

H1 2018

FINANCIAL
REPORT
OF ECHO
INVESTMENT



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Dear Shareholders, Partners and Clients,

It is my pleasure to present to you this financial report of the Echo Investment Group for the first half of 2018. It was a period of intensive work, which in effect brought great financial results and a promising outlooks for the future.

In the second quarter, our Group generated a net profit of PLN 76 mln, resulting predominantly from 104 apartments handed over to clients and the increased value of commercial projects under construction – Galeria Młociny being one of them. In line with our strategy, we have divested majority of shares in EPP. This operation provided c.a. EUR 40 mln of inflow. We maintain a strong cash position and our net debt-to-assets value ratio remains stable at 29%. The present financial stability serves as a good starting point for the future development and further strengthening of our Group.

In Q2 2018 we benefited from the margin on residential sales which increased to 33% from 28% recorded in Q1 2018. To be able to defend this margin with increasing costs high demand for apartments we have adjusted our strategy in the sector. In keeping with this new approach, up to 80% of apartments in each project will be sold before completion of construction, and the remaining 20% within the subsequent six months. Our experience proves that the margin on finished apartments is higher, as clients can see them inside before transaction and move in almost immediately. We are also working hard to optimise

and standardise projects, so that we are able to benefit from synergies of scale. Our sales department is targeting to hand over 1,000 apartments to clients this year and to conclude preliminary agreements for the sale of 1,100 premises.

In the second quarter of 2018, we closed the sale of the West Link office building in Wrocław, and in July and August, of two other buildings: Symetris II in Łódź and Sagittarius in Wrocław. The good leasing results and the progress of works on subsequent construction sites mean that in near future we expect to sign sale agreements for another office buildings. These transactions prove that the buildings developed by Echo Investment attract long term investors.

In just a few weeks we open Libero shopping centre in Katowice, which is already fully leased. It is a well-located, modern facility with a great selection of tenants and services. We are on the best way to repeat this success story at Galeria Młociny in Warsaw: it is 87% leased out over half a year before the opening. From the leasing and income point of view, both projects are recording results better than expected. Both will become retail destinations providing visitors with opportunities to have fun, spend nice time, meet in fantastic food and beverage zone. Those functions amounts up to 20% of the area of each project. I am deeply convinced that both centres are excellent investments that will bring great returns to our Company and its Shareholders.

I am happy to see the progress of works on our flagship investment, i.e.

Warsaw Brewery. This year, all buildings making up this complex will enter the construction phase. By 2020 they will be ready and occupied, and nicely arranged public space around.

I am happy to see the progress of works on our flagship investment, i.e. Warsaw Brewery. This year, all buildings making up this complex will enter the construction phase. By 2020 they will be ready and occupied, and nicely arranged public space around will be open for all residents of the city. This is going to be another destination: a perfect place to live, work and spend free time with friends or family.

I would also like to share some excellent news concerning our next destination project: a local master-plan for the area at Tymienieckiego street in Łódź has been approved. Here we have another multi-functional, city-forming project. The plan defines the scope of protection required for the excellent buildings of the former Scheibler factory. The same document gives us the flexibility to design new functions for this unique part of the city. We are working intensively on the concept of the area and we will be able to present it to the public soon.

In view of long-term and sustainable growth of our Company, we are very active on the investment land market. Since the beginning of the year, we have bought and secured plots, on which we will create 110,000 sqm of offices and apartments. We are working on further purchases, mainly intended for residential projects. This results in plots for another 180,000 sqm are under advanced negotiations, due to be closed in Q4 2018 and Q1 2019.

At the same time Echo Investment has sold all real estate outside Poland, and majority of Polish properties that did not fit into our core business profile. Only this year, these transactions brought us PLN 97 mln, now being invested in highly profitable and prospective projects. Those transactions fulfill our Strategy of Profitable Growth and lead us to be a pure developer focused to grow on the Polish market in residential, office and retail segments.

I encourage you to study in detail the financial reports of Echo Investment.

Yours sincerely,



Nicklas Lindberg
President of the Management Board

CHAPTER 1

MANAGEMENT BOARD REPORT



General information about the Company and its Group

01

1996

Incorporation of Echo Investment Group

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.

As at 30 June 2018 Echo Investment Group employed 460 people.

Management Board

as at 30 June 2018



Nicklas Lindberg
President of the Board, CEO



Maciej Drozd
Vice-President of the Board,
CFO



Piotr Gromniak
Vice-President of the Board



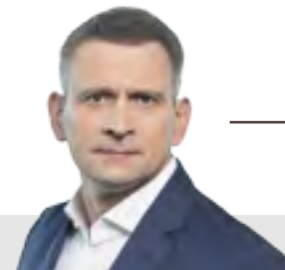
Artur Langner
Vice-President of the Board



Marcin Materny
Member of the Board



Rafał Mazurczak
Member of the Board



Waldemar Olbryk
Member of the Board

Supervisory Board

as at 30 June 2018



Karim Khairallah
Chairman of the Supervisory Board



Laurent Luccioni
Vice-President
of the Supervisory Board



Mark Abramson
Independent Member
of the Supervisory Board



Maciej Dyjas
Member of the Supervisory Board



Stefan Kawalec
Independent Member
of the Supervisory Board



Nebil Senman
Member of the Supervisory Board



Sebastian Zilles
Member of the Supervisory Board

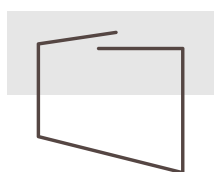
Strategy of Echo Investment Group

02

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.



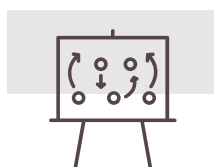
LEADERSHIP

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.

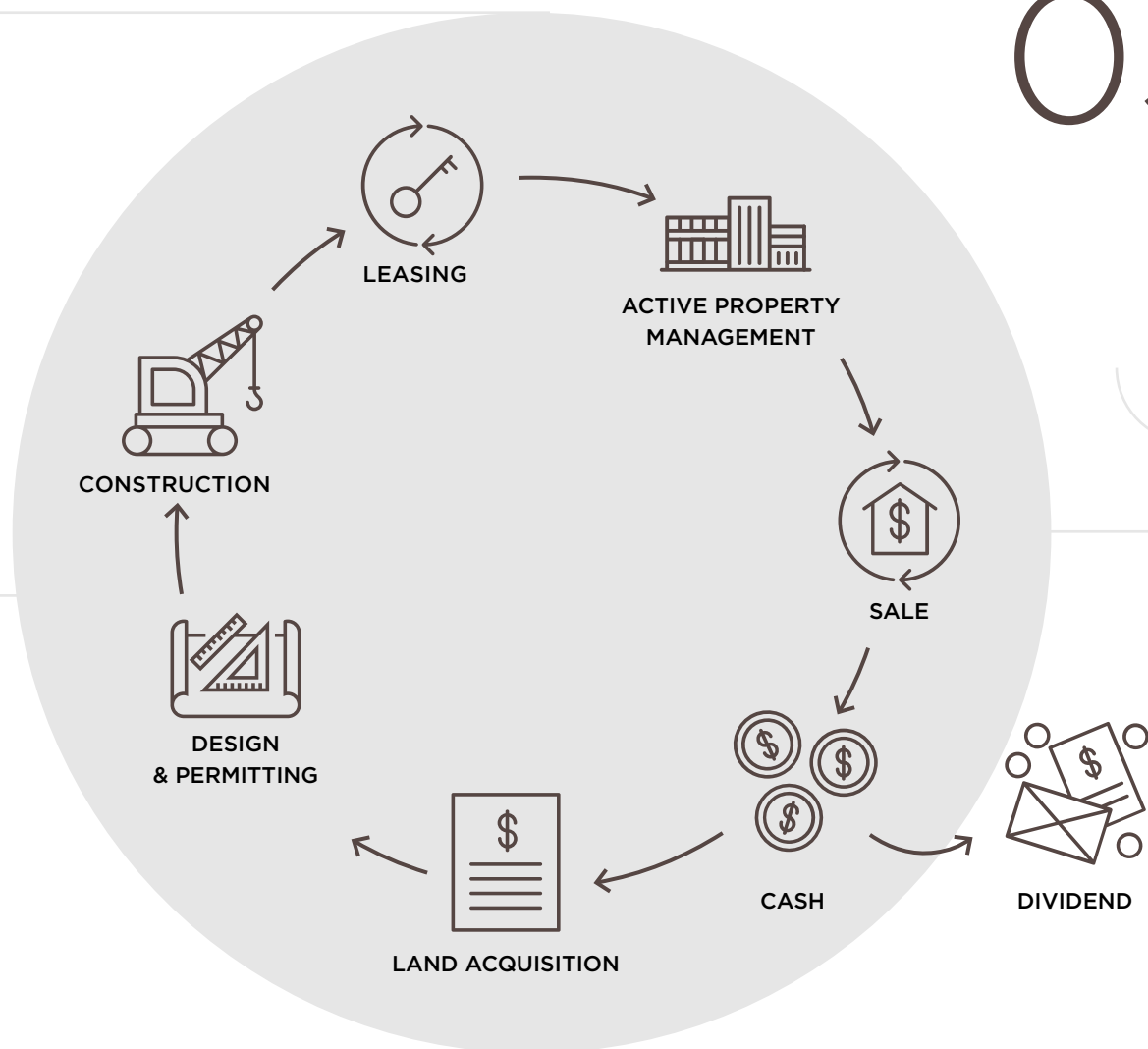


DESTINATION PROJECTS

The ambition of Echo Investment is to run major, multi-function and city-forming projects. The Company intends to create “destinations” – functional spaces for inhabitants of the entire agglomeration – giving them a place to live, work, entertain and catering for all their needs. Projects delivered by Echo Investment promote urban lifestyle and bustle with life all day long.

Business model

03



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).

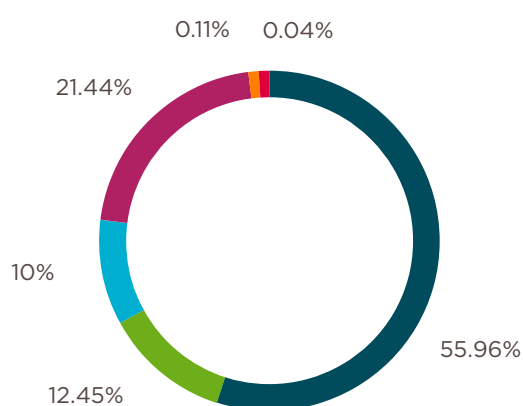
The core business of Echo Investment Group falls into the following categories:

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

04

SHAREHOLDERS OF ECHO INVESTMENT S.A. HOLDING MORE THAN 5% OF THE SHARE CAPITAL AS AT 30.06.2018



Number of shares:

230 930 856	- PIMCO - Oaktree - Griffin Real Estate
51 383 105	- Nationale-Nederlanden OFE
41 269 000	- Aviva OFE BZ WBK
88 462 693	- Others
460 663	- Nicklas Lindberg - CEO
184 265	- Maciej Drozd - CFO

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

Lisala sp. z o.o. is an entity which is directly controlled by Echo Partners B.V. and indirectly by the Oaktree Capital Management, Pacific Investment Management Corporation (PIMCO) and Griffin Real Estate funds.

The shareholding structure information as it was on 30 June 2018 is based on data on shareholders who held minimum 5% of the total number of votes at the Ordinary General Meeting of Echo Investment S.A. of 25 April 2018.

Total number of the Company's shares held by management and supervisory staff

05

Nicklas Lindberg, President of Echo Investment, and Maciej Drozd, Vice-president for financial affairs, informed the company on 30 October 2017 about the purchase of shares in Echo Investment as part of the sale of a portion of a block of shares by the main shareholder Lisala Sp. z o.o. to selected investors. Both Management Board members purchased shares at a unit price of PLN 4.60. Previously they were not shareholders of the Company, either directly or indirectly.

To the best of the Company's knowledge, none of the other members of the Management Board or Supervisory Board is a shareholder of the Company directly or indirectly as at the date of publication of the report, they were not shareholders on 30 June 2018 and throughout H1 2018 did not conclude any transactions involving the Company's shares.

Therefore, as at the date of publication of the report, the ownership of shares by members of the Management Board and the Supervisory Board was as follows:

Surname	Position in the company	Number of shares held	Share in the capital and votes at GMS
Nicklas Lindberg	President of the Board	460 663	0,11%
Maciej Drozd	Vice-President of the Board	184 265	0,04%



Major events in H1 2018

06

50 mln pln

Value of H-series bonds placement for individual investors in Q2 2018

6.1 Third Bonds Issuance Programme

On 14 February 2018 the Management Board of Echo Investment adopted a resolution on the establishment of the Third Bond Issue Programme for individual investors up to the amount of PLN 400 mln or its equivalent in EUR. The bonds will be offered in a public offering. Detailed terms of the bond issuance will be determined prior to the issuance of a given series of bonds. The company plans to introduce bonds issued on the basis of the prospectus for trading on the Catalyst regulated market.

The company filed the Prospectus with the Polish Financial Supervision Authority (KNF) on 28 February 2018. The prospectus was approved on 16 April 2018. Based on the above, in Q2 2018 Echo Investment placed unsecured H-series bonds with a total value of PLN 50 mln, a four-year maturity and a 2.8% margin.

140 mln pln

Total value of bonds issued by Echo Investments in Q2 2018 for institutional investors

6.2 Issuance of PLN 140 mln worth of bonds for institutional investors

As part of the Bond Issuance Programme of up to PLN 1 bln of 2004, which was signed with mBank, Echo Investment issued coupon bonds with a total value of PLN 140 mln on 23 April 2018. The nominal value and the issue price of one bond was PLN 10,000. The bonds were issued for the period ending on 25 April 2022. The interest rate on the bonds was determined based on the variable WIBOR 6M rate plus 2.9% plus WIBOR. The interest will be paid semi-annually. The issued bonds are not secured.

6.3 Entry into the segment of apartments for rent – Resi4Rent



Details on the projects which will enter the Resi4Rent platform are available in section 11.2 on page 38

Echo Investment has signed a framework agreement aimed at creating the first private institutional residential rental platform in Poland – Resi4Rent – with R4R S.à.r.l., an entity controlled by a fund managed by one of the leading investment management companies in the world. Echo Investment will be responsible for planning, design and implementation of the development projects for the platform. Resi4Rent will independently manage the assets platform. The condition for the conclusion of the contract was the consent of the European antimonopoly authorities, which was obtained on 6 July 2018.

Thereafter, on 20 July 2018, Echo Investment acquired 30% of the shares authorizing to exercise 30% of votes in the joint venture company, while R4R S.à.r.l. acquired the remaining 70% of the shares and votes. Simultaneously, the shareholders concluded an agreement concerning the corporate governance principles for the joint venture.



Resi4Rent building in Warsaw Brewery, Warsaw

The platform has over 1,200 apartments under construction and 1,700 in preparation to start in the next 12 months. The first residents will move into the Resi4Rent projects in Q3 2019. In the first phase Resi4Rent will take over four projects: one building of the Warsaw Brewery complex in Warsaw, a project on Wodna Street in Łódź, the Rychtalska and Kępa Mieszcząńska projects in Wrocław.

The Management Board of Echo Investment believes that entering the segment of apartments for rent will significantly increase the scale of its operations in the residential sector, it will enrich large, city-forming multifunctional ‘destination’ projects e.g. Warsaw Brewery and it will respond to new social trends – employees’ mobility, less attachment to property with more reluctance to incur long-term mortgage loans.

According to the latest Property Index research by Deloitte, only slightly more than 15% of Poles rent an apartment, which is a much lower rate compared to the average in Europe. For example 23% of Czechs, 24% of Britons, 30% of Austrians and 54% of Germans live in rented accommodation.

6.4 Closing the sale of West Link office building in Wrocław

Following the preliminary agreement for the sale of the West Link office building in Wrocław on 9 March 2017 and the fulfilment of conditions precedent, Echo Investment and its subsidiaries signed a final agreement for the sale of the building with entities from the Globalworth Poland group (former Griffin Premium RE) 25 May 2018.

The sales price calculated on the basis of the established NOI ratio formula (rental income less non-recoverable operating costs of the building) and the value of 6.873% (the yield) is app. EUR 35.8 mln on the day of conclusion of the agreement. It was increased by the estimated working capital and funds of the Targets which are the owner of the building, and then decreased by the debt of the Targets, the costs of outstanding fit-out works and construction works, rent free periods and rent reductions under the lease agreements as well as the income from the leased but not handed over premises.

The transaction was prepaid by the acquisition of bonds with an issue price of EUR 18 mln by Globalworth Poland as part of a private placement.

The building with an area of more than 14,200 sqm is fully rented. Nokia is the anchor tenant and Hilti has also leased office space in West Link. The weighted average lease term exceeds 6 years.



West Link, Wrocław

6.5 The sale of a part of the block of EPP shares

In accordance with the strategy, in transactions concluded in June, Echo Investment sold 35 409 454 shares of EPP, which represent nearly 4.5% of the company's capital. The total value of transactions concluded, less transaction costs, amounted to EUR 39.5 mln including currency differences. Echo Investment remains the owner of 15.3 million EPP shares, representing 1.9% of the company's capital and votes at the general meeting of shareholders. These shares are still classified in the financial statements of Echo Investment as financial assets held for sale.

1,9%



The share of Echo Investment in the capital of EPP and votes at the meeting of shareholders

Major events after the balance sheet day

07



Symetris Business Park II, Łódź



7.1. Conclusion of Symetris Business Park II sale agreement

In keeping with preliminary agreements of 30 September 2016 concerning the sale of seven office buildings to EPP, a EUR 19 million agreement concerning the sale of Symetris Business Park II was concluded on 26 July 2018. The office building's first stage transaction had been closed in December 2016, so EPP has effectively acquired the entire Symetris Business Park project located in al. Piłsudskiego in Łódź. The building sold in July accommodates 9.700 square metres and is already 94% leased out to such companies as Philips Polska and Office Bistro. The average weighted rental period exceeds 9 years. The whole complex of buildings has been awarded the BREEAM certificate.

As part of the transaction, the parties signed a rent guarantee, under which the buyer is guaranteed to receive rent payments and average maintenance charges for the non-leased parts of the building. The charges generated from empty premises will be paid over the period of 3 years. Among the auxiliary contracts the parties concluded was a fit-out agreement, which may bring Echo Investment additional EUR 2.6 m plus VAT. Moreover, for rectification of faults, the seller is entitled to further EUR 193 thousand plus VAT. On the other hand, the seller is obliged to a one-off payment of EUR 2.1 m due to an amendment to the terms of the transaction.

Since the building sold was part of a property package co-financed in 25% by EPP based on a ROFO agreement, EPP received 25% of the project's profit on the closure of the transaction.

At present, only one transaction is still to be concluded under the 2016 preliminary agreement, i.e. such concerning the third stage of Kraków-located O3 Business Campus. As the the building has been finished and advanced talks are underway to lease out the remaining space, Echo Investment expects to close the transaction by the end of 2018.

7.2. Conclusion of the final sale agreement for the Sagittarius Business House

On 21 August 2018 Echo Investment signed the final sale agreement concerning Wrocław-located Sagittarius Business House. The office building was acquired by Warburg-HIH Invest Real Estate, a German real estate funds manager on behalf of one of its institutional clients.

The transaction value was calculated by dividing the net operating income (NOI) generated by the building by the capitalisation rate of 6.175%, i.e. approximately EUR 74.5 m. This amount was reduced by the value of rent-free periods, costs of finishing works in the building and other costs, and then increased by the rent receivable and miscellaneous monetary means. As a result, the price paid at the closing of the transaction was set at approximately EUR 68.5 m. Additionally, an amount of EUR 845 thousand was retained and is due to be released by the end of March 2019 once some minor defects have been rectified and appropriate as-built documentation submitted.

Moreover, the seller and buyer concluded an agreement for finishing works concerning a part of the building, which will bring Echo Investment an estimated EUR 2.1 m + VAT in remuneration. The money is to be paid after the works are complete, i.e. by the end of 2020. The parties also signed a rent guarantee - under which Echo Investment will cover rent

payments and average maintenance charges for the non-leased parts of the building - as well as a quality guarantee and a building structure guarantee.

Sagittarius Business House is a modern A-class office building located at ul. Sucha, in a developing central business neighbourhood of Wrocław. The building accommodates 25.6 thousand square metres of lettable space. The main tenants are EY and Bank of New York Mellon, jointly occupying a total of 90% of the space. The building was granted the occupancy permit in Q2 2018. According to the right of first offer agreement (ROFO), 25% of equity for this project was provided by EPP, therefore EPP was entitled to 25% of the project's profit.

74,5

mIn EUR

The value of sale transaction concerning Sagittarius Business House



Sagittarius Business House, Wrocław

Description of markets the Company and its Group operate

08

8.1 Residential market



High demand with lower supply leading to higher sales prices

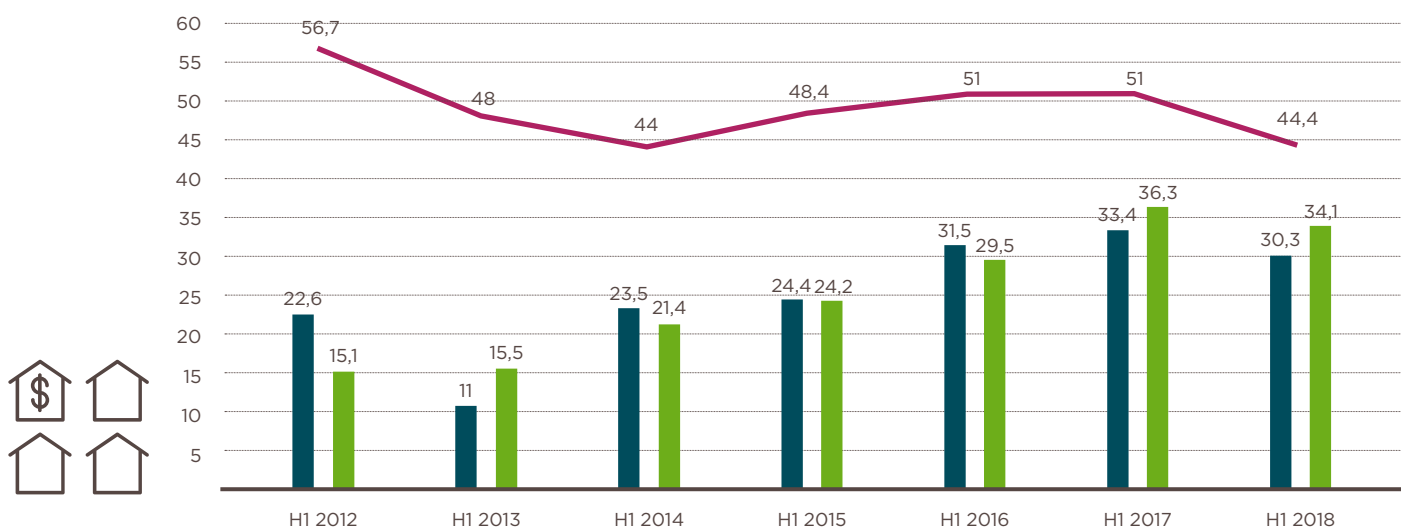
Perspectives of each market sectors in coming 12 months:

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

With the growing salaries, shrinking unemployment, and low interest rates, the primary residential market is thriving on the healthy economic situation. Investors are also attracted by the profitability of rental, which turns out better than bank deposits. As it had been projected by REAS, the supply of and demand for new apartments did decrease in the first half of 2018. Developers who operate on Poland's six largest markets sold a total of 34.1 thousand flats – which is 6.1% less than in the same period of the previous year. The downward trend was particularly noticeable in the second quarter of 2018, when 15.6 thou-

sand transactions were concluded – 15.2% less than in the previous quarter. Between January and June 2018, developers marketed 30.3 thousand apartments, i.e. 9.3% less than in the first half of 2017. As a result, in late June 2018 the overall number of offered apartments was 44.4 thousand, signifying a drop by 6.6 thousand within six months. All in all, the number of apartments launched may have been smaller than in the the preceding half-year periods, but the quantity of flats marketed over the last 12 years remains impressive. This is why the developers are optimistic about the coming quarters.

RESIDENTIAL MARKET IN SIX LARGEST POLISH AGGLOMERATIONS, I.E. WARSAW, KRAKÓW, WROCŁAW, TRICITY, POZNAŃ, ŁÓDŹ [IN THOUSANDS]



- - apartments launched for sale
- - apartments sold
- - number of apartments in offer

Source: Reas

In all major cities, the prices of apartments are on a rise. This stems from the growing construction and land costs, strong demand (still much larger than supply), and the arrival of bigger and more expensive flats. In the second quarter, the average price of a marketed flat increased by 4.1%, which translates into an annual surge of 10.7%. The cities where the price of apartments grew the most were: Tricity (16.4%), Warsaw (13.3%), Poznań (10.4%) and Wrocław (10.2%).

Analysts expect that this year the developer market will remain stable. Considering all factors, it may be concluded that the future sales slow-down, after the record breaking 2017, will be slow and gradual, allowing the industry to adapt to new conditions. The demand should still be stimulated by low interest rates and growing wages.

The residential sector may be affected by the so-called special housing act, which came into force in mid-August.

Several projects implemented by Echo Investment could be covered by the special act, however, the Company does not assume to be a beneficiary of new legal solutions while developing business plans. This instrument gives local governments the opportunity to accelerate a planning phase for residential projects, but does not impose such an obligation on them.



Osiedle Reset, Warsaw

8.2 Offices



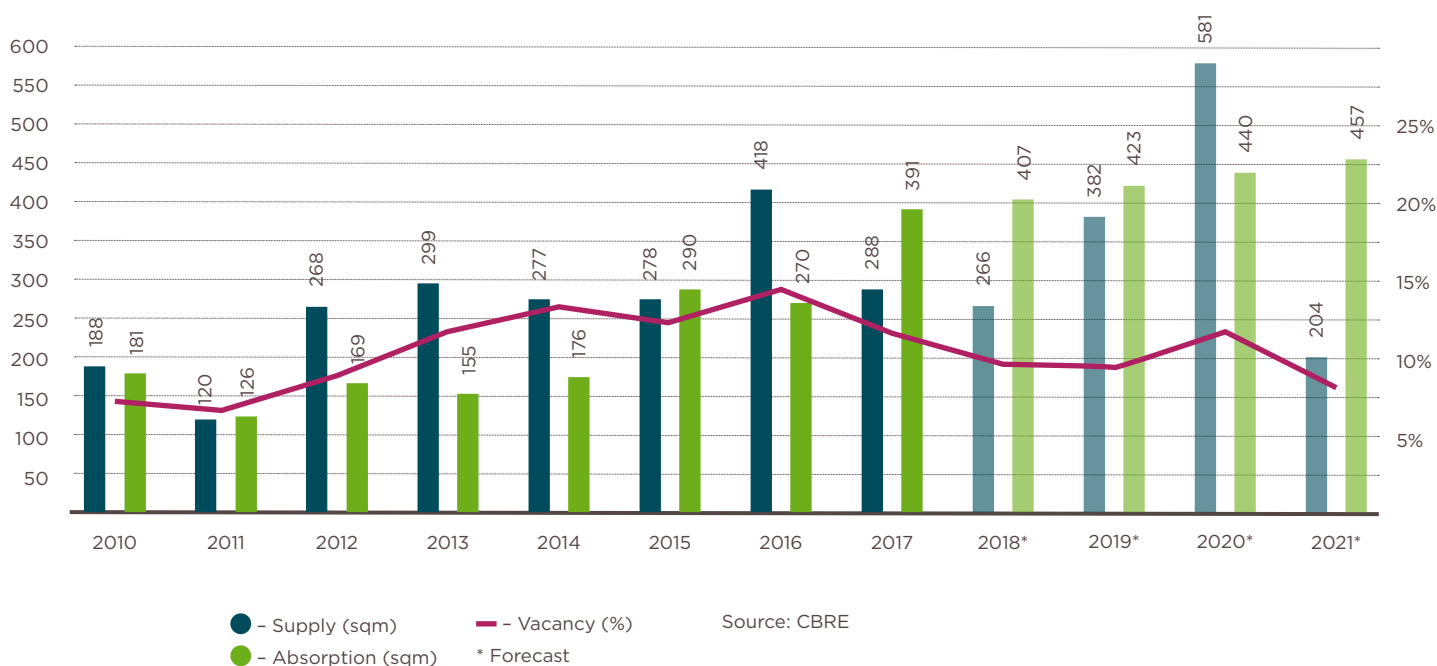
Offices - Warsaw Rental growth

At the end of the second quarter of 2018, Warsaw's modern office space amounted to 5.41m square metres - CBRE research suggests. In the first half, developer companies delivered 15 buildings housing over 173 thousand square metres of lettable space, which was 33% more than in the first half of 2017. In the period in question, tenants signed lease agreements for more than 425 thousand square metres - roughly 9% more than in the analogous period of 2017. The result may be record-breaking, but CBRE analysts still expect further surge in demand. Moreover, the absorption of office space on the Warsaw market (i.e. how the available space is consumed by companies that have just entered the market or are extending their offices) exceeded even the most optimistic forecasts and reach 190 thousand square metres.

