

# QUARTERLY FINANCIAL REPORT OF ECHO INVESTMENT

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## Q1 2017



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**Dear Shareholders, Partners and Clients,**

I would like to present Echo Investment's financial report for the first quarter of 2017. According to our earlier announcements, this year we changed accounting rules in such a way that some of general administration costs are attributed directly to projects. Thanks to that, the Group's cost approach will be more flexible while the cost structure – more transparent and understandable to the shareholders and analysts.

In Q1 2017 the Company recorded PLN 89 mln of operating profit, which mainly came from revaluation of Galeria Libero as well as Wrocław office buildings: West Link, Sagittarius and Nobilis. Profit and loss account reflects sale of 90 apartments, which were delivered to the clients in Q1 2017. In 2017 we expect the completion of residential projects offering approximately 980 units in total. This data shows that the majority of our revenue and profit from residential activity is still ahead of us.

When talking about the key events of the first quarter, we definitely have to mention the preliminary sale of Wrocław-based office building West Link to Griffin Premium RE as well as the signing of ROFO agreement that gives Griffin Premium RE. the right of the offer for three more office buildings. This is Echo Investment's unquestionable success as it facilitates the exit from the investment at its early stage and reduces the risk related to negative changes in the investment market. Right now, thanks to tentative agreements, ROFO agreements and certain provisions in joint-venture agreements, about 80% of our planned and ongoing commercial projects have clearly defined sale scenarios. This is a very comfortable situation.

Also, the first quarter of this year saw a preliminary agreement to buy a 30% stake in the Galeria Młociny retail project in the northern part of Warsaw. Apart from having the stake in the project, Echo Investment will be responsible for construction, lease and marketing of the investment, for an additional fee. We consider this an excellent investment opportunity: Warsaw is an absorptive and affluent market with relatively low - as compared to other Polish cities - retail area saturation coefficient. Partnership with Echo Polska Properties that significantly improves project outlook has been another argument.

We entered the season of launching new developments. In the whole 2017 Echo Investment plans to start construction of residential and office projects with over 130,000 sqm of total usable and leasing space – including new buildings in our flagship Browary Warszawskie. This project is in early stage of construction, but it was well received by citizens of Warsaw, clients looking for apartments, as well as by potential office tenants and investors. The first office building, which has been just started, was already included in ROFO agreement with Griffin Premium RE. In H2 2017 we start works on another mix-use project on Beethovena street in Warsaw. Our team of designers works on the optimal design for the project. We expect it will be also well received by the public.

Echo Investment's strategy assumes fast growth. Our land bank allows us to design and to develop new projects until 2019. However, we already focus on finding and securing the land for years to come. Since the beginning of the year we have purchased construction plots for more than 80,000 sqm of office space; we have secured land, by preliminary and similar agreements, for around 280,000 sqm of

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**RIGHT NOW, THANKS TO TENTATIVE AGREEMENTS,  
ROFO AGREEMENTS AND CERTAIN PROVISIONS IN  
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to-be-leased or to-be-sold space, while around 100,000 sqm are subject of very advanced negotiations. Gradually, we finalize the contracts and that allow us to be confident about the company's future expansion.

In the second quarter of 2017, Echo Investment's management board adopted long-term dividend policy that supplements our commitment – already defined in our strategy - to regularly share our profits with the shareholders. I hope that such an approach will make Echo's shares an attractive and stable investment.

Our stake in Echo Polska Properties remains an important part of our assets. After the sale of part of the stake in 2016 and two EPP's capital increases we have 12.86% of the company's shares, which book value amounts to over PLN 400 mln, and the market value is above. In September 2017 our lock-up obligation expires. I encourage you to carefully read our financial report for the first quarter of 2017.

Yours sincerely



**Nicklas Lindberg**  
President of the Management Board



# Consolidated financial statements

**SELECTED CONSOLIDATED FINANCIAL DATA**

	as of 31.03.2017 end of quarter	PLN '000 as of 31.03.2016 end of quarter	as of 31.03.2017 end of quarter	EUR '000 as of 31.03.2016 end of quarter
Operating revenue	67 692	143 207	15 782	32 877
Operating profit (loss)	89 209	168 021	20 799	38 573
Gross profit (loss)	75 583	121 952	17 622	27 997
Net profit (loss)	62 262	188 484	14 516	43 271
Net operating cash flow	(231 219)	(2 822)	(53 909)	(648)
Net cash flow from investing activities	(146 103)	(75 439)	(34 064)	(17 319)
Net cash flow from financing activities	133 425	(332 150)	31 108	(76 253)
Total net cash flow	(243 897)	(410 411)	(56 865)	(94 219)
Total assets	3 329 589	8 211 852	789 040	1 923 871
Equity attributable to shareholders of the parent	1 592 224	3 264 194	377 322	764 735
Long-term liabilities	832 959	3 922 540	197 393	918 972
Short-term liabilities	669 741	850 859	158 714	199 339
Number of shares	412 690 582	412 690 582	412 690 582	412 690 582
Earnings (loss) per ordinary share (in PLN/EUR)	0,64	1,69	0,15	0,39
Book value per share (in PLN/EUR)	3,86	7,91	0,91	1,85

## CONSOLIDATED QUARTERLY STATEMENT OF FINANCIAL POSITION [PLN '000]

	as of 31.03.2017 end of quarter	as of 31.12.2016 end of previous year restated	as of 31.03.2016 end of quarter restated
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	281	295	113
Property, plant and equipment	8 578	8 672	16 669
Investment property	242 279	248 037	384 550
Investment property under construction	722 490	539 150	1 286 466
Investment in associates and joint ventures	558 068	564 363	-
Long-term financial assets	69 058	78 692	13 987
Deferred tax asset	96 492	92 200	68 730
	<b>1 697 246</b>	<b>1 531 409</b>	<b>1 770 515</b>
<b>Current assets</b>			
Inventory	673 780	659 358	620 314
Income tax recoverable	3 594	736	7 480
Other taxes recoverable	45 799	20 403	36 317
Trade and other receivables	235 931	270 443	90 220
Short-term financial assets	92 720	24 544	24 978
Derivative financial instruments	116	154	1 225
Restricted cash	41 781	27 070	81 371
Cash and cash equivalents	330 085	636 359	413 155
	<b>1 423 806</b>	<b>1 639 067</b>	<b>1 275 060</b>
<b>Non-current assets held for sale</b>	<b>208 537</b>	<b>198 166</b>	<b>5 166 277</b>
<b>Total assets</b>	<b>3 329 589</b>	<b>3 368 642</b>	<b>8 211 852</b>

**CONSOLIDATED QUARTERLY STATEMENT OF FINANCIAL POSITION [PLN '000]**

	as of 31.03.2017 end of quarter	as of 31.12.2016 end of previous year restated	as of 31.03.2016 end of quarter restated
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Equity attributable to equity holders of the parent	1 592 224	1 532 744	3 264 194
Share capital	20 635	20 635	20 635
Supplementary capital	1 128 096	1 128 096	2 583 909
Accumulated profit	454 457	392 195	668 191
Foreign currency translation	(10 964)	(8 182)	(8 541)
Non-controlling interest	(100)	(100)	(94)
	<b>1 592 124</b>	<b>1 532 644</b>	<b>3 264 100</b>
<b>Provisions</b>			
Long-term provisions	78 092	68 522	974
Short-term provisions	74 620	75 333	12 659
Deferred tax liabilities	58 185	41 541	160 720
	<b>210 897</b>	<b>185 396</b>	<b>174 353</b>
<b>Non current liabilities</b>			
Loans and borrowings	815 138	760 981	3 854 718
Derivatives	39	39	1 979
Security deposits and advances received	17 782	9 331	65 843
	<b>832 959</b>	<b>770 351</b>	<b>3 922 540</b>
<b>Current liabilities</b>			
Loans and borrowings	308 356	220 940	188 633
Derivatives	-	-	142 460
Income tax payable	399	2 338	418
Other taxes payable	6 175	245 225	17 765
Trade payables	91 090	163 930	84 533
Dividend liability	66 030	66 030	293 010
Other payables	51 055	80 019	10 731
Security deposits and advances received	146 636	85 428	113 309
	<b>669 741</b>	<b>863 910</b>	<b>850 859</b>
<b>Liabilities of assets held for sale</b>			
	<b>23 868</b>	<b>16 341</b>	<b>-</b>
<b>Total equity and liabilities</b>	<b>3 329 589</b>	<b>3 368 642</b>	<b>8 211 852</b>
<b>Book value (PLN '000)</b>			
Book value (PLN '000)	1 592 224	1 532 744	3 264 194
Number of shares	412 690 582	412 690 582	412 690 582
Book value per share (in PLN)	3,86	3,71	7,91
Diluted number of shares	412 690 582	412 690 582	412 690 582
Diluted book value per share (in PLN)	3,86	3,71	7,91



**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**[PLN '000]**

	Q1 01.01.2017 - 31.03.2017	Q1 01.01.2017 - 31.03.2017	Q1 01.01.2016 - 31.03.2016 restated	Q1 01.01.2016 - 31.03.2016 restated
Revenues from operations	67 692	67 692	143 207	143 207
Cost of operations	(57 846)	(57 846)	(70 850)	(70 850)
<b>Gross profit (loss) on sales</b>	<b>9 846</b>	<b>9 846</b>	<b>72 357</b>	<b>72 357</b>
Profit (loss) on investment property	100 116	100 116	113 682	113 682
Administrative costs associated with project implementation	(8 776)	(8 776)	(6 756)	(6 756)
Selling expenses	(5 428)	(5 428)	(3 095)	(3 095)
Administration expenses	(17 091)	(17 091)	(14 678)	(14 678)
Other operating revenue (expenses)	10 542	10 542	6 511	6 511
<b>Operating profit</b>	<b>89 209</b>	<b>89 209</b>	<b>168 021</b>	<b>168 021</b>
Finance income	568	568	7 906	7 906
Finance cost	(21 441)	(21 441)	(47 157)	(47 157)
Profit (loss) on FX derivatives	-	-	848	848
Foreign exchange differences profit (loss)	222	222	(7 666)	(7 666)
Share of profit (loss) of associates and joint ventures	7 025	7 025	-	-
<b>Profit (loss) before tax</b>	<b>75 583</b>	<b>75 583</b>	<b>121 952</b>	<b>121 952</b>
Income tax	(13 321)	(13 321)	66 531	66 531
<b>Net profit (loss), attributable to:</b>	<b>62 262</b>	<b>62 262</b>	<b>188 483</b>	<b>188 483</b>
Equity holders of the parent	62 262	62 262	188 484	188 484
Non-controlling interest	-	-	(1)	(1)
Annualised net profit (loss)		265 973		695 465
Weighted average ordinary shares		412 690 582		412 690 582
Annualised earnings (loss) per ordinary share (in PLN)		0,64		1,69

## OFF-BALANCE SHEET ITEMS [PLN '000]

	as of 31.03.2017 end of quarter	as of 31.12.2016 end of previous year	as of 31.03.2016 end of quarter
Off-balance sheet receivables	-	-	-
Off-balance sheet liabilities	818 534	842 626	336 413

## CONSOLIDATED QUARTERLY STATEMENT OF COMPREHENSIVE INCOME [PLN '000]

	Q1 01.01.2017 -31.03.2017	Q1 01.01.2017 -31.03.2017	Q1 01.01.2016 -31.03.2016 restated	Q1 01.01.2016 -31.03.2016 restated
<b>Net profit (loss)</b>	<b>62 262</b>	<b>62 262</b>	<b>188 483</b>	<b>188 483</b>
Other comprehensive income:				
- foreign exchange gains/losses on translation of foreign operations	(2 782)	(2 782)	(4 151)	(4 151)
<b>Other net comprehensive income</b>	<b>(2 782)</b>	<b>(2 782)</b>	<b>(4 151)</b>	<b>(4 151)</b>
<b>Comprehensive income for the period, including:</b>	<b>59 480</b>	<b>59 480</b>	<b>184 332</b>	<b>184 332</b>
Comprehensive income attributable to shareholders of the parent company	59 480	59 480	184 333	184 333
Comprehensive income attributable to non-controlling interest	-	-	(1)	(1)

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Supplementary capital	Accumulated current year profit	Currency translation differences	Equity attributable to equity holders of the parent entity	Capital of non-controlling interests	Equity total
<b>1-st quarter (current year)</b>							
<b>period from 2017.01.01 to 2017.03.31</b>							
<b>Opening balance, restated</b>	<b>20 635</b>	<b>1 128 096</b>	<b>392 195</b>	<b>(8 182)</b>	<b>1 532 744</b>	<b>(100)</b>	<b>1 532 644</b>
Distribution of previous years' profit/loss	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	-
Dividend approved (not paid)	-	-	-	-	-	-	-
Other net comprehensive income	-	-	-	(2 782)	(2 782)	-	(2 782)
Profit (loss) for the period	-	-	62 262	-	62 262	-	62 262
<b>Closing balance</b>	<b>20 635</b>	<b>1 128 096</b>	<b>454 457</b>	<b>(10 964)</b>	<b>1 592 224</b>	<b>(100)</b>	<b>1 592 124</b>
<b>1-st quarter (previous year)</b>							
<b>period from 2016.01.01 to 2016.03.31</b>							
<b>Opening balance</b>	<b>20 635</b>	<b>3 139 672</b>	<b>514 091</b>	<b>(10 802)</b>	<b>3 663 596</b>	<b>(93)</b>	<b>3 663 503</b>
Distribution of previous years' profit/loss	-	-	-	-	-	-	-
Dividend paid	-	(297 137)	-	-	(297 137)	-	(297 137)
Dividend approved (not paid)	-	(258 626)	(34 384)	-	(293 010)	-	(293 010)
Other net comprehensive income	-	-	-	2 261	2 261	-	2 261
Profit (loss) for the period	-	-	188 484	-	188 484	(1)	188 483
<b>Closing balance</b>	<b>20 635</b>	<b>2 583 909</b>	<b>668 191</b>	<b>(8 541)</b>	<b>3 264 194</b>	<b>(94)</b>	<b>3 264 100</b>

# CONSOLIDATED QUARTERLY CASH FLOW STATEMENT [PLN '000]

	Q1 01.01.2017- 31.03.2017	Q1 01.01.2016- 31.03.2016 restated
<b>A. Operating cash flow – indirect method</b>		
<b>I. Gross profit (loss)</b>	<b>75 583</b>	<b>121 952</b>
<b>II. Total adjustments</b>		
Share in net (profit) loss of companies recognised with the equity method	(7 024)	-
Depreciation of PP&E	1 162	1 020
Foreign exchange (gains) losses	(3 005)	7 666
Interest	4 221	22 642
(Profit) loss on revaluation of assets and liabilities	(108 713)	(103 037)
(Profit) loss on settlement of financial instruments	-	893
	<b>(113 359)</b>	<b>(70 816)</b>
<b>III. Movements in working capital:</b>		
Movement in provisions	16 384	(966)
Movement in inventory	(14 063)	(24 249)
Movement in receivables	11 179	(38 257)
Movement in short-term liabilities, excluding loans and borrowings	(248 844)	13 889
Movement in restricted cash	47 666	8 076
	<b>(187 678)</b>	<b>(41 507)</b>
<b>IV. Net operating cash (I+II+III)</b>	<b>(225 454)</b>	<b>9 629</b>
Income tax paid	(5 765)	(12 451)
<b>V. Net operating cash flows</b>	<b>(231 219)</b>	<b>(2 822)</b>
<b>B. Cash flow from investing activities</b>		
<b>I. Proceeds</b>		
Sale of intangible assets, and PP&E	-	120
Sale of real property investments	-	15 200
From borrowings and financial investments	42 994	15 850
	42 994	31 170
<b>II. Expenditures</b>		
Purchase of intangible assets and PP&E	(1 055)	(117)
Real property investments	(140 778)	(90 940)
On borrowings and financial investments	(47 264)	(15 552)
	<b>(189 097)</b>	<b>(106 609)</b>
<b>III. Net cash flow from investing activities (I+II)</b>	<b>(146 103)</b>	<b>(75 439)</b>

