

INTERIM FINANCIAL REPORT OF THE ECHO INVESTMENT GROUP

H1 2017



Content

General information about the Company and its Group	6
I Management Report	8
01. Strategy of Echo Investment Group	9
02. Business model	10
03. The ownership structure of Echo Investment S.A. and shares description	11
04. Significant events in H1 2017	12
05. Major events after the balance sheet day	17
06. Description of markets the Company and its Group operate in	18
07. The Groups segments	21
08. Echo Investment Group achievements in each sectors of the market and its perspectives	24
09. Portfolio of properties	27
10. Main investments in H1 2017 – acquisition of plots	33
11. Factors and unusual events influencing the financial result in H1 2017	34
12. Factors which will influence the results of the Company and its Group in the perspective of at least the following quarter	35
13. Explanations concerning the seasonal and cyclical nature of the Groups activity in H1 2017	36
14. Information on paid or declared dividend	37
15. Bonds	38
16. Loan and borrowing agreements	39
17. Surety agreements	41
18. Guarantee agreements	42
19. Echo Investment Group	44
20. Influence of the results disclosed in the report for 1H 2017 on possibility of fulfilment of previously published result forecasts	50
21. Remuneration of the Management Board and Supervisory Board	51
22. Total number of the issuer's shares held by management and supervisory staff	53
23. Court, arbitration or public administration proceedings	53
24. Material transactions concluded by the Company or its subsidiary with related parties on terms other than market terms	54
25. Agreements concluded with an entity authorised to audit financial statements	55

II Condensed interim consolidated financial statements	56
01. Accounting principles adopted in drawing up the semi-annual report of Echo Investment Group	64
02. Application of new and amended standards and interpretations	65
03. Published standards and interpretations which are not effective yet and have not been adopted by the company	66
04. Restatement of consolidated financial statements for previous periods	68
05. Methods of establishing financial results	71
06. Estimates of the Management Boards of the Group's Companies	73
07. Segment reporting	76
Explanatory notes to the consolidated financial statements of the Echo Investment Group for H1 2017	77
III Condensed interim separate financial statements	92
01. Accounting principles adopted in drawing up the semi-annual report of Echo Investment S.A.	100
02. Effects of adopted changes in accounting principles – restatement of financial statements for previous periods	101
03. Methods of establishing financial results	103
04. Material transactions concluded with related entities	105
05. Estimates of the Management Board	107
Explanatory notes to condensed separate financial statements of Echo Investment S.A. for H1 2017	109
IV Statement of the Management Board	132

**Ladies and Gentlemen,**

We publish Echo Investment's H1 financial report with great satisfaction, it was a very successful period for us.

Echo Investment group's net profit amounted to PLN 125 mln in Q2, comprising a margin on the sale of 58 apartments, a positive valuation of projects under construction and a gain on the sale and revaluation of shares of Echo Polska Properties. Our debt remained stable, while we continue to finance our developments.

A significant part of our profit comes from the gain on EPP shares. We sold 40 mn shares generating EUR 49 mn of proceeds and revalued remaining 51 mln to the market value, recognizing a total gain of PLN 88 mln. Subsequently we paid a special dividend of PLN 0.5 per share to our shareholders. We continue to be EPP's substantial shareholder holding 7.2% of its total number of shares.

We have been consistently growing in the residential sector. Market surveys as well as our analyses confirm a strong potential of this sector in the next few years. We have been marketing new projects, which are very welcome by clients and we sold 550 apartments in H1 2017. The second half of 2017 will be marked by an accumulation of project completions and deliveries of apartments to clients. We are confident with regard to the execution of our annual sales plan of 1,300 apartments and handing over keys to over 900 units. It will be a record year for the Company.

The launch of the construction work in the Browary Warszawskie project was an important event not only for the office department. There is a great interest among potential tenants, but I am glad that also residents of Warsaw appreciated our concept of returning this area to the city and creating a place which is comfortable to live, work and relax in. We want to create such an atmosphere also in our other projects. It is our ambition to co-create cities, not only to develop buildings.

Over the last few months we managed to sign preliminary sales contracts concerning two office buildings in Wrocław: West Link and Sagittarius. Both projects have excellent locations and well known tenants and they are both planned to be completed in the first quarter of next year. Echo Investment worked a long time for the trust it enjoys on the market, which makes it possible to reach agreements that build the value for both parties. Investors secure the best assets in their class early while we circulate capital faster and generate higher rates of return.

We smoothly took over the Galeria Młociny project which is under construction in Warsaw. We are introducing creative solutions which will provide the project with a new quality. We want it to be a destination attracting people and meeting their everyday needs, not only in terms of the shopping offer but also a wide selection of services and entertainment. In the next few weeks we will also be celebrating the completion of extensions of the Outlet Park and Galaxy retail projects which we have been developing for EPP.

Over the last 12 months we devoted a lot of equity to the purchase of new plots and projects which will secure our activity in the next few years. We have managed to close transactions concerning properties where over half a million square

”

OVER THE LAST 12 MONTHS WE DEVOTED A LOT OF EQUITY TO THE PURCHASE OF NEW PLOTS AND PROJECTS WHICH WILL SECURE OUR ACTIVITY IN THE NEXT FEW YEARS. WE HAVE MANAGED TO CLOSE TRANSACTIONS CONCERNING PROPERTIES WHERE OVER HALF A MILLION SQUARE METERS OF OFFICES, APARTMENTS, SHOPS AND SERVICE AREAS ARE TO BE DEVELOPED. THEY INCLUDE PLOTS WHICH COULD BE TRANSFORMED INTO TRUE DESTINATIONS, NEW PARTS OF CITIES.

meters of offices, apartments, shops and service areas are to be developed. They include plots which could be transformed into true destinations, new parts of cities. We can build projects including apartments for sale and rent, offices, areas earmarked for shopping, services and restaurants as well as hotels and student houses, which undoubtedly provides us with a major competitive advantage.

I encourage you to read our H1 2017 financial report which presents details concerning our results, operations and efficient management methods applied in the capital group.

Yours sincerely,



Nicklas Lindberg
President of the Management Board

General information about the Company and its Group

Echo Investment Groups core activity consists in the construction, lease and sale of office and retail buildings, construction and sale of residential buildings as well as trade in real estate. The Groups business activity is located in Poland.

The parent company – Echo Investment S.A. – with its registered office in Kielce, al. Sol-

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

Since 5 March 1996, the Companys shares are listed 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 30 June 2017, number of the Groups employees amounted to 333, which was the same number as at 30 June 2016.

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.



Management Report

01

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.

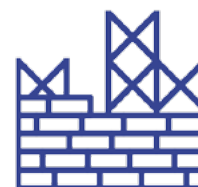
Echo Investment is not going to be the long term owner and manager of finished commercial projects therefore rental income is going to constitute only a minor part of its total income.



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

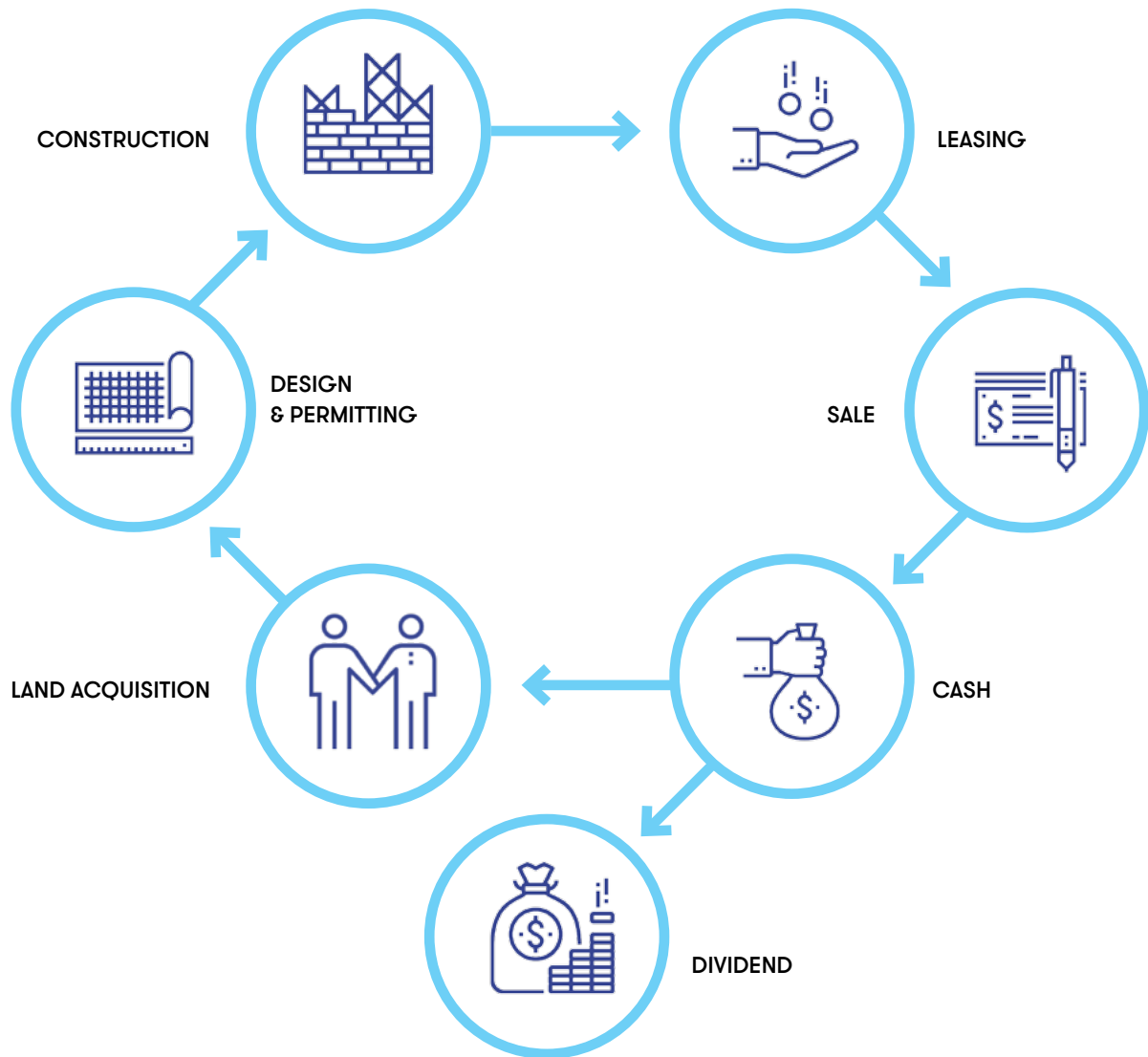
newly-built commercial, office or residential investments. Development activities of Echo Investment are complementary to these of other entities in this group. Material agreements between Echo Investment and affiliates of the major shareholders and Griffin Real Estate Group need to be discussed and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

02

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).

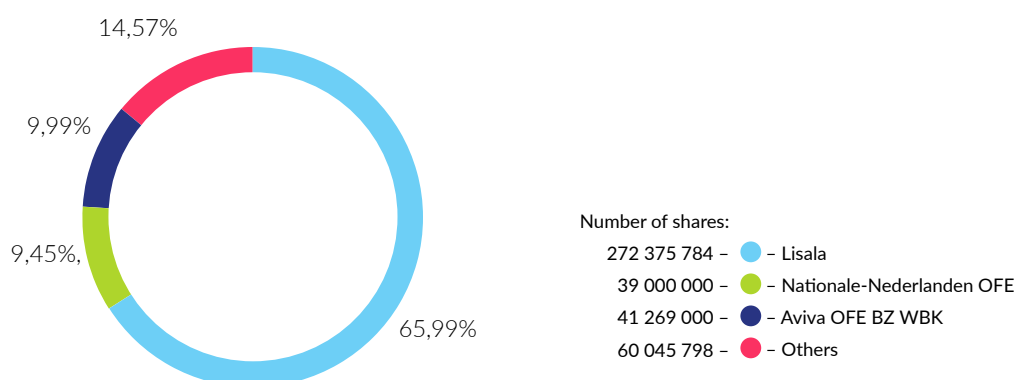
The core business of Echo Investment Group is divided into following segments:

- 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.).

03

The ownership structure of Echo Investment S.A. and shares description

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



SHARE 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 S.A. as of 29 June 2017.

In the period between the publication of the last financial report, i.e. 29 May 2017, and the date of this report, the Company did not receive any notifications of a change in the shareholding of significant shareholders.



Significant events in H1 2017

100 mln PLN

Total value of 1st tranche bonds placed in Echo Investment's II Public Bonds Issue Programme

4.1 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 euro. Financial Supervision Authority approved the Prospectus on 26 May 2017.

The Company started a public offer of E-series bonds worth up to PLN 100 mln on 8 June 2017 and the value of subscriptions made by investors exceeded the value of the offer already on the first day. Consequently the Company shortened the subscription period and reduced the subscriptions proportionately. Ultimately, the Company allocated 1 mln bonds to 862 investors, with an average reduction rate of 60%. Bonds were registered in the National Depository for Securities on 6 July 2017, on 20 July 2017 they were authorized for trading by the Management Board of the Warsaw Stock Exchange and on 28 July 2017 – introduced to the Catalyst market. The bonds issued have four-year maturity, their profitability is based on WIBOR 6M plus a margin of 2.9% and the interest is to be paid semi-annually.

4.2 Acquisition of a stake in Galeria Młociny project

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., Taberancle Limited, Taberancle Investments Limited and Elsonia Trading Limited. The two companies paid EUR 104,5 mln for the project (including 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 parties closed the deal on 31st May, 2017.

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 an 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 81,000 sqm, of which 75,000 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. Construction works on the site continue according to the schedule.

4.3 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:

1. the receipt of the final, unconditional occupancy permit for the building,
2. 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 payment 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,
3. 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),
4. the Buyer receives the anti-trust consent if it is required by law; and
5. 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.

The initial sale price of 100% of the shares in the project companies amounts to EUR 18 mln (taking into account the predetermined price formula) and the difference between the pre-determined value of the building (EUR 36.06 mln) and the value of the shares in project companies will constitute a project debt.

On 12 June 2017, pursuant to the contract, the buyer was offered a purchase of bonds with a total nominal value and an issue price of EUR 18 mln, which were issued under private placement by an entity controlled by Echo Investment. The proposal was accepted by the buyer. The redemption date of West Link bonds is 31 December 2018. Early redemption is possible e.g. in case of early conclusion of a final contract. The West Link bonds are unsecured and they bear a fixed interest rate stipulated in the terms and conditions of the issue. Their redemption will take place by paying an amount equal to the nominal value of the bonds plus accrued interest, with the nominal value being deducted at the purchase price of 100% of the shares in the West Link project companies.

In exchange for the acquisition of the West Link bonds and making a payment of EUR 18 mln by Griffin Premium RE, the Echo Investment companies granted the buyer irrevocable powers of attorney entitling them to enter into the final sale agreement concerning the companies which own the West Link project. The Buyer will be entitled to use the powers of attorney in the event of:

1. failure to conclude the final contract in spite of a call; and
2. the occurrence of one of the violations contained in the West Link Bonds documentation.

At the same time with the preliminary sale agreement of West Link, the Griffin Premium RE and Echo Investment concluded an investment contract concerning 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.

DESCRIPTION OF PROPERTIES INCLUDED IN ROFO AGREEMENT

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

The proposal was accepted by GPRE Management. The bonds will be issued in certain number of series, and the value of the first series amounted to EUR 6,4 mln. The maturity date for all the series of the ROFO bonds is 12 June 2032, with the earlier redemption of the series being possible e.g. in the case of early closure of the ROFO transaction. The bonds will be redeemed by paying an amount equal to the nominal value of the bonds plus accrued interest. The ROFO Bonds are unsecured and they have a fixed interest rate which is stipulated in the terms and conditions of issue.

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

4.4 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 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.

4.5 Sale of part of a block of Echo Polska Properties' shares

On 22 June 2017 the Company and its subsidiary Echo Prime Assets B.V., which is a direct owner of the shares of Echo Polska Properties N.V. (EPP) – a company established as a result of separating Echo Investment group's yielding assets in 2016 – received a notification from the main shareholder of EPP – Redefine Properties Limited – with regard to releasing Echo Investment from the lock-up of EPP's shares. The lock-up made it impossible to sell EPP's shares until September 2017. On the same day Echo Investment sold 40 mln shares of EPP, which constituted nearly 5.7% of EPP's share capital and 44% of the block held by Echo Investment. The sales price of the shares minus transaction costs was EUR 49 mln. The transaction made it possible for the company to finance the payment of a special dividend to its shareholders, which was not included in its adopted dividend policy.

7,2 %

Echo Investment's share
in the shareholding structure
of Echo Polska Properties

Echo Investment Group is now the owner of 50,700 shares of EPP, which constitute app. 7.2% in the share capital. However, in the financial report for H1 2017 the shares were classified as assets earmarked for sale.

05

Major events after the balance sheet day

5.1 Preliminary agreement for the sale of the Sagittarius Business House office building in Wrocław

Echo Investment signed a preliminary sale agreement for the office building Sagittarius Business House, which is under construction in Wrocław on 20 July 2017. Its buyer is Warburg-HIH Invest Real Estate (Warburg-HIH Invest), which will buy the building for a fund it administers on behalf of its institutional investors.

Conditions precedent to the conclusion of the contract include: completion of the construction process, receipt of the final occupancy permit, acquisition of a final tax interpretation of the transaction, geodetic division or transfer of minimum 60% of the leasable area to tenants. The parties plan to conclude the final contract upon the fulfilment (or waiving of the conditions precedent) but no later than 30 November 2018. The closing date may be postponed until 31 January 2019.

The company's sales price was set as the quotient of NOI (i.e. the difference between the operating income and non-deductible operating costs) of the enterprise and the capitalization rate of 6.175%.

The price to be paid at the closing of the transaction is estimated at app. EUR 65 mln. After tenants acquire the units and parking spaces in the building constituting minimum 80% of the leasable area, the total estimated price will increase to app. EUR 73 mln. It should be noted that both the price paid at the closing of the transaction and the price after the increase will be reduced by the value of 'rent-free periods', 'rent-discount periods' and the cost of the fit-out work, which means that the estimated closing price and the estimated post-rise price will amount to app. EUR 56 mln and EUR 63 mln, respectively. At the same time, the fit-out contract provides for the remuneration to be paid to Echo Investment by the buyer for the work performed after the conclusion of the final contract in the premises which will not be leased at the date of conclusion of the final contract or will be leased but the finishing work will not be completed at the time. It is estimated that the remuneration will amount to EUR 6,414,606 + VAT, i.e. EUR 450 + VAT per square meter.

On the day of closing the transaction or shortly after the conditions precedent have been met, the parties also undertook to sign: contracts for the fit-out work, a guarantee of the quality of the building, a guarantee of the structure of the building and a contract of rent guarantee (if required).

The Sagittarius Business House is being developed in the future central business district of Wrocław. The building will have a leasable area of about 25,000 sqm. Its anchor tenants are EY and Bank of New York Mellon, which will jointly occupy more than 90% of the area (lease agreements plus extension options). Completion of the construction work on the office building is scheduled for Q1 2018.

73 mln EUR

Target price for Sagittarius Business House.

06

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

6.1 Office market

→ WARSAW ↑ REGIONAL CITIES

The data illustrating the demand and supply of office space in Poland, which are published on a quarterly basis, confirm a very good condition of this market with its simultaneous quick development. According to a survey of the Polish Office Research Forum (PORF), lease transactions concerning an area of nearly 723,000 sqm were concluded in nine largest cities in Poland in H1 of this year, which constitutes a 15% growth compared to the corresponding period in 2016. The vacancy index tends to decrease and it amounted to 11.9% at the end of June.

The market gained an area of over 300,000 sqm in H1, 130,000 sqm of which was completed in Warsaw. 1.7 mln sqm of offices are under construction (with the entire market amounting to 9.3 mln sqm), over 40% of which is located in the capital city. Base rents are constant. The market situation is stable but it is favourable for tenants in terms of negotiating better incentive packages. A high vacancy index is mostly a concern for owners of older facilities. According to PORF, the share of renegotiations and extensions amounted to app. 30% of contracts signed and 22% concerned buildings under construction or even at the preparation stage.

Warsaw remains the largest local market as the semi-annual demand exceeded 390,000 sqm here – it was the highest semi-annual result in history. In spite of concerns the vacancy index has been systematically declining for four quarters and it amounted to 13.9% at the end of June 2017. However, it needs to be remembered that completions of large projects such as Varso, The Warsaw HUB and Mennica Legacy Tower are planned for the years 2019-2020.

POLISH OFFICE MARKET AS AT Q2 2017

City	Area completed	Area leased	Vacancy index	Area under construction
Warsaw	131 400	391 400	13,9%	720 000
Kraków	80 900	98 300	9,2%	290 000
Wrocław	22 800	91 700	8,5%	260 000
Trójmiasto	10 900	73 800	7,8%	140 000
Katowice	14 200	17 000	12,7%	28 000
Poznań	15 500	12 700	12,2%	68 000
Łódź	33 700	29 700	6,0%	150 000

Source: PORF

6.2 Retail market



The first half of the year is usually not a period marked by openings of new retail facilities. From January until June 2017 the Polish retail market only gained app. 30,000 sqm, half of which were extensions. However, nearly 750,000 sqm is under construction, nearly half of which is to be opened in H2 of this year. This means that the annual supply will be similar to that of 2016. Colliers' analysts observe a growing number of modernized facilities. 12% of the area under construction involves modernizations and extensions of older projects.

The vacancy index is continuously low and it amounted to 4.1% for eighteen largest cities i.e. 0.6 per cent more compared to the end of 2016. Warsaw is the most attractive city with the vacancy index of only 2.6%. One of the challenges for some shopping centres involved the rental of former Alma's units, the owner of which applied for bankruptcy. The saturation of the Polish market has been systematically growing and it amounted to 293 sqm per 1,000 inhabitants at the end of June 2017. Out of the large cities it is the highest in Lublin (959 sqm), Poznań (832 sqm) and Wrocław (826 sqm). The risk of introducing a ban on Sunday trade still hangs over the retail industry. A bill concerning this solution was positively recommended for further work by the Council of Ministers. The parliament has not dealt with it until now, which could change after the holiday period.

11,2 mln sqm

Total modern retail space in Poland

6.3 Residential market



Q2 2017 brought about very good apartment sales results again. The phasing out of the 'Apartment for the Young' programme decreased the sales of the cheapest apartments, however, investment demand, which is largely cash-based, has not decreased. According to estimates of the REAS consulting company 17,600 apartments were sold in six largest residential markets in Poland (Warsaw, Kraków, Wrocław, Poznań, TriCity and Łódź) i.e. 1,200 fewer compared to Q1 which was historically the best in this respect. Continuously good signals from the economy i.e. the lowest unemployment rate in history and a low deficit of the public finance sector are convenient for the market.