Projections assume that by the end of 2018 the demand will have reached 859 thousand square metres, which translates into a nearly 5% increase compared to the very fruitful 2017. In the recent years, the most sought-after location has been the vicinity of Rondo Daszyńskiego, where a new business centre of the capital city is developing. By the end of 2020, the area will accommodate nearly 400 thousand square metres of new offices, which is 60% more than today.

Warsaw's empty space ratio as of the second quarter of 2018 reached 11.1%, which was 2.8 percentage point less than a year before. High demand and limited supply in the city centre triggered an increase in the base and effective rents: EUR 1 per sqm a month on average. No changes were noted outside the downtown area.

SUPPLY, ABSORPTION AND VACANCY RATIO IN WARSAW ['000 SQM]





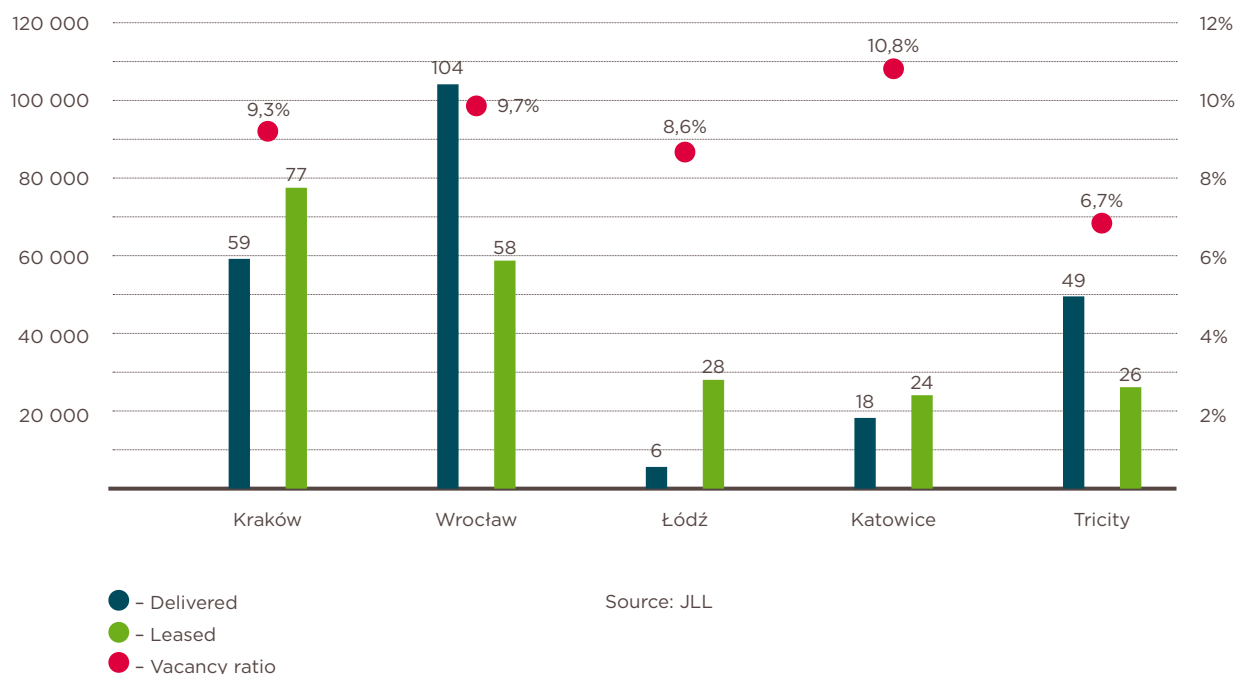
Offices – regional cities Kraków and Wrocław as regional leaders

As far as the regional office space markets are concerned (outside Warsaw), the first half of 2018 saw 23 office buildings delivered, totalling 256 thousand square metres. This means a 36% increase year to year – CBRE data suggest. The overall demand reached almost 262 square metres and was 21% lower than the previous year. JLL points out Kraków as the lease among the regional cities, with over 77 thousand square metres. In the second place came Wrocław with a demand of over 58 thousand square metres. The delivery of Echo Investment's project, Sagittarius Business House, meant that the supply of offices in the city broke the 1 million square metre threshold. The absorption rate in the regional cities reached 259.7 thousand square metres, i.e. 12% increase compared to the second half of 2017.

The total supply of modern office space in the main regional cities at the end of the second quarter of 2018 exceeded 4.6 million square metre, which translates into a 6% increase over 6 months. The average uninhabited space ratio was 9.3%, which means a 0.6 percentage point decrease.

In most regional cities, rents remained stable. The highest transaction rents have been noted for Kraków and Wrocław: EUR 13.5 – 14.5 per square metre. At present, in the regional cities app. 1.1 million square metres of office space is being built – mainly in Kraków, Wrocław and Tricity.

**NEW SPACE, DEMAND AND VACANCY RATIO ON REGIONAL MARKETS
IN H1 2018 ['000 SQM]**



8.3 Retail space market



Warsaw and Katowice showing the greatest potential

The first six months of 2018 saw three times more of retail space delivered than the first half of 2017 (i.e. 168,000 sqm), a JLL research shows. According to CBRE data, currently in the pipeline is over 540,000 sqm – more than half of which is due by the end of the year. If these assumptions prove true, this will mean an annual growth of 460,000 sqm on the cutting-edge retail space market, which is 27% more compared to 2017.

In Poland, retail space saturation has reached 258 sqm per thousand inhabitants. Still less than in Western Europe, where it hits 275 sqm. In Warsaw, the saturation is 477 sqm per thousand inhabitants, 466 sqm in Katowice. Both cities show relatively low values of the indicator. Wrocław, however, scores highest with 724 sqm.

The shopping habits of Poles are changing. The Sunday trading ban introduced on 1 March 2018 means that retail outlets located in shopping centres can now only operate two Sundays a month. The limitation will be extended down to one Sunday in 2019, and finally to a total Sunday trading ban in 2020. All customer activity is hence shifting to other days of the week. According to Retail Institute, after the restriction was implemented, the footfall in over 120 researched shopping centres fell by 4.1% (between

5 March and 20 May) compared to the same period in 2017.

Nonetheless, the future of Polish retail remains bright. Consumer spending over the recent years has been steadily growing at the annual rate of 3.5%, and similar dynamics are expected in the years to come. New shopping centres are taking on a more multi-functional style, providing public space, developing their entertainment, leisure and cultural facilities. Some of the more dated ones are undergoing modifications and extensions. The owners aim to draw customers more effectively, non-trading Sundays included.

From the tenant's point of view, the most expensive market in the country is its capital city. In Warsaw, the cost of one metre square of rental in prime shopping centres is EUR 100-130 a month. Outside Warsaw, the rent is charged at EUR 35 to 60 in some of the largest agglomerations.

The share of vacant space in the main agglomerations is quite low: 2.6% in Wrocław, 3.0% in Warsaw, up to 6.2% in Poznań. For best Polish shopping centres, the cap rate remains stable at 4.9%, and the top-notch retail parks score approximately 7.0%.



14 million sqm

This is the total retail space in Poland as of mid-2018. It has risen by 4.5% compared to the previous year.

8.4 Investment market



Record-breaking results thanks to portfolio transactions

The value of transactions effected on the Polish commercial real estate market in the first half of 2018 totalled EUR 3.4 bn. This is more than twice the figure noted for the first half of 2017, according to CBRE. The result is, however, mainly owed to several large portfolio transactions, the largest of which involved a takeover of 28 shopping centres by a group of funds managed by Griffin Real Estate for about EUR 1 bn. Retail sector made over half of the total value of commercial real estate sale transactions – EUR 1.9 bn.

Coming second, with a 30% share in the transaction market, was the office space sector. More than a half (56%) were transactions made in regional markets,

which enjoy a 13 percentage point increase in share compared to last year's second half. Nevertheless, CBRE analysts expect the capital city's investment activity to remain on the rise at least until 2020.

Considering the growing Polish economy and real estate prices, which are still appealing when compared to Western Europe, the investors' activity is expected to intensify even further. CBRE forecasts that the value of commercial real estate investment in Poland in 2018 will surpass even the last year's value. Notably, the previous year was a record-breaking one, with commercial property total sales figure of EUR 5 bn plus.



3,4 mld EUR

The value of transactions concluded on the Polish commercial real estate market in the first half of 2018.

8.5 Construction market



High demand, declining profitability

According to data of the Central Statistical Office (GUS), in the first half of 2018 construction and assembly production was higher than last year by 23.7%. The increase in production results mainly from a very good situation on the residential market, as well as on the office, storage and industrial markets. The acceleration of road and rail investments in the public sector and the revival of investments in local governments lasting from the end of 2017 have also a positive impact.

The accumulation of investments is a risk for the industry. According to the Polish Association of Construction Industry Employers (PZPB), it translates to the increase of prices for construction materials and prices for subcontracting services, and also causes growing wage pressure (average gross wage in the construction sector increased by about 7% compared to last year). It results also from the lack of 100,000 labourers and skilled workers, which are becoming increasingly difficult to replace with foreigners from across the eastern border, mainly from Ukraine.

Despite the fact that the demand for construction services will remain high, the situation of enterprises in this industry is expected to deteriorate. The growing construction costs cause the decrease in the margin of contracts concluded. According to Euler Hermes, in the first half of 2018, the insolvency of construction companies increased by 22%.

In the coming quarters, the biggest challenge for development companies will be to keep the construction costs and the work continuity on construction sites under control. It is about such management of construction processes and cooperation with subcontractors, which will ensure undisturbed continuation of works. Due to the financial and organisational potential, large development companies have an advantage in this situation. Echo Investment is a general contractor on most of its construction sites and in that risks are recognised when they appear and the Company has more time to properly manage them.

It has ongoing control over budgets, work progress as well as very early knowledge of risks, which ena-

bles quick response and undertaking appropriate remedial or corrective actions. The Group runs several dozens of construction sites at the same time and it manages deliveries through large, package orders. It allows achieving economies of scale and securing service and delivery prices for several quarters

ahead. Echo Investment has over 20 years of experience in the development and construction markets as well as the reputation of a good payer. Therefore, it cooperates with a selected group of stable and proven contractors and suppliers.



Echo Investment Group business segments - activities and outlook

09

9.1. Apartments

Technology is Echo's competitive advantage

In the first half of 2018 Echo Investment sold 558 apartments and handed over 174 premises. In the same period of 2017, the number of apartments was 551, while the number of premises handed over was 158. Owing to brisk sell-out and very strong demand, the company decided to adopt its strategy to defend high margin. According to the new approach, around 20% of premises is on offer on project completion. With this strategy, the investment's profitability will increase and sales will be optimised.

In the first six months, the company obtained occupancy permits for the Kraków-located Dom pod Wilgą II and Osiedle Jaśminowe III in Łódź; the same procedure was completed for Kraków's Apartamenty GO and Poznań's Park Sowińskiego IV before the half-year report date mark. In keeping with time schedules, most residential projects are to receive occupancy permits in the second half of the year, which means that, just like it was in 2017, a significant majority of handing over is planned for the third and fourth quarter. In the second half of the year, Echo Investment sales team will be most preoccupied with handing over apartments in Warsaw Brewery A, Apartamenty GO in Kraków, Osiedle Jarzębinowe IV in Łódź, as well as in Poznań's Osiedle Perspektywy I, Park Sowińskiego IV and Jaśminowe II.

The company has launched the construction and marketing of Rydla 32 in Kraków, Osiedle Jaśminowe IV in Poznań and Moje Miejsce in Warsaw. In the second half of the year, sale will kick off for: Osiedle Reset II and Warsaw Brewery E in Warsaw, Osiedle Jarzębinowe VI in Łódź, Grota-Roweckiego III and Ogrody Graua in Wrocław. Over the entire year, Echo Investment is going to market 1 000 premises.

As far as the residential market is concerned, the company resorts to cutting edge technological solutions to building up its competitive advantage. In May 2018, it began cooperation with Somfy - a global provider of home automation systems. All our new apartments will now be equipped with Tahoma, a device dedicated and designed specifically for Echo. This electronic appliance will serve as a heart to intelligent home management systems, controlling their functionalities. The first projects to have them installed are Widoki Mokotów and Moje Miejsce in Warsaw, as well as Ogrody Graua in Wrocław. Echo Investment is planning to become the industry's leader in such smart solutions over the next three years and provide 4.5 thousand apartments (ready or still to be completed) with an intelligent digital heart.

A significant event for the company's residential sector was the signing of framework agreement concerning the establishment of rental apartments plat-

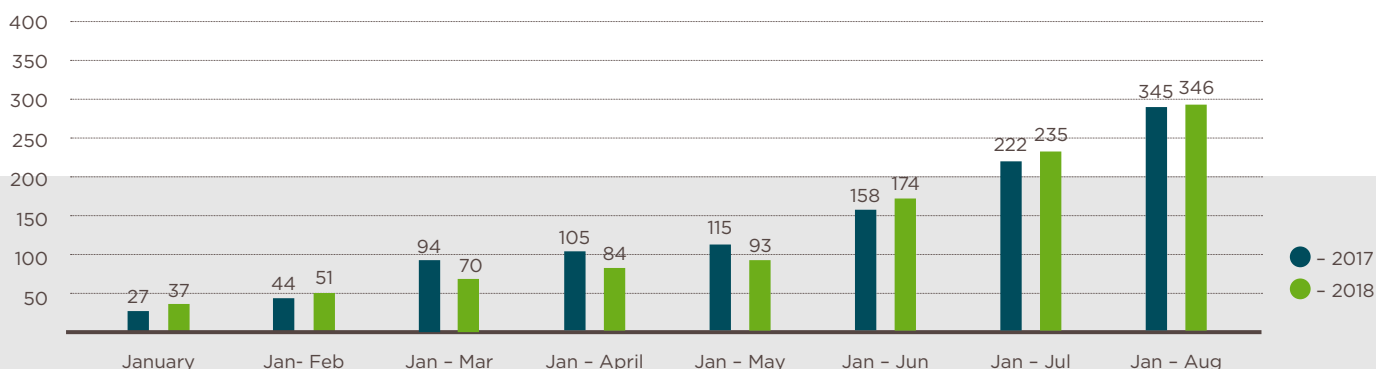


For more details about the Resi4Rent platform, see section 6.3 on page 15

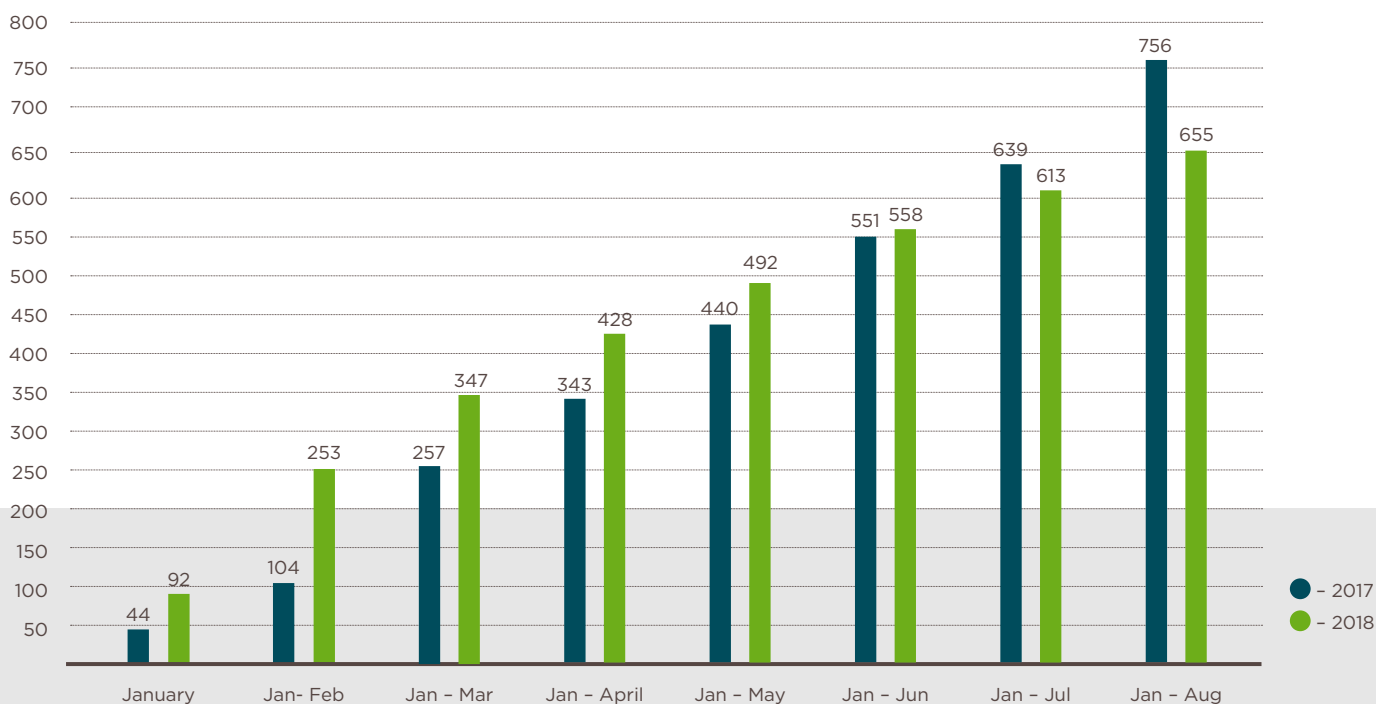
form, Resi4Rent. At present, the platform offers 1,200 apartments still under construction and another 1,700 are being prepped. According to the Management Board of Echo Investment, rental apartments will give the residential sector

a spike in sales, further strengthen the functions of city-making projects such as Warsaw Brewery, and will be the answer to the currently shifting social trends.

HAND OVERS OF APARTMENTS IN ECHO INVESTMENT [UNITS]



SALES OF APARTMENTS IN ECHO INVESTMENT [UNITS]





Osiedle Rydla 32 in Kraków



9.2 Offices

A time of sale transactions

The first half of 2018 saw commissioning of O3 Business Campus III in Kraków as well as Sagittarius Business House and West Link in Wrocław. Each of these buildings, handed over by Echo Investment, was subject to a preliminary sale agreement. In June, the company concluded the sale of West Link to Globalworth Poland (formerly Griffin Premium RE). The building is fully leased by two tenants, Nokia and Hilti. In July, EPP took over the Łódź-located Symetris Business Park II from Echo Investment – the building's commissioning was completed back in 2017. In August, a fund managed by Warburg HIH Invest became the owner of Sagittarius, where the key tenants are EY and BNY Mellon. In the second half of the year, Echo Investment is going to close a sale transaction for Kraków's O3 Business Campus III.



For more details about office building sale transactions see sections 06 and 07 on pages 16, 18 and 19.

34.3

thousand sqm

– the total office space area leased out by Echo Investment in the first half of 2018.

The company is immensely proud of its flagship project, Warsaw Brewery. In May, the first office building in the complex, Gatehouse Offices (building J), topped out. Presently, its office space is entirely leased by L'Oréal Polska, Epam and WeWork – a provider of serviced offices. In August, the construction of another office building in Warsaw Brewery kicked off – building K, now known as Brewery Villa Offices. Another construction site, Malthouse Offices (G-H), will be launched in the coming months.

Also recently topped out was the first office building in Moje Miejsce, a project situated in the Warsaw's neighbourhood of Dolny Mokotów. The building will accommodate nearly 19 thousand square metres of office and commercial space and is currently under rental negotiations. Moje Miejsce is yet another city-making

project by Echo Investment, which is going to house residential, office and commercial functions, and accommodate all the urban infrastructure needed.

After the success of Katowice-located office building project, A4 Business Park, the company started the construction of the first office building in the Face2Face complex situated in Katowice at Grundmanna Street in the second quarter. The project is going to comprise two buildings. The first one, accommodating 20.4 thousand square metres of lettable space, will be completed in Q4 2019.

The Office Department has rented out all office space available at Galeria Młociny: 6 thousand metres square were taken by Inter Cars. Leased out were three office storeys located in two separate buildings.

9.3 Retail space

Getting ready to open Libero

In the first half of 2018, Echo Investment's Office Department focused on the construction and leasing of Libero in Katowice and Galeria Młociny in Warsaw.

Katowice's Libero is now undergoing fit-out works conducted in the units of those tenants who are now successively taking over their premises. The building is due for opening in October 2018. In line with the current strategy, a large share of its space will be taken up by commercial services and food-entertainment functions, which is an answer to the most recent trends in the retail sector.



Fit-out works in Libero, Katowice

Since the beginning of the year, the Libero's tenant mix has been expanded with such brands as Carry, Ryłko, Sizeer, Calzedonia, Apart, Wittchen, Douglas, Simple, Gino Rossi, New Yorker, Yes, Triumph, Homla, Zebrano Rano, Giacomo, Greenpoint, Ochnik, Paris Optique, Monnari, or a brick-and-mortar outlet of eObuwie.pl. Libero is now leased in over 95%, and the Retail Department is to finalise contracts concerning the remained of the space. The road system associated with the project is being redeveloped, with a view to increasing the traffic capacity of the Kościuszki, Kolejowej and Jankego streets region, as well as providing more convenient connection with Libero.

A marked event of the first half of 2018 in Warsaw's Galeria Młociny was the presentation of a new concept for the food and entertainment area, designed by the Warsaw branch of the international architectural firm Broadway Malyan. The architects demonstrated their idea for the restaurant and entertainment zone which features a year-round roof garden and dedicated space to host events, etc. A significant part of the task was to include greenery, to make the most of the natural light sources, prepare an intuitive and user-friendly circulation solutions and provide prospective tenants with a coherent concept of shop windows decoration. A viewing point was another

important feature of the design, offering a wide panorama of the Bielany neighbourhood. Food and leisure functions will occupy c.a. 20% of Galeria Młociny.

Galeria Młociny enjoys great interest of tenants. It's already 87% leased. Since the beginning of the year, it has welcomed such brands as Calypso, Pepco, Flying Tiger Copenhagen, Carry, MK Bowling, Enel-Med (out patient clinic), Maxi Zoo, Levi's, Obag, and Green it.

The investors in Galeria Młociny are EPP (70% share) and Echo Investment (30%). Additionally, Echo Investment is responsible for the construction and lease.



Galeria Młociny, Warsaw

The Group's segments - financial structure

10

ASSIGNMENT OF ASSETS AND LIABILITIES TO SEGMENTS AS AT 30.06.2018 ['000 PLN]

	Assets	Liabilities
Residential	962 441	317 101
Office	1 261 948	493 399
Retail	739 586	127 590
Other	733 807	1 244 622
Total	3 697 782	2 182 712

3 698 mln PLN

Total value of assets
as at 30.06.2018

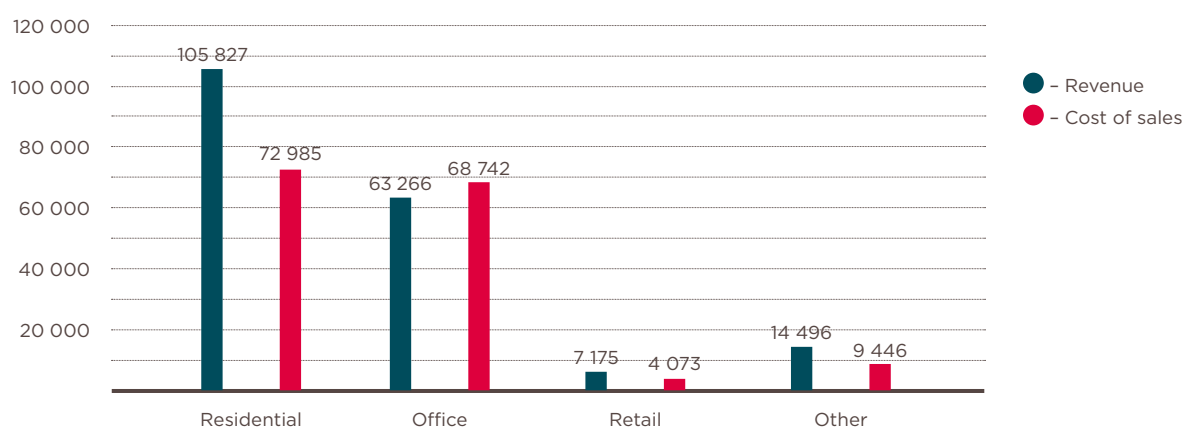
2 183 mln PLN

Total value of liabilities
as at 30.06.2018

ASSIGNMENT OF REVENUE, COST OF SALES AND GROSS PROFIT ON SALES TO SEGMENTS FOR THE PERIOD OF H1 2018 ['000 PLN]

	Revenue	Cost of sales	Gross profit on sales
Residential	105 827	72 985	32 842
Office	63 266	68 742	(5 476)
Retail	7 175	4 073	3 102
Other	14 496	9 446	5 050
Total	190 764	155 246	35 518

**ASSIGNMENT OF REVENUE AND COST OF SALES TO SEGMENTS
FOR THE PERIOD OF H1 2018 [‘000 PLN]**



35,5

mIn pln

Gross profit on sales of Echo Investment Group in H1 2018

**REVENUE, COST OF SALES AND GROSS PROFIT ON SALES OF RESIDENTIAL SEGMENT
- BY TYPE [‘000 PLN]**

	Revenue	Cost of sales	Gross profit on sales
Sale	103 157	72 243	30 914
Lease	2 062	336	1 726
Maintenance of the project in preparation and construction	608	406	202
Total	105 827	72 985	32 842

**REVENUE, COST OF SALES AND GROSS PROFIT OF OFFICE SEGMENT
- BY TYPE [‘000 PLN]**

	Revenue	Cost of sales	Gross profit on sales
Lease	9 579	7 995	1 584
Services (fit-out works)	30 426	35 733	(5 307)
Maintenance of the project in preparation and construction	23 261	25 014	(1 753)
Total	63 266	68 742	(5 476)

REVENUE, COST OF SALES AND GROSS PROFIT OF RETAIL SEGMENT - BY TYPE ['000 PLN]

	Revenue	Cost of sales	Gross profit on sales
Lease	263	102	161
Services (development)	6 468	2 956	3 512
Maintenance of the project in preparation and construction	444	1 015	(571)
Total	7 175	4 073	3 102

OTHER REVENUE, COST OF SALES AND GROSS PROFIT - BY TYPE ['000 PLN]

	Revenue	Cost of sales	Gross profit on sales
Sales	497	481	16
Lease	1 507	2 827	(1 320)
Services	12 492	6 138	6 354
Total	14 496	9 446	5 050

