases are not possible to be estimated, however, there is a high probability of their implementation within 12 months from the balance sheet date. Penalty reserve includes the value of any penalties that may be charged to the Group under contractual agreements with a probability of charge greater than 50%.

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

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

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

Note 8

LIABILITIES DUE TO LOANS AND BORROWINGS [PLN '000]

	30.06.2019	31.12.2018	30.06.2018
Loans and borrowings	338 828	270 858	258 233
Debt securities	1 146 523	1 158 669	1 107 312
Interests from loans and borrowings	1 067	895	969
Total liabilities due to loans and borrowings	1 486 418	1 430 422	1 366 514
of which long-term portion	1 427 443	1 149 693	1 035 428
of which short-term portion	58 975	280 729	331 086

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

Credit lines denominated in PLN are secured by blank promissory notes, declarations of submission to enforcement and powers of attorney to bank accounts. The loan interest rate is based on the WIBOR rate plus

a bank's margin. According to the best information and data of the Management Boards of the Group's companies, there were no breaches of the terms of loan agreements or the agreed levels of collateral during the financial year and until the date of signing the financial statements.

In the 'debt securities' item the Group presents bonds issued. Interest on bonds is based on the WIBOR rate plus a margin.

The fair value of loans and borrowings does not differ significantly from their balance value. The fair value was determined by the income method based on the cash flows discounted by the current market interest rate. The fair value measurement was classified as level 3 of the fair value hierarchy.

Note 9

REVENUES BY TYPE [PLN '000]

	01.01.2019 - 30.06.2019	01.01.2018 - 30.06.2018
Sale of residential space	42 080	105 827
Construction and lease services related to office buildings	33 870	63 266
Construction and lease services related to retail buildings	36 398	7 175
Other sale	18 453	14 496
Profit from sale	130 801	190 764

Note 10

NET PROFIT ON INVESTMENT PROPERTY [PLN '000]

	01.01.2019 - 30.06.2019	01.01.2018 - 30.06.2018
Revenue from the sale of property	356 309	82 396
Property selling costs (notes 3, 4, 5)	(346 219)	(54 241)
Revaluation of property (notes 3, 4, 5), including:	158 660	192 980
- asset on leasing IFRS 16	(277)	-
Costs of collateral on rental income (master lease)	(38 651)	(1 412)
Costs of profit share	705	(33 780)
Net profit (loss) on investment property	130 804	185 943

In the first half of 2019, the Group sold the investment property of the Gatehouse Offices located in Warsaw.

The item of property revaluation includes costs related to rental holidays and profit share commitments mainly in the Face 2 Face Business Campus office projects (phases I and II), the Villa Offices at Malthouse Offices (Warsaw Brewery K, GH).

Note 11

FINANCIAL INCOME [PLN '000]

	01.01.2019 - 30.06.2019	1.01.2018 - 30.06.2018
profits due to revaluation of financial assets	3 176	3 192
received dividends	-	12 197
income from borrowings interest	5 124	3 636
income from other interest	615	6 724
profit on disposal of investments	7 210	54
other financial income	8	1
Total financial income	16 133	25 804

In the item 'profit on sale of investment' in the first half of 2019, the Group presents the result of the liquidation of Echo Prime Assets BV.

In the first half of 2018, the Group recorded a profit on dividend received related to its shareholding in EPP N.V. in the amount of PLN 12,197 thousand.

The "revenues from other interest " item in the first half of 2018 includes, among others interest owed from The Big Five International Limited and Echo Partners B.V. for deferred payment regarding the sale of EPP N.V. shares, in the amount of PLN 6,507 thousand.

Note 12**FINANCIAL EXPENSES [PLN '000]**

	01.01.2019 - 30.06.2019	01.01.2018 - 30.06.2018
interest expense	(26 739)	(31 340)
commissions	(2 666)	(3 277)
loss on disposal of investments	(162)	(542)
costs of financial assets revaluation	(1 597)	(44)
Costs due to leasing (IFRS 16)	(3 087)	(17)
Total financial costs	(34 251)	(35 220)

ALLOCATION OF REVENUES TO SEGMENTS [PLN '000]

	01.01.2019 - 30.06.2019	01.01.2018 - 30.06.2018
Residential	42 080	105 827
Office	33 870	63 266
Retail properties	36 398	7 175
Other	18 453	14 496
Total	130 801	190 764

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

	01.01.2019 - 30.06.2019	01.01.2018 - 30.06.2018
Residential	(35 154)	(72 985)
Office	(23 648)	(68 742)
Retail properties	(20 084)	(4 073)
Other	(14 353)	(9 446)
Total	(93 239)	(155 246)

ALLOCATION OF GROSS PROFIT TO SEGMENTS [PLN '000]

	01.01.2019 - 30.06.2019	01.01.2018 - 30.06.2018
Residential	6 926	32 842
Office	10 222	(5 476)
Retail properties	16 314	3 102
Other	4 100	5 050
Total	37 562	35 518

**ROSEHILL INVESTMENTS SP. Z O.O.,
BEREA SP. Z O.O. (GALERIA MŁOCINY)**

On 31 May 2017 the Echo Investment Group together with the EPP Group (than Echo Polska Properties) concluded a purchase agreement concerning a property located in Warsaw at ul. Zgrupowania AK „Kampinos”. Under the concluded transaction the companies purchased shares in Rosehill Investments Sp. z o.o., which is the owner of Galeria Młociny project by way of holding 100% shares in Berea Sp. z o.o. The property value was established as EUR 104.5 mln. As at the day of the acquisition and the balance date i.e. on 30 June 2019 the Echo Investment Group held 30% shares in the project company being the owner of the property and the remaining 70% was held by the EPP Group. Echo Investment S.A. and EPP N.V. are only responsible for their respective parts of the purchase price. The share of the Group in Berea Sp. z o.o. presented in the financial report is estimated according to the equity method. The carrying value of the investment as at 30 June 2019 amounted to PLN

102,741 thousand. A summary of financial information in the joint venture is presented below.

In the first half of 2019, the company analyzed the impairment of net investment value based on the equity method in a jointly controlled company Rosehill Investments Sp. z o.o (Młociny project).

In the first half of 2019, due to Galeria Młociny opening, the company updated the fair value of the project in the net assets of the jointly controlled entity. The company estimated that the recoverable amount of the net investment as at the balance sheet date is lower than the value of the shares in net assets as at that day. As a result, the company recognized an impairment loss of PLN 11,617,000 identified in the consolidated profit and loss account reducing the item “share in profits (losses) of entities covered by the equity method.”

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

	30.06.2019
Current assets	57 155
Fixed assets - investment property	1 668 381
Total assets	11 772
	1 737 308
Long-term liabilities	
Short-term liabilities	1 384 760
Total liabilities	86 750
Fixed assets - investment property	1 471 510
Equity	265 798
Share of the Echo Investment S.A.	30,00%
Elimination of mutual transactions between unit and the Group	-477
Share of the Echo Investment S.A.	79 263

JOINT VENTURE'S FINANCIAL DATA - GALERIA MŁOCINY
SELECTED DATA FROM THE STATEMENT OF COMPREHENSIVE INCOME
[PLN '000]

01.01.2019 - 30.06.2019

Operating income	16 723
Operating costs.	(11 255)
Profits due to revaluation of the property	47 105
Costs of general administrative	(1 572)
Costs of sell	(5 461)
Other costs / operating costs	(1 902)
Financial income	17 052
Financial costs	(2 163)
Gross profit (loss)	58 527
Income tax	(20 017)
Net profit (loss)	38 510
<hr/>	
Total comprehensive income	38 510
Share of the Echo Investment Group (%)	30,00%
Share of the Group in comprehensive income resulting from Joint Venture	11 553

PROJEKT ECHO - 138 SP. Z O.O. SP.K.
(TOWAROWA 22)

On 15 September 2016 the Echo Investment Group and the EPP Group (then Echo Polska Properties) concluded a conditional purchase agreement under which they were planning to purchase a property located at ul. Towarowa 22 in Warsaw, where a joint investment enterprise is to be developed. The final purchase agreement was concluded on 23 December 2016. The property sales price was EUR 77.4 mln, however, it will be increased to EUR 119.4 mln upon the fulfilment of conditions stipulated in the agreement. Echo Investment paid EUR 35.82 mln and EPP's contribution amounted to EUR 41.58 mln. Thus, as at the balance date i.e. on 30 June 2018 the Echo Investment Group had 46.26% share in the project company being the owner of the property at ul. To-

warowa 22. EPP held the remaining 53.74%. Upon the fulfilment of all conditions increasing the price, the share of Echo Investment in the transaction and the planned enterprise will ultimately amount to 30% and 70% will be held by the EPP Group. As at the balance sheet day, on 30 June 2019 those conditions were not yet fulfilled. Echo Investment S.A. and EPP N.V. are only responsible for their proportional parts of the price. The share of the Echo Investment Group in the joint venture is shown in the consolidated financial statement and it is estimated using the equity method. The carrying value of the investment as at 30 June 2019, amounted to PLN 149,426 thousand. A summary of financial information in the joint venture is presented below.

JOINT VENTURE'S FINANCIAL DATA - TOWAROWA 22
SELECTED DATA FROM THE FINANCIAL SITUATION [PLN '000]

30.06.2019

Current assets	6 102
Fixed assets - investment property	342 270
Other fixed assets	341
Total assets	348 713
Long-term liabilities	805
Short-term liabilities	19 695
Total liabilities	20 500
Equity	328 213
Share of the Echo Investment Group (%)	46,26%
Elimination of mutual transactions between unit and the Group	(2 416)
Share of the Echo Investment Group in net assets	149 426

JOINT VENTURE'S FINANCIAL DATA - TOWAROWA 22
SELECTED DATA FROM THE STATEMENT OF COMPREHENSIVE INCOME
[PLN '000]

01.01.2019 - 30.06.2019

Operating income	6 033
Operating costs.	(7 694)
Costs of projects' sell	-
Costs of general administrative	(114)
Other income / operating costs	(173)
Financial costs	(321)
Gross profit (loss)	(2 269)
Income tax	341
Net profit (loss)	(1 928)
Total comprehensive income	(1 928)
Share of the Echo Investment Group (%)	46,26%
Share of the Group in comprehensive income resulting from joint-venture	(892)

R4R POLAND SP. Z O.O.

On 20 July 2018 Echo Investment S.A. acquired 30% of shares and votes in a joint investment venture. The remaining 70% of shares and votes was acquired by R4R S.a.r.l. Pursuant to the agreement, the project will operate as a platform of apartments for rent in Poland. As part of the project, buildings with apartments for rent will be built - primarily in four locations in Warsaw, Łódź and Wrocław. The first tenants will be able to move in in the fourth quarter of 2019. Under the agreement, Echo Investment S.A. will provide planning, design and investment implementation services while R4R Poland Sp. z o.o. will be responsible for the operational management of the platform.

On 14 September 2018, subsidiaries of R4R Poland Sp. z o.o. concluded preliminary purchase agreements for four development projects developed by subsidiaries of Echo Investment S.A. for a total price of PLN 338,670 thousand. The projects will create approximately 1,200 apartments, which, according to the assumptions of the project, will be dedicated to rent. The projects that are the subject of the agreements are:

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

- Wodna, being developed on a property located in Łódź at 23 Wodna street.

In addition, by fulfilling its commitment to co-finance the project, Echo Investment S.A. provided capital to R4R Poland Sp. z o.o. on 14 September 2018 and took over new shares in the increased share capital of PLN 41 354 269. Moreover, in H1 2019 Echo Investment S.A. has granted R4R Poland Sp. z o.o. a loan amounted PLN 17,745,000.

In the first half of 2019, new subsidiaries of R4R Poland Sp. z o.o. were created in order to develop projects located among others in Warsaw (Taśmowa, Woronicza, Wilanowska streets), Gdańsk (Kołobrzeska street), Kraków (3 Maja street) and Poznań (Szczepanowskiego street).

The share of the Echo Investment Group in the consolidated financial statements is recognised by using the equity method. A summary of financial information in the joint venture is provided below.

The carrying value of the investment as at 30 June 2019 amounted PLN 3,514 thousand.

JOINT VENTURE'S FINANCIAL DATA - RESI4RENT PLATFORM SELECTED DATA FROM THE FINANCIAL SITUATION [PLN '000]

	30.06.2019
Current assets	29 575
Fixed assets - investment property	47 517
Fixed assets - advance payments for investment properties under construction	173 132
Other fixed assets	2 519
Total assets	252 743
Long-term liabilities	234 058
Short-term liabilities	5 728
Total liabilities	239 786
Equity	12 957
Share of the Echo Investment Group (%)	30,00%
Elimination of mutual transactions between unit and the Group	(374)
Share of the Echo Investment Group in net assets	3 514

JOINT VENTURE'S FINANCIAL DATA - RESI4RENT PLATFORM
SELECTED DATA FROM THE STATEMENT OF COMPREHENSIVE INCOME
[PLN '000]

01.01.2019 - 30.06.2019

Administrative costs related to project	(19)
Costs of general administrative	(3 376)
Costs of sales	(408)
Other income / operating costs	(372)
Financial costs	(4)
Gross profit (loss)	(4 179)
Income tax	698
Net profit (loss)	(3 481)
<hr/>	
Total comprehensive income	(3 481)
Share of the Echo Investment Group (%)	30,00%
Share of the Group in comprehensive income resulting from joint-venture	(1 044)

The Gatehouse Offices in Warsaw

On 28 March 2019, a subsidiary of Echo Investment S.A. i.e. Dellia Investments - Projekt Echo 115 Sp. z o.o. Sp.K. based in Kielce, acting as the seller, and a company under Luxembourg law LUX Europa III S.a.r.l., the entity managed by GLL Real Estate Partners as the buyer, concluded a final contract for the sale of the office property of the Gatehouse Offices located in Warsaw at Grzybowska and Wronia streets.

The final sale price of the office building will be EUR 76.8 million, after meeting certain conditions. Pursuant to the agreement, the sale price is payable in two tranches. The first instalment of EUR 38.6 million net was paid immediately after

the conclusion of the contract, while the remaining part of the price - after the conditions agreed by the parties - on 3 July 2019. Together with the first instalment, the buyer paid the amount of VAT on the whole sale price. Together with the sales contract, the parties concluded contracts for the building quality guarantee and rent guarantee, according to which the buyer compensated the loss on operating revenues resulting from incentives for tenants.