In Q2 developers marketed a similar number of apartments as the number of apartments sold – 17,500, because of this the total offer decreased slightly and it amounted to 50,000 at the end of the quarter. However, it grew by as much as 10% compared to Q1 2017. Still, REAS analysts remark that it does not signify a balance on all local markets. It is the case in Warsaw and Wrocław but in TriCity the offer increased by 8%, in Łódź – by 20% whereas in Poznań it decreased by 15% and in Kraków – by 12%.

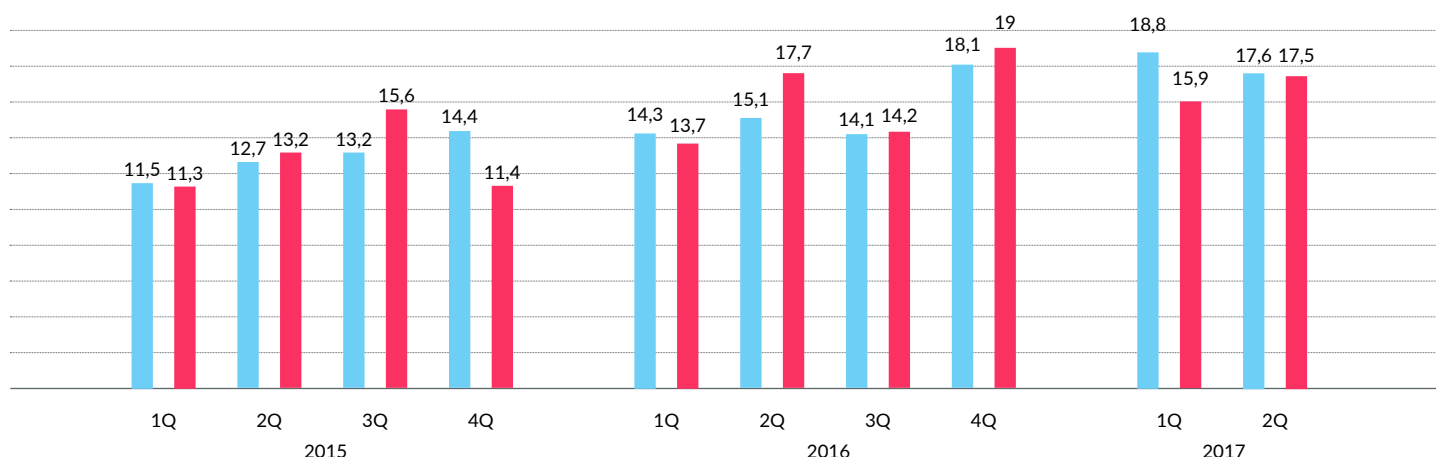
The index of apartment prices confirms the phenomenon of a slow but stable growth over the last few years. The last quarter generated a clear increase,

however, it was connected with the phasing out of the 'Apartment for the Young' programme and a decrease of demand for the cheapest apartments as well as a slight increase of the interest in investment apartments, which are usually slightly more expensive.

REAS analysts indicate that Q3 2017 sales results should not be lower than in the previous period despite the holiday period. The 'Apartment for the Young' programme will disappear as of February 2018, however, because the share of the programme on the majority of the markets did not exceed a dozen or so per cent per year, the withdrawal of subsidies itself should not decrease the annual scale of demand dramatically. Poznań market, which was the greatest beneficiary of the programme, will sense it the most. According to REAS, nothing indicates the cooling down of investment demand due to continuously negative interest rates. That is why annual sales results should not be lower compared to 2016 result, they could in fact be higher. It needs to be remarked that H1 2017 sales were 23% higher compared to the corresponding period in 2016.

It will probably be difficult to maintain such a high pace in 2018 unless the period of historically low interest rates continues until then.

NUMBER OF TRANSACTIONS AND MARKETED APARTMENTS [IN THOUSANDS]



Source: REAS

● – Apartments sold
● – Apartments marketed

6.4 Investment market



30 transactions with a total value of EUR 1.53 bln concerning 50 commercial properties were closed in H1 in Poland. Poland remains the dominant market in Central Europe in terms of liquidity even though the value of transactions closed in the Czech Republic was higher and it amounted to EUR 2.2 bln. Colliers' analysts observe strong activity of new investors e.g. from the Republic of South Africa in our region.

Cap rates for the best properties remain record low: there was no further compression in H1 of the year. They amount to app. 5.25% for offices in the centre of Warsaw and app. 6.25% in regional cities such as Wrocław or Kraków. For retail properties in Warsaw they amount to 5.0%-5.5% (no transactions) just like in the case of the main regional cities. In smaller towns they are 8.0%-8.5%.

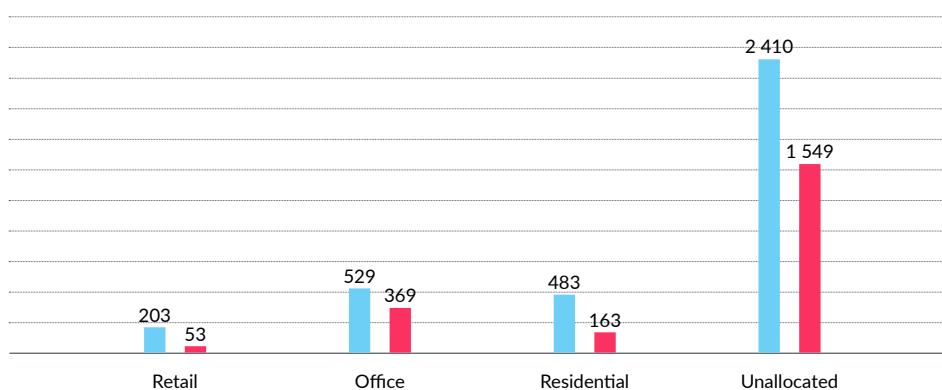
Interestingly, a large part of transactions closed in H1 is attributable to purchases of retail portfolios, which were bought by e.g. Pradera (4 IKEA retail parks), Deutsche Asset & Wealth Management (3 Fashion House retail parks from Peakside) and EPP (3 shopping centres from Blackstone). Colliers' analysts estimate that the value of transactions on the commercial property market in Poland in entire 2017 will be comparable or slightly higher than in 2016 (EUR 4.5 bln). They announce that some transactions in H2 of the year will be executed by new investors on the Polish market, who will be looking for higher rates of return compared to the West. Provided that the REIT structure is introduced to the Polish legislation from the beginning of 2018, an increase of the share of local investors in the total value of transactions could be expected in the future.

07

The Groups segments

ASSIGNMENT OF ASSETS AND LIABILITIES TO SEGMENTS IN H1 2017 [PLN MLN]

● - Assets
● - Liabilities



3 625 mln PLN

Total value of assets

2 134 mln PLN

Total value of liabilities

169 mln PLN

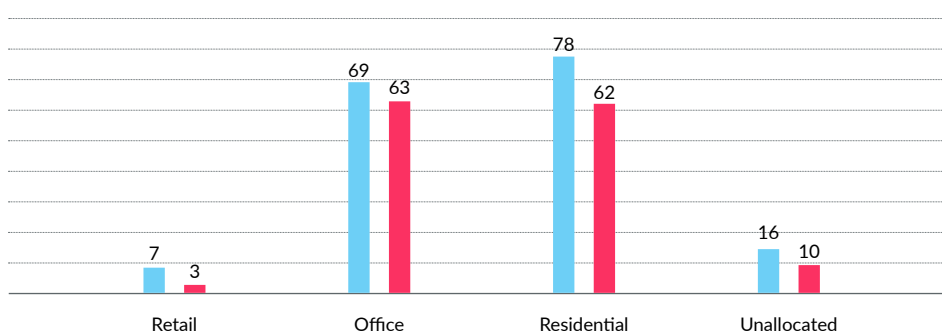
Total revenues

138 mln PLN

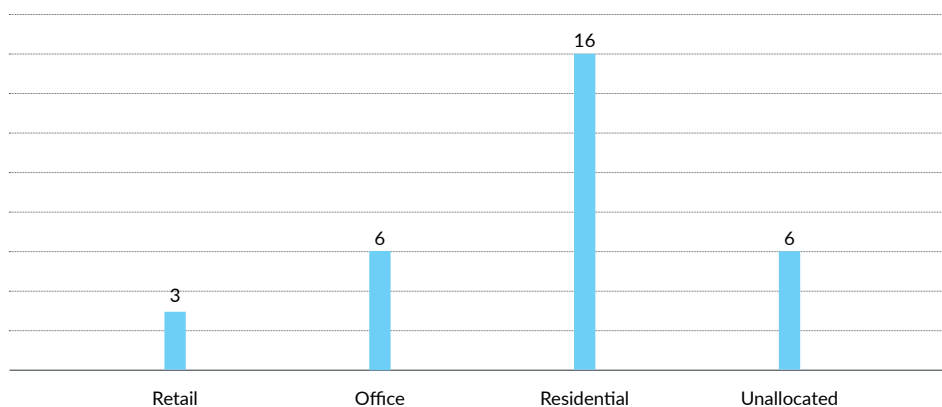
Total operational costs

ASSIGNMENT OF OPERATING REVENUES AND OPERATIONAL COSTS
TO SEGMENTS IN H1 2017 [PLN MLN]

● - Revenues
● - Operational costs



ASSIGNMENT OF GROSS PROFIT ON SALES TO SEGMENTS IN H1 2017 [PLN MLN]



31 mln PLN

Gross profit on sales

OPERATING REVENUES AND OPERATING COSTS OF RETAIL SEGMENT - BY TYPE [PLN '000]

	Revenues	Costs
Lease	258	284
Services (development)	6 399	2 472
Maintenance of projects in preparation and under construction	122	594
Total	6 779	3 350

OPERATING REVENUES AND OPERATING COSTS OF OFFICE SEGMENT - BY TYPE [PLN '000]

	Revenues	Costs
Lease	10 500	9 126
Services (fit-out works)	57 788	51 264
Maintenance of projects in preparation and under construction	1 266	2 374
Total	69 554	62 764

OPERATING REVENUES AND OPERATING COSTS OF RESIDENTIAL SEGMENT - BY TYPE [PLN '000]

	Revenues	Costs
Sale	76 324	62 045
Lease	1 786	500
Services	1	(130)
Total	78 110	62 415

UNALLOCATED OPERATING REVENUES AND OPERATING COSTS - BY TYPE [PLN '000]

	Revenues	Costs
Sale	3 868	5 794
Lease	1 863	3 063
Services	9 226	933
Total	14 957	9 789

08

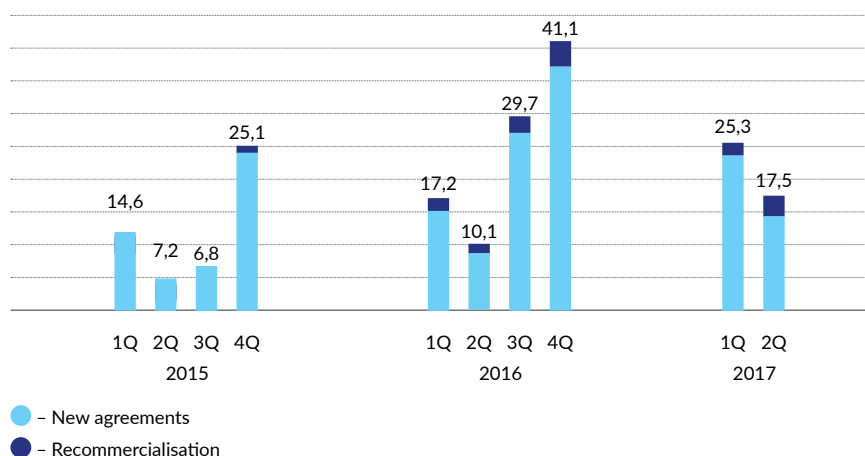
Echo Investment Group achievements in each sectors of the market and its perspectives

8.1 Office sector

In H1 2017 Echo Investment dug the first hole at the building site of the first office building in the Browary Warszawskie complex (GLA of 15,000 sqm). In H2 the Company will start working on two more: on Beethoven Street in Warsaw (GLA of 18,000 sqm) and Grundmanna Street in Katowice (GLA of 25,500 sqm). The launch of the construction of six office buildings with a combined area of over 128,000 sqm in Warsaw, Łódź, Gdańsk, Wrocław and Katowice, is planned for next year.



LEASE OF OFFICE SPACE [IN THOUSANDS OF SQM]



The lease of retail space is on schedule. In Q2 the leasing department signed contracts concerning a total area of 17,500 sqm, which provides a cumulative result of nearly 43,000 sqm since the beginning of the year. The semi-annual result is nearly 60% better compared to H1 2016.

The construction work on the projects in progress is conducted without any disruptions. The Sagittarius project in Wrocław was topped off in mid-August as it moved from the structural work phase to the finishing work phase.

8.2 Retail sector

The purchase of shares of the Galeria Młociny shopping centre which is under construction in Warsaw was the most important event in the retail department in the last quarter. Echo Investment smoothly took over the building site and reached an agreement with Erbud, which is the general contractor of the project, it also started working on the optimisation of the project's layout. The leasing department also started negotiations with tenants. The project is currently 56% leased.

In Q2 the leasing department signed contracts concerning an area of 16,700 sqm in shopping centres, nearly 5,000 sqm of which referred to new projects while the remaining area regarded recommercialization of projects from EPP's portfolio. The semi-annual result is comparable to that generated in H1 2016. The

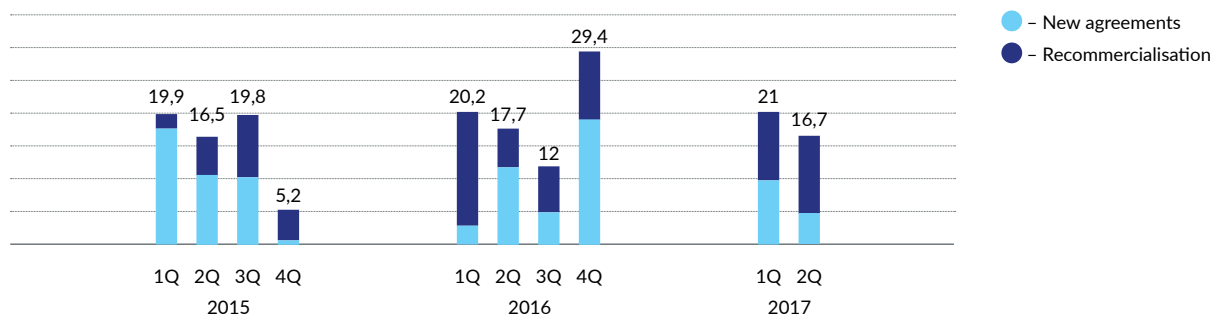
most new contracts concerned Galeria Libero in Katowice. It was joined by brands such as: Reserved, Mohito, Sinsay, Cropp and House, which are all owned by LPP (4,500 sqm), Home&You (300 sqm), Guess (300 sqm) and H&M in July (1,800 sqm). The construction work is on schedule, in July Echo Investment

signed a contract with Przedsiębiorstwo Budownictwa Drogowo-Inżynieryjnego concerning the redevelopment of the road layout near the project. Echo Investment also decided to prolong its sponsor agreement with the GKS Katowice female football team, which was promoted to the first league last season.



Item 4.2 provides more details concerning the purchase of Galeria Młociny.

LEASE OF RETAIL SPACE [IN THOUSANDS OF SQM]



Echo is nearing the completion as regards the finishing work in the third stage of Outlet Park and the extension of the Galaxy shopping centre in Szczecin. Both projects are carried out for EPP. Their openings are planned for this autumn.

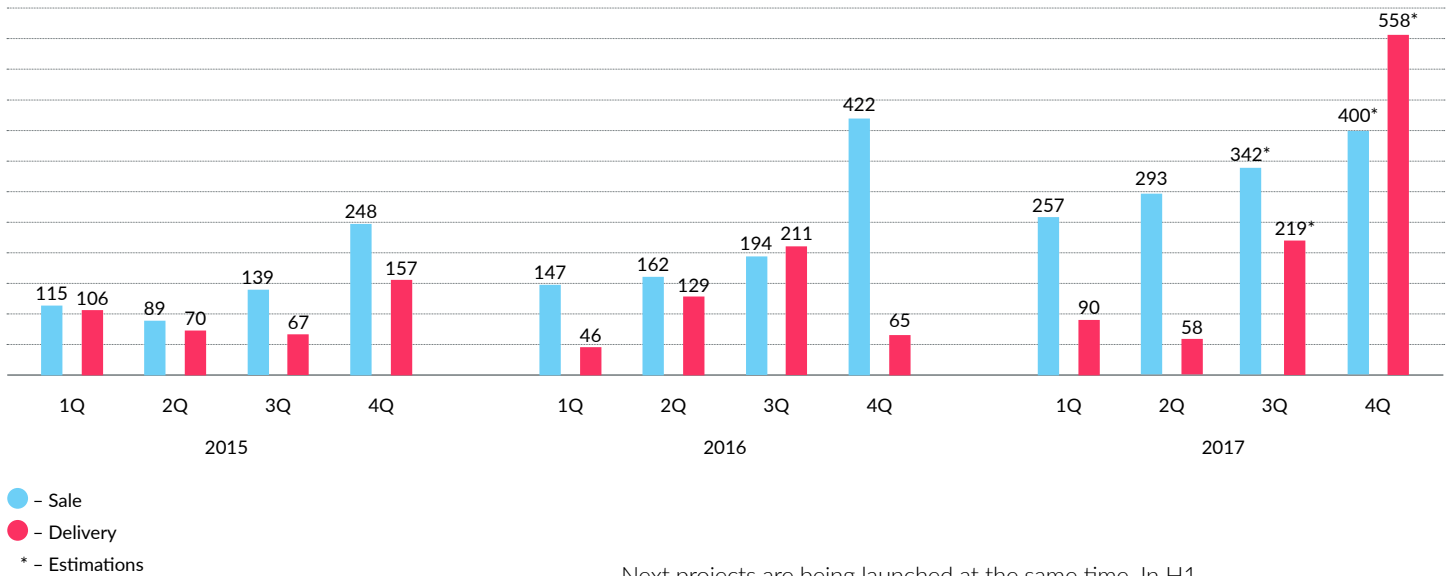
8.3 Residential sector

Out of the three sectors which Echo Investment operates in, the residential one develops most dynamically. In Q2 the company sold 297 apartments – nearly twice as many as in Q2 2016. The company's sales team managed to encourage clients to purchase a total of 554 apartments from January until the end of June. 309 such contracts were concluded in the corresponding period in 2016.

In H1 2016 the Company completed two new projects in Poznań: Pod Klonami III (14 terraced houses) and Park Sowińskiego II (42 apartments). Because of this only 148 apartments were delivered to their owners. In H2 of the year Echo expects to obtain occupancy permits for eight projects which include a total of 965 housing units (the projects which received occupancy permits so far are: Park

Sowińskiego III in Poznań including 88 apartments, Dom pod Wilgą I in Kraków including 112 apartments and Osiedle Jarzębinowe III in Łódź offering 109 apartments). Thus an accumulation of deliveries is expected in Q3 and Q4. Echo Investment is planning to deliver app. 925 apartments to clients in the entire year.

NUMBER OF APARTMENTS SOLD AND DELIVERED



Next projects are being launched at the same time. In H1 the first hole was dug at the building site of the Dom pod Wilgą III estate in Kraków (63 apartments) and the construction of 10 projects including over 1,200 apartments is to start before the end of the year.

09

Portfolio of properties

9.1 Office

Legend:

GLA – global leasing area

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

Leasing status presented as at the report day.

Targeted budget includes value of plot, costs of design, construction, external supervisory, does not include costs of covering rent free periods, profit share, financial costs, marketing and broker's remuneration.

OFFICE BUILDINGS IN OPERATION

Project	GLA [sqm]	Leasing [%]	Targeted NOI	Comments
Wrocław, Nobilis Business House	16 900	73%	2,9	ROFO agreement with EPP, in negotiations with third party
Warsaw, Babka Tower	6 200	74%	1,0	
Total	23 100		3,9	

OFFICE BUILDINGS UNDER CONSTRUCTION

Project	GLA [sqm]	Leasing [%]	NOI [EUR mln]	Targeted budget [PLN mln]	Expenditure incurred [%]	Start	Targeted commissioning	Comments
Kraków, O3 Business Campus II	18 900	56%	3,3	116,9	57%	I Q 2016	III Q 2017	preliminary sale agreement with EPP
Łódź, Symetris Business Park II	9 500	42%	1,6	67,4	54%	II Q 2016	III Q 2017	preliminary sale agreement with EPP
Wrocław, Sagittarius	24 900	83%	4,5	176,9	34%	II Q 2016	I Q 2018	ROFO agreement with EPP, preliminary agreement with Warburg HIIH
Kraków, O3 Business Campus III	18 900		3,3	120,1	26%	IV Q 2016	IV Q 2017	preliminary sale agreement with EPP
Wrocław, West Link	14 200	92%	2,5	91,0	34%	III Q 2016	I Q 2018	preliminary agreement with Griffin Premium RE
Warsaw, Browary Warszawskie J	15 000		3,2	135,6	24%	II Q 2017	III Q 2018	ROFO agreement with Griffin Premium RE
Total	101 400		18,4	707,9				

OFFICE BUILDINGS IN PREPARATION

Project	GLA [sqm]	Targeted NOI [EUR mln]	Targeted budget [PLN mln]	Expenditu- re incurred [%]	Targeted start	Targeted commissio- ning	Comments
Warsaw, Beethovena I	18 000	3	132,5	22%	III Q 2017	III Q 2019	ROFO agreement with Griffin Premium RE
Katowice, Grundmanna I	25 500	4,2	172,8	14%	IV Q 2017	IV Q 2019	
Warsaw, Browary Warszawskie K	16 200	3,2	129,9	25%	I Q 2018	I Q 2020	
Warsaw, Browary Warszawskie G i H	23 000	5	225,2	22%	I Q 2018	I Q 2020	
Warsaw, Beethovena II	17 400	2,9	117,2	24%	Q1 2018	Q4 2019	ROFO agreement with Griffin Premium RE
Łódź, Piłsudskiego/Kilińskiego	14 100	2,3	87,2	12%	I Q 2018	III Q 2019	
Gdańsk, Solidarności/Nowomiejska I	14 300	2,3	102,7	8%	I Q 2018	III Q 2019	
Wrocław, Powstańców Śląskich	37 700	6,7	275,7	18%	III Q 2018	II Q 2020	
Katowice, Grundmanna II	23 000	3,6	141,9	14%	IV Q 2018	III Q 2020	
Gdańsk, Solidarności/Nowomiejska II	15 900	2,5	89,7	11%	I Q 2019	III Q 2020	
Total	205 100	35,7	1 474,8				

9.2 Retail

Legend:

GLA – global leasing area

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

Leasing status presented as at the report day

Targeted budget includes value of plot, costs of design, construction, external supervisory, does not include costs of covering rent free periods, profit share, financial costs, marketing and broker's remuneration.