## CONSOLIDATED QUARTERLY CASH FLOW STATEMENT [PLN '000]

	Q1 01.01.2017- 31.03.2017	Q1 01.01.2016- 31.03.2016 restated
<b>C. Cash flow from financing activities</b>		
<b>I. Proceeds</b>		
Net proceeds from issue of shares (interests) and other equity instruments and capital contributions	-	-
Loans and borrowings	10 747	162 157
Issue of debt securities	130 000	-
Dividends received from companies recognised with the equity method	-	-
Other financial proceeds	-	-
	<b>140 747</b>	<b>162 157</b>
<b>II. Expenditures</b>		
Purchase of equity shares (interests)	-	-
Dividends and other payments to equity holders	-	(297 137)
Expenditures on profit sharing, other than payments to equity holders	-	-
Repayment of loans and borrowings	(4 389)	(45 095)
Redemption of debt securities	-	(125 000)
Due to FX derivatives	-	(893)
Payment of liabilities under finance lease agreements	-	-
Interest	(2 933)	(26 182)
Other financial expenditures	-	-
	<b>(7 322)</b>	<b>(494 307)</b>
<b>III. Net cash flow from financing activities (I+II)</b>	<b>133 425</b>	<b>(332 150)</b>
D. Total net cash flow (A.III+B.III+C.III)	(243 897)	(410 411)
E. Balance sheet movement in cash, including:	(243 897)	(408 150)
- movement in cash due to foreign exchange gains/losses	-	2 261
<b>F. Cash at the beginning of the period</b>	<b>573 982</b>	<b>821 305</b>
<b>G. Cash at the end of the period (F+D)</b>	<b>330 085</b>	<b>413 155</b>

## 01

## General information

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

Echo Investment S.A. (later referred to as Echo or the Company), with its registered office in Kielce, al. Solidarności 36, was registered in Kielce on 23 July 1992. Echo is a Joint Stock Company entered into the National Court Register under no. 0000007025 by the District Court

in Kielce, 10th Economic Department of the National Court Register.

Since 5 March 1996, the Company's shares are quoted at the Warsaw Stock Exchange on the regulated market, sector – WIG – Real Estate (former WIG-Developers). The Company was established for an indefinite period of time.

As at 31 March 2017, number of the Group's employees amounted to 309.

### THE MANAGEMENT BOARD OF ECHO INVESTMENT S.A.



**Nicklas Lindberg**

President of the Management Board, CEO



**Maciej Drozd**

Vice-President of the Management Board, CFO



**Piotr Gromniak**

Vice-President of the Management Board



**Artur Langner**

Vice-President of the Management Board



**Marcin Materny**

Member of the Management Board



**Rafał Mazurczak**

Member of the Management Board

## THE SUPERVISORY BOARD OF ECHO INVESTMENT S.A.



**Karim Khairallah**

Chairman of the Supervisory Board



**Laurent Luccioni**

Vice-Chairman  
of the Supervisory Board



**Maciej Dyjas**

Member of the Supervisory Board



**Stefan Kawalec**

Member of the Supervisory  
Board meeting the criteria  
of independence



**Przemysław Krych**

Member of the Supervisory Board



**Nebil Senman**

Member of the Supervisory Board



**Sebastian Zilles**

Member of the Supervisory Board

The Audit Committee is composed of:  
Stefan Kawalec – Chairman of the Audit Committee  
Maciej Dyjas – Member of the Audit Committee  
Nebil Senman – Member of the Audit Committee.

## 02

## Strategy of Echo Investment Group

In 2016, the Management Board of Echo Investment with the approval of the Supervisory Board developed new strategic directions called "The strategy of profitable growth". According to it, 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.



### 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.



### PURE DEVELOPER

The focus of the adopted business model is on development activities, which include land acquisition, construction, lease and sale of finished projects in short period of time after completion.

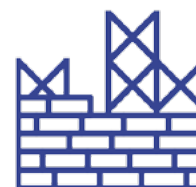
Echo Investment is not going to be the long term owner and manager of finished commercial projects therefore rental income is going to constitute only a minor part of its total income.



### COOPERATION WITH THE MAJOR SHAREHOLDER

The strategy of Echo Investment assumes cooperation with the major shareholder and its subsidiaries on market terms. Entities concentrated around PIMCO, Oaktree or Griffin may subcontract development, consulting and other services to Echo Investment. They may also be co-investors in property development projects as well as potential buyers of

newly-built commercial, office or residential investments. Development activities of Echo Investment are complementary to these of other entities in this group. Material agreements between Echo Investment and affiliates of the major shareholders and Griffin Real Estate Group need to be discussed and approved by the Supervisory Board.

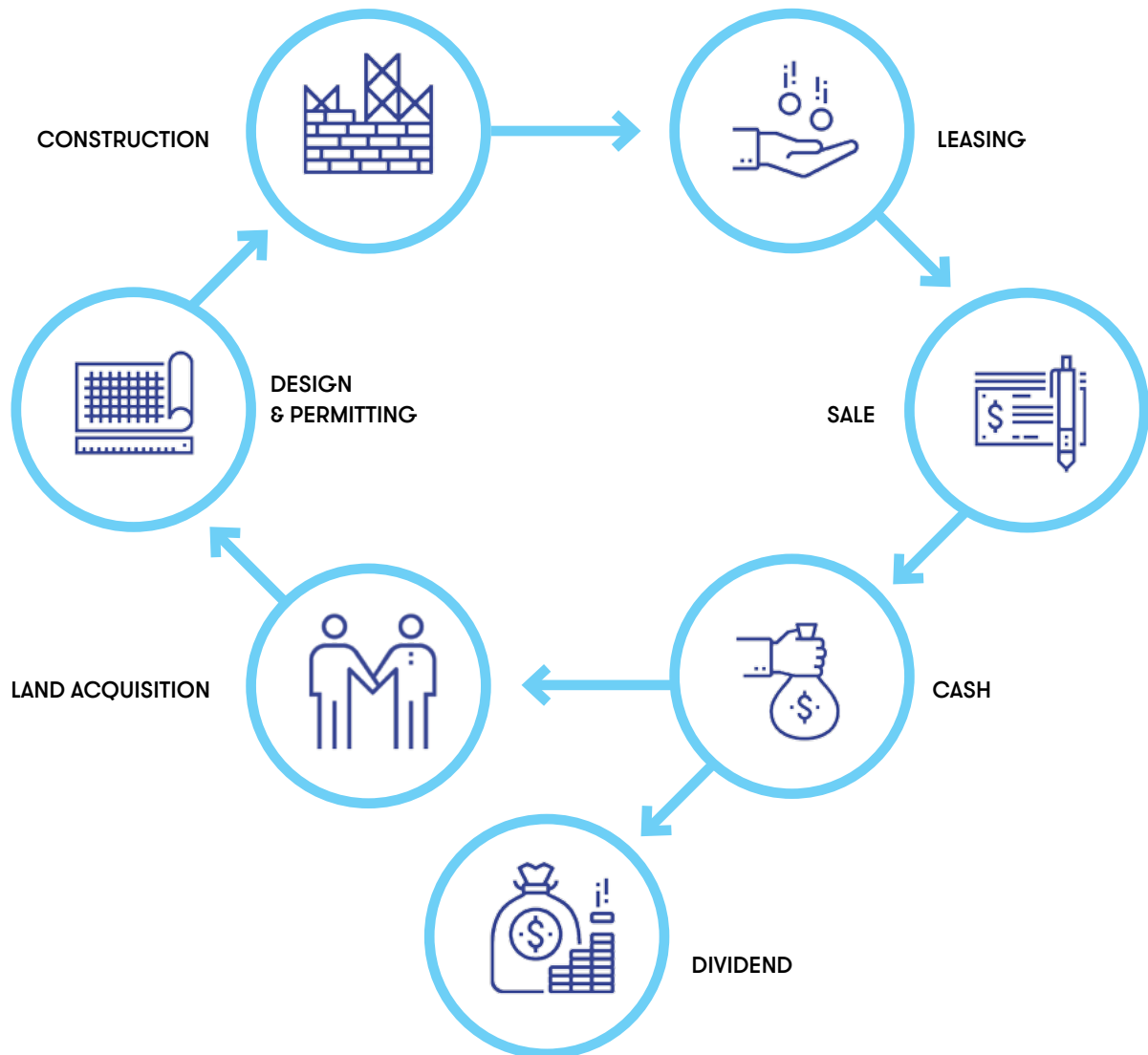


### LARGE SCALE PROJECTS

The ambition of Echo Investment is to run major, multi-function and city-forming projects. The Company intends to create "the destinations" – functioning space for agglomeration residents – comfortable for work, living, entertainment and satisfaction of all needs. Projects realized by Echo Investment are supposed to promote city lifestyle and attract people for the entire day.



## 03

**Business model**

Echo Investment Group runs in-house the entire investment process, starting from purchasing property, through obtaining administrative permits, financing and oversight of construction, leasing and sale. These steps are taken in most cases through the special purpose vehicles (SPV).

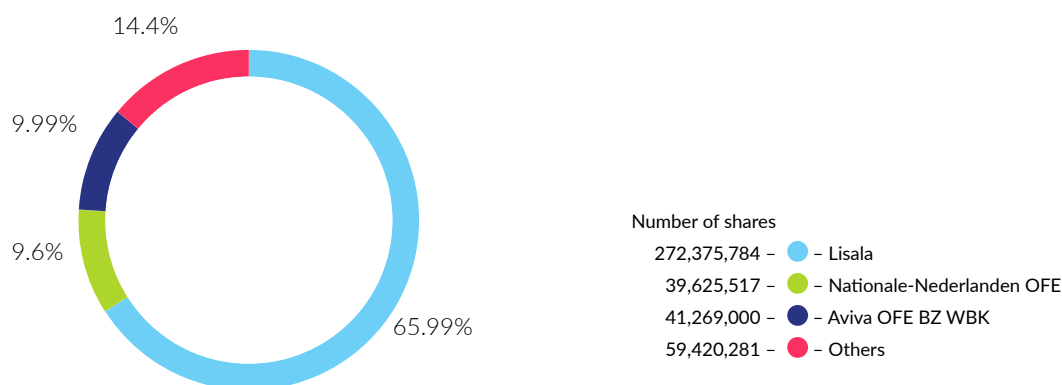
The core business of Echo Investment Group is divided into following segments:

- 1) construction, lease and sale of office buildings,
- 2) construction, lease and sale of retail buildings,
- 3) construction and sale of residential apartments,
- 4) provision of services (general contractor, managing contractor, leasing, consulting etc.).

## 04

## The ownership structure and shares description

### SHAREHOLDERS OF ECHO INVESTMENT S.A. HOLDING MORE THAN 5% OF THE SHARE CAPITAL



#### SHARES DESCRIPTION

The share capital of Echo Investment SA 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 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.

Securities issued by Echo Investment S.A. do not grant any special control powers to their holders.

Echo Investment S.A. does not have any information on restrictions on the right to vote by holders of the Issuer's securities, neither on restrictions on the transfer of ownership of the Company's securities.

#### SHAREHOLDERS

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

The above figures result from information about shareholders holding, directly or indirectly via subsidiaries, at least 5% of the overall number of votes at the GM of Echo Investment SA as of 19 December 2016.

In the period between the publication of the last financial report, i.e. 25 April 2017, and the date of this report, the Company did not receive any notifications of a change in the shareholding of significant shareholders.

## 05

## Accounting principles adopted in drawing up the quarterly report

The condensed interim consolidated financial statements of the Echo Investment Capital Group have been prepared in accordance with IAS 34 Interim Financial Reporting adopted in the European Union.

The interim condensed consolidated financial statements of the Group include consolidated financial data as of 31 March 2017 and for the 3-month period ended on 31 March 2017 as well as comparative data for the 3-month period ended on 31 March 2016 (in relation to the profit and loss account, the statement of changes in equity and the cash flow statement). The comparative data as of 31 December 2016 and 31 March 2016 are provided for the statement of financial position. Unless indicated otherwise, all financial data in the Group's condensed consolidated financial statements have been presented in thousands of PLN.

These financial statements should be analysed together with the annual consolidated financial statements for the FY ended on 31 December 2016, which were prepared according to the IFRS adopted for application in the EU.

The financial statements have been drawn up in accordance with the historical cost principle with the exception of investment property and financial instruments, which were measured at fair value. The statements have been drawn up according to the going concern principle as there are no circumstances indicating a threat to continued activity.

The Company's Management Board used its best judgment in the selection of the applicable standards, as well as measurement methods and principles for the different items of the condensed consolidated financial statements.

## 06

## Application of new and amended standards and interpretations

The accounting principles and policies applied during the preparation of this financial report are in compliance with the principles applied in the last annual financial report, except for the new standards, amendments to standards and interpretations issued by the IFRS [Interpretation of International Financial Reporting Standards] Committee, which are applicable to the Company for the reporting period beginning on January 1, 2017. The following new and amended standards have been applied in this report, all of them effective on January 1, 2017:

- Amendments to IAS 7 Statement of Cash Flows as result of the Disclosure initiative;
- Amendments to IAS 12 Income Taxes regarding the recognition of deferred tax assets for unrealised losses;
- Amendments resulting from Annual Improvements 2014–2016 Cycle.

The applied amendments have not had a significant impact on the presentation of data and valuation in the financial report.

## 07

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

- a. Amendments to IFRS 4 'Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts' (issued on 12 September 2016) - not yet endorsed by EU at the date of approval of these financial statements - effective for financial years beginning on or after 1 January 2018. The Company has not yet completed its analysis of the impact of the standard on the financial statements;
- b. Amendments to IAS 12 'Recognition of Deferred Tax Assets for Unrealised Losses' (issued on 19 January 2016) - not yet endorsed by EU at the date of approval of these financial statements - effective for financial years beginning on or after 1 January 2017. The Company has not yet completed its analysis of the impact of the standard on the financial statements;
- c. Amendments to IAS 7 'Disclosure Initiative' (issued on 29 January 2016) - not yet endorsed by EU at the date of approval of these financial statements - effective for financial years beginning on or after 1 January 2017;
- d. Clarifications to IFRS 15 'Revenue from Contracts with Customers' (issued on 12 April 2016) - not yet endorsed by EU at the date of approval of these financial statements - effective for financial years beginning on or after 1 January 2018. The Company has not yet completed its analysis of the impact of the standard on the financial statements;
- e. Amendments to IFRS 2 'Classification and Measurement of Share-based Payment Transactions' (issued on 20 June 2016) - not yet endorsed by EU at the date of approval of these financial statements - effective for financial years beginning on or after 1 January 2018.
- f. 'Annual Improvements to IFRS Standards 2014-2016 Cycle' (issued on 8 December 2016) - not yet endorsed by EU at the date of approval of these financial statements - Amendments to IFRS 12 are effective for financial years beginning on or after 1 January 2017, while amendments to IFRS 1 and IAS 28 are effective for financial years beginning on or after 1 January 2018. The Company has not yet completed its analysis of the impact of the standard on the financial statements;
- g. IFRIC Interpretation 22 'Foreign Currency Transactions and Advance Consideration' (issued on 8 December 2016) - not yet endorsed by EU at the date of approval of these financial statements - effective for financial years beginning on or after 1 January 2018. The Company has not yet completed its analysis of the impact of the standard on the financial statements;
- h. Amendments to IAS 40 'Transfers of Investment Property' (issued on 8 December 2016) - not yet endorsed by EU at the date of approval of these financial statements - effective for financial years beginning on or after 1 January 2018. The Company has not yet completed its analysis of the impact of the standard on the financial statements;
- i. IFRS 17 'Insurance Contracts' (issued on 18 May 2017) - not yet endorsed by EU at the date of approval of these financial statements - effective for financial years beginning on or after 1 January 2021. The Company has not yet completed its analysis of the impact of the standard on the financial statements.