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

Note 16

REVENUES OF FUTURE PERIODS [PLN '000]

Project	Targeted date of completion	Total expected project's value	Total revenue from contract performance obligations to be recognized in the future	Prepayments received/deferred income (long-term)*	Prepayments received/deferred income (short-term)*	Apartments deposits (long-term and short-term) / other liabilities **
Dom pod Wilgą III, Kraków	completed	41 908	18 430	-	13 820	-
Rydla 32, Kraków	III Q 2019	48 514	48 514	-	33 459	819
Apartamenty GO, Kraków	completed	61 188	-	-	773	53
Osiedle Jarzębinowe IV, Łódź	completed	22 098	460	-	408	-
Osiedle Jarzębinowe V, Łódź	III Q 2019	43 056	43 056	-	24 617	3 658
Osiedle Jarzębinowe VI, Łódź	I Q 2020	19 982	19 982	-	2 300	112
Nowa Dzielnica, Łódź	completed	29 663	29 663	-	12 916	1 759
Fuzja I, Łódź	IV Q 2020	103 980	103 980	-	866	530
Osiedle Jaśminowe III, Poznań	completed	19 736	-	-	1	-
Osiedle Jaśminowe IV, Poznań	I Q 2020	32 370	32 370	-	8 059	2 089
Osiedle Perspektywa I, Poznań	completed	44 691	-	-	151	-
Osiedle Perspektywa II, Poznań	III Q 2019	24 765	24 765	-	21 458	-
Osiedle Perspektywa III, Poznań	IV Q 2019	30 930	30 930	-	17 845	6 445
Nasze Jeżyce I, Poznań	I Q 2021	57 657	57 657	-	4 646	5
Apartamenty Esencja, Poznań	IV Q 2020	114 824	114 824	-	2 539	3 647
Widoki Mokotów, Warszawa	I Q 2020	69 175	69 175	-	13 631	8 360
Warsaw Brewery A, Warszawa	completed	55 360	1 504	-	1 565	1
Warsaw Brewery B, Warszawa	III Q 2019	125 041	125 041	-	85 233	14 289
Warsaw Brewery C, Warszawa	III Q 2019	91 781	91 781	-	63 883	9 906
Warsaw Brewery E, Warszawa	IV Q 2020	113 418	113 418	4 508	-	293
Osiedle Reset I, Warszawa	IV Q 2019	66 239	66 239	-	35 339	386
Osiedle Reset II, Warszawa	IV Q 2020	117 821	117 821	-	10 293	1 664
Moje Miejsce, Warszawa	III Q 2020	131 171	131 171	9 772	-	198
Grota-Roweckiego 111 phase III, Wrocław	IV Q 2019	16 131	16 131	-	5 697	231
Ogrody Graua, Wrocław	II Q 2020	44 171	44 171	-	2 710	1 329
Zebra, Wrocław	II Q 2019	75 566	75 566	-	62 296	6 767
Kępa Mieszczkańska (Resi4Rent), Wrocław	I Q 2020	65 584	65 584	29 929	-	-
Browary Warszawskie (Resi4Rent), Warszawa	III Q 2020	160 208	160 208	70 281	-	-
Rychtalska (Resi4Rent), Wrocław	II Q 2019	67 086	67 086	-	40 434	-
Wodna (Resi4Rent), Łódź	III Q 2019	45 791	45 791	-	27 533	-
Other	-	-	-	-	14 322	229
Total		1 939 907	1 715 320	114 490	506 794	62 770

*Advance payments released from escrow

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

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

	1.01.2019	New purchases	Financial costs	Payments	Completion or sale of the project	30.06.2019
Leasing liabilities due to perpetual usufruct	69 573	2 109	2 239	(4 088)	(6 060)	63 773
Other leasing liabilities	135 332	3 912	3 027	(10 865)	(3 510)	127 896
Total leasing liabilities	204 905	6 021	5 266	(14 954)	(9 570)	191 669

INFORMATION ON FINANCIAL STATEMENT OF THE ECHO INVESTMENT GROUP

Accounting principles adopted in drawing up the financial report of Echo Investment Group

The condensed interim consolidated financial statements of the Echo Investment Group for the first half of 2019, prepared in accordance with IAS 34 'Interim Financial Reporting', adopted for application in the European Union, for the period between 1 January 2019 and 30 June 2019.

The accounting principles presented below are applicable also to the condensed interim standalone financial statement.

The condensed interim consolidated financial statements of the Group include consolidated financial data as of 30 June 2019 and comparative data as at 31 December 2018 as well as for the 6-month period ended 30 June 2018. In relation to the profit and loss account, the statement of comprehensive income there are presented consolidated financial data as for the 6-month period ended 30 June 2019, comparative data for the 6-month period ended 30 June 2018, and consolidated financial data for the period of 3 months of the second quarter i.e. from 1 April 2019 to 30 June 2019, and comparative data from 1 April 2018 to 30 June 2018. In relations to the changes in equity and the cash flow statement there are presented consolidated financial data for the 6-months period ended 30 June 2019 and comparative data for 6-month period ended 30 June 2018.

These financial statements need to be analysed in conjunction with the annual consolidated financial statements for the financial year ended 31 December 2018 prepared in line with the IFRS adopted for application in the EU.

The financial statements have been developed on the historical cost basis, save for investment properties and financial instruments measured at fair value. The financial statements have been developed on the assumption of going concern in the foreseeable

future, bearing in mind the fact that there are no circumstances implying a threat to going concern.

The accounting principles applied to these interim condensed interim financial statements are consistent with the principles applied in the most recent annual financial statements and have been applied on a continuous basis to all periods presented in the consolidated financial statements, except for the application of new standards, amendments to standards and interpretations issued by the IFRS Committee applicable, in the case of the Group, to the reporting period beginning on 1 January 2019. The impact of applying these changes on the presentation of data and valuation in the financial statements is described in chapter 2, item O6 "Effects of changing the accounting principles".

The profit and loss account and notes to the profit and loss account, covering data for the 3-month period ended 30 June 2019 and comparative data for the 3-month period ended 30 June 2018, have not been reviewed or audited by a certified auditor.

FUNCTIONAL CURRENCY AND CURRENCY OF PRESENTATION

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

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

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

measurement of assets and liabilities denominated in foreign currencies are recognised in profit or loss.

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

INVESTMENT PROPERTIES, INVESTMENT PROPERTIES UNDER CONSTRUCTION

Investment properties include leased real estate owned by the Group along with land directly related to the real estate and land purchased and maintained in order to increase the value.

Investment properties under construction are investments carried out by the Group and intended for rent, being under construction. The Group includes investment property under construction as investment property when available for use.

Investment property is initially recognised at purchase price / production cost. Subsequent expenditure is included in the carrying amount of the investment property or is recognised as a separate investment property (where appropriate) only when it is probable that the economic benefit will flow to the Group from this item and the cost of the item can be measured reliably. All other expenses on repair and maintenance are referred to the statements of comprehensive income in the financial period in which they were incurred. The value of investment properties under construction includes costs that are directly related to the unfinished investment. They include expenses incurred for the purchase of land, expenditures on the design and construction of buildings (mainly external services), activated financial costs and other costs incurred during the construction directly related.

Following the initial recognition, at each balance sheet date, investment properties are stated at fair value. Fair value is updated every quarter. Gains or losses arising from changes in fair value of investment property are recognised in the profit and loss account in the period in which they arise. The result on the valuation of investment property is presented in the profit / loss on investment property item.

For properties under construction, for valuation reasons deemed to be fulfilled in the case of projects

where a significant part of the risks associated with the construction of the construction process has been eliminated and it is possible to have a reliable fair value. In other cases, when it is not possible to reliably determine the fair value, the value of real estate under construction is valued at acquisition price or production cost less impairment losses.

The Group established the conditions, the compliance with which initiates the process of analysis, whether significant risks related to investment property under construction have been completely eliminated. These conditions most notably comprise:

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

The presented conditions constitute the boundary criteria of the analysis. Each investment property under construction is analysed individually for the possibility of obtaining a reliable fair value measurement, taking into account, in addition to the conditions described above, the general economic and market situation, the availability of data for analogous properties and expectations regarding the volatility of factors underlying the valuations and the financing method investment project.

The fair value of investment property is the price at which the property could be exchanged between well-informed, willing and unrelated parties.

The fair values of the property are subject to verification by internal Analyse Department in cooperation with the Management Board, based on transaction concluded on active market, offers, preliminary agreements, knowledge and experience or based on external valuations prepared by appraisers. As a rule, valuations of an office property in which the Group conducts an active process preparing the property for sale, are prepared internally by the Group, based on available market data, in particular the level of discount rate (yield) discussed with potential buyers and based on levels of rent and other lease conditions resulting from signed or negotiated lease agreements.

Valuations includes reserves and they are estimated by discounted cash flow method. In case of investment property under construction, the valuation is reduced by the discounted expenditure necessary to complete the investment, taking into account the developer's margin (so-called development profit). At the time of measuring the property at fair value, the Group also recognises provisions related to the property for hedging of rent-free periods, which the Group granted or expects to grant and / or for the distribution of profit (profit share), if contractual agreements assume a share in the profit on the sale of real estate other parties. Provisions for securing rent-free periods include all expected future payments related to acquiring tenants that the Group expects to economically incur, i.e. primarily costs of rent-free periods (periods with reduced rent levels),

costs of arrangement work to be carried out (fit-out), costs of other lease incentives for tenants and costs of agents. Recognised provisions for projects measured at fair value adjust the result recognised on the valuation of investment property presented in the item of revaluation of real estate, and for projects sold in the item profit (loss) from the sale of real estate. The values expressed in EUR and USD are converted every quarter according to the current exchange rates issued by the National Bank of Poland.

A change of property user triggers respective reclassification of the property in the financial statements. Transfer of property and disclosure thereof under property, plant and equipment is effected at the carrying value.

The result on the sale of investment property is recognised in the profit / loss on investment property item.

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

INVENTORY

The item of inventories comprises: semi-finished products and work in process, finished products, goods and advances on deliveries. Given the nature of business, purchased land or incurred fees for perpetual usufruct of land is classified as work in process if the land is designed for development for resale or towards goods if the land is intended for sale. The work in progress includes also the expenses incurred over the process of construction of facilities and sites for sale (design services, construction works, etc. provided by external contractors). Finished products mainly include residential and business premises completed and sold under final sale contracts.

The inventories of tangible items of current assets are measured at the value corresponding to the purchase price of land and the cost of production of developers' business products increased by activated financial costs, being not higher than the net realisable value. This value is collected from information on the active market. Reversal of impairment loss of inventories appears either on the sale of inventories or due to increased net sales price. Both the amount of write-

downs of inventories recognised as an expense in the period and the amount of any reversal of any write-downs decreasing the value of inventories recognised in the period as reduction in cost are stated in the profit and loss accounts under sales cost.

The value of inventories is also increased by sales bonuses / commissions for the sale of premises, which, according to IFRS 15, the Group considers as additional costs of concluding a contract. The Group accounts for the capitalization of bonuses / commissions when recognising sales revenue (see the Methods for determining the financial result section) in proportion to their share in the entire construction cost of a given facility and in the entire land constituting the given project. The Group does not capitalise traders' bonuses / commissions after the completion of the construction of a residential project based on the simplification provided for in IFRS 15, point 94 and recognises these costs when incurred.

Methods of determining the financial result

The financial result is determined using the calculation method.

REVENUE

The amount of revenues corresponds to the value of consideration stated in contracts with clients, excluding amounts collected on behalf of third parties. In accordance with IFRS 15, the Company recognises revenues when the obligation is fulfilled (or in the course of fulfilling) by transferring a promised goods or services (i.e. an asset) to a customer. The asset is transferred when the customer obtains control of that asset.

After fulfilling (or in the course of fulfilling) obligations, the entity recognises an amount equal to a transaction price as income, which has been assigned to that performance obligation. To determine the transaction price, the entity shall consider the terms of the contract and its usual commercial practices. The transaction price is the amount of remuneration that the entity expects to be entitled to in exchange for the transfer of promised goods or services to the customer, excluding amounts collected on behalf of third parties (for example, certain sales taxes). The remuneration specified in the contract with the client may include fixed amounts, variable amounts or both.

Revenue from the sale of residential and service premises are recognised on the date of handover of real estate to the buyer. This occurs on the basis of the acceptance protocol signed by the parties providing only after completion of the construction of real estate and receiving the occupancy permit on condition that the buyer will pay 100% towards the purchase price of real estate.

Paid apartments are also considered to be cases of minor underpayments (up to PLN 500), larger underpayments, which the Company decides not to collect

from customers, or in the event of receivables from tenant changes, which, according to arrangements, are payable later than the moment of handover of the premises.

Revenues from the rental of residential and commercial space are recognised on a straight-line basis over the term of the contracts concluded.

Revenue from other contracts for the provision of services (legal, consulting, IT, financial, marketing, security and other services) is recognised by the Company when the performance obligation is met.

COST OF SALES

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

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

ADMINISTRATIVE COSTS RELATED TO PROJECTS

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

These costs, despite an indirect connection with the construction of development projects, are not capitalised in the value of inventories/investment properties, because:

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

EXTERNAL FINANCING COSTS

Borrowing costs related to the current period are recognized in the profit and loss account, except for costs subject to activation in accordance with IAS 23.

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

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

Echo Investment Group

2.1 Composition of the Group

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

investment tasks, including those resulting from the construction process of a concrete development project. As at 30 June 2019 the Capital Group included 131 subsidiaries consolidated according to the full method and 18 jointly controlled companies consolidated according to the equity method.

SUBSIDIARIES

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

SUBSIDIARIES

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

SUBSIDIARIES

No	Subsidiary	Registered office	% of capital held	Parent entity
60	Projekt 12 - Grupa Echo Sp. z o.o. SKA	Kielce	100%	Echo Investment S.A.
61	Projekt 13 - Grupa Echo Sp. z o.o. SKA	Kielce	100%	Echo Investment S.A.
62	Projekt 132 - City Space - GP Sp. z o.o. Sp.K.	Warsaw	100%	City Space Management Sp. z o.o.
63	Projekt 133 - City Space - GP Sp. z o.o. Sp.K.	Warsaw	100%	City Space Management Sp. z o.o.
64	Nobilis - City Space GP Sp. z o.o. Sp.K.	Warsaw	100%	City Space Management Sp. z o.o.
65	Projekt 14 - Grupa Echo Sp. z o.o. SKA	Kielce	100%	Echo Investment S.A.
66	Projekt 15 - Grupa Echo Sp. z o.o. SKA	Kielce	100%	Echo Investment S.A.
67	Projekt 16 - Grupa Echo Sp. z o.o. SKA	Kielce	100%	Echo Investment S.A.
68	Projekt 17 - Grupa Echo Sp. z o.o. SKA	Kielce	100%	Echo Investment S.A.
69	Projekt 18 - Grupa Echo Sp. z o.o. SKA	Kielce	100%	Echo Investment S.A.
70	Cinema Asset Manager - Grupa Echo sp. z o.o. SKA	Kielce	100%	Echo Investment S.A.
71	Projekt 20 - Grupa Echo Sp. z o.o. SKA	Kielce	100%	Echo Investment S.A.
72	Projekt 21 - Grupa Echo Sp. z o.o. SKA	Kielce	100%	Echo Investment S.A.
73	Projekt 22 - Grupa Echo Sp. z o.o. SKA	Kielce	100%	Echo Investment S.A.
74	Projekt 5 - Grupa Echo Sp. z o.o. SKA	Szczecin	100%	Echo Investment S.A.
75	Projekt Beethovena - Projekt Echo - 122 Sp. z o.o. SKA	Kielce	100%	Echo Investment S.A.
76	Projekt CS Sp. z o.o.	Kielce	100%	Echo Investment S.A.
77	Projekt Echo - 104 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
78	Projekt Echo - 108 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
79	Projekt Echo - 111 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
80	Projekt Echo - 112 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
81	Projekt Echo - 113 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
82	Projekt Echo - 115 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
83	Projekt Echo - 116 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
84	Projekt Echo - 119 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
85	Projekt Echo - 120 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
86	Projekt Echo - 121 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
87	Projekt Echo - 122 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
88	Projekt Echo - 123 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
89	Projekt Echo - 127 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
90	Projekt Echo - 128 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
91	Projekt Echo - 129 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
92	Projekt Echo - 130 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
93	Projekt Echo - 131 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
94	Projekt Echo - 132 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
95	Projekt Echo - 135 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
96	Projekt Echo - 135 Sp. z o.o. Sp.K.	Kielce	100%	Perth Sp. z o.o.
97	Projekt Echo - 136 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
98	Projekt Echo - 136 Sp. z o.o. Sp.K.	Kielce	100%	Echo Investment S.A.
99	Projekt Echo - 137 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
100	Projekt 139 - Grupa Echo Sp. z o.o. Sp.K.	Kielce	100%	Perth Sp. z o.o.