RETAIL PROJECTS UNDER CONSTRUCTION

Project	GLA [sqm]	Leasing [%]	NOI [EUR mln]	Targeted budget [PLN mln]	Expenditure incurred [%]*	Start	Targeted commissioning	Comments
Szczecin, Galaxy (rozbudowa)	15 200	95%	3,3			I Q 2016	IV Q 2017	project run for EPP
Szczecin, Outlet Park III	3 800	100%	0,7			IV Q 2016	III Q 2017	project run for EPP
Katowice, Galeria Libero	45 200	68%	8,7	342,3	18%	III Q 2016	I Q 2018	ROFO agreement with EPP
Warsaw, Galeria Młociny	82 000	56%	20,4	1 167,6	44%	IV 2016	II Q 2019	JV with EPP: share split 30%-70%
Total	146 200		33,1	1 509,9				

* Concerns I phase

Galaxy and Outlet Park extensions are run for EPP with development fee for Echo Investment. They are not consolidated in Echo Investment Group.

RETAIL PROJECT IN PREPERATION

Project	GLA [sqm]	Targeted NOI [EUR mln]	Targeted budget [PLN mln]	Expenditure incurred [%]*	Targeted start	Targeted commissioning	Comments
Warsaw, Towarowa 22	111 100	36,4	1 696,4	20%	II Q 2018 *	IV Q 2020*	JV with EPP: target share split 30%-70%

* Concerns I phase

9.3 Residential

Legend:

PUM – (powierzchnia użytkowa mieszkań) – residential usable area

Sales – item covering exclusively preliminary contracts

Targeted budget includes value of plot, costs of design, construction, external supervisory, does not include costs of inventory maintenance, financial costs, marketing and sales team remuneration.

RESIDENTIAL PROJECTS UNDER CONSTRUCTION

Project	PUM [sqm]	Number of units	Targeted revenues [PLN mln]	Targeted budget [PLN mln]	Expenditure incurred [%]	Start	Targeted commissioning
Kraków, Apartamenty GO (Rakowicka)	6 700	161	59,8	40,1	52%	IV Q 2016	II Q 2018
Kraków, Dom pod Wilgą I	6 500	112	51,9	35,7	99%	IV Q 2015	III Q 2017
Kraków, Dom pod Wilgą II	8 800	131	72,8	46,2	63%	III Q 2016	II Q 2018
Kraków, Dom pod Wilgą III	4 600	63	40,4	28,2	35%	II Q 2017	I Q 2019
Kraków, Kościuszki Apartments	5 300	70	65,7	42,0	85%	IV Q 2015	IV Q 2017
Łódź, Osiedle Jarzębinowe III	6 500	109	32,1	23,4	98%	IV Q 2015	III Q 2017
Łódź, Osiedle Jarzębinowe IV	4 400	75	21,4	16,0	36%	IV Q 2016	IV Q 2018
Poznań, Jackowskiego	8 100	155	52,7	37,9	69%	III Q 2015	IV Q 2017
Poznań, Osiedle Jaśminowe III	3 800	77	20,6	14,7	27%	IV Q 2016	III Q 2018
Poznań, Osiedle Perspektywa I	8 200	169	44,3	31,7	16%	IV Q 2016	IV Q 2018
Poznań, Park Sowińskiego III	5 000	88	35,4	25,0	90%	II Q 2015	III Q 2017
Poznań, Park Sowińskiego IV	5 100	89	37,9	26,3	34%	IV Q 2016	III Q 2018
Warsaw, Browary Warszawskie A	5 200	98	55,3	37,1	43%	IV Q 2016	III Q 2018
Warsaw, Nowy Mokotów III	16 200	251	130,5	85,2	89%	III Q 2015	III Q 2017
Warsaw, Nowy Mokotów IV	3 200	45	29,7	18,2	67%	III Q 2015	IV Q 2017
Wrocław, Grota-Roweckiego II	8 200	135	43,2	32,2	98%	IV Q 2015	IV Q 2017
Total	105 800	1 828	793,7	539,9			

RESIDENTIAL PROJECTS IN PREPARATION

Project	PUM [sqm]	Number of units	Targeted revenues [PLN mln]	Targeted budget [PLN mln]	Expenditure incurred [%]	Targeted start	Targeted commissioning
Łódź, Osiedle Jarzębinowe V	8 600	154	42,3	30,9	16%	IV Q 2017	II Q 2019
Łódź, Wodna I	5 300	86	28,8	22,1	16%	III Q 2017	I Q 2019
Kraków, Rydla	5 400	91	42,4	30,2	26%	IV Q 2017	II Q 2019
Poznań, Garbary	12 300	217	85,6	59,9	23%	III Q 2018	III Q 2020
Poznań, Osiedle Jaśminowe IV	5 100	103	27,7	17,9	14%	I Q 2018	IV Q 2019
Poznań, Osiedle Perspektywa II	4 600	94	24,5	17,4	9%	III Q 2017	II Q 2019
Poznań, Osiedle Perspektywa III	5 600	104	30	20,8	8%	III Q 2018	II Q 2019
Warsaw, Beethovena	12 900	246	104,2	75,6	26%	I Q 2018	I Q 2020
Warsaw, Browary Warszawskie B	10 500	190	113	70,3	28%	III Q 2017	II Q 2019
Warsaw, Browary Warszawskie C	6 900	105	73	46	27%	III Q 2017	II Q 2019
Warsaw, Browary Warszawskie E	5 100	103	66,5	43,4	21%	II Q 2018	I Q 2020
Warsaw, Princess	4 800	87	52,6	39,7	27%	III Q 2017	II Q 2019
Warsaw, Taśmowa I	7 500	164	58,1	38,9	27%	III Q 2017	II Q 2019
Warsaw, Taśmowa II	5 000	111	38,7	26,5	21%	II Q 2018	I Q 2020
Wrocław, Gdańska	4 500	75	33,1	25,3	22%	IV Q 2017	IV Q 2019
Wrocław, Zebra	11 300	232	68,8	43,4	18%	III Q 2017	II Q 2019
Total	115 400	2 162	889,3	608,3			

RESIDENTIAL PROJECTS FOR EXTERNAL RENTAL PLATFORM UNDER PREPARATION

Project	PUM [sqm]	Number of units	Targeted start	Targeted commissioning
Wrocław, Kępa Mieszczańska	9 300	270	IV Q 2017	III Q 2019
Wrocław, Rychalska I	11 400	303	IV Q 2017	III Q 2019
Warsaw, Browary Warszawskie D i F	19 000	451	IV Q 2017	I Q 2020
Łódź, Wodna II	7 900	211	IV Q 2017	III Q 2019
Total	47 600	1 235		

9.4 Land bank

PROJECTS ON EARLY STAGE

Projekt	Plot area [sqm]	Potential of GLA [sqm]	Comments
Kraków, Wita Stwosza	25 100	50 000	Plot for office and residential functions
Łódź, Tymienieckiego	77 200	80 000	Plot for office and residential functions
Wrocław, Na Ostatnim Groszu*	43 900	70 000	Plot for office function
Total	146 200	200 000	

* Plot acquired in Q3 2017.

INVESTMENT PROPERTIES

Location	Plot area [sqm]	Comments
Brasov Korona, (Rumunia)	49 700	Preliminary sale agreement
Budapeszt Mundo, (Węgry)	67 700	Preliminary sale agreement
Katowice, Jankego	26 200	
Koszalin, Krakusa i Wandy	39 300	Preliminary conditional sale agreement
Lublin	4 700	
Łódź, Okopowa	12 500	
Poznań, Hetmańska	65 300	
Poznań, Naramowice	305 800	
Poznań, Pamiątkowo	874 200	
Radom, Beliny	6 300	
Słupsk	65 700	Preliminary conditional sale agreement
Szczecin, Struga	11 000	
Warsaw, Taśmowa	13 400	
Warsaw, Woronicza	9 500	
Zabrze, Miarki	8 100	
Total	1 559 400	

10

Main investments in H1 2017 – acquisition of plots

825 pln

Value of land in 1 sqm of residential and office space possible to build on plots acquired since the beginning of 2017.

Since the beginning of 2017 Echo Investment Group purchased number of properties with c.a. 286,000 sqm. of buildable office and residential space in total. The company spent a total of PLN 236 million net on the purchase of the plots. Following assets were 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 Nowomiejska Street in Gdańsk, where an office complex with a leasing area of app. 30.000 sqm is planned;
- plots with 7.900 sqm of total area near ul. Powstańców Śląskich in Wrocław, where the office complex with 38.000 sqm GLA of space can be build;
- ownership of plots with 25,100 sqm near Rakowicka and Wita Stwosza streets in Krakow, where c.a. 54,000 sqm of office and residential space can be built;
- an entity being owner of perpetual usufruct of plots with combined area of 77,200 sqm near Tymienieckiego street in Lodz, where c.a. 80,000 sqm of residential and office space can be built.



See the detail of Galeria Młociny acquisition in paragraph 4.2.

After the balance sheet day the Company concluded the acquisition of plots with a combined area of 44.000 sqm in Wrocław, located near Na Ostatnim Groszu and Horbaczewskiego streets, where c.a. 70.000 sqm of office space can be built. Additionally the Group purchased 30% of shares in Galeria Młociny, retail project under construction. The investment will comprise 82.000 sqm of global leasing area. The transaction is presented in details in paragraph 4.2.

11

Factors and unusual events influencing the financial result in H1 2017

REGULAR FACTORS WHICH INFLUENCED THE GROUP'S FINANCIAL RESULTS IN H1 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;
- Park Sowińskiego, Osiedle Jaśminowe and Pod Klonami 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, owning the plot in Kiev:

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

- Revenues resulting from sale of project:

- A4 Business Park III in Katowice.

Revaluation of fair value of the Group's assets:

- in operation: Babka Tower in Warsaw and A4 Business Park phase III in Katowice;
- in the proces of leasing: Nobilis Business House in Wrocław;
- under construction: Galeria Libero in Katowice, West Link and Sagittarus Business House in Wrocław, Symetris II in Łódź (first valuation), O3 Business Park II in Krakow (first valuation).

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 event affecting the financial performance of the Company in H1 2017 was revaluation of Echo Polska Property's shares to market value.

12

Factors which will influence the results of the Company and its Group 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:

- Dom Pod Wilgą I-II, Park Avenue and Kościuszki Apartments in Kraków;
- Osiedle Jarzębinowe III in Łódź;
- Park Sowińskiego and Jackowskiego in Poznań;
- Nowy Mokotów III 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 (Nobilis Business House, Babka Tower), in the proces of leasing and under construction: O3 Bussines Park II in Kraków (first and following valuation), Sagittarius and West Link in Wrocław, Galeria Libero in Katowice.

Sale of properties:

- O3 Business Park II in Kraków,
- Symetris Business Park II in Łódź,
- Nobilis Business House in Wrocław,
- Sagittarius in Wrocław,
- West Link in Wrocław.

Development fee on Outlet Park III and Galaxy in Szczecin, Galeria Młociny and Towarowa 22 in Warsaw.

Costs of sales and overheads.

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

Cash and loans valuation 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.

13

Explanations concerning the seasonal and cyclical nature of the Groups activity in H1 2017

The Groups 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.



Information on paid or declared dividend

14.1 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.

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

14.2 DIVIDENDS PAID OR DECLARED

According to the adopted dividend policy, the 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) was 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) was paid on 26 June 2017.

The Ordinary General Meeting of Shareholders which took place on 29 June 2017 decided to earmark PLN 557,132,285.70 for dividend. The amount came from 2017 profit (PLN 270,365,911.83), the Reserve Fund (PLN 80,421,082.87) as well as the supplementary capital (PLN 206,345,291). The previously paid dividend advance amounting to PLN 350,786,994.70 (PLN 0.85 per share) was credited towards the dividend – according to the Management's recommendation. The remaining part of the amount established by the Ordinary General Meeting of Shareholders i.e. PLN 206,345,291 (PLN 0.5 per share) was to be paid on 21 July 2017 and 5 July 2017 was the day of establishing the entitlement to the dividend. The resolution of the Ordinary General Meeting of Shareholders was executed in full. The additional amount of the dividend exceeding the recommendation of the Management was financed from the sale of part of a block of Echo Polska Properties' shares, which took place on 22 June 2017.



Go to the description of the sale of part of a block of EPP's shares to paragraph 4.5.

15

Bonds

COMPANY'S LIABILITIES DUE TO BONDS ISSUED, AS AT 30 JUNE 2017 [PLN '000]

Financial instrument	Nominal value	Interest rate	Maturity	Guarantees / securities	Quotation market
Non-public bond (mBank S.A.)	230 000	WIBOR 6M + margin	23.04.2018	–	Catalyst
Non-public bond (mBank S.A.)	80 000	WIBOR 6M + margin	19.06.2018	–	Catalyst
Non-public bond (mBank S.A.)	100 000	WIBOR 6M + margin	19.02.2019	–	Catalyst
Non-public bond (mBank S.A.)	70 500	WIBOR 6M + margin	15.05.2019	–	Catalyst
Non-public bond (mBank S.A.)	100 000	WIBOR 6M + margin	18.11.2020	–	Catalyst
Non-public bond (mBank S.A.)	155 000	WIBOR 6M + margin	31.03.2021	–	Catalyst
Non-public bond	735 500				
Public bond DM PKO BP, series C	75 000	WIBOR 6M + margin	4.03.2018	–	Catalyst
Public bond DM PKO BP, series D	50 000	WIBOR 6M + margin	20.04.2018	–	Catalyst
Public bond DM PKO BP, series E*	100 000	WIBOR 6M + margin	06.07.2021	–	Catalyst
Public bond	225 000			–	
Total	960 500				

The value of the bonds corresponds to undiscounted cash flows, net of interest.

Change in business and economic conditions has not had any material impact on fair value of the financial liabilities.

On April 28, 2017, the Company redeemed PLN 175 million worth bonds.

On March 31, 2017, the Company issued coupon-bearing bonds with a total nominal value of PLN 155 million. The nominal value of a single bond amounts to PLN 10,000. The bonds mature on March 31, 2021. The bonds' ISIN

code is PLECHPS00225. The bonds interest rate was based on variable 6M WIBOR rate plus a margin. The interest will be paid semi-annually. On the redemption date, the bonds will be redeemed at their nominal value. The bonds are not secured.

*On June 8, 2017, the Company launched a public offering of E series bonds in the amount of up to PLN 100 million. On July 6, 2017, the bonds were registered with the Central Depository for Securities in Poland (KDPW); on July 20, 2017, the management board of the Warsaw Stock Exchange admitted the bonds to public trading. On July 28, 2017, the bonds debuted on the Catalyst market.

16

Loan and borrowing agreements

CREDIT FACILITIES OF ECHO INVESTMENT S.A. AS AT 30.06. 2017 [PLN '000]

Bank	Registered office	Contractual amount of loan/borrowing	Outstanding loan/borrowing amount	Interest rate	Repayment deadline	Security
PKO BP S.A.	Warsaw	75 000	70 000	WIBOR 1M + margin	31.10.18	Authorisation to bank account, statement on submission to enforcement proceedings
Alior Bank S.A.	Warsaw	50 000	–	WIBOR 3M + margin	30.01.18	Authorisation to bank account, statement on submission to enforcement proceedings
BZ WBK S.A. *	Wrocław	75 000		WIBOR 1M + margin	30.07.18	Authorisation to bank account, statement on submission to enforcement proceedings
Raiffeisen Bank Polska S.A	Wrocław	62 000	121	WIBOR 1M + margin	14.12.18	Authorisation to bank account, statement on submission to enforcement proceedings
Total		262 000	70 121			

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

The loan value corresponds to non-discounted cash flows.

CREDIT FACILITIES OF ECHO INVESTMENT GROUP AS AT 30.06. 2017 [PLN '000]

Borrower	Bank	Registered office	Contractual amount of loan/borrowing	Outstanding loan/borrowing amount	Interest rate	Repayment deadline	Security
Nobilis – Projekt Echo – 117 Sp. z o.o. Sp. K	Mbank S.A.	Warsaw	20 000 000 EUR	12 200 000 EUR	EURIBOR 3M + margin	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 Paribas S.A.	Warsaw	10 450 000 EUR 3 000 000 PLN	0	EURIBOR 3M + margin WIBOR 3M + margin	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
West Gate II – Projekt Echo – 114 Sp. z o.o. Sp.	Bank Milenium S.A.	Warsaw	16 500 000 EUR 2 000 000 PLN	0	EURIBOR 3M + margin WIBOR 1M + margin	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
Sagittarius – Projekt Echo – 113 Sp. z o.o. Sp. K.	PKO BP S.A.	Warsaw	31 718 636 EUR 6 000 000 PLN	0	EURIBOR 3M + margin WIBOR 1M + margin	30.09.2020 30.09.2019	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
Total, in loans currency			78 668 363 EUR 11 000 000 PLN	12 200 000			

17

Surety agreements

SURETY AGREEMENTS ISSUED BY ECHO INVESTMENT AS AT 30 JUNE 2017

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

There was no changes in surety agreements in H1 2017.

The total value of current surety agreements in force received by the Group as at there was no 30 June 2017 is as follows:

- under lease agreements concluded: EUR 327 249.
- on account of project implementation EUR 2 500 000.

18

Guarantee agreements

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

Guarantor	For	Value [PLN '000]	Validity	Description
Echo Investment S.A.	Horta Sp. z o.o.	21 133	to 02.07.2020	Performance bond concerning execution of the final sales agreement concerning the Acquarius Business House I office building in Wrocław. Issued in EUR.
Echo Investment S.A.	Skua Sp. z o.o.	25 359	to 30.07.2021	Performance bond concerning execution of the final sales agreement concerning the Acquarius Business House II office building in Wrocław. Issued in EUR.
Echo Investment S.A. / BZ WBK S.A.	State Treasury	43 045	to 22.05.2018	Surety bond concerning liabilities of Outlet Park – Projekt Echo – 126 Sp. z o.o. Sp. K.
Echo Investment S.A.	mBank S.A.	14 974	until fulfilment of suitable financial indexes, no longer than 31.03.2021	Surety bond for liabilities of Nobilis – Projekt Echo – 117 Sp. z o.o. Sp. K. resulting from loan agreement of 16.06.2016. Issued in EUR.
Echo Investment S.A.	mBank S.A.	5 489	Until the day of confirmation of meeting all financial indicators, not later than to 31.03.2018	Surety bond for cost overrun on Nobilis office building in Wrocław
Echo Investment S.A.	BGŻ BNP Paribas S.A.	5 169	until project completion date	Surety bond for cost overrun and liabilities resulting from debt service in the period of construction of the Symetris I and II office building in Łódź. Issued in EUR.
Q22 – Projekt Echo – 128 Sp. z o.o. Sp. K. / Echo Investment S.A.	IREEF – Stryków Propco Sp. z o.o.	420 000	to 15.12.2019	Construction work quality guarantee related to Q22 in Warsaw.
Echo Investment S.A.	IREEF – Stryków Propco Sp. z o.o.	145 986	to 15.12.2018	Surety bond concerning failure to execute liabilities of Q22 – Projekt Echo – 128 Sp. z o.o. Sp. k. resulting from the sales contract concerning Q22 in Warsaw of 16.12.2016. Issued in EUR.
Echo Investment S.A.	PKO BP S.A.	25 700	do 30.09.2020	Surety bond for credit facilities of 01.06.2017, guarantee of cost overrun to PLN 25.7 mln of 01.06.2017
Total		714 155		

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

The total value of current guarantee agreements in force received by the Group as at there was no 30 June 2017 is as follows:

- under lease agreements concluded: PLN 2 024 283,22 and EUR 1 146 026,89,
- on account of project implementation: PLN 59 773 829,78 and EUR 574 872,60.

AMENDMENTS TO GUARANTEE AGREEMENTS IN H1 2017

Change	Guarantor	For	Date of change	Value ['000]	Description
Reduce of the collateral amount from EUR 9 mln to EUR 6 mln, according to guarantee agreement	Echo Investment S.A.	Skua Sp. z o.o.	31.01.2017	6 000 EUR	Performance bond concerning the execution of the final sales agreement concerning the Aquarius Business House II office building in Wrocław. Issued in EUR.
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	Echo Investment S.A.	BGŻ BNP Paribas S.A.	16.01.2017	1 223 EUR	Surety bond for construction cost overrun at the Symetris I and II office complex and the coverage of liabilities resulting from the service of debt of Symetris - Projekt Echo - 131 Sp. z o.o. Sp. K. (Issuer's subsidiary)
Expiry	Echo Investment S.A.	Nokia Solutions and Networks Sp. z o.o.	18.01.2017	1 986 EUR	Surety bond for liabilities resulting from the lease concluded on 29.08.2016.
Expiry	Echo Investment S.A./ PZU S.A.	FTF Columbus S.A.	19.01.2017	24 600 PLN	Surety bond concerning agreement concluded on 22.06.2015
Issue	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
Extention of the expiry date to 22.05.2018, according to annex 1 to guarantee agreement	Echo Investment S.A.	State Treasury	16.05.2017	40 163 PLN	Surety bond concerning liabilities of Outlet Park – Projekt Echo – 126 Sp. z o.o. Sp. K.
Extention of the collateral amount from PLN 40,162 mln to PLN 43,045 mln, according to annex 2 to guarantee agreement	Echo Investment S.A.	State Treasury	14.06.2017	43 045 PLN	Surety bond concerning liabilities of Outlet Park – Projekt Echo – 126 Sp. z o.o. Sp. K.
Issue	Echo Investment S.A.	PKO BP SA	01.06.2017	25 700 PLN	Surety bond for cost overrun of Sagittarius Business House in Wrocław, expiry – to 30.09.2020

19

Echo Investment Group

19.1 Composition of the 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.

As at 30 June 2017, the Group was composed of 136 fully consolidated subsidiaries and 4 subsidiary consolidated under the equity method.

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	Elisea 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 – Grupa 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 – Grupa 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.
21	Selmer Investments Sp. z o.o.	Warsaw	100%	Echo Investment S.A.