The Company has not yet completed its analysis of the impact of the standard on the financial statements;

## 08

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

### 8.1 For Echo Investment S.A.

#### CHANGE OF FINANCIAL STATEMENTS FOR PREVIOUS PERIODS

In the period of 3 months of 2017 the Company made presentation changes in its consolidated profit and loss account. These changes result from the application of an updated methodology of allocating costs related to development projects that have so far been allocated to administration costs and sales costs.

As a result of the above alteration, the following changes were presented in these separate financial statements as compared to the separate financial statements for the period ended on 31 March 2016.

Major changes of comparable data as at 31 March 2016:

#### STATEMENT OF FINANCIAL SITUATION ['000 PLN]

	restated data	approved data	change
<b>Assets</b>			
Deferred tax assets	46 762	46 893	(131)
Inventory	318 276	317 585	691
<b>Liability</b>			
Accumulated profit	2 964 274	2 963 714	560

#### PROFIT AND LOSS ACCOUNT ['000 PLN]

	restated data	approved data	change
Prime cost of sale	(18 583)	(15 520)	(3 063)
Administrative costs associated with project implementation	(3 573)	-	(3 573)
Sales costs	(3 190)	(6 342)	3 152
General and administrative expenses	(8 883)	(13 058)	4 175
<b>Profit before tax and financial revenue/expenses</b>	<b>67 927</b>	<b>67 236</b>	<b>691</b>
Gross profit	49 395	48 704	691
Income tax	(4 170)	(4 039)	(131)
<b>Net profit</b>	<b>45 225</b>	<b>44 665</b>	<b>560</b>

Major changes of comparable data as at 31 December 2016

### STATEMENT OF FINANCIAL SITUATION ['000 PLN]

	restated data	approved data	change
<b>Assets</b>			
Deferred tax assets	39 751	40 259	(508)
Inventory	350 637	347 964	2 673
<b>Liability</b>			
Profit (loss) brought forward	(2 992)	(5 157)	2 165

### METHODS OF ESTABLISHING FINANCIAL RESULTS

The financial result is determined by the calculation method.

#### OPERATING 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 GOODS SOLD

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, rental agency, financial services, legal and marketing services).

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.

#### ADMINISTRATION COSTS RELATED TO PROJECTS

Administration costs related to projects contain administration costs indirectly connected to the execution of development projects by the Company, including: costs related to maintenance of stocks, salaries of the administrative staff (including finance, accounting and marketing) and costs associated with Company's employees, other than the cost of salaries (so-called employee maintenance 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.

## FINANCIAL 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.

## STOCK

Stock 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 stock write-offs takes place in connection with the sale of the stock or an increase in the net sales price. The reversal of stock 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.



## 8.2 For Echo Investment capital group

### CHANGE OF CONSOLIDATED FINANCIAL STATEMENTS FOR PREVIOUS PERIODS

In the period of 3 months of 2017 the Group made presentation changes in its consolidated profit and loss account. These changes result from the application of an updated methodology of allocating costs related to development projects that have so far been allocated to administration costs and sales costs.

As a result of the above alteration, the following changes were presented in these consolidated financial statements as compared to the consolidated financial statements for the period ended on 31 March 2016.

Major changes of comparable data as at 31 March 2016:

### CONSOLIDATED QUARTERLY STATEMENT OF FINANCIAL SITUATION ['000 PLN]

	Restated data	Approved data	change
<b>Assets</b>			
<b>Non-current assets</b>			
Investment property under construction	1 286 466	1 286 243	223
Deferred income tax assets	68 730	68 915	(185)
<b>Current assets</b>			
Inventory	620 314	619 560	754
<b>Equity and liabilities</b>			
Accumulated profit (loss)	668 191	667 399	792

### CONSOLIDATED QUARTERLY PROFIT AND LOSS ACCOUNT ['000 PLN]

	Restated data	Approved data	Change
Cost of goods sold	(70 850)	(68 398)	(2 452)
<b>Gross profit (loss) on sales</b>	<b>72 357</b>	<b>74 809</b>	<b>(2 452)</b>
Profit (loss) on investment property	113 682	114 070	(388)
Administrative costs associated with project implementation	(6 756)		(6 756)
Selling costs	(3 095)	(7 556)	4 461
General administrative expenses	(14 678)	(20 790)	6 112
<b>Operating profit</b>	<b>168 021</b>	<b>167 044</b>	<b>977</b>
<b>Gross profit (loss)</b>	<b>121 952</b>	<b>120 975</b>	<b>977</b>
Income tax	66 531	66 716	(185)
<b>Net profit (loss)</b>	<b>188 483</b>	<b>187 691</b>	<b>792</b>

Major changes of comparable data as at 31 December 2016:

**STATEMENT OF FINANCIAL SITUATION**  
**['000 PLN]**

	Restated data	Approved data	Change
<b>Assets</b>			
<b>Non-current assets</b>			
Investment property under construction	539 150	536 692	2 458
Deferred income tax assets	92 200	93 131	(931)
<b>Current assets</b>			
Inventory	656 401	659 358	2 957
<b>Equity and liabilities</b>			
Accumulated profit (loss)	392 195	387 711	4 484

**METHODS OF ESTABLISHING FINANCIAL RESULTS**

**OPERATING REVENUE**

The revenue from the sale of goods and products is recognized at fair value received or payable, minus rebates, discounts and sales taxes, 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 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 execution of construction projects based on long-term contracts are recognized in accordance with IAS 11 on the basis of their advancement. Percentage progress of the service is determined as the ratio of work performed on a given day in relation to the total work to be performed (in terms of costs incurred). The other revenue from the sale of services is recognized in the period in which the services are provided.

**COST OF GOODS SOLD**

The cost of goods 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.

**PROFIT (LOSS) FROM INVESTMENT PROPERTY**

Profit (loss) on investment property includes changes in the fair value of investment property and any other gain or loss related to the investment property.

**ADMINISTRATION COSTS RELATED TO PROJECTS**

Administration costs related to projects contain administration costs indirectly related to the execution of development projects, including costs related to maintenance of stocks, salaries of the administrative staff (including finance, accounting and marketing) and costs associated with Group's employees, other than the cost of salaries (so-called employee maintenance 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, which refers in this respect to the provisions of IAS 16, does not allow for the capitalization of administrative and general expenses in the value of investment properties.

## **FINANCIAL 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 IAS 23. The Group 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.

## **INVESTMENT PROPERTY / INVESTMENT PROPERTY UNDER CONSTRUCTION**

Investment properties include the real estate owned by the Group and leased as well as the land directly related to these properties and the land purchased and maintained in order to increase the value of the portfolio. Investment property is initially recognized at the purchase cost/production cost.

In the case of real estate built by the Group, during the construction period, the Group classifies it as investment property under construction and it is included in the investment property when it is available for use. After the initial recognition, at each balance sheet date, the investment property is presented at fair value. The valuation of fair value is updated quarterly. Gains or losses arising from changes in the fair value of investment property are recognized in profit or loss in the period in which they arise. The fair value of land and buildings measured at the fair value are updated in order to reflect market conditions at the end of the reporting period. The fair value of investment property is the price to be received for the sale of the asset or paid for the transfer of the liability in transactions between market participants, carried out under normal conditions on the valuation date. The fair value of the property is subject to verification by external appraisers at least once a year. Values expressed in EUR and USD are converted quarterly according to current rates published by the National Bank of Poland.

Differences in the valuation of investment properties and the result on the sale of investment properties, as well as any other gains and losses on investment properties, are recognized in the profit and loss account as 'gain (loss) on investment property'. All repair and maintenance costs of investment property are recognized as an expense in the profit and loss account for the period to which they relate. 'Investment property under construction' includes projects carried out by the Group, which are intended for future use as investment property for lease. Investment property under construction, for which a significant part of the risks associated with the construction process has been eliminated and reliable valuation is possible, are measured at their fair value. The terms and conditions determined by the Group, on the fulfilment of which the analysis process starts in order to determine whether significant risks have been eliminated:

- obtaining a building permit,
- contracting construction work worth at least 30% of the project's budget,
- lease of at least 20% of the project area.

An important issue when analyzing risks is the possibility and method of financing the project.

Each investment property under construction is individually analyzed for the ability to obtain a credible valuation to its fair value, taking into account the general economic situation, the availability of data for similar properties and the expectation of volatility of underlying factors.

Upon the fulfilment of the above conditions, provided that the Group estimates that significant risks concerning the investment property under construction are eliminated, the property is measured at fair value. In other cases, due to the inability to obtain reliable measurement at its fair value, investment property under construction is measured at its acquisition cost or production cost minus any impairment losses. When valuing investment properties under construction at fair value according to the income method, the Group takes into account the degree of project implementation at the end of the reporting period and the reliable data

available on the expected investment property at the end of the construction process. Cost-based valuation includes costs that are directly related to an unfinished project. Expenditure incurred on the purchase of land, expenditure on the design and construction of buildings (mainly external services), financial costs and other costs incurred in the implementation, directly related to the investment are taken into consideration in the course of valuation according to the cost of production. In the case of a change in the use of real property, it is appropriately reclassified in the insurance and financial statement of the real estate and disclosed in the item: property, plant and equipment or stocks according to the carrying amount as at the transfer date, i.e. the previously presented fair value.

## **STOCK**

Stock includes: semi-finished products and work in progress, finished goods and goods. Owing to the specific nature of the activity, land purchased or fees incurred for the right of perpetual usufruct of land are classified as work in progress – if the land is to be developed for further resale, or as goods – if the land is for sale. Work in progress also covers the costs associated with the implementation of projects for sale, such as expenditure on:

- design services, construction work, etc. provided by third parties,
- salaries of employees employed in construction teams, project managers and leasing managers.

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 time records, 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 property, plant and equipment are measured at the cost of acquisition of land property and the cost of product manufacture, increased by the activated financial costs incurred but no higher than the net realizable value. This value is derived from information from the active market. Reversal of stock write-offs takes place in connection with the sale of the stock or an increase in the net sales price. Reversal of stock write-offs takes place in connection with stock sales or an increase in the net sales price. The amount of stock write-offs recognized as a cost and the reversals of write-offs decreasing the value of stock included in the period 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.

## 9.1 Establishing the public bond issue programme

The company has submitted a prospectus at the Financial Supervision Authority. It is planning to introduce the bonds issued on the regulated Catalyst market. All details concerning the issue, including its schedule, the currency of the issue, the redemption date and the interest rate will be stipulated in the final conditions of a given series of bonds. Financial Supervision Authority approved the Prospectus on 26 May 2017.

**104,5** mln €

On 9 March 2017, companies from the Echo Investment group and the Echo Polska Properties group signed an agreement concerning a joint purchase of 100% shares in Rosehill Investments, which was the indirect owner of the retail and office project Galeria Młociny that is under construction near Zgrupowania AK „Kampinos” Street in Warsaw. The sellers are: Broomfield Investments, Catfield Investments sp. z o.o., Powell Real Estate International B.V., Taberacle Limited, Taberacle Investments Limited and Elsoira Trading Limited. The two companies will pay approximately EUR 104,5 mln for the project (equity and liabilities of the company being the subject of the transaction). The Echo Investment group will have the share of 30% in the transaction, the part of the price attributable to the group is EUR 12 mln and its part of acquired liabilities amounts to EUR 19 mln. The purchase price could be changed as a result of an auditor's verification of the values used by the parties to establish the price. The parties are planning to close the deal by June 1st, 2017 at the latest.





Together with the conclusion of the contract an entity from the Echo Investment's group provided the SPV company which builds Galeria Młociny with a loan of a maximum value of PLN 70 mln for the repayment of its liabilities towards the general contractor.

Furthermore, Echo Investment also concluded a swap agreement with Echo Polska Properties, regulating the corporate governance principles in the acquired companies and a development agreement which provides Echo Investment with the function of the building site manager and project leasing agent.

Galeria Młociny is a retail and office project with a leasable area of 82,000 sqm, of which 71,000 sqm is retail, entertainment and gastronomy space. The facility is located near the main public transport hub in northern Warsaw, which sees 40 000 daily commuters. Construction of the first phase commenced in October 2016, and is on track for completion in Q2 2019. The development is approximately 55% preleased, and its key tenants include Inditex brands, Van Graaf and H&M.



### **9.3 Sale of West Gate office building in Wrocław and ROFO agreement with Griffin Premium RE**

Echo Investment and its subsidiaries concluded a preliminary contract concerning the sale of the West Link office building in Wrocław with entities from the Griffin Premium RE group with its seat in Netherlands. The buyer is a company affiliated with Griffin Real Estate.

The deal is to be closed subject to the following conditions:

- a. the receipt of the final, unconditional occupancy permit for the building,
- b. leasing minimum 60% of the building's area and the signing of a rental guarantee agreement for the period of five years, based on which Echo

Investment will guarantee the coverage of rent and service charges for vacant premises as well as rent-free periods, costs of finishing the premises and costs related to temporary rent abatements,

- c. the first public offering of shares of Griffin Premium on Warsaw Stock Exchange will generate net proceeds of minimum EUR 28 mln for Griffin Premium until June 30th, 2017 (condition fulfilled on 19 April 2017),
- d. the Buyer receives the anti-trust consent if it is required by law; and

- e. the Supervisory Board of the Company approves the transaction (the approval granted on March 14th, 2017).

The sales price of the shares was established as follows:

- the quotient of NOI (i.e. the difference between the operating income and undeductable operating costs) and 6.873%, which amounted to EUR 36.06 mln on the day of signing of the preliminary contract,
- plus the estimated working capital and cash amount and
- minus the debt amount.

The price will be subject to standard adjustments after the closure of the transaction.

At the same time the Griffin Premium RE and Echo Investment concluded an investment contract con-

cerning the right of the first offer (ROFO) for office projects developed in Warsaw i.e. the Beethovena stages I and II and Browary Warszawskie stage J. Following the legal due diligence and provided that its results are considered satisfactory by Griffin Premium RE, Griffin Premium RE will invest 25% of the capital which was already invested and the future capital needed for the completion of the construction process and finalization of the project by the acquisition of bonds. The total estimated value of these bonds is EUR 9.9 mln. In connection with the investment in bonds, an entity controlled by Griffin Premium RE will be entitled to a 25%-share in the projects' profits.

Upon the ROFO agreement, Griffin Premium RE is entitled to submit the first offer to buy 3 office buildings included in the ROFO agreement to Echo Investment.

## DESCRIPTION OF PROPERTIES INCLUDED IN THE INVESTMENT CONTRACT

Project	GLA [sqm]	Targeted NOI [EUR mln]	Start	Completion
<b>Beethovena I</b>	17 800	3,1	Q4 2017	Q3 2019
<b>Beethovena II</b>	17 400	2,9	Q1 2018	Q4 2019
<b>Browary Warszawskie J</b>	15 000	3,1	Q2 2017	Q3 2018

Following the signing of a preliminary sales contract concerning the sale of the West Link office building on 23 March, 2017, Echo Investment signed a loan agreement with the Millenium Bank for the amount of EUR 16.5 mln for its construction. West Link, which should be completed by early 2018, will have a gross leasable area of over 14,000 sqm.