SUBSIDIARIES

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

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

JOINT-VENTURES

No	Subsidiary	Registered office	% of capital held	Parent entity	Investment
1	Rosehill Investments Sp. z o.o.	Warsaw	30%	Echo Investment S.A.	Galeria Młociny
2	Berea Sp. z o.o.	Warsaw	30%	Rosehill Investments Sp. z o.o.	Galeria Młociny
3	Projekt Echo - 138 Sp. z o.o. Sp.K.	Warsaw	45,26%	Strood Sp. z o.o.	Towarowa 22
4	Projekt Echo - 138 Sp. z o.o.	Warsaw	30%	Echo Investment S.A.	Towarowa 22
5	R4R Poland Sp. z o.o.	Warsaw	30%	Echo Investment S.A.	Resi4Rent
6	R4R Łódź Wodna Sp. z o.o.	Warsaw	30%	R4R Poland Sp. z o.o.	Resi4Rent
7	R4R Wrocław Kępa Sp. z o.o.	Warsaw	30%	R4R Poland Sp. z o.o.	Resi4Rent
8	R4R Wrocław Rychtalska Sp. z o.o.	Warsaw	30%	R4R Poland Sp. z o.o.	Resi4Rent
9	R4R Warszawa Browary Sp. z o.o.	Warsaw	30%	R4R Poland Sp. z o.o.	Resi4Rent
10	R4R Leasing Sp. z o.o.	Warsaw	30%	R4R Poland Sp. z o.o.	Resi4Rent
11	R4R Poznań Szczepanowskiego Sp. z o.o.	Warsaw	30%	R4R Poland Sp. z o.o.	Resi4Rent
12	R4R Warszawa Taśmowa Sp. z o.o.	Warsaw	30%	R4R Poland Sp. z o.o.	Resi4Rent
13	R4R Warszawa Woronicza Sp. z o.o.	Warsaw	30%	R4R Poland Sp. z o.o.	Resi4Rent
14	R4R Gdańsk Kołobrzeska Sp. z o.o.	Warsaw	30%	R4R Poland Sp. z o.o.	Resi4Rent
15	R4R RE Sp. z o.o.	Warsaw	30%	R4R Poland Sp. z o.o.	Resi4Rent
16	R4R Kraków 3 Maja Sp. z o.o.	Warsaw	30%	R4R Poland Sp. z o.o.	Resi4Rent
17	R4R Warszawa Wilanowska Sp. z o.o.	Warsaw	30%	R4R Poland Sp. z o.o.	Resi4Rent
18	R4R RE Wave 3 Sp. z o.o.	Warsaw	30%	R4R Poland Sp. z o.o.	Resi4Rent

2.2 Changes in the structure of the capital group in H1 2019

INCREASE OF THE GROUP

No	Entity	Action	Date	Share capital
1	RPGZ IX Sp. z o.o. with its registered office in Kraków	Acquisition of interests	24.04.2019	5 000 PLN

DECREASE OF THE GROUP

No	Entity	Action	Date	Share capital
1	Echo Prime Assets BV with its registered office in Amsterdam	Cancellation from the Register of Entrepreneurs	24.06.2019	24 141 141 EUR

OTHER CHANGES

No	Entity	Action	Date
1	Projekt 17 – Grupa Echo Sp. z o.o. SKA	Registration of capital increase in the company by Echo Investment S.A.	01.02.2019
2	Projekt 139 – Grupa Echo Sp. z o.o. Sp.K.	Change of general partner – disposal of rights and obligations in the entity from Echo Investment S.A. to Perth Sp. z o.o. with its registered office in Warsaw	01.03.2019
3	Projekt 144 – Grupa Echo Sp. z o.o. Sp.K.	Change of general partner – disposal of rights and obligations in the entity from Echo Investment S.A. to Echo - Arena Sp. z o.o. with its registered office in Warsaw	01.03.2019
4	City Space – GP Sp. z o.o.	Registration of capital increase in the company by Echo Investment S.A.	20.03.2019
5	City Space Management Sp. z o.o.	Registration of capital increase in the company by Echo Investment S.A.	26.03.2019
6	Projekt 145 – Grupa Echo Sp. z o.o. Sp.K.	Change of general partner – disposal of rights and obligations in the entity from Echo Investment S.A. to City Space Management Sp. z o.o. with its registered office in Warsaw	30.04.2019
7	Projekt 146 – Grupa Echo Sp. z o.o. Sp.K.	Change of general partner – disposal of rights and obligations in the entity from Echo Investment S.A. to City Space Management Sp. z o.o. with its registered office in Warsaw	30.04.2019
8	Cornwall Investments Sp. z o.o. Sp.K.	Change of general partner – disposal of rights and obligations in the entity from Echo Investment S.A. to City Space Management Sp. z o.o. with its registered office in Warsaw	30.04.2019
9	Projekt 145 – Grupa Echo Sp. z o.o. Sp.K.	Change of general partner – disposal of rights and obligations in the entity from Grupa Echo Sp. z o.o. to City Space GP Sp. z o.o. with its registered office in Warsaw	30.04.2019
10	Projekt 146 – Grupa Echo Sp. z o.o. Sp.K.	Change of general partner – disposal of rights and obligations in the entity from Grupa Echo Sp. z o.o. to City Space GP Sp. z o.o. with its registered office in Warsaw	30.04.2019
11	Cornwall Investments Sp. z o.o. Sp.K.	Change of general partner – disposal of rights and obligations in the entity from Cornwall Investments Sp. z o.o. to City Space GP Sp. z o.o. with its registered office in Warsaw	30.04.2019
12	Projekt 20 – Grupa Echo Sp. z o.o. SKA	Change of general partner – disposal of rights and obligations in the entity from Grupa Echo Sp. z o.o. to Stranraer Sp. z o.o. with its registered office in Warsaw	31.05.2019
13	Projekt 15 – Grupa Echo Sp. z o.o. SKA	Change of general partner – disposal of rights and obligations in the entity from Grupa Echo Sp. z o.o. to Dagnall Sp. z o.o. with its registered office in Warsaw	25.06.2019
14	Projekt 15 – Grupa Echo Sp. z o.o. SKA	Sale of the company's shares by Echo Investment S.A. to Potton Sp. z o.o. with its registered office in Warsaw	25.06.2019

Estimates of the Management Board of the Echo Investment Group

The preparation of the financial statements requires the Management Board of the Company to adopt certain assumptions and make estimates and judgments that affect the figures disclosed in the financial statements.

Assumptions and estimates are based on the best knowledge of current and future events and activities, however, actual results may differ from those anticipated. Estimates and related assumptions are subject to ongoing verification. Change in accounting estimates is recognised in the period in which they were changed – if it concerns only this period, or in the current and future period – if the changes concern both the current and future period.

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

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

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

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

After a change in the strategy of the Echo Investment Group, the Group most often measures properties at fair value during construction and / or commercialisation. The property valuation is based on the income method using the discounted cash flow technique, which takes into account future proceeds from rent (including rent guarantees), the sale of real estate and other expenditure to be incurred. The yield used to determine residual values recognized in cash flows result from the Management Board's estimates based on preliminary agreements for the sale of real estate, letters of intent, external valuations of appraisers or their familiarity with the market. The rates used also take into account the risk, and the level of risk is assessed individually for each property subject to its status.

The fair value of real estate properties which are almost 100% commercialised and generate a fixed income is determined by the unit according to the income method, using simple capitalization technique as the quotient of the project's net operating income (NOI) and the yield, or using the value resulting from external valuation, a preliminary contract for the sale of real estate, a letter of intent or a purchase offer, provided they exist.

According to valuations prepared by the Group, the value of investment properties as at 30 June 2019 amounted to PLN 832,784 thousand and consisted of retail building Libero in Katowice valued at fair value (PLN 604,506 thousand) Moje Miejsce I office building in Warsaw (PL

187,193 thousand) and other real estate (PLN 41,085 thousand).

As at 30 June 2019 the capitalization rate used to estimate the value of the buildings measured using the income method, amounted to 6.50%-6.75%.

As at 31 December 2018, the value of investment property amounted to PLN 1,007,716 thousand and consisted of office buildings valued at fair value (PLN 1,001,599 thousand) and other real estate (PLN 6,117 thousand). The capitalization rate used to estimate the value of the office buildings as at 31 December 2018 was 5.25% to 7.15%, while for the building of the retail sector - 6.50%.

As at 30 June 2018, the value of investment properties amounted to PLN 148,749 thousand and consisted of an office building measured at fair value (PLN 142,632 thousand) and other real estate (PLN 6,117 thousand). The capitalization rate used to estimate the value of the office building as at 30 June 2018, measured using the income method, amounted 5.75% - 7.50%.

The value of investment properties under construction as 30 at June 2019 amounted PLN 1,118,253 thousand and consisted of real estate valued at fair value (PLN 639,339 thousand) and real estate valued at the value of expenditure incurred (PLN 478,914 thousand).

The capitalization rates used to estimate the value of property valued using the income method were: for office proper-

ties 5,17%-7,25%. When calculating the fair value of investment property under construction, the Group companies take into account foreign exchange differences and the result on the measurement of loans and borrowings at adjusted acquisition cost (SCN). The valuation of debt is related to the debt incurred in order to implement a specific investment project.

As at 31 December 2018, the value of investment property under construction amounted to PLN 940,427 thousand and consisted of real estate measured at fair value (PLN 404,203 thousand) and real estate valued at the value of expenditure incurred (PLN 536,224 thousand). Capitalization rates used to estimate the value of office properties valued using the income method were 5.50% to 7.25%.

As at June 30, 2018, the value of investment properties under construction was PLN 1,129,178 thousand and consisted of real estate measured at fair value (PLN 587,895 thousand) and real estate measured at the value of incurred expenses (PLN 541,283 thousand). Capitalization rates used to estimate the value of real estate measured using the income method were: for office real estate from 5.75% to 7.5%, while for buildings from the retail sector - 6.5%.

Under the 'assets held for sale' item the Group presents the properties with reference to which a decision was made to sell them within 12 months. This item includes completed projects as well as ongoing projects and investment plots. As at 31 December 2019, the value of assets held for sale was PLN 191,569 thousand and consisted of investment land (PLN 19,017 thousand) and office building (PLN 172,551 thousand) measured at the fair value. As at 31 December 2018, the value of assets held for sale was PLN 13,500 thousand and consisted of investment land. As at 30 June 2018, the value of assets held for sale amounted to PLN 395,415 thousand and consisted of office buildings (PLN 346,384 thousand) valued at the fair value and investment land (PLN 49,031 thousand).

SECURING REVENUE FOR RENT-FREE PERIODS (MASTER LEASE)

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

a contract securing the rent-free periods (master lease).

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

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

The following is calculated on this basis:

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

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

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

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

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

The reserve for securing rent-free periods (master lease) is calculated for projects sold and projects valued using the income method. Therefore, the first reserve for a master lease is created together with the first valuation of the project at fair value.

As at 30 June 2019 the value of provisions established to secure rent free periods amounted to PLN 147,061 thousand.

As at 31 December 2018, the value of reserves established to secure rent free periods amounted to PLN 119,913 thousand.

As at 30 June 2018, the value of reserves established to secure rent free periods amounted to PLN 92,017 thousand.

PROFIT SHARE FROM SALE OF REAL ESTATE

A profit share is a share in the minority investor's profit. It results from concluded agreements according to which the investor is obliged to pay the capital constituting a share in the investment. The capital is contributed to the entities which perform the project in the form of a loan or an issue participating bonds. At the time of the sale of the project, the capital is returned to the investor along with due profit share (calculated as the sale price - costs). The provision for the profit share is estimated for projects valued using the income method in proportion to the released profit on real estate. Therefore, the first provision for the profit share is created along with the first valuation of the project at fair value.

As at 30 June 2018, the value of provision for costs on account of the profit share from the sale of real estate amounted to PLN 98 789 thousand.

As at 31 December 2018, the value of provision for costs on account of the profit share from the sale of real estate amounted to PLN 97 443 thousand.

As at 30 June 2018, the value of provision for costs on account of the profit share from the sale of real estate amounted to PLN 82,967 thousand.

INVENTORY

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

Assumptions used in the calculation of the write-down are mainly based on valid market prices of real estate in a given market segment. In the case of land included in the item of inventories, the value of write-downs results from the suitability of the given land for the needs of the current and future operations of the Group estimated by the Management. Data regarding write-

downs updating the value of inventories to the net value possible to obtain and reversing write-downs on this account are presented in note 6.

FINANCIAL INSTRUMENTS VALUED ACCORDING TO FAIR VALUE

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

As at 30 June 2019, the Capital Group did not change the valuation principles for financial instruments, there were no changes in the classification or movements between levels of the fair value hierarchy.

ASSET FROM DEFERRED INCOME TAX

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

The Management Board verifies the adopted estimates regarding the probability of recovering de-ferred tax assets based on changes in factors taken into account when making them, new information and past experience.

LEASES

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

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

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

IFRIC 23 Uncertainty related to income tax recognition

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

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

The entity must determine whether it considers each uncertain tax treatment separately or in combination with one or more other uncertain tax treatment. The approach, which better provides for resolution of uncertainty, should be followed. The interpretation has no significant impact on the interim condensed financial statements of the Company and its Group. Amendments to IFRS 9 Contracts with prepayment features with negative compensation

In accordance with IFRS 9, a debt instrument may be measured at amortized cost or at fair value through other total income, provided that contractual cash flows are only the principal repayments and interest on the outstanding principal amount (the SPPI criterion) and the instrument is held under the appropriate business model for this classification. Amendments to IFRS 9 specify that a financial asset meets the SPPI

criterion regardless of any event or circumstance that cause early termination of the contract and regardless of which party pays or receives reasonable compensation for early termination.

The amendments do not have a significant impact on the interim condensed financial statements of the Company and its Group.

Amendments to IAS 19 Plan amendments, curtailments, and settlements

The amendments to IAS 19 specify that in the event of the plan amendment, curtailment or settlement in the annual reporting period, the entity is obligated to determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using actuarial assumptions used to remeasure the net defined benefit liability (asset) that reflects the plan benefits and the plan assets after the event.

The entity is also obligated to determine net interest for the remainder of the period following the plan amendment, curtailment or settlement using the defined benefit obligation (asset) reflecting the plan benefits and the plan assets after that event, and the discount rate used for remeasurement of net liability (asset) for the defined benefits.

The amendments do not have a significant impact on the interim condensed financial statements of the Company and its Group.

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

The amendments specify that the entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied, but as a rule they form part of the entity's net investment

in the associate or joint venture (long-term interests). This explanation is important because it suggests that the expected credit loss model in IFRS 9 is applied to such long-term interests.

The amendments also specify that when applying IFRS 9, an entity does not take into account losses of an associate or joint venture or any losses due to impairment of net investment in the associate or joint venture that result from the application of IAS 28 Investments in associates.

The amendments do not have a significant impact on the interim condensed financial statements of the Company and the Group.

Amendments resulting from the review of IFRS 2015-2017:

IFRS 3 Business combinations

The amendments explain that when an entity gains control over the entity that is a joint operation, it applies the requirements for a business combination in stages, including to re-measure previously owned interests in the joint operation at fair value. In this way, the acquirer reassesses all previously held interests in the joint operation.

The amendments do not have a significant impact on the interim condensed financial statements of the Company and its Group.

IFRS 11 Joint arrangements

The amendments specify that a party that participates in a joint operation but does not exercise joint control over it may obtain joint control over the joint operation in which the activities of the joint operation is a business as defined in IFRS 3. In such cases, previously held interests in the joint operation are not subject to revaluation.

The amendments do not have a significant impact on the interim condensed financial statements of the Company and its Group.

IAS 12 Income tax

The amendments specify that the tax consequences of dividend payments are more directly related to past transactions or events that led to distributable profits than to payments to owners. Therefore, the entity recognises the tax consequences of dividend payments in profit or loss, other total income or equity, depending on where the entity recognised these past transactions or events.

The amendments do not have a significant impact on the interim condensed financial statements of the Company and its Group.

IAS 23 Borrowing costs

The amendments specify that the entity treats all loans originally contracted to produce a qualifying asset as part of general loans when, in principle, all activities necessary to prepare the asset for its intended use or sale are completed.

The amendments do not have a significant impact on the interim condensed financial statements of the Company and its Group.

The Company has not decided to apply earlier any standard, interpretation or amendment that was published but has not yet entered into force in the light of European Union regulations.

All these amendments introduced were analysed by the Group's Management Board. In addition to introducing changes resulting from the application of IFRS 16 Leases (explained below), which the Group has applied since 1 January 2019, the Management Board of the Group believes that other amendments do not have a material impact on the financial position, results of operations of the Group or the scope of information presented in to these interim condensed consolidated financial statements.