SUBSIDIARIES

No	Name of the company	Registered office	% of capital held	Parent entity
22	Echo – Project – Management Ingatlanhasznosító Kft.	Budapest	100%	Echo Investment S.A.
23	Echo Investment Hungary Ingatlanhasznosító Kft.	Budapest	100%	Echo Investment S.A.
24	Echo Investment Project 1 S.R.L.	Brasov	100%	"Echo – Aurus" Sp. z o.o.
25	Echo Investment Project Management S.R.L.	Brasov	100%	Echo Investment S.A.
26	Elmira Investments Sp. z o. o.	Kielce	100%	Echo Investment S.A.
27	Princess Investment Sp. z o.o.	Kielce	100%	Echo Investment S.A.
28	Projekt 1 – Grupa Echo Sp. z o.o. – S.k.a.	Kielce	100%	60 FIZ Forum
29	Projekt Echo – 100 Sp z o.o.	Kielce	100%	Echo Investment S.A.
30	Park Rozwoju III – Projekt Echo – 112 Sp. z o.o. – Sp. k.	Kielce	100%	Perth Sp. z o.o.
31	53 – Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	60 FIZ Forum
32	Babka Tower – Projekt Echo – 93 Sp. z o.o. Sp.k.	Kielce	100%	Perth Sp. z o.o.
33	Barconsel Holdings Ltd	Nicosia	100%	"Echo – SPV 7" Sp. z o.o.
34	Bęchatów – Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	60 FIZ Forum
35	Dellia Investments – Projekt Echo – 115 sp. z o.o. Sp.k.	Kielce	100%	Pudsey Sp z o.o.
36	Echo – Advisory Services Sp. z o.o.	Kielce	100%	Echo Investment S.A.
37	Echo – Arena Sp. z o.o.	Kielce	100%	Echo Investment S.A.
38	Echo – Aurus Sp. z o.o.	Kielce	100%	Echo Investment S.A.
39	Echo – Babka Tower Sp. z o.o.	Kielce	100%	Echo Investment S.A.
40	Echo – Babka Tower Sp. z o.o. – Sp. k.	Kielce	100%	Gelann Sp. z o.o.
41	Echo – Galaxy Sp. z o.o. S.k.a.	Kielce	100%	60 FIZ Forum
42	Echo – Galaxy Sp. z o.o.	Kielce	100%	Echo Investment S.A.
43	Kasztanowa Aleja – Grupa Echo Sp. z o.o. Sp. k.	Kielce	100%	Echo Investment S.A.
44	Klimt House – Grupa Echo Sp. z o.o. Sp. k.	Kielce	100%	Echo Investment S.A.
45	Echo – Klimt House Sp. z o.o.	Kielce	100%	Echo Investment S.A.
46	Echo – Nowy Mokotów Sp. z o.o. – Sp. k.	Kielce	100%	Echo Investment S.A.
47	Echo – Nowy Mokotów Sp. z o.o.	Kielce	100%	Echo Investment S.A.
48	Echo – Opolska Business Park Sp. z o.o.	Kielce	100%	Echo Investment S.A.
49	Echo – Opolska Business Park Sp. z o.o. – Sp. k.	Warsaw	100%	Perth Sp. z o.o.
50	Pod Klonami – Grupa Echo Sp. z o.o. Sp. k.	Kielce	100%	Echo Investment S.A.
51	Echo – Pod Klonami Sp. z o.o.	Kielce	100%	Echo Investment S.A.
52	Echo – Property Poznań 1 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
53	Echo – SPV 7 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
54	Echo Investment ACC – Grupa Echo Sp. z o.o. Sp. k.	Kielce	100%	Echo Investment S.A.
55	Galeria Nova – Grupa Echo Sp. z o.o. – S.k.a.	Kielce	100%	Echo Investment S.A.
56	Galeria Tarnów – Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	60 FIZ Forum
57	Grupa Echo Sp. z o.o.	Kielce	100%	Echo Investment S.A.
58	Malta Office Park – Grupa Echo – 96 Sp. z o.o. S.k.a.	Kielce	100%	60 FIZ Forum
59	Mena Investments Sp. z o. o.	Kielce	100%	Echo Investment S.A.
60	Nobilis – Projekt Echo – 117 Sp. z o.o. Sp. k.	Kielce	100%	Elmira Investments Sp. z o.o.

SUBSIDIARIES

No	Name of the company	Registered office	% of capital held	Parent entity
61	Oxygen – Projekt Echo – 95 Sp. z o.o. S.k.a.	Kielce	100%	60 FIZ Forum
62	PHS – Projekt CS Sp. z o.o. – Sp.k.	Warsaw	100%	Perth Sp. z o.o.
63	PPR – Grupa Echo – 77 Sp. z o.o. S.k.a.	Kielce	100%	60 FIZ Forum
64	Projekt 132 – City Space – GP Sp. z o.o. Sp. k.	Kielce	100%	City Space Management Sp. z o.o.
65	Projekt 133 – City Space – GP Sp. z o.o. Sp. k.	Kielce	100%	City Space Management Sp. z o.o.
66	Projekt 137 – City Space – GP Sp. z o.o. Sp. k.	Kielce	100%	City Space Management Sp. z o.o.
67	Projekt – Pamiątkowo Sp. z o.o.	Kielce	100%	Echo Investment S.A.
68	Projekt 12 – Grupa Echo Sp. z o.o. – S.k.a.	Kielce	100%	60 FIZ Forum
69	Projekt 13 – Grupa Echo Sp. z o.o. – S.k.a.	Kielce	100%	60 FIZ Forum
70	Projekt 14 – Grupa Echo Sp. z o.o. – S.k.a.	Kielce	100%	60 FIZ Forum
71	Projekt 15 – Grupa Echo Sp. z o.o. – S.k.a.	Kielce	100%	Echo Investment S.A.
72	Projekt 16 – Grupa Echo Sp. z o.o. – S.k.a.	Kielce	100%	Echo Investment S.A.
73	Projekt 17 – Grupa Echo Sp. z o.o. – S.k.a.	Kielce	100%	Echo Investment S.A.
74	Projekt 18 – Grupa Echo Sp. z o.o. – S.k.a.	Kielce	100%	Echo Investment S.A.
75	Projekt 19 – Grupa Echo Sp. z o.o. – S.k.a.	Kielce	100%	Echo Investment S.A.
76	Projekt 20 – Grupa Echo Sp. z o.o. – S.k.a.	Kielce	100%	Echo Investment S.A.
77	Projekt 21 – Grupa Echo Sp. z o.o. – S.k.a.	Kielce	100%	Echo Investment S.A.
78	Projekt 22 – Grupa Echo Sp. z o.o. – S.k.a.	Kielce	100%	Echo Investment S.A.
79	Projekt 5 – Grupa Echo Sp. z o.o. – S.k.a.	Szczecin	100%	60 FIZ Forum
80	Projekt CS Sp. z o.o.	Kielce	100%	Echo Investment S.A.
81	Projekt Echo – 104 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
82	Projekt Echo – 108 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
83	Projekt Echo – 111 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
84	Projekt Echo – 112 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
85	Projekt Echo – 113 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
86	Projekt Echo – 114 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
87	Projekt Echo – 115 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
88	Projekt Echo – 116 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
89	Projekt Echo – 117 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
90	Projekt Echo – 119 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
91	Projekt Echo – 120 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
92	Projekt Echo – 121 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
93	Projekt Echo – 122 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
94	Projekt Echo – 123 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
95	Projekt Echo – 127 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
96	Projekt Echo – 128 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
97	Projekt Echo – 129 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
98	Projekt Echo – 130 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
99	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
100	Projekt Echo – 132 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
101	Projekt Echo – 135 Sp. z o.o. – Sp. k.	Kielce	100%	Perth Sp. z o.o.
102	Projekt Echo – 135 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
103	Projekt Echo – 136 Sp. z o.o. – Sp. k.	Kielce	100%	Echo Investment S.A.
104	Projekt Echo – 136 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
105	Projekt Echo – 137 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
106	Projekt Echo – 77 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
107	Projekt Echo – 93 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
108	Projekt Echo – 95 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
109	Projekt Echo – 96 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
110	Projekt Echo – 99 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
111	Projekt K-6 – Grupa Echo Sp. z o.o. – S.k.a.	Kielce	100%	Echo Investment S.A.
112	Projekt Naramowice – Grupa Echo Sp. z o.o.- S.k.a	Kielce	100%	Echo Investment S.A.
113	Projekt Saska Sp. z o.o.	Kielce	95%	Echo Investment S.A.
114	Pure Systems Sp. z o.o.	Kraków	100%	Echo Investment S.A.
115	Q22 – Projekt Echo – 128 Sp. z o.o. – Sp. k.	Kielce	100%	Potton Sp z o.o.
116	Sagittarius – Projekt Echo – 113 sp. z o.o. Sp. k.	Kielce	100%	Doxent Investments Sp. z o.o.
117	Tryton – Projekt Echo – 127 Sp. z o.o. – Sp. k.	Warsaw	100%	Perth Sp. z o.o.
118	Villea Investments Sp. z o.o.	Warsaw	100%	60 FIZ Forum
119	West Gate II – Projekt Echo – 114 Sp. z o.o. Sp.k.	Kielce	100%	Elissea Investments Sp. z o.o.
120	City Space – GP Sp. z o.o.	Warsaw	100%	Echo Investment S.A.
121	City Space – SPV 1 Sp. z o.o.	Warsaw	100%	City Space Management Sp. z o.o.
122	City Space – SPV 2 Sp. z o.o.	Warsaw	100%	City Space Management Sp. z o.o.
123	City Space – SPV 3 Sp. z o.o.	Warsaw	100%	City Space Management Sp. z o.o.
124	City Space Management Sp. z o.o.	Warsaw	100%	Echo Investment S.A.
125	Echo Prime Assets BV	Amsterdam	100%	Echo Investment S.A.
126	Gleann Sp. z o.o.	Warsaw	100%	60 FIZ Forum
127	Perth Sp. z o.o.	Warsaw	100%	60 FIZ Forum
128	Potton Sp. z o.o.	Warsaw	100%	60 FIZ Forum
129	Pudsey Sp. z o.o.	Warsaw	100%	60 FIZ Forum
130	Seaford Sp. z o.o.	Warsaw	100%	60 FIZ Forum
131	Shanklin Sp. z o.o.	Warsaw	100%	Echo Prime Assets BV
132	Stranraer Sp. z o.o.	Warsaw	100%	Echo Prime Assets BV
133	Strood Sp. z o.o.	Warsaw	100%	Echo Prime Assets BV
134	Swanage Sp. z o.o.	Warsaw	100%	Echo Prime Assets BV
135	Dagnall Sp. z o.o.	Warsaw	100%	Echo Prime Assets BV
136	Elektrownia RE Sp. z o.o.	Warsaw	100%	Echo Investment S.A.

JOINT-VENTURES

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

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

19.2 Changes in the structure of the capital group

THE COMPOSITION OF ECHO INVESTMENT S.A. GROUP INCREASED BY ONE COMPANY IN H1 2017 AS A RESULT OF:

- Purchase of 100% shares in Elektrownia RE Sp. z o.o. with its seat in Warsaw on 21 June 2017. The total purchase price was EUR 8,503,400. The company's share capital amounts to PLN 205,000.

THE COMPOSITION OF ECHO INVESTMENT S.A. GROUP DECREASED BY FOUR COMPANIES IN H1 2017 AS A RESULT OF:

- Sale of 100% shares in EI Project Cypr – 1 Ltd with its seat in Nicosia on 30 March 2017. The company's share capital amounted to USD 7,000;
- Sale of 100% shares in Budivelnuy Soyuz Monolit LLC with its seat in Kiev on 30 March 2017. The company's share capital amounted to UAH 52,000;
- Sale of 100% shares in Echo Investment Ukraine LLC with its seat in Kiev on 30 March 2017. The company's share capital amounted to UAH 1,480,156;
- Sale of 100% shares in Yevrobudgarant LLC with its seat in Kiev on 30 March 2017. The company's share capital amounted to UAH 63,000.

OTHER CHANGES IN THE COMPANIES FORMING THE ISSUER'S CAPITAL GROUP IN H1 2017

- Change of general partner: on 1 March 2017 Projekt Echo – 129 Sp. z o.o. sold interest and obligations of the general partner in Kielce – Projekt Echo 129 Sp. z o.o. – S.k.a. to Grupa Echo Sp. z o.o. with its seat in Kielce;
- Change of general partner: on 1 March 2017 Projekt Echo – 96 Sp. z o.o. sold interest and obligations of the general partner in Malta Office Park – Projekt Echo – 96 Sp. z o.o. – S.k.a. to Grupa Echo Sp. z o.o. with its seat in Kielce;
- Change of general partner: on 1 March 2017 Projekt Echo – 95 Sp. z o.o. sold interest and obligations of the general partner in Oxygen – Projekt Echo 95 Sp. z o.o. – S.k.a. to Grupa Echo Sp. z o.o. with its seat in Kielce;
- Change of general partner: on 1 March 2017 Pod Klonami Sp. z o.o. sold interest and obligations of the general partner in Echo – Pod Klonami Sp. z o.o. – S.k. to Grupa Echo Sp. z o.o. with its seat in Kielce;
- Change of general partner: on 1 March 2017 Projekt Echo – 130 Sp. z o.o. sold interest and obligations of the general partner in Park Postępu – Projekt Echo 130 Sp. z o.o. – S.k.a. to Grupa Echo Sp. z o.o. with its seat in Kielce;
- Change of general partner: on 1 March 2017 Projekt Echo – 100 Sp. z o.o. sold interest and obligations of the general partner in Projekt Naramowice – Projekt Echo 100 Sp. z o.o. – S.k.a. to Grupa Echo Sp. z o.o. with its seat in Kielce;

- Change of general partner: on 1 March 2017 Projekt Echo – 77 Sp. z o.o. sold interest and obligations of the general partner in PPR – Projekt Echo 77 Sp. z o.o.- S.k.a. to Grupa Echo Sp. z o.o. with its seat in Kielce;
- Change of general partner: on 1 March 2017 Echo – Klimt House Sp. z o.o. sold interest and obligations of the general partner in Echo – Klimt House Sp. z o.o.- S.k. to Grupa Echo Sp. z o.o. with its seat in Kielce;
- Change of general partner: on 22 May 2017 Echo Investment S.A. sold interest and obligations of the general partner in Villea Investments Sp. z o.o. to Forum 60 Closed Investment Fund with its seat in Kraków;
- Change of general partner: on 31 May 2017 Grupa Echo Sp. z o.o. sold interest and obligations of the general partner in Projekt Echo – 113 Sp. z o.o. to Echo Investment S.A. with its seat in Kielce;
- Change of general partner: on 20 June 2017 Echo Investment S.A. sold interest and obligations of the general partner in City Space Management Sp. z o.o. to City Space GP with its seat in Warsaw;
- Change of general partner: on 20 June 2017 Echo Investment S.A. sold interest and obligations of the general partner in City Space SPV 1 Sp. z o.o. to City Space GP with its seat in Warsaw;
- Change of general partner: on 20 June 2017 Echo Investment S.A. sold interest and obligations of the general partner in City Space SPV 2 Sp. z o.o. to City Space GP with its seat in Warsaw;
- Change of general partner: on 20 June 2017 Echo Investment S.A. sold interest and obligations of the general partner in City Space SPV 3 Sp. z o.o. to City Space GP with its seat in Warsaw;
- Change of 'Echo – Klimt House Sp. z o.o.- S.k.' into 'Klimt House – Grupa Echo Sp. z o.o.- S.k.' (1 March 2017);
- Change of 'Echo – Pod Klonami Sp. z o.o.- S.k.' into 'Pod Klonami – Grupa Echo Sp. z o.o.- S.k.' (1 March 2017);
- Change of 'Projekt Naramowice – Projekt Echo – 100 Sp. z o.o. S.k.a.' into 'Projekt Naramowice – Grupa Echo Sp. z o.o.- S.k.a.' (7 June 2017);
- Change of 'Malta Office Park – Projekt Echo – 96 Sp. z o.o. S.k.a.' into 'Malta Office Park – Grupa Echo Sp. z o.o. S.k.a.' (17 May 2017);
- Change of 'Kielce – Projekt Echo 129 Sp. z o.o. S.k.a.' into 'Kielce – Grupa Echo Sp. z o.o. S.k.a.' (9 May 2017);
- Change of 'PPR – Projekt Echo – 77 Sp. z o.o. S.k.a.' into 'PPR – Grupa Echo Sp. z o.o. S.k.a.' (9 May 2017);
- Change of 'Park Postępu – Projekt Echo – 130 Sp. z o.o. S.k.a.' into 'Park Postępu – Grupa Echo Sp. z o.o. S.k.a.' (25 April 2017);
- An increase of capital in Mena Investments Sp. z o. o. by Echo Investment S.A. was registered on 31 May 2017;
- An increase of capital in Echo – Pod Klonami Sp. z o.o. by Echo Investment S.A. was registered on 19 May 2017.

20

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

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

21

Remuneration of the Management Board and Supervisory Board

REMUNERATION OF THE MANAGEMENT BOARD [PLN]

	H1 2017			H1 2016		
	from Echo Investment S.A. Basic remuneration	Bonus	for holding functions or providing services to other companies of the Group	from Echo Investment S.A. Basic remuneration	Bonus	for holding functions or providing services to other companies of the Group
Nicklas Lindberg (appointed on 18.04.2016)	531 744	637 575	914 340	883 000	–	–
Maciej Drozd (appointed on 18.04.2016)	301 002	431 660	60 000	1 183 000	–	–
Piotr Gromniak	120 000	97 000	477 400	796 000	–	–
Artur Langner	120 000	120 000	494 400	706 000	–	–
Rafał Mazurczak (appointed on 15.09.2016)	120 000	–	231 000	–	–	–
Marcin Materny (appointed on 15.09.2016)	120 000	83 000	398 000	–	–	–
Waldemar Lesiak (resigned on 30.05.2016)	–	–	–	696 000	–	969 000
Total	1 312 746	1 369 235	2 575 140	4 264 000	–	969 000
		Total in H1 2017: 5 257 121			Total in H1 2016: 5 233 000	



BONUS SYSTEM

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

- standard performance-based bonus, paid for 2016 in the amount specified above,
- additional performance-based bonus described below.

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

level of PLN 7.5 minus the amount of the dividend per share received by Lisala Sp. z o.o. The contract provides for bonus amount depending on the increase of the share price above the base level.

The contract was signed for 5 years and the remuneration is payable at the end of the term of the contract.

In addition, should the contract be terminated earlier by

mutual agreement of the parties, Mr Lindberg is entitled to receive a partial bonus of 1/5 of the entire amount due to him per each year of his work. Estimation of Nicklas Lindberg's incentive program value for accounting purposes on 31 December 2016 amounts to PLN 8,976,156.

Bonuses of the remaining Management Board Members depends on the targets specified for each Board Member individually by the Supervisory Board.

**REMUNERATION OF THE SUPERVISORY BOARD
[PLN]**

		H1 2017 for holding functions or providing services to other companies of the Group		H1 2016 for holding functions or providing services to other companies of the Group
	from Echo Investment S.A.		from Echo Investment S.A.	
Karim Khairallah			–	–
Laurent Luccioni			–	–
Maciej Dyjas	30 000		30 000	–
Stefan Kawalec	90 000		90 000	–
Przemysław Krych	30 000		30 000	–
Nebil Senman	30 000		30 000	–
Sebastian Zilles			–	–
Total	180 000		180 000	

22

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

No Management Board or Supervisory Board member informs, or in H1 2017, informed about the acquisition or sale any shares of Echo Investment S.A. No Management Board or Supervisory Board member holds or, in H1 2017, held any shares of Echo Investment S.A.

23

Court, arbitration or public administration proceedings

Between 1 January and 30 June 2017, there were no proceedings pending before court, a competent arbitration authority or a public administration authority concerning liabilities or claims of Echo Investment S.A. or its subsidiary the value, of which equaled at least 10% of the Company's equity.



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

In H1 2017, no material transactions were concluded between Echo Investment S.A. and its subsidiaries, and related parties on terms other than market terms.

25

Agreements concluded with an entity authorised to audit financial statements

Pursuant to §13 section 1 letter b) of the Company's Statute, the Supervisory Board of the Company chose the company entitled to audit its financial reports on July 13th, 2016 in accordance with the professional norms and regulations. It will be Ernst & Young Audyt Polska Sp. z o. o. Sp. K. with its registered office at Rondo ONZ

Street in Warsaw, entered in the list of certifying accountants under no. 130. The Supervisory Board empowered the Management Board to conclude a contract with EY Audyt Polska with regard to the audit of the Company's separate financial reports and consolidated financial reports of the Company's Group in the years 2016-2017.