## 10

## Events after the day of drawing up these financial statements

### 10.1 Adopting the dividend policy

On 26 April, 2017 the Management Board of Echo Investment adopted the resolution on the Company's dividend policy. Echo Investment wants to provide its shareholders with a return on invested capital in the form of an increase of the share value as well as regularly paid dividends. The assumptions of the adopted dividend policy:

- from 2016 profit the Management Board will recommend to the General Meeting of Shareholders the payment of dividend amounting to the dividend advance declared on 23 November 2016 i.e. PLN 0.85 per share.
- from 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 will be recommending the payment of the dividend amounting to 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, the purchase of land in particular.

### 10.2 Sale of A4 Business Park III in Katowice

As a result of preliminary contracts concluded on 30 September 2016 concerning the sale of seven office buildings to Echo Polska Properties, the sales contract of the fourth building – A4 Business Park III in Katowice – was closed on 26 April 2017.

As part of the transaction the seller and the buyer concluded a rent guarantee agreement which envisages the seller covering rent payments and average operating costs for the parts of the building which were not leased on the day of signing the agreement or were leased but involved rent discounts or rent holidays.

Furthermore, the seller and the buyer concluded a fit-out work agreement, based on which Echo Investment will conduct finishing work for EPP for extra remuneration.

The sales price was EUR 27.5 mln plus VAT, however, taking into consideration additional payments which the seller could receive on the basis of the fit-out work agreement, the total revenue related to the sale could increase to the estimated amount of EUR 28.5 mln plus VAT.

Echo Investment and EPP are bound by a preliminary contract concerning the sale of 3 office buildings: O3 Business Campus II and O3 Business Campus III in Kraków as well as Symetris Business Park II in Łódź. The conclusion of the contracts is subject to obtaining an occupancy permit for each of the buildings as well as the lease of minimum 60% of the area.



The above-mentioned building as well as Sagittarius and Nobilis in Wrocław and Galeria Libero in Katowice are part of a package of properties included in the Right of the First Offer (ROFO). Furthermore, EPP is their co-investor holding 25% shares, which also means that the company is entitled to 25% of the sales profit.



## 11

## Description of markets the Company and its Group operate in

### Perspectives of each market sectors in coming 12 months:

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

# 194,000 sqm

the office area leased in Warsaw in Q1 2017

### 11.1 Office market

#### → WARSAW

The first quarter on the office market of the capital city was very successful. According to JLL's calculations, the demand was nearly 194,000 sqm. Large projects were put into operation and the vacancy index declined slightly.

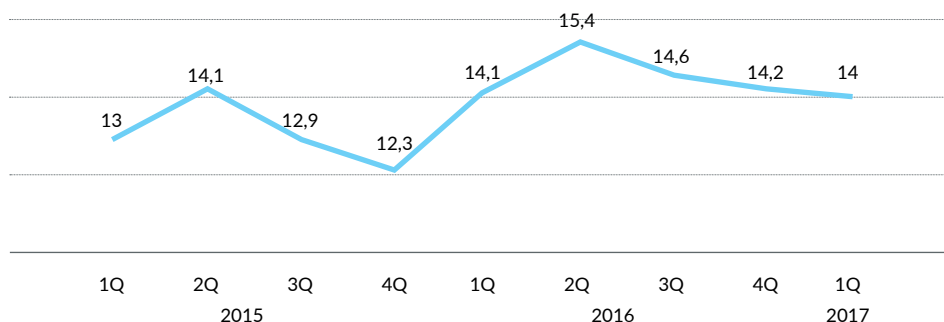
JLL's analysts remark that the city centre has had excellent results for the last few quarters, nearly half of the transactions concluded in Q1 concerned this part of Warsaw. Furthermore, a significant number of leases negotiated and concluded with regard to large areas have been observed since the beginning of 2017. In Q1 2017 the most active tenants on the capital city market included production, service and IT companies as well

as, interestingly, the public sector. As much as 75% of the demand was attributable to these industries.

App. 310,000 sqm of offices are to be completed by the end of 2017, it is nearly one quarter less than in 2016. The construction of 10 buildings with a combined area of 84,200 sqm was completed from January until March. App. 700,000 sqm of offices are under construction. JLL's analyses show that the vacancy index decreased to 14% in Q1 2017 and the highest transaction rents remained relatively stable. Monthly rent rates in the city centre amount to EUR 20.5-23.5 per sqm and they range from EUR 11 to 16 per sqm outside the centre.

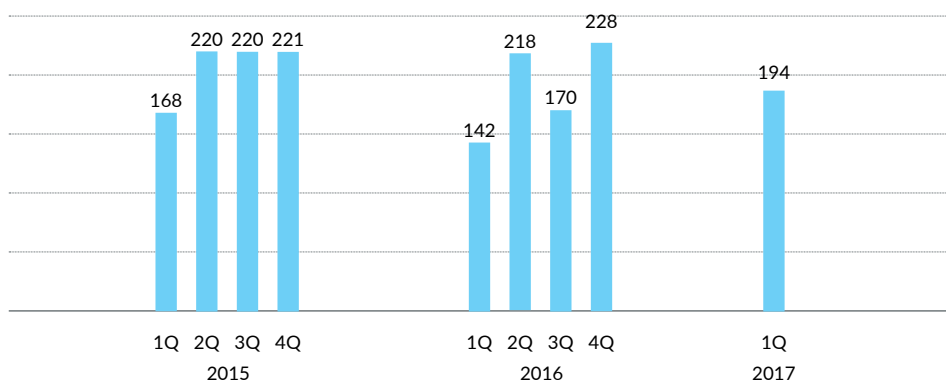
### VACANCY INDEX IN WARSAW [%]

Source: Polish Office  
Research Forum



## WARSAW OFFICE TAKE-UP [000 SQM]

Source:  
Polish  
Office  
Research  
Forum



## ↑ REGIONAL CITIES

The most important factor regarding the growth of regional cities is the BPO/SSC sector, which has been developing dynamically. According to a survey of the Association of Business Service Leaders (ABSL), it currently employs app. 225,000 people and it has recently grown 15-20% per year. ABSL believes that after Brexit Poland could gain more companies from the financial sector in the subsequent years: BPO/SSC companies from the financial industry currently employ app. 25,000 people and their number could even double over the period of 3 years. The share of BPO/SSC companies in

the demand for office space in regional cities is high and it amounted to 57% in Q1 2017. JLL analysts confirm that Q1 2017 was marked by a considerable activity of tenants and developers on regional office markets. The demand amounted to 177,700 sqm, 63% of which was attributable to Wrocław (58,900 sqm) and Kraków (52,500 sqm).

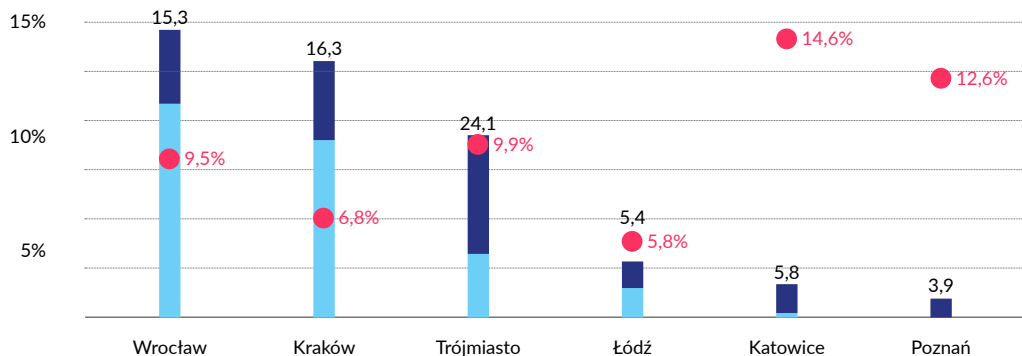
The new supply in Q1 only amounted to 67,200 sqm, however, 469,000 sqm more is to be delivered on eight regional markets in subsequent quarters. Developers' activity remains strong:

965,000 sqm is under construction in regional cities, 30% of which is leased. According to JLL's data, all regional markets, excluding Katowice, observed a decline of vacancies compared to Q4 2016 (from 0.4 percentage points in Kraków, to 1 percentage point in Poznań, to 3 percentage points in Wrocław). In subsequent quarters JLL analysts expect a growth of the index in Kraków and TriCity (due to a considerable amount of new supplies) as well as stabilization in other cities.

## OFFICE TAKE-UP IN Q1 2017 [000 SQM] AND VACANCY RATE

- - BPO/SSC share
- - Other sectors
- - Vacancy rate

Source: Polish Office  
Research Forum



247 sqm

Retail area in shopping centres per  
1,000 inhabitants in Poland

## 11.2 Retail market



In Q1 2017 the market of modern retail space was extended by nearly 37,000 sqm, however, according to developers' announcements, an area of app. 511,000 sqm is to be marketed in entire year i.e. 10% more compared to 2016. The largest projects are: Galeria Północna in Warsaw, Wroclavia in Wrocław and Serenada in Kraków. At the end of March 2017 the total supply of modern retail space in Poland was 13,400 sqm.

According to JLL's data, Poland currently has 247 sqm of retail space per 1,000 inhabitants. It is more than the European average (206 sqm), but less compared to Western Europe (264 sqm). Furthermore, it needs to be emphasized that the statistics do not include high streets, which are much more developed in Western Europe compared to Poland.

Because the market has been slowly filling up, developers and owners of retail facilities pay more and more attention to their attractiveness. The construction of new shopping centres requires a very selective approach, a lot of attention and experience from the developer and the investor. Because of the purchasing power, the size of the market, the lowest vacancy index and a relatively low level of saturation, some locations in Warsaw are considered attractive and able to absorb new projects. JLL's data indicate that rent rates for the best outlets and the vacancy index are stable.

75%

Share of apartment sold in total  
number of apartments on the market  
planned to be competed in 2017.

## 7.3 Residential market



Q1 2017 confirmed a good condition of the primary residential market and it was better than the record Q4 2016 until now. According to a survey of the REAS consulting company, 18,600 apartments were sold in six conurbations (Warsaw, Kraków, Wrocław, Poznań, TriCity and Łódź), which is 3% more compared to Q4 2016 and nearly 16,000 apartments were marketed (16% less). At the end of March the offer included 4.8% fewer apartments than at the end of December 2016. More than 67,000 apartments were marketed over the last 12 months (April 2016 – March 2017) i.e. 23.5% more compared to the previous 12 months.

REAS analysts point out a relatively low number of finished and unsold apartments, which constituted only 13% of the total offer at the end of March 2017. What is more, 75% of the apartments with the completion date in 2017 were sold at the end of Q1. The ending 'Apartment for the Young' programme had a significant influence on the market in the last two quarters. Even though average apartment prices were at a similar level, various trends could be observed with regard to cheaper apartments that qualified for the programme (a slight decrease of prices) and larger, more expensive apartments which were addressed to clients purchasing them for investment purposes (increasing the prices as the offer sold out).

The fact that Poland entered the period of negative interest rates in Q1 2017 was a positive factor for the residential market. It encourages investors even stronger to purchase apartments for investment purposes instead of keeping their money in the bank.

REAS analysts point out that over the next few quarters the residential market will be positively affected by an announcement concerning the continuation of record low interest rates for as long as the next two years, the policy of some of the banks providing mortgages with low own contribution, the 'Family 500+' programme, an increase of income, a decline of the unemployment rate and the scale of cash emerging on the market (probably from the gray market). Closing the 'Apartment for the Young' programme is a negative aspect. The option of lowering the average apartment rent rates, resulting from the development of the lease market as well as the new 'Apartment+' governmental programme should also be taken into consideration in a longer prospect. However, according to REAS forecasts, nothing indicates the emergence of problems more serious than a slight slowdown in the near future.

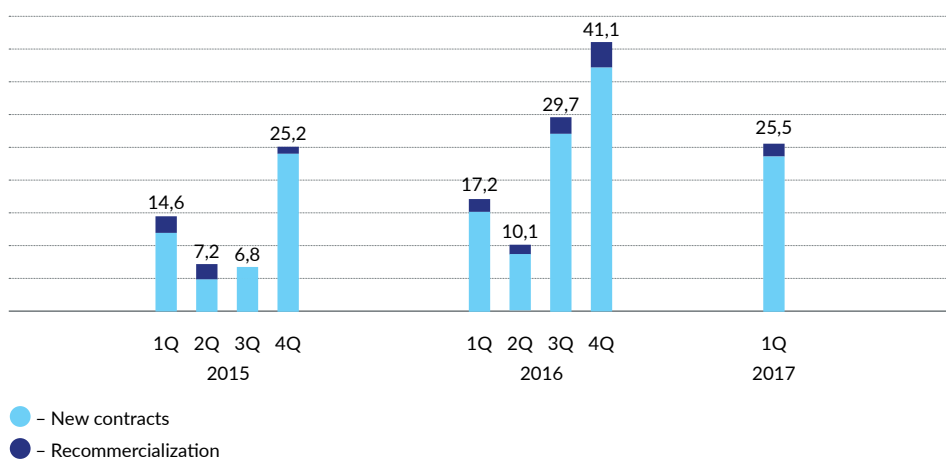
## 12

## Echo Investment Group achievements in each sectors of the market and its perspectives

### 12.1 Office

In Q1 2017 Echo Investment's leasing department rented an office area of 25,500 sqm, which constitutes a growth of 48 pct compared to Q1 2016. The largest transactions closed included the contract concerning an additional area of 6,000 sqm in the West Link office building in Wrocław, which was signed with Nokia (the company leased 7,000 sqm earlier), the lease of 4,000 sqm in Symetris Business Park II in Łódź to Philips Polska and 2,400 sqm in the Symetris I building to ZF TRW.

OFFICE - LEASING [000 SQM]



### 12.2 Retail

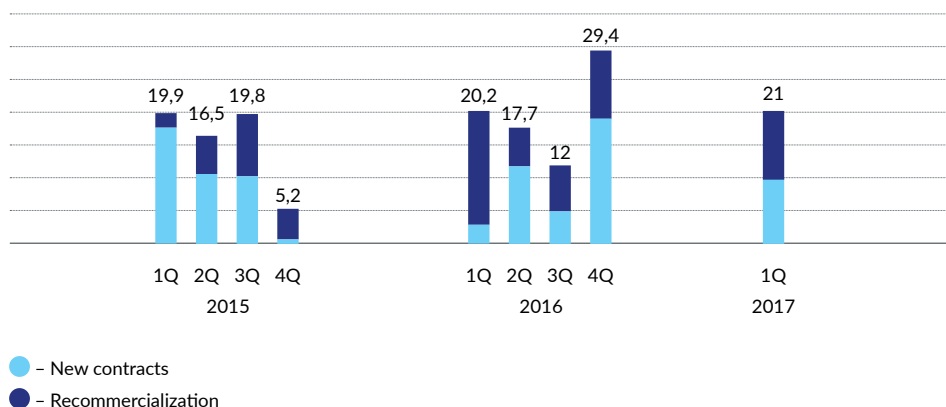
In the shopping centre department Q1 2017 was marked by the preparation of the architectural, marketing and leasing concept of the project at 22 Towarowa Street in Warsaw. Preparations for the acquisition of Galeria Młociny in Warsaw have also started. Echo Investment will be responsible for its construction, marketing and lease.