Portfolio of properties

11

11.1 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
Dom pod Wilgą III Kraków, ul. Spiska	4 600	63	100%	41,8	28,7	54,0%	II Q 2017	I Q 2019
Apartamenty GO Kraków ul. Rakowicka	6 600	174	100%	60,4	40,6	94,7%	IV Q 2016	III Q 2018
Rydla 32 Kraków, ul. Rydla	5 700	95	51%	48,4	36,5	31,2%	I Q 2018	III Q 2019
Osiedle Jarzębinowe V Łódź ul. Okopowa	8 100	145	26%	42,8	34,0	32,9%	IV Q 2017	III Q 2019
Nowa Dzielnica Łódź, ul. Wodna	5 300	87	20%	29,7	22,4	51,4%	III Q 2017	II Q 2019
Osiedle Jaśminowe III Poznań, ul. Sielawy	3 800	77	100%	21,4	15,8	86,6%	IV Q 2016	III Q 2018
Park Sowińskiego IV Poznań, ul. Sowińskiego	5 100	89	100%	38,1	26,3	81,8%	IV Q 2016	III Q 2018
Osiedle Perspektywa I Poznań, ul. Sielawy	8 200	169	96%	44,9	37,4	49,7%	IV Q 2016	IV Q 2018
Osiedle Perspektywa II Poznań, ul. Sielawy	4 600	94	89%	24,9	20,7	14,8%	IV Q 2017	III Q 2019
Osiedle Perspektywa III Poznań, ul. Sielawy	5 600	105	81%	31,2	25,4	5,6%	IV Q 2017	III Q 2019

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
Osiedle Jaśminowe IV Poznań, ul. Sielawy	5 200	103	0%	30,8	23,0	11,8%	II Q 2018	II Q 2020
Warsaw Brewery A Warsaw, ul. Grzybowska	5 200	98	100%	55,4	39,9	88,6%	IV Q 2016	IV Q 2018
Warsaw Brewery B Warsaw, ul. Grzybowska	10 500	190	94%	122,0	78,0	45,7%	IV Q 2017	II Q 2019
Warsaw Brewery C Warsaw, ul. Grzybowska	6 900	114	73%	88,8	53,0	41,1%	IV Q 2017	II Q 2019
Widoki Mokotów Warsaw, ul. Puławska	4 800	87	33%	66,0	48,4	35,0%	IV Q 2017	I Q 2020
Osiedle Reset I Warsaw, ul. Taśmowa	7 300	164	54%	66,5	54,8	46,6%	IV Q 2017	IV Q 2019
Zebra Wrocław, ul. Zakładowa	11 300	233	89%	75,9	55,6	40,7%	III Q 2017	II Q 2019
Total	108 800	2 087		889,0	640,5			

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	11 700	284	101,6	75,1	22,2%	I Q 2020	IV Q 2022
Wita Stwosza II Kraków, ul. Wita Stwosza	10 800	240	93,4	68,3	22,2%	I Q 2020	IV Q 2022
Osiedle Jarzębinowe VI Łódź, ul. Okopowa	3 300	52	19,9	15,5	11,4%	IV Q 2018	II Q 2020
Garbary Poznań, ul. Garbary	12 600	260	110,9	84,6	18,1%	I Q 2019	I Q 2021
Szczepanowskiego I Poznań, ul. Szczepanowskiego	7 500	142	53,4	40,8	37,5%	I Q 2019	I Q 2021
Moje Miejsce Warsaw, ul. Beethovena	13 400	251	127,3	96,5	22,5%	III Q 2018	IV Q 2020
Warsaw Brewery E Warsaw, ul. Grzybowska	6 100	82	101,8	68,0	17,8%	IV Q 2018	II Q 2020
Osiedle Reset II Warsaw, ul. Taśmowa	12 200	253	109,6	95,4	21,2%	III Q 2018	III Q 2020
Grota III Wrocław, ul. Grota-Roweckiego	2 600	53	15,0	13,0	9,0%	III Q 2018	II Q 2020
Ogrody Graua Wrocław, ul. Gdańska	4 100	59	40,5	32,1	19,3%	IV Q 2018	III Q 2020
Total	84 300	1 676	773,4	589,4			



11.2 Residential projects for rental platform Resi4Rent

Definition:

An estimated budget of R4R projects includes the value of land, cost of design, construction and external supervision, develop-

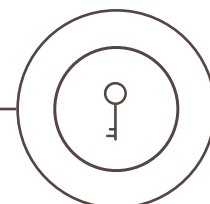
ment services and financial costs. It does not include the cost of the platform operation, such as marketing.

RESIDENTIAL PROJECTS FOR RENTAL PLATFORM RESI4RENT UNDER CONSTRUCTION

Project / address	Residential area [sqm]	Number of units	Targeted annual rental revenues [PLN mln]	Targeted budget [PLN mln]	Expenditure incurred [%]	Start	Targeted completion
Rychtalska Wrocław, ul. Zakładowa	11 400	303	8,0	76,0	36%	IV Q 2017	III Q 2019
Warsaw Brewery Warsaw, ul. Grzybowska	19 000	451	17,0	186,9	25%	IV Q 2017	II Q 2020
Nowa Dzielnica Łódź, ul. Wodna	7 800	211	4,9	52,2	27%	IV Q 2017	IV Q 2019
Kępa Mieszczańska Wrocław, Kępa Mieszczańska	9 300	270	6,5	76,0	19%	II Q 2018	I Q 2020
Total	47 500	1 235	36,3	391,1			

RESIDENTIAL PROJECTS FOR RENTAL PLATFORM RESI4RENT IN PREPARATION

Project / address	Residential area [sqm]	Number of units	Targeted annual rental revenues [PLN mln]	Targeted budget [PLN mln]	Expenditure incurred [%]	Start	Targeted completion
Woronicza Warsaw, ul. Woronicza	8 000	228	5,9	55,1	20%	IV Q 2018	III Q 2020
Taśmowa Warsaw, ul. Taśmowa	13 300	363	10,3	110,6	15%	IV Q 2018	IV Q 2020
Szczepanowskiego Poznań, ul. Szczepanowskiego	5 300	143	4,0	40,2	15%	II Q 2019	II Q 2021
Wita Stwosza I Kraków, ul. Wita Stwosza	7 100	198	5,1	50,8	15%	I Q 2020	IV Q 2021
Wita Stwosza II Kraków, ul. Wita Stwosza	7 000	190	5,1	50,5	15%	I Q 2020	IV Q 2021
Total	40 700	1 122	30,3	307,2			



11.3 Office

Definitions:

GLA – gross leasing area

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

ROFO – right of first offer

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.

OFFICE BUILDINGS IN OPERATION

Project / address	GLA [sqm]	Leasing [%]	NOI [EUR mln]	Targeted budget [PLN mln]	Expenditure incurred [%]	Completion	Recognized fair value gain [PLN mln]	Comments
Symetris Business Park II Łódź, ul. Piłsudskiego	9 700	94%	1,6	73,1	87%	IV Q 2017	12,8	sold to EPP in Q3 2018
O3 Business Campus III Kraków, ul. Opolska	18 800	27%	3,2	121,5	64%	I Q 2018	47,8	preliminary sales contract to EPP
Sagittarius Business House Wrocław, ul. Sucha	25 600	83%	4,6	177,8	86%	II Q 2018	77,2	sold to Warburg HIH in Q3 2018
Total	54 100		9,4	372,4			137,8	

OFFICE BUILDINGS UNDER CONSTRUCTION

Project / address	GLA [sqm]	Leasing [%]	NOI [EUR mln]	Targeted budget [PLN mln]	Expenditure incurred [%]	Start	Targeted completion	Recognized fair value gain [PLN mln]	Comments
Gatehouse Offices (Brewery J) Warsaw, ul. Grzybowska	15 400	94%	3,7	154,0	44%	II Q 2017	IV Q 2018	54,7	ROFO agreement with Globalworth Poland
Moje Miejsce I Warsaw, ul. Beethovena	18 700	9%	3,3	148,9	35%	III Q 2017	I Q 2019	-	ROFO agreement with Globalworth Poland
Face 2 Face I Katowice, ul. Grundmanna	20 400	0%	3,6	151,0	14%	II Q 2018	IV Q 2019	-	
Total	54 500		10,6	453,9				54,7	

OFFICE BUILDINGS IN PREPARATION

Project / address	GLA [sqm]	NOI [EUR mln]	Targeted budget [PLN mln]	Expenditure incurred [%]	Targeted start	Targeted completion	Comments
Brewery Villa Offices (Brewery K) Warsaw, ul. Grzybowska	16 200	3,6	155,9	20%	III Q 2018	I Q 2020	
Malthouse Offices (Brewery G-H) Warsaw, ul. Grzybowska	26 700	5,5	270,2	18%	III Q 2018	II Q 2020	
Moje Miejsce II Warsaw, ul. Beethovena	16 900	2,9	128,6	22%	I Q 2019	IV Q 2020	ROFO agreement with Globalworth Poland
Piłsudskiego Łódź ul. Piłsudskiego	15 600	2,6	107,6	11%	IV Q 2018	II Q 2020	
Solidarności Gdańsk, ul. Nowomiejska	30 600	5,0	211,1	9%	I Q 2019	I Q 2021	
Powstańców Śląskich Wrocław, ul. Powstańców Śląskich	36 700	6,4	278,7	18%	I Q 2019	I Q 2021	
Face 2 Face II Katowice, ul. Grundmanna	26 800	4,6	196,7	13%	II Q 2019	IV Q 2020	
Wita Stwosza Kraków, ul. Wita Stwosza	25 900	4,5	195,5	18%	II Q 2020	II Q 2022	
West 4 Business Campus I Wrocław, ul. Na Ostatnim Groszu	14 700	2,5	102,4	13%	IV Q 2018	II Q 2020	
Total	210 100	37,6	1 646,7				



11.4 Retail

Definitions:

GLA – gross leasing area

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

ROFO – right of first offer

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.

RETAIL PROJECTS UNDER CONSTRUCTION

Project / address	GLA [sqm]	Leasing [%]	NOI [EUR mln]	Targeted budget [PLN mln]	Expenditure incurred [%]	Start	Targeted completion	Recognized fair value gain [PLN mln]	Comments
Libero Katowice, ul. Kościuszki	45 000	99%	9,5	354,6	53%	III Q 2016	IV Q 2018	147,9	ROFO agreement with EPP
Galeria Młociny Warsaw, ul. Zgrupowania AK „Kampinos”	84 300	87%	21,7	1 218,7	59%	IV Q 2016	II Q 2019	80,0*	Echo's joint-venture with EPP: 30%:70%
Total	129 300		31,2	1 573,3				227,9	

*30% of the project value.

RETAIL PROJECT IN PREPARATION

Project / address	GLA [sqm]	NOI [EUR mln]	Targeted budget [PLN mln]	Expenditure incurred [%]	Targeted start	Comments
	105 000	34,0	1 720,3	25%	2021/2022	Echo's joint-venture with EPP: 30%:70%
Total	105 000	34,0	1 720,30			



11.5 Land bank



EARLY STAGE PROJECTS

Project / address	Plot area [sqm]	Potential of leasing/sales area [sqm]	Comments
Łódź, ul. Tymienieckiego	77 200	80 000	Plot for residential and office
Wrocław, ul. Na Ostatnim Groszu	32 300	65 000	Plot for office
Warsaw, ul. Orłona	24 900	49 300	Plot for residential
Warsaw, ul. Chłodna/Wronia	600	1 100	Plot for residential
Łódź, ul. Kilińskiego	9 500	35 000	Plot for office
Warsaw, ul. Towarowa 22		45 000	Plot for residential, hotel and office
Katowice, ul. Piotra Skargi	3 700	22 000	Plot for office
Poznań, ul. Sielawy, Naramowice	32 200	25 300	Plot for residential
Poznań, ul. Szczepanowskiego	6 100	8 200	Plot for residential
Total	186 500	330 900	

INVESTMENT PROPERTIES

Property	Plot area [sqm]	Comments
Poznań, Pamiątkowo	874 200	
Poznań, Naramowice	259 300	Preliminary sale agreement for a part of the plot
Występa k. Kielc	156 800	
Budapest pl. Bośniak	67 700	Property sold in 3Q 2018
Słupsk, ul. Krzywoustego	65 700	Property sold in 3Q 2018
Poznań, ul. Hetmańska	65 300	
Koszalin, ul. Krakusa i Wandy	39 300	
Katowice, ul. Jankego	26 200	
Poznań, Sołacz	17 300	
Szczecin, ul. Struga	11 000	Property sold in 3Q 2018
Łódź, ul. Okopowa	9 800	
Ząbrze, ul. Miarki	8 100	
Warsaw, ul. Konstruktorska	7 200	
Radom, Beliny	6 300	
Lublin, ul. Nałkowskich	4 700	Property sold in 3Q 2018
Warsaw, ul. Woronicza	5 100	Plot for the Student House dormitory
Total	1 624 000	

Main investments in H1 2018 – acquisition of plots

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PROPERTIES ACQUIRED BY ECHO INVESTMENT GROUP IN 2018

Date of transaction	Address	Legal form	Area	Capacity
Q1 2018	Kraków, ul. Żelazna i Wita Stwosza	perpetual usufruct and ownership	7,200 sqm	The plot will let to extend the 'destination' project by 25,000 sqm of residential and service space
Q2 2018	Katowice, ul. Piotra Skargi	perpetual usufruct	3,700 sqm	22,000 sqm of office space
Q2 2018	Poznań, ul. Szczepanowskiego	ownership	18,000 sqm	21,000 sqm of residential space

779_{pln}

Value of land in 1 sqm of leasable or sellable space possible to build on plots acquired since the beginning of 2018.

Echo Investment has acquired land properties for PLN 53 mln in total since the beginning of 2018.

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, arrange-

ments, market potential and finally accepted project concept.

The Company constantly sells non-core properties, which are not necessary for the strategy implementation. Since the beginning of 2018, number of properties located in Szczecin, Słupsk, Warsaw, Lublin, Brasov (Romania) and Budapest (Hungary) were disposed and over PLN 97 mln was released.

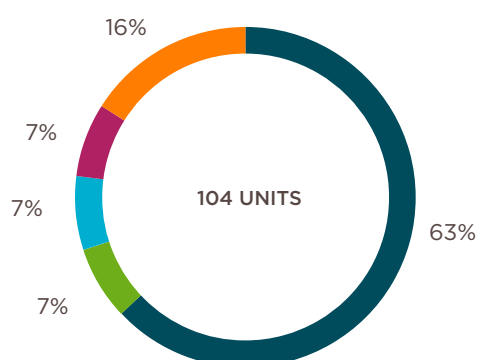
Factors and unusual events influencing the financial result in Q2 2018

13

Factors which influenced the Group's financial results in Q2 2018:

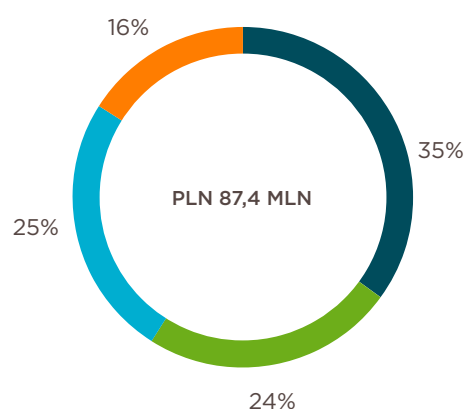
- a. Revenue resulting from hand overs of 104 housing units and housing plots. b. Fair value gain on investment property amounting to PLN 87,4 mln.

RESIDENTIAL PROJECTS SHARES IN THE TOTAL NUMBER OF HAND OVERS



- - Dom pod Wilgą II, Kraków
- - Jackowskiego 47, Poznań
- - Kościuszki Apartments, Kraków
- - Grota-Roweckiego 111 phase II, Wrocław
- - Other

FAIR VALUE GAIN ON INVESTMENT PROPERTY BY ASSETS [MLN PLN]



- - Sagittarius, Wrocław
- - Libero, Katowice
- - West Link, Wrocław
- - Other

- c. Share in profit of joint-venture – Galeria Młociny – amounted to PLN 44 mln.
- d. Costs of sales and overheads.
- e. Valuation of liabilities related to of bonds and loans in accordance with amortised cost principle.
- f. Cash and loans valuation on resulting from of currency exchange fluctuations.
- g. Measurement and settlement of FX hedging instruments.
- h. Interest on deposits and borrowings granted.
- i. Revenues from framework services of EPP group.
- j. Dividend received from EPP.

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

14

Revenues from hand overs of apartments, mainly in the projects:

- Dom Pod Wilgą and Apartamenty Go in Kraków;
- Osiedle Jarzębinowe in Łódź;
- Park Sowińskiego, Osiedle Jaśminowe and Osiedle Perspektywa in Poznań;
- Warsaw Brewery A and Nowy Mokotów in Warsaw;
- Grota-Roweckiego 111 in Wrocław.

Revenues from hand overs of plots with house designs:

- Osiedle Południowe in Dyminy near Kielce;
- Rezydencje Leśne in Warsaw.

Revaluation of the fair value of the properties owned by the Group, which are in the course of leasing and construction:

- Libero in Katowice;
- Gatehouse Offices (Warsaw Brewery J) in Warsaw.

The first valuations to the fair value of the office buildings under construction:

- Brewery Villa Offices and Malthouse Offices (Warsaw Brewery K and G-H) in Warsaw;
- Moje Miejsce I in Warsaw;
- Face 2 Face in Katowice.

Valuation, completion and sale of the projects:

- Symetris Business Park II in Łódź;
 - Sagittarius Business House in Wrocław;
 - O3 Business Campus III in Kraków.
-

Valuation of interests entities accounted for using the equity method:

- Galeria Młociny in Warsaw;
- Towarowa 22 in Warsaw.

Sale and administrative costs.

Valuation of liabilities on account of bonds and loans, at amortized cost.

Valuation of loans and cash on account of changes in exchange rates of foreign currencies.

Valuation and implementation of hedging financial instruments for foreign currencies.

Interest on deposits and loans granted.

Dividends from EPP.

Revenues from the framework service of the EPP group companies.

Discounts and interest on credits, bonds and loans.

Seasonal and cyclical nature of the Group's activity

15

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

Information on dividend

16

16.1 The dividend policy

On 26 April, 2017 the Management Board of Echo Investment adopted a resolution on the Company's dividend policy.

The main principles of the adopted dividend policy:

- from the 2017 profit the Management Board will recommend the payment of PLN 0.5 per share,
- 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.

16.2 Dividend approved by Ordinary General Meeting of Shareholders

On 25 April 2018 the General Shareholders' Meeting of Echo Investment passed a resolution on the allocation of profits for 2017 and changes in the purpose and name of the existing Reserve Fund. Pursuant to the resolution, the Company's net profit of PLN 632,496,013 in the financial year 2017 was divided as follows:

- PLN 213,075,361 was allocated to supplementary capital;
- PLN 213,075,361 was allocated to the Company's reserve capital - the Dividend Fund;
- PLN 206,345,291 was allocated to all shareholders of the Company in the form of a dividend: PLN 0.50 per share.

The Ordinary General Meeting of Shareholders agreed that the right to dividend would be vested in shareholders holding shares on 4 May 2018, and the payout date would be 11 May 2018. The shareholders' decision was in line with the Management Board's recommendation and the Company's dividend policy, and it was fully executed.

The Ordinary General Meeting of Shareholders also decided to change the designation and name of the existing Reserve Fund created for the payment of the outstanding dividend or dividend advance. It was replaced by the Dividend Fund which was created for the payment of dividends or dividend advances.

0,50 PLN



Amount of dividend per share paid from 2017 profit

Financial liabilities of the Company and its Group

17

17.1 Bonds

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).

17.2 Credit facilities

CREDIT FACILITIES OF ECHO INVESTMENT S.A. AS AT 30.06.2018 ['000]

Bank	Contractual amount of loan	Outstanding loan amount	Interest rate	Repayment deadline	Security
BZ WBK S.A.*	75 000		WIBOR 1M + margin	30.09.2018	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 amount of PLN 50.8 mln is available as a credit line. Remaining amount is blocked as security for guarantees issued by BZ WBK S. A. The repayment date falling on 30.07.2018 was extended to 30.09.2018.

CREDIT FACILITIES OF ECHO INVESTMENT GROUP AS AT 30.06.2018 [‘000]

Borrower	Bank	Contractual amount of loan	Outstanding loan amount	Interest rate	Repayment deadline	Security
Symetris – Projekt Echo – 131 Sp. z o.o. Sp. K.*	BGŻ BNP Paribas S.A.	10 450 000 EUR	6 511 417 EUR	Marża + EURIBOR 3M	30.06.2019	Mortgages, registered and financial pledges, subordination agreement, submission to enforcement proceedings, transfer of rights and claims of selected agreements
		3 000 000 PLN	0 PLN	Marża + WIBOR 3M	30.06.2019	
Sagittarius – Projekt Echo – 113 Sp. z o.o. Sp. K.*	PKO BP S.A.	31 718 636 EUR	23 043 228 EUR	Marża + EURIBOR 3M	30.09.2020	Mortgages, registered and financial pledges, authorisation to bank account, subordination agreement, submission to enforcement proceedings, transfer of rights and claims of selected agreements
		6 000 000 PLN	0 PLN	Marża + WIBOR 1M	30.09.2019	
Galeria Libero – Projekt Echo – 120 Sp. z o.o. Sp. K.	BZ WBK S.A.	67 566 000 EUR	7 049 303 EUR	Marża + 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
	Bank BGŻ BNP Paribas S.A.	12 000 000 PLN	0 PLN	Marża + WIBOR 1M	10.07.2021	
Berea Sp. z o.o.**	BZ WBK S.A.	52 500 000 / 53 100 000 EUR***	16 808 483 EUR	Marża + 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.	10 350 000 PLN	6 212 249 PLN	Marża + WIBOR 1M	30.04.2020	
	Bank Gospodarstwa Krajowego					
	mBank S.A.					
Total		162 234 636 EUR/ 162 834 636 EUR 31 350 000 PLN	53 412 431 EUR 6 212 249 PLN			

* The loans are repaid in Q3 2018, due to sale of Symetris II in Łódź and Sagittarius in Wrocław.

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

*** Construction loan after fulfillment specified conditions will be converted into an investment loan of a higher value in accordance with the agreement.

17.3 Sureties

SURETY AGREEMENTS ISSUED BY ECHO INVESTMENT GROUP AS AT 30.06.2018 [PLN '000]

Issuer	For	Value	Validity	Description
Echo Investment S.A.	Bletwood Investments Sp. z o.o.	1 467	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.	10 904	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 Prime Assets B.V.	Warburg-HiH Invest Real Estate GmbH	21 808	to 31.05.2019	Surety for liabilities of Sagittarius – Projekt Echo – 113 Sp. z o.o. Sp. K. resulting from the agreement of 20.07.2017. Issued in EUR.
Total		34 179		

As at June 30, 2018, the value of valid sureties agreements received by Echo Investment S. A. and its subsidiaries was as follows:

- under lease agreements concluded: PLN 798 948, EUR 4 822 071, USD 300 000;
- from the implementation of projects: EUR 2 500 000

17.4 Guarantee agreements

**GUARANTEES ISSUED BY ECHO INVESTMENT GROUP
AS AT 30.06.2018 [PLN '000]**

Guarantor	For	Value	Validity	Description
Echo Investment S.A.	Horta Sp. z o.o.	21 808	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.	26 170	until 30.07.2021	Performance bond for the final sale agreement of the Aquarius Business House II office building in Wrocław. Issued in EUR.
Echo Investment S.A./ BZ WBK S.A.	State Treasury	45 466	until 22.05.2019	Surety bond for liabilities of Outlet Park – Projekt Echo – 126 Sp. z o.o. Sp.K.
Echo Investment S.A./ BZ WBK S.A.	State Treasury	4 550	until 20.06.2019	Surety bond for liabilities of Outlet Park – Projekt Echo – 126 Sp. z o.o. Sp.K.
Echo Investment S.A.	BGŻ BNP Paribas SA	5 334	until project completion date	Surety bond for costs overrun and liabilities due to debt servicing over the construction period of the Symetris II office building in Łódź. Issued in EUR.
Q22 – Projekt Echo 128 Sp. z o.o. Sp.K. / Echo Investment S.A.	IREEF – Stryków Propco Sp. z o.o.	420 000	until 15.12.2019	Construction work quality guarantee related to the Q22 office building in Warsaw.
Echo Investment S.A.	IREEF – Stryków Propco Sp. z o.o.	150 653	until 15.12.2018	Surety bond for the execution of liabilities of Q22 – Projekt Echo – 128 Sp. z o.o. Sp.K. resulting from the sale agreement concerning the Q22 office building in Warsaw of 16.12.2016. Issued in EUR.
Echo Investment S.A.	PKO BP S.A.	25 700	until 30.09.2020	Surety bond for costs overrun of the project of the Sagittarius Business House office building in Wrocław.
BZ WBK S.A.	City of Katowice	11 647	until 30.09.2018	Performance bond for liabilities of Galeria Libero – Projekt Echo – 120 Sp. z o.o. Sp.K. resulting from the agreement of 16.06.2016 on a road construction project.
BGŻ BNP Paribas S.A.	City of Katowice	11 647	until 30.09.2018	Performance bond for liabilities of Galeria Libero – Projekt Echo – 120 Sp. z o.o. Sp.K. resulting from the agreement of 16.06.2016 on a road construction project.
Echo Investment S.A. / PKO BP S.A.	IREEF – Q22 Propco Sp. z o.o.	1 006	until 31.07.2019	Guarantee securing the execution of liabilities of Echo Investment S.A. resulting from the lease agreement of 24.10.2016.
Echo – Aurus Sp. z o.o.	Echo – Park Rozwoju Sp. z o.o. Sp.K.	771	until 28.02.2027	Guarantee securing the execution of liabilities of Projekt 133 – City Space – GP Sp. z o.o. Sp.K. resulting from the lease agreement of 4.11.2016. Issued in EUR.
Echo – Aurus Sp. z o.o.	Nobilis – Projekt Echo 117 Sp. z o.o. Sp.K.	772	until 31.07.2027	Guarantee securing the execution of liabilities of Projekt 137 – City Space – GP Sp. z o.o. Sp.K. resulting from the lease agreement of 28.02.2017. Issued in EUR.
Echo – Aurus Sp. z o.o.	Ventry Investments Sp. z o.o. Sp.K.	1 213	until 09.04.2027	Guarantee securing the execution of liabilities of City Space – GP Sp. z o.o. resulting from the lease agreement of 12.10.2016. Issued in EUR.
Raiffeisen Bank S.A.	Agentia Nationala de Administrare Fiscala	2 194	31.08.2018	Guarantee securing the execution of liabilities of S.C. Echo Investment Project 1 S.R.L. Issued in RON.
Echo Prime Assets B.V	IB 6 FIZAN / GPF 3 FIZAN	94 939	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.