ERNST & YOUNG AUDYT POLSKA SP. Z O.O. SP. K. NET REMUNERATION PAID OR DUE

Subject	Amount (PLN)
Audit and review of the separate and consolidated financial statements for 2015	581 000
Audit and review of the separate and consolidated financial statements for 2016	415 000
Other services – including letter of attestation	234 500



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, 8 September, 2017



Condensed interim consolidated financial statements

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

	Note	As at 30.06.2017 (non-audited)	As at 31.12.2016 - restated	As at 30.06.2016 - restated (non-audited)
ASSETS				
Non-current assets				
Intangible assets		286	295	76
Property, plant and equipment		8 772	8 672	9 615
Investment properties	2	231 152	248 037	64 632
Investment properties under construction	3	1 106 602	539 797	596 123
Shares in entities accounted for using the equity method	15	217 577	564 363	574 101
Long-term financial assets		20 513	78 692	17 795
Deferred income tax assets		100 465	91 810	51 924
		1 685 367	1 531 666	1 314 266
Current assets				
Inventory	5	693 616	660 251	627 308
Income tax receivables		7 631	736	223
Other tax receivables		56 231	20 403	57 816
Trade and other receivables		292 622	270 443	30 042
Short-term financial assets		80 884	24 544	12 936
Financial derivatives		–	154	210
Restricted cash		60 447	27 070	56 824
Cash and cash equivalents		304 514	636 359	2 056 603
		1 495 945	1 639 960	2 841 962
Assets held for sale	4	65 586	198 166	1 396 604
Financial assets held for sale	16	275 441	–	–
Total assets		3 522 339	3 369 792	5 552 832

CONSOLIDATED INTERIM STATEMENT OF FINANCIAL SITUATION ['000 PLN]

	Note	As at 30.06.2017 (non-audited)	As at 31.12.2016 – restated	As at 30.06.2016 – restated (non-audited)
EQUITY AND LIABILITIES				
Equity				
Equity attributable to the parent company's shareholders		1 492 809	1 533 894	1 800 557
Share capital		20 635	20 635	20 635
Supplementary capital		1 309 462	1 128 096	1 478 883
Capital on revaluation	16	(17 923)	–	–
Profit/(loss) brought forward		192 795	393 345	301 930
Foreign exchange differences from conversion of foreign subsidiaries		(12 160)	(8 182)	(891)
Equity of non-controlling interests		(104)	(100)	(95)
		1 492 705	1 533 794	1 800 462
Provisions				
Provisions for liabilities – long-term	6	79 271	68 522	16 572
Provisions for liabilities – short-term	6	134 425	75 333	88 616
Deferred tax provision		60 830	41 541	18 229
		274 526	185 396	123 417
Long-term liabilities				
Loans, borrowings and bonds	7	593 633	760 981	1 107 202
Financial derivatives		72	39	493
Security deposits and advance payments received		13 711	9 331	12 038
		607 416	770 351	1 119 733
Short-term liabilities				
Loans, borrowings and bonds	7	550 973	220 940	369 965
Financial derivatives		20	–	272
Liabilities due to income tax		169	2 338	6 893
Liabilities due to other taxes		5 984	245 225	3 701
Trade liabilities		80 158	163 930	75 026
Dividend liabilities		206 345	66 030	1 584 732
Other liabilities		102 297	80 019	46 209
Security deposits and advance payments received		201 746	85 428	113 722
		1 147 692	863 910	2 200 520
Liabilities on assets held for sale	8	–	16 341	308 700
TOTAL EQUITY AND LIABILITIES		3 522 339	3 369 792	5 552 832
Book value		1 492 809	1 592 224	1 797 582
Number of shares		412 690 582	412 690 582	412 690 582
Book value per share (PLN)		3,62	3,86	4,36

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT [PLN '000]

		01.01.2017 – 30.06.2017	01.01.2016 – 30.06.2016 – restated	01.04.2017 – 30.06.2017	01.04.2016 – 30.06.2016 – restated
	Note				
Revenue	9	169 400	280 532	101 708	137 325
Sales cost		(138 318)	(138 305)	(80 472)	(67 455)
Gross profit on sales		31 082	142 227	21 236	69 870
Profit / (loss) on investment property	11	166 281	384 830	66 165	271 148
Administrative costs associated with projects		(16 484)	(7 822)	(7 708)	(1 066)
Selling costs		(12 113)	(17 776)	(6 685)	(14 681)
General administrative expenses		(42 908)	(42 017)	(25 817)	(27 339)
Other operating expenses		6 222	(51 786)	(4 320)	(58 297)
Profit before tax and financial revenue/expenses		132 080	407 656	42 871	239 635
Financial revenue	12	113 186	47 296	112 618	39 390
Financial expenses	13	(59 794)	(263 791)	(38 353)	(216 634)
Profit (loss) from foreign currency derivatives		1 152	(175)	1 152	(1 023)
Profit (loss) from foreign exchange differences		(4 621)	(96 338)	(4 843)	(88 672)
Share in (profit) loss of entities recognised using the equity method	15	23 655	21 691	16 630	21 691
Gross profit		205 658	116 339	130 075	(5 613)
Income tax		(18 501)	185 591	(5 180)	119 060
Net profit		187 157	301 930	124 895	113 447
Profit (loss) attributable to shareholders of the parent company		187 161	301 932	124 899	113 448
Profit (loss) attributable to non-controlling interests		(4)	(2)	(4)	(1)
Weighted average ordinary shares		187 161	301 932		
Earnings per ordinary share (in PLN)		412 691	412 691		
Weighted average diluted ordinary shares		0,45	0,73		

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

	01.01.2017 – 30.06.2017	01.01.2016 – 30.06.2016 – restated	01.04.2017 – 30.06.2017	01.04.2016 – 30.06.2016 – restated
Net profit	187 157	301 930	124 895	113 447
Other comprehensive income:				
– foreign exchange differences	(3 978)	9 911	(1 196)	5 760
– revaluation capital	(17 923)	–	(17 923)	–
Other net comprehensive income	(21 901)	9 911	(19 119)	5 760
Comprehensive income for the period, included:	165 256	311 841	105 776	119 207
Comprehensive income attributable to equity holders of the parent entity	165 260	311 843	105 780	119 208
Comprehensive profit (loss) attributable to non-controlling interest	(4)	(2)	(4)	(1)

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

	Share capital	Supplementary capital	Revaluation capital	Accumulated profit (loss)	Currency translation differences	Equity attributable to shareholders of the parent company	Non-controlling interests	Total equity
For the period 01.01.2017 to 30.06.2017								
Opening balance	20 635	1 128 096	–	387 711	(8 182)	1 528 260	(100)	1 528 160
Change of accounting principles				5 634		5 634	–	5 634
Opening balance, restated	20 635	1 128 096	–	393 345	(8 182)	1 533 894	(100)	1 533 794
Allocation of result from previous years	–	181 366	–	(181 366)	–	–	–	–
Dividend paid	–	–		–	–	–	–	–
Dividend approved (not paid)	–			(206 345)	–	(206 345)	–	(206 345)
Other comprehensive income	–	–		–	(3 978)	(3 978)	–	(3 978)
Results of financial investments revaluation	–	–	(17 923)			(17 923)	–	(17 923)
Net profit (loss) for the period	–	–		187 161	–	187 161	(4)	187 157
Closing balance	20 635	1 309 462	(17 923)	192 795	(12 160)	1 492 809	(104)	1 492 705
For the period 01.01.2016 to 30.06.2016								
Opening balance	20 635	3 139 672	–	514 091	(10 802)	3 663 596	(93)	3 663 503
Change of accounting principles	–	–	–	2 975		2 975		2 975
Opening balance, restated	20 635	3 139 672		517 066	(10 802)	3 666 571	(93)	3 666 478
Allocation of result from previous years	–	–		–	–	–	–	–
Dividend paid	–	(76 057)		(514 091)	–	(590 148)	–	(590 148)
Dividend approved (not paid)	–	(1 584 732)		–	–	(1 584 732)	–	(1 584 732)
Other comprehensive income	–	–		–	9 911	9 911	–	9 911
Results of financial investments revaluation	–	–	–	–	–			
Net profit (loss) for the period	–	–		298 955	–	298 955	(2)	298 953
Closing balance	20 635	1 478 883	–	301 930	(891)	1 800 557	(95)	1 800 462

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT [PLN '000]

	Note	01.01.2017 – 30.06.2017	01.01.2016 – 30.06.2016
A. Operating cash flow – indirect method			
I. Gross profit		205 658	116 339
II. Adjustments			
Share in net (profit) loss of entities that are recognised using the equity method		(23 655)	(21 691)
Depreciation/amortisation		1 962	1 505
Foreign exchange gains/(losses)		644	106 248
Interest and profit sharing (dividends)		18 054	54 476
Profit/(loss) on revaluation of assets and liabilities		(252 001)	(270 271)
(Profit) loss on putting financial instruments into effect			903
		(254 996)	(128 830)
III. Changes in working capital			
Change in provisions		53 500	90 335
Change in inventory		(38 377)	(30 675)
Change in receivables		(99 596)	14 339
Change in short-term liabilities, except for loans and borrowings		43 148	(80 274)
Change in restricted cash		(33 377)	32 623
		(74 702)	26 348
IV. Net cash generated from operating activities (I+II+III)		(124 040)	13 587
Income tax paid		(16 541)	(5 346)
V. Net operating cash flow		(140 581)	8 511
B. Cash flows from investing activities			
I. Inflows			
Disposal of intangible assets and tangible fixed assets		–	1 118
Sale of investments in property	11	120 490	1 699 644
From borrowings and financial investments	13	245 822	31 327
		366 312	1 732 089
II. Outflows			
Purchase of intangible assets and PP&E		(2 053)	(584)
Investments in real estate		(424 593)	(206 643)
On borrowings granted and financial investments		(111 526)	(34 666)
		(538 172)	(241 893)
III. Net cash flow from investing activities		(171 860)	1 490 196

**CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT
- CONTINUATION [PLN '000]**

	01.01.2017 – 30.06.2017	01.01.2016 – 30.06.2016
C. Cash flow from financing activities		
I. Inflows		
Loans and borrowings	120 007	1 161 249
Issue of debt securities	155 000	–
Dividends received from units accounted for using the equity method	11 991	–
	286 998	1 161 249
II. Outflows		
Dividends and other payments to equity holders	(66 030)	(590 147)
Repayment of loans and borrowings	(51 123)	(591 052)
Redemption of debt securities	(175 000)	(175 000)
Outflows on account of foreign currency derivatives	–	(903)
Interest	(14 249)	(67 271)
	(306 402)	(1 424 373)
III. Net cash flow from financial activities (I+II)	(19 404)	(263 124)
D. Total net cash flows	(331 845)	1 235 583
E. Change in the balance of cash, including:	(331 845)	1 235 298
– change in cash due to foreign exchange gains/losses	–	(285)
Cash at the beginning of the period	636 359	821 305
Cash at the end of the period (F+D)	304 514	2 056 603

01

Accounting principles adopted in drawing up the semi-annual report of Echo Investment Group

The condensed interim consolidated financial statements of Echo Investment Group for the first half of 2017, prepared in accordance with IAS 34 'Interim Financial Reporting', adopted for application in the European Union, for the period between 1 January 2017 and 30 June 2017.

The condensed interim consolidated financial statements of the Group include consolidated financial data as of 30 June 2017 and comparative data as at 31 December 2016 as well as for the 6-month period ended 30 June 2016. In relation to the profit and loss account, the statement of comprehensive income there are presented consolidated financial data as for the 6-month period ended 30 June 2017, comparative data for the 6-month period ended 30 June 2016, and consolidated financial data for the period of 3 months: since 1 April, 2017 to 30 June 2017, and comparative data for the period of 3 months: since 1 April, 2016 to 30 June 2016. In relations to the changes in equity and the cash flow statement there are presented consolidated financial data for the 6-months period ended 30 June 2017 and the comparative data as of 30 June 2016.

Unless indicated otherwise, the Group's financial statements are presented in the Polish zloty (PLN), which is also the presentation currency and the functional currency of the parent company. The Group comprises entities with a functional currency other than PLN. The reporting data of those companies included in these statements have been converted to PLN in accordance with IAS 21. Balance sheet items were translated at the exchange rate on

the balance sheet date, and income statement items were translated at the average exchange rate for the period. The resulting exchange differences are recognized in other comprehensive income and the cumulative amounts are recognized in a separate component of equity.

These financial statements need to be analysed in conjunction with the annual consolidated financial statements for the financial year ended 31 December 2016 prepared in line with the IFRS adopted for application in the EU.

The financial statements have been developed on the historical cost basis, save for investment properties and financial instruments measured at fair value. The financial statements have been developed on the assumption of going concern in the foreseeable future, bearing in mind the fact that there are no circumstances implying a threat to going concern.

The accounting principles applied to these interim condensed financial statements are consistent with the principles applied in the most recent annual financial statements and have been applied on a continuous basis to all periods presented in the consolidated financial statements, except for the application of new standards, amendments to standards and interpretations issued by the IFRS Committee applicable, in the case of the Group, to the reporting period beginning on 1 January 2017. The applied changes had no material impact on the presentation of data and measurement in the financial statements.

02

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.

03

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

- a. IFRS 9 'Financial Instruments' (issued on 24 July 2014) – effective for financial years beginning on or after 1 January 2018.
- b. IFRS 14 'Regulatory Deferral Accounts' (issued on 30 January 2014) – effective for financial years beginning on or after 1 January 2016. The European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard. Not yet endorsed by EU at the date of approval of these financial statements.
- c. IFRS 15 'Revenue from Contracts with Customers' (issued on 28 May 2014), including amendments to IFRS 15 'Effective date of IFRS 15' (issued on 11 September 2015) – effective for financial years beginning on or after 1 January 2018.
- d. Amendments to IFRS 10 and IAS 28 'Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture' (issued on 11 September 2014) – the effective date was deferred indefinitely by IASB. The endorsement process of these Amendments has been postponed by EU.
- e. IFRS 16 'Leases' (issued on 13 January 2016) – effective for financial years beginning on or after 1 January 2019. Not yet endorsed by EU at the date of approval of these financial statements.
- f. Amendments to IFRS 4 'Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts' (issued on 12 September 2016) – effective for financial years beginning on or after 1 January 2018. Not yet endorsed by EU at the date of approval of these financial statements.
- g. Amendments to IAS 12 'Recognition of Deferred Tax Assets for Unrealised Losses' (issued on 19 January 2016) – effective for financial years beginning on or after 1 January 2017. Not yet endorsed by EU at the date of approval of these financial statements.
- h. Amendments to IAS 7 'Disclosure Initiative' (issued on 29 January 2016) – effective for financial years beginning on or after 1 January 2017. Not yet endorsed by EU at the date of approval of these financial statements.
- i. Clarifications to IFRS 15 'Revenue from Contracts with Customers' (issued on 12 April 2016) – effective for financial years beginning on or after 1 January 2018. Not yet endorsed by EU at the date of approval of these financial statements.
- j. Amendments to IFRS 2 'Classification and Measurement of Share-based Payment Transactions' (issued on 20 June 2016) – effective for financial years beginning on or after 1 January 2018. Not yet endorsed by EU at the date of approval of these financial statements.
- k. 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.
- l. IFRIC Interpretation 22 'Foreign Currency Transactions and Advance Consideration' (issued on 8 December 2016) – effective for financial years beginning on or after 1 January 2018. Not yet endorsed by EU at the date of approval of these financial statements.
- m. Amendments to IAS 40 'Transfers of Investment Property' (issued on 8 December 2016) – effective for financial years beginning on or after 1 January 2018. Not yet endorsed by EU at the date of approval of these financial statements.
- n. IFRS 17 'Insurance Contracts' (issued on 18 May 2017) – effective for financial years beginning on or after 1 January 2021. Not yet endorsed by EU at the date of approval of these financial statements.

- o. IFRIC 23 'Uncertainty over Income Tax Treatments' (issued on 7 June 2017) – effective for financial years beginning on or after 1 January 2019. Not yet endorsed by EU at the date of approval of these financial statements.

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

04

Restatement of consolidated financial statements for previous periods

In the period of 6 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 consolidated financial statements as compared to the consolidated financial statements for the period ended on 30 June 2016.

Major changes of comparable data as at 30 June 2016:

CONSOLIDATED INTERIM STATEMENT OF FINANCIAL SITUATION ['000 PLN]

	As at 30.06.2016 - restated	As at 30.06.2016 - approved	Change
Assets			
Non-current assets			
Investment properties under construction	596 123	594 566	1 557
Deferred tax asset	51 924	52 622	(698)
Current assets			
Inventory	627 308	625 192	2 116
Equity and liabilities			
Equity			
Cumulated profit (loss)	301 930	298 953	2 977

CONSOLIDATED INTERIM PROFIT AND LOSS ACCOUNT ['000 PLN]

	01.01.2016 – 30.06.2016 – restated	01.01.2016 – 30.06.2016 – approved	Change
Prime cost of sale	(138 305)	(135 175)	(3 130)
Gross profit (loss) on sales	142 227	145 357	(3 130)
Gains on investment properties	384 830	385 218	(388)
Administrative costs associated with project implementation	(7 822)	–	(7 822)
Sales costs	(17 776)	(25 842)	8 066
General and administrative costs	(42 017)	(48 965)	6 948
Profit before tax and financial revenue/expenses	407 656	403 982	3 674
Gross profit	116 339	112 665	3 674
Income tax	185 591	186 288	(697)
Net profit	301 930	298 953	2 977
Net profit attributable to shareholders of the parent company	301 932	298 955	2 977
Net profit attributable to non-controlling interest	(2)	(2)	–

CHANGE IN PROPERTIES UNDER CONSTRUCTION ['000 PLN]

	As at 30.06.2016 – restated	As at 30.06.2016 – approved	Change
Opening balance	1 398 628	1 398 628	–
Increase due to			
investment expenditures	182 558	181 001	1 557
Closing balance	596 123	594 566	1 557

INVENTORY ['000 PLN]

	As at 30.06.2016 – restated	As at 30.06.2016 – approved	Change
Products and semi-finished products	432 764	430 648	2 116
Total inventory	627 308	625 192	2 116

Major changes of comparable data as at 31 December 2016:

CONSOLIDATED INTERIM STATEMENT OF FINANCIAL SITUATION ['000 PLN]

	As at 30.06.2016 – restated	As at 30.06.2016 – approved	Change
Assets			
Non-current assets			
Investment properties under construction	539 797	536 692	3 105
Deferred tax asset	91 809	93 131	(1 322)
Current assets			
Inventory	660 251	656 401	3 850
Equity and liabilities			
Equity			
Cumulated profit (loss)	393 345	387 711	5 634

CHANGE IN PROPERTIES UNDER CONSTRUCTION ['000 PLN]

	As at 30.06.2016 – restated	As at 30.06.2016 – approved	Change
Opening balance	1 398 628	1 398 628	–
Increase due to			
investment expenditures	508 243	505 138	3 105
Closing balance	539 797	536 692	3 105

INVENTORY ['000 PLN]

	As at 30.06.2016 – restated	As at 30.06.2016 – approved	Change
Products and semi-finished products	540 102	536 252	3 850
Total inventory	660 251	656 401	3 850

05

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

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

costs in the portion attributable to the project, and other stock maintenance related costs.

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

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

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 in-

come 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.

INVENTORY

Inventory: 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. 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.

06

Estimates of the Management Boards of the Group's Companies

The preparation of financial statements required from the Group's Management Board to make certain estimates and assumptions which are reflected in these statements. The areas of significant estimates and judgments used in the preparation of these interim financial statements are the same as those disclosed in the annual consolidated financial statements for the financial year ended 31 December 2016. Actual results may differ from these estimates. The basic areas in which the estimates of the Management Board have a material impact on the financial statements are as follows:

INVESTMENT PROPERTY / INVESTMENT PROPERTY UNDER CONSTRUCTION / ASSETS EARMARKED FOR SALE

Investment property is the property leased by the companies which are part of the Group. The fair value of investment property is classified at level 3 of the fair value hierarchy – there were no transfers between the levels. The fair value of the real estate which is almost 100% commercialized and generating a continuous income is determined by the income method using the simple capitalization technique as the quotient of the net operating income (NOI) and the yield (Yield) or using the value derived from external valuation, preliminary real estate sales contract, a letter of intent or a purchase offer if available. The net operating income (NOI) is updated quarterly on the basis of existing leases, values expressed in EUR are converted quarterly according to current rates published by the National Bank of Poland. For real estate under construction and/or commercialization, measured in accordance with the criteria described in Section 5 (Methods of determining the financial result), property valuation is based on the discounted cash flow method, which takes into account future rental receipts (including holiday rentals), real estate sales and other expenditures to be incurred. The yield rates used to determine the residual values recognized in cash flows result from Management's estimates based on preliminary property sales agreements, letters of intent, valuation by external appraisers or their knowledge of the market. The rates used also take into account the risk and the level of the risk is individually assessed for each property depending on its status.

According to the valuations prepared by the Group, the total value of investment properties amounted to PLN 231,152,000 as at 30 June 2017 and it consisted of:

- office buildings valued by income method PLN 180,391,000
- investment land PLN 44,644,000
- other real property PLN 6,117,000

The yield rate used to estimate the value of an office building valued by the income method was 7.0%.

amounted to PLN 248,037,000 as at 31 December 2016 and it consisted of:

- office buildings valued by income method PLN 192,032,000
- investment land PLN 52,569,000
- other real property PLN 3,436,000

Yield rates used to estimate fair value for office buildings as at 31 December 2016 ranged from 7.25% to 7.75%.

amounted to PLN 64,632,000 as at 30 June 2016 and it consisted of:

- office buildings valued by income method PLN 55,197,000
- investment land PLN 6,117,000
- other real property PLN 3,318,000

Yield rates used to estimate fair value for office buildings as at 31 December 2016 ranged from 5.85% to 8.75% (as at 30 June 2016).

The value of investment property under construction amounted to PLN 1,106,602,000 as at 30 June 2017 and it consisted of:

- real property valued according to the fair value PLN 515,130,000
- real property valued according to the expenditure incurred PLN 591,472,000

The yield rate used to estimate the value of an office building valued by the income method was 6.75%.

amounted to PLN 539,373,000 as at 31 December 2016 and it consisted of:

- real property valued according to the expenditure incurred PLN 539,737,000

amounted to PLN 596,123,000 as at 30 June 2016 and it consisted of:

- real property valued according to the expenditure incurred PLN 596,123,000

As part of assets earmarked for sale the Group presents the real estate which was earmarked for sale within 12 months. This item covers both completed projects, projects in progress and investment land.

As at 30 June 2017 the value of assets earmarked for sale amounted to PLN 65,586,000 and it consisted of:

- investment land PLN 57,586,000
- other real property PLN 8,000,000

Yield rates used to estimate fair value for office buildings ranged from 6.5% to 8.0%.

As at 31 December 2016 the value of fixed assets earmarked for sale amounted to PLN 198,166,000 and it consisted of:

- office buildings valued according to their fair value: PLN 97,405,000
- land: PLN 100,761,000

The yield rate used to estimate the value of an office building valued by the income method was 7.75%.

As at 30 June 2016 the value of fixed assets earmarked for sale amounted to PLN 1,396,604,000 and it consisted of:

- office buildings: PLN 1,285,908,000
- land: PLN 110,696,000

Yield rates used to estimate fair value for office buildings as at 30 June 2016 ranged from 5.85% to 8.75%.

FINANCIAL INSTRUMENTS VALUED ACCORDING TO THE FAIR VALUE

The fair value of financial instruments (level 2 of the fair value hierarchy) that are not traded on an active market is determined using valuation techniques (the income method). The Company follows its judgment in selecting valuation methods and adopts assumptions based on market conditions at each balance sheet date. In particular, the forward contracts and option contracts are valued on the basis of valuations provided by banks using data such as current exchange rates, historical volatility and deposit rates (WIBOR, EURIBOR). In H1 2017 the Capital Group did not change the principles of valuation of financial instruments, there were no changes in the classification or shifts in the levels of the fair value hierarchy of in-

struments. There is no difference between the carrying amount and the fair value of financial instruments.

INVENTORIES

While estimating the amount of write-downs for inventories held by the Company as at the balance sheet date, information from the active market on expected sales prices and current market trends and information resulting from the initial sales agreements concluded by the Company is analyzed.

The assumptions used in calculating write-downs are based primarily on the property market prices in force in a particular market segment. In the case of land included in inventories, the value of the write-downs results from the estimated usefulness of the land for the current and future operations of the Company. Data on revaluation allowances for inventories to their net realizable value and a reversal of impairment losses are presented in note 10.