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

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

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

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

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

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

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

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

At the time of the first recognition, the Group recognises the lease liability measured at the current value of lease payments due to the lessor over the lease period discounted at the marginal lending rate typical for a given asset. Lease payments include:

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

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

After initial recognition, the Group recognises a lease liability by:

- increasing the carrying amount to reflect interest on a lease liability,
- reducing the carrying amount to reflect lease payments paid, and
- updating the valuation of the carrying amount to take account of any reassessment or change in the lease or to account for substantially constant lease payments.

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

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 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 EU. The effective date was deferred indefinitely by IASB;

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;

Amendments to the Conceptual Framework References contained in the International Financial Reporting Standards

- applicable to annual periods beginning on or after 1 January 2020 (issued on 29 March 2018). Until

the date of approval of these financial statements, not approved by the EU;

Amendment to IFRS 3 Business combinations

- applicable to annual periods beginning on or after 1 January 2020 (issued on 22 October 2018). Until the date of approval of these financial statements, it has not been approved by the EU;

Amendments to IAS 1 and IAS 8 Definition of Materiality

- applicable to annual periods beginning on or after 1 January 2020 (issued on 31 October 2018). Until the date of approval of these financial statements, not approved by the EU.

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.

The Group is analysing the impact of standards listed above on its financial statement.

Effects of changing the accounting principles

Change of accounting policy

Interim condensed (consolidated) financial statements were prepared in accordance with IAS 34 Interim Financial Reporting. The accounting policies applied by the Company in these Interim Condensed (Consolidated) Financial Statements are the same as those applied by the Company in its consolidated financial statements for the year ended 31 December 2018, except for voluntary change in accounting policies of the Group (Company) and the application of the new standards, changes to the standards and amendments which became effective as of 1 January 2019.

Application of IFRS 16 Leases for the first time

The Group has implemented IFRS 16 Leases since 1 January 2019. The standard introduced one model of lease recognition in the lessee's accounting books - in general, IFRS 16 assumes recognition of all lease agreements in a model similar to the financial leasing approach in line with IAS 17. The new IFRS 16 standard Leases replaces IAS 17, as well as interpretations IFRIC 4, SIC 15 and SIC 27. The Group applied IFRS 16 retrospectively, with reference to the cumulative effect of the first application of this standard, as an adjustment to the opening balance of retained earnings as at 1 January 2019. In accordance with IFRS 16, a contract is a lease or it includes a lease if it delegates the right to control an identified asset for a given period in exchange for remuneration. As at the date of transition to IFRS 16, the Group recognised the asset due to the right of use and the lease liability. The Company separately recognises the cost of interest and depreciation.

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

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

On 1 January 2019, the Group, as the lessee, recognised lease liabilities measured at the current value of other lease payments, discounted according to marginal Group interest rates, and recognised assets due to the right of use in the amount equal to lease liabilities.

The Group decided to present assets under the right of use under the same item, in which the relevant underlying assets would be represented if they were the property of the Group (the lessee).

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

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

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

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

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

Lease liabilities are covered by IFRS 9 with respect to determining when these liabilities meet the criteria for removing them from the balance sheet. In accordance with IFRS 9 paragraph B.3.31 – B.3.34, the liability is removed from the balance sheet when it is settled, expired or the debtor was legally released from debt, for example by transferring the debt to another party. A special case is the right of perpetual usufruct of land, in relation to which the Group is legally released from debt resulting from obligations to pay fees for perpetual usufruct or conversion fees only at the time of legal (notarial) transfer to the buyer of a share in the land belonging to the premises sold. Therefore, until the transfer of the above land ownership, lease liabilities as well as corresponding assets due to the right to use land in perpetual usufruct, remain included in the balance sheet, despite the fact that, in accordance with the policies described in the section “Methods for determining the financial result”, revenues from the sale of residential premises and services are recognised when the property is handed over to the buyer.

For this reason, when the premises is handed over to the buyer (which is also the moment when the proceeds from the sale of the premises are recognised), a part of the lease asset related to the premises is transferred from inventory to receivables from the

buyer, in the amount corresponding to the recognised transformation fee liability on a given land. Until the transfer (notarial) to the purchaser of the property, both the receivable and the liability are presented as short-term, because they will be settled by transfer to the buyer during the “operating cycle”. On the date of the transfer of ownership to the buyer, the land lease liability and the receivable from the purchaser of the premises are derecognised.

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

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

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

	Approved financial report 31 December 2018	IFRS 16 adjustments	1 January 2019
Assets			
Non-current assets	2 355 163	110 389	2 465 552
Fixed assets	8 938	14 652	23 590
Investment property	1 007 716	36 393	1 044 109
Investment property under construction	940 427	56 877	997 304
Deferred tax asset	52 493	2 467	54 960
Current assets	1 609 977	69 573	1 679 550
Inventory	771 836	69 573	841 409
Assets held for sale	13 500	5 518	19 018
Total assets	3 978 640	179 962	4 158 602
Equity and liabilities			
Equity	1 495 459	(21 402)	1 474 057
Retained earnings	45 543	(21 402)	24 141
Provisions			
Long-term provisions	125 559	(2 909)	122 650
Long-term provisions	125 559	(2 909)	122 650
Short-term provisions	135 988	(631)	135 357
Short-term provisions	135 988	(631)	135 357
Long-term liabilities			
Long-term liabilities	1 235 633	135 332	1 370 965
Other liabilities	28 089	135 332	163 421
Short-term liabilities			
Short-term liabilities	874 698	69 572	944 270
Other liabilities	78 590	69 572	148 162
Total equity and liabilities	3 978 640	179 962	4 158 602

CHAPTER 3

CONDENSED INTERIM STANDALONE FINANCIAL STATEMENTS OF ECHO INVESTMENT S.A.



CONDENSED INTERIM STANDALONE STATEMENT OF FINANCIAL POSITION [PLN '000]

	Note	30.06.2019 non-audited	31.12.2018	30.06.2018 non-audited
Assets				
Non-current assets				
Intangible assets		2 878	2 445	1 359
Property, plant and equipment	1	16 129	5 284	4 873
Investment property	2	2 212	2 212	2 212
Investments in subsidiaries, jointly controlled entities and associates	3	866 526	975 449	963 475
Long-term financial assets	3	771 060	796 125	904 801
Loans granted	4	318 718	221 504	21 857
Deferred tax assets	5	-	-	9 554
		1 977 523	2 003 019	1 908 131
Current assets				
Inventory	6	264 569	201 445	221 124
Current tax assets		-	-	-
Other taxes receivable		3 528	248	2 240
Trade and other receivables		94 365	109 224	114 171
Loans granted	7	396 123	265 621	673 480
Restricted cash		11 635	7 389	13 766
Cash and cash equivalents		57 286	181 977	15 898
		827 506	765 904	1 040 679
Total assets		2 805 029	2 768 923	2 948 810

CONDENSED INTERIM STANDALONE STATEMENT OF FINANCIAL POSITION CONT. [PLN '000]

	Note	30.06.2019 non-audited	31.12.2018	30.06.2018 non-audited
Equity and liabilities				
Equity				
Share capital		20 635	20 635	20 635
Supplementary capital		1 054 295	1 054 295	1 054 295
Dividend fund		370 984	326 309	532 654
Profit / (loss) from previous years		-	2 243	2 244
Net profit		37 006	42 432	17 168
		1 482 920	1 445 914	1 626 996
Provisions				
Short-term provisions	11	16 174	17 317	38 331
Long-term provisions		-	-	-
Deferred tax provision	5	2 941	1 468	
		19 115	18 785	38 331
Long-term liabilities				
Loans, borrowings and bonds	8	1 030 739	903 448	854 753
Leasing	8	11 896	-	-
Received deposits and advances	8	708	746	1 064
		1 043 343	904 194	855 817
Short-term liabilities				
Loans, borrowings and bonds	10	55 314	267 725	290 069
- from subsidiaries:		-	-	-
Income tax payable	9	974	1 219	607
Other taxes liabilities	9	1 663	1 678	1 460
Trade payable	9	27 450	32 595	31 793
Received deposits and advances	9	137 230	74 795	76 386
Other liabilities	9	37 020	22 018	27 351
		259 651	400 030	427 666
Total equity and liabilities		2 805 029	2 768 923	2 948 810

INTERIM STANDALONE PROFIT AND LOSS ACCOUNT [PLN '000]

	Note	01.01.2019- 30.06.2019 non-audited	01.01.2018- 30.06.2018 non-audited	01.04.2019- 30.06.2019 non-audited	01.04.2018- 30.06.2018 non-audited
Revenues	13	96 615	148 669	35 351	87 920
Cost of sales		(54 314)	(92 942)	(16 023)	(48 124)
Gross profit		42 301	55 727	19 328	39 796
Profit / (loss) on investment property		-	-	-	(399)
Administrative costs associated with project implementation		(1 775)	(5 755)	2 067	(3 940)
Selling expenses		(7 232)	(8 740)	(3 399)	(3 649)
General and administrative expenses		(45 966)	(45 597)	(28 852)	(32 824)
Other operating income	14	88 594	73 474	31 302	(18 273)
Other operating expenses		(3 376)	(9 293)	(3 111)	17 165
Operating profit		72 546	59 816	17 335	(2 124)
Financial income	15	4 502	3 351	2 807	(54 414)
Financial cost		(37 786)	(37 157)	(21 181)	32 773
Profit before tax		39 262	26 010	(1 039)	(23 765)
Income tax		(2 256)	(8 842)	(1 144)	(12 069)
Net profit		37 006	17 168	(2 183)	(35 834)
Net profit		37 006	17 168		
Weighted average number of ordinary shares		412 690 582	412 690 582		
Profit per one ordinary share (in PLN)		0,09	0,04		
Diluted weighted average number of ordinary shares		412 690 582	412 690 582		
Diluted profit per one ordinary share (PLN)		0,09	0,04		

INTERIM STANDALONE STATEMENT OF COMPREHENSIVE INCOME [PLN '000]

	Note	01.01.2019- 30.06.2019 non-audited	01.01.2018- 31.12.2018	01.01.2018- 30.06.2018 non-audited
Net profit		37 006	42 432	17 168
Other comprehensive income for the year		-	-	-
Other comprehensive income for the year, net of tax		-	-	-
Total comprehensive income		37 006	42 432	17 168

CONDENSED INTERIM STANDALONE STATEMENT OF CHANGES IN EQUITY [PLN '000][TYS. PLN]

	Note	Share Capital	Supplementary capital	Dividend fund	Profit (loss) from previous years	Current years' profit	Total equity
As of 1 January 2019		20 635	1 054 295	326 309	44 675	-	1 445 914
Changes in the period:							
Distribution of previous years' profit/ loss	13			44 675	(44 675)	-	-
Dividend paid	13						-
Dividend approved	13				-		-
Profit for the period		-	-	-	-	37 006	37 006
Total changes		-	-	44 675	(44 675)	37 006	37 006
As of 30 June 2019		20 635	1 054 295	370 984	-	37 006	1 482 920
As of 1 January 2018		20 635	839 054	319 579	634 661	-	1 813 929
Changes in accounting principles							
		-	-		2 243	-	2 243
Adjustment of the result from previous years							
		-	-		-	-	-
As of 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 for the period		-	-	-	-	42 432	42 432
Total changes		-	215 241	6 730	(634 661)	42 432	(370 258)
As of 31 December 2018		20 635	1 054 295	326 309	2 243	42 432	1 445 914
As of 1 January 2018		20 635	839 054	319 579	634 661	-	1 813 929
Changes in accounting principles							
		-	-		2 244	-	2 244
As of 1 January 2018		20 635	839 054	319 579	636 905	-	1 816 173
Changes in the period:							
Distribution of previous years' profit/ loss		-	215 241	213 075	(428 316)	-	-
Dividend paid	13	-	-	-	(206 345)		(206 345)
Dividend approved	13	-	-	-	-		-
Profit for the period		-	-	-	-	17 168	17 168
Total changes		-	215 241	213 075	(634 661)	17 168	(189 177)
As of 30 June 2018		20 635	1 054 295	532 654	2 244	17 168	1 626 996

INTERIM STANDALONE CASH FLOW STATEMENT [PLN '000]

	Note	01.01.2019- 30.06.2019 non-audited	01.01.2018- 30.06.2018 non-audited
A. Operating cash flow – indirect method			
I. Profit before tax		39 262	26 010
II. Adjustments		(48 624)	(26 348)
Depreciation		4 103	1 029
Foreign exchange gains / (losses)		2 437	-
Interest and profit sharing (dividends)		(58 358)	(31 663)
Profit / (loss) on revaluation of assets and liabilities		3 405	4 286
Profit (loss) on sale of fixed assets and investment properties		(211)	-
III. Changes in working capital		24 042	36 625
Change in provisions		(1 143)	(6 340)
Change in Inventory		(53 566)	7 228
Change in receivables		19 465	75 409
Change in short-term liabilities, except for loans and borrowings		63 532	(46 677)
Change in restricted cash		(4 246)	7 005
IV. Net cash generated from operating activities (I +/- II +/- III)		14 680	36 287
V. Income tax paid		(1 029)	(3 952)
VI. Net cash generated from operating activities (I +/- II)		13 651	32 335
B. Cash flows from investing activities			
I. Inflows		130 459	657 257
Disposal of intangible assets and tangible fixed assets		541	(122)
Sale of investments in property		-	-
From financial assets, including		129 918	657 379
a) in subsidiaries		129 918	657 379
disposal of financial assets		104	-
dividends and profit sharing	14B	22 879	56 514
repayment of loans granted		61 480	81 939
interest		11 553	572
redemption of certificates		28 400	518 354
other inflows from financial assets		5 502	-
II. Outflows		(281 446)	(470 205)
Purchase of intangible assets and PP&E		-	(201)
Investment in property		-	-
On financial assets, including:		(280 833)	(470 004)
a) in subsidiaries		(280 833)	(446 768)
Acquisition of financial assets		(3 950)	(4)

CONDENSED INTERIM STANDALONE CASH FLOW STATEMENT CONT. [PLN '000]

	Note	01.01.2019- 30.06.2019 non-audited	01.01.2018- 30.06.2018 non-audited
Loans granted		(276 883)	(446 764)
b) in other entities		-	(23 236)
Acquisition of financial assets		-	(23 236)
Loans granted		-	-
Other investment outflows		(613)	-
III. Net cash flow from investment activities		(150 987)	187 052
C. Net cash flow from financing activities (I - II)			
I. Inflows		293 768	340 000
Loans and borrowings		159 936	150 000
Issue of debt securities		133 832	190 000
Other investment inflows		-	-
II. Outflows		(281 123)	(771 568)
Purchase of own shares		-	-
Dividends and other payments to equity holders		-	(206 345)
Outflows on profit distribution other than payments to owners		-	-
Repayment of loans and borrowings		(80 000)	(125 000)
Redemption of debt securities		(170 500)	(402 900)
Interests		(27 335)	(36 709)
Payment of financial leasing installments		(3 288)	(614)
III. Net cash flow from financing activities (I - II)		12 645	(431 568)
D. Total net cash flows (A.VI +/- B.III +/- C.III)		(124 691)	(212 181)
Balance sheet change in cash, including		(124 691)	(212 181)
change in cash due to foreign exchange gains/losses		(3 701)	-
F. Cash and cash equivalents at the beginning of the period		181 977	228 079
G. Cash and cash equivalents at the end of the period		57 286	15 898

EXPLANATORY NOTES TO THE INTERIM CONDENSED STANDALONE FINANCIAL STATEMENT

Explanatory notes to the statement of financial position

Note 1

PROPERTY, PLANT AND EQUIPMENT [PLN '000]

The Company did not recognize impairment losses on intangible assets during the periods covered by the financial statements.

Before 1 January 2019 the Company did not have any rights of perpetual usufruct of plots, that should be included in the calculation, when restating numbers according to IFRS 16.

The company has no collateral established on fixed assets.