**GUARANTEES ISSUED BY ECHO INVESTMENT GROUP
AS AT 30.06.2018 [PLN '000]**

Guarantor	For	Value	Validity	Description
Echo Investment S.A.	BZ WBK S.A. / Bank BGŻ BNP Paribas S.A.	57 769	to the date of construction loan conversion into investment loan	Surety bond for costs overrun of the project of Libero in Katowice.
Echo Investment S.A.	BZ WBK S.A. / PKO BP S.A. / Bank Gospodar- stwa Krajowego / mBank S.A.	44 619	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.
Echo Investment S.A.	Novaform Polska Sp. z o.o.	3 053	until 31.12.2018	Guarantee securing the execution of liabilities of Duże Naramowice - Projekt Echo - 111 Sp. z o.o. S.K.A. resulting from the agreement of 08.01.2018.
Echo Investment S.A.	Novaform Polska Sp. z o.o.	4 616	until 31.05.2019	Guarantee securing the execution of liabilities of Duże Naramowice - Projekt Echo - 111 Sp. z o.o. S.K.A. resulting from the agreement of 08.01.2018.
Echo Investment S.A.	BNY Mellon (Poland) Sp. z o.o.	15 572	to the date of hand over protocol signing, not later than to 31.08.2019	Guarantee securing the execution of liabilities of Sagittarius - Projekt Echo - 113 Sp. z o.o. Sp.K. resulting from the lease agreement of 14.12.2016. Issued in EUR.
Echo Investment S.A.	IB 14 FIZAN	83 362	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.
Total		1 072 861		

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

AMENDMENTS TO GUARANTEE AGREEMENTS IN Q2 2018

Change	Guarantor	For	Date of change	Value [PLN '000]	Description
increase of the collateral amount to PLN 45.5 million and extension of the expiry date to 22.05.2019	Echo Investment S.A./BZ WBK S.A.	State Treasury	06.04.2018	45 466 PLN	Performance bond concerning liabilities of Outlet Park – Projekt Echo 126 Sp. z o.o. Sp.K.
granting	Echo Investment S.A./BZ WBK S.A.	State Treasury	21.06.2018	4 550 PLN	Performance bond concerning liabilities of Outlet Park – Projekt Echo 126 Sp. z o.o. Sp.K.
expiry	Echo Investment S.A.	Bank Millenium S.A.	29.05.2018	7 300 PLN	Performance bond concerning exceeding the costs of construction of the West Link office building in Wrocław and liabilities of West Gate II – Projekt Echo 114 Sp. z o. o. Sp. K. under the loan agreement of 23.03.2017.
reduction of the collateral amount to PLN 11,6 mln and extension of the expiry date to 30.09.2018 r	BZ WBK S.A.	City of Katowice	29.06.2018	11 647 PLN	Performance bond concerning execution of the liabilities Galeria Libero – Projekt Echo 120 resulting from agreement concerning the execution of a road investment project of 16.06.2018
reduction of the collateral amount to PLN 11,6 mln and extension of the expiry date to 30.09.2018 r	BGŻ BNP Paribas S.A.	City of Katowice	27.06.2018	11 647 PLN	Performance bond concerning execution of the liabilities Galeria Libero – Projekt Echo 120 resulting from agreement concerning the execution of a road investment project of 16.06.2018
increase of the collateral amount to EUR 230,7 thousand and extension of the expiry date to 31.07.2019	Echo Investment S.A. / PKO BP S.A.	IREEF – Q22 Prop-co Sp. z o.o.	04.06.2018	231 EUR	Performance bond concerning execution of the liabilities of Echo Investment S.A. resulting from leasing agreement of 24.10.2016
granting	Echo Investment S.A.	IB 14 FIZAN	25.05.2018	19 113 EUR	Performance bond concerning execution of the liabilities resulting from sale of West Link in Wrocław agreement

The value of guarantees received by Echo Investment S. A. and its subsidiaries as at June 30, 2018 was as follows:

- under lease agreements concluded: PLN 3 158 382, EUR 2 076 124;
- from the implementation of projects: 108 244 313 PLN, 1 502 878 EUR, 22 108 USD

Remuneration of the Management Board and Supervisory Board

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REMUNERATION OF THE MANAGEMENT BOARD [PLN]

	H1 2018			H1 2017			
	From Echo Investment S.A.		for holding functions or providing services to other companies of the Group	From Echo Investment S.A.		for holding functions or providing services to other companies of the Group	
	Basic remuneration	Bonus		Other benefits	Basic remuneration		Bonus
Nicklas Lindberg	529 398	628 230	172 666	1 080 676	531 744	637 575	914 340
Maciej Drozd	468 496	420 000	540	260 666	301 002	431 660	60 000
Piotr Gromniak	120 000	-	1 800	288 000	120 000	97 000	477 400
Artur Langner	120 000	210 045	1 800	678 090	120 000	120 000	494 400
Marcin Materny	120 000	216 000	2 850	609 000	120 000	83 000	398 000
Rafał Mazurczak	118 739	216 000	3 900	627 516	120 000	-	231 000
Waldemar Olbryk (appointed on 10.10.2017)	351 000	150 645	2 640	-	158 516	-	-
Total	1 827 633	1 840 920	186 196	3 543 948	1 471 262	1 369 235	2 575 140
Total in half a year				7 398 697			5 415 637

THE CEO' BONUS SYSTEM

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

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

The amount of the additional performance-based bonus depends on the increase of the share price of Echo Investment S.A. above the base value that is

determined at the level of PLN 7.5 minus the cumulated amount of the dividend per share. The contract provides for bonus amount depending on the increase of the share price above the base level. The contract was signed for 5 years and the remuneration is payable at the end of the term of the contract.

According to the amendment for the agreement, in 2017 Nicklas Lindberg received and advanced payment for additional bonus remuneration amounted to

PLN 3,392 thousand gross (payment was reduced by an advanced tax liability). This payment will decrease the final amount of total additional bonus payment. In addition, should the contract be terminated earlier by mutual agreement of the parties, Mr Lindberg is entitled to receive a partial bonus of 1/5 of the entire amount due to him per each year of his work. Estimation of Nicklas Lindberg's incentive program value for accounting purposes on 30 June 2018 amounts to PLN 7,552,710 and on 30 June 2017 - to PLN 8,976,154.



REMUNERATION OF THE SUPERVISORY BOARD [PLN]

	H1 2018		H1 2017	
	From Echo Investment S.A.	for holding functions or providing services to other companies of the Group	From Echo Investment S.A.	for holding functions or providing services to other companies of the Group
Karim Khairallah	-	-	-	-
Laurent Luccioni	-	-	-	-
Mark E. Abramson (appointed on 16.10.2017)	50 333	-	-	-
Maciej Dyjas	30 000	-	30 000	-
Stefan Kawalec	90 000	-	90 000	-
Przemysław Krych (resigned on 20.12.2017)	-	-	30 000	-
Nebil Senman	30 000	-	30 000	-
Sebastian Zilles	-	-	-	-
Total	200 333		180 000	



Influence of the results disclosed in the report for Q2 2018 on fulfilment of result forecasts

19

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

Court, arbitration or public administration proceedings

20

Between 1 January and 30 June 2018, there were no proceedings pending before 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

21

In the first half of 2018, 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

22

The Supervisory Board of Echo Investment S.A., upon the recommendation of the Audit Committee, has selected Ernst & Young Audyt Polska sp. o.o. sp.k. based in Warsaw, Rondo ONZ 1, registered as number 130 in the list of expert auditors to audit separate financial reports of Echo Investment and consolidated financial reports of the Echo Investment Capital Group for the years 2018-2019. The Management Board, authorised by the Supervisory Board, concluded an agreement with the selected auditor on 1 August 2018.

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

Due	Contractual amount [PLN]
Review of the interim separated and consolidated financial statements for H1 2018	125 000
Incremental work for the audit of the separated financial statement for H1 2018	78 000
Review and audit of the interim separated and consolidated financial statements for H1 2017	100 000

CHAPTER 2

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

	Note	As at 30.06.2018 (non-audited)	As at 31.12.2017 – restated	As at 30.06.2017 – restated (non-audited)
ASSETS				
Non-current assets				
Intangible assets		183	242	286
Property, plant and equipment		10 204	11 162	8 772
Investment property	2	148 749	6 117	231 152
Investment property under construction	3	1 129 178	1 281 230	1 106 602
Investments in associates and entities accounted for using the equity method	13	258 364	215 891	217 577
Long-term financial assets		81 386	86 560	20 513
Deferred tax assets		57 175	64 714	100 465
		1 685 239	1 665 916	1 685 367
Current assets				
Inventories	5	743 341	656 005	682 904
Current tax assets		980	3 426	7 631
Other taxes receivable		56 949	58 192	56 231
Trade and other receivables		293 296	292 406	292 622
Short-term financial assets		20 545	80 247	80 884
Financial derivatives		-	2 410	-
Restricted cash		88 122	54 766	60 447
Cash and cash equivalents		342 655	676 334	304 514
		1 545 888	1 823 786	1 485 233
Assets held for sale	4	395 415	119 985	65 586
Financial assets held for sale	14	71 240	243 273	275 441
Total assets		3 697 782	3 852 960	3 511 627

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

	Note	As at 30.06.2018 (non-audited)	As at 31.12.2017 - restated	As at 30.06.2017 - restated (non-audited)
EQUITY AND LIABILITIES				
Equity				
Equity attributable to the parent company's shareholders		1 515 179	1 590 010	1 496 255
Share capital		20 635	20 635	20 635
Supplementary capital		1 420 922	1 192 117	1 309 462
Capital on revaluation		(17 007)	(49 676)	(17 923)
Profit/(loss) brought forward		93 823	437 410	196 241
Foreign exchange differences from conversion of foreign subsidiaries		(3 194)	(10 476)	(12 160)
Equity of non-controlling interests		(109)	(107)	(104)
		1 515 070	1 589 903	1 496 151
Provisions				
Long-term provisions	6	63 818	85 028	79 271
Short-term provisions	6	163 496	141 963	134 425
Deferred tax provision		79 782	49 723	61 638
		307 096	276 714	275 334
Long-term liabilities				
Debt liabilities	7	1 035 428	1 026 830	593 633
Financial derivatives		-	-	72
Other liabilities		15 280	16 073	13 711
Revenue brought forward		11 901	-	-
		1 062 609	1 042 903	607 416
Short-term liabilities				
Debt liabilities	7	331 086	528 939	550 973
Financial derivatives		7	-	20
Income tax payable		929	7 500	169
Other taxes liabilities		9 616	35 404	5 984
Trade liabilities		154 314	179 252	80 158
Dividend liabilities		-	-	206 345
Other liabilities		132 909	138 079	102 297
Revenue brought forward		184 146	54 266	186 780
		813 007	943 440	1 132 726
Total equity and liabilities		3 697 782	3 852 960	3 511 627
Book value		1 515 179	1 590 010	1 496 255
Number of shares		412 690 582	412 690 582	412 690 582
Book value per share (PLN)		3,67	3,85	3,63

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

	Note	01.01.2018 - 30.06.2018	01.01.2017 - 30.06.2017 - restated	01.04.2018 - 30.06.2018	01.04.2017 - 30.06.2017 - restated
Revenue	8	190 764	174 456	126 378	101 178
Cost of sales		(155 246)	(140 677)	(106 020)	(77 722)
Profit before tax on sales		35 518	33 779	20 358	23 456
Profit on investment property	9	185 943	166 281	87 364	66 165
Administrative costs associated with projects		(20 327)	(16 484)	(7 355)	(7 708)
Selling expenses		(11 698)	(12 113)	(6 584)	(6 685)
General and administrative expenses		(49 574)	(42 908)	(27 023)	(25 817)
Other operating income		19 204	36 492	3 342	24 914
Other operating expenses		(27 212)	(30 270)	(19 518)	(29 234)
Operational profit		131 854	134 777	50 584	45 091
Financial income	10	25 804	113 186	19 365	112 618
Financial cost	11	(35 220)	(59 794)	(17 396)	(38 353)
Profit (loss) from foreign currency derivatives		(2 450)	1 152	(1 474)	1 152
Profit (loss) from foreign exchange differences		11 863	(4 621)	12 975	(4 843)
Share in (profit) loss of entities recognised using the equity method		42 351	23 655	44 146	16 630
Profit before tax		174 202	208 355	108 200	132 295
Income tax		(47 715)	(19 013)	(32 389)	(5 601)
-current portion		(10 117)	(5 900)	(7 608)	(5 164)
- deffered portion		(37 598)	(13 113)	(24 781)	(437)
Profit for the year, including:		126 487	189 342	75 811	126 694
Profit (loss) attributable to shareholders of the parent company		126 489	189 346	75 812	126 698
Profit (loss) attributable to non-controlling interests		(2)	(4)	(1)	(4)
Profit (loss) attributable to shareholders of the parent company		126 489	189 346	75 812	126 698
Weighted average number of ordinary shares (thousand) without equity shares		412 691	412 691	412 691	412 691
Earnings per ordinary share (in PLN)		0,31	0,46		
Diluted earnings per ordinary share (in PLN)		0,31	0,46		

One-off event influencing comparability of profit

In the reporting period from 1 January 2018 to 30 June 2018, the Echo Investment Group disclosed in the consolidated financial report a dividend received from EPP in the amount of PLN 12.2 mln.

In the reporting period from 1 January 2017 to 30 June 2017, the Echo Investment Group disclosed in the consolidated financial report a profit on shares in EPP, consisting of the following titles:

- a share in results of EPP in the amount of PLN 13.6 mln in connection with the consolidation using the equity method;

- a profit on account of investments in EPP shares and the sale of a part of EPP shares in the amount of PLN 88.4 mln booked on 30 June 2017 due to the loss of control over EPP.

CONSOLIDATED QUARTERLY STATEMENT OF COMPREHENSIVE INCOME [PLN '000]

	01.01.2018 - 30.06.2018	01.01.2017 - 30.06.2017 - restated	01.04.2018 - 30.06.2018	01.04.2017 - 30.06.2017 - restated
Profit for the year	126 487	189 342	75 811	126 694
Other comprehensive income:				
- exchange differences on translation of foreign operations	7 282	(3 978)	6 175	(1 196)
- revaluation gains	(2 257)	(17 923)	(38 358)	(17 923)
Other comprehensive income for the year, net of tax	5 025	(21 901)	(32 183)	(19 119)
Total comprehensive income for the year, including:	131 512	167 441	43 628	107 575
Comprehensive income attributable to shareholders of the parent company	131 514	167 445	43 629	107 579
Comprehensive income attributable to non-controlling interest	(2)	(4)	(1)	(4)

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

	Share capital	Supplementary capital	Revaluation capital	Accumulated retained earnings	Currency translation differences	Equity attributable to equity holders of the parent company	Capital of non-controlling interests	Total equity
period from 01.01.2018 to 30.06.2018								
Opening balance	20 635	1 192 117	(49 676)	435 150	(10 476)	1 587 750	(107)	1 587 643
change in accounting policy	-	-	-	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	-	228 805	-	(228 805)	-	-	-	-
Dividend paid	-	-	-	(206 345)	-	(206 345)	-	(206 345)
Other comprehensive income	-	-	-	-	7 282	7 282	-	7 282
Results of financial investment's revaluation (EPPs' shares)	-	-	(2 257)	-	-	(2 257)	-	(2 257)
	-	-	34 926	(34 926)	-	-	-	-
Net profit 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
period from 01.01.2017 to 30.06.2017								
Opening balance	20 635	1 128 096	-	393 345	(8 182)	1 533 894	(100)	1 533 794
change in accounting policy	-	-	-	1 261	-	1 261	-	1 261
Opening balance, with restated figures	20 635	1 128 096	-	394 606	(8 182)	1 535 155	(100)	1 535 055
Distribution of previous years' profit	-	181 366	-	(181 366)	-	-	-	-
Dividend approved	-	-	-	(206 345)	-	(206 345)	-	(206 345)
Other comprehensive income	-	-	-	-	(3 978)	(3 978)	-	(3 978)
Results of financial investment's revaluation (EPPs' shares)	-	-	(17 923)	-	-	(17 923)	-	(17 923)
Net profit for the period	-	-	-	189 346	-	189 346	(4)	189 342
Closing balance	20 635	1 309 462	(17 923)	196 241	(12 160)	1 496 255	(104)	1 496 151

CONSOLIDATED CONDENSED CASH FLOW STATEMENT [PLN '000]

	01.01.2018 - 30.06.2018	01.01.2017 - 30.06.2017 - restated
Operating cash flow – indirect method		
Profit before tax	174 202	208 355
Total adjustments		
Share in net (profit) loss of associates and entities accounted for using the equity method	(42 351)	(23 655)
Depreciation/amortisation	1 664	1 962
Foreign exchange gains/ losses	956	644
Interest and profit sharing (dividends)	12 729	18 054
Profit / loss on revaluation of assets and liabilities	(220 658)	(252 001)
Profit / loss on financial instruments execution	108	-
	(247 552)	(254 996)
Changes in working capital		
Change in provisions	322	53 500
Change in inventories	(83 679)	(36 018)
Change in receivables	(2 302)	(99 596)
Change in short-term liabilities, except for loans and borrowings	110 934	38 092
Change in restricted cash	(33 356)	(33 377)
	(8 081)	(77 399)
Net cash generated from operating activities	(81 431)	(124 040)
Income tax paid	(14 243)	(16 541)
Net cash generated from operating activities	(95 674)	(140 581)
Cash flows from investing activities		
Inflows		
Disposal of intangible assets and tangible fixed assets	138	-
Sale of investments in property	66 432	120 490
From borrowings and financial investments	118 746	245 822
Sale of investments	163 614	-
	348 930	366 312
Outflows		
Purchase of intangible assets and PP&E	(1 042)	(2 053)
Investment in property	(276 358)	(424 593)
On borrowings and financial investments	(35 417)	(111 526)
	(312 817)	(538 172)
Net cash flow from investing activities	36 113	(171 860)

CONSOLIDATED CONDENSED CASH FLOW STATEMENT [PLN '000]

	01.01.2018 - 30.06.2018	01.01.2017 - 30.06.2017 - restated
Cash flow from financing activities (I - III)		
Inflows		
Loans and borrowings	284 257	120 007
Issue of debt securities	190 000	155 000
Other financial inflows	-	11 991
	474 257	286 998
Outflows		
Dividends and other payments to equity holders	(206 345)	(66 030)
Repayment of loans and borrowings	(134 034)	(51 123)
Redemption of debt securities	(402 900)	(175 000)
On derivatives	(108)	-
Interest paid	(4 988)	(14 249)
	(748 375)	(306 402)
Net cash flow from financing activities (I+II)	(274 118)	(19 404)
Total net cash flows (A.III+B.III+C.III)	(333 679)	(331 845)
Change in the balance of cash in consolidated statement of financial position, including:	(333 679)	(331 845)
- change in cash due to foreign exchange gains/losses	-	292
Cash at the beginning of the period	676 334	636 359
Cash at the end of the period	342 655	304 514

2.1

**EXPLANATORY
NOTES TO THE
CONDENSED
INTERIM
CONSOLIDATED
FINANCIAL
STATEMENTS**



NOTE 1

OFF-BALANCE SHEET ITEMS [PLN '000]

Contingent liabilities are presented according to their nominal value.

	30.06.2018	31.12.2017	30.06.2017
Off-balance sheet liabilities	1 107 040	1 014 508	726 143
Total	1 107 040	1 014 508	726 143

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.

SURETY AGREEMENTS ISSUED BY ECHO INVESTMENT GROUP AS AT 30.06.2018 [PLN '000]

Issuer	For	Value	Validity	Description
Echo Investment S.A.	Bletwood Investments Sp. z o.o.	1 467	Entire validity period of the lease and three months following its termination date	Surety for liabilities of CogI II Poland Limited Sp. z o.o. as a collateral of liabilities resulting from the lease agreement of 06.11.2015. Issued in EUR.
Echo Investment S.A.	HPO AEP Sp. z o.o. Sp.J.	10 904	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 Prime Assets B.V.	Warburg-HiH Invest Real Estate GmbH	21 808	to 31.05.2019	Surety for liabilities of Sagittarius - Projekt Echo - 113 Sp. z o.o. Sp. K. resulting from the agreement of 20.07.2017. Issued in EUR.
Total		34 179		

As at June 30, 2018, the value of valid sureties agreements received by Echo Investment S.A. and its subsidiaries was as follows:

- under lease agreements concluded: PLN 798 948, EUR 4,822,071, USD 300 000;
- from the implementation of projects: EUR 2 500 000

GUARANTEES ISSUED BY ECHO INVESTMENT GROUP AS AT 30.06.2018 [PLN '000]

Guarantor	For	Value	Validity	Description
Echo Investment S.A.	Horta Sp. z o.o.	21 808	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.	26 170	until 30.07.2021	Performance bond for the final sale agreement of the Aquarius Business House II office building in Wrocław. Issued in EUR.
Echo Investment S.A./ BZ WBK S.A.	State Treasury	45 466	until 22.05.2019	Surety bond for liabilities of Outlet Park - Projekt Echo - 126 Sp. z o.o. Sp.K.
Echo Investment S.A./ BZ WBK S.A.	State Treasury	4 550	until 20.06.2019	Surety bond for liabilities of Outlet Park - Projekt Echo - 126 Sp. z o.o. Sp.K.
Echo Investment S.A.	BGŻ BNP Paribas SA	5 334	until project completion date	Surety bond for costs overrun and liabilities due to debt servicing over the construction period of the Symetris II office building in Łódź. Issued in EUR.
Q22 - Projekt Echo 128 Sp. z o.o. Sp.K. / Echo Investment S.A.	IREEF - Stryków Propco Sp. z o.o.	420 000	until 15.12.2019	Construction work quality guarantee related to the Q22 office building in Warsaw.
Echo Investment S.A.	IREEF - Stryków Propco Sp. z o.o.	150 653	until 15.12.2018	Surety bond for the execution of liabilities of Q22 - Projekt Echo - 128 Sp. z o.o. Sp.k. resulting from the sale agreement concerning the Q22 office building in Warsaw of 16.12.2016. Issued in EUR.
Echo Investment S.A.	PKO BP S.A.	25 700	until 30.09.2020	Surety bond for costs overrun of the project of the Sagittarius Business House office building in Wrocław.
BZ WBK S.A.	City of Katowice	11 647	until 30.09.2018	Performance bond for liabilities of Galeria Libero - Projekt Echo - 120 Sp. z o.o. Sp.k. resulting from the agreement of 16.06.2016 on a road construction project.
BGŻ BNP Paribas S.A.	City of Katowice	11 647	until 30.09.2018	Performance bond for liabilities of Galeria Libero - Projekt Echo - 120 Sp. z o.o. Sp.k. resulting from the agreement of 16.06.2016 on a road construction project.
Echo Investment S.A. / PKO BP S.A.	IREEF - Q22 Propco Sp. z o.o.	1 006	until 31.07.2019	Guarantee securing the execution of liabilities of Echo Investment S.A. resulting from the lease agreement of 24.10.2016.
Echo - Aurus Sp. z o.o.	Echo - Park Rozwoju Sp. z o.o. Sp.K.	771	until 28.02.2027	Guarantee securing the execution of liabilities of Projekt 133 - City Space - GP Sp. z o.o. sp.k. resulting from the lease agreement of 4.11.2016. Issued in EUR.
Echo - Aurus Sp. z o.o.	Nobilis - Projekt Echo 117 Sp. z o.o. Sp.K.	772	until 31.07.2027	Guarantee securing the execution of liabilities of Projekt 137 - City Space - GP Sp. z o.o. Sp.k. resulting from the lease agreement of 28.02.2017. Issued in EUR.
Echo - Aurus Sp. z o.o.	Ventry Investments Sp. z o.o. Sp.K.	1 213	until 09.04.2027	Guarantee securing the execution of liabilities of City Space - GP Sp. z o.o. resulting from the lease agreement of 12.10.2016. Issued in EUR.
Raiffeisen Bank S.A.	Agentia Nationala de Administrare Fiscala	2 194	31.08.2018	Guarantee securing the execution of liabilities of S.C. Echo Investment Project 1 S.R.L. Issued in RON.
Echo Prime Assets B.V	IB 6 FIZAN / GPF 3 FIZAN	94 939	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.

GUARANTEES ISSUED BY ECHO INVESTMENT GROUP AS AT 30.06.2018 [PLN '000]

Guarantor	For	Value	Validity	Description
Echo Investment S.A.	BZ WBK S.A. / Bank BGŻ BNP Paribas S.A.	57 769	to the date of construction loan conversion into investment loan	Surety bond for costs overrun of the project of Galeria Libero in Katowice.
Echo Investment S.A.	BZ WBK S.A. / PKO BP S.A. / Bank Gospodarstwa Krajowego / mBank S.A.	44 619	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.
Echo Investment S.A.	Novaform Polska Sp. z o.o.	3 053	until 31.12.2018	Guarantee securing the execution of liabilities of Duże Naramowice - Projekt Echo - 111 Sp. z o.o. S.K.A. resulting from the agreement of 08.01.2018.
Echo Investment S.A.	Novaform Polska Sp. z o.o.	4 616	until 31.05.2019	Guarantee securing the execution of liabilities of Duże Naramowice - Projekt Echo - 111 Sp. z o.o. S.K.A. resulting from the agreement of 08.01.2018.
Echo Investment S.A.	BNY Mellon (Poland) Sp. z o.o.	15 572	to the date of hand over protocol signing, not later than to 31.08.2019	Guarantee securing the execution of liabilities of Sagittarius - Projekt Echo - 113 Sp. z o.o. Sp.K. resulting from the lease agreement of 14.12.2016. Issued in EUR.
Echo Investment S.A.	IB 14 FIZAN	83 362	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.
Total		1 072 861		

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

NOTE 2

CHANGE OF INVESTMENT PROPERTY [PLN '000]

	30.06.2018	31.12.2017	30.06.2017
Opening balance	6 117	248 037	248 037
a) increases (due to)			
reclassification from property under construction	142 632	-	-
reclassification from assets held for sale	-	-	18 000
capital expenditures	-	9 908	10 003
	142 632	9 908	28 003
b) decreases (due to)			
sale	-	(177 964)	-
changes in the valuation of property	-	(27 717)	(25 081)
reclassification to investment property under construction	-	(2 253)	-
exchange rate differences	-	-	(1 807)
reclassification to assets held for sale	-	(43 894)	(18 000)
	-	(251 828)	(44 888)
Closing balance	148 749	6 117	231 152

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

Increase of 'investment property' item by PLN 142,632 thousand is related to completion of O3 Business Campus phase III office building in Kraków.

As at 30 June 2018 the 'investment property' item consisted of value of properties located in Radom, Pamiątkowo and Zabrze.

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

NOTE 3

CHANGES IN INVESTMENT PROPERTY UNDER CONSTRUCTION [PLN '000]

	30.06.2018	31.12.2017 - restated	30.06.2017 - restated
Opening balance	1 281 230	539 797	539 797
a) increases (due to)			
acquisition	40 281	256 475	174 150
capital expenditures	212 886	270 729	139 147
changes in the valuation of property	205 093	364 113	269 779
reclassification from inventory	-	90 997	-
reclassification from assets held for sale	-	-	107 405
	458 260	982 314	690 481
b) decreases (due to)			
reclassification to investment property	(142 632)	-	-
sale	(120 222)	(150 272)	-
changes in the valuation of property	-	(5 466)	(7 987)
reclassification to inventory	(1 074)		
reclassification to assets held for sale	(346 384)	(22 498)	(115 689)
	(610 312)	(240 881)	(123 676)
Closing balance	1 129 178	1 281 230	1 106 602

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

The Group purchased land in Kraków (worth PLN 22,321 thousand), Katowice (worth PLN 11,352 thousand) and Warsaw (worth PLN 6,608 thousand), which were intended for construction of office projects.

Due to the fulfilment of the conditions enabling the fair value valuation of the investment property under construction, the Group recognized the result from the first update of the value of the O3 Business Campus office building phase III in Kraków (PLN 65,550 thousand).

In the first half of the year, the Group updated the fair value of the office buildings: Sagittarius Business House in Wrocław (PLN 48,841 thousand), West Link in Wrocław (PLN 5,692 thousand), the Gatehouse Offices (Warsaw Brewery) in Warsaw (PLN 36,296 thousand), Symetris Business Park phase II in Łódź (PLN

4,551 thousand) and the Libero shopping centre in Katowice (PLN 44,163 thousand). The total amount of a recognized profit from the valuation amounted to PLN 205,093 thousand. The profit from revaluation was decreased by PLN 35,192 thousand as future costs of rental guarantees and profit share

On 25 May 2018, the Group's companies concluded a final agreement for the sale of 100% shares in a subsidiary West Gate II - Projekt Echo 114 Sp. z o.o. Sp.k. being the owner of real estate located in Wrocław, where the West Link office building is located. The fair value of real estate as at the day of the sale amounted to PLN 119,508 thousand. The sale transaction is described in note 15.