The shopping centre leasing department signed contracts concerning an area of 10,000 sqm in Q1 2017 (Libero Katowice and extensions of Galaxy and Outlet Park in Szczecin). Galeria Libero, the construction of which is to finish at the end of Q1 this year was 58% leased (a growth of 17 percentage points compared to the end of 2016). Its new tenants include brands such as: Tous, CCC, Starbucks and the YA Akademia Sukcesu lan-

guage school. Tenants of the Outlet Park in Szczecin were joined by New Balance. Commercialization of extended Galaxy increased

by 9 percentage points to 84% and it grew by 15 percentage points to 75% in the case of the outlet centre.

RETAIL - LEASING [000 SQM]



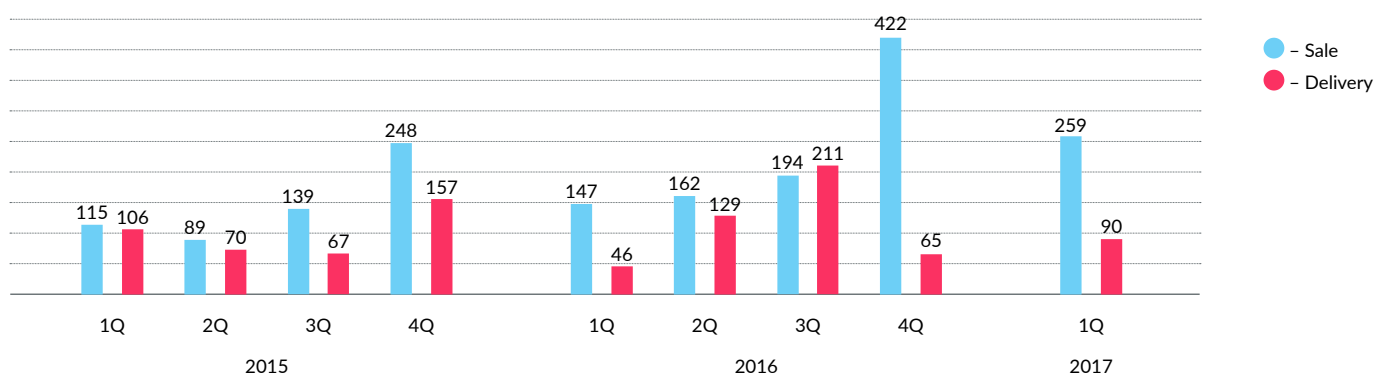
### 12.3 Residential

The first quarter of 2017 was successful for Echo Investment in terms of apartment sales. The Group sold 259 units, which is 76-pct more than in Q1 2016, when 147 units were sold. In Q1 2017, Echo Investment Group provided its clients with keys to 90 apartments, which is reflected in the financial results for the period. This doubles the number of completed units as compared to Q1 2016, when 46 apartments were finished.

In Q1 2017 Echo Investment started the construction of Browary Warszawskie B project in Warsaw with 171 units (340 units entered the offer in Browary Warszawskie B and Osiedle Perspektywa in Poznań). In 2017, the Company is planning to launch and market 11 projects including 1,368 apartments for sale and start construction of 4 projects for rent with 995 units in total.

Since beginning of 2017 three residential projects of the Group was commissioned: Park Sowińskiego II and III and Pod Klonami III (terraced houses) in Poznań – 147 units in total.

**RESIDENTIAL SALE AND DELIVERY [UNITS]**



## 13

## Portfolio of properties

30–40%

Targeted development gross margin on projects under construction and in preparation.

Properties in operation and under construction, projects in preparation, and also plots as at 31 March 2017.

## 13.1 Office

## Legend:

GLA – global leasing area

NOI – net operating income based on fully leased property and market level rents

## OFFICE BUILDINGS IN OPERATION

Project	GLA [sqm]	Leasing [%]	Targeted NOI [EUR mln]	Comments
A4 Business Park III, Katowice	12 000	86	2,1	sold to EPP on 26.04.2017
Wrocław, Nobilis Business House	16 900	59	2,9	ROFO agreement with EPP
Warsaw, Babka Tower	6 200	78	1,2	
<b>Total</b>	<b>35 100</b>		<b>6,2</b>	

## OFFICE BUILDINGS UNDER CONSTRUCTION

Project	GLA [sqm]	Leasing [%]	NOI [EUR mln]	Start	Targeted commissioning	Comments
Łódź, Symetris Business Park II	9 500	42	1,6	II Q 2016	III Q 2017	preliminary sale agreement with EPP
Kraków, O3 Business Campus II	19 100		3,2	I Q 2016	III Q 2017	preliminary sale agreement with EPP
Kraków, O3 Business Campus III	19 100		3,2	IV Q 2016	IV Q 2017	preliminary sale agreement with EPP
Wrocław, Sagittarius Business House	24 900	86	4,5	II Q 2016	IV Q 2017	ROFO agreement with EPP, in negotiations with 3rd party
Wrocław, West Link	14 200	92	2,5	III Q 2016	I Q 2018	preliminary sale agreement with Griffin Premium RE
<b>Total</b>	<b>86 800</b>		<b>15,0</b>			

## OFFICE BUILDINGS IN PREPARATION

Project	GLA [sqm]	Targeted NOI [EUR mln]	Targeted start	Targeted commissioning	Comments
Gdańsk, Solidarności I	14 300	2,3	I Q 2018	III Q 2019	
Gdańsk, Solidarności II	15 800	2,5	I Q 2019	I Q 2020	
Katowice, Grundmanna I	23 000	3,8	IV Q 2017	IV Q 2019	
Katowice, Grundmanna II	23 500	3,8	IV Q 2018	IV Q 2020	
Łódź, Piłsudskiego	14 100	2,3	I Q 2018	III Q 2019	
Warsaw, Beethovena I	17 800	3,1	IV Q 2017	III Q 2019	ROFO agreement with Griffin Premium RE
Warsaw, Beethovena II	17 400	2,9	I Q 2018	IV Q 2019	ROFO agreement with Griffin Premium RE
Warsaw, Browary Warszawskie J	15 000	3,1	II Q 2017	III Q 2018	ROFO agreement with Griffin Premium RE
Warsaw, Browary Warszawskie K	16 200	3,4	I Q 2018	I Q 2020	
Warsaw, Browary Warszawskie G	9 200	1,8	I Q 2018	I Q 2020	
Warsaw, Browary Warszawskie H	11 900	2,5	I Q 2018	I Q 2020	
<b>Total</b>	<b>178 200</b>	<b>31,5</b>			

30–40%

## 13.2 Retail

Estimated development gross margin on projects under construction and in preparation.

## RETAIL PROJECTS UNDER CONSTRUCTION

Project	GLA [sqm]	Leasing [%]	Targeted NOI [EUR mln]	Targeted start	Targeted commissioning	Comments
Szczecin, Galaxy (extension)	15 100	84	3,3	I Q 2016	IV Q 2017	project run for EPP
Szczecin, Outlet Park III	3 800	75	0,6	IV Q 2016	IV Q 2017	project run for EPP
Katowice, Galeria Libero	44 700	58	9	III Q 2016	I Q 2018	ROFO agreement with EPP
<b>Total</b>	<b>63 600</b>		<b>12,9</b>			

## Legend:

GLA – global leasing area

NOI – net operating income based on fully leased property and market level rents



## RETAIL PROJECTS IN PREPERATION

Project	GLA [sqm]	Targeted NOI [EUR mln]	Targeted start	Targeted commissioning	Comments
Warsaw, Towarowa 22 (2 phases)	111 100	36,4	II Q 2018 (1st phase)	IV Q 2020 (1st phase)	joint-venture with EPP, target share split 30%:70%

# 30–35%

Targeted development gross margin on residential projects for regular sale under construction and in preparation.

## 13.3 Residential

As at the end of Q1 2017, Echo Investment Group in its offer had 65 apartments in completed projects. Estimated total revenue from its sales amounted to PLN 44,2 mln.

Number of units in total offer as at 31 March 2017 amounts to 901.

# 62%

Level of expected revenues on residential projects under construction, secured by preliminary contracts.

### Legend:

PUM – (powierzchnia użytkowa mieszkań) – residential usable area

Sales – item covering exclusively preliminary contracts

## RESIDENTIAL PROJECTS UNDER CONSTRUCTION

Project	PUM [sqm]	Number of units	Targeted revenues [PLN mln]	Start	Targeted commissioning
Kraków, Kościuszki Apartments	5 300	70	64,5	IV Q 2015	IV Q 2017
Kraków, Dom pod Wilgą I	6 500	112	51,9	IV Q 2015	III Q 2017
Kraków, Dom pod Wilgą II	8 800	131	72,3	III Q 2016	II Q 2018
Kraków, Apartamenty GO (Rakowicka)	7 600	182	65,7	IV Q 2016	II Q 2018
Łódź, Osiedle Jarzębinowe III	6 500	109	31,9	IV Q 2015	III Q 2017
Łódź, Osiedle Jarzębinowe IV	4 400	74	21	IV Q 2016	IV Q 2018
Poznań, Jackowskiego	8 100	155	52,4	III Q 2015	III Q 2017
Poznań, Osiedle Perspektywa I	8 200	169	42,3	IV Q 2016	III Q 2018
Poznań, Osiedle Jaśminowe III	3 800	77	21	IV Q 2016	III Q 2018
Poznań, Pod klonami III (teraced houses)	1 900	14	8,6	IV Q 2015	II Q 2017
Poznań, Sowińskiego II	2 600	42	20,3	II Q 2015	II Q 2017
Poznań, Sowińskiego III	5 000	88	35,4	II Q 2015	II Q 2017
Poznań, Sowińskiego IV	5 100	89	36,1	IV Q 2016	III Q 2018
Warsaw, Nowy Mokotów III	16 200	251	129,6	III Q 2015	III Q 2017
Warsaw, Nowy Mokotów IV	3 200	45	29,6	II Q 2016	I Q 2018
Warsaw, Browary Warszawskie A	5 200	98	55	IV Q 2016	III Q 2018
Wrocław, Grota-Roweckiego II	8 100	135	41	IV Q 2015	IV Q 2017
<b>Total</b>	<b>106 500</b>	<b>1 841</b>	<b>778,6</b>		

## RESIDENTIAL PROJECTS IN PREPARATION

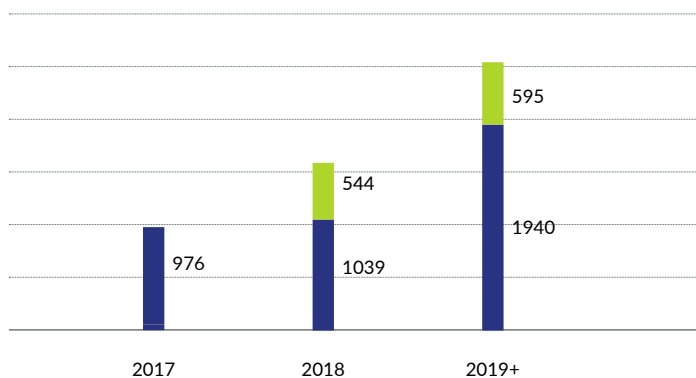
Project	PUM [sqm]	Number of units	Targeted revenues [PLN mln]	Targeted start	Targeted commissioning
Kraków, Dom pod Wilgą III	4 600	63	38,7	II Q 2017	I Q 2019
Łódź, Osiedle Jarzębinowe V	8 600	154	42,3	III Q 2017	II Q 2019
Łódź, Wodna I	5 300	81	28,2	II Q 2017	I Q 2019
Łódź, Wodna II	8 400	139	44,8	III Q 2017	III Q 2019
Poznań, Osiedle Jaśminowe IV	5 100	103	27,7	I Q 2018	IV Q 2019
Poznań, Osiedle Perspektywa II	4 600	94	23,5	IV Q 2017	II Q 2019
Poznań, Osiedle Perspektywa III	5 600	104	28,9	III Q 2018	I Q 2020
Poznań, Garbary	12 300	217	85,6	II Q 2018	IV Q 2019
Warsaw, Beethovena	12 300	241	97,8	I Q 2018	IV Q 2019
Warsaw, Browary Warszawskie B	10 600	171	113,5	II Q 2017	IV Q 2018
Warsaw, Browary Warszawskie C	6 900	105	70,9	III Q 2017	IV Q 2018
Warsaw, Browary Warszawskie E	5 100	103	52,0	I Q 2018	IV Q 2019
Warsaw, Princess	4 900	90	42,9	III Q 2017	I Q 2019
Warsaw, Taśmowa I	14 000	248	101,5	III Q 2017	II Q 2019
Wrocław, Gdańska	4 000	71	29,4	III Q 2017	I Q 2019
Wrocław, Rychalska I	11 100	232	67,7	II Q 2017	I Q 2019
<b>Total</b>	<b>123 400</b>	<b>2216</b>	<b>895,4</b>		

## RESIDENTIAL PROJECTS FOR RENT UNDER PREPARATION

Project	PUM [sqm]	Number of units	Targeted start	Targeted commissioning
Kraków, Rydla	5 400	91	II Q 2017	IV Q 2018
Wrocław, Kępa Mieszczańska	9 300	204	III Q 2017	IV Q 2018
Wrocław, Rychalska II	11 500	249	II Q 2017	IV Q 2018
Warsaw, Browary Warszawskie D i F	18 800	451	III Q 2017	III Q 2019
Warsaw, Taśmowa III	7 600	144	I Q 2018	IV Q 2019
<b>Total</b>	<b>52 600</b>	<b>1139</b>		

### RESIDENTIAL UNITS BY TARGETED YEAR OF COMPLETION [UNITS]

- - On sale
- - For the rental platform



### HOUSING PLOTS FOR SALE

Project	Plot area [sqm]	Targeted revenues [PLN mln]	Start	Commissioning
Kielce, Występa	134 500	15,5	I Q 2018	IV Q 2018
Warsaw, Rezydencje Leśne	52 900	26,5	II Q 2011	IV Q 2012
<b>Total</b>	<b>187 400</b>	<b>42,0</b>		

## 13.4 Land bank

### INVESTMENT PLOTS - PROJECTS AT CONCEPT STAGE

Location	Plot area [sqm]	Comments
Katowice, Jankego	26 200	
Kielce, Zagnańska	6 900	sold on 17.05.2017
Lublin	4 700	
Łódź, Okopowa	12 500	
Poznań, Hetmańska	65 300	
Poznań, Naramowice, Czarnucha	323 900	
Poznań, Pamiątkowo	870 000	
Radom	6 300	
Szczecin, Struga	11 000	
Warsaw Taśmowa	16 100	
Warsaw, Woronicza, Park Rozwoju III	9 500	
Zabrze	8 100	
<b>Total</b>	<b>1 360 500</b>	

## PLOTS FOR SALE

Location	Plot area [sqm]	Comments
Budapest Mundo, (Węgry)	67 700	
Słupsk	65 700	preliminary conditional sale agreement
Brasov Korona, (Rumunia)	49 700	preliminary sale agreement
Koszalin	39 300	preliminary conditional sale agreement
<b>Total</b>	<b>222 400</b>	



## Main investments in 1Q 2017 – acquisition of plots

# 81,800 sqm

- office space to be built on plots  
acquired by Echo Investment since  
beginning of 2017.

In Q1 2017 Echo Investment Group purchased two properties with 44,000 sqm. of buildable office space. The company spent a total of PLN 27 mln on the purchase of the plots. Following plots was acquired:

- plots with a combined area of 5,100 sqm on al. Piłsudskiego in Łódź, where an office project with a leasing area of 14,000 sqm is planned.
- perpetual usufruct of plot with an area of 8,600 sqm on Solidarności Street in Gdańsk, where an office complex with a leasing area of app. 30,000 sqm is planned.