	30.06.2019	31.12.2018	30.06.2018
PP&E, including:	16 129	5 040	4 439
land	183	250	250
buildings, premises, civil and water engineering structures	9 866	3 490	2 619
plant and machinery	141	157	210
means of transport	5 503	505	721
other PP&E	436	638	639
PP&E under construction	-	244	434
Advances on PP&E under construction	-	-	-
Total property, plant and equipment	16 129	5 284	4 873

Note 2

CHANGES IN INVESTMENT PROPERTY [PLN '000]

	01.01.2019- 30.06.2019	01.01.2018- 31.12.2018	01.01.2018- 30.06.2018
Value of property investments at the beginning of the period	2 212	2 212	2 212
Increases due to:	-	-	-
Inventory taking	-	-	-
revaluation of property	-	-	-
Decreases due to:	-	-	-
sale	-	-	-
transfer of assets for sale	-	-	-
revaluation of property	-	-	-
Value of property investments at the end of the period	2 212	2 212	2 212

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

Profit/loss on valuation is disclosed under "Profit/loss on investment property" in the profit and loss account.

Fair value was determined using a market comparison model based on current market prices. In the fair value hierarchy, the

Company assigned level 2 to investment property. The Company does not have any collaterals established on investment properties.

The Company has no contractual obligations as at 30 June 2019.

Note 3A

INTERESTS AND SHARES [PLN '000]

	30.06.2019	31.12.2018	30.06.2018
Investments in subsidiaries, joint ventures and associates			
in subsidiaries	815 736	924 659	963 475
in associates	-	-	-
in joint ventures	50 790	50 790	-
	866 526	975 449	963 475
Total Interests and shares	866 526	975 449	963 475

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

Note 3B

CHANGES IN INTERESTS AND SHARES [PLN '000]

	01.01.2019- 30.06.2019	01.01.2018- 31.12.2018	01.01.2018- 30.06.2018
Balance at the beginning of the period, including:	975 449	927 796	927 796
shares and interests	975 449	927 796	927 796
Increases due to:	47 021	362 321	40 273
purchase of interests	21	126 995	40 219
increase in capital	47 000	189 260	54
- advance payments for capital increase	-	46 066	-
Decreases due to:	(155 944)	(314 668)	(4 594)
sale of interests	(60)	(49)	(48)
capital decrease	-	(300 192)	-
- advance payments for capital increase	(46 066)		-
subsidiary liquidation	(106 413)	(1 010)	-
write-down on assets	(3 405)	(13 417)	(4 546)
Balance at the end of the period, including:	866 526	975 449	963 475
shares and interests	866 526	975 449	963 475

In the first half of 2019 the Company acquired interests in the entity:

- RPGZ Sp. z o.o. - value PLN 21 thousand.

In the first half of 2019, the Company sold shares in:

- Project 15 - GE Sp. z o.o. Sp.K. - value PLN 21 thousand,
- Project 139 - GE Sp. z o.o. Sp.K. - value PLN 6 thousand,
- Project 144 - GE Sp. z o.o. Sp.K. - value PLN 6 thousand,
- Project 145 - GE Sp. z o.o. Sp.K. - value PLN 6 thousand,
- Project 146 - GE Sp. z o.o. Sp.K. - value PLN 6 thousand,
- Cornwall Investments Sp.K. - value PLN 15 thousand.

In the first half of 2019, the Company paid-up and increased its capital in the following subsidiaries:

- Project 17 - GE Sp. z o.o. SP.K. - value PLN 46 thousand,
- City Space GP Sp. z o.o. - value PLN 100 thousand,
- City Space Management Sp. z o.o. - value PLN 900 thousand.

In the first half of 2019, the Company liquidated a subsidiary:

- Echo Prime Assets BV - value PLN 106 million.

Total receivables due to the liquidation of the Company as at 30 June 2019 were settled. The settlement was made by:

- a bank transfer of 25 June 2019 amounted to EUR 1 million,
- a debt transfer agreement of 25 March 2019, where debt resulted from a loan agreement of 7 August 2017 for Berea Sp. z o.o.,
- an offset agreement for a PLN 23 million loan of 25 March 2019,
- a debt deduction agreement on a loan amounted to EUR 7 million of 25 March 2019.

The Company recognised a loss of PLN 3 million on the transaction.

In the first half of 2019, the made a revaluation write-down on shares of the following companies:

- City Space GP Sp. z o.o. - value PLN 100 thousand,
- City Space Management Sp. z o.o. - value PLN 900 thousand,
- Grupa Echo Sp. z o.o. - value PLN 52 thousand,
- Galeria Tarnów Grupa Echo SKA - value PLN 52 thousand,
- Malta Office Park - PE 96 Sp. z o.o. S.K.A. - value PLN 2,301 thousand.

Note 3C

LONG-TERM FINANCIAL ASSETS [PLN '000]

	30.06.2019	31.12.2018	30.06.2018
Advances received	-	-	-
Investment certificates	144 677	170 849	904 801
Bonds	622 982	625 276	-
Receivables for the repurchase of certificates and interest sale	3 401	-	-
Total long-term financial assets	771 060	796 125	904 801

In 2019, the Company redeemed 21,906 B-series certificates issued by Forum 60 FIZ in the amount of PLN 28 million. All receivables for the redemption of certificates as at 30 June 2019 were settled. The settlement was made by bank transfers of 15 February 2019.

As at 31 December 2018, the Company estimated the impairment write-down on the bond amounted to PLN 31 million, and according to the analyses, as at 30 June 2019 there is no necessity to increase that amount.

The bonds meet the SPPI test in accordance with IFRS 9 par. 4.1.2., therefore they are not measured at fair value, but using the amortized cost method. The valuation does not differ significantly from the valuation at fair value. The bonds were granted to related entities having good financial standing.

In relation to related entities, in the opinion of the Management Board, credit risk is minimised through ongoing control of operating activities and evaluation of investment projects of these 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 ability to assess and identify receivables for which credit risk increased significantly. The Company's Management Board did not identify such bonds. The Management Board assessed the granted bonds in terms of making a write-down for expected credit losses based on the assessment of the credibility of the Echo Investment Group. In accordance with the requirements of IFRS 9, the write-down was made for expected credit losses as at 30 June 2019 in the amount of PLN 287 thousand, while this value amounted to PLN 288 thousand as at 31 December 2018.

Note 4

LONG-TERM LOANS GRANTED [PLN '000]

	30.06.2019	31.12.2018	30.06.2018
- in subsidiaries	238 330	140 100	21 857
- jointly controlled entities	80 388	81 404	-
Total long-term loans granted	318 718	221 504	21 857

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

The maximum credit risk associated with loans equals their carrying amount. The loans granted are not secured, are not past due, there was no significant impairment of their value. The loans were granted to related entities with good fi-

ancial standing. In relation to related entities, in the opinion of the Management Board, credit risk is minimized through ongoing control of operating activities and assessment of investment projects of these 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 ability to assess and identify loans for which credit risk

increased significantly. The Company's Management Board did not state such loans. The Management Board assessed the loans in terms of creating an allowance for expected loan losses based on the credibility assessment of the Echo Investment Capital Group. In accordance with the requirements of IFRS 9, a write-down for expected credit losses as at 30 June 2019 in the amount of PLN 952 thousand was made, while this value as at 31 December 2018 amounted to PLN 650 thousand.

LONG-TERM BORROWINGS, WITHOUT INTEREST, AS AT 30.06.2019 [PLN '000]

Contractor	Amount	Interest	Repayment date
Galeria Libero Sp. z o.o. Sp.K.	112 053	Wibor 3M + margin	10.10.2026
R4R Poland Sp. z o.o.	52 896	Wibor 3M + margin	1.07.2026
RPGZ IX Sp. z o.o.	52 725	Wibor 3M + margin	31.12.2021
Berea Sp. z o.o.	41 193	Wibor 3M + margin	31.12.2020
Rosehill Investments Sp. z o.o.	25 702	Wibor 3M + margin	31.12.2021
GRO Nieruchomości Sp. z o.o.	21 642	Wibor 3M + margin	31.12.2021
Total	306 211		

The maximum credit risk associated with the loans equals their carrying amount. The loans granted are unsecured. The

loans granted are not past due and their value were not impaired.

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

Contractor	Amount	Interest	Repayment date
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
R4R Poland Sp. z o.o.	35 151	Wibor 3M + margin	1.07.2026
GRO Nieruchomości Sp. z o.o.	21 642	Wibor 3M + margin	31.12.2021
Total	213 526		

LONG-TERM BORROWINGS, WITHOUT INTEREST, AS AT 30.06.2018 [PLN '000]

Contractor	Amount	Interest	Repayment date
GRO Nieruchomości Sp. z o.o.	21 642	Wibor 3M + margin	31.12.2021
Total	21 642		

Note 5

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

	01.01.2019- 30.06.2019	01.01.2018- 31.12.2018	01.01.2018- 30.06.2018
Deferred tax assets/provision at the beginning of the period	(1 468)	13 840	13 840
Financial instruments	-	(4)	(4)
Investment property	513	513	513
Receivables and liabilities due to borrowings	(3 701)	(1 409)	(1 409)
Liabilities due to loans and bonds	(779)	100	100
Tax loss	3 454	10 244	10 244
Inventory	3 602	5 800	5 800
Interests and shares	-	-	-
Leasing	-	-	-
Other	(4 557)	(1 404)	(1 404)
Increases	907	4	687
Financial instruments	-	4	4
Investment property	-	-	-
Receivables and liabilities due to borrowings	-	-	-
Liabilities due to loans and bonds	67	-	-
Tax loss	125	-	-
Inventory	-	-	-
Interests and shares	-	-	-
Leasing	102	-	-
Other	613	-	683
Decreases	(2 380)	(15 312)	(4 973)
Financial instruments	-	-	-
Investment property	-	-	-
Receivables and liabilities due to borrowings	(1 319)	(2 292)	(1 816)
Liabilities due to loans and bonds	-	(879)	(787)
Tax loss	-	(6 790)	(966)
Inventory	(1 061)	(2 198)	(1 404)
Interests and shares	-	-	-
Leasing	-	-	-
Other	-	(3 153)	-
Deferred tax assets/provision at the end of the period	(2 941)	(1 468)	9 554
Financial instruments	-	-	-
Investment property	513	513	513

Receivables and liabilities due to borrowings	(5 020)	(3 701)	(3 225)
Liabilities due to loans and bonds	(712)	(779)	(687)
Tax loss	3 579	3 454	9 278
Inventory	2 541	3 602	4 396
Interests and shares	-	-	-
Leasing	102	-	-
Other	(3 944)	(4 557)	(721)

Note 6A

INVENTORY [PLN '000]

	30.06.2019	31.12.2018	30.06.2018
Semi-finished products and work-in-progress	247 289	188 298	179 876
- asset on perpetual usufruct	9 880	-	-
Finished products	15 897	11 559	37 438
Goods	1 383	1 588	3 810
Total inventory	264 569	201 445	221 124

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

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

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

The 'goods' item contains land for sale.

Note 6B

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

	30.06.2019	31.12.2018	30.06.2018
Reversal of inventory recognised as an expense in the period	-	(4)	-
Reversal of write-downs of values decreasing the value of inventory recognized as revenues in the period	1 426	8 745	5 138
Change in write-down on inventory	1 426	8 741	5 138

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 first half of 2019 concerns the residential projects: Grota-Roweckiego 111 in Wrocław, Las Młociński in Warsaw and Nowa Dzielnicza in Łódź.

The change of write-down on inventories as at 30 June 2019 amounted to PLN 1,426 thousand, as at 31 of December 2018 amounted to PLN 8,741 thousand and as at 30 June 2018 amounted to PLN 5,138 thousand.

Note 7A

SHORT-TERM BORROWINGS GRANTED [PLN '000]

	30.06.2019	31.12.2018	30.06.2018
In subsidiaries			
borrowings granted	379 212	229 533	656 512
Interests	16 911	9 427	16 968
	396 123	238 960	673 480
In joint-ventures			
borrowings granted	-	25 566	-
Interests	-	1 095	-
	-	26 661	-
In other entities			
borrowings granted	-	-	-
Interests	-	-	-
	-	-	-
Total short-term borrowings granted	396 123	265 621	673 480

Note 7A contains short-term loans with interest and a write-down.

The loans meet the SPPI test in accordance with IFRS 9 par. 4.1.2., therefore they are not measured at fair value, but using the amortized cost method. The valuation does not differ significantly from the valuation at fair value.

The maximum credit risk associated with loans equals their carrying amount. Loans granted are not secured, are not past due, there was no significant impairment of their value. The loans were granted to related entities in good financial condition. In the opinion of the related entities, credit risk, in the opinion of the Management Board, is minimised through ongoing control

of operating activities and assessment of investment projects of these companies.

In the opinion of the Management Board, by monitoring the operations of subsidiaries and periodically confirming the profitability of their projects, the Company has the ability to assess and identify loans where credit risk increased significantly. The Company's Management Board did not state such loans. The Management Board assessed the loans in terms of creating an allowance for expected credit losses based on an assessment of the credibility of the Echo Investment Group. In accordance with the requirements of IFRS 9, a write-down due to expected credit losses as at 30 June 2019 in the amount of PLN 952 thousand was created, while as at 31 December 2018 - in the amount of PLN 650 thousand.

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

	30.06.2019	31.12.2018	30.06.2018
In the Polish currency (PLN)	395 443	265 621	637 410
In foreign currencies - by currency, after conversion into PLN	680	-	36 070
Total of short-term borrowings granted	396 123	265 621	673 480

The note includes short-term loans with interest.

BASIC DATA ON THE LARGEST SHORT-TERM AND LONG-TERM BORROWINGS WITHOUT INTEREST AND IMPAIRMENT LOSSES AS AT 30.06.2019 ['000 PLN]

Contractor	Value	Interest	Payout date
Dellia Investments - Projekt Echo 115 Sp. z o.o. Sp.K.	89 365	Wibor 3M + margin	31.12.2019
Fianar Investments Sp. z o.o.	71 360	Wibor 3M + margin	31.12.2019
Villea Investments Sp. z o.o.	63 375	Wibor 3M + margin	31.03.2020
Echo Aurus Sp. z o.o.	55 980	Wibor 3M + margin	31.12.2019
Echo - SPV 7 Sp. z o.o.	39 400	Wibor 3M + margin	31.12.2019
Tryton - Projekt Echo 127 Sp. z o.o. Sp.K.	27 725	Wibor 3M + margin	31.12.2019
Gosford Investments Sp. z o.o.	15 725	Wibor 3M + margin	31.12.2019
Projekt 144 - Grupa Echo Sp. z o.o. Sp.K.	14 770	Wibor 3M + margin	31.03.2020
City Space - SPV 2 Sp. z o.o.	4 051	Wibor 3M + margin	30.09.2019
Gro Nieruchomości Sp. z o.o.	1 135	Wibor 3M + margin	31.03.2020
Berea Sp. z o.o.	643	Euribor 3M + margin	31.06.2020
City Space - SPV 3 Sp. z o.o.	498	Wibor 3M + margin	30.09.2019
Elektrownia Sp. z o.o.	109	Wibor 3M + margin	30.06.2020
City Space Management Sp. z o.o.	29	Wibor 3M + margin	30.09.2019
Total	384 165		

The maximum credit risk associated with loans equals their carrying amount. Loans granted are not secured, are not past due, there was no significant impairment of their value. The loans were granted to related entities in good financial condition. In the opinion of the related entities, credit risk, in the opinion of the Management Board, is minimised through ongoing control of operating activities and assessment of investment projects of these companies.