DEFERRED INCOME TAX

The Management Board of the Company is obliged to assess the probability of the deferred tax asset realization. As part of the preparation of the financial statements, the Company estimates the provision and deferred tax assets, including, but not limited to, the future levels of income tax liabilities. The process includes an analysis of the current levels of current income tax liability and the value of the temporary differences resulting from the differential treatment of tax and accounting transactions that result in deferred tax assets and liabilities.

In the process of the above assessment, a number of assumptions are made regarding the determination of the value of deferred tax asset and provisions. The above estimates take into account tax forecasts, historical tax charges, current available strategies for planning the Company's operating activities, and the timing of individual interim differences. When analysing dates of individual interim differences the Company establish possible income tax rate - 15% or 19%. The Company uses income tax rates applicable to calculate the amount of deferred income tax.

The above estimates may be subject to change due to external factors, therefore the Company may periodically adjust the value of deferred tax assets and liabilities, which in turn may affect the Company's financial condition and results.

In H1 2017 the Group created and released deferred income tax provisions and assets at a total amount of PLN 11,955,000, which reduced the Group's financial result. One of the factors affecting the amount of the deferred income tax was the change in the corporate income tax rate from 19% to 15% as of 2017 for most of the Group's subsidiaries. As at the balance sheet date, the Group had deferred income tax provisions of PLN 60,830,000 and deferred tax assets of PLN 100,465,000.

LIABILITIES ON INVESTMENT PROJECTS

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

On this base following is estimated:

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

Estimation concerns period of expected Master Lease.

- If given space remains vacant, the Master Lease cost equals full rent expected on the given space;
- If delivery of given space to its tenant is expected in given month, but the tenant benefits of rent free pe-

riod, cost of Master Lease concern the space remains equal to cost of rent free period.

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

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

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

Profit after tax is used for profit share calculation.

07

Segment reporting

The Group's business segments are presented in accordance with data derived from internal management reporting. The Group identified the following reporting segments, the same as the operating segments, defined based on the type of projects:

- office,
- retail,
- residential,
- other (services).

The principles for determining revenues, costs, measurement of a segment's performance, the valuation of assets and liabilities of a segment are accounting policies adopted for preparing and presenting consolidated financial statements, as well as the accounting principles that relate to segment reporting.

The measure of segment profit/loss is the operating „gross profit / loss from the sale”. Financial data of segments is disclosed in notes 14A-14E to the consolidated statements.

Explanatory notes

**to the consolidated financial statements
of the Echo Investment Group for H1 2017**

NOTE 1

OFF-BALANCE SHEET ITEMS [PLN '000]

	30.06.2017	31.12.2016	30.06.2016
Contingent liabilities to other entities			
- due to guarantees and sureties granted	726 143	840 476	639 818
- on court proceedings		150	150
Total contingent liabilities	726 143	840 626	639 968

Contingent liabilities are presented according to their nominal value, which does not differ from their fair value. A detailed description of the off balance sheet items was presented in the form of a chart constituting further part of this note.

Off balance sheet intra-group liabilities are not recognised, since provisions for lease guarantee liabilities have already been recognised in the consolidated balance sheet.

NOTE 1A

SURETY AGREEMENTS ISSUED BY ECHO INVESTMENT S.A. GROUP, AS AT 30 JUNE 2017

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

GUARANTEE AGREEMENTS AS AT 30 JUNE 2017

For	Value [PLN '000]	Validity	Description
Horta Sp. z o.o.	21 333	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.
Skua Sp. z o.o.	25 359	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.
Skarb Państwa	43 045	to 22.05.2018	Surety bond concerning liabilities of Outlet Park – Projekt Echo – 126 Sp. z o.o. Sp. K.
mBank S.A.	14 974	until fulfillment of suitable financial indexes, no longer than 31.03.2021	Surety bond for liabilities of Nobilis – Projekt Echo – 117 Sp. z o.o. Sp. K. resulting from loan agreement of 16.06.2016. Issued in EUR.
mBank S.A.	5 489	until project completion, no longer than 31.03.2018	Surety bond for construction cost overrun concerning the Nobilis office building in Wrocław
BGŻ BNP Paribas S.A.	5 169	until project completion date	Surety bond for cost overrun and liabilities resulting from debt service in the period of construction of the Symetris I and II office building in Łódź. Issued in EUR.
IREEF – Stryków Propco Sp. z o.o.	420 000	to 15.12.2019	Construction work quality guarantee related to Q22 in Warsaw.
IREEF – Stryków Propco Sp. z o.o.	145 986	to 15.12.2018	Surety bond concerning failure to execute liabilities of Q22 – Projekt Echo – 128 Sp. z o.o. Sp. k. resulting from the sales contract concerning Q22 in Warsaw of 16.12.2016. Issued in EUR.
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
Sagittarius – Projekt Echo – 113 Sp. z o.o. Sp.k.	25 700	to 30.09.2020	Surety bond concerning the credit facility of 1.06.2017, cost overrun surety up to PLN 25,7 mln of 1.06.2017
Total	714 155		

As at 30 June 2017 there was no current surety agreements in force by the Group.

The total value of current surety agreements in force received by the Group as at 30 June 2017 is as follows:

- under lease agreements concluded: PLN 2 mln and EUR 1,1 mln.
- on account of project implementation: PLN 59,8 mln and EUR 0,6 mln.

NOTE 2

INVESTMENT PROPERTY [PLN '000]

	30.06.2017	31.12.2016	30.06.2016
Opening balance	248 037	63 342	63 342
a) increases (due to)			
acquisition	–	–	–
reclassification from investment properties under construction	–	1 226 575	1 071 206
reclassification from assets held for sale	18 000	47 027	–
capital expenditures	10 003	10 537	16 103
reclassification from fixed assets	–	–	–
reclassification from inventories	–	–	–
changes in the valuation of property	–	129 839	133 663
value of rent frees	–	–	–
	28 003	1 413 978	1 220 972
b) decreases (due to)			
sale	–	–	–
changes in the valuation of property	(25 081)	(9 026)	–
reclassification to investment property under construction	–	–	–
reclassification to inventory	–	–	–
exchange rate differences	(1 807)	(575)	–
reclassification to assets held for sale	(18 000)	(1 219 682)	(1 219 682)
	(44 888)	(1 229 283)	(1 219 682)
Closing balance	231 152	248 037	64 632

As at 30 June 2017 the 'Investment Property' item included 8 investment properties located in Poland and Hungary, with a combined value of PLN 231,152,000 (Babka Tower in Warsaw and Nobilis Business House in Wrocław included).

As at 31 December 2016 the 'Investment Property' item included 7 investment properties located in Poland and Hungary, with a combined value of PLN 248,037,000.

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

NOTE 3

CHANGES IN INVESTMENT PROPERTY UNDER CONSTRUCTION [PLN '000]

	30.06.2017	31.12.2016 – restated	30.06.2016 – restated
Opening balance – restated	539 797	1 398 628	1 398 628
a) increases (due to)			
– sales	174 150	36 000	–
– capital expenditures	139 147	508 243	182 558
– revaluation of properties	269 779	285 443	223 907
– reclassification from inventories	–	3 440	–
– foreign exchange rates	–	275	275
– reclassification from investment property	–	–	–
– reclassification from assets held for sale	107 405	–	–
	690 481	833 401	406 740
b) decreases (due to)			
– reclassification to investment property	–	(1 226 575)	(1 071 206)
– sales	–	(209 815)	–
– changes in the valuation of property	(7 987)	(44 231)	(19 226)
– foreign exchange rates	–	(445)	(446)
– reclassification to assets held for sale	(115 689)	(211 166)	(118 367)
	(123 676)	(1 692 232)	(1 209 245)
Closing balance	1 106 602	539 797	596 123

In H1 2017 the Group purchased land in Łódź, Kraków, Gdańsk and Wrocław, with a total value of PLN 174,150,000. The group is planning to launch the construction of office facilities on the newly-purchased plots.

The expenditure incurred on project execution concerned the continuation of investment enterprises started in 2016, including in particular: O3 Business Campus (stage II) and O3 Business Campus (stage III) in Kraków, West Link and Sagittarius in Wrocław, Symetris (stage II) in Łódź, Galeria Libero in Katowice.

As at 30 June 2017 the Group presented investment properties under construction with a total value of PLN 1,106,602,000 including: O3 Business Park (stage II and III), Symetris (stage II), Sagittarius, West Link, Galeria Libero and others which were developed in Łódź, Katowice, Wrocław and Warsaw.

According to IFRS 23, the Group activates portion of financial costs, which are directly related to acquisition and production of assets described as investment properties under construction. The activated amount of financial costs stated using the effective interests rate decreased by revenues from temporary cash placement (i.e. interests on bank placements, except placement of restricted cash and letter of credit), and in case of purpose financing on project carried. If overdraft financing, capitalized financial costs are established using interest rate on capital expenditure for given assets' component.

In H1 2017 the activated amount of cost of financing attributable to investment property under construction amounted to PLN 1,563,000 (1.55% cap rate), in 2016 PLN 9,585,000 (cap rate 3.63%), in H1 2017 PLN 6,321,000 (cap rate 2.16%).

NOTE 4

CHANGES IN ASSETS HELD FOR SALE [PLN '000]

	30.06.2017	31.12.2016	30.06.2016
Opening balance – restated	198 166	5 192 965	5 192 965
a) increases (due to)			
– reclassification from investment property held for sale	115 689	211 166	118 367
– reclassification from investment property	18 000	1 219 682	1 219 682
– reclassification from inventories	8 000	–	–
– capital expenditures	–	–	14 991
– revaluation of properties	3 462	223 309	111 857
– foreign exchange rates	–	2 509	2 510
	145 151	1 656 666	1 467 407
b) decreases (due to)			
– reclassification to investment property under construction	(107 405)	–	–
– reclassification to investment property	(18 000)	(47 027)	–
– changes in the valuation of property	(2 000)	(12 022)	(1 042)
– sales	(148 944)	(6 592 416)	(5 262 726)
– foreign exchange rates	(1 382)	–	–
	(277 731)	(6 651 465)	(5 263 768)
Closing balance	65 586	198 166	1 396 604

As at 30 June 2017 the 'Assets Earmarked for Sale' item included land properties in Słupsk, Koszalin and Romania with a total value of PLN 57,586,000 as well as the Kirkor building in Warsaw with a value of PLN 8,000,000.

The decrease in the assets earmarked for sale is related to the sale of A4 Business Park III office building in Katowice on April 26 2017.

As at 31 December 2016 the 'Assets Earmarked for Sale' item included land properties in Koszalin, Słupsk, Romania and Kyiv as well as A4 Business Park (stage III) office building.

As at 30 June 2017 the evaluations of investment property were made in EUR and recalculated into PLN according to the average currency exchange rate of the National Bank of Poland on the balance date.

The evaluation was prepared in EUR due to the fact that the majority of leases are based on rent rates denominated in EUR.

NOTE 5

INVENTORY [PLN '000]

	30.06.2017	31.12.2016 – restated	30.06.2016 – restated
– materials	–	3	3
– semi-finished products and work-in products	624 169	540 102	432 764
– finished products	55 922	93 481	171 016
Goods	13 525	26 665	23 525
Total	693 616	660 251	627 308

The 'Finished Products' item included completed housing units earmarked for sale.

The 'Semi-finished Goods and Work in Progress' item mostly includes properties held by the Group as well as expenditure on residential project under preparation or under construction.

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

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

In accordance with IAS 23, the Group activates the portion of financial costs directly related to the acquisition and production of assets that require a longer preparation time for the intended use or sales recognized as stock and projects commenced. The activation concerns the amount of financial expenses determined using the effective interest rate reduced by the income from the temporary placement of cash (i.e. the interest on bank deposits, except for deposits resulting from blockades of accounts or letters of credit) in the case of targeted financing contracted for a given construction project. In the case of general financing, the overall financing costs subject to capitalization are determined by applying the capitalization rate to the expenditure incurred for a given asset.

The activated amount of costs of external financing for inventories amounted to PLN 680,000 in H1 2017 (cap rate 1.55%), PLN 3,751,000 in 2016 (cap rate 3.63%) and PLN 918,000 in H1 2016 (cap rate 2.16%).

NOTE 6

CHANGES IN PROVISIONS - BY TYPE [PLN '000]

	30.06.2017	31.12.2016	30.06.2016
a) opening balance (due to)			
provision for general and administrative costs (audit, bonuses, leaves on absence)	23	-	-
provisions for expected penalties and losses	23 924	10 592	10 592
provision for costs of warranty repair etc.	2 066	2 066	2 066
provisions for losses resulting from transfer of assets	-	1 940	1 940
provisions for liabilities related to investment projects	117 842	-	-
	143 855	14 598	14 598
b) increase (due to)			
provision for general and administrative costs (audit, bonuses, leaves on absence)	-	23	-
provisions for expected penalties and losses	5 143	16 959	-
provision for costs of warranty repair etc.	-	-	-
provisions for losses resulting from transfer of assets	-	-	90 590
provisions for liabilities related to investment projects	114 307	117 842	-
	119 450	134 824	90 590
c) utilisation and release (due to)			
provision for general and administrative costs	(23)	-	-
provisions for expected penalties and losses	(2 765)	(3 627)	-
provision for costs of warranty repair etc.	-	-	-
provisions for losses resulting from transfer of assets	-	(1 940)	-
provision on litigation	-	-	-
provisions for liabilities related to investment projects	(46 821)	-	-
	(49 609)	(5 567)	-
d) closing balance			
provision for general and administrative costs (audit, bonuses, leaves on absence)	-	23	-
provisions for expected penalties and losses	26 302	23 924	10 592
provision for costs of warranty repair etc.	2 066	2 066	2 066
provisions for losses resulting from transfer of assets	-	-	92 530
provisions for liabilities related to investment projects	185 328	117 842	-
	213 696	143 855	105 188

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

The provision for the anticipated costs of guarantee repairs includes the value of the repairs or compensations concerning apartments and projects sold with a probability of charge greater than 50%.

The provision for investment liabilities is based on sales contracts concerning office buildings, mostly Group's liabilities to pay rental and op-

erating fees related to the rental lower than the level specified in the agreement.

Furthermore, the 'Investment Liability Provisions' item includes an obligation to pay part of the proceeds generated from the sale of projects.

In H1 2017, the Group created a provision for future investment liabilities related to the sale of A4 Business Park stage III project. Furthermore, there was revaluation of remaining investment liabilities related to office buildings sold in 2016, i.e. Tryton, O3 Business Campus I, Symetris I

and Q22. The provision amount was estimated based on the best knowledge of the Company and on the basis of its experience. Realization dates of provisions for penalties and losses, guarantee costs and court cases are not possible to estimate, with a high probability that they will be executed within 12 months of the balance sheet date.

Provisions for the Profit Share and the Master Lease were divided into a long-term part and a short-term part in the balance sheet.

NOTE 7

LOANS AND BORROWINGS – BY TYPE [PLN '000]

	30.06.2017	31.12.2016	30.06.2016
a) loans and borrowings	175 715	102 208	640 685
b) securities	962 807	879 140	836 332
c) interest on loans and borrowings	6 084	573	150
Total	1 144 606	981 921	1 477 167
Long-term	593 633	760 981	1 107 202
Short-term	550 973	220 940	369 965

The 'loans and borrowings' item presents special purpose loans and lines of credit in current accounts.

The credit agreements are secured by real estate mortgages, assignment of receivables from concluded contracts and registered pledges on shares of subsidiaries. Interest rates on loans denominated in EUR are based on the EURIBOR plus a margin. The Group uses interest rate hedging in the form of IRS instruments. The majority of IRS instruments are not self-contained but are included in loan agreements and are assessed together with loans.

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

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

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

The fair value of loans and borrowings does not differ significantly from their balance value. The fair value was determined by the income method based on the cash flows discounted by the current market interest rate. The fair value measurement was classified as level 2 of the fair value hierarchy.

NOTE 8

LIABILITIES ON ASSETS HELD FOR SALE [PLN '000]

	30.06.2017	31.12.2016	30.06.2016
security of rental income	–	10 091	–
profit share	–	6 250	27 202
liabilities related to Warsaw Q22 option	–	–	281 498
	–	16 341	308 700
long-term portion	–	12 977	–
short-term portion	–	3 364	308 700

As at December 31 2016 liabilities related to A4 Business Park office building (stage III) in Katowice were presented. As at June 30 2016 liabilities related to office buildings: O3 Business Campus (stage I) in Kraków, Tryton in Gdańsk, A4 Business Park (stage III) in Katowice as well as Q22 in Warsaw were presented.

NOTE 9

NET OPERATING COSTS ['000 PLN]

	01.01.2017– 30.06.2017	01.01.2017– 30.06.2016
Due to:		
development and leasing services in retail segment	9 138	149 952
development and leasing services in office segment	68 778	46 694
sales and rental of residential space	78 110	77 842
Other sales	13 374	6 044
Total	169 400	280 532

NOTE 10

INVENTORY – IMPACT ON PROFIT ['000 PLN]

	01.01.2017– 30.06.2017	01.01.2016– 30.06.2016
value of inventory recognized as cost of given period	126 939	55 035
inventory impairment recognized as cost of given period	–	–
Value of reverse of inventory impairments recognized as decreasing costs	5 079	–

The value of inventories recognized as cost in a given period is included in the 'Cost of Sales' item in the income statement.

NOTE 11

NET PROFIT (LOSS) ON INVESTMENT PROPERTY ['000 PLN]

	01.01.2017 – 30.06.2017	01.01.2016 – 30.06.2016
Revenues of property sales	116 960	–
Costs of property sales (notes 2, 3, 4)	(110 152)	–
Revaluation of property (notes 2, 3, 4)	159 473	384 830
Net profit (loss) on investment properties	166 281	384 830

In H1 2017 the Group sold A4 Business Park (stage III) investment property at the price of EUR 27,500,000.

An income from the sale amounting to PLN 116,452,000 was presented in the 'Income from Project Sale' item in the cash flow statement.

The property value update item includes the costs related to rent holidays in the office properties: West Link, O3 Business Park II, Sagittarius, Symetris II and Nobilis.

Furthermore, as a result of an update the Group included the share of Echo Polska Properties N.V. in the profit from the sale of the ROFO investment properties: Symetris (stage II) and O3 Business Park II, Sagittarius, Libero and Nobilis.

NOTE 12

FINANCIAL INCOME ['000 PLN]

	01.01.2017 – 30.06.2017	01.01.2016 – 30.06.2016
Revenues from interest on investment activity (borrowings granted etc)	–	634
Profit on sale of investment	52	30 030
Revenue on revaluation of financial assets	112 604	16 528
Other financial revenues	530	104
Total	113 186	47 296

In Q2 2017 the Group changed the valuation method of its block of shares held in Echo Polska Properties N.V.

The result of the revaluation to the market value amounting to PLN 111,965,000 was presented in the 'Income from Updating the Value of Financial Assets' item.

NOTE 13

FINANCIAL COSTS ['000 PLN]

	01.01.2017 – 30.06.2017	01.01.2016 – 30.06.2016
Costs of intrests	(17 821)	(58 133)
Costs of revaluation of financial assets	(475)	(160 574)
Financial commision	(3 697)	(19 178)
Loss on sale of investment	(37 801)	(25 876)
Other financial costs	–	(30)
Total	(59 794)	(263 791)

In June 2017 In H1 2017 the Group sold 40 mln shares of Echo Polska Properties N.V. at the price of EUR 49 mln. Due to the change of the method of evaluation of shares held to their market value, the Group recognized a loss on the sale.

The income of cash from transactions amounting to PLN 206,373,000 is presented in the 'Income from Financial Investments' item in the cash flow statement.

The Echo Investment Group made a combined profit of PLN 88,400,000 on the sale and revaluations to the market value of a block of EPP shares.

In the comparable data for H1 2016, the 'Cost of Revaluation of Financial Assets' item presented the result of the update of the option related to Q22 project, which amounted to PLN 153,920,000.

NOTE 14A

ASSIGNMENT OF ASSETS TO SEGMENTS ['000 PLN]

	30.06.2017	31.12.2016 – restated	30.06.2016 – restated
Retail	203 109	183 280	175 900
Office	528 690	1 340 220	1 990 153
Residential	482 515	703 788	681 546
Unallocated	2 308 025	1 142 504	2 705 233
Total	3 522 339	3 369 792	5 552 832

NOTE 14B

ALLOCATION OF LIABILITIES TO SEGMENTS ['000 PLN]

	30.06.2017	31.12.2016	30.06.2016
Retail	52 847	17 496	10 163
Office	368 840	305 605	917 573
Residential	163 228	100 826	100 781
Unallocated	1 444 719	1 412 071	2 723 853
Total	2 029 634	1 835 998	3 752 370

NOTE 14C

ALLOCATION OF OPERATING INCOME TO SEGMENTS ['000 PLN]

	01.01.2017– 30.06.2017	01.01.2016– 30.06.2016
Retail	6 779	149 952
Office	69 554	46 694
Residential	78 110	77 842
Other	14 957	6 044
Total	169 400	280 532

NOTE 14D

ALLOCATION OF OPERATING COSTS TO SEGMENTS ['000 PLN]

	01.01.2017– 30.06.2017	01.01.2016– 30.06.2016
Retail	(3 350)	(47 332)
Office	(62 764)	(31 402)
Residential	(62 415)	(55 745)
Other	(9 789)	(3 826)
Total	(138 318)	(138 305)

NOTE 14E

ALLOCATION OF GROSS PROFIT/LOSS ON SALES TO SEGMENTS ['000 PLN]

	01.01.2017- 30.06.2017	01.01.2016- 30.06.2016
Retail	3 429	102 620
Office	6 790	15 292
Residential	15 695	22 097
Other	5 168	2 218
Total	31 082	142 227

Unallocated assets and liabilities include items that cannot be clearly attributed to individual segments. There was no income between the segments in the Group.

NOTE 15

Share in affiliated entities

**PROJEKT ECHO – 138 SPÓŁKA Z OGRANICZONĄ ODPOWIEDZIALNOŚCIĄ S.K.
(TOWAROWA 22)**

The Echo Investment Group and the Echo Polska Properties Group concluded a contract concerning the purchase of a property located at 22 Towarowa Street, where a joint investment enterprise is to be executed. As at the balance date i.e. on 30 June 2017 the Echo Investment Group held 46.26% shares in the project company being the owner of the property at 22 Towarowa Street. The remaining 53.74% was held by EPP. As soon as all conditions increasing the price are fulfilled, the Echo Investment Group will eventually hold 30% shares, with the remaining 70% shares held by the Echo Polska Properties Group. Echo Investment S.A. and Echo Polska Properties N.V. are only responsible for their respective parts of the purchase price.