Furthermore, since 31 March 2017 Echo Investment Group has acquired plots with 7,900 sqm of total area near ul. Powstańców

Śląskich in Wrocław, where the office complex with 37,800 sqm GLA of space can be build.

The Company is in the process of finalization of purchase agreements and negotiations regarding subsequent properties. Currently land plots with potential of over 280,000 sqm of leasing and usable area in Warsaw, Łódź, Poznań and Wrocław is secured by the preliminary contracts (or other contracts with similar level of obligation), and following land properties for another 100,000 sqm GLA or usable area is in negotiations.

## 15

## Factors and unusual events influencing the financial result in Q1 2017

### REGULAR FACTORS WHICH INFLUENCED THE GROUP'S FINANCIAL RESULTS IN Q1 2017:

Revenue resulting from final contracts concerning the sale of housing units, mostly in the projects:

- Hortus Apartments and Park Avenue Apartments in Kraków;
- Osiedle Jarzębinowe in Łódź;
- Osiedle Jaśminowe, Pod Klonami and Park Sowińskiego in Poznań;
- Nowy Mokotów in Warsaw;
- Grota 111 in Wrocław.

Revenue resulting from final contracts concerning the sale of housing plots with house projects in the projects:

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

Revenues resulting from sale of subsidiaries:

- EI Project Cypr 1 LTD;
- Echo Investment Ukraine LLC.

Revaluation of fair value of the Group's assets:

- in operation: Babka Tower in Warsaw and A4 Business Park phase III in Katowice, Nobilis Business House in Wrocław;
- under construction: Galeria Libero in Katowice, West Link and Sagittarus Business House in Wrocław.

Costs of sales and overheads.

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

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

Measurement and settlement of FX hedging instruments.

Interest on deposits and borrowings granted.

Revenues from framework services of Echo Polska Properties group.

Unusual events affecting the financial performance of the Company in Q1 2017 was not observed.

## 16

## Factors which will influence the results in the perspective of at least the following quarter

### FACTORS WHICH INFLUENCED THE GROUP'S FINANCIAL RESULTS IN FOLLOWING PERIODS:

Revenue resulting from final contracts concerning the sale of housing units, mostly in the projects:

- Hortus Apartments, Park Avenue Apartments, Dom pod Wilgą phase I and II, Kościuszki Apartments and Apartamenty GO in Kraków;
- Osiedle Jarzębinowe in Łódź;
- Osiedle Jaśminowe phases II and III, Park Sowińskiego, Jackowskiego, Osiedle Perspektywa and Pod Klonami in Poznań;
- Nowy Mokotów phases II-IV and Browary Warszawskie A in Warsaw,
- Grota 111 in Wrocław.

Revenue resulting from final contracts concerning the sale of housing plots with house projects in the projects:

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

Revaluation of fair value of the Group's assets in operation and under construction, in particular the first valuation of O3 Business Campus II and O3 Business Campus III, Symetris II, as well as another valuations of: Galeria Libero, Sagittarius, and West Link.

Sale of properties:

- A4 Business Park phase III in Katowice (sold in Q2 2017),
- Symetris Business Park phase II in Łódź (preliminary agreement with EPP),
- West Link in Wrocław (preliminary agreement with Griffin Premium RE),
- O3 Business Campus II i O3 Business Campus III (preliminary agreement with EPP).

Special dividend from EPP for development of Galaxy, Outlet Park III and Outlet Park IV.

Costs of sales and overheads.

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

Cash and loans valuation on resulting from currency exchange fluctuations.

Measurement and settlement of FX hedging instruments.

Interest on deposits and borrowings granted.

Valuation of shares and dividends received from Echo Polska Properties.

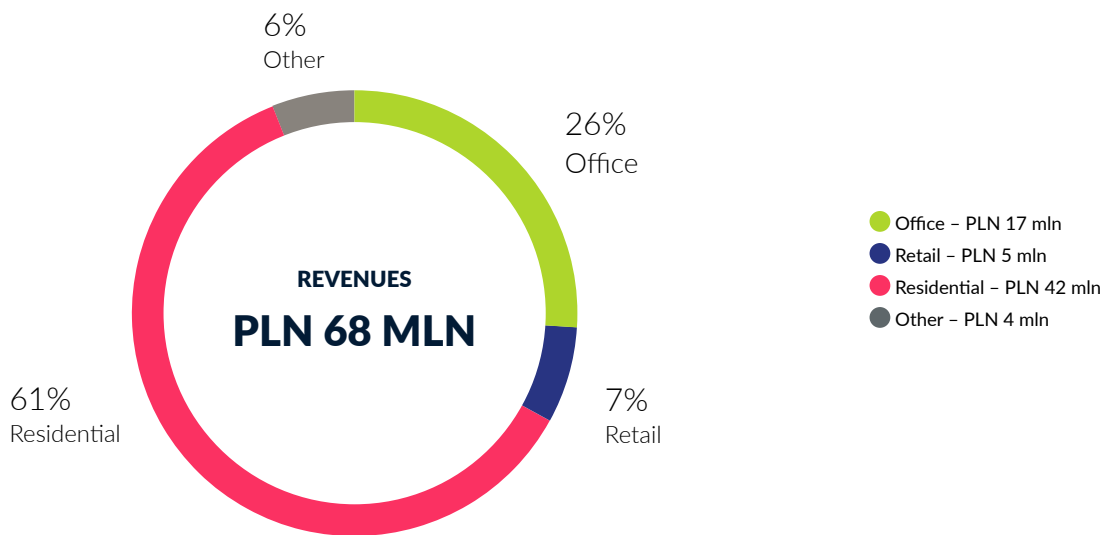
Revenues from framework services of Echo Polska Properties group.

Discounts and interests on loans, bonds and borrowings.

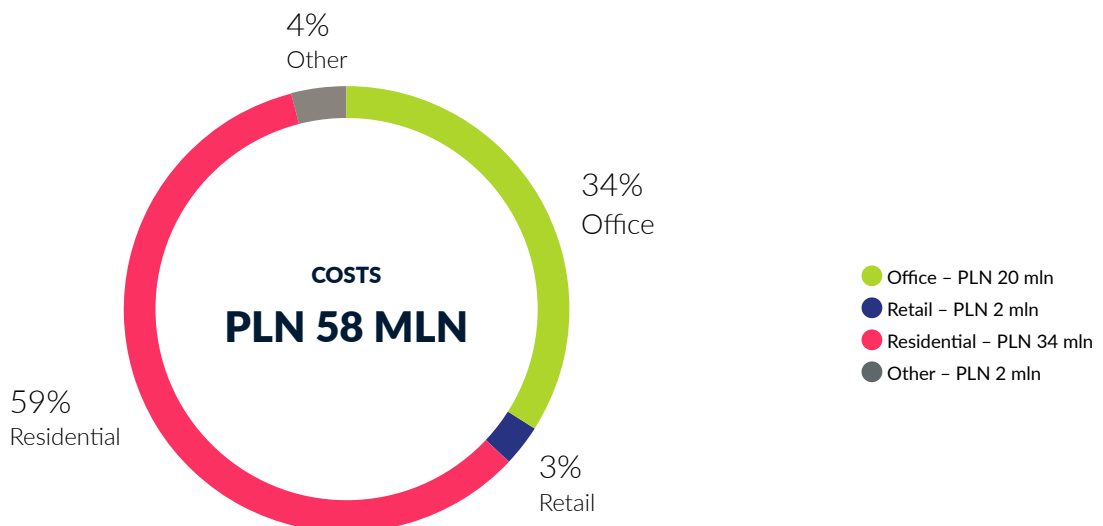
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## Segments of the Echo Investment Group

### ECHO INVESTMENT GROUP'S REVENUES IN Q1 2017



### ECHO INVESTMENT GROUP'S COSTS IN Q1 2017





# 18

## **Explanations concerning the seasonal and cyclical nature of the Group's activity in Q1 2017**

The Group's activity covers several segments of the real property 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.

## 19

## Information on dividend

Management Board of Echo Investment S.A. proposed to earmark a portion of the Company's 2016 profit for distribution to the shareholders.

Based on the Management Board resolution from 23 November, 2016 on the payment of interim dividend from 2016 financial year profit, the amount of PLN 350,786,994.70 (PLN 0,85 per share) will be paid to the shareholders having the shares on accounts on 22 December, 2016. The first instalment of the dividend amounting to PLN 284,756,501.58 (PLN 0,69 per share) was paid on 29 December, 2016. Remaining part of the advance dividend amounting to PLN 66,030,493.12 (PLN 0,16 per share) will be paid until the end of 2017.

### THE DIVIDEND POLICY

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

- from 2016 profit the Management Board will recommend to the General Meeting of Shareholders the

payment of dividend amounting to the dividend advance declared on 23 November 2016 i.e. PLN 0.85 per share.

- from 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 will be recommending the payment of the dividend amounting to 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, the purchase of land in particular.

## 20

## Bonds

## COMPANY'S LIABILITIES DUE TO BONDS ISSUED, AS AT 31 MARCH 2017 [PLN '000]

Financial instrument	Nominal value	Interest rate	Maturity	Guarantees / securities	Quotation market
Non-public bond (mBank S.A.)	175 000*	WIBOR 6M + margin	28.04.17	–	Catalyst
Non-public bond (mBank S.A.)	230 000	WIBOR 6M + margin	23.04.18	–	Catalyst
Non-public bond (mBank S.A.)	80 000	WIBOR 6M + margin	19.06.18	–	Catalyst
Non-public bond (mBank S.A.)	100 000	WIBOR 6M + margin	19.02.19	–	Catalyst
Non-public bond (mBank S.A.)	70 500	WIBOR 6M + margin	15.05.19	–	Catalyst
Non-public bond (mBank S.A.)	100 000	WIBOR 6M + margin	18.11.20	–	Catalyst
Non-public bond (mBank S.A.)	155 000	WIBOR 6M + margin	31.03.21	–	Catalyst
<b>Non-public bond total</b>	<b>910 500</b>				
Public bond DM PKO BP, series C	75 000	WIBOR 6M + margin	04.03.18	–	Catalyst
Public bond DM PKO BP, series D	50 000	WIBOR 6M + margin	20.04.18	–	Catalyst
<b>Public bond total</b>	<b>125 000</b>				
<b>Bond total</b>	<b>1 035 500</b>				

\* On 28 April 2017 bonds were redeemed, as indicated by redemption date.

### Establishing the public bond issue programme

On 27 February, 2017 the Management Board of Echo Investment passed a resolution on establishing a bond issue programme worth up to PLN 300 mln or its equivalent in EUR. The company has submitted a prospectus at the Financial Supervision Authority. It is planning to introduce the bonds issued on the regulated Catalyst market. All details concerning the issue, including its schedule, the currency of the issue, the redemption date and the interest rate will be stipulated in the final conditions of a given series of bonds. Financial Supervision Authority approved the Prospectus on 26 May 2017.

### Bond issue

on 31 March 2017, Echo Investment S.A. issued coupon bonds at a total amount of PLN 155 mln. The nominal value and the issue price of one bond was PLN 10,000. The bonds were issued for the period ending on November 31 March, 2021. The interest on the bonds is based on variable WIBOR 6M rate plus margin. The interest will be paid semi-annually. The bonds will be redeemed on the redemption day at the nominal value. The bonds issued are not secured.

### Redemption of bonds

after the balance sheet date, on 28 April 2017, the Company redeemed 17 500 bonds of a total value amounting to PLN 175 mln, as indicated by redemption date.

## 21

## Loan and borrowing agreements

## CREDIT FACILITIES OF ECHO INVESTMENT GROUP AS AT 31 MARCH 2017

Bank	Registered office	Contractual amount of loan/borrowing	Outstanding loan/borrowing amount	Interest rate	Repayment deadline	Security
PKO BP S.A.	Warsaw	75 mln PLN	–	WIBOR 1M + margin	19.08.17	Authorisation to bank account, statement on submission to enforcement proceedings
Alior Bank S.A.	Warsaw	50 mln PLN	–	WIBOR 3M + margin	30.01.18	Authorisation to bank account, statement on submission to enforcement proceedings
BZ WBK S.A. *	Wrocław	75 mln PLN	6,3 mln PLN	WIBOR 1M + margin	30.07.18	Authorisation to bank account, statement on submission to enforcement proceedings
Raiffeisen Bank Polska S.A.	Warsaw	62 mln PLN	–	WIBOR 1M + margin	14.12.18	Authorisation to bank account, statement on submission to enforcement proceedings
Total		262 mln PLN	6,3 mln PLN			

\* As at 31 March 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, therefore the value of available credit line amounted to PLN 197,2 mln.

**CREDIT FACILITIES OF ECHO INVESTMENT GROUP  
 AS AT 31 MARCH 2017**

Borrower	Bank	Registered office	Contractual amount of loan/ borrowing	Outstanding loan/borrow- ing amount	Interest rate	Repayment deadline	Security
Nobilis – Projekt Echo – 117 Sp. z o. o. Sp. K.	Mbank S.A.	Warsaw	20 mln EUR	10,3 mln EUR	Margin + EURIBOR 3M	31.12.2022	Mortgages, laying out registered and financial pledges, authorisation to bank account, subordination agreement, statement on submission to enforcement proceedings, agreement on transferring on rights and claims security on selected agreements
Symetris – Projekt Echo – 131 Sp. z o. o. Sp. K.	Bank BGŻ BNP	Warsaw	10,45 mln EUR	0	Margin + EURIBOR 3M	30.06.2019	Mortgages, laying out registered and financial pledges, subordination agreement, statement on submission to enforcement proceedings, agreement on transferring on rights and claims security on selected agreements
	Paribas S.A.		3 mln PLN	0	Margin + WIBOR 3M	30.06.2019	
West Gate II – Projekt Echo – 114 Sp. z o.o. Sp. K.	Bank Millennium S.A.	Warsaw	16,5 mln EUR	0	Margin + EURIBOR 3M	30.06.2019	Mortgages, laying out registered and financial pledges, subordination agreement, statement on submission to enforcement proceedings, agreement on transferring on rights and claims security on selected agreements
			2 mln PLN	0	Margin + WIBOR 1M	30.06.2019	
Total			46,95 mln EUR	10,3 mln EUR			
			5 mln PLN				

## 22

## Surety agreements

## SURETY AGREEMENTS AS AT 31 MARCH 2017

Issuer	For	Value [PLN '000]	Validity	Description
Echo Investment S.A.	Bletwood Investments Sp. z o.o.	1 419	Entire validity period of the lease and three months following its termination date	Surety bond for liabilities of Cogit 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.
Echo Investment S.A.	HPO AEP Sp. z o.o. Sp. J.	10 550	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. j as a collateral of liabilities resulting from the lease concluded on 07.12.2016. Mutual surety issued in EUR.

In Q1 2017, surety position did not change.

## 23

## Guarantee agreements

## GUARANTEE AGREEMENTS AS AT 31 MARCH 2017

Guarantor	For	Value [PLN '000]	Validity	Description
Echo Investment S.A.	Horta Sp. z o.o.	21 099	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.	25 319	to 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.
Echo Investment S.A. / BZ WBK S.A.	State Treasury	40 163	to 22.05.2017 – extendent 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.	14 950	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.
Echo Investment S.A.	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
Echo Investment S.A.	BGŻ BNP Paribas S.A.	5 161	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.	56 169	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.	145 755	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.	27 867	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.