In the opinion of the Management Board, by monitoring the operations of subsidiaries and periodically confirming the profitability of their projects, the Company has the ability to assess and identify loans where credit risk increased significantly. The Company's Management Board did not state such loans

**BASIC DATA ON THE LARGEST SHORT-TERM AND LONG-TERM BORROWINGS
WITHOUT INTEREST AND IMPAIRMENT LOSSES AS AT 31.12.2018 [‘000 PLN]**

Contractor	Value	Interest	Payout date
Fianar Investments Sp. z o.o.	71 360	Wibor 3M + margin	31.12.2019
Villea Investments Sp. z o.o.	63 100	Wibor 3M + margin	31.03.2019
Echo Aurus Sp. z o.o.	55 980	Wibor 3M + margin	31.12.2019
Echo - SPV 7 Sp. z o.o.	39 400	Wibor 3M + margin	31.12.2019
Rosehill Investments Sp. z o.o.	25 555	Wibor 3M + margin	31.03.2019
City Space - SPV 2 Sp. z o.o.	4 051	Wibor 3M + margin	30.09.2019
City Space - SPV 3 Sp. z o.o.	498	Wibor 3M + margin	30.09.2019
Elektrownia Sp. z o.o.	109	Wibor 3M + margin	30.06.2019
City Space Management Sp. z o.o.	29	Wibor 3M + margin	30.09.2019
Berea Sp. z o.o.	11	Wibor 3M + margin	31.01.2019
Total	260 093		

**BASIC DATA ON THE LARGEST SHORT-TERM AND LONG-TERM BORROWINGS WITH-
OUT INTEREST AND IMPAIRMENT LOSSES AS AT 30.06.2018 [‘000 PLN]**

Contractor	Value	Interest	Payout date
Projekt 20 - Grupa Echo Sp. z o.o. SKA	95 354	Wibor 3M + margin	31.03.2019
Galeria Libero - Projekt Echo - 120 Sp. z o.o. Sp.K.	82 740	Wibor 3M + margin	31.12.2018
Projekt Echo - 136 Sp. z o.o. Sp.K.	79 920	Wibor 3M + margin	30.09.2018
Fianar Investments Sp. z o.o.	71 360	Wibor 3M + margin	31.12.2018
Villea Investments Sp. z o.o.	63 100	Wibor 3M + margin	31.12.2018
Echo - SPV 7 Sp. z o.o.	59 600	Wibor 3M + margin	31.12.2018
Echo Aurus Sp. z o.o.	55 980	Wibor 3M + margin	31.12.2018
Doxent Investments Sp. z o.o.	44 330	Wibor 3M + margin	31.12.2018
Projekt 17 - Grupa Echo Sp. z o.o. SKA	44 047	Wibor 3M + margin	30.09.2018
Echo Investment Hungary Ingatlanhasznosito Kft	32 715	Wibor 3M + margin	31.12.2018
Projekt Echo - 137 Sp. z o.o.	16 581	Wibor 3M + margin	31.12.2018
Projekt 140 - Grupa Echo Sp. z o.o. Sp.K.	14 000	Wibor 3M + margin	31.12.2018
City Space - SPV 2 Sp. z o.o.	4 051	Wibor 3M + margin	30.09.2018
Echo Project-Management Ingatlanhasznosito Kft	778	Wibor 3M + margin	31.12.2018
City Space - SPV 3 Sp. z o.o.	498	Wibor 3M + margin	30.09.2018
Elektrownia Sp. z o.o.	109	Wibor 3M + margin	30.06.2019
City Space Management Sp. z o.o.	29	Wibor 3M + margin	30.09.2018
Total	665 192		

Note 8A

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

	30.06.2019	31.12.2018	30.06.2018
Due to subsidiaries	-	-	-
Due to other entities			
- leasing	11 896	-	-
- security deposits received	708	746	1 064
- due to issue of debt securities	1 030 739	903 448	854 753
	1 043 343	904 194	855 817
Total long-term liabilities	1 043 343	904 194	855 817

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 8B

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

	30.06.2019	31.12.2018	30.06.2018
From 1 to 3 years	676 531	483 671	243 988
3 - 5 years	366 717	420 368	611 538
Over 5 years	95	155	291
Total long-term liabilities	1 043 343	904 194	855 817
Interest rates applied for discounting the expected cash flows	5,16%	5,02%	5,00%

Long-term liabilities in nominal value were presented by the Company in note 8E.

Note 8C

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

	30.06.2019	31.12.2018	30.06.2018
In the Polish currency (PLN)	1 043 343	904 194	855 817
Total long-term liabilities	1 043 343	904 194	855 817

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.

LONG-TERM LIABILITIES – CHANGE DUE TO APPLICATION OF IFRS 16 [PLN '000]

	30.06.2019	31.12.2018	30.06.2018
Opening balance	14 334	-	-
Changes in the period	(2 438)	-	-
- new purchases	-	-	-
- financial costs	201	-	-
- payment	(2 639)	-	-
- completion or sale of the project		-	-
Closing balance	11 896	-	-

Note 8E

CREDIT FACILITIES OF ECHO INVESTMENT S.A. AS AT 30.06.2019 ['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		WIBOR 3M + margin	15.12.2019	Authorisation to bank account, statement on submission to enforcement proceedings
Santander S.A.**	100 000	2 595	WIBOR 1M + margin	30.11.2020	Authorisation to bank account, statement on submission to enforcement proceedings
BNP Paribas ***	62 000		WIBOR 1M + margin	16.12.2019	Authorisation to bank account, statement on submission to enforcement proceedings
Total	312 000	2 595			

* The available loan amount as at 30 June 2019 is decreased by the guarantees issued and amounts to PLN 58.5 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 30 June 2019, the limit for guarantees was used in the amount of PLN 24.2 million.

*** As at 30 June 2019, the available loan amount is reduced by the guarantees issued and amounts to nearly PLN 60 million.

The loan value corresponds to undiscounted cash flows.

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 30.06.2018 [PLN '000]

Bank	Contractual amount of loan / borrowing	Outstanding loan / borrowing amount	Interest rate	Repayment deadline	Security
BZ WBK S.A. *	75 000	-	WIBOR 1M + margin	30.07.2018	Authorisation to bank account, statement on submission to enforcement proceedings
PKO BP S.A.	75 000	-	WIBOR 1M + margin	31.10.2018	Authorisation to bank account, statement on submission to enforcement proceedings
Raiffeisen Bank Polska S.A.	62 000	-	WIBOR 1M + margin	14.12.2018	Authorisation to bank account, statement on submission to enforcement proceedings
Alior Bank S.A.	75 000	75 000	WIBOR 1M + margin	15.12.2018	Authorisation to bank account, statement on submission to enforcement proceedings
Total	287 000	75 000			

* As at 30 June 2018 the available credit line in the amount of PLN 50.8 mln. The remaining amount is blocked as collateral for the guarantee granted by BZ WBK S.A. The repayment date falling on 30.07.2018 was postponed to 30.09.2018.

Note 8F

COMPANY'S LIABILITIES DUE TO BONDS ISSUED AS AT 30.06.2019 [PLN '000]

Series	ISIN code	Bank	Nominal value	Maturity	Interest rate	Guarantees / securities	Quotation market	
Bonds for institutional investors								
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		
1/2019	PLECHPS00308	mBank S.A.	100 000	11.04.2023	WIBOR 6M + margin 4,25%	- ASO CATALYST		
Total			645 000					
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	Consortium: 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
J and J2-series	PLECHPS00290	Seria J: consortium Noble Securities S.A., Michael / Ström Dom Maklerski S.A., Dom Maklerski Banku Ochrony Środowiska S.A. Seria J2: DM PKO Banku Polskiego S.A.		33 832	21.09.2023	WIBOR 6M + margin 3,4%	- regulated market	CATALYST
Total			433 832					
Total bonds			1 078 832					

BONDS REDEEMED BY ECHO INVESTMENT IN H1 2019 [‘000 PLN]

Series	ISIN code	Bank	Nominal value	Maturity	Interest rate
1/2014 for institutional investors	PLECHPS00134	mBank S.A.	100 000	19.02.2019	WIBOR 6M + margin 3,6%
2/2014 for institutional investors*	PLECHPS00159	mBank S.A.	70 500	15.05.2019	WIBOR 6M + margin 3,6%

* 1,000 of bonds of this series worth PLN 10 million were redeemed on 12 April 2019.

BONDS ISSUED BY ECHO INVESTMENT IN H1 2019 [‘000 PLN]

Series	ISIN code	Bank	Nominal value	Maturity	Interest rate
J-series for individual investors	PLECHPS00290	consortium of Noble Securities S.A., Michael / Ström Dom Maklerski S.A., Dom Maklerski Banku Ochrony Środowiska S.A	18 832	21.09.2023	WIBOR 6M + margin 3,4%
J2-series for individual investors	PLECHPS00290	DM PKO Banku Polskiego S.A	15 000	21.09.2023	WIBOR 6M + margin 3,4%
1/2019 for institutional investors	PLECHPS00308	mBank S.A.	100 000	11.04.2023	WIBOR 6M + margin 4,25%

All bonds issued by Echo Investment are unsecured. They are also all traded on the regulated market operated by the Warsaw Stock Exchange.

After the balance sheet date, Echo Investment did not buy or issue any bonds.

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				

LONG-TERM AND SHORT-TERM COMPANY'S LIABILITIES DUE TO BONDS ISSUED AS AT 30.06.2018
[PLN '000]

Series	ISIN code	Bank	Nominal value	Maturity	Interest rate	Guarantees / securities	Quotation market
Bonds for institutional investors							
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
Total			350 000				
Total bonds			1 065 500				

The table above does not include bonds issued in connection to the right of first offer agreement (ROFO).

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

	30.06.2019	31.12.2018	30.06.2018
Trade, due to subsidiaries, with maturity:	3 257	3 002	4 287
- up to 12 months	3 257	3 002	4 287
Trade, due to other entities, with maturity:	24 193	29 593	27 506
- up to 12 months	24 193	29 593	27 506
Total short-term trade liabilities	27 450	32 595	31 793
- advances received	131 702	69 657	70 823
- security deposits received	5 528	5 138	5 563
Total security deposits and advance payments received	137 230	74 795	76 386
- taxes, customs duties, insurance and other benefits	2 637	2 897	2 067
Total tax	2 637	2 897	2 067
Other liabilities, including			
- payroll	10	2	2
- leasing	9 230		
- other (due to)	27 781	22 016	27 349
- dividend	-	-	-
- cash on escrow account	11 635	7 389	13 766
- acquisition of interests	20	-	10
- other, including	16 126	14 627	13 573
- bonuses for management and employees	13 455	10 867	12 053
Total other short-term liabilities	37 020	22 018	27 351
Total short-term trade liabilities, taxes, security deposits received and other	204 337	132 305	137 597

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

Note 9B

SHORT-TERM LIABILITIES - CHANGE DUE TO APPLICATION OF IFRS 16 [PLN '000]

	30.06.2019	31.12.2018	30.06.2018
Opening balance	9 557	-	-
Changes in the period	(327)	-	-
- new purchases	-	-	-
- financial costs	322	-	-
- payment	(649)	-	-
- completion or sale of the project		-	-
Closing balance	9 230	-	-

The Company described changes related to application of IFRS 16 in chapter "Accounting principles adopted in drawing up the financial report of Echo Investment Group" in the item „Leasing”.

Note 10A

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

	30.06.2019	31.12.2018	30.06.2018
Due to subsidiaries			
- borrowings	-	-	-
	-	-	-
Due to other entities			
- loans and borrowings	2 595	50 000	75 000
- due to issue of debt securities	52 719	217 725	215 069
	55 314	267 725	290 069
Total short-term loans, borrowings and bonds	55 314	267 725	290 069

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.

Nota 10B

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

	30.06.2019	31.12.2018	30.06.2018
In the Polish currency (PLN)	55 314	267 725	290 069
Total	55 314	267 725	290 069

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

	30.06.2019	31.12.2018	30.06.2018
At the beginning of the period			
- provisions for penalties	2 000	2 000	2 000
- provisions for guarantees	270	-	-
- litigation	-	2 066	2 066
- provision for costs	15 047	40 605	40 605
	17 317	44 671	44 671
Increases due to			
- provisions for guarantees	81	270	
- provisions for expected losses	-	-	4 227
- provision for costs	-	11 363	-
	81	11 633	4 227
Utilisation due to			
- provision for costs	(7)	(10 000)	-
- litigation	-	(2 066)	(2 066)
	(7)	(12 066)	(2 066)
Release due to			
- provision for costs	(1 217)	(26 921)	(8 501)
	(1 217)	(26 921)	(8 501)
At the end of the period			
- provisions for penalties	2 000	2 000	2 000
- provisions for guarantees	351	270	-
- provisions for expected losses	-	-	4 227
- provision for costs	13 823	15 047	32 104
	16 174	17 317	38 331

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 crystallizing 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.

Note 12

OFF-BALANCE SHEET ITEMS [PLN '000]

	30.06.2019	31.12.2018	30.06.2018
Contingent liabilities			
For related parties due to:	2 149 104	1 215 651	1 166 750
- guarantees and sureties granted	2 149 104	1 215 651	1 166 750
	2 149 104	1 215 651	1 166 750
Other due to:			
- court proceedings against Echo Investment	919	100	181
	919	100	181
Total	2 150 023	1 215 751	1 166 931

SURETY AGREEMENTS ISSUED BY ECHO INVESTMENT S.A. AS AT 30.09.2019 [PLN '000]

For	Value	Validity	Description
Bletwood Investments Sp. z o.o.	1 430	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.	10 630	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
PKO BP S.A.	344 418	until 31.12.2026	Surety for liabilities of Projekt Beethovena - Projekt 122 Sp. z o.o. SKA, resulting from loan agreement. Issued in EUR.
Total	356 578		

GUARANTEES ISSUED BY ECHO INVESTMENT GROUP AS AT 30.06.2019 [PLN '000]

For	Value	Validity	Description
Horta Sp. z o.o.	21 260	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.	25 512	until 30.07.2021	Performance bond for the final sale agreement of the Aquarius Business House I office building in Wrocław. Issued in EUR.
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.	27 053	until 31.08.2019	Rental guarantee related to sale of Q22 office building in Warsaw. The guarantee is secured with bank guarantee issued by Santander Bank Polska S.A. to the order of Echo Investment S.A. Issued in EUR.
Ventry Investments Sp. z o.o. Sp.K.	28 065	until 20.12.2019	Rental guarantee related to sale of O3 Business Campus I in Kraków. The guarantee is secured with corporate guarantee issued by Echo Investment S.A. Partially issued in EUR.
Emfold Investments Sp. z o.o.	42 746	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.	17 975	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.	21 303	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.	981	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. and BNP Paribas Bank Polska S.A.	56 318	to the date of construction loan conversion into investment loan	Surety bond for costs overrun of the project of Libero in Katowice. Issued in EUR.
Santander Bank Polska S.A., PKO BP S.A., Bank Gospodarstwa Krajowego and mBank S.A.	39 544	to the date of construction loan conversion 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.	46 905	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.	15 805	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 28.02.2020	Guarantee securing the execution of liabilities of Duże Naradowice - Projekt Echo - 111 Sp. z o.o. S.K.A. resulting from the agreement of 8.01.2018.
IB 14 FIZAN	87 348	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.	25 512	until termination of the agreement concluded on 4.07.2018	Guarantee securing the execution of liabilities of Projekt 22 Grupa Echo Sp. z o.o. SKA, resulting from the agreement concluded on 4.07.2018. Issued in EUR.