As a result of obtaining an occupancy permission of the O3 Business Campus office project phase III in Kraków, the Group decreased in investment properties under construction by PLN 142,632 thousand and classified the project as the investment property (note 2).

In the first half of 2018, due to the intention to sell within 12 months, the Group decreased in investment properties under construction by transferring projects with a total value of PLN 346,384 thousand to assets for sale, including the office buildings: Sagittarius Business House in Wrocław and Symetris II in Łódź that were commissioned (note 4).

In the report as at 30 June 2018, the Group presented investment properties under construction with a total value of PLN 1,129,178 thousand. The closing balance of the reporting period consists primarily of the Libero shopping centre in Katowice and office projects, including Moje Miejsce (Beethovena) phases I and II in Warsaw, the Gatehouse Offices and the Villa Offices (Warsaw Brewery phases J and K) in Warsaw.

The fair value measurement investment property under construction was classified by the Group as level 3 of the fair value hierarchy.

NOTE 4

CHANGES IN ASSETS HELD FOR SALE [PLN '000]

	30.06.2018	31.12.2017	30.06.2017
Opening balance	119 985	198 166	198 166
a) increases (due to)			
reclassification from investment properties under construction	346 384	22 498	115 689
reclassification from investment properties	-	43 894	18 000
reclassification from inventory	-	4 564	8 000
capital expenditures	107	9 746	-
	346 491	80 702	145 151
b) decreases (due to)			
reclassification to investment properties under construction	-	-	(107 405)
reclassification to investment properties	-	-	(18 000)
changes in the valuation of property	(12 113)	-	(2 000)
sale	(58 527)	(156 944)	(148 944)
foreign exchange rates	(421)	(1 938)	(1 382)
	(71 061)	(158 883)	(277 731)
Closing balance	395 415	119 985	65 586

In the first half of 2018, due to the intention to sell within 12 months, the Group increased its assets held for sale by transferring commissioned projects: Sagittarius Business House in Wrocław and Symetris II in Łódź, with a total value of PLN 346,384 thousand (note 3).

The decrease in assets held for sale is related to the sale of real estate in Brasov (Romania) with a value of PLN 29,029 thousand, real estate in Warsaw at ul. Taśmowa worth PLN 22,498 thousand and land real estate in Słupsk worth PLN 7,000 thousand.

As at 30 June 2018, in the "assets held for sale" section, the Group recognized land properties in Koszalin, Słupsk and Budapest (Hungary) with a total value of PLN 49,031 thousand as well as investment properties of Sagittarius Business House in Wrocław and Symetris II in Łódź with a total value of PLN 346,384 thousand.

The fair value measurement investment property held for sale was classified by the Group as level 3 of the fair value hierarchy.

NOTE 5

INVENTORY [PLN '000]

	30.06.2018	31.12.2017 - restated	30.06.2017 - restated
materials	-	-	-
semi-finished products and work-in products	688 161	562 939	624 169
finished products	50 536	87 064	45 210
commodity	4 644	6 002	13 525
advanced payments	-	-	-
Total inventory	743 341	656 005	682 904

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.

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 2017 amounted PLN 186,780 thousand), including long-term amounted PLN 11,901 thousand.

INVENTORY - IMPACT ON PROFIT ['000 PLN]

	01.01.2018 - 30.06.2018	01.01.2017 - 31.12.2017 - restated	01.01.2017 - 30.06.2017 - restated
value of inventory recognized as cost of given period	(155 400)	(485 625)	(129 298)
inventory impairment recognized as cost of given period	-	(6 449)	-
value of reverse of inventory impairments recognized as decreasing costs	2 990	22 663	5 079

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 2018 was mainly related to residential projects located in Wrocław (Grota-Roweckiego 111), Warsaw (Las Młociński) and Łódź (Nowa Dzielnica). The change in inventory write-downs up to 30 June 2018 amounted to PLN 2,990 thousand (as at 30 June 2017 amounted PLN 5,079 thousand).

NOTE 6

CHANGES IN PROVISIONS - BY TYPE [PLN '000]

	30.06.2018	31.12.2017	30.06.2017
a) opening balance (due to)			
provision for general and administrative costs (audit, bonuses, leaves on absence)	6	23	23
provisions for expected penalties and losses	36 920	23 924	23 924
provision for costs of warranty repair etc.	2 066	2 066	2 066
provisions for liabilities related to investment projects	187 999	117 842	117 842
	226 991	143 855	143 855
b) increase (due to)			
provision for general and administrative costs (audit, bonuses, leaves on absence)	-	6	-
provisions for expected penalties and losses	9 941	15 761	5 143
provision for costs of warranty repair etc.	4 876	-	-
provisions for liabilities related to investment projects	50 574	176 663	114 307
	65 391	192 430	119 450
c) utilisation and release (due to)			
incurred cost of general and administrative costs	(6)	(23)	(23)
incurred cost of penalties and losses	(13 197)	(2 765)	(2 765)
incurred cost of warranty repair etc.	(2 066)	-	-
provisions for liabilities related to investment projects	(49 799)	(106 506)	(46 821)
	(65 068)	(109 294)	(49 609)
d) closing balance			
provision for general and administrative costs (audit, bonuses, leaves on absence)	-	6	-
provisions for expected penalties and losses	33 664	36 920	26 302
provision for costs of warranty repair etc.	-	2 066	2 066
provision on litigation	4 876	-	-
provisions for liabilities related to investment projects	188 774	187 999	185 328
	227 314	226 991	213 696
including			
Long-term provisions	63 818	85 028	79 271
Short-term provisions	163 496	141 963	134 425

In the reporting period, provisions for rent guarantees worth PLN 28,221 thousand were used, they are related to the sold office buildings: Q22 in Warsaw, Symetris Business Park I in Łódź, O3 Business Campus I and II in Kraków, Tryton Business House in Gdańsk and A4 Business House III in Katowice.

The amount of a released provision for rent guarantees in the amount of PLN 7,387 thousand is related to the sale of the West Link project in Wrocław. A detailed description of the transaction can be found in note 15.

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

NOTE 7

DEBT LIABILITIES [PLN '000]

	30.06.2018	31.12.2017	30.06.2017
Loans and borrowings	258 233	156 961	175 715
Securities	1 107 312	1 398 070	962 807
Interest on loans and borrowings	969	738	6 084
Total	1 366 514	1 555 769	1 144 606
Long-term	1 035 428	1 026 830	593 633
Short-term	331 086	528 939	550 973

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 8

REVENUE ['000 PLN]

	01.01.2018 - 30.06.2018	01.01.2017 - 30.06.2017
Sales and rental of residential space	105 827	83 166
Development and leasing services in office segment	63 266	68 778
Development and leasing services in retail segment	7 175	9 138
Other sales	14 496	13 374
Total	190 764	174 456

NOTE 9

NET PROFIT ON INVESTMENT PROPERTY [‘000 PLN]

	01.01.2018 – 30.06.2018	01.01.2017 – 30.06.2017
Revenues of property sales	82 396	116 960
Costs of property sales (notes 2, 3, 4)	(54 241)	(110 152)
Revaluation of property (notes 2, 3, 4)	192 980	240 504
Cost of master lease	(1 412)	(37 131)
Cost of profit share	(33 780)	(43 900)
Net profit (loss) on investment property	185 943	166 281

In H1 2018 the Group sold investment property West Link in Wrocław and properties located in Warsaw, Szczecin and Brasov (Romania).

The ‘revaluation of a property’ item includes costs related to rental holidays at the office buildings: West Link, O3 Business Campus (phase III), Sagittarius, Symetris (phase II) and the Gatehouse Offices (Warsaw Brewery phase J).

In addition, as a result of revaluation, the adjusted value of the share of N.V. EPP in a profit from the sale of investment properties” ROFO i.e. Symetris (phase II) and O3 Business Campus (phase II), was taken into account.

NOTE 10

FINANCIAL INCOME [‘000 PLN]

	01.01.2018 – 30.06.2018	01.01.2017 – 30.06.2017
Revenue on revaluation of financial assets	3 192	112 604
Dividend received	12 197	-
Revenues from interest of borrowings	3 636	-
Revenues from other interest	6 724	-
Profit on sale of investment	54	52
Revenue on revaluation of financial instruments IRS	-	-
Other financial revenues	1	530
Total	25 804	113 186

In the first half of 2018, the Group recorded a profit on a dividend received related to its stake of EPP N.V. shares in the amount of PLN 12,196 thousand.

The item of ‘revenue on other interests’ includes, among others interests on account of a deferred payment regarding the sale of shares in EPP N.V. amounted to PLN 6,507 thousand.

NOTE 11

FINANCIAL COSTS [‘000 PLN]

	01.01.2018 – 30.06.2018	01.01.2017 – 30.06.2017
Costs of intrests	(31 340)	(17 821)
Financial commision	(3 277)	(3 697)
Loss on sale of investment	(542)	(37 801)
Costs of revaluation of financial assets	(44)	(475)
Other financial costs	(17)	-
Total	(35 220)	(59 794)

NOTE 12

ALLOCATION OF REVENUE TO SEGMENTS ['000 PLN]

	01.01.2018 – 30.06.2018	01.01.2017 – 30.06.2017
Residential	105 827	83 166
Office	63 266	69 554
Retail	7 175	6 779
Other	14 496	14 957
Total	190 764	174 456

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

	01.01.2018 – 30.06.2018	01.01.2017 – 30.06.2017
Residential	(72 985)	(64 774)
Office	(68 742)	(62 764)
Retail	(4 073)	(3 350)
Other	(9 446)	(9 789)
Total	(155 246)	(140 677)

ALLOCATION OF GROSS PROFIT TO SEGMENTS ['000 PLN]

	01.01.2018 – 30.06.2018	01.01.2017 – 30.06.2017
Residential	32 842	18 392
Office	(5 476)	6 790
Retail	3 102	3 429
Other	5 050	5 168
Total	35 518	33 779

NOTE 13

Joint-ventures

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

On 31 May 2017 the Echo Investment Group together with the EPP Group (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 2018 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 2018 amounted to PLN 107,388 thousand. A summary of financial information in the joint venture is presented below.

**FINANCIAL DATA OF JOINT-VENTURE - GALERIA MŁOCINY
SELECTED DATA FROM STATEMENT OF FINANCIAL POSITION [‘000 PLN]**

	Galeria Młociny
Current assets	34 968
Non-current assets - investment property	1 146 665
Other non-current assets	2 992
Total assets	1 184 625
Long-term liabilities	841 143
Short-term liabilities	95 090
Total liabilities	936 233
Equity	248 392
Echo Investment S.A. share (%)	30,00%
Echo Investment S.A. share	74 518

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

01.01.2018-30.06.2018

Revenue	12
Cost of sales	(49)
Revenues due to revaluation of the property	195 887
General and administrative costs	(494)
Selling costs	(2 339)
Other operating revenues/costs	(287)
Financial income	704
Financial costs	1 283
Gross profit	192 151
Tax income	(44 970)
Net profit	147 182
Total comprehensive income	147 181
Echo Investment Group's share (%)	30,00%
Echo Investment Group's share in the profit of joint-venture	44 154

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. Towarowa 22. EPP held the remaining 53.74%. Upon the fulfilment of all conditions increasing the price, the share of Echo Investment in the transaction and the planned enterprise will ultimately amount to 30% and 70% will be held by the EPP Group. As at the balance sheet day, on 30 June 2018 those conditions were not yet fulfilled. Echo Investment S.A. and EPP N.V. are only responsible for their proportional parts of the price. The share of the 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 2018, amounted to PLN 150,977 thousand. A summary of financial information in the joint venture is presented below.

FINANCIAL DATA OF JOINT-VENTURE - TOWAROWA 22
SELECTED DATA FROM STATEMENT OF FINANCIAL POSITION [‘000 PLN]

	30.06.2018
Current assets	5 610
Non-current assets - investment property	353 587
Total assets	359 197
Long-term liabilities	803
Short-term liabilities	28 493
Total liabilities	29 296
Equity	329 901
Echo Investment S.A. share (%)	46,26%
Elimination of transactions between parent company and its group	(1 639)
Echo Investment group's share in net assets	150 977

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

	01.01.2018 - 30.06.2018
Revenue	6 948
Cost of sales	(10 106)
Cost of projects sale	(31)
General and administrative costs	(124)
Other operating revenues/costs	(354)
Financial costs	(233)
Gross profit	(3 900)
Tax income	-
Net profit	(3 900)
Total comprehensive income	(3 900)
Echo Investment S.A. interests as at 30.06.2018	46,26%
Echo Investment Group's share in profit of joint-venture	(1 804)

NOTE 14**Financial assets held for sale**

In the first half of 2018 a subsidiary of the Echo Investment Group i.e. Echo Prime Assets B.V. concluded an agreement concerning the sale of 35 409 454 shares of EPP N.V. The total sale price less transaction costs amounted EUR 39.5 mln. The Group disclosed the result from the transaction in equities of the consolidated financial statement in the "retained earnings" section. Incomes from the sale of shares were presented in the "disposal of real estate investment" section in the consolidated cash flow statement.

As at the balance date i.e. on 30 June 2018 as a result of the revaluation of the remaining shares of EPP

(15 264 900 shares) according to the market value, a share impairment of PLN 2,042 thousand was recognized. Accumulated share impairment amounted to PLN 17,007 thousand. . These shares are measured at fair value and its changes are presented in the revaluation capital. The shares are quoted on the active market, therefore they are classified at level 1 of the fair value hierarchy.

In the first half of 2018 the Group recorded a profit on the received dividend related to its stake of shares of EPP N.V. in the amount of PLN 12,196 thousand. The profit was presented under the section "financial income of the consolidated profit and loss account" (note 10).

NOTE 15**Sale of investment properties****West Link in Wrocław**

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

The sale price of shares was EUR 2,700 thousand and was calculated based on

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

After considering all costs related to the transaction, the Group recognized a profit on the sale amounting to PLN 21,856 thousand. The payment of the price was made on the way remittances

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

Warsaw, ul. Taśmowa

On 14 June 2018 a subsidiary of the Echo Investment Group, i.e. Taśmowa - Projekt Echo 116 Sp. z o.o. Sp.k.a concluded an agreement concerning the sale of the right of perpetual usufruct of land located in Warsaw at ul. Taśmowa. The sale

price amounted to PLN 27,509 thousand (PLN 22,365 thousand net plus VAT).

After considering all costs related to the transaction, the Group recognized a loss on the sale amounting to PLN 926,000

thousand. The Group disclosed the payment received for the sold real estate amounting to PLN 27,509 thousand in the 'disposal of real estate investment' section, in the part concerning the investment activity in the consolidated cash flow statement.

Szczecin, ul. Andrzeja Struga

On 29 June 2018 a subsidiary of the Echo Investment Group, i.e. PHS – Projekt CS Sp. z o.o. Sp.k.a concluded an agreement concerning the sale of the right of perpetual usufruct of land located in Szczecin at ul. Andrzeja Struga. The sale price

amounted to PLN 2,460 thousand (PLN 2,000 thousand net plus VAT). After considering all costs related to the transaction, the Group recognized a profit on the sale amounting to PLN 1,286 thousand. The Group disclosed the payment re-

ceived for the sold real estate amounting to PLN 2,460 thousand in the 'disposal of real estate investment' section, in the part concerning the investment activity in the consolidated cash flow statement.

Słupsk, ul. Szczecińska i Krzywoustego

On 14 June 2018 a subsidiary of the Echo Investment Group, i.e. Echo – Arena Sp. z o.o. concluded an agreement of the partial sale of the right of perpetual usufruct of land located in Słupsk at ul. Szczecińska and ul. Krzywoustego. The sale price amounted to PLN 8,610 thousand (PLN

7,000 thousand net plus VAT). After considering all costs related to the transaction, the Group recognized a loss on the sale amounting to PLN 69,000 thousand. The Group disclosed the payment received for the sold real estate amounting to PLN 2,460 thousand in the 'disposal

of real estate investment' section, in the part concerning the investment activity in the consolidated cash flow statement. The remaining part of real estate was sold on 10 July 2018.

Brasov, Stadionului 15 (Rumunia)

On 18 January 2018 a subsidiary of the Echo Investment Group i.e. Echo Investment Project 1 S.R.L. concluded an agree-

ment for the sale of real estate located in Brasov, Stadionului street 15. The sale price amounted to EUR 7,000 thousand. After

considering all costs related to the transaction, the Group recognized a profit on the sale amounting to PLN 36,000 thousand.

NOTE 16

On 19 December 2017, the Central Anticorruption Bureau (CBA) seized Przemysław Krych, a member of Echo Investment's supervisory board, and Mikołaj Martynuska, a management board member. In order to protect the company's interest, both Przemysław Krych and Mikołaj Martynuska, immediately after the detention, have resigned from all the positions in the company. At the same time, they issued a statement in which they declared they had not committed the offence they are charged with and that they will prove their innocence in the proceedings.

Echo Investment is not a party to the proceedings but it declares a full cooperation with the authorities to clarify the situation as soon as possible. The ongoing proceedings have no impact on the Company's current activities, including any of its other projects. The company runs its usual business. In the opinion of the management board, the situation doesn't threaten stability nor credibility of the Company and its Group and does not affect, in any way, these financial statements.

2.2

INFORMATION
ON FINANCIAL
STATEMENTS
OF ECHO
INVESTMENT
GROUP



Methods of determining the financial result

01

The condensed interim consolidated financial statements of the Echo Investment Group for the first half of 2018, prepared in accordance with IAS 34 'Interim Financial Reporting', adopted for application in the European Union, for the period between 1 January 2018 and 30 June 2018.

The condensed interim consolidated financial statements of the Group include consolidated financial data as of 30 June 2018 and comparative data as at 31 December 2017 as well as for the 6-month period ended 30 June 2017. 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 2018, comparative data for the 6-month period ended 30 June 2017, and consolidated financial data for the period of 3 months: from 1 April 2018 to 30 June 2018, and comparative data for the period of 3 months: from 1 April, 2017 to 30

June 2017. 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 2018 and comparative data for 6-month period ended 30 June 2017.

These financial statements need to be analysed in conjunction with the annual consolidated financial statements for the financial year ended 31 December 2017 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 2018. The applied changes had no material impact on the presentation of data and measurement in the financial statements.

The profit and loss account and notes to the profit and loss account, covering data for the 3-month period ended 30 June 2018 and comparative data for the 3-month period ended 30 June 2017, 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 statement is presented in the Polish zloty (PLN) – the presentation currency and the functional currency of the parent company.

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

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

INVESTMENT PROPERTIES, INVESTMENT PROPERTIES UNDER CONSTRUCTION

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

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

The fair values of land and buildings measured at fair value are updated to the effect of reflecting the market conditions prevailing at the end of the reporting period. The fair value of investment property is the price that would have been received for the sale of an asset or paid for the transfer of a liability in a transaction between market participants carried out on normal conditions at the valuation date. The fair values of the property are subject to verification by internal Analyse Department in cooperation with the Management Board, based on transaction concluded on active market, offers, preliminary agreements, knowledge and experience. Valuations includes reserves. When calculating the fair value valuation of investment properties under construction the Group's companies include exchange rate differences and the result on the valuation of loans and borrowings (at the adjusted acquisition price) related to the debt incurred to implement a specific investment project. The values expressed in EUR and USD are converted quarterly at the current exchange rates published by the Polish Central Bank NBP.

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

Investment property under construction is investments (in progress) carried out by the Group which are intended to be of use in the future as investment property for rental. In the case of investment properties under construction, where a significant part of the risks attendant upon the

implementation of the construction process has been eliminated and it is possible to reliably measure those properties are measured at fair value. The Group established the conditions, the compliance with which initiates the process of analysis, whether significant risks related to investment property under construction have been completely eliminated. These conditions most notably comprise:

- obtaining a building permit,
- contracting construction works with a value of at least 30% of the investment budget,
- leasing at least 20% of the implemented project.
- Risk analysis is also to a large extent determined by the option and manner of project financing.

Each investment property under construction is analysed individually in terms of the possibility of obtaining a reliable measurement of fair value, taking into account the overall economic situation, the availability of data for similar properties and expectations of volatility factors underlying the valuation. Once the above conditions have been fulfilled, as long as according to Group's estimates, the significant risks relating to the implementation of investment property under construction has been eliminated, the property is valued at fair value. In other cases, given the inability to obtain a reliable measurement of fair value, investment properties under construction are measured at cost less any accumulated impairment losses. While valuating investment property under construction at fair value under the income method, the Group takes into account the degree of implementation of the project at the end of the reporting period and available reliable data on the expected state of the investment property at the time of completion of the construction process. The valuation at cost takes account of costs directly related to the investment in progress. They consist of expenses incurred for the purchase of land, investments in the design and construction of buildings (mainly external services), financial expenses including exchange rate differences and the result on the valuation of loans and borrowings at the adjusted acquisition price. The debt valuation is related to the debt incurred to implement a specific investment project and other costs incurred during the implementation directly related to the investment.

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 on the transfer date, i.e. previously disclosed fair value.

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 including exchange rate differences and the result on the valuation of loans and borrowings at the adjusted acquisi-

tion price. The debt valuation is related to the debt incurred to implement a specific investment project, being not higher than the net realizable value. This value is collected from information on the active market. Reversal of impairment loss of inventories appears either on the sale of inventories 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 issue of inventories is recognised according to a method of specific cost identification.

Methods of determining the financial result

The financial result is determined using the calculation method.

REVENUE

Revenue from the sale of the Group's residential and service premises are recognised on the date of 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.

Revenues from the lease of residential and commercial properties are recognised on a straight-line basis during the term of the agreements.

The Group present revenue from other agreements on provision of services in a moment of obligation fulfillment.

COST OF SALES

Sales cost is measured at production cost by taking recourse to the method of detailed identification of the real costs of sold assets or percentage share of, e.g.:

sold area of land, sold shares, etc. In particular, the cost of sold premises and land is determined in proportion to its share in the total cost of construction of the facility and in all the land constituting a project.

ADMINISTRATIVE COSTS RELATED TO PROJECTS

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

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

- in light of IAS 2, these costs are excluded from the purchase price or the cost of inventories due to the fact that they are not incurred in order to bring inventories to their current status and place;

- IAS 40, which refers in this respect to the provisions of IAS 16, does not permit capitalization of administrative and general management costs in the value of investment property.

EXTERNAL FINANCING COSTS

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

Main accounting principles

02

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 2018 the Capital Group included 141 subsidiaries consolidated according to the full method and 4 jointly controlled companies consolidated according to the equity method.

SUBSIDIARIES

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

SUBSIDIARIES

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

SUBSIDIARIES

No.	Subsidiary	Registered office	% of capital held	Parent entity
61	Pod Klunami – Grupa Echo Sp. z o.o. Sp. k.	Kielce	100%	Echo Investment S.A.
62	Potton Sp. z o.o.	Warsaw	100%	60 FIZ Forum
63	PPR – Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	Echo Investment S.A.
64	Princess Investment Sp. z o.o.	Kielce	100%	Echo Investment S.A.
65	Projekt – Pamiątkowo Sp. z o.o.	Kielce	100%	Echo – SPV 7 Sp. z o.o.
66	Projekt 1 – Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	Echo Investment S.A.
67	Projekt 12 – Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	Echo Investment S.A.
68	Projekt 13 – Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	Echo Investment S.A.
69	Projekt 132 – City Space – GP Sp. z o.o. Sp. k.	Warsaw	100%	City Space Management Sp. z o.o.
70	Projekt 133 – City Space – GP Sp. z o.o. Sp. k.	Warsaw	100%	City Space Management Sp. z o.o.
71	Projekt 137 – City Space – GP Sp. z o.o. Sp. k.	Warsaw	100%	City Space Management Sp. z o.o.
72	Projekt 14 – Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	Echo Investment S.A.
73	Projekt 15 – Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	Echo Investment S.A.
74	Projekt 16 – Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	Echo Investment S.A.
75	Projekt 17 – Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	Echo Investment S.A.
76	Projekt 18 – Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	Echo Investment S.A.
77	Projekt 19 – Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	Echo Investment S.A.
78	Projekt 20 – Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	Echo Investment S.A.
79	Projekt 21 – Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	Echo Investment S.A.
80	Projekt 22 – Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	Echo Investment S.A.
81	Projekt 5 – Grupa Echo Sp. z o.o. S.k.a.	Szczecin	100%	Echo Investment S.A.
82	Projekt Beethovena – Projekt Echo – 122 Sp. z o.o. S.k.a.	Kielce	100%	Echo Investment S.A.
83	Projekt CS Sp. z o.o.	Kielce	100%	Echo Investment S.A.
84	Projekt Echo – 100 Sp z o.o. w likwidacji	Kielce	100%	Echo Investment S.A.
85	Projekt Echo – 104 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
86	Projekt Echo – 108 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
87	Projekt Echo – 111 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
88	Projekt Echo – 112 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
89	Projekt Echo – 113 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
90	Projekt Echo – 115 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
91	Projekt Echo – 116 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
92	Projekt Echo – 119 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
93	Projekt Echo – 120 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
94	Projekt Echo – 121 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
95	Projekt Echo – 122 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
96	Projekt Echo – 123 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
97	Projekt Echo – 127 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
98	Projekt Echo – 128 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
99	Projekt Echo – 129 Sp. z o.o.	Kielce	100%	Echo Investment S.A.

SUBSIDIARIES

No.	Subsidiary	Registered office	% of capital held	Parent entity
100	Projekt Echo – 130 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
101	Projekt Echo – 131 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
102	Projekt Echo – 132 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
103	Projekt Echo – 135 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
104	Projekt Echo – 135 Sp. z o.o. Sp. k.	Kielce	100%	Perth Sp. z o.o.
105	Projekt Echo – 136 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
106	Projekt Echo – 136 Sp. z o.o. Sp. k.	Kielce	100%	Echo Investment S.A.
107	Projekt Echo – 137 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
108	Projekt 139 – Grupa Echo Sp. z o.o. Sp. k.	Kielce	100%	Echo Investment S.A.
109	Projekt 140 – Grupa Echo Sp. z o.o. Sp. k.	Kielce	100%	Echo Investment S.A.
110	Projekt 141 – Grupa Echo Sp. z o.o. Sp. k.	Kielce	100%	City Space Management Sp. z o.o.
111	Projekt 142 – Grupa Echo Sp. z o.o. Sp. k.	Kielce	100%	City Space Management Sp. z o.o.
112	Projekt 143 – Grupa Echo Sp. z o.o. Sp. k.	Kielce	100%	City Space Management Sp. z o.o.
113	Projekt 144 – Grupa Echo Sp. z o.o. Sp. k.	Kielce	100%	Echo Investment S.A.
114	Projekt 145 – Grupa Echo Sp. z o.o. Sp. k.	Kielce	100%	Echo Investment S.A.
115	Projekt 146 – Grupa Echo Sp. z o.o. Sp. k.	Kielce	100%	Echo Investment S.A.
116	Projekt 147 – Grupa Echo Sp. z o.o. Sp. k.	Kielce	100%	Echo Investment S.A.
117	Projekt 148 – Grupa Echo Sp. z o.o. Sp. k.	Kielce	100%	Echo Investment S.A.
118	Projekt Echo – 77 Sp. z o.o. w likwidacji	Kielce	100%	Echo Investment S.A.
119	Projekt Echo – 93 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
120	Projekt Echo – 95 Sp. z o.o. w likwidacji	Kielce	100%	Echo Investment S.A.
121	Projekt Echo – 96 Sp. z o.o. w likwidacji	Kielce	100%	Echo Investment S.A.
122	Projekt Echo – 99 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
123	Projekt K-6 – Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	Echo Investment S.A.
124	Projekt Naramowice – Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	Echo Investment S.A.
125	Projekt Saska Sp. z o.o.	Kielce	95%	Echo Investment S.A.
126	Pudsey Sp. z o.o.	Warsaw	100%	Echo Investment S.A.
127	Pure Systems Sp. z o.o.	Kraków	100%	Echo Investment S.A.
128	Q22 – Projekt Echo – 128 Sp. z o.o. Sp. k.	Kielce	100%	Potton Sp z o.o.
129	Sagittarius – Projekt Echo – 113 sp. z o.o. Sp. k.	Kielce	100%	Doxent Investments Sp. z o.o.
130	Seaford Sp. z o.o.	Warsaw	100%	Echo Investment S.A.
131	Selmer Investments Sp. z o.o.	Warsaw	100%	Echo Investment S.A.
132	Selmer Investments Sp. z o.o. Sp. k.	Warsaw	100%	Echo Investment S.A.
133	Senja 2 Sp. z o.o.	Warsaw	100%	Echo – Browary Warszawskie Sp. z o.o.
134	Shanklin Sp. z o.o.	Warsaw	100%	Echo Prime Assets BV
135	Stranraer Sp. z o.o.	Warsaw	100%	Echo Prime Assets BV
136	Strood Sp. z o.o.	Warsaw	100%	Echo Prime Assets BV
137	Swanage Sp. z o.o.	Warsaw	100%	Echo Prime Assets BV
138	Symetris – Projekt Echo – 131 Sp. z o.o. Sp. k.	Warsaw	100%	Gosford Investments Sp. z o.o.