The share of the Group in Projekt Echo – 138 Sp. z o.o. S.K. presented in the consolidated financial report is estimated according to the equity method.

A summary of financial information in the joint venture is presented below.

SHARE IN ASSOCIATED COMPANIES AND JOINT-VENTURES

	30.06.2017	31.12.2016
Current assets	5 696	300 316
Non-current assets – investment property	346 659	343 510
TOTAL ASSETS	352 355	643 826
Long-term liabilities	851	811
Short-term liabilities	16 843	303 929
TOTAL LIABILITIES	17 694	304 740
Equity	334 661	339 086
Echo Investment Group's share as at 30.06.2018	46,26%	46,26%
Excluding transactions between entities	(2 362)	–
Value in balance sheet	152 455	156 864

SELECTED DATA FROM PROFIT AND LOSS ACCOUNT [PLN '000]

	30.06.2017	31.12.2016
Operating revenues	6 723	189
Operating costs	(10 222)	(100)
General and administrative costs	(242)	(2 270)
Financial revenues	-	229
Financial costs	(655)	(417)
Gross profit (loss)	(4 396)	(2 299)
Tax income	-	1
Net profit (loss)	(4 396)	(2 298)
Total comprehensive income	(4 396)	(2 298)
Echo Investment Group's share as at 30.06.2018	46,26%	46,26%
Share of total comprehensive income on joint-venture	(2 034)	(1 063)

ROSEHILL INVESTMENTS SP. Z O.O., BERE A SP. Z O.O (GALERIA MŁOCINY)

On 31 May 2017 Echo Investment Group and Echo Polska Properties Group concluded a purchase agreement concerning a property on Zgrupowania AK Street in Warsaw. Under the concluded transaction the companies purchased shares in Rosehill Investments Sp. z o.o., which is the owner of the purchased property by way of holding 100% shares in Berea Sp. z o.o.

The sales price of the shares in Rosehill Investments Sp. z o.o., which is an indirect

owner of the property, was established as EUR 104.5 mln. As at the balance date i.e. on 30 June 2017 Echo Investment Group held 30% shares in the project company being the owner of the property and the remaining 70% was held by the Echo Polska Properties Group. Echo Investment S.A. and Echo Polska Properties N.V. are only responsible for their respective parts of the purchase price. The share of the Group in Berea Sp. z o.o. presented in the financial report is estimated according to the equity method.

As at the balance sheet day, Echo Investment's subsidiary had the receivable from Berea Sp. z o.o. as borrowing granted. The borrowing value with interests amounted to PLN 61,062 thousand.

A summary of financial information in the joint venture is presented below.

SELECTED DATA OF FINANCIAL POSITIONS [PLN '000]

	Rosehill Investments Sp. z o.o. 30.06.2017	Berea Sp. z o.o. 30.06.2017
Current assets	45 589	15 839
Interests in Berea Sp. z o.o.	217 890	-
Non-current assets	-	527 932
Total assets	263 479	543 770
Long-term liabilities	58 782	1 483
Short-term liabilities	279 967	152 130
Total liabilities	338 748	153 613
Equity	(75 269)	390 157
Echo Investment Group's interests as at 30.06.2017	30,00%	30,00%

SELECTED DATA OF COMPREHENSIVE INCOME [PLN '000]

	Rosehill Investments Sp. z o.o. 30.06.2017	Berea Sp. z o.o. 30.06.2017
Revenues	1	1
Operating costs	-	-
Revenues due to revaluation of the property	-	46 307
Administrative and general costs	(37)	(53)
Financial revenues	47	7
Financial costs	(5 714)	(5)
Gross profit (loss)	(5 703)	46 257
Tax income	-	-
	(5 703)	46 257
Total comprehensive income		
Echo Investment Group's interests as at 30.06.2017	(5 703)	46 257
Share of comprehensive income on joint-venture	30,00%	30,00%
Udział całkowitych dochodów całkowitych z tytułu wspólnego przedsięwzięcia	(1 711)	13 877

NOTE 16

ECHO POLSKA PROPERTIES N.V.

Echo Investment Group took part in the capital increase of Echo Polska Properties N.V. and, on April 13, 2017, bought 756,757 of new bonds issued by the company. Due to the capital increase, the holding of Echo Investment Group in EPP N.V. fell from 15.34% to 12.86%.

As of May 19, 2017, Maciej Drozd, deputy CEO at Echo Investment S.A. resigned from the management board of Echo Polska Properties N.V. As a result, Echo Investment Group has significantly lost influence over the company. Subsequently, Echo Investment Group has changed valuation method of its holdings in EPP, from equity method to fair value method. The result of the revaluation of PLN 111,965,000 was recognized as revenue from financial assets revaluation.

On June 22, 2017, Echo Investment Group sold 40 million EPP shares for EUR 49 million. Due to the earlier change in the shares valuation method, the Group recognized sale loss. As a result of the sale, Echo Investment Group's holdings in EPP N.V. fell to 7.19%.

In total, in the first half of 2017, the Group recorded PLN 88.4 million gain on EPP shares' operations.

At the end of the period, i.e. on June 30, 2017, as a result of the revaluation of the remaining EPP shares according to the market value, a share impairment of PLN 17,923,000 was recognized. The effects of the revaluation were recognized by other total revenue and presented as revaluation capital.

Because of the planned sale – not later than 12 months after the end of the period – the remaining package of EPP shares valued at PLN 275,444,000 was presented in the balance sheet as “financial assets marked for sale”.



Condensed interim separate financial statements

SEPARATE INTERIM STATEMENT OF FINANCIAL POSITION ['000 PLN]

		30.06.2017 (non-audited)	31.12.2016 - restated	30.06.2016 - restated (non-audited)
	Note			
ASSETS				
Non-current assets				
Intangible assets		273	281	76
Property, plant and equipment	1	4 507	5 031	5 511
Investment property	2	2 212	5 648	6 685
Investments in subsidiaries, jointly-controlled entities and associates	3	2 365 508	2 328 625	960 706
Long-term financial assets		22	160	1 901 606
Borrowings granted	4	10 952	9 479	-
Deferred income tax assets	5	48 700	39 751	49 187
		2 432 174	2 388 975	2 923 771
Current assets				
Inventory	6	370 931	350 637	325 293
Income tax receivables		-	-	80
Other tax receivables		1 891	-	-
Trade and other receivables		100 458	135 688	82 612
Borrowings granted	7	42 632	84 170	98 170
Restricted cash		47 189	20 884	23 779
Cash and cash equivalents		18 800	21 542	1 362 870
		581 901	612 921	1 892 804
Assets held for sale				
		8 000	-	-
TOTAL ASSETS				
		3 022 075	3 001 896	4 816 575

SEPARATE INTERIM STATEMENT OF FINANCIAL POSITION ['000 PLN]

	Note	30.06.2017	31.12.2016 – restated	30.06.2016 – restated
EQUITY AND LIABILITIES				
Equity				
Share capital		20 635	20 635	20 635
Supplementary capital		839 055	1 045 400	1 445 400
Reserve capital		319 579	49 213	–
Profit/(loss) brought forward		2 165	(5 157)	(5 157)
Net profit		38 343	277 688	245 337
		1 219 777	1 387 779	1 706 215
Provisions				
Provisions for liabilities – short-term	11	26 726	25 990	58 092
		26 726	25 990	58 092
Long-term liabilities				
Loans, borrowings and bonds	8	406 301	675 163	579 495
Security deposits and advance payments received	8	684	935	1 113
		406 985	676 098	580 608
Short-term liabilities				
Loans, borrowings and bonds	10	935 029	672 295	759 136
– from subsidiaries:		404 936	461 541	397 196
Liabilities due to current portion of income tax	9	1	1 131	5 679
Other tax liabilities	9	1 995	2 279	2 044
Trade liabilities	9	28 363	74 666	38 320
Security deposits and advance payments received	9	113 016	66 114	53 412
Other liabilities	9	290 183	95 544	1 613 069
		1 368 587	912 029	2 471 660
TOTAL EQUITY AND LIABILITIES		3 022 075	3 001 896	4 816 575

SEPARATE INTERIM PROFIT AND LOSS ACCOUNT ['000 PLN]

	Note	01.01.2017– 30.06.2017	01.01.2016– 30.06.2016	01.04.2017– 30.06.2017	01.04.2016– 30.06.2016
Revenue	13	110 987	121 704	64 233	84 945
Prime sales cost		(78 508)	(71 668)	(45 435)	(53 085)
Gross profit on sales		32 479	50 036	18 798	31 860
Profit / (loss) on investment property		(1 819)	401	(2 218)	480
Administrative costs associated with project implementation		(5 049)	(3 617)	(3 234)	(44)
Selling costs		(8 943)	(7 001)	(3 852)	(3 811)
General administrative expenses		(37 362)	(27 874)	(24 589)	(18 991)
Other operating revenue	14	88 408	249 170	12 359	181 973
Other operating expenses		(13 388)	(26 785)	(2 628)	(25 064)
Profit before tax and financial revenue/expenses		54 326	234 330	(5 364)	166 403
Financial revenue	15	1 328	50 989	(259)	49 763
Financial expenses		(26 261)	(31 420)	(12 509)	(11 662)
Gross profit		29 393	253 899	(18 132)	204 504
Income tax		8 950	(8 562)	5 295	(4 392)
Net profit		38 343	245 337	(12 837)	200 112
Net profit		38 343	245 337		
Weighted average ordinary shares		412 690 582	412 690 582		
Earnings per ordinary share (in PLN)		0,09	0,59		
Weighted average diluted ordinary shares		412 690 582	412 690 582		
Diluted earnings per ordinary share (in PLN)		0,09	0,59		

SEPARATE INTERIM STATEMENT OF COMPREHENSIVE INCOME ['000 PLN]

	Note	01.01.2017– 30.06.2017	01.01.2016– 30.06.2016
Net profit		38 343	245 337
Other comprehensive income		-	-
Other net comprehensive income		-	-
Comprehensive income		38 343	245 337

STATEMENT OF CHANGES IN EQUITY ['000 PLN]

Note	Share capital	Supplementary capital	Reserve capital	Profit (loss) brought forward	Current year profit	Total equity
As of 1 January 2017	20 635	1 045 400	49 213	(5 157)	277 688	1 387 779
Changes of accounting principles	–	–		2 165	–	2 165
As of 1 January 2017	20 635	1 045 400	49 213	(2 992)	277 688	1 389 944
Changes in the period						
Appropriation of result brought forward	–	–	270 366	5 157	(277 688)	(2 165)
Dividend paid			–	–		–
Dividend approved for payment		(206 345)		–		(206 345)
Net profit for the period	–	–	–	–	38 343	38 343
Total changes	–	(206 345)	270 366	5 157	(239 345)	(170 167)
As of 30 June 2017	20 635	839 055	319 579	2 165	38 343	1 219 777
As of 1 January 2016	20 635	105 926	555 763	2 953 433	–	3 635 757
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 for the period	–	–	–	–	277 688	277 688
Total changes	–	939 474	(506 550)	(2 958 590)	277 688	(2 247 978)
As of 31 December 2016	20 635	1 045 400	49 213	(5 157)	277 688	1 387 779
As of 1 January 2016	20 635	105 926	555 763	2 953 433	–	3 635 757
Changes in the period						–
Appropriation of result brought forward	–	1 339 474	(555 763)	(783 711)	–	–
Dividend paid			–	(590 147)		(590 147)
Dividend approved for payment			–	(1 584 732)		(1 584 732)
Net profit for the period	–	–	–	–	245 337	245 337
Total changes	–	1 339 474	(555 763)	(2 958 590)	245 337	(1 929 542)
As of 30 June 2016	20 635	1 445 400	–	(5 157)	245 337	1 706 215

CASH FLOW STATEMENT ['000 PLN]

	Note	01.01.2017– 30.06.2017	01.01.2016– 30.06.2016
Operating cash flow – indirect method			
I. Gross profit		29 393	253 899
II. Adjustments		(59 763)	(226 119)
Depreciation/amortisation		803	1 019
Foreign exchange gains/(losses)		(346)	–
Interest and profit sharing (dividends)		(64 342)	(253 850)
Profit/(loss) on revaluation of assets and liabilities		4 613	26 712
Profit/loss on sale of PP&E and investment properties		(491)	–
III. Changes in working capital		184 629	(9 222)
Change in provisions		757	(20 597)
Change in inventory		(19 268)	(19 964)
Change in receivables		35 232	(4 456)
Change in short-term liabilities, except for loans and borrowings		194 213	43 003
Change in restricted cash		(26 305)	(7 208)
IV. Net cash generated from operating activities (I+II+III)		154 259	18 558
V. Income tax paid		(1 130)	(1 326)
VI. Net operating cash flow (IV+/-V)		153 129	17 232

CONDENSED INTERIM SEPARATE CASH FLOW STATEMENT [PLN '000]

	Note	01.01.2017– 30.06.2017	01.01.2016– 30.06.2016
Cash flows from investing activities			
I. Inflows		258 507	2 261 911
Disposal of intangible assets and tangible fixed assets		725	1 076
Sale of investments in property and intangible assets		–	–
From financial assets, including:		257 782	2 260 835
a) in related parties		257 782	2 224 567
– sale of financial assets		673	551 316
– dividends and profit sharing		86 122	248 292
– repayment of borrowings granted		170 745	253 436
– interest		242	5 322
– redemption of certificates		–	1 136 201
– other proceeds from financial assets		–	30 000
b) in other parties		–	36 268
– sale of financial assets		–	36 268
Other investment inflows		–	–
II. Outflows		(189 804)	(110 088)
Purchase of intangible assets and PP&E		(399)	(344)
Investments in real estate and intangible assets		(73)	–
On financial assets, including:		(189 250)	(109 724)
a) in related parties		(189 250)	(109 724)
– sale of financial assets		(17 069)	(35 218)
– borrowings granted		(172 181)	(74 506)
b) in other parties		–	–
– borrowings granted		–	–
Other capital expenditures		(82)	(20)
III. Net cash flow from investing activities		68 703	2 151 823

CONDENSED INTERIM SEPARATE CASH FLOW STATEMENT – CONTINUATION [PLN '000]

	Note	01.01.2017– 30.06.2017	01.01.2016– 30.06.2016
Cash flow from financing activities			
I. Inflows		303 000	105 000
Net proceeds from issue of shares (interests) and other equity instruments and capital contributions		–	–
Loans and borrowings		148 000	105 000
Issue of debt securities		155 000	–
Other financial proceeds		–	–
II. Outflows		(527 574)	(930 233)
Purchase of equity shares (interests)		–	–
Dividends and other payments to equity holders		(66 030)	(590 148)
Expenditure due to distribution of profit, other than payments to equity holders		–	–
Repayment of loans and borrowings		(258 450)	(129 082)
Redemption of debt securities		(175 000)	(175 000)
Due to other financial liabilities		–	–
Payment of liabilities under finance lease agreements		–	–
Interest		(25 569)	(36 003)
Other financial expenditures		(2 525)	–
Net cash flow from financing activities		(224 574)	(825 233)
Total net cash flows		(2 742)	1 343 822
Change in the balance of cash, including:		(2 742)	1 343 822
– change in cash due to foreign exchange gains/losses		346	1 927
Cash at the beginning of the period		21 542	19 048
Cash at the end of the period		18 800	1 362 870

01

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

The condensed interim financial statements of Echo Investment S.A. present the financial data for the period of 6 months ended 30 June 2017 and comparative data for the period of 6 months ended 30 June 2016 and comparative data for the period of 12 months ended 31 December 2016. The reporting currency of the financial statements and the functional currency of Echo Investment S.A. shall be Polish zloty ('PLN'). Unless noted otherwise, all financial data in the financial statements of the Company are presented in thousands of PLN.

The statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' adopted in the European Union. The financial statements have been developed on the historical cost basis, save for investment properties measured at fair value. In order to fully understand the financial position and results of the Company, as the parent company Echo Investment Group, these financial statements should be read in conjunction with the full consolidated financial statements drawn up for the period of 12 months ending 31 December 2016. These consolidated financial statements are available at the Company's registered office, in Kielce al. Solidarności 36 or on the website www.echo.com.pl. The financial statements have been developed on the assumption of going concern in the foreseeable future, bearing in mind the fact that there are no circumstances implying a threat to going concern.

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

While preparing these statements, the Company applied new standards, amendments to standards and interpretations issued by the IFRS Committee applicable to the Company for the reporting period beginning on 01 January 2017. The applied changes had no material impact on the presentation of data and measurement in the financial statements. The list of new standards, amendments to standards and interpretations issued by the IFRS Committee, applied to this separate financial statement has been published in paragraph 2 of Condensed interim consolidated financial statements. The list of standards and interpretations issued by the IFRS Committee, which are not effective yet and have not been adopted by the Company has been published in paragraph 3 of Condensed interim consolidated financial statements.



See the list of new standards, amendments to standards and interpretations issued by the IFRS Committee on page 65.



See the list of standards and interpretations issued by the IFRS Committee, which are not effective yet and have not been adopted by the Company on page 66.

02

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

In the period of 6 months of 2017 the Company made presentation changes in its 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 changes were presented in these separate financial statements.

Major changes of comparable data as at 31.12.2016.:

STATEMENT OF FINANCIAL SITUATION ['000 PLN]

	restated data	approved data	change
Assets			
Deferred tax assets	39 751	40 259	(508)
Inventory	350 637	347 964	2 673
Liability			
Net profit (loss)	277 688	275 523	2 165

Major changes of comparable data as at 30.06.2016.:

STATEMENT OF FINANCIAL SITUATION ['000 PLN]

	restated data	approved data	change
Assets			
Deferred tax assets	49 187	49 442	(255)
Inventory	325 293	323 953	1 340
Liability			
Net profit	245 337	244 251	1 086

PROFIT AND LOSS ACCOUNT ['000 PLN]

	restated data	approved data	change
Prime cost of sale	(71 668)	(65 817)	(5 851)
Administrative costs associated with project implementation	(3 617)	–	(3 617)
Sales costs	(7 001)	(13 046)	6 045
General and administrative expenses	(27 874)	(32 637)	4 763
Profit before tax and financial revenue/expenses	234 330	232 990	1 340
Gross profit	253 899	252 559	1 340
Income tax	(8 562)	(8 308)	(254)
Net profit	245 337	244 251	1 086

03

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).

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.

PROJECT-RELATED ADMINISTRATIVE COSTS

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

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

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

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.

INVENTORY

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

- design services, construction work, etc. provided by third parties,
- salaries of the people employed in construction teams.

Detailed identification of costs related to employee salaries, which is included in the cost of goods sold, is made on the basis of the employee's record files, broken down into individual projects.

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

04

Material transactions concluded with related entities

According to the Echo Investment Groups strategy for building shopping centres, office buildings and selected residential buildings through a separate subsidiary, a large portion of Echo Investments transactions is concluded with related parties.

MATERIAL AGREEMENTS CONCLUDED WITH RELATED ENTITIES AND PERFORMED IN H1 2017 ['000 PLN]

Subject of the contract – obligation of Echo Investment S.A.	Date of agreement	Contractor – investor	Value
Comprehensive investment management and consulting services in all matters related to the construction of West Link office building in Wrocław	1.07.2016	West Gate II – Projekt Echo – 114 Sp. z o. o. Sp. K.	1 090
Comprehensive investment management and consulting services in all matters related to the construction of the office complex phase II in Wrocław	1.04.2016	Sagittarius – Projekt Echo – 113 Sp. zo.o. Sp. K.	1 996
Comprehensive investment management and consulting services in all matters related to the construction of Q22 office building in Warsaw	1.07.2013	Q22 PE – 128 Sp. z o.o. Sp. K.	1 013
Comprehensive investment management and consulting services in all matters related to the construction of Galeria Libero shopping centre in Katowice	1.07.2016	Galeria Libero – Projekt Echo – 120 Sp. z o.o. Sp. K.	3 598
Fit out works of office building in Katowice	6.05.2016	Projekt Echo – 135 Sp. K.	10 145
Fit out works of office building in Łódź	1.06.2016	Symetris – Projekt Echo – 131 Sp. z o.o. – Sp. K.	1 635
Comprehensive investment management and consulting services in all matters related to the construction of O3 Business Campus II office building in Krakow	1.04.2016	Echo – Opolska Biznes Park Sp. z o.o. SKA	1 796
Comprehensive investment management and consulting services in all matters related to the construction of O3 Business Campus III office building in Krakow	1.11.2016	Echo – Opolska Biznes Park Sp. z o.o. SKA	1 688
Development management agreement – comprehensive investment management and consulting services in all matters related to the construction of shopping centre in Warsaw	15.09.2016	Projekt Echo – 138 Sp. z o.o. Sp.K.	5 101

Transactions listed above concern subsidiaries.

TRANSACTION WITH RELATED PARTIES AS OF 30.06.2017 ['000 PLN]

	Sales	Purchase	Receivables	liabilities
Subsidiaries	58 870	–	27 842	5 699
Management of the Company	3	–	–	–
Total	58 870	–	27 842	5 699

TRANSACTION WITH RELATED PARTIES AS OF 30.06.2016 ['000 PLN]

	Sales	Purchase	Receivables	liabilities
Subsidiaries	72 540	–	37 629	3 451
Management of the Company	1	–	–	–
Total	72 541	–	37 629	3 451

05

Estimates of the Management Board

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

INVENTORY

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

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

IMPAIRMENT OF INTERESTS IN SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES

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

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

	as at 30.06.2017	Value calculated for the purpose of analysis	
		as at 30.12.2016	as at 31.06.2016
Interests, shares and funds held	2 365 508	2 328 625	2 344 779
Financial revenues / expenses from the measurement of interests, shares and funds	56 178	(4 420)	20 687
Estimated percentage change in the value of interests, shares and funds	+/- 1 p.p.	+/- 1 p.p.	+/- 1 p.p.
Estimated financial revenues /expenses from a potential change in the value of interests, shares and funds	23 655	23 286	23 448
TOTAL effect on the gross result for the period	23 655	23 286	23 448
Income tax	4 494	4 424	4 455
TOTAL effect on the net result for the period	19 161	18 862	18 993

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

DEFERRED INCOME TAX

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

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

UNCERTAINTY CONNECTED WITH TAX SETTLEMENTS

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

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

On 15 July 2016 changes were introduced to the Tax Code in order to reflect the provisions of the General Anti-Avoidance Rule (GAAR). GAAR is designed to prevent the creation and use of artificial legal structures de-

veloped in order to avoid paying taxes in Poland. GAAR defines tax evasion as an act primarily for the purpose of obtaining a tax advantage, contradictory in given circumstances to the subject matter and purpose of the provisions of the tax law. According to GAAR, an operation like that does not result in a tax advantage if the mode of operation was artificial. Any occurrence of:

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

may be treated as a premise of the existence of artificial operations subject to GAAR regulations. The new regulations will require much greater judgment when assessing tax consequences of individual transactions. The GAAR clause should apply to transactions closed after it enters into force and to transactions that were closed before the GAAR clause entered into force, for which advantages were or still are being achieved after the date of the clause's entry into force. The implementation of the above provisions will allow Polish tax authorities to question the legal arrangements and agreements such as restructuring and reorganization of the group.