**GUARANTEE AGREEMENTS AS AT 31 MARCH 2017**

Guarantor	For	Value [PLN '000]	Validity	Description
<b>Tryton – Projekt Echo – 127 Sp. z o.o. Sp. K. / Echo Investment S.A.</b>	Emfold Investments Sp. z o.o. Sp. K.	42 446	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.
<b>Symetris – Projekt Echo – 131 Sp. z o.o. Sp. K. / Echo Investment S.A.</b>	Flaxton Investments Sp. z o.o. Sp. K.	17 859	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.
<b>Echo Investment S.A.</b>	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

**AMENDMENTS TO GUARANTEE AGREEMENTS  
AS AT 31 MARCH 2017**

Change	Guarantor	For	Date of change	Value ['000]	Description
<b>Reduce of the collateral amount from EUR 9 mln to EUR 6 mln, according to guarantee agreement</b>	Echo Investment S.A.	Skua Sp. z o.o.	31.01.2017	6 000 EUR	Performance bond concerning execution of the final sales agreement concerning the Acquarius Business House II office building in Wrocław.
<b>Reduce of the collateral amount from EUR 2,95 mln to EUR 1,22 mln EUR, according to annex no 1 to the guarantee agreement</b>	Echo Investment S.A.	BGŻ BNP Paribas S.A.	16.01.2017	1 223 EUR	Surety bond for cost overrun and liabilities resulting from debt service in the period of construction of the Symetris II office building in Łódź.
<b>Expiry</b>	Echo Investment S.A.	Nokia Solutions and Networks Sp. z o.o.	18.01.2017	1 986 EUR	Surety bond concerning liabilities resulting from rental agreement of 29.08.2016 r.
<b>Expiry</b>	Echo Investment S.A./ PZU S.A.	FTF Columbus S.A.	19.01.2017	24 600 PLN	Performance bond concerning execution of the agreement of 22.06.2015 r.
<b>Issue</b>	Echo Investment S.A.	Bank Millenium S.A.	23.03.2017	7 300 PLN	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





## Echo Investment Group

### 24.1 Composition of the Echo Investment Group

Echo Investment S.A. has the key role in the Group's structure; it supervises, co-implements and ensures funding for property developments. The companies which form the Group have been established or purchased in order to perform specific investment tasks

and do not conduct any business activities other than those which follow from the process of implementing a particular project and which are related to providing lease services regarding assets linked to completed projects or other services.

As at 31 March 2017, the Group was composed of 136 fully consolidated subsidiaries and 3 subsidiary consolidated under the equity method – including 1 associated entity and 2 joint-ventures.

#### SUBSIDIARIES

No	Name of the company	Registered office	% of capital held	Parent entity
1	Symetris – Projekt Echo – 131 Sp. z o.o. Sp. k.	Warsaw	100%	Gosford Investments Sp. z o.o.
2	Taśmowa – Projekt Echo – 116 Sp. z o.o. S.k.a.	Kielce	100%	Echo Investment S.A.
3	Avatar – Projekt Echo – 119 Sp. z o.o. S.k.a.	Kielce	100%	60 FIZ Forum
4	Cornwall Investments Sp. z o.o. Sp. k.	Warsaw	100%	Echo Investment S.A.
5	Cornwall Investments Sp. z o.o.	Warsaw	100%	Echo Investment S.A.
6	Doxent Investments Sp. z o.o.	Warsaw	100%	Echo Investment S.A.
7	Duże Naramowice – Projekt Echo – 111 Sp. z o.o. S.k.a.	Kielce	100%	60 FIZ Forum
8	Echo – Browary Warszawskie Sp. z o.o. Sp. k.	Kielce	100%	Echo Investment S.A.
9	Echo – Browary Warszawskie Sp. z o.o.	Kielce	100%	Echo Investment S.A.
10	Echo Innovations – Projekt Echo – 99 Sp. z o.o. Sp. K.	Kielce	100%	Echo Investment S.A.
11	Elissea Investments Sp. z o.o.	Warsaw	100%	Echo Investment S.A.
12	Fianar Investments Sp. z o.o.	Warsaw	100%	Echo Investment S.A.
13	Galeria Libero – Projekt Echo 120 Sp. z o.o. S.k.a.	Kielce	100%	Fianar Investments Sp. z o.o.
14	Gosford Investments Sp. z o.o.	Warsaw	100%	Echo Investment S.A.
15	GP Development sarl	Luxembourg	100%	Barconsel Holdings Ltd
16	Kielce – Projekt Echo 129 Sp. z o.o. S.k.a.	Kielce	100%	60 FIZ Forum
17	Metropolis – Projekt Echo 121 Sp. z o.o. S.k.a.	Kielce	100%	60 FIZ Forum
18	Park Postępu – Projekt Echo – 130 Sp. z o.o. S.k.a.	Kielce	100%	60 FIZ Forum
19	Projekt Beethovena – Projekt Echo – 122 Sp. z o.o. S.k.a.	Kielce	100%	60 FIZ Forum
20	Selmer Investments Sp. z o.o. Sp. k.	Warsaw	100%	Echo Investment S.A.

**SUBSIDIARIES**

No	Name of the company	Registered office	% of capital held	Parent entity
21	Selmer Investments Sp. z o.o.	Warsaw	100%	Echo Investment S.A.
22	Echo – Project – Management Ingatlanhasznosító Kft.	Budapest	100%	Echo Investment S.A.
23	Echo – Building – Ingatlanhasznosító Kft.	Budapest	100%	Echo Investment S.A.
24	Echo Investment Hungary Ingatlanhasznosító Kft.	Budapest	100%	Echo Investment S.A.
25	Echo Investment Project 1 S.R.L.	Brasov	100%	"Echo – Aurus" Sp. z o.o.
26	Echo Investment Project Management S.R.L.	Brasov	100%	Echo Investment S.A.
27	Elmira Investments Sp. z o. o.	Kielce	100%	Echo Investment S.A.
28	Princess Investment Sp. z o.o.	Kielce	100%	Echo Investment S.A.
29	Projekt 1 – Grupa Echo Sp. z o.o. – S.k.a.	Kielce	100%	60 FIZ Forum
30	Projekt Echo – 100 Sp z o.o.	Kielce	100%	Echo Investment S.A.
31	Park Rozwoju III – Projekt Echo – 112 Sp. z o.o. – Sp. k.	Kielce	100%	Perth Sp. z o.o.
32	53 – Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	60 FIZ Forum
33	Babka Tower – Projekt Echo – 93 Sp. z o.o. Sp.k.	Kielce	100%	Perth Sp. z o.o.
34	Barconsel Holdings Ltd	Nikosia	100%	"Echo – SPV 7" Sp. z o.o.
35	Bęchatów – Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	60 FIZ Forum
36	Dellia Investments – Projekt Echo – 115 sp. z o.o. Sp.k.	Kielce	100%	Pudsey Sp z o.o.
37	Echo – Advisory Services Sp. z o.o.	Kielce	100%	Echo Investment S.A.
38	Echo – Arena Sp. z o.o.	Kielce	100%	Echo Investment S.A.
39	Echo – Aurus Sp. z o.o.	Kielce	100%	Echo Investment S.A.
40	Echo – Babka Tower Sp. z o.o.	Kielce	100%	Echo Investment S.A.
41	Echo – Babka Tower Sp. z o.o. – Sp. k.	Kielce	100%	Gelann Sp. z o.o.
42	Echo – Galaxy Sp. z o.o. S.k.a.	Kielce	100%	60 FIZ Forum
43	Echo – Galaxy Sp. z o.o.	Kielce	100%	Echo Investment S.A.
44	Kasztanowa Aleja – Grupa Echo Sp. z o.o. Sp. k.	Kielce	100%	Echo Investment S.A.
45	Klimt House – Grupa Echo Sp. z o.o. Sp. k.	Kielce	100%	Echo Investment S.A.
46	Echo – Klimt House Sp. z o.o.	Kielce	100%	Echo Investment S.A.
47	Echo – Nowy Mokotów Sp. z o.o. – Sp. k.	Kielce	100%	Echo Investment S.A.
48	Echo – Nowy Mokotów Sp. z o.o.	Kielce	100%	Echo Investment S.A.
49	Echo – Opolska Business Park Sp. z o.o.	Kielce	100%	Echo Investment S.A.
50	Echo – Opolska Business Park Sp. z o.o. – Sp. k.	Warsaw	100%	Perth Sp. z o.o.
51	Pod Klonami – Grupa Echo Sp. z o.o. Sp. k.	Kielce	100%	Echo Investment S.A.
52	Echo – Pod Klonami Sp. z o.o.	Kielce	100%	Echo Investment S.A.
53	Echo – Property Poznań 1 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
54	Echo – SPV 7 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
55	Echo Investment ACC – Grupa Echo Sp. z o.o. Sp. k.	Kielce	100%	Echo Investment S.A.
56	Galeria Nova – Grupa Echo Sp. z o.o. – S.k.a.	Kielce	100%	Echo Investment S.A.
57	Galeria Tarnów – Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	60 FIZ Forum
58	Grupa Echo Sp. z o.o.	Kielce	100%	Echo Investment S.A.
59	Malta Office Park – Projekt Echo – 96 Sp. z o.o. S.k.a.	Kielce	100%	60 FIZ Forum
60	Mena Investments Sp. z o. o.	Kielce	100%	Echo Investment S.A.

**SUBSIDIARIES**

No	Name of the company	Registered office	% of capital held	Parent entity
61	Nobilis – Projekt Echo – 117 Sp. z o.o. Sp. k.	Kielce	100%	Elmira Investments Sp. z o.o.
62	Oxygen – Projekt Echo – 95 Sp. z o.o. S.k.a.	Kielce	100%	60 FIZ Forum
63	PHS – Projekt CS Sp. z o.o. – Sp.k.	Warsaw	100%	Perth Sp. z o.o.
64	PPR – Projekt Echo – 77 Sp. z o.o. S.k.a.	Kielce	100%	60 FIZ Forum
65	Projekt 132 – City Space – GP Sp. z o.o. Sp. k.	Kielce	100%	City Space Management Sp. z o.o.
66	Projekt 133 – City Space – GP Sp. z o.o. Sp. k.	Kielce	100%	City Space Management Sp. z o.o.
67	Projekt 137 – City Space – GP Sp. z o.o. Sp. k.	Kielce	100%	City Space Management Sp. z o.o.
68	Projekt – Pamiątkowo Sp. z o.o.	Kielce	100%	Echo Investment S.A.
69	Projekt 12 – Grupa Echo Sp. z o.o. – S.k.a.	Kielce	100%	60 FIZ Forum
70	Projekt 13 – Grupa Echo Sp. z o.o. – S.k.a.	Kielce	100%	60 FIZ Forum
71	Projekt 14 – Grupa Echo Sp. z o.o. – S.k.a.	Kielce	100%	60 FIZ Forum
72	Projekt 15 – Grupa Echo Sp. z o.o. – S.k.a.	Kielce	100%	Echo Investment S.A.
73	Projekt 16 – Grupa Echo Sp. z o.o. – S.k.a.	Kielce	100%	Echo Investment S.A.
74	Projekt 17 – Grupa Echo Sp. z o.o. – S.k.a.	Kielce	100%	Echo Investment S.A.
75	Projekt 18 – Grupa Echo Sp. z o.o. – S.k.a.	Kielce	100%	Echo Investment S.A.
76	Projekt 19 – Grupa Echo Sp. z o.o. – S.k.a.	Kielce	100%	Echo Investment S.A.
77	Projekt 20 – Grupa Echo Sp. z o.o. – S.k.a.	Kielce	100%	Echo Investment S.A.
78	Projekt 21 – Grupa Echo Sp. z o.o. – S.k.a.	Kielce	100%	Echo Investment S.A.
79	Projekt 22 – Grupa Echo Sp. z o.o. – S.k.a.	Kielce	100%	Echo Investment S.A.
80	Projekt 5 – Grupa Echo Sp. z o.o. – S.k.a.	Szczecin	100%	60 FIZ Forum
81	Projekt CS Sp. z o.o.	Kielce	100%	Echo Investment S.A.
82	Projekt Echo – 104 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
83	Projekt Echo – 108 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
84	Projekt Echo – 111 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
85	Projekt Echo – 112 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
86	Projekt Echo – 113 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
87	Projekt Echo – 114 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
88	Projekt Echo – 115 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
89	Projekt Echo – 116 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
90	Projekt Echo – 117 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
91	Projekt Echo – 119 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
92	Projekt Echo – 120 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
93	Projekt Echo – 121 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
94	Projekt Echo – 122 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
95	Projekt Echo – 123 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
96	Projekt Echo – 127 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
97	Projekt Echo – 128 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
98	Projekt Echo – 129 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
99	Projekt Echo – 130 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
100	Projekt Echo – 131 Sp. z o.o.	Kielce	100%	Echo Investment S.A.

**SUBSIDIARIES**

No	Name of the company	Registered office	% of capital held	Parent entity
101	Projekt Echo – 132 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
102	Projekt Echo – 135 Sp. z o.o. – Sp. k.	Kielce	100%	Perth Sp. z o.o.
103	Projekt Echo – 135 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
104	Projekt Echo – 136 Sp. z o.o. – Sp. k.	Kielce	100%	Echo Investment S.A.
105	Projekt Echo – 136 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
106	Projekt Echo – 137 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
107	Projekt Echo – 77 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
108	Projekt Echo – 93 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
109	Projekt Echo – 95 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
110	Projekt Echo – 96 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
111	Projekt Echo – 99 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
112	Projekt K-6 – Grupa Echo Sp. z o.o. – S.k.a.	Kielce	100%	Echo Investment S.A.
113	Projekt Naramowice – Projekt Echo – 100 Sp. z o.o. S.k.a.	Kielce	100%	Echo Investment S.A.
114	Projekt Saska Sp. z o.o.	Kielce	95%	Echo Investment S.A.
115	Pure Systems Sp. z o.o.	Kraków	100%	Echo Investment S.A.
116	Q22 – Projekt Echo – 128 Sp. z o.o. – Sp. k.	Kielce	100%	Potton Sp z o.o.
117	Sagittarius – Projekt Echo – 113 sp. z o.o. Sp. k.	Kielce	100%	Doxent Investments Sp. z o.o.
118	Tryton – Projekt Echo – 127 Sp. z o.o. – Sp. k.	Warsaw	100%	Perth Sp. z o.o.
119	Villea Investments Sp. z o.o.	Warsaw	100%	Echo Investment S.A.
120	West Gate II – Projekt Echo – 114 Sp. z o.o. Sp.k.	Kielce	100%	Elissea Investments Sp. z o.o.
121	City Space – GP Sp. z o.o.	Warsaw	100%	Echo Investment S.A.
122	City Space – SPV 1 Sp. z o.o.	Warsaw	100%	Echo Investment S.A.
123	City Space – SPV 2 Sp. z o.o.	Warsaw	100%	Echo Investment S.A.
124	City Space – SPV 3 Sp. z o.o.	Warsaw	100%	Echo Investment S.A.
125	City Space Management Sp. z o.o.	Warsaw	100%	Echo Investment S.A.
126	Echo Prime Assets BV	Amsterdam	100%	Echo Investment S.A.
127	Gleann Sp. z o.o.	Warsaw	100%	60 FIZ Forum
128	Perth Sp. z o.o.	Warsaw	100%	60 FIZ Forum
129	Potton Sp. z o.o.	Warsaw	100%	60 FIZ Forum
130	Pudsey Sp. z o.o.	Warsaw	100%	60 FIZ Forum
131	Seaford Sp. z o.o.	Warsaw	100%	60 FIZ Forum
132	Shanklin Sp. z o.o.	Warsaw	100%	Echo Prime Assets BV
133	Stranraer Sp. z o.o.	Warsaw	100%	Echo Prime Assets BV
134	Strood Sp. z o.o.	Warsaw	100%	Echo Prime Assets BV
135	Swanage Sp. z o.o.	Warsaw	100%	Echo Prime Assets BV
136	Dagnall Sp. z o.o.	Warsaw	100%	Echo Prime Assets BV

All certificates issued by 60 FIZ Forum are in possession of the companies of the Echo Investment Group.