SUBSIDIARIES

No.	Subsidiary	Registered office	% of capital held	Parent entity
139	Taśmowa – Projekt Echo – 116 Sp. z o.o. S.k.a.	Kielce	100%	Echo Investment S.A.
140	Tryton – Projekt Echo – 127 Sp. z o.o. Sp. k.	Warsaw	100%	Perth Sp. z o.o.
141	Villea Investments Sp. z o.o.	Warsaw	100%	Echo Investment S.A.

JOINT-VENTURES

No.	Subsidiary	Registered office	% of capital held	Parent entity
1	Rosehill Investments Sp. z o.o. (Galeria Młociny)	Warsaw	30%	Echo Prime Assets BV
2	Berea Sp. z o.o. (Galeria Młociny)	Warsaw	30%	Rosehill Investments Sp. z o.o.
3	Projekt Echo – 138 Sp. z o.o. Sp. k. (Towarowa 22)	Warsaw	45,26%	Strood Sp. z o.o.
4	Projekt Echo – 138 Sp. z o.o. (Towarowa 22)	Warsaw	30%	Echo Prime Assets BV

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

2.2 Changes in the structure of the capital group in the first half of 2018

INCREASE OF THE GROUP

Entity	Action	Date	Share capital
Projekt 144 – Grupa Echo Sp. z o.o. – Sp.k. with its registered office in Kielce	Registration by the District Court in Kielce	15.02.2018	5 000 PLN
Projekt 145 – Grupa Echo Sp. z o.o. – Sp.k. with its registered office in Kielce	Registration by the District Court in Kielce	19.02.2018	5 000 PLN
Projekt 146 – Grupa Echo Sp. z o.o. – Sp.k. with its registered office in Kielce	Registration by the District Court in Kielce	14.02.2018	5 000 PLN
Projekt 147 – Grupa Echo Sp. z o.o. – Sp.k. with its registered office in Kielce	Registration by the District Court in Kielce	15.02.2018	5 000 PLN
Projekt 148 – Grupa Echo Sp. z o.o. – Sp.k. with its registered office in Kielce	Registration by the District Court in Kielce	14.02.2018	5 000 PLN

DECREASE OF THE GROUP

Entity	Action	Date	Share capital
West Gate II – Projekt Echo – 114 Sp. z o.o. Sp. k. with its registered office in Kielce	Disposal of 100% of shares in the company	25.02.2018	1 000 000 PLN
Elissea Investments Sp. z o.o z with its registered office in Warsaw	Disposal of 100% of shares in the company	25.02.2018	5 000 PLN
Projekt Echo – 114 Sp. z o.o. with its registered office in Kielce	Disposal of 100% of shares in the company	25.02.2018	30 000 PLN

OTHER CHANGES

Entity	Action	Date
City Space – SPV 1 Sp. z o.o.	Transformation into Supersam City Space – GP Sp. z o.o. S.K.	11.01.2018
City Space – SPV 2 Sp. z o.o.	Transformation into Rondo 1 City Space – GP Sp. z o.o. S.k.	19.01.2018
City Space – SPV 3 Sp. z o.o.	Transformation into Plac Unii City Space – GP Sp. z o.o. S.k.	19.01.2018
PPR – Grupa Echo Sp. z o.o. Sp. k.a.	„Datio in solutum” agreement – transfer of shares from Forum 60 FIZ to Echo Investment S.A.	20.03.2018
Avatar – Projekt Echo 119 Sp. z o.o. Sp. k.a.	„Datio in solutum” agreement – transger of shares from Forum 60 FIZ to Echo Investment S.A.	20.03.2018
Bełchatów – Grupa Echo Sp. z o.o. Sp. k.a.	„Datio in solutum” agreement – transfer of shares from Forum 60 FIZ to Echo Investment S.A.	20.03.2018
Galeria Tarnów – Grupa Echo Sp. z o.o. Sp. k.a.	„Datio in solutum” agreement – transfer of shares from Forum 60 FIZ to Echo Investment S.A.	20.03.2018
Park Postępu – Grupa Echo Sp. z o.o. Sp. k.a.	„Datio in solutum” agreement – transfer of shares from Forum 60 FIZ to Echo Investment S.A.	20.03.2018
Oxygen – Grupa Echo Sp. z o.o. Sp. k.a.	„Datio in solutum” agreement – transfer of shares from Forum 60 FIZ to Echo Investment S.A.	20.03.2018
Kielce – Grupa Echo Sp. z o.o. Sp. k.a.	„Datio in solutum” agreement – transfer of shares from Forum 60 FIZ to Echo Investment S.A.	20.03.2018
Echo – Galaxy Sp. z o.o. Sp. k.a.	„Datio in solutum” agreement – transfer of shares from Forum 60 FIZ to Echo Investment S.A.	20.03.2018
53 – Grupa Echo Sp. z o.o. Sp. k.a.	„Datio in solutum” agreement – transfer of shares from Forum 60 FIZ to Echo Investment S.A.	20.03.2018
Malta Office Park – Grupa Echo Sp. z o.o. Sp. k.a.	„Datio in solutum” agreement – transfer of shares from Forum 60 FIZ to Echo Investment S.A.	20.03.2018
Projekt 1 – Grupa Echo Sp. z o.o. Sp. k.a.	„Datio in solutum” agreement – transfer of shares from Forum 60 FIZ to Echo Investment S.A.	20.03.2018
Projekt 5 – Grupa Echo Sp. z o.o. Sp. k.a.	„Datio in solutum” agreement – transfer of shares from Forum 60 FIZ to Echo Investment S.A.	20.03.2018
Projekt Beethovena – Projekt Echo – 122 Sp. z o.o. Sp. k.a.	„Datio in solutum” agreement – transfer of shares from Forum 60 FIZ to Echo Investment S.A.	20.03.2018
Projekt Echo – 108 Sp. z o.o.	„Datio in solutum” agreement – transfer of shares from Forum 60 FIZ to Echo Investment S.A.	20.03.2018
Villea Investments Sp. z o.o.	„Datio in solutum” agreement – transfer of shares from Forum 60 FIZ to Echo Investment S.A.	20.03.2018
Pudsey Sp. z o.o.	„Datio in solutum” agreement – transfer of shares from FORUM 60 FIZ to Echo Investment S.A.	12.04.2018
Seaford Sp. z o.o.	„Datio in solutum” agreement – transfer of shares from FORUM 60 FIZ to Echo Investment S.A.	12.04.2018
Fianar Investments Sp. z o.o.	„Datio in solutum” agreement – transfer of shares from FORUM 60 FIZ to Echo Investment S.A.	12.04.2018
Projekt 141 – Grupa Echo Sp. z o.o. Sp.k.	Change of general partner – disposal of rights and obligations in the entity from Grupa Echo Sp. z o. o. to City Space GP Sp. z o. o. with its registered office in Warsaw	30.04.2018
Projekt 142 – Grupa Echo Sp. z o.o. Sp.k.	Change of general partner – disposal of rights and obligations in the entity from Grupa Echo Sp. z o. o. to City Space GP Sp. z o. o. with its registered office in Warsaw	30.04.2018

OTHER CHANGES

Entity	Action	Date
Projekt 143 - Grupa Echo Sp. z o.o. Sp.k.	Change of general partner - disposal of rights and obligations in the entity from Grupa Echo Sp. z o. o. to City Space GP Sp. z o. o. with its registered office in Warsaw	30.04.2018
Projekt 141 - Grupa Echo Sp. z o.o. Sp.k.	Change of limited partner - disposal of rights and obligations in a company from Echo Investment S. A. to City Space Management Sp. z o. o. with its registered office in Warsaw	30.04.2018
Projekt 142 - Grupa Echo Sp. z o.o. Sp.k.	Change of limited partner - disposal of rights and obligations in a company from Echo Investment S. A. to City Space Management Sp. z o. o. with its registered office in Warsaw	30.04.2018
Projekt 143 - Grupa Echo Sp. z o.o. Sp.k.	Change of limited partner - disposal of rights and obligations in a company from Echo Investment S. A. to City Space Management Sp. z o. o. with its registered office in Warsaw	30.04.2018

Material estimates of the management of Group entities

03

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

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

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

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

The fair value of real estate properties which are almost 100% commercialized and generate a fixed income is determined by the unit according to the income method, using simple capitalization technique as the quotient of the project's net operating income (NOI) and the yield, or using the value resulting from external valuation, a preliminary contract for the sale of real estate, a letter of intent or a purchase offer, provided they exist. The net operating income (NOI) is updated quarterly on the basis of existing rental agreements. Values expressed in EUR are calculated every quarter according to the applicable rates published by the National Bank of Poland. For real estate under construction and/or commercialization, valued in accordance with the criteria described in item

2 (Methods of determining the financial result), the property valuation is based on the income method using the technique of discounted cash flows, which takes into account future proceeds from lease (including rent payment guarantees), real estate sales and expenditures to be paid. The yield used to determine residual values recognized in cash flows result from the Management Board's estimates based on preliminary agreements for the sale of real estate, letters of intent, external valuations of appraisers or their familiarity with the market. The rates used also take into account the risk, and the level of risk is assessed individually for each property subject to its status.

According to the valuations prepared by the Group, the value of investment properties as at 30 June 2018 amounted to PLN 148,749 thousand and consisted of office building valued at fair value (PLN 142,632 thousand) and other properties (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%.

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

As at 30 June 2017, the value of investment properties amounted to PLN 231,152 thousand and consisted of office buildings valued using the income method (PLN 180,391 thousand), investment lands (PLN 44,644 thousand) and other properties (PLN 6,117 thousand). The capitalization rate used to estimate the value of the office building as at 30 June 2017, measured using the income method, amounted 7.0%. The value of investment properties under construction as at 30 June 2018 amounted to PLN 1,129,178 thousand and consisted of properties valued at the fair value (PLN 587,895 thousand) and properties valued according to the value of incurred expenditures (PLN 541,283 thousand).

The capitalization rates used to estimate the value of property valued using the income method were: for office properties 5.75% -7.5%, for buildings in the shopping centre segment 6.5%. When calculating the fair value of investment property under construction, the Group companies take into account foreign exchange differences and the result on the measurement of loans and borrowings at adjusted acquisition cost (SCN). The valuation of debt is related to the debt incurred in order to implement a specific investment project.

As at 31 December 2017, the value of investment properties under construction amounted to PLN 1,281,230 thousand and consisted of properties valued at the fair value (PLN 677,840 thousand) and properties valued according to the value of incurred expenditures (PLN 603,990 thousand). The capitalization rates used to estimate the value of properties valued using the income method were: for office buildings (4 facilities) from 6.00% to 7.85%; for a building from the shopping centre segment 6.50%. As at 30 June 2017, the value of investment properties under construction amounted to PLN 1,106,602 thousand and consisted of: properties measured at the fair value (PLN 515,230 thousand), properties measured at the value of incurred expenditures in the amount of PLN 591,472 thousand. The capitalization rate used to estimate the value of properties valued using the income method was 6.75%.

Under the 'assets 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 30 June 2018, the value of assets held for sale was PLN 395,415 thousand and consisted of office buildings measured at fair value (PLN 346,384 thousand) and investment lands (PLN 49,031 thousand). The capitalization rates used to estimate the value of office buildings at income method as at 30.06.2018 ranged from 5.75% to 7.5%.

As at 31 December 2017, the value of assets held for sale amounted to PLN 119,985 thousand and consisted of investment lands (PLN 119,985 thousand). As at 30 June 2017, the value of assets held for sale amounted to PLN 65,586 thousand and consisted of investment lands (PLN 57,586 thousand) and properties (PLN 8,000 thousand). The capitalization rates used to estimate the fair value of office buildings ranged from 6.5% to 8.0%.

FINANCIAL INSTRUMENTS VALUED ACCORDING TO FAIR VALUE

The fair value of financial instruments (located in the fair value hierarchy level 2) that are not traded on the active market is determined using valuation techniques (the income method). The Company is guided by the judgment in the selection of valuation methods and it adopts assumptions based on mar-

ket 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 2018, 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. There is no difference between the carrying value and the fair value of financial instruments.

INVENTORY

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

Assumptions used in the calculation of the write-down are mainly based on valid market prices of real estate in a given market segment. In the case of land included in the item of inventories, the value of write-downs results from the suitability of the given land for the needs of the current and future operations of the Group estimated by the Management. Data regarding write-downs updating the value of inventories to the net value possible to obtain and reversing write-downs on this account are presented in note 5.

ASSET FROM DEFERRED INCOME TAX

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

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

SECURING REVENUE FOR RENT-FREE PERIODS (MASTER LEASE)

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

Securing rental proceeds (master lease) is estimated on the basis of information obtained from the office project leasing team, accepted by the Member of the

Management Board responsible for this segment of activity, concerning:

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

The following is calculated on this basis:

- for vacancies: the rent that would be paid by the potential future tenant,
- for signed contracts: rental holidays (if any).
- The estimate is made from the balance sheet date for the period of securing rental proceeds. In each calculated month:
 - if a vacancy is expected on an area in a given month, the cost of securing rental revenue is a full rent which is provided for on this area;
 - if it is expected that a given area will be transferred and the tenant has a rental holiday, the cost of securing the rental proceeds related to this area in a given month is equal to the value of rental holidays;
 - if it is expected that the tenants' rental holidays are over in a given month, the cost of securing the rental proceeds is equal to zero.

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

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

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

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

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

As at 30 June 2017, the value of reserves established to secure rent free periods amounted to PLN 121,244 thousand.

Application of new and amended standards and interpretations

04

Application of new standards, amendments to standards and interpretations issued by the IFRS Interpretations Committee, applicable to the Group (the Company) for the reporting period beginning on 1 January 2018.

The following standards and changes in standards became effective on 1 January 2018:

IFRS 15 ‘Revenue from contracts with customers’ published on 24 May 2014 (and Explanations to IFRS 15 ‘Revenue from contracts with customers’ published on 12 April 2016);

The Group started to apply IFRS 15 and applied a modified approach retrospectively, which results in the aggregation of the effect of applying IFRS 15 as an adjustment to the initial balance of retained earnings in the annual reporting period including the first application date (i.e. 1 January 2018). Under this method, the Group applied a retrospective approach only to contracts that were not completed as at the date of first application.

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

IFRS 9 Financial Instruments (published on 24 July 2014);

For the reporting period beginning on 1 January 2018, the Group decided to apply the classification, measurement and impairment rules retrospectively, by adjusting the opening balance, without restating the comparative periods. In accordance with the requirements of IFRS 9, most assets recognized as loans and receivables are measured at amortised cost, as two conditions are met: assets are maintained as part of the business model whose purpose is to maintain assets in order to obtain contractual

cash flows; and, the contractual terms of these financial assets give rise, at specified times, to cash flows that are solely repayment of principal and interest on the unpaid part of the capital. Other financial assets, including derivative instruments, are measured at fair value through profit or loss, unless an irrevocable decision on including them at fair value through ‘Other comprehensive income’ is made for the given financial capital instruments. The Group chose irrevocably to recognize equity instruments held (EPP shares) at fair value through “Other comprehensive income” as at the date of implementation of IFRS 9. The result from fair value measurement is not be reclassified to the profit and loss account.

The Group assessed the impact of the implementation of IFRS 9 on the value of the impairment write-down as insignificant, therefore the Group did not make a numerical correction of the opening balance 2018 resulting from the implementation of IFRS 9.

As a result of implementing the requirements of IFRS 9, the Group did not make changes in the classification of financial liabilities in relation to the previous classification in accordance with IAS 39.

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

Amendments to IFRS 2 ‘Classification and valuation of share-based payment transactions’ (published on 20 June 2016).

Interpretation of IFRIC 22 Foreign Currency Transactions and Advance Consideration

Amendments to IAS 40 Transfer of Investment Property

**Amendments to IFRS 4 Application of IFRS 9
Financial Instruments' together with IFRS 4
'Insurance Contracts'**

**Amendments to IAS 28 Investments in Associated
Companies and Joint Ventures as part of
Amendments to IFRS Standards 2014-2016 Cycle**

**Amendments to IFRS 1 First-time Adoption of
International Financial Reporting Standards as
part of the Changes as a part of Amendments to
IFRS Standards 2014-2016 Cycle**

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

05

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

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 16 Leases

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

The Group made a preliminary assessment of the expected impact of the implementation of IFRS 16 on its consolidated financial statements. It shows that the application of the new standard will have an impact on the recognition, presentation, measurement and disclosure of relevant assets and liabilities resulting from operating leases (primarily car leases and perpetual usufruct of land) concluded in the financial statements. The Group is in the process of a de-

tailed analysis of the impact of the implementation of IFRS 16 on the financial statements. The Group plans to implement IFRS 16 on 1 January 2019 using a modified retrospective approach and a standard that results in the recognition of equity adjustments.

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;

IFRIC 23 Uncertainty over Income Tax Treatments

- effective for financial years beginning on or after 1 January 2019 (issued on 7 June 2017). Not yet endorsed by EU at the date of approval of these financial statements;

Amendments to IFRS 9: Prepayment Features with Negative Compensation

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

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

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

Annual Improvements to IFRS Standards 2015-2017 Cycle

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

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

- effective for financial years beginning on or after 1 January 2019 (issued on 7 February 2018). Not yet endorsed by EU at the date of approval of these financial statements;

Amendments to References to the Conceptual Framework in IFRS Standards

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

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.

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

06

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 2017, 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 2018.

Voluntary change in accounting policy

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

In the course of the analysis, the Management Board of the Company analyzed historical cases of withdrawal from the sale contract after signing the hand over protocol and found out that these are extremely rare, which confirms the above conclusions.

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

To sum up, the Company (the Group) has decided to change its accounting policy because in the opinion of the Management Board new revenue recognition rules will provide more reliable and useful information. The new accounting policy better reflects the economic substance of sales transactions of resi-

dential premises, including the moment of transfer of risks and rewards, and is consistent with the observed market practice applied by other residential developers.

New accounting policy is in line with International Financial Reporting Standards, especially with IFRS 15 Revenue from contracts with customers.

The comparative data in these financial statements have been restated accordingly. The impact of the above changes on particular items of the statement of financial position as at 1 January 2017, 30 June 2017 and 31 December 2017, as well as the profit and loss account for the period from 1 January 2017 to 30 June 2017 is presented in the tables below.

Major changes of comparable data as at 30 June 2017:

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

	30.06.2017 - approved	30.06.2017 - restated	Change
Assets			
Current assets			
Inventory	693 616	682 904	(10 712)
Total assets	3 522 339	3 511 627	(10 712)
Equity and liabilities			
Equity			
Equity attributable to equity holders of the parent	1 492 809	1 496 255	3 446
Retained earnings	192 795	196 241	3 446
Provisions			
Deferred tax provisions	60 830	61 638	808
Short-term liabilities			
Revenues brought forward	201 746	186 780	(14 966)
Total equity and liabilities	3 522 339	3 511 627	(10 712)

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

	01.01.2017 - 30.06.2017 - approved	01.01.2017 - 30.06.2017 - restated	Change
Revenue	169 400	174 456	5 056
Cost of sales	(138 318)	(140 677)	(2 359)
Gross profit of sales	31 082	33 779	2 697
Operating profit	132 080	134 777	2 697
Gross profit	205 658	208 355	2 697
Income tax	(18 501)	(19 013)	(512)
- deferred portion	(12 601)	(13 113)	(512)
Net profit (loss)	187 157	189 342	2 185
- attributable to holders of the parent	187 161	189 346	2 185
Net profit (loss) per one ordinary share (in PLN)	0,45	0,46	0,01

Major changes in the comparative data as at 31 December 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION [PLN '000]

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

CHAPTER 3

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

SEPARATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION [‘000 PLN]

	Note	30.06.2018 (non-audited)	31.12.2017 - restated	30.06.2017 - restated (non-audited)
Assets				
Non-current assets				
Intangible assets		1 359	1 080	273
Property, plant and equipment	1	4 873	4 883	4 507
Investment property	2	2 212	2 212	2 212
Investments in subsidiaries, jointly controlled entities and associates	3	963 475	927 796	2 365 508
Long-term financial assets	3	904 801	1 720 411	22
Loans granted	4	21 857	12 487	10 952
Deferred tax assets	5	9 554	13 840	47 890
		1 908 131	2 682 709	2 431 364
Current assets				
Inventories	6	221 124	217 987	360 219
Other taxes receivable		2 240	-	1 891
Trade and other receivables		114 171	201 789	100 458
Loans granted	7	673 480	316 253	42 632
Restricted cash		13 766	20 771	47 189
Cash and cash equivalents		15 898	228 079	18 800
		1 040 679	984 879	571 189
Assets held for sale		-	-	8 000
Total assets		2 948 810	3 667 588	3 010 553

SEPARATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION CONTINUATION [‘000 PLN]

	Note	30.06.2018 (non-audited)	31.12.2017 - restated	30.06.2017 - restated (non-audited)
Equity				
Share capital		20 635	20 635	20 635
Supplementary capital		1 054 295	839 054	839 055
Dividend fund		532 654	319 579	319 579
Profit / (loss) from previous years		2 244	2 008	2 008
Net profit		17 168	634 896	41 953
		1 626 996	1 816 172	1 223 230
Provisions				
Short-term provisions	11	38 331	41 814	26 726
Long-term provisions		-	2 857	-
		38 331	44 671	26 726
Long-term liabilities				
Loans, borrowings and bonds	8	854 753	835 229	406 301
Received deposits and advances	8	1 064	577	684
		855 817	835 806	406 985
Short-term liabilities				
Loans, borrowings and bonds	10	290 069	821 986	935 029
- from subsidiaries:		-	320 864	404 936
Current income tax liabilities	9	607	3	1
Other taxes liabilities	9	1 460	7 155	1 995
Trade liabilities	9	31 793	35 642	28 363
Received deposits and advances	9	76 386	51 502	98 041
Other liabilities	9	27 351	54 651	290 183
		427 666	970 939	1 353 612
Total equity and liabilities		2 948 810	3 667 588	3 010 553

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

	Note	01.01.2018 - 30.06.2018	01.01.2017 - 30.06.2017 - restated	01.04.2018 - 30.06.2018	01.04.2017- 30.06.2017 - restated
Revenue	13	148 669	124 439	87 405	63 690
Cost of sales		(92 942)	(87 503)	(54 651)	(42 685)
Profit before tax		55 727	36 936	32 754	21 005
Profit (loss) on investment property		-	(1 819)	-	(2 218)
Administrative costs associated with projects		(5 755)	(5 049)	(1 913)	(3 234)
Selling expenses		(8 740)	(8 943)	(4 907)	(3 852)
General and administrative expenses		(45 597)	(37 362)	(28 483)	(24 589)
Other operating income	14	73 474	88 408	16 182	(3 339)
Other operating expenses		(9 293)	(13 388)	(9 028)	13 070
Operating profit		59 816	58 783	4 605	(3 157)
Financial income	15	3 351	1 328	1 656	(56 437)
Financial cost		(37 157)	(26 261)	(20 552)	43 669
Profit before tax		26 010	33 850	(14 291)	(15 925)
Income tax		(8 842)	8 103	(7 730)	4 876
Net profit		17 168	41 953	(22 021)	(11 049)
Net profit		17 168	41 953		
Weighted average number of ordinary shares		412 690 582	412 690 582		
Profit per ordinary share (in PLN)		0,04	0,10		
Diluted, weighted average number of ordinary shares		412 690 582	412 690 582		
Diluted earnings per ordinary share (in PLN)		0,04	0,10		

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

	Note	01.01.2018- 30.06.2018	01.01.2017- 31.12.2017	01.01.2017- 30.06.2017 - restated
Net profit		17 168	634 896	41 953
Total comprehensive income		17 168	634 896	41 953

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

Note	Share capital	Supplementary capital	Dividend fund	Profit (loss) from previous years	Current years' profit	Total equity
As at 1 January 2018	20 635	839 054	319 579	634 661	-	1 813 929
change in accounting policy	-	-	-	2 244	-	2 244
Situation as at 1 January 2018	20 635	839 054	319 579	636 905	-	1 816 173
Changes in the period						
Distribution of previous years' profit	-	215 241	213 075	(428 316)	-	-
Dividend paid	-	-	-	(206 345)	-	(206 345)
Net profit for the period	-	-	-	-	17 168	17 168
Total changes	-	215 241	213 075	(634 661)	17 168	(189 177)
As at 30 June 2018	20 635	1 054 295	532 654	2 244	17 168	1 626 996
Situation as at 1 January 2017	20 635	1 045 400	49 213	270 366	-	1 385 614
change in accounting policy	-	-	-	2 008	-	2 008
Situation as at 1 January 2017	20 635	1 045 400	49 213	272 374	-	1 387 622
Changes in the period						
Distribution of previous years' profit	-	-	270 366	(270 366)	-	-
Dividend paid	-	(206 346)	-	-	-	(206 346)
Net profit for the period	-	-	-	-	634 896	634 896
Total changes	-	(206 346)	270 366	(270 366)	634 896	428 550
As at 31 December 2017	20 635	839 054	319 579	2 008	634 896	1 816 172
As at 1 January 2017	20 635	1 045 400	49 213	272 531	-	1 387 779
change in accounting policy	-	-	-	2 008	-	2 008
As at 1 January 2017	20 635	1 045 400	49 213	274 539	-	1 389 787
Changes in the period						
Distribution of previous years' profit	-	-	270 366	(272 531)	-	(2 165)
Dividend approved	-	(206 345)	-	-	-	(206 345)
Net profit for the period	-	-	-	-	41 953	41 953
Total changes	-	(206 345)	270 366	(272 531)	41 953	(166 557)
As at 30 June 2017	20 635	839 055	319 579	2 008	41 953	1 223 230

SEPARATED CONDENSED INTERIM CASH FLOW STATEMENT [PLN '000]