GUARANTEES ISSUED BY ECHO INVESTMENT GROUP AS AT 30.06.2019 [PLN '000]

For	Value	Validity	Description
Flaxton Investments Sp. z o.o.	17 975	until 27.07.2021	Rental guarantee related to sale of Symetris II office building in Łódź. Partially issued in EUR.
Bank Polska Kasa Opieki S.A.	14 147	until 30.06.2029	Guarantee securing costs overrun of projects.
R4R Wrocław Kępa Sp. z o.o./SO SPV 103 Sp. z o.o./R4R Warszawa Browary Sp. z o.o.	151 895	until 31.07.2021	Guarantee of deposit refund.
IB 6 FIZAN / GPF 3 FIZAN	132 531	until 31.10.2021	Guarantee securing the execution of liabilities of Rosehill Investments Sp. z o.o., resulting from framework agreement concluded on 31.08.2017. Issued in EUR.
Tryton Business Park Sp. z o.o.	539	until 31.01.2020	Guarantee securing the execution of liabilities of Tryton City Space - GP Sp. z o.o. Sp.k. resulting from the lease agreement of 12.06.2018. Issued in EUR
DH Supersam Katowice Sp. z o.o. Sp.K.	359	until 31.01.2020	Guarantee securing the execution of liabilities of Supersam City Space - GP Sp. z o.o. Sp.k. resulting from the lease agreement of 28.02.2017. Issued in EUR.
City of Katowice	758	until 15.01.2020	Performance bond for liabilities of Galeria Libero - Projekt Echo - 120 Sp. z o.o. Sp.K. resulting from the agreement of 16.06.2016 on a road construction project.
PKO BP S.A.	36 000	until 30.06.2023	Cost overrun guarantee agreement regarding Moje Miejsce office project in Warsaw.
LUX Europa III S.a.r.l.	6 450	until 25.03.2020	Guarantee securing the execution of liabilities of Dellia Investments - Projekt Echo - 115 Sp z o.o. Sp.k. resulting from quality guarantee agreement on 27.03.2019.
LUX Europa III S.a.r.l.	97 041	until 31.12.2024	Performance bond for liabilities of Dellia Investments - Projekt Echo - 115 Sp. z o.o. Sp.K. resulting from the sale agreement of Gatehouse Offices, one of office buildings of Warsaw Brewery complex in Warsaw. Partially issued in EUR.
LUX Europa III S.a.r.l.	14 609	until 30.06.2029	Performance bond for liabilities of Dellia Investments - Projekt Echo - 115 Sp. z o.o. Sp.K. resulting from the sale agreement of Gatehouse Offices, one of office buildings of Warsaw Brewery complex in Warsaw. Partially issued in EUR.
LUX Europa III S.a.r.l.	163 550	until 30.06.2023	Performance bond for liabilities of Dellia Investments - Projekt Echo - 115 Sp. z o.o. Sp.K. resulting from the sale agreement of Gatehouse Offices, one of office buildings of Warsaw Brewery complex in Warsaw. Partially issued in EUR.
LUX Europa III S.a.r.l.	46 772	until 3.03.2027	Performance bond for liabilities of Dellia Investments - Projekt Echo - 115 Sp. z o.o. Sp.K. resulting from the sale agreement of Gatehouse Offices, one of office buildings of Warsaw Brewery complex in Warsaw. Partially issued in EUR.
Bank Polska Kasa Opieki S.A.	67 941	to the date of construction loan conversion into investment loan	Cost overrun guarantee agreement related to the office project in Warsaw Brewery complex in Warsaw. Issued in EUR.
Bank Millenium S.A.	8 045	to the date of construction loan conversion into investment loan	Cost overrun guarantee agreement related to the office project West 4 Business Hub in Wrocław.
Bank Millenium S.A.	4 550	to the date of construction loan conversion into investment loan	Guarantee securing rental income during construction of West 4 Business Hub in Wrocław. Issued in EUR.
PKO BP S.A.	107 418	until 30.11.2021	Guarantee securing execution of liabilities of Echo-Opolska Business Park Sp. z o.o.Sp.K. resulting from loan agreement. Issued in EUR.
Echo-Opolska Business Park Sp. z o.o. Sp.K.	1 006	until 30.06.2020	Performance bond for liabilities of 132 - City Space - GP Sp. z o.o. Sp.K. resulting from leasing agreement signed on 4.06.2019. Issued in EUR.
Total	1 792 529		

The value of guarantees received by Echo Investment S. A. and its subsidiaries as at 30 June 2019 was as follows:

- under lease agreements concluded: lack;
- from the implementation of projects: PLN 14 856 199, EUR 35 977.

IFRS 9 introduced a model based on the concept of expected losses, 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 retail projects implemented by subsidiaries. Such guarantees constitute either collateral related to project implementation or after-sales collateral for new investors and constitute a form of collateral commonly used on the market. In the opinion of the Management Board, by monitoring the operations of subsidiaries, the Company has the full ability to monitor credit risk associated with issued guarantees. The entities of the Echo In-

vestment Group have full capacity and readiness to fulfil contractual obligations, therefore the Management Board of the Company has not identified existence of significant expected losses due to issuing guarantees and sureties by the Company. In accordance with the requirements of IFRS 9, a provision for expected credit losses as at 30 June 2019 was made in the amount of PLN 351 thousand, while as at 31 December 2018 - in the amount of PLN 270 thousand.

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

For	Value	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		

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.

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

For	Value	Validity	Description
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.
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

SURETY AGREEMENTS BY ECHO INVESTMENT S.A. AS AT 30.06.2018 [PLN '000]

For	Value	Validity	Description
Bletwood Investments Sp. z o.o.	1 467	Entire validity period of the lease and three months following its termination date	Surety bond for liabilities of CogI 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.	10 904	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	12 371		

ECHO INVESTMENT GUARANTEE AGREEMENTS AS AT 30.06.2018 [PLN '000]

For	Value	Validity	Description
Horta Sp. z o.o.	21 808	until 02.07.2020	Performance bond concerning the final sales agreement of the Aquarius Business House I office building in Wrocław. Issued in EUR.
Skua Sp. z o.o.	26 170	until 30.07.2021	Performance bond concerning the final sales agreement of the Aquarius Business House II office building in Wrocław. Issued in EUR.
State Treasury	45 466	until 22.05.2019	Performance bond concerning liabilities of Outlet Park - Projekt Echo 126 Sp. z o.o. Sp.K.
State Treasury	4 550	until 20.06.2019	Performance bond concerning liabilities of Outlet Park - Projekt Echo 126 Sp. z o.o. Sp.K.
BGŻ BNP Paribas S.A.	5 334	to the date of investment's completion	Performance bond concerning cost overrun and liabilities on account of debt service in the course of construction of the Symetris I and II office buildings in Łódź. Issued in EUR.
IREEF - Stryków Propco Sp. z o.o.	420 000	until 15.12.2019	Quality guarantee concerning construction work related to the Q22 office building in Warsaw.
IREEF - Stryków Propco Sp. z o.o.	27 750	until 15.12.2021	Lease guarantee related to the sale of the Q22 office building in Warsaw. The rent guarantee is secured with a bank guarantee issued by BZ WBK S.A. on the order of Echo Investment S.A. Guarantee issued in EUR.
IREEF - Stryków Propco Sp. z o.o.	150 653	until 15.12.2018	Performance bond concerning liabilities of Q22 - Projekt Echo - 128 Sp. z o.o. Sp.k. resulting from the sales agreement of 16.12.2016 regarding the Q22 office building in Warsaw. Issued in EUR.
Ventry Investments Sp. z o.o.	28 738	until 20.12.2019	Lease guarantee related to the sale of O3 Business Campus I in Kraków. The rent guarantee is secured with a corporate guarantee issued by Echo Investment S. A. Partly issued in EUR.
Emfold Investments Sp. z o.o.	43 767	until 20.12.2019	Lease guarantee related to the sale of the Tryton office building in Gdańsk. The rent guarantee is secured with a corporate guarantee issued by Echo Investment S. A. Partly issued in EUR.
Flaxton Investments Sp. z o.o.	18 371	until 20.12.2019	Lease guarantee related to the sale of the Symetris I office building in Łódź. The rent guarantee is secured with a corporate guarantee issued by Echo Investment S. A. Partly issued in EUR.
Projekt Echo 135 Sp. z o.o. Sp.k.	21 829	until 25.04.2020	Lease guarantee related to the sale of the A4 Business Park III office building in Katowice. The rent guarantee is secured with a corporate guarantee issued by Echo Investment S. A. Partly issued in EUR.
PKO BP S.A.	25 700	until 30.09.2020	Security of exceeding the costs of construction of the Sagittarius Business House office building in Wrocław
IREEF - Stryków Propco Sp. z o.o.	1 006	until 31.07.2019	Guarantee for Echo Investment S. A. obligations under the lease agreement concluded on 24. 10. 2016. Issued in EUR.
BZ WBK S.A. and Bank BGŻ BNP Paribas S.A.	57 769	to the date of construction loan conversion into investment loan	Performance bond concerning the cost overrun of the Libero shopping centre in Katowice. Issued in EUR.
BZ WBK S.A., PKO BP S.A., Bank Gospodarstwa Krajowego and mBank S.A.	44 619	to the date of construction loan conversion into investment loan	Performance bond concerning the cost overrun of the Galeria Młociny shopping centre in Warsaw as well as liabilities of Berea Sp. z o. o. under the loan agreement concluded on 17.10.2017. Issued in EUR.
Ventry Investments Sp. z o.o. Sp.K.	48 032	until 27.12.2020	Echo Investment S. A. corporate guarantee securing a rent guarantee related to the sale of O3 Business Campus II in Krakow. Partly issued in EUR.

ECHO INVESTMENT GUARANTEE AGREEMENTS AS AT 30.06.2018 [PLN '000]

For	Value	Validity	Description
Nobilis – Projekt Echo 117 Sp. z o.o. Sp. K.	40 000	until 31.10.2026	Quality guarantee for construction works related to the Nobilis office building in Wrocław.
Nobilis – Projekt Echo 117 Sp. z o.o. Sp. K.	16 212	until 28.12.2020	Lease guarantee related to the sale of the Nobilis office building in Wrocław. Exhibited in EUR.
Novaform Polska Sp. z o.o.	3 053	until 31.12.2018	Guarantee securing the obligations of Duże Naramowice – Projekt Echo 111 Sp. z o. o. SKA resulting from the agreement concluded on 08. 01. 2018.
Novaform Polska Sp. z o.o.	4 616	until 31.05.2019	Guarantee securing the obligations of Duże Naramowice – Projekt Echo 111 Sp. z o. o. SKA resulting from the agreement concluded on 08. 01. 2018.
BNY Mellon (Poland) Sp. z o.o.	15 572	until the date of handover protocol signing, no later than until 31.08.2019	Guarantee securing the obligations of Sagittarius – Projekt Echo 113 Sp z o. o. Sp. k., under a lease agreement concluded on 14.12.2016. Issued in EUR.
IB 14 FIZAN	83 362	until 24.05.2024	Performance bond for proper performance of obligations under the contract of sale of the West Link office building in Wrocław. Issued in EUR.
Total	1 154 377		

Explanatory notes to the profit and loss account

Note 13

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 presented in point 04 "Information on financial statements of Echo Investment S.A.".

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

	01.01.2019- 30.06.2019	01.01.2018- 30.06.2018
Sale of residential and commercial space	34 432	72 052
- from related parties	-	-
Property development services	35 785	53 751
from related parties	32 080	28 523
- from subsidiaries	27 644	28 523
Sale of plots	1 893	1 781
- from related parties	-	-
Lease services	950	3 400
from related parties	759	1 470
- from subsidiaries	759	1 470
- from the parent company	-	-
Legal, accounting, consulting and IT services	6 560	4 651
from related parties	6 560	4 548
- from subsidiaries	6 560	4 548
- from jointly controlled entities	-	-
Financial, marketing, securing services and other revenue	16 995	13 034
from related parties	16 157	12 618
- from subsidiaries	16 157	12 616
- from key personnel	-	2
Total operating revenue	96 615	148 669
from related parties	55 556	47 159
- from subsidiaries	51 120	47 157
- from the parent company	-	-
- from key personnel	-	2

Note 13A

OPERATING INCOME - SUBLEASING OF ASSETS DUE TO USAGE [PLN '000]

	01.01.2019- 30.06.2019	01.01.2018- 30.06.2018
Leasing services	710	-
Total leasing services	710	-

Note 13B

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

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

The Company recognizes revenue when the obligation 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 pro-

ocol 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 remuneration. 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 ADVANCE PAYMENTS RECEIVED [PLN '000]

	01.01.2019- 30.06.2019	01.01.2018- 31.12.2018	01.01.2018- 30.06.2018
Short-term advance payments granted (note 15A)			
- opening balance	69 657	44 266	44 266
Increase – payment to the account	96 477	213 377	66 187
Presented as income in the period	(34 432)	(187 986)	(72 052)
- including income presented in the period, which was included in the balance of advance payments received at the beginning of the period	(33 949)	(40 089)	(39 630)
Short-term advance payments granted			
- closing balance	131 702	69 657	70 823

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 30 June 2019, is PLN 438,350,000, of which until the balance sheet date the Company received advance payments in the amount of PLN

131,702,000. 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.

REVENUE FROM DEVELOPMENT SERVICES [PLN '000]

Project	Targeted completion date	Targeted revenue	Total revenue brought forward resulting from concluded agreements	Advance payments received
Dom Pod Wilgą III, Kraków	projekt zakończony	41 908	18 023	13 820
Rydla 32, Kraków	III kw. 2019	48 514	48 514	33 459
Osiedle Jarzębinowe IV, Łódź	projekt zakończony	22 098	288	408
Osiedle Jarzębinowe V, Łódź	III kw. 2019	43 056	43 056	24 617
Nowa Dzielnica, Łódź	III kw. 2019	29 663	29 663	12 916
Osiedle Jarzębinowe VI, Łódź	I kw. 2020	19 982	19 982	2 300
Grota - Roweckiego 111 etap III	IV kw. 2019	16 131	16 131	5 697
Wodna Resi4Rent, Łódź	III kw. 2019	45 791	45 791	27 533
Nasze Jeżyce, Poznań	I kw. 2021	57 657	57 657	4 646
Apartamenty Esencja, Poznań	IV kw. 2020	114 824	114 824	2 539
Ogrody Graua, Wrocław	II kw. 2020	44 171	44 171	2 710
Others		1 057	1 057	1 057
Total		484 852	439 157	131 702

REVENUES OF INVESTMENT IMPLEMENTATION SERVICES

As part of the investment implementation services, the Company provides investment preparation and organisation services in relation to development 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).

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 book-keeping 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).

Note 14A

OTHER OPERATING REVENUE [PLN '000]

	01.01.2019- 30.06.2019	01.01.2018- 30.06.2018
Released provisions	1 240	6 030
- due to receivables	16	-
- due to expected costs	1 224	6 030
Other, including:	1 341	615
- contractual penalties	68	-
- revenue from sale of non-financial fixed asset	211	130
- other	1 062	485
Interest on borrowings and bonds	25 972	9 142
from related entities, including:	25 972	9 142
- from subsidiaries	24 283	9 142
- from joint-ventures	1 689	-
Other interests	44	109
- from other entities	44	109
Total	28 597	15 896

Note 14B

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

	01.01.2019- 30.06.2019	01.01.2018- 30.06.2018
From related parties including	59 997	57 578
- from subsidiaries	59 997	57 578
Total	59 997	57 578

Note 15A

FINANCIAL REVENUE FROM INTEREST [PLN '000]

	01.01.2019- 30.06.2019	01.01.2018- 30.06.2018
Other interest		
- from other entities	606	764
Total	606	764

Note 15B

OTHER FINANCIAL REVENUE [PLN '000]

	1.01.2019- 30.06.2019	1.01.2018- 30.06.2018
Foreign exchange gains	1 270	1 352
Profit on sale of interests	2 626	-
Revaluation of borrowings, loans and bonds	-	1 235
Total other financial revenue	3 896	2 587

Note 16

INCOME TAX - EFFECTIVE TAX RATE ['000 PLN]

	1.01.2019- 30.06.2019	1.01.2018- 30.06.2018
Gross profit	39 262	26 010
Income tax calculated according to the country rules (19%)	7 460	4 942
Dividend received	(10 016)	(9 500)
Payment from profit of limited partnership subsidiaries	(1 383)	(1 440)
Company tax burden on the results of limited partnership subsidiaries	(724)	1 471
Representation costs and other non-tax deductible costs during the year	6 282	8 821
Provision on expected costs	(233)	1 205
Valuation of subsidiary interests, that is permanent difference	647	584
Impairment loss on loans and bonds granted for which no deferred tax was recognized	72	1 649
Change of valuation of other items	150	1 109
Income tax expense	2 256	8 842

INFORMATION ON FINANCIAL INSTRUMENTS [PLN '000]

Type of instrument	Note	Balance value		
		As at 30.06.2019	as at 31.12.2018	As at 30.06.2018
FINANCIAL ASSETS				
Long-term financial assets	3	767 659	796 125	904 801
- investment certificates		144 677	170 849	904 801
- bonds		622 982	625 276	-
Loans and receivables		742 267	535 574	741 118
- long-term loans	3	318 718	221 504	21 857
- short-term loans	7	396 123	265 621	673 480
- trade payables		27 426	48 449	45 781
Cash and other monetary assets		68 921	189 366	29 664
- restricted cash		11 635	7 389	13 766
- cash and cash equivalents		57 286	181 977	15 898
FINANCIAL LIABILITIES				
Other financial liabilities		1 113 503	1 203 768	1 176 615
- liabilities due to issue of debt securities	8, 10	1 083 458	1 121 173	1 069 822
- trade liabilities	9	27 450	32 595	31 793
- loans and borrowings	8, 10	2 595	50 000	75 000
- leasing	9	21 126	-	-

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:

1. 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;

2. 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;

3. assets measured at fair value through the profit and loss account - all other financial assets.