LIABILITIES ON INVESTMENT PROJECTS

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

On this base following is estimated:

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

Estimation concerns period of expected Master Lease.

- If given space remains vacant, the Master Lease cost equals full rent expected on the given space;
- If delivery of given space to its tenant is expected in given month, but the tenant benefits of rent free period, cost of Master Lease concern the space remains equal to cost of rent free period.
- If rent free period is expected to finish in given month, the Master Lease cost remains zero.

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

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

Profit after tax is used for profit share calculation.

Explanatory notes
to condensed separate financial statements
of Echo Investment S.A. for H1 2017

NOTE 1

PROPERTY, PLANT AND EQUIPMENT [PLN '000]

	30.06.2017	31.12.2016	30.06.2016
PP&E, including:	4 414	4 892	5 511
– land	160	160	97
– buildings, premises, civil and water engineering structures	2 256	2 297	2 104
– plant and machinery	123	120	181
– means of transport	1 281	1 877	2 491
– other PP&E	594	438	638
PP&E under construction	93	139	–
Total	4 507	5 031	5 511

The Company has not written down any of the impaired fixed assets during the period included in this financial statement.

The Company has no security established on fixed assets.

NOTE 2

CHANGES IN INVESTMENT PROPERTY [PLN '000]

	01.01.2017– 30.06.2017	01.01.2016– 31.12.2016	01.01.2016– 30.06.2016
Value of property investments at the beginning of the period	5 648	6 285	6 285
Increases	–	2 765	400
– due to inventory taking	–	–	–
– due to revaluation of property	–	2 765	400
Decreases	(3 436)	(3 402)	–
due to sale	–	(3 402)	–
– due to transfer to assets held for sale	(1 670)	–	–
– due to revaluation of property	(1 766)	–	–
Value of property investments at the end of the period	2 212	5 648	6 685

The Company recognises investment properties according to the purchasing price/ production cost. After the initial recognition, the Company assesses its properties according to their fair value at the end of each calendar quarter of a year.

Profit / valuation loss is presented as 'Profit/ Loss on Investment Property' in the profit and loss account.

As at 30 June 2017 the Company owned an investment property located in Poland. The evaluations of investment property were made in EUR and recalculated into PLN according to the average currency exchange rate of the National Bank of Poland on the balance date. The evaluation was prepared in EUR due to the fact that the majority of leases are based on rent rates denominated in EUR.

The Company has no securities established on investment properties. The Company has no contractual liabilities as at 30 June 2017.

NOTE 3A

INTERESTS AND SHARES (PLN '000)

	30.06.2017	31.12.2016	30.06.2016
Investments in subsidiaries, jointly controlled entities and associates			
– in subsidiaries	2 365 508	2 328 625	505 893
– in jointly controlled entities	–	–	–
– in associates	–	–	454 813
Total	2 365 508	2 328 625	960 706

The Company has a share in the financial result of affiliated entities equal to the general number of votes in the General Meeting of Shareholders.

NOTE 3B

CHANGES IN INTERESTS AND SHARES [PLN '000]

	01.01.2017– 30.06.2017	01.01.2016– 31.12.2016	01.01.2016– 30.06.2016
Balance at the beginning of the period, including:	2 328 625	464 167	464 167
– shares and interests	2 328 625	464 167	464 167
Increases	93 763	3 058 040	1 230 156
– purchase of interests	36 349	2 088 862	240 040
– increase in capital	1 236	969 178	969 172
– reversal of write-down on assets	56 178	–	20 944
Decreases	(56 880)	(1 193 582)	(733 617)
– sale of interests	(56 880)	(1 168 162)	(733 360)
– capital decrease	–	(21 000)	–
– write-down on assets	–	(4 420)	(257)
Balance at the end of the period, including:	2 365 508	2 328 625	960 706
– shares and interests	2 365 508	2 328 625	960 706

In H1 2017 the Company purchased shares in the following companies, among others:

- Elektrownia RE Sp. z o.o. – amounting to PLN 35,925,000,
- Rosehill Investments Sp. z o.o. – amounting to PLN 9,000.

IN H1 2017 the Company sold shares in the following companies:

- Echo Investment Ukraina LLC – amounting to PLN 666,000,
- Villea Investments Sp. z o.o. – amounting to PLN 13,000,
- Rosehill Investments Sp. z o.o. – amounting to PLN 9,000,
- City Space – SPV 3 Sp. z o.o. – amounting to PLN 37,000,
- City Space – SPV 2 Sp. z o.o. – amounting to PLN 37,000,
- City Space – SPV 1 Sp. z o.o. – amounting to PLN 37,000,

- Echo Innovations-PE-99 Sp. z o.o. – Sp.K. amounting to PLN 52,000,
- EI Project Cyp-1 LIMITED – amounting to PLN 56,028,000.

In H1 2017 the Company paid up and increased its capital in its subsidiaries:

- Projekt Echo – 130 Sp. z o.o. – amounting to PLN 10,000,
- Echo – Klimt House Sp. z o.o. – amounting to PLN 31,000,
- Mena Investment Sp. z o.o. – amounting to PLN 1,175,000,
- Echo – Pod Klonami Sp. z o.o. – amounting to PLN 20,000.

NOTE 4

LONG-TERM BORROWINGS GRANTED [PLN '000]

	30.06.2017	31.12.2016	30.06.2016
In subsidiaries	–	–	–
In other parties	10 952	9 479	–
Total	10 952	9 479	–

BASIC DATA ON LONG-TERM BORROWINGS WITHOUT INTERESTS AS AT 30.06.2017

Borrower	Value	Interests	Redemption date
Outlet Park – Projekt Echo – 126 Sp. z o.o.-Sp.K.	10 687	WIBOR 3M + margin	31.05.2023
Total	10 687		

Maximum value of credit risk related to loans equals its balance value. The loans granted are not secured. The loans granted are not in default and have not lost their value.

BASIC DATA ON LONG-TERM BORROWINGS WITHOUT INTERESTS AS AT 31.12.2017

Borrower	Value	Interests	Redemption date
Outlet Park – Projekt Echo – 126 Sp. z o.o.-Sp.K.	9 400	WIBOR 3M + margin	31.05.2023
Total	9 400		

NOTE 5

CHANGES OF ASSETS / PROVISIONS ON DEFERRED INCOME TAX [PLN '000]

	01.01.2017- 30.06.2017	01.01.2016- 31.12.2016	01.01.2016- 30.06.2016
Opening balance	39 751	46 731	46 731
financial instruments	(17)	8	8
investment properties	178	703	703
Receivables and liabilities on borrowings	(799)	(1 504)	(1 504)
liabilities on loan and bonds	332	(628)	(628)
Tax loss	988	2 047	2 047
Inventory	6 840	10 365	10 365
Interests and shares	35 074	34 234	34 234
Other	(2 845)	1 506	1 506
Increase:	21 098	2 505	4 041
financial instruments	16	-	11
investment properties	877	-	-
Receivables and liabilities on borrowings	-	705	271
liabilities on loan and bonds	686	960	1 959
Tax loss	18 664	-	-
Inventory	-	-	-
Interests and shares	-	840	740
Other	855	-	1060
Decrease:	(12 149)	(9 485)	(1 585)
financial instruments	-	(25)	-
investment properties	-	(525)	(76)
Receivables and liabilities on borrowings	(170)	-	-
liabilities on loan and bonds	-	-	-
Tax loss	-	(1 059)	(1 059)
Inventory	(1 305)	(3 525)	(450)
Interests and shares	(10 674)	-	-
Other	-	(4 351)	-
Closing balance as at the end of the period	48 700	39 751	49 187
financial instruments	(1)	(17)	19
investment properties	1 055	178	627
Receivables and liabilities on borrowings	(969)	(799)	(1 233)
liabilities on loan and bonds	1 018	332	1 331
Tax loss	19 652	988	988
Inventory	5 535	6 840	9 915
Interests and shares	24 400	35 074	34 974
Other	(1 990)	(2 845)	2 566

NOTE 6A

INVENTORY [PLN '000]

	30.06.2017	31.12.2016	30.06.2016
Semi-finished products and work-in-progress	310 265	267 275	191 556
Finished products	47 132	60 197	112 202
Goods	13 534	23 165	21 535
Total	370 931	350 637	325 293

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

The 'Finished Products' item included completed housing units earmarked for sale. The 'Semi-finished Goods and Work in Progress' item mostly includes properties held by the Company as well as expenditure on residential project under preparation or under construction. The 'Goods' item includes the land earmarked for sale.

NOTE 6B

INVENTORY – INFLUENCE ON THE RESULT [PLN '000]

	30.06.2017	31.12.2016	30.06.2016
Inventory write-offs recognised as cost in the period	–	(1 289)	(105)
Reversed write-downs on inventory recognised as revenue in the period	6 488	17 040	249
Movement in write-down on inventory	6 488	15 751	144

Inventory write-downs and their reversal concern the residential projects and their purpose is to write down the value to the realizable price. The value of inventory recognised as an income/ cost is included in the 'Cost of Sales' item in the profit and loss account.

Changes in the write-downs to inventory in H1 2017 concern the residential projects of Okopowa in Łódź, Las Młociński in Warsaw and the Kirkor building in Warsaw, among others.

As at 30 June 2017 the change of an inventory write-down amounted to PLN 6,488,000. As at 31 December 2016 it amounted to (PLN 15,751,000), and as at 30 June 2016 r. – (PLN 144,000).

NOTE 7A

SHORT-TERM BORROWINGS GRANTED [PLN '000]

	30.06.2017	31.12.2016	30.06.2016
In subsidiaries			
Borrowings granted	37 799	73 272	85 560
Interests	4 823	10 898	12 275
	42 622	84 170	97 835
In other parties			
Borrowings granted	–	–	334
Interests	10	–	1
	10	–	335
Total	42 632	84 170	98 170

Note 7A includes short-term loans with interest.

NOTE 7B

SHORT-TERM BORROWINGS GRANTED – BY CURRENCY [PLN '000]

	30.06.2017	31.12.2016	30.06.2016
In Polish currency	42 091	82 255	97 397
In other currency, converted to PLN	541	1 915	773
Total	42 632	84 170	98 170

Note 7B includes short-term loans with interest.

BASIC DATA ON SHORT-TERM BORROWINGS WITHOUT INTERESTS AS AT 30.06.2017 [PLN '000]

Borrower	Value	Interests	Redemption date
Echo Investment Hungary Ingatlanhasznosító KFT	31 821	WIBOR 3M + margin	31.12.2017
Echo – Project-Management Ingatlanhasznosító KFT	778	WIBOR 3M + margin	31.12.2017
GP Development Sarl	189	WIBOR 3M + margin	31.12.2017
GP Office Sarl	167	WIBOR 3M + margin	31.12.2017
GP Retail Sarl	167	WIBOR 3M + margin	31.12.2017
Barconsel Holdings Limited	100	WIBOR 3M + margin	30.06.2017
City Space – SPV 3 Sp. z o.o.	498	WIBOR 3M + margin	30.09.2017
City Space – SPV 2 Sp. z o.o.	4 050	WIBOR 3M + margin	30.09.2017
City Space Management Sp. z o.o.	29	WIBOR 3M + margin	30.09.2017
Total	37 799		

Maximum value of credit risk related to loans equals their balance value.

The loans granted are not secured. The loans granted are not in default and have not lost their value. The loans were granted to entities with good financial standing.

BASIC DATA ON SHORT-TERM BORROWINGS WITHOUT INTERESTS AS AT 31.12.2016 [PLN '000]

Borrower	Value	Interests	Redemption date
Echo Investment Hungary Ingatlanhasznosító KFT	31 405	WIBOR 3M + margin	31.12.2017
Echo Prime Assets BV	830	WIBOR 3M + margin	31.12.2018
Echo – Project-Management Ingatlanhasznosító KFT	778	WIBOR 3M + margin	31.12.2019
El Project Cyp-1 Limited	50 719	WIBOR 3M + margin	31.12.2020
GP Development Sarl	167	WIBOR 3M + margin	31.12.2021
GP Office Sarl	167	WIBOR 3M + margin	31.12.2022
GP Retail Sarl	167	WIBOR 3M + margin	31.12.2023
Barconsel Holdings Limited	100	WIBOR 3M + margin	30.06.2017
Cogl II Poland Limited Sp. z o.o.	498	WIBOR 3M + margin	30.09.2017
Cogl Poland Limited Sp. z o.o.	4 051	WIBOR 3M + margin	30.09.2018
Compass Offices Management Poland Limited Sp. z o.o.	29	WIBOR 3M + margin	30.09.2019
Total	88 911		

BASIC DATA ON SHORT-TERM BORROWINGS WITHOUT INTERESTS AS AT 30.06.2016 [PLN '000]

Borrower	Value	Interests	Redemption date
Barconsel Holdings Limited	100	WIBOR 3M + margin	30.06.2016
Dellia Investments – Projekt Echo – 115 Sp. z o.o.-Sp.K.	10 153	WIBOR 3M + margin	30.06.2017
Echo – Opolska Business Park Sp. z o.o.-S.K.	29 294	WIBOR 3M + margin	31.12.2016
Echo Investment Hungary Ingatlanhasznosito KFT	30 966	WIBOR 3M + margin	31.12.2017
Echo – Project-Management Ingatlanhasznosito KFT	778	WIBOR 3M + margin	31.12.2018
Projekt Beethovena Projekt Echo – 122 Sp. z o.o.-S.K.A.	3 700	WIBOR 3M + margin	31.12.2019
EI Project Cyp-1 Limited	50 430	WIBOR 3M + margin	31.12.2020
Projekt 20 – Grupa Echo Sp. z o.o.-S.K.A.	5 000	WIBOR 3M + margin	30.06.2017
GP Development Sarl	167	WIBOR 3M + margin	31.12.2016
GP Office Sarl	167	WIBOR 3M + margin	31.12.2017
GP Retail Sarl	167	WIBOR 3M + margin	31.12.2018
Q22 – Projekt Echo – 128 Sp. z o.o.- Sp.K.	1 190	WIBOR 3M + margin	30.06.2017
Total	132 112		

NOTE 8A
LONG-TERM LIABILITIES [PLN '000]

	30.06.2017	31.12.2016	30.06.2016
To subsidiaries		–	–
To other entities			
Advanced payments granted	–	–	–
Commission granted	684	935	1 113
Loan	–	–	–
Due to security issue	406 301	675 163	579 495
Total	406 985	676 098	580 608

According to the best information and data of the Company, there were no breaches of the terms of loan agreements or the agreed levels of collateral during the financial year and until the date of signing the financial statements.

NOTE 8B

LONG-TERM LIABILITIES MATURING AS OF THE BALANCE SHEET DATE [PLN '000]

	30.06.2017	31.12.2016	30.06.2016
Over 1 to 3 years	163 851	580 963	417 536
Over 3 to 5 years	242 850	94 962	162 707
Over 5 years	284	173	365
Total	406 985	676 098	580 608
Interest rates used to discount the expected cash flows	5,34%	5,12%	5,13%

Long-term liabilities at nominal value are presented in note 8E.

NOTE 8C

LONG-TERM LIABILITIES WITHOUT INCOME TAX PROVISIONS – CURRENCY BREAKDOWN [PLN '000]

	30.06.2017	31.12.2016	30.06.2016
in the Polish currency	406 985	676 098	580 608
In foreign currency, converted to PLN	–	–	–
Total	406 985	676 098	580 608

Financial liabilities related to debt financial instruments are measured at amortised cost in accordance with IAS 39. Fair value of long-term liabilities does not differ significantly from their balance value.

According to the best information and data of the Company, there were no breaches of the terms of loan agreements or the agreed levels of collateral during the financial year and until the date of signing the financial statements.

NOTE 8D

CREDIT FACILITIES OF ECHO INVESTMENT GROUP AS AT 30.06.2017

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

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

The loan value equals the non-discounted cash flow.

CREDIT FACILITIES OF ECHO INVESTMENT GROUP AS AT 31.12.2016

Bank	Registered office	Contractual amount of loan/borrowing	Outstanding loan/borrowing amount	Interest rate	Repayment deadline	Security
PKO BP S.A.	Warsaw	75 000	–	WIBOR 1M + margin	19.08.17	Authorisation to bank account, statement on submission to enforcement proceedings
Alior Bank S.A.	Warsaw	50 000	–	WIBOR 3M + margin	30.01.17	Authorisation to bank account, statement on submission to enforcement proceedings
BZ WBK S.A.	Wrocław	75 000	–	WIBOR 1M + margin	30.07.18	Authorisation to bank account, statement on submission to enforcement proceedings
Total		200 000	–			

CREDIT FACILITIES OF ECHO INVESTMENT GROUP AS AT 30.06.2016

Bank	Registered office	Contractual amount of loan/borrowing	Outstanding loan/borrowing amount	Interest rate	Repayment deadline	Security
PKO BP S.A.	Warsaw	75 000	75 000	WIBOR 1M + margin	19.08.17	Authorisation to bank account, statement on submission to enforcement proceedings
Alior Bank S.A.	Warsaw	30 000	30 000	WIBOR 3M + margin	30.01.17	Authorisation to bank account, statement on submission to enforcement proceedings
BZ WBK S.A.	Wrocław	75 000		WIBOR 1M + margin	30.07.16	Authorisation to bank account, statement on submission to enforcement proceedings
Total		180 000	105 000			

NOTE 8E

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

Financial instrument	Nominal value	Interest rate	Maturity	Guarantees / securities	Quotation market
Non-public bond (mBank S.A.)	230 000	WIBOR 6M + margin	23.04.2018	brak	Catalyst
Non-public bond (mBank S.A.)	80 000	WIBOR 6M + margin	19.06.2018	brak	Catalyst
Non-public bond (mBank S.A.)	100 000	WIBOR 6M + margin	19.02.2019	brak	Catalyst
Non-public bond (mBank S.A.)	70 500	WIBOR 6M + margin	15.05.2019	brak	Catalyst
Non-public bond (mBank S.A.)	100 000	WIBOR 6M + margin	18.11.2020	brak	Catalyst
Non-public bond (mBank S.A.)	155 000	WIBOR 6M + margin	31.03.2021	brak	Catalyst
Non-public bond	735 500				
Public bond DM PKO BP, series C	75 000	WIBOR 6M + margin	4.03.2018	brak	Catalyst
Public bond DM PKO BP, series D	50 000	WIBOR 6M + margin	20.04.2018	brak	Catalyst
Public bond	125 000				
Total	860 500				

The bond value equals the non-discounted cash flow, not including the interest rates.

Changes in business and economic conditions did not have a great impact on the fair value of the financial liabilities.

On 28 April 2017 the Company purchased bonds with a value amounting to PLN 175 mln.

On 31 March 2017 the Company issued coupon bonds with a total nominal value of PLN 155 mln. The nominal value of one bond amounts to PLN 10,000. The bonds were issued for the period ending on 31 March 2021. The ISIN code of the bonds is PLECHPS00225. The bond interest was based on the floating WIBOR 6M rate plus a margin. The interest will be paid every six months. On redemption day the bonds will be redeemed at their nominal value. The issued bonds are not secured.

On June 8, 2017, the Company launched a public offering of E series bonds in the amount of up to PLN 100 million. On July 6, 2017, the bonds were registered with the Central Depository for Securities in Poland (KDPW); on July 20, 2017, the management board of the Warsaw Stock Exchange admitted the bonds to public trading. On July 28, 2017, the bonds debuted on the Catalyst market.

NOTE 9

CURRENT TRADE LIABILITIES, TAXES, DEPOSITS RECEIVED, ADVANCES RECEIVED AND OTHER LIABILITIES [PLN '000]

	30.06.2017	31.12.2016	30.06.2016
Trade liabilities to subsidiaries maturing:	5 700	5 240	3 451
within 12 months	5 700	5 240	3 451
above 12 months	-	-	-
Trade liabilities to other entities maturing:	22 663	69 426	34 869
within 12 months	22 663	69 426	34 869
above 12 months	-	-	-
Total current liabilities	28 363	74 666	38 320
Advances received	106 272	58 883	47 757
Security deposits received	6 744	7 231	5 655
Total security deposits and advances received	113 016	66 114	53 412
Due to taxes, customs duties, insurance and other payments	1 996	3 410	7 723
Total taxes	1 996	3 410	7 723
Other liabilities	290 183	95 544	1 613 070
- due to remunerations	3	10	8
- other (due to)	290 180	95 534	1 613 062
- dividend	206 345	66 030	1 584 732
Cash on escrow accounts	47 189	21 215	23 779
Purchase of interests	24 169	-	-
- Other	12 477	8 289	4 551
Total other current liabilities	290 183	95 544	1 613 070
Total	433 558	239 734	1 712 525

The fair value of trade liabilities and others does not differ significantly from their balance value.

NOTE 10A

CURRENT LOANS, BORROWINGS AND BONDS [PLN '000]

	30.06.2017	31.12.2016	30.06.2016
Due to subsidiaries			
Borrowings	404 936	461 541	397 196
	404 936	461 541	397 196
Due to other entities			
Loans and borrowings	70 121	–	105 000
on account of issue of debt securities	459 972	210 754	256 837
IRS	–	–	103
	530 093	210 754	361 940
Total current loans, borrowings and bonds	935 029	672 295	759 136

According to the best information and data of the Company, there were no breaches of the terms of loan agreements or the agreed levels of collateral during the financial year and until the date of signing the financial statements.

NOTE 10B

CURRENT LOANS, BORROWINGS AND BONDS – CURRENCY BREAKDOWN [PLN '000]

	30.06.2017	31.12.2016	30.06.2016
in the Polish currency	935 029	672 295	759 136
In foreign currency, converted to PLN	–	–	–
Total	935 029	672 295	759 136

BASIC DATA ON CURRENT BORROWINGS WITHOUT INTERESTS AS AT 30.06.2017 [PLN '000]

Contractor	Value	Interest	Redemption date
Echo – SPV 7 Sp. z o. o.	38 086	WIBOR 3M + margin	31.12.2017
Echo – Aurus Sp. z o. o.	40 500	WIBOR 3M + margin	31.12.2017
FORUM 60 Fundusz Inwestycyjny Zamknięty	317 955	WIBOR 