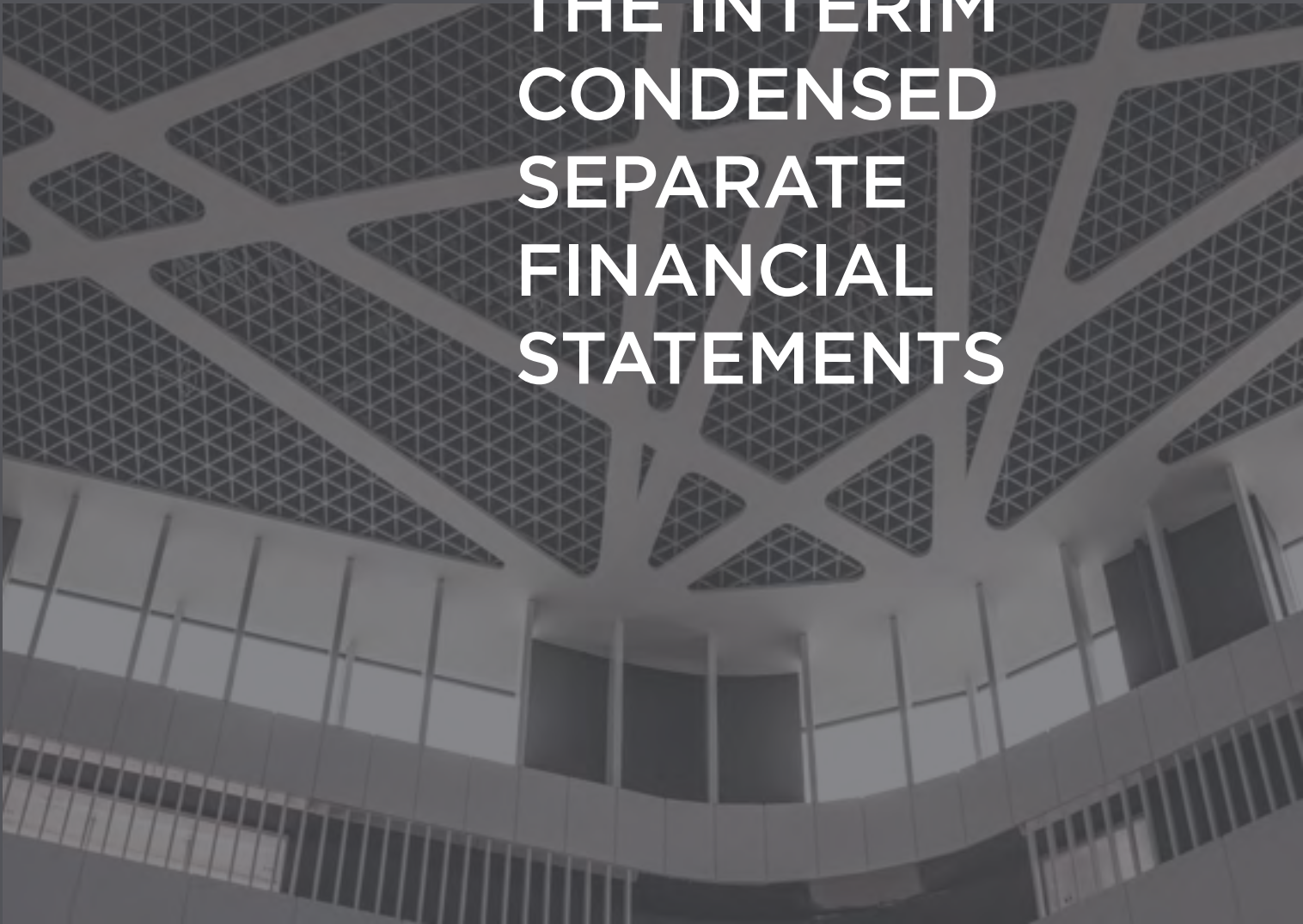
	01.01.2018- 30.06.2018	01.01.2017 -30.06.2017 - restated
Operating cash flow – indirect method		
Profit before tax	26 010	33 850
Adjustments	(26 348)	(59 763)
Depreciation/amortisation	1 029	803
Foreign exchange gains/ losses	-	(346)
Interest and profit sharing (dividends)	(31 663)	(64 342)
Profit / loss on revaluation of assets and liabilities	4 286	4 613
Profit (loss) on sale of fixed assets and properties	-	(491)
Changes in working capital	36 625	180 172
Change of provision	(6 340)	757
Change of inventory	7 228	(19 268)
Change of receivables	75 409	35 232
Change in short-term liabilities, except for loans and borrowings	(46 677)	189 756
Change of restricted cash	7 005	(26 305)
Net cash generated from operating activities (I +/- II +/- III)	36 287	154 259
Income tax paid	(3 952)	(1 130)
Net cash generated from operating activities (IV +/- V)	32 335	153 129
Cash flows from investing activities		
Inflows	657 257	258 507
Disposal of intangible assets and PP&E	(122)	725
From financial assets, including	657 379	257 782
a) in subsidiaries	657 379	257 782
disposal of financial assets	-	672
dividends and profit sharing	56 514	86 122
repayment of loans granted	81 939	170 745
interest	572	242
redemption of certificates	518 354	-
Outflows	(470 205)	(189 804)
Purchase of intangible assets and PP&E	(201)	(399)
Investment in property	-	(73)
On financial assets, including:	(470 004)	(189 250)
a) in subsidiaries	(446 768)	(189 250)
- Acquisition of financial assets	(4)	(17 069)
- Loans granted	(446 764)	(172 181)

SEPARATED CONDENSED INTERIM CASH FLOW STATEMENT [PLN '000]

	01.01.2018- 30.06.2018	01.01.2017 -30.06.2017 - restated
b) in other entities	(23 236)	-
- Acquisition of financial assets	(23 236)	-
Other investment inflows	-	(82)
Net cash flow from investing activities	187 052	68 703
Cash flow from financing activities (I - III)		
Inflows	340 000	303 000
Loans and borrowings	150 000	148 000
Issue of debt securities	190 000	155 000
Outflows	(771 568)	(527 574)
Dividends and other payments to equity holders	-	(66 030)
Repayment of loans and borrowings	(206 345)	(258 450)
Redemption of debt securities	(125 000)	(175 000)
Interest paid	(402 900)	(25 569)
Other investment outflows	(36 709)	(2 525)
Net cash flow from financing activities	(614)	(224 574)
	(431 568)	
Total net cash flows	(212 181)	(2 742)
Balance sheet change in cash, including	(212 181)	(2 742)
change in cash due to foreign exchange gains/losses	-	346
Cash and cash equivalents at the beginning of the period	228 079	21 542
Cash and cash equivalents at the end of the period	15 898	18 800

3.1

EXPLANATORY NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS



Explanatory notes to the statement of financial position

NOTE 1A

PROPERTY, PLANT AND EQUIPMENT [PLN '000]

The company did not recognize impairment losses on intangible assets during the periods covered by the financial statements. The company has no collateral established on fixed assets.

	30.06.2018	31.12.2017	30.06.2017
PP&E, including:	4 439	4 883	4 414
Land	250	252	160
buildings, premises, civil and water engineering structures	2 619	2 670	2 256
plant and machinery	210	211	123
means of transport	721	959	1 281
other PP&E	639	791	594
PP&E under construction	434	-	93
Advances on PP&E under construction	-	-	-
Total property, plant and equipment	4 873	4 883	4 507

NOTE 2A

CHANGES IN INVESTMENT PROPERTY [PLN '000]

	01.01.2018- 30.06.2018	01.01.2017- 31.12.2017	01.01.2017- 30.06.2017
Value of property investments at the beginning of the period	2 212	5 648	5 648
Decreases due to:	-	(3 436)	(3 436)
- Sale	-	(1 670)	-
- reclassification to assets held for sale	-	-	(1 670)
- revaluation of property	-	(1 766)	(1 766)
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 2018.

NOTE 3A

INTERESTS AND SHARES [PLN '000]

	30.06.2018	31.12.2017	30.06.2017
Investments in subsidiaries, jointly controlled entities and associates			
in subsidiaries	963 475	927 796	2 365 508
	963 475	927 796	2 365 508
Total interests and shares	963 475	927 796	2 365 508

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]

	01.01.2018- 30.06.2018	01.01.2017- 31.12.2017	01.01.2017- 30.06.2017
Opening balance, including:	927 796	2 328 625	2 328 625
- shares and interests	927 796	2 328 625	2 328 625
Increases due to:	40 273	42 765	93 763
- purchase of interests	40 219	41 524	36 349
- capital increase	54	1 241	1 236
- write-down on assets	-	-	56 178
Decreases due to:	(4 594)	(1 443 594)	(56 880)
- sale of interests	(48)	(93)	(56 880)
- capital decrease	-	(1 435 917)	-
- liquidation of the entity	-	(4)	-
- write-down on assets	(4 546)	(7 580)	-
Closing balance, including:	963 475	927 796	2 365 508
- shares and interests	963 475	927 796	2 365 508

In the first half of 2018 the Company made a revaluation write-down on shares of Echo Investment Hungary Ingatlanhasznosito KFT in the amount of PLN 3 mln.

In the first half of 2018 the Company acquired interests in the following entities:

- Projekt 1 - Grupa Echo Sp. z o.o. S.k.a.
- value PLN 4,004 thousand;
- Projekt 5 - Grupa Echo Sp. z o.o. S.k.a.
- value PLN 50 thousand PLN;
- Projekt Echo - 108 Sp. z o.o.
- value PLN 64 thousand PLN;
- Villea Investments Sp. z o.o.
- value PLN 5 thousand PLN;
- Bełchatów - Grupa Echo Sp. z o.o. S.k.a.
- value PLN 72 thousand PLN;
- Fianar Investments Sp. z o.o.
- value PLN 5 thousand PLN;
- PPR - Grupa Echo - 77 Sp. z o.o. S.k.a.
- value PLN 159 thousand PLN;
- Pudsey Sp. z o.o. - value PLN 82 thousand PLN;
- Seaford Sp. z o.o. - value PLN 5 thousand PLN;
- Kielce - Grupa Echo 129 Sp. z o.o. S.k.a.
- value PLN 136 thousand PLN;
- Malta Office Park - Grupa Echo - 96 Sp. z o.o. S.k.a - value PLN 2,467 thousand PLN;
- 53 - Grupa Echo Sp. z o.o. S.k.a.
- value PLN 1,315 thousand PLN;
- Projekt Beethovena - Projekt Echo - 122 Sp. z o.o. S.k.a. - value PLN 3,429 thousand PLN;
- Echo - Galaxy Sp. z o.o. S.k.a.
- value PLN 8,560 thousand PLN;
- Galeria Tarnów - Grupa Echo Sp. z o.o. S.k.a.
- value PLN 575 thousand PLN;
- Avatar - Projekt Echo - 119 Sp. z o.o. S.k.a.
- value PLN 17,664 thousand PLN;
- Oxygen - Projekt Echo - 95 Sp. z o.o. S.k.a.
- value PLN 26 thousand PLN;

- Park Postępu - Grupa Echo - 130 Sp. z o.o. S.k.a.
- value PLN 1,587 thousand PLN.

In the first half of 2018 the Company sold its shares in the following entities:

- Projekt 141 - GE Sp. z o.o. SP.K.
- value PLN 6 thousand PLN;
- Projekt 142 - GE Sp. z o.o. SP.K.
- value PLN 6 thousand PLN;
- Projekt 143 - GE Sp. z o.o. SP.K.
- value PLN 6 thousand PLN;
- Projekt Echo - 114 Sp. z o.o.
- value PLN 31 thousand PLN.

In the first half of 2018 The Company paid up and increased its capital in the following subsidiaries:

- Projekt 139 - GE Sp. z o.o. Sp.K.
- value PLN 5 thousand PLN;
- Projekt 140 - GE Sp. z o.o. Sp.K.
- value PLN 5 thousand PLN;
- Projekt 141 - GE Sp. z o.o. Sp.K.
- value PLN 5 thousand PLN;
- Projekt 142 - GE Sp. z o.o. Sp.K.
- value PLN 5 thousand PLN;
- Projekt 143 - GE Sp. z o.o. Sp.K.
- value PLN 5 thousand PLN;
- Projekt 144 - GE Sp. z o.o. Sp.K.
- value PLN 5 thousand PLN;
- Projekt 145 - GE Sp. z o.o. Sp.K.
- value PLN 5 thousand PLN;
- Projekt 146 - GE Sp. z o.o. Sp.K.
- value PLN 5 thousand PLN;
- Projekt 147 - GE Sp. z o.o. Sp.K.
- value PLN 5 thousand PLN;
- Projekt 148 - GE Sp. z o.o. Sp.K.
- value PLN 5 thousand PLN.

NOTE 3C

LONG-TERM FINANCIAL ASSETS [PLN '000]

	30.06.2018	31.12.2017
Advances received	-	-
Investment certificates	904 801	1 720 411
Total long-term financial assets	904 801	1 720 411

In the first half of 2018, the Company redeemed 682,589 certificates of B-series, issued by Forum 60 Fundusz Inwestycyjny Zamknięty amounted to PLN 815,910 thousand. Total receivables due to the redemption of certificates as at 30 June 2018 were

settled. The settlement was made by bank transfers and the agreements: the deduction of loans of 7 February 2018, "datio in solutum" of 30 March 2018 and 12 April 2018, transferring the ownership of shares of companies listed in the agreements.

NOTE 4

LONG-TERM BORROWINGS GRANTED [PLN '000]

Loans are not measured at fair value, but the amortised cost measurement does not differ materially from the fair value measurement.

	30.06.2018	31.12.2017	30.06.2017
In subsidiaries	21 857	1 339	-
In other entities	-	11 148	10 952
Total long-term borrowings granted	21 857	12 487	10 952

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		

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

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

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

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

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

Contractor	Amount	Interest	Repayment date
Outlet Park - Projekt Echo - 126 Sp. z o.o. Sp.K.	10 687	WIBOR 3M + margin	31.05.2023
Total	10 687		

NOTE 5

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

	01.01.2018- 30.06.2018	01.01.2017- 31.12.2017	01.01.2017- 30.06.2017
Deferred income tax assets/provision at the beginning of the period	13 840	39 788	39 788
- Financial instruments	(4)	(17)	(17)
- Investment property	513	178	178
- Receivables and liabilities due to borrowings	(1 409)	(799)	(799)
- Liabilities due to loans and bonds	100	332	332
- Tax loss	10 244	988	988
- Inventory	5 800	6 840	6 840
- Interests and shares	-	35 074	35 074
- Other	(1 404)	(2 808)	(2 808)
Increases	687	11 008	20 251
- Financial instruments	4	13	16
- Investment property	-	335	877
- Receivables and liabilities due to borrowings	-	-	-
- Liabilities due to loans and bonds	-	-	686
- Tax loss	-	9 256	18 664
- Other	683	1 404	8
Decreases	(4 973)	(36 956)	(12 149)
- Receivables and liabilities due to borrowings	(1 816)	(610)	(170)
- Liabilities due to loans and bonds	(787)	(232)	-
- Tax loss	(966)	-	-
- Inventory	(1 404)	(1 040)	(1 305)
- Interests and shares	-	(35 074)	(10 674)
Deferred income tax assets/provision at the end of the period	9 554	13 840	47 890
- Financial instruments	-	(4)	(1)
- Investment property	513	513	1 055
- Receivables and liabilities due to borrowings	(3 225)	(1 409)	(969)
- Liabilities due to loans and bonds	(687)	100	1 018
- Tax loss	9 278	10 244	19 652
- Inventory	4 396	5 800	5 535
- Interests and shares	-	-	24 400
- Other	(721)	(1 404)	(2 800)

NOTE 6A

INVENTORY [PLN '000]

	30.06.2018	31.12.2017	30.06.2017
Semi-finished products and work-in-progress	179 876	147 172	310 265
Finished products	37 438	64 789	36 420
Goods	3 810	6 026	13 534
Total	221 124	217 987	360 219

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 inven-

tories 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 - INFLUENCE ON THE RESULT [PLN '000]

	30.06.2018	31.12.2017	30.06.2017
Reversal of inventory recognised as an expense in the period	-	(6 925)	-
Reversal of write-downs of values decreasing the value of inventory recognized as revenues in the period	5 138	22 663	6 488
Change in write-down on inventory	5 138	15 738	6 488

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 2018 concerns

the residential projects: Grota-Roweckiego 111 in Wrocław, Las Młociński in Warsaw and Nowa Dzielnica in Łódź.

The change of write-down on inventories as at 30 June 2018 amounted to PLN 5,138 thousand. As at 31 of December amounted to PLN 15,738 thousand and as at 30 June 2017 amounted to PLN 6,488 thousand.

NOTE 7A

SHORT-TERM BORROWINGS GRANTED [PLN '000]

	30.06.2018	31.12.2017	30.06.2017
In subsidiaries			
- borrowings granted	656 512	307 859	37 799
- interest	16 968	6 950	4 823
	673 480	314 809	42 622
In other entities			
- borrowings granted	-	1 444	-
- interest	-	-	10
	-	1 444	10
Total of short-term borrowings granted	673 480	316 253	42 632

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

NOTE 7B

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

	30.06.2018	31.12.2017	30.06.2017
In the Polish currency (PLN)	637 410	281 530	42 091
In foreign currencies - by currency, after conversion into PLN	36 070	34 723	541
Total of short-term borrowings granted	673 480	316 253	42 632

Note 7B contains short-term loans with interests.

BASIC DATA ON THE LARGEST SHORT-TERM AND LONG-TERM BORROWINGS WITHOUT INTEREST AND IMPAIRMENT LOSSES AS AT 30.06.2018 [‘000 PLN].

Contractor	Value	Interest	Payout date
Echo Investment Hungary Ingatlanhasznosito Kft.	32 715	WIBOR 3M + margin	31.12.2018
Echo – Project Management Ingatlanhasznosito Kft.	778	WIBOR 3M + margin	31.12.2018
Doxent Investments Sp. z o.o.	44 330	WIBOR 3M + margin	31.12.2018
City Space Management Sp. z o.o.	29	WIBOR 3M + margin	30.09.2018
City Space – SPV 2 Sp. z o.o.	4 051	WIBOR 3M + margin	30.09.2018
City Space – SPV 3 Sp. z o.o.	498	WIBOR 3M + margin	30.09.2018
Fianar Investments Sp. z o.o.	71 360	WIBOR 3M + margin	31.12.2018
Elektrownia Sp. z o.o.	109	WIBOR 3M + margin	30.06.2019
Projekt 17 – Grupa Echo Sp. z o.o. SKA	44 047	WIBOR 3M + margin	30.09.2018
Projekt Echo – 136 Sp. z o.o. Sp.K.	79 920	WIBOR 3M + margin	30.09.2019
Galeria Libero – Projekt Echo 120 Sp. z o.o. Sp.K.	82 740	WIBOR 3M + margin	31.12.2018
Projekt Echo – 137 Sp. z o.o.	16 581	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
Villea Investments Sp. z o.o.	63 100	WIBOR 3M + margin	31.12.2018
Projekt 140 – Grupa Echo Sp. z o.o. Sp.K.	14 000	WIBOR 3M + margin	31.12.2018
Projekt 20 – Grupa Echo Sp. z o.o. SKA	95 354	WIBOR 3M + margin	31.03.2019
Total	665 192		

The maximum value of credit risk associated with loans equals their carrying amount. Loans granted are not secured, they are not overdue and there was no

impairment of their value. The loans were granted to affiliated entities with good financial standing.

**BASIC DATA ON THE LARGEST SHORT-TERM LOANS, NET OF INTEREST,
AS AT 31.12.2017 [‘000]**

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

**BASIC DATA ON THE LARGEST SHORT-TERM AND LONG-TERM BORROWINGS
WITHOUT INTEREST AND IMPAIRMENT LOSSES AS AT 30.06.2017 [‘000 PLN]**

Contractor	Value	Interest	Payout date
Barconsel Holdings Ltd.	100	WIBOR 3M + margin	30.06.2017
Echo Investment Hungary Ingatlanhasznosito Kft.	31 821	WIBOR 3M + margin	31.12.2017
Echo – Project Management Ingatlanhasznosito Kft.	778	WIBOR 3M + margin	31.12.2017
City Space Management Sp. z o.o.	29	WIBOR 3M + margin	30.09.2017
City Space – SPV 2 Sp. z o.o.	4 050	WIBOR 3M + margin	30.09.2017
City Space – SPV 3 Sp. z o.o.	498	WIBOR 3M + margin	30.09.2017
GP Development Sarl	189	WIBOR 3M + margin	31.12.2017
GP Office Sarl	167	WIBOR 3M + margin	31.12.2017
GP Retail Sarl	167	WIBOR 3M + margin	31.12.2017
Total	37 799		

NOTE 8A

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

	30.06.2018	31.12.2017	30.06.2017
Due to subsidiaries	-	-	-
Due to other entities			
- security deposits received	1 064	577	684
- due to issue of debt securities	854 753	835 229	406 301
	855 817	835 806	406 985
Total long-term liabilities	855 817	835 806	406 985

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]

	30.06.2018	31.12.2017	30.06.2017
From 1 to 3 years	243 988	258 357	163 851
3 - 5 years	611 538	577 449	242 850
Over 5 years	291	-	284
Total long-term liabilities	855 817	835 806	406 985
Interest rates applied for discounting the expected cash flows	5,00%	5,17%	5,34%

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]

	30.06.2018	31.12.2017	30.06.2017
In the Polish currency (PLN)	855 817	835 806	406 985
Total long-term liabilities	855 817	835 806	406 985

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.

NOTE 8D

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.

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

Bank	Contractual amount of loan / borrowing	Outstanding loan / borrowing amount	Interest rate	Repayment deadline	Security
Alior Bank S.A.	50 000	50 000	WIBOR 3M + margin	30.01.2018	Authorisation to bank account, statement on submission to enforcement proceedings
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
Total	262 000	50 000			

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

** As at 31.12.2017 the available credit line is PLN 59,9 mln. The remaining amount of the credit line is blocked as collateral of the guarantee provided by Bank Raiffeisen for one of the companies of Echo Group.

The loan value corresponds to undiscounted cash flows.

CREDIT FACILITIES OF ECHO INVESTMENT S.A. AS AT 30.06.2017 [PLN '000]

Bank	Contractual amount of loan / borrowing	Outstanding loan / borrowing amount	Interest rate	Repayment deadline	Security
Alior Bank S.A.	50 000	-	WIBOR 3M + margin	30.01.18	Authorisation to bank account, statement on submission to enforcement proceedings
BZ WBK S.A.*	75 000	-	WIBOR 1M + margin	30.07.18	Authorisation to bank account, statement on submission to enforcement proceedings
PKO BP S.A.	75 000	70 000	WIBOR 1M + margin	19.08.18	Authorisation to bank account, statement on submission to enforcement proceedings
Raiffeisen Bank Polska S.A	62 000	121	WIBOR 1M + margin	14.12.18	Authorisation to bank account, statement on submission to enforcement proceedings
Total	262 000	70 121			

* As at 30 June 2017 the available credit line is PLN 10.2 mln. The remaining amount of the credit line is blocked as collateral of the guarantee provided by BZ WBK in connection with the sale of the Q22 project.

NOTE 8E

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

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

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

In the first half of 2018 Company has redeemed the following bonds:

Series	Redemption date	Amount [PLN thousand]
C - series	5.03.2018	75,000
D - series	20.04.2018	50,000
1/2015	23.04.2018	197,900
3/2013	19.06.2018	80,000
Total		402,900

As part of the Third Bond Issue Programme for individual investors of up to PLN 400 mln, issued on the basis of a prospectus which was approved by the Financial Supervision Authority on 16 April 2018, the Company On 25-30 April 2018 subscribed to series H with a total value of PLN 50 mln.

Under the agreement on the Bond Issue Programme for a maximum amount of PLN 1 billion signed with mBank S. A. in 2004, the Company issued coupon

bonds with a total value of PLN 140 mln on 23 April 2018.

The nominal value and the issue price of both tranches of bonds amounted to PLN 10,000.

The bonds were issued with its maturity date of 25 April 2022. The interest rate on the bonds was based on the variable WIBOR 6M rate plus a margin. Interest will be paid in semi-annual periods. The bonds issued are not secured.

NOTE 9

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

	30.06.2018	31.12.2017	30.06.2017
Trade, due to subsidiaries, with maturity:	4 287	3 025	5 700
- up to 12 months	4 287	3 025	5 700
Trade, due to other entities, with maturity:	27 506	32 617	22 663
- up to 12 months	27 506	32 617	22 663
Total short-term trade liabilities	31 793	35 642	28 363
- Advances received	70 823	44 266	91 297
- Security deposits received	5 563	7 236	6 744
Total security deposits and advance payments received	76 386	51 502	98 041
Taxes, customs duties, insurance and other benefits	2 067	7 158	1 996
Total tax	2 067	7 158	1 996
Other liabilities	27 351	54 651	290 183
- payroll	2	3	3
- other (due to)	27 349	54 648	290 180
- dividend	-	-	206 345
- cash on escrow account	13 766	20 771	47 189
- acquisition of interests	10	23 251	24 169
- other	13 573	10 626	12 477
- bonuses for management and employees	12 053	8 184	11 641
Total other short-term liabilities	27 351	54 651	290 183
Total short-term trade liabilities, taxes, security deposits received and other	137 597	148 953	418 583

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

NOTE 10A

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

	30.06.2018	31.12.2017	30.06.2017
Due to subsidiaries			
- borrowings	-	320 864	404 936
	-	320 864	404 936
Due to other entities			
- loans and borrowings	75 000	50 000	70 121
- due to issue of debt securities	215 069	451 122	459 972
	290 069	501 122	530 093
Total short-term loans, borrowings and bonds	290 069	821 986	935 029

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 10B

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

	30.06.2018	31.12.2017	30.06.2017
In the Polish currency (PLN)	290 069	821 986	935 029
Total	290 069	821 986	935 029

As at 30 June 2018 the Company was not granted by any short-term loans without interest.

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

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

BASIC DATA ON MAJOR SHORT-TERM BORROWINGS, WITHOUT INTEREST, AS AT 30.06.2017

Contractor	Value ['000 PLN]	Interest rate	Repayment rate
Echo - Aurus Sp. z o. o.	40 500	WIBOR 3M + margin	31.12.2017
Echo - SPV 7 Sp. z o. o.	38 086	WIBOR 3M + margin	31.12.2017
Forum 60 Fundusz Inwestycyjny Zamknięty	317 955	WIBOR 3M + margin	30.06.2018
Total	396 541		

NOTE 11

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

	30.06.2018	31.12.2017	30.06.2017
At the beginning of the period			
- provisions for penalties	2 000	2 000	2 000
- litigations	2 066	2 066	2 066
- provision for costs	40 605	21 924	21 924
	44 671	25 990	25 990
Increases due to			
- provisions for expected losses	4 227	-	-
- provision for costs	-	18 681	736
	4 227	18 681	736
Utilisation due to			
- provision for penalties	(2 066)	-	-
	(2 066)	-	-
Release due to			
- provision for costs	(8 501)	-	-
	(8 501)	-	-
At the end of the period			
- provisions for penalties	2 000	2 000	2 000
- provisions for expected losses	4 227	-	-
- litigations	-	2 066	2 066
- provision for costs	32 104	40 605	22 660
	38 331	44 671	26 726

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]

	30.06.2018	31.12.2017	30.06.2017
Contingent liabilities			
For related parties due to:	1 166 750	859 676	891 891
- guarantees and sureties granted	1 166 750	859 676	891 891
Total contingent receivables	1 166 750	859 676	891 891
Other due to:			
- court proceedings against Echo Investment	181	181	966
	181	181	966
Total	1 166 931	859 857	892 857

SURETY AGREEMENTS BY ECHO INVESTMENT S.A. AS AT 30.06.2018

For	Value [PLN '000]	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		

As at 30 June 2018 Echo Investment S. A. did not receive any surety agreements.