INFORMATION ON FINANCIAL STATEMENT OF ECHO INVESTMENT S.A.

Accounting principles adopted in drawing up the semi-annual report of Echo Investment S.A.

Echo Investment's condensed non-consolidated interim financial statements for the first half of 2019, covering the period from 1 January 2019 to 30 June 2019, were prepared following IAS 34 'Interim Financial Reporting' adopted by the European Union.

The condensed interim financial statements of Echo Investment S.A. present the financial data for the period of 6 months ended 30 June 2019 and the comparative data for the period of 6 months ended 30 June 2018 and the comparative data for the period of 12 month ended 31 December 2018.

The financial statements have been developed on the historical cost basis, save for investment properties and financial instruments measured at fair value.

Items in the financial statements of the Company are presented in the main currency of the economic environment in which the Company operates (functional currency).

The financial data are presented in the Polish zloty (PLN) - the presentation currency and the functional currency of the Company, rounded to the nearest thousands of zlotys, unless otherwise specified in specific situations.

COMPLIANCE STATEMENT

The statements were prepared in accordance with the International Financial Reporting Standards (IFRS) approved by the European Commission.

In order to fully understand the financial standing and the results of the Company, as the parent company Echo Investment Group, these financial statements should be read in conjunction with the half-year consolidated financial statements drawn up for the period of 6 months ending 30 June 2019. These consolidated financial statements are available at the Company's registered office, in Kielce al. Solidarności 36 or on the website www.echo.com.pl.

GOING CONCERN ASSUMPTION

The financial statements have been developed on the assumption of going concern in the foreseeable future, bearing in mind the fact that there are no circumstances implying a threat to going concern.

APPROVAL OF FINANCIAL STATEMENTS

The Company prepared separate financial statements for the mid-year period ended 30 June 2019, which was approved for publication on 17 September 2019. The Management Board of the Company has used its best judgement regarding the application of standards and interpretations, as well as the methods and principles of measurement of individual items of these statutory financial statements.



Application of new and amended standards and interpretations issued by the IFRS Interpretations Committee and published standards and interpretations which are not effective yet, for Echo Investment S.A. are the same as described in items 04 and 05 for consolidated statements on pages 112 and 115.

Effects of changing the principles of accounting used

The semi-annual standalone financial statements were prepared in accordance with the IFRS applicable to the preparation of financial statements.

The accounting policies applied in these separate financial statements are the same as those applied by the Company in its separate financial statements for the year ended 31 December 2018.

First-time adoption of IFRS 16 Leases

The Company has applied IFRS 16 “Leases” since 1 January 2019. The standard introduced one lease model in lessee’s accounting books - in general, IFRS 16 includes all lease agreements in a model similar to the financial lease model in accordance with IAS 17. The new IFRS 16 Leases replaces the existing IAS 17 standard and interpretations IFRIC 4, SIC 15 and SIC 27. Under IFRS 16, an agreement is a lease or includes a lease if it delegates the right to control an identified asset for a given period of time in exchange for consideration. As at the date of transition to IFRS 16, the Company recognised an asset due to the right to use and lease liabilities. The Company separately recognises the cost of interest and depreciation. In applying this standard retrospectively, the Company used the following exemptions:

- the Company does not apply this standard to agreements that have not previously been identified as lease agreements in accordance with IAS 17 and IFRIC 4;
- the Company will apply a single discount rate to a similar leases portfolio;

- operating lease agreements, with the remaining lease period shorter than 12 months on 1 January 2019, were recognised as short-term leases and thus the treatment of these agreements will not change;
- operating lease contracts for which the underlying asset is of low value (e.g. office equipment) were not recalculated and their treatment were not changed.

The Company did not separate lease and non-lease elements

As at 1 January 2019, the Company as a lessee recognised lease liabilities valued at current value of other lease fees, discounted at the Company’s marginal interest rates, and recognised assets under the right to use in the amount equal to lease liabilities. The Company decided to present assets under the right to use under the same item in which the relevant underlying assets would be presented if they were owned by the Company (the lessee).

The impact of the adaption of IFRS 16 on 1 January 2019 resulted in the recognition of assets under the right to use and lease liabilities in the amount of PLN 23,891,000, of which PLN 9,558,000 concerns to inventory, PLN 7,894,000 concerns office space, and PLN 6,439,000 concerns cars. The application of IFRS 16 for the first time did not affect the result from previous years of the Company.

Regarding the changes in its accounting policy, the company provided a broader description in the chapter “Principles adopted in the Echo Investment Group financial report” in the “Leasing” section.

IMPACT OF ADOPTION OF IFRS 16 ON STANDALONE STATEMENT OF FINANCIAL POSITION [PLN '000]

	Data approved 31.12.2018	Change on MSSF 16	As at 1.01.2019
Assets			
Property, plant and equipment	5 284	14 333	19 617
Inventory	201 445	9 558	211 003
Total assets		23 891	
Long-term liabilities			
Lease liabilities	-	14 333	14 333
Short-term liabilities			
Other liabilities	22 018	9 558	31 576
Total liabilities		23 891	

Methods of determining the financial result

The financial result is determined from the profit and loss account, applying the principles of the accruals concept and the matching principle, the yield and the precautionary principle, upon reducing gross profit by input income tax, write-offs on account of provision for transitional difference due to income tax and other charges of the financial result. The financial result is determined by the calculation method.

OPERATING REVENUE

In accordance with IFRS 15, the Company recognises revenues when the obligation is fulfilled (or in the course of fulfilling) by transferring a promised goods or services (i.e. an asset) to a customer. The asset is transferred when the customer obtains control of that asset.

After fulfilling (or in the course of fulfilling) obligations, the entity recognises an amount equal to a transaction price as income, which has been assigned to that performance obligation. To determine the transaction price, the entity shall consider the terms of the contract and its usual commercial practices. The transaction price is the amount of remuneration that the entity expects to be entitled to in exchange for the transfer of promised goods or services to the customer, excluding amounts collected on behalf of third parties (for example, certain sales taxes). The remuneration specified in the contract with the client may include fixed amounts, variable amounts or both. Revenue from the sale of residential and service premises are recognised on the date of handover of real estate to the buyer. This occurs on the basis of the acceptance protocol signed by the parties providing only after completion of the construction of real estate and receiving the occupancy permit on condition that the buyer will pay 100% towards the purchase price of real estate.

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

Revenues from the rental of residential and commercial space are recognised on a straight-line basis over the term of the contracts concluded.

Revenue from other contracts for the provision of services (legal, consulting, IT, financial, marketing, security and other services) is recognised by the Company when the performance obligation is met.

COST OF SALES

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

The cost of goods and products sold is measured at the production cost, using the method of detailed identification of the actual cost of assets sold or the percentage share e.g. of the land or shares sold, etc. In particular, the cost of sales of premises and land sold is determined proportionally to their share in the total cost of construction of the facility and the entire land constituting a given project. The costs of remuneration of employees responsible for project construction, in part in which they can be assigned to a specific project during construction, are capitalised in the value of the project. Costs are allocated on the basis of working hours reported by employees.

ADMINISTRATIVE COSTS RELATED TO PROJECTS

Administrative costs related to projects include administrative costs indirectly related to the implementation of development projects which include: land

perpetual usufruct tax, real estate tax, maintenance fees, property protection, administrative staff remuneration costs and maintenance costs of employees responsible for construction of projects in the part where cannot be assigned to a specific project or they relate to projects completed and other costs related to the maintenance of development projects.

These costs, despite an indirect connection with the construction of development projects, are not capitalised in the value of inventories/investment properties, because:

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

FINANCING COSTS

Financial costs related to the current period are recognized in the profit and loss account according to the amortized cost method described in the Liabilities section, except for costs subject to activation in accordance with the solution included in IAS 23. The Company activates the part of financial expenses which is directly related to the acquisition and production of financial assets recognized as stock and projects commenced.

Activation covers the amount of financial costs determined using the effective interest rate minus income received from temporary depositing of cash

(i.e. interest on bank deposits with the exception of deposits resulting from the blocking of accounts, accreditation agreements) in the case of targeted financing for a given construction project. In the case of general financing, the general financing costs subject to capitalization are determined using the capitalization rate in relation to the expenditures incurred for a given asset component.

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

Material agreements made by Echo Investment S.A. with related parties

As a result of the Echo Investment Group's strategy of developing each shopping centre, office building and selected residential projects by a separate subsidiary,

a significant part of transactions executed by Echo Investment S. A. is executed with related parties.

MATERIAL AGREEMENTS CONCLUDED WITH RELATED ENTITIES AND PERFORMED IN 2019 ['000 PLN]

Subject of the contract - Echo Investment S.A. liability	Date of agreement	Contractor - investor	Value
Contract for the construction and the lease of Galeria Młociny	31.05.2017	Berea Sp. z o.o.	5 497
Investment project management agreement on the construction of the office building in Warsaw on Grzybowska St.	31.10.2018	Dellia Investments - Projekt Echo 115 Sp. z o.o. Sp.K.	3 426
Intermediation agreement on searching and presenting potential buyers of real estate, until the day of concluding the final real estate sale contract	25.04.2018	Dellia Investments - Projekt Echo 115 Sp. z o.o. Sp.K.	3 113
Financial intermediation agreement	20.08.2018	Dellia Investments - Projekt Echo 115 Sp. z o.o. Sp.K.	2 351
Comprehensive investment management and consulting services in all matters related to the construction of the second phase of the office building in Katowice	31.10.2018	Projekt 20 - Grupa Echo Sp. z o.o. S.K.A.	2 213
Comprehensive investment management and consulting services in all matters related to the construction of the office building in Katowice	01.06.2018	Projekt 20 - Grupa Echo Sp. z o.o. S.K.A.	2 093
Contract for consulting, management, legal services and engineering works necessary to manage the Investment	29.06.2018	Dellia Investments - Projekt Echo - 115 Sp. z o.o. Sp.K.	1 898
Comprehensive investment management and consulting services in all matters related to the construction of the office building on Beethoven St. in Warsaw	01.08.2017	Projekt Beethoven - Projekt Echo - 122 Sp. z o.o. S.K.A.	1 561
Comprehensive investment management and consulting services in all matters related to the upcoming project on Jednosci Narodowej St. in Wroclaw	01.10.2017	Echo - Browary Warszawskie Sp. z o.o. Sp.K.	1 408
	01.10.2017	Echo - Browary Warszawskie Sp. z o.o. Sp.K.	1 408
Comprehensive investment management and consulting services in all matters related to the construction of the office building in Wroclaw	30.11.2018	Projekt 17 - Grupa Echo Sp. z o.o. S.K.A.	1 398
Financial intermediation agreement	20.02.2020	Projekt Beethoven - Projekt Echo 122 Sp. z o.o. S.K.A.	1 388
Comprehensive investment management and consulting services in all matters related to the construction of the upcoming project in Warsaw	01.12.2018	Taśmowa - Projekt Echo 116 Sp. z o.o. S.K.A.	1 210

MATERIAL AGREEMENTS CONCLUDED WITH RELATED ENTITIES AND PERFORMED IN 2019 ['000 PLN]

Subject of the contract - Echo Investment S.A. liability	Date of agreement	Contractor - investor	Value
Comprehensive investment management and consulting services in all matters related to the construction of apartments for rent R4R on Grzybowska St. in Warsaw	01.12.2017	Dellia Investments - Projekt Echo - 115 Sp. z o.o. Sp.K.	1 092
Financial intermediation agreement	01.01.2019	Projekt 17 - Grupa Echo Sp. z o.o. S.K.A.	1 075
Collateral agreement	16.12.2016	Q22 - Projekt Echo - 128 Sp. z o.o. Sp.K.	1 050
Comprehensive investment management and consulting services in all matters related to the construction of a residential building complex in Wrocław	02.07.2018	Echo - Property Poznań 1 Sp. z o.o.	1 007

Transactions with related parties listed in the financial statements concern subsidiaries.

TRANSACTIONS WITH RELATED PARTIES AS AT 30.06.2019 [PLN '000]

Related party	Sales	Aquisitions	Recivables	Liabilities
Subsidiaries	51 120	19 163	20 414	3 257
The Management of the Company	-	-	-	-
Total	51 120	19 163	20 414	3 257

TRANSACTIONS WITH RELATED PARTIES AS AT 31.12.2018 [PLN '000]

Related party	Sales	Aquisitions	Recivables	Liabilities
Subsidiaries	171 584	81 717	22 806	3 002
The Management of the Company	3	-	-	-
Total	171 587	81 717	22 806	3 002

TRANSACTIONS WITH RELATED PARTIES AS AT 30.06.2019 [PLN '000]

Related party	Sales	Aquisitions	Recivables	Liabilities
Subsidiaries	47 157	15 186	29 146	4 287
The Management of the Company	2	-	-	-
Total	47 159	15 186	29 146	4 287

Estimates of the 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.

Assumptions and estimates are based on the best knowledge of current and future events and activities, however, actual results may differ from those anticipated. Estimates and related assumptions are subject to ongoing verification. Change in accounting estimates is recognized in the period in which they were changed - if it concerns only this period, or in the current and future period - if the changes concern both the current and future period.

Main areas where the Management Board's estimates materially affect the financial statements:

INVENTORY

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

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

segment. According to the Management Board, a change of these assumptions would not materially affect the value of the inventory write-down as of the balance sheet date because the adopted assumptions and information on the value of the write-down were largely based on the concluded sales agreements. In the case of land recognised under 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.

LEASES

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

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 30 June 2019, did not run any material operating activity, the value of the recognised write-downs corresponds to the total difference between the net value of the subsidiary's assets and the purchase price of the interests.

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

	Value calculated for the purpose of analysis		
	as at 30.06.2019	as at 31.12.2018	as at 30.06.2018
Interests, shares and funds held	1 011 203	1 146 298	1 868 276
Financial revenues / expenses from the measurement of interests, shares and funds	(3 405)	32 649	(4 546)
Estimated percentage change in the value of interests, shares and funds	+/- 1 p.p.	+/- 1 p.p.	+/- 1 p.p.
Estimated financial revenues /expenses from a potential change in the value of interests, shares and funds	10 112	11 463	18 683
Total effect on the gross result for the period	10 112	11 463	18 683
Income tax	1 921	2 178	3 550
Total effect on the net result for the period	8 191	9 285	15 133

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 frequent changes. These frequent changes lead to the absence of relevant bench-

marks, 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 reorganisation of the group.

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, 16 September 2019

The Management Board of Echo Investment S.A. declares that, to the best of its knowledge, the interim financial report for H1 2019 and comparative data have been presented in compliance with the applicable accounting principles, and that they reflect in a true, reliable and transparent manner the economic and financial situation and the financial results of Echo Investment S.A. and its Group. The management report of Echo Investment S.A. and its Group presents a real view of development, accomplishments and situation of Echo Investment S.A. and its Group, including a description of fundamental risks and threats. The Management Board of Echo Investment S.A. declares that the entity authorised to review financial statements for H1 2019, was selected in accordance with the laws. This entity and the statutory auditors conducting the review fulfilled the conditions required to express an unbiased and independent opinion on the audited 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, 16 September 2019

Contact

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



ECHO
investment

Design:
Damian Chomański
be.net/chomatowski