## 24.2 Changes in the structure of Echo Investment Group

### In Q1 2017, Echo Investment Group was reduced by 4 companies:

- EI Project Cypr – 1 Ltd with its registered office in Nicosia, share capital of USD 7,000. On 30 March 2017 100% of interests were sold;
- Budivelnuy Soyuz Monolit LLC with its registered office in Kiev, share capital of UAH 52,000. On 30 March 2017 100% of interests were sold;
- Echo Investment Ukraine LLC with its registered office in Kiev, share capital of UAH 1,480,156. On 30 March 2017 100% of interests were sold;
- Yevrobudgarant LLC with its registered office in Kiev, share capital of UAH 63,000. On 30 March 2017 100% of interests were sold.

### Other changes in the companies of Echo Investment Group in Q1 2017:

- change of general partner – on 1 March 2017 Projekt Echo – 129 Sp. z o.o. sold to Grupa Echo Sp. z o.o. with its registered office in Kielce rights and obligations of general partner in Kielce – Projekt Echo 129 Sp. z o.o.- S.k.a.;
- change of general partner – on 1 March 2017 Projekt Echo – 96 Sp. z o.o. sold to Grupa Echo Sp. z o.o. with its registered office in Kielce rights and obligations of general partner in Malta Office Park – Projekt Echo – 96 Sp. z o.o.- S.k.a.;
- change of general partner – on 1 March 2017 Projekt Echo – 95 Sp. z o.o. sold to Grupa Echo Sp. z o.o. with its registered office in Kielce rights and obligations of general partner in Oxygen – Projekt Echo 95 Sp. z o.o.- S.k.a.;
- change of general partner – on 1 March 2017 Pod Klonami Sp. z o.o. sold to Grupa Echo Sp. z o.o. with its registered office in Kielce rights and obligations of general partner in Echo – Pod Klonami Sp. z o.o.- S.k.;
- change of general partner – on 1 March 2017 Projekt Echo – 130 Sp. z o.o. sold to Grupa Echo Sp. z o.o. with its registered office in Kielce rights and obligations of general partner in Park Postępu – Projekt Echo 130 Sp. z o.o.- S.k.a.;
- change of general partner – on 1 March 2017 Projekt Echo – 100 Sp. z o.o. sold to Grupa Echo Sp. z o.o. with its registered office in Kielce rights and obligations of general partner in Projekt Naramowice – Projekt Echo 100 Sp. z o.o.- S.k.a.;
- change of general partner – on 1 March 2017 Projekt Echo – 77 Sp. z o.o. sold to Grupa Echo Sp. z o.o. with its registered office in Kielce rights and obligations of general partner in PPR – Projekt Echo 77 Sp. z o.o.- S.k.a.;
- change of general partner – on 1 March 2017 Echo – Klimt House Sp. z o.o. sold to Grupa Echo Sp. z o.o. with its registered office in Kielce rights and obligations of general partner in Echo – Klimt House Sp. z o.o.- S.k.;
- change of the business name of Echo – Klimt House Sp. z o.o.- S.k. to Klimt House – Grupa Echo Sp. z o.o.- S.k. (1 March 2017);
- change of the business name of Echo – Pod Klonami Sp. z o.o.- S.k. to Pod Klonami – Grupa Echo Sp. z o.o.- S.k. (1 March 2017).

# 25

## **Influence of the results disclosed in the report for 1Q 2017 on possibility of fulfilment of previously published result forecasts**

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

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# 26

## **Total number of the issuer's shares held by management and supervisory staff**

No Management Board or Supervisory Board member informs, or in Q1 2017, informed about the acquisition or sale any shares of Echo Investment S.A. No Management Board or Supervisory Board member holds or, in Q1 2017, held any shares of Echo Investment S.A.

# 28

## **Court, arbitration or public administration proceedings**

Between 1 January and 31 December 2016, 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.

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# 27

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

In Q1 2017, no material transactions were concluded between Echo Investment S.A. and its subsidiaries, and related parties on terms other than market terms.



**Condensed separate financial  
statements of Echo Investment S.A.  
as of 31 March 2017 and for a 3-month  
period ended on 31 March 2017**



**SEPARATE QUARTERLY STATEMENT OF FINANCIAL POSITION**  
**[PLN '000]**

	As at 31.03.2017 - end of quarter	As at 31.12.2016 - end of previous year restated	As at 31.03.2016 - end of quarter restated
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	268	281	113
Property, plant and equipment	4 542	5 031	6 286
Investment property	6 047	5 648	6 205
Investments in subsidiaries, jointly-controlled entities and associates	2 328 569	2 328 625	1 437 006
Long-term financial assets	1 372	160	2 783 167
Borrowings granted	10 856	9 479	-
Deferred income tax assets	43 406	39 751	46 762
	<b>2 395 060</b>	<b>2 388 975</b>	<b>4 279 539</b>
<b>Current assets</b>			
Inventory	354 440	350 637	318 276
Income tax receivables	-	-	1 094
<b>Receivables on other taxes</b>	<b>2 363</b>	<b>-</b>	<b>446</b>
Trade and other receivables	97 791	135 688	63 064
Borrowings granted	42 914	84 170	285 157
Restricted cash	27 205	20 884	18 842
Cash and cash equivalents	170 286	21 542	21 099
	<b>694 999</b>	<b>612 921</b>	<b>707 978</b>
<b>Total assets</b>	<b>3 090 059</b>	<b>3 001 896</b>	<b>4 987 517</b>

**SEPARATE QUARTERLY STATEMENT OF FINANCIAL POSITION**  
**[PLN '000]**

	As at 31.03.2017 - end of quarter	As at 31.12.2016 - end of previous year restated	As at 31.03.2016 - end of quarter restated
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	20 635	20 635	20 635
Supplementary capital	1 045 400	1 045 400	105 926
Reserve capital	49 213	49 213	-
Accumulated profit	323 711	272 531	2 964 274
	<b>1 438 959</b>	<b>1 387 779</b>	<b>3 090 835</b>
<b>Provisions</b>			
Provisions for liabilities – short-term	24 634	25 990	47 718
	<b>24 634</b>	<b>25 990</b>	<b>47 718</b>
<b>Long-term liabilities</b>			
Loans, borrowings and bonds	754 573	675 163	774 868
Security deposits and advance payments received	806	935	830
	<b>755 379</b>	<b>676 098</b>	<b>775 698</b>
<b>Short-term liabilities</b>			
Loans, borrowings and bonds	658 112	672 295	698 874
- from subsidiaries:	359 716	461 541	582 316
Liabilities due to current portion of income tax	2	1 131	14
Other tax liabilities	1 361	2 279	1 069
Trade liabilities	20 421	74 666	16 145
Security deposits and advance payments received	89 843	66 114	42 692
Other liabilities	101 348	95 544	314 472
	<b>871 087</b>	<b>912 029</b>	<b>1 073 266</b>
<b>Total equity and liabilities</b>	<b>3 090 059</b>	<b>3 001 896</b>	<b>4 987 517</b>
Book value	1 438 959	1 387 779	3 090 835
Number of shares	412 690 582	412 690 582	412 690 582
Book value per share (PLN)	3,49	3,36	7,49

**OFF-BALANCE SHEET LIABILITIES**  
**[PLN '000]**

	As at 31.03.2017 - end of quarter	As at 31.12.2016 - end of previous year	As at 31.03.2016 - end of quarter
Off-balance sheet receivable	-	-	-
Off-balance sheet liabilities	842 417	906 851	668 014
<b>Total</b>	<b>842 417</b>	<b>906 851</b>	<b>668 014</b>

**SEPARATE QUARTERLY PROFIT AND LOSS ACCOUNT**  
**[PLN '000]**

	Q1 01.01. 2017 - 31.03. 2017	Q1 01.01. 2016 - 31.03. 2016 restated
Revenue	46 754	36 759
Sales cost	(33 073)	(18 583)
<b>Gross profit on sales</b>	<b>13 681</b>	<b>18 176</b>
Profit / (loss) on investment property	399	(79)
Administrative costs associated with project implementation	(1 815)	(3 573)
Selling costs	(5 091)	(3 190)
General administrative expenses	(12 773)	(8 883)
Other operating revenue	91 747	67 197
Other operating expenses	(26 458)	(1 721)
<b>Profit before tax and financial revenue/expenses</b>	<b>59 690</b>	<b>67 927</b>
Financial revenue	57 765	1 226
Financial expenses	(69 930)	(19 758)
<b>Gross profit</b>	<b>47 525</b>	<b>49 395</b>
Income tax	3 655	(4 170)
<b>Net profit</b>	<b>51 180</b>	<b>45 225</b>
(Annualised) net profit	283 643	2 975 574
Weighted average ordinary shares	412 690 582	412 690 582
Earnings per ordinary share (in PLN)	0,69	7,21
Weighted average diluted ordinary shares	412 690 582	412 690 582
Diluted earnings per ordinary share (in PLN)	0,69	7,21

**SEPARATE QUARTERLY STATEMENT OF CHANGES IN EQUITY**  
**[PLN '000]**

	Share capital	Supplementary capital	Reserve capital	Accumulated net profit (loss)	Total equity
<b>For Q1 (current year), from 01.01.2017 to 31.03.2017</b>					
<b>Opening balance after adjustment to comparative data</b>	<b>20 635</b>	<b>1 045 400</b>	<b>49 213</b>	<b>272 531</b>	<b>1 387 779</b>
Changes in the period					
Appropriation of result brought forward	-	-	-	-	-
Dividend paid	-	-	-	-	-
Net profit (loss) for the period	-	-	-	51 180	51 180
Total changes	-	-	-	51 180	51 180
<b>Closing balance</b>	<b>20 635</b>	<b>1 045 400</b>	<b>49 213</b>	<b>323 711</b>	<b>1 438 959</b>
<b>For previous period, from 01.01.2016 to 31.12.2016</b>					
<b>Opening balance after adjustment to comparative data</b>	<b>20 635</b>	<b>105 926</b>	<b>555 763</b>	<b>2 953 433</b>	<b>3 635 757</b>
Changes in the period					
Appropriation of result brought forward	-	939 474	400 000	(783 711)	555 763
Dividend paid	-	-	(840 520)	(2 174 879)	(3 015 399)
Dividend approved for payment	-	-	(66 030)	-	(66 030)
Net profit (loss) for the period	-	-	-	277 688	277 688
Total changes	-	939 474	(506 550)	(2 680 902)	(2 247 978)
<b>Closing balance</b>	<b>20 635</b>	<b>1 045 400</b>	<b>49 213</b>	<b>272 531</b>	<b>1 387 779</b>
<b>For Q1 (previous year), from 01.01.2016 to 31.03.2016</b>					
<b>Opening balance after adjustment to comparative data</b>	<b>20 635</b>	<b>105 926</b>	<b>555 763</b>	<b>2 953 433</b>	<b>3 635 757</b>
Changes in the period					
Appropriation of result brought forward	-	-	-	-	-
Dividend paid	-	-	(297 137)	-	(297 137)
Dividend approved for payment	-	-	(258 626)	(34 384)	(293 010)
Net profit (loss) for the period	-	-	-	45 225	45 225
Total changes	-	-	(555 763)	10 841	(544 922)
<b>Closing balance</b>	<b>20 635</b>	<b>105 926</b>	<b>-</b>	<b>2 964 274</b>	<b>3 090 835</b>

**SEPARATE QUARTERLY CASH FLOW STATEMENT**  
**[PLN '000]**

	Q1 01.01. 2017 - 31.03. 2017	Q1 01.01. 2016 - 31.03. 2016 restated
<b>Operating cash flow – indirect method</b>		
<b>I. Gross profit</b>	<b>47 525</b>	<b>49 395</b>
<b>II. Adjustments</b>	<b>(58 725)</b>	<b>(26 778)</b>
Depreciation/amortisation	369	497
Foreign exchange gains/(losses)	-	-
Interest and profit sharing (dividends)	(57 879)	(27 831)
Profit/(loss) on revaluation of assets and liabilities	(1 215)	556
Profit/loss on sale of PP&E and investment properties	-	-
<b>III. Changes in working capital</b>	<b>(17 075)</b>	<b>(9 580)</b>
Change in provisions	(1 355)	-
Change in inventory	(3 802)	(13 201)
Change in receivables	24 671	11 964
Change in short-term liabilities, except for loans and borrowings	(30 268)	(8 343)
Change in restricted cash	(6 321)	-
<b>IV. Net cash generated from operating activities (I+II+III)</b>	<b>(28 275)</b>	<b>13 037</b>
<b>V. Income tax paid</b>	<b>(1 129)</b>	<b>(3 236)</b>
<b>VI. Net operating cash flow (IV+/-V)</b>	<b>(29 404)</b>	<b>9 801</b>
<b>Cash flows from investing activities</b>		
<b>I. Inflows</b>		
Disposal of intangible assets and tangible fixed assets	159	78
Sale of investments in property and intangible assets	-	-
From financial assets	129 834	373 931
Other investment inflows	-	-
	<b>129 993</b>	<b>374 009</b>
<b>II. Outflows</b>		
Purchase of intangible assets and PP&E	(73)	(164)
Investment in property and intangible assets	-	-
On financial assets	(3 069)	(8 983)
Other capital expenditures	(24)	(49)
	<b>(3 166)</b>	<b>(9 196)</b>
<b>III. Net cash flow from investing activities</b>	<b>126 827</b>	<b>364 813</b>

**QUARTERLY CASH FLOW STATEMENT**  
**[PLN '000]**

	Q1 01.01. 2017 - 31.03. 2017	Q1 01.01. 2016 - 31.03. 2016
<b>Cash flow from financing activities</b>		
<b>I. Inflows</b>		
Net inflows from issue of shares (interests), and other equity instruments and capital contributions	-	-
Loans and borrowings	6 294	75 500
Issue of debt securities	155 000	-
Other financial inflows	-	-
	<b>161 294</b>	<b>75 500</b>
<b>II. Outflows</b>		
Purchase of equity shares (interests)	-	-
Dividends and other payments to equity holders	-	(297 137)
Profit share expenses, other than payments to equity holders	-	-
Repayment of loans and borrowings	(101 825)	(15 582)
Redemption of debt securities	-	(125 000)
Interest	(8 148)	(8 073)
	<b>(109 973)</b>	<b>(445 792)</b>
<b>III. Net cash flow from financing activities (I - II)</b>	<b>51 321</b>	<b>(370 292)</b>
<b>Total net cash flows (A.VI+/-B.III+/-C.III)</b>	<b>148 744</b>	<b>4 322</b>
Change in the balance of cash, including:	148 744	4 322
- change in cash due to foreign exchange gains/losses	-	-
<b>Cash at the beginning of the period</b>	<b>21 542</b>	<b>35 619</b>
<b>Cash at the end of the period (F+/-D), including:</b>	<b>170 286</b>	<b>39 941</b>
- restricted cash	27 205	18 842

**Nicklas Lindberg**

President of the Management  
Board

**Maciej Drozd**

Vice-President of the Management  
Board

**Piotr Gromniak**

Vice-President of the Management  
Board

**Artur Langner**

Vice-President of the Management  
Board

**Marcin Materny**

Member of the Management Board

**Rafał Mazurczak**

Member of the Management Board

**Anna**

**Gabryszewska-Wybraniec**

Chief Accountant

Kielce, 29 May 2017