SURETY AGREEMENTS BY ECHO INVESTMENT S.A. AS AT 31.12.2017

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

SURETY AGREEMENTS BY ECHO INVESTMENT S.A. AS AT 30.06.2017

For	Value [PLN '000]	Validity	Description
Bletwood Investments Sp. z o.o.	1 422	Entire validity period of the lease and three months following its termination date	Surety bond for liabilities of Cogl II Poland Limited Sp. z o.o. as a collateral of the liabilities resulting from the lease concluded on 06.11.2015. Issued in EUR.
HPO AEP Sp. z o.o. Sp. J.	10 566	Until acquisition of an occupancy permit for the projects but no later than 07.12.2031.	Surety bond for liabilities of Echo – Browary Warszawskie Sp. z o.o. Sp.K. and Dellia Investments – Projekt Echo – 115 Sp. z o.o. Sp. K. as a collateral of liabilities resulting from the lease concluded on 07.12.2016. Mutual surety issued in EUR.
Total	11 988		

ECHO INVESTMENT GUARANTEE AGREEMENTS AS AT 30.06.2018

For	Value [PLN '000]	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.
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		

Value of guarantees received by Echo Investment S. A.
as at June 30, 2018:

- on account of lease agreements concluded: PLN 91,429
- emissions from the implementation of projects: 14,632,789
PLN, 43,820 EUR

ECHO INVESTMENT GUARANTEE AGREEMENTS AS AT 31.12.2017

For	Value [PLN '000]	Validity	Description
Horta Sp. z o.o.	20 855	until 02.07.2020	Performance bond concerning execution of the final sales agreement concerning the Acquarius Business House I office building in Wrocław. Issued in EUR.
Skua Sp. z o.o.	25 025	until 30.07.2021	Performance bond concerning the execution of the final sales agreement concerning the Acquarius Business House II office building in Wrocław. Issued in EUR.
Skarb Państwa	43 045	until 22.05.2018	Surety bond concerning liabilities of Outlet Park – Projekt Echo – 126 Sp. z o.o. Sp. K.
mBank S.A.*	14 777	until fulfillment of suitable financial indexes, no longer than 31.03.2021	Surety bond for liabilities of Nobilis – Projekt Echo – 117 Sp. z o.o. Sp. K. resulting from loan agreement of 16.06.2016. Issued in EUR.
mBank S.A.*	5 489	until project completion, no longer than 31.03.2018	Surety bond for construction cost overrun concerning the Nobilis office building in Wrocław.
BGŻ BNP Paribas S.A.	5 101	until project completion date	Surety bond for cost overrun and liabilities resulting from debt service in the period of construction of the Symetris I and II office building in Łódź. Issued in EUR.
IREEF – Stryków Propco Sp. z o.o.	420 000	until 15.12.2019	Construction work quality guarantee related to Q22 in Warsaw.
IREEF – Stryków Propco Sp. z o.o.	26 537	until 15.12.2021	Rent guarantee related to the sale of Q22 office building in Warsaw. The collateral of rent guarantee is a bank guarantee issued by BZ WBK S.A. for Echo Investment S.A. The guarantee is issued in EUR.
IREEF – Stryków Propco Sp. z o.o.	144 066	until 15.12.2018	Surety bond concerning failure to execute liabilities of Q22 – Projekt Echo – 128 Sp. z o.o. Sp. k. resulting from the sales contract concerning Q22 in Warsaw of 16.12.2016. Issued in EUR.
Ventry Investments Sp. z o.o.	27 567	until 20.12.2019	Rent guarantee related to the sale of O3 Business Campus I in Kraków. The collateral of rent guarantee is a corporate guarantee issued by Echo Investment S.A. Partly issued in EUR.
Emfold Investments Sp. z o.o.	41 990	until 20.12.2019	Rent guarantee related to the sale of the Tryton office building in Gdańsk. The collateral of rent guarantee is a corporate guarantee issued by Echo Investment S.A. Partly issued in EUR.
Flaxton Investments Sp. z o.o.	17 682	until 20.12.2019	Rent guarantee related to the sale of the Symetris office building in Łódź. The collateral of rent guarantee is a corporate guarantee issued by Echo Investment S.A. Partly issued in EUR.
Bank Millenium S.A.	7 300	until project completion, no longer than 30.06.2019	Surety bond for cost overrun of West Link office building in Wrocław and liabilities of West Gate II – Projekt Echo – 114 Sp.z o.o. Sp. K., resulting from loan agreement of 23.03.2017
Projekt Echo 135 Sp. z o.o. Sp.K.	20 928	until 25.04.2020	Rental guarantee related to sale of office building A4 Business Park phase III in Katowice. Surety bond for rental guarantee is corporate guarantee issued by Echo Investment S.A. Partly issued in EUR.
Sagittarius – Projekt Echo – 113 Sp. z o.o. Sp.K.	25 700	until 30.09.2020	Surety bond for loan agreement of 01.06.2017 and construction cost overrun up to PLN 25,7 mln related to agreement of 01.06.2017
IREEF – Stryków Propco Sp. z o.o.	498	until 01.08.2018	Guarantee for liabilities of Echo Investment S.A. due to lease agreement of 24.10.2016

ECHO INVESTMENT GUARANTEE AGREEMENTS AS AT 31.12.2017

For	Value [PLN '000]	Validity	Description
BZ WBK S.A. and Bank BGŻ BNP Paribas S.A.	55 244	until credit conversion, from building loan to investment loan	Surety bond for cost overrun on Galeria Libero in Katowice
BZ WBK S.A., PKO BP S.A. and Bank Gospodarstwa Krajowego	42 668	until credit conversion, from building loan to investment loan	Surety bond for cost overrun in construction of the Ga- leria Młociny project in Warsaw and liabilities of Berea Sp. z o.o. subsidiary resulting from loan agreement of 17.10.2017. Issued in EUR.
Ventry Investments Sp. z o.o. Sp.K.	46 070	until 27.12.2020	Rent guarantee related to the sale of O3 Business Cam- pus II in Cracow. The collateral of rent guarantee is a corporate guarantee issued by Echo Investment
Nobilis – Projekt Echo – 117 Sp. z o.o. Sp. K.	40 000	until 31.10.2026	Construction work quality guarantee related to Nobilis office building in Wrocław.
Nobilis – Projekt Echo – 117 Sp. z o.o. Sp. K.	15 503	until 31.10.2026	Rent guarantee related to the sale of Nobilis office building in Wrocław.
Total	1 046 045		

GUARANTEE AGREEMENTS ISSUED BY ECHO INVESTMENT S.A. AS AT 30.06.2017

Guarantor	For	Value [PLN '000]	Validity	Description
Echo Investment S.A.	Horta Sp. z o.o.	21 133	to 02.07.2020	Performance bond concerning execution of the final sales agreement concerning the Acquarius Business House I office building in Wrocław. Issued in EUR.
Echo Investment S.A.	Skua Sp. z o.o.	25 359	to 30.07.2021	Performance bond concerning execution of the final sales agreement concerning the Acquarius Business House II office building in Wrocław. Issued in EUR.
Echo Investment S.A. / BZ WBK S.A.	Skarb Państwa	43 045	to 22.05.2018	Surety bond concerning liabilities of Outlet Park - Projekt Echo - 126 Sp. z o.o. Sp. K.
Echo Investment S.A.	mBank S.A.	14 974	until fulfilment of suitable financial indexes, no longer than 31.03.2021	Surety bond for liabilities of Nobilis - Projekt Echo - 117 Sp. z o.o. Sp. K. resulting from loan agreement of 16.06.2016. Issued in EUR.
Echo Investment S.A.	mBank S.A.	5 489	Until the day of confirmation of meeting all financial indicators, not later than to 31.03.2018	Surety bond for cost overrun on Nobilis office building in Wrocław
Echo Investment S.A.	BGŻ BNP Paribas S.A.	5 169	until project completion date	Surety bond for cost overrun and liabilities resulting from debt service in the period of construction of the Symetris I and II office building in Łódź. Issued in EUR.
Q22 - Projekt Echo - 128 Sp. z o.o. Sp. K. / Echo Investment S.A.	IREEF - Stryków Propco Sp. z o.o.	420 000	to 15.12.2019	Construction work quality guarantee related to Q22 in Warsaw.
Q22 - Projekt Echo - 128 Sp. z o.o. Sp. K. / Echo Investment S.A. / BZ WBK S.A.	IREEF - Stryków Propco Sp. z o.o.	56 258	to 15.12.2021	Rent guarantee related to the sale of Q22 office building in Warsaw. The collateral of rent guarantee is a bank guarantee issued by BZ WBK S.A. for Echo Investment S.A. Issued in EUR.
Echo Investment S.A.	IREEF - Stryków Propco Sp. z o.o.	145 986	to 15.12.2018	Surety bond concerning failure to execute liabilities of Q22 - Projekt Echo - 128 Sp. z o.o. Sp. k. resulting from the sales contract concerning Q22 in Warsaw of 16.12.2016. Issued in EUR.
Echo - Opolska Business Park Sp. z o.o. Sp. K. / Echo Investment S.A.	Ventry Investments Sp. z o.o. Sp. K.	27 908	to 20.12.2019	Rent guarantee related to the sale of O3 Business Campus I in Kraków. The collateral of rent guarantee is a corporate guarantee issued by Echo Investment S.A. Partly issued in EUR.
Tryton - Projekt Echo - 127 Sp. z o.o. Sp. K. / Echo Investment S.A.	Emfold Investments Sp. z o.o. Sp. K.	42 508	to 20.12.2019	Rent guarantee related to the sale of the Tryton office building in Gdańsk. The collateral of rent guarantee is a corporate guarantee issued by Echo Investment S.A. Partly issued in EUR.

GUARANTEE AGREEMENTS ISSUED BY ECHO INVESTMENT S.A. AS AT 30.06.2017

Guarantor	For	Value [PLN '000]	Validity	Description
Symetris – Projekt Echo – 131 Sp. z o.o. Sp. K. / Echo Investment S.A.	Flaxton Investments Sp. z o.o. Sp. K.	17 883	to 20.12.2019	Rent guarantee related to the sale of the Symetris office building in Łódź. The collateral of rent guarantee is a corporate guarantee issued by Echo Investment S.A. Partly issued in EUR.
Echo Investment S.A.	Bank Millenium S.A.	7 300	until project completion, no longer than 30.06.2019	Surety bond for cost overrun of West Link office building in Wrocław and liabilities of West Gate II – Projekt Echo – 114 Sp. z o.o. Sp. K., resulting from loan agreement of 23.03.2017
Projekt Echo – 135 Sp. z o.o. Sp.K. / Echo Investment S.A.	A4 Business Park – „Iris Capital” Sp. z o.o. Sp.K.	21 191	to 25.04.2020	Rent guarantee related to the sale of the A4 Business Park III in Katowice. The collateral of rent guarantee is a corporate guarantee issued by Echo Investment S.A. Partly issued in EUR.
Echo Investment S.A.	PKO BP S.A.	25 700	to 30.09.2020	Surety bond for credit facilities of 01.06.2017, guarantee of cost overrun to PLN 25.7 mln of 01.06.2017
Total		879 903		

Explanatory notes to the profit and loss account

NOTE 13

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

	01.01.2018- 30.06.2018	01.01.2017- 30.06.2017
Sale of residential and commercial space	72 052	60 033
Property development services	53 751	38 253
from related parties	28 523	37 736
- from subsidiaries	28 523	37 736
Sale of plots	1 781	198
Lease services	3 400	3 230
from related parties	1 470	977
- from subsidiaries	1 470	977
Legal, accounting, consulting and IT services	4 651	6 732
from related parties	4 548	6 710
- from subsidiaries	4 548	6 710
Financial, marketing, securing services and other revenue	13 034	15 993
from related parties	12 618	14 694
- from subsidiaries	12 616	14 691
- from key personnel	2	3
Total operating revenue	148 669	124 439
from related parties	47 159	60 117
- from subsidiaries	47 157	60 114
- from key personnel	2	3

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

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

NOTE 14A

OTHER OPERATING REVENUE [PLN '000]

	01.01.2018- 30.06.2018	01.01.2017- 30.06.2017
Released provisions	6 030	-
- due to expected costs	6 030	-
Other, including:	615	1 397
- contractual penalties	-	36
- revenue from sale of non-financial non-current assets	130	492
- other	485	869
Interest on borrowings	9 142	-
from related parties, including:	9 142	-
- from subsidiaries	9 142	-
Other interests	109	33
- from other entities	109	33
Total	15 896	1 430

NOTE 14B

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

	01.01.2018- 30.06.2018	01.01.2017- 30.06.2017
From related parties including	57 578	86 978
- from subsidiaries	57 578	86 978
Total	57 578	86 978

NOTE 15A

FINANCIAL REVENUE FROM INTEREST [PLN '000]

	01.01.2018- 30.06.2018	01.01.2017- 30.06.2017
Other interest		
- from other entities	764	313
Total	764	313

NOTE 15B

OTHER FINANCIAL REVENUE [PLN '000]

	01.01.2018- 30.06.2018	01.01.2017- 30.06.2017
Foreign exchange gains	1 352	252
Revaluation of borrowings, loans and bonds	1 235	234
Other	-	529
Total other financial revenue	2 587	1 015

NOTE 16

INFORMATION ON FINANCIAL INSTRUMENTS [PLN '000]

Type of instrument	Note	As at 30.06.2018	Balance value as at 31.12.2017	As at 30.06.2017
Financial assets				
Long-term financial assets		904 801	1 720 411	-
- Investment certificates		904 801	1 720 411	-
Loans and receivables		741 118	392 904	90 128
- Long-term loans	4	21 857	12 487	10 952
- Short-term loans	4	673 480	316 253	42 632
- Trade payables		45 781	64 164	36 544
Cash and other monetary assets		29 664	248 850	65 989
- Restricted cash		13 766	20 771	47 189
- Cash and cash equivalents		15 898	228 079	18 800
Financial liabilities				
Other financial liabilities		1 176 615	1 692 857	1 369 693
- Liabilities due to issue of debt securities	7, 9	1 069 822	1 286 351	866 273
- Trade liabilities		31 793	35 642	28 363
- Loans and borrowings	7, 9	75 000	370 864	475 057

The main financial instruments used by the Company:

- loans granted measured at amortized cost determined using the effective interest rate method,
- financial liabilities, i.e. liabilities on account of the issue of debt securities, bank loans and other liabilities (loans and trade liabilities). Financial liabilities are measured using the amortized cost method of the liability component, in accordance with IFRS 9.
- long-term financial assets, i. e. investment certificates. They are valued according to purchase

price decreased by write-offs due to permanent loss of value.

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

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

NOTE 17

On 19 December 2017, the Central Anticorruption Bureau (CBA) seized Przemysław Krych, a member of Echo Investment's supervisory board, and Mikołaj Martynuska, a management board member. In order to protect the company's interest, both Przemysław Krych and Mikołaj Martynuska, immediately after the detention, have resigned from all the positions in the company. At the same time, they issued a statement in which they declared they had not committed the offence they are charged with and that they will prove their innocence in the proceedings.

Echo Investment is not a party to the proceedings but it declares a full cooperation with the authorities to clarify the situation as soon as possible. The ongoing proceedings have no impact on the Company's current activities, including any of its other projects. The company runs its usual business. In the opinion of the management board, the situation doesn't threaten stability nor credibility of the Company and its Group and does not affect, in any way, these financial statements.

3.2

INFORMATION ON THE FINANCIAL STATEMENTS OF ECHO INVESTMENT S.A.



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

01

The condensed interim financial statements of Echo Investment S.A. present the financial data for the period of 6 months ended 30 June 2018 and comparative data for the period of 6 months ended 30 June 2017 and comparative data for the period of 12 months ended 31 December 2017.

The reporting currency of the financial statements and the functional currency of Echo Investment S.A. shall be Polish zloty ('PLN'). Unless noted otherwise, all financial data in the financial statements of the Company are presented in thousands of PLN.

The statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' adopted in the European Union. The financial statements have been developed on the historical cost basis, save for investment properties measured at fair value. In order to fully understand the financial position and results of the Company, as the parent company Echo Investment Group, these financial statements should be read in conjunction with the full consolidated financial statements drawn up for the period of 12 months ending 31 December 2017. 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. 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 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.

While preparing these statements, the Company applied new standards, amendments to standards and interpretations issued by the IFRS Committee applicable to the Company for the reporting period beginning on 1 January 2018. The applied changes had no material impact on the presentation of data and measurement in the financial statements. The list of new standards, amendments to standards and interpretations issued by the IFRS Committee, applied to this separate financial statement has been published in paragraph 5 of Condensed interim consolidated financial statements. The list of standards and interpretations issued by the IFRS Committee, which are not effective yet and have not been adopted by the Company has been published in paragraph 6 of Condensed interim consolidated financial statements.

The profit and loss account and notes to the profit and loss account, covering data for the 3-month period ended 30 June 2018 and comparative data for the 3-month period ended 30 June 2017, have not been reviewed or audited by a certified auditor.



See the list of new standards, amendments to standards and interpretations issued by the IFRS Committee on page 100.



See the list of standards and interpretations issued by the IFRS Committee, which are not effective yet and have not been adopted by the Company on page 102.

Effects of adopted changes in accounting principles – restatement of financial statements for previous periods

02

Change of accounting policy

Interim condensed separated financial statements were prepared in accordance with IAS 34 Interim Financial Reporting.

The accounting policies applied by the Company in these Interim Condensed Separated Financial Statements are the same as those applied by the Com-

pany in its separated financial statements for the year ended 31 December 2017, except for voluntary change in accounting policies of the Company and the application of the new standards, changes to the standards and amendments which became effective as of 1 January 2018.

Voluntary change of accounting policy

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

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

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

To sum up, the Company has decided to change its accounting policy because in the opinion of the Management Board new revenue recognition rules will

provide more reliable and useful information. The new accounting policy better reflects the economic substance of sales transactions of residential premises, including the moment of transfer of risks and rewards, and is consistent with the observed market practice applied by other residential developers.

New accounting policy is in line with International Financial Reporting Standards, especially with

IFRS 15 Revenue from contracts with customers. The comparative data in these financial statements have been restated accordingly. The impact of the above changes on particular items of the statement of financial position as at 1 January 2017, 31 March 2017 and 31 December 2017, as well as the profit and loss account for the period from 1 January 2017 to 31 March 2017 is presented in the tables below.

Major changes in comparative data as at 30 June 2017.

SEPARATE STATEMENT OF FINANCIAL POSITION [PLN '000]

	30.06.2017 - approved	30.06.2017 - restated	Change
Assets			
Deferred tax income assets	48 700	47 890	(810)
Inventory	370 931	360 219	(10 712)
Liabilities			
Profit from previous year	2 165	2 008	(157)
Net profit	38 343	41 953	3 610
Received deposits and advances	113 016	98 041	(14 975)

SEPARATE PROFIT AND LOSS ACCOUNT [PLN '000]

	01.01.2017 – 30.06.2017 - approved	01.01.2017 – 30.06.2017 - restated	Change
Revenues	110 987	124 439	13 452
Cost of sales	(78 508)	(87 503)	(8 995)
Gross profit of sales	32 479	36 936	4 457
Operating profit	54 326	58 783	4 457
			-
Gross profit	29 393	33 850	4 457
Income tax	8 950	8 103	(847)
Net profit	38 343	41 953	3 610

Major changes in comparable data as at 31.12.2017.

SEPARATE STATEMENT OF FINANCIAL POSITION [PLN '000]

	30.12.2017 - approved	30.12.2017 - restated	Change
Assets			
Deferred tax income assets	14 366	13 840	(526)
Inventory	229 422	217 987	(11 435)
Liabilities			
Profit from previous year	2 165	2 008	(157)
Net profit	632 496	634 896	2 400
Received deposits and advances	65 706	51 502	(14 204)

Methods of determining the financial result

03

The financial result is determined by the calculation method.

REVENUE

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

COST OF SALES

Costs of goods, products and services sold consist of costs incurred in respect of revenues of a given financial year and overheads not yet incurred. This item also includes costs that are directly related to revenue from related entities on account of services provided (including investment services, construction and engineering consultancy).

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

identification of the costs associated with employees' salaries as part of the cost of sales, is made on the basis of the employee's working time records, broken down into the individual projects developed.

ADMINISTRATIVE COSTS ASSOCIATED WITH PROJECTS

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

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

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

EXTERNAL FINANCING COSTS

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

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

INVENTORY

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

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

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

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

04

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 DURING H1 2018 ['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 Libero shopping centre in Katowice	01.07.2016	Galeria Libero - Projekt Echo 120 Sp. z o.o. Sp.K.	3 598
Comprehensive investment management and consulting services in all matters related to the construction of the office complex second phase in Wrocław	01.04.2016	Sagittarius - Projekt Echo 113 Sp. z o.o. Sp.K.	1 465
Contract of leasing services for an office building complex Warsaw Brewery on Grzybowska St. In Warsaw	01.09.2016	Dellia Investments - Projekt Echo 115 Sp. z o.o. Sp.K.	1 364
Comprehensive investment management and consulting services in all matters related to the construction of a shopping centre in Warsaw	15.09.2016	Projekt Echo 138 Sp. z o.o. Sp.K.	5 097
Comprehensive investment management and consulting services in all matters related to the construction of the O3 Business Campus III office building on Opolska St. in Cracow	01.11.2016	Echo - Opolska Business Park Sp. z o.o. Sp.K.	1 406
Contract of construction management and leasing of the Galeria Młociny in Warsaw.	31.05.2017	Berea Sp. z o.o.	5 941
Comprehensive investment management and consulting services in all matters related to the construction of an office building on Grzybowska St. in Warsaw	30.06.2017	Dellia Investments - Projekt Echo 115 Sp. z o.o. Sp.K.	1 412
Comprehensive investment management and consulting services in all matters related to the construction of an office building Moje Miejsce I on Beethovena St. in Warsaw	01.08.2017	Projekt Beethovena - Projekt Echo 122 Sp. z o.o. SKA	1 561
Comprehensive investment management and consulting services in all matters related to the upcoming residential project on Jednosci Narodowej St. in Wrocław	01.10.2017	Echo - Browary Warszawskie Sp. z o.o. Sp.K.	1 408
Agreement for the sale of real property at ul. Św. Stanisława in Warsaw	23.03.2018	Senia 2 Sp. z o.o.	1 550
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

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

TRANSACTIONS WITH RELATED PARTIES AS AT 30.06.2018 [‘000 PLN]

Related party	Sales 01.01.2018 - 30.06.2018	Acquisitions 01.01.2018 - 30.06.2018	Receivables	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

TRANSACTIONS WITH RELATED PARTIES AS AT 31.12.2017 [‘000 PLN]

Related party	Sales 01.01.2017 - 31.12.2017	Acquisitions 01.01.2017 - 31.12.2017	Receivables	Liabilities
Subsidiaries	133 180	31 355	48 847	3 025
The Management of the Company	1	-	-	-
Total	133 181	31 355	48 847	3 025

TRANSACTIONS WITH RELATED PARTIES AS AT 30.06.2017 [‘000 PLN]

Related party	Sales 01.01.2017 - 30.06.2017	Acquisitions 01.01.2017 - 30.06.2017	Receivables	Liabilities
Subsidiaries	58 870	-	27 842	5 699
The Management of the Company	3	-	-	-
Total	58 873	-	27 842	5 699

Estimates of the Management Board

05

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

INVENTORY

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

Assumptions used when calculating the write-down mainly relate to market prices of property applicable in a given market segment. According to the Management Board, a change of these assumptions would not materially affect the value of the inventory write-down as of the balance sheet date because the adopted assumptions and information on the value of the write-down were largely based on the concluded sales agreements. In the case of land recognised under inventory, the value of the write-downs results from the usefulness of land for the Company's current and prospective business estimated by the Management Board.

IMPAIRMENT OF INTERESTS IN SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES

An impairment test is conducted when there are indications that the carrying value of an investment will not be recovered. The assessment of the impairment of interests in subsidiaries, jointly-controlled and associated companies is based on an analysis of the fair value of assets and liabilities held by the companies and the expected prospective cash flows from the operations of such companies. In the course of the assessment, the Company also evaluates the duration and extent to which the current value of the shares is lower than its purchase price and a company's perspectives and plans for its investment developments. All material impairment of the fair value of assets in subsidiaries have been regarded to be long-term by the Management Board and have resulted in impairment losses on interests in subsidiaries. In particular, for material subsidiaries which, as at 30 June 2017, did not run any material operating activity, the value of the recognised write-downs corresponds to the total difference between the net value of the subsidiary's assets and the purchase price of the interests.

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

	Value calculated for the purpose of analysis		
	as at 30.06.2018	as at 30.12.2017	as at 31.06.2017
Interests, shares and funds held	1 868 276	2 648 207	2 365 508
Financial revenues / expenses from the measurement of interests, shares and funds	(4 546)	(3 121)	56 178
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	18 683	26 482	23 655
Total effect on the gross result for the period	18 683	26 482	23 655
Income tax	3 550	5 032	4 494
Total effect on the net result for the period	15 133	21 450	19 161

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

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

On 15 July 2016 changes were introduced to the Tax Code in order to reflect the provisions of the General Anti-Avoidance Rule (GAAR). GAAR is designed to prevent the creation and use of artificial legal structures developed in order to avoid paying taxes in Poland. GAAR defines tax evasion as an act primarily for the purpose of obtaining a tax advantage, contradictory in given circumstances to the subject matter and purpose of the provisions of the tax law.

According to GAAR, an operation like that does not result in a tax advantage if the mode of operation was artificial. Any occurrence of:

- unreasonable division of operations,
- involvement of intermediaries despite the lack of economic or economic justification, elements that are mutually abrasive or compensatory and
- any other actions of similar effect to the aforementioned,

may be treated as a premise of the existence of artificial operations subject to GAAR regulations. The new regulations will require much greater judgment when assessing tax consequences of individual transactions. The GAAR clause should apply to transactions closed after it enters

into force and to transactions that were closed before the GAAR clause entered into force, for which advantages were or still are being achieved after the date of the clause's entry into force. The implementation of the above provisions will allow Polish tax authorities to question the legal arrangements and agreements such as restructuring and reorganization of the group.

LIABILITIES ON INVESTMENT PROJECTS

Value of rental income covering costs (Master Lease) is estimate based on information from lease agreement concluded, for non-leased area; and based on expected dates of space delivery, estimations on rental rates and rent free periods.

On this base following is estimated:

- rental possible to be paid by eventual tenant for vacant space;
- rent free periods, for the agreements concluded.

Estimation concerns period of expected Master Lease.

If given space remains vacant, the Master Lease cost equals full rent expected on the given space;

If delivery of given space to its tenant is expected in given month, but the tenant benefits of rent free period, cost of Master Lease concern the space remains equal to cost of rent free period.

If rent free period is expected to finish in given month, the Master Lease cost remains zero.

Basic rent, as the operating fees are calculated in the same way, except the fact, that rent free period does not concerns operating fees.

Profit share is calculated as given percentage of profit identified in the agreement with third party, including costs, Master Lease costs included.

Profit after tax is used for profit share calculation.



Nicklas Lindberg

President

of the Management Board



Maciej Drozd

Vice-President

of the Management Board, CFO



Piotr Gromniak

Vice-President

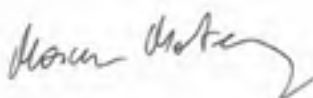
of the Management Board



Artur Langner

Vice-President

of the Management Board



Marcin Materny

Member of the Board



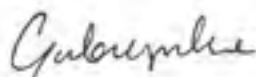
Rafał Mazurczak

Member of the Board



Waldemar Olbryk

Member of the Board



Anna Gabryszewska-Wybraniec

Chief Accountant

Kielce, 10 September 2018

CHAPTER 4

STATEMENT OF THE MANAGEMENT BOARD



The Management Board of Echo Investment S.A. declares that, to the best of its knowledge, the interim financial report for H1 2017 and comparative data have been presented in compliance with the applicable accounting principles, and that they reflect in a true, reliable and transparent manner the economic and financial situation 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 true 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 2018, 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.

Nicklas Lindberg
President of the Board,
CEO

Maciej Drozd
Vice-President of the Board,
CFO

Piotr Gromniak
Vice-President of the Board

Artur Langner
Vice-President of the Board

Marcin Materny
Member of the Board

Rafał Mazurczak
Member of the Board

Waldemar Olbryk
Member of the Board

Kielce, 10 September, 2018.



ECHO

investment

CONTACT

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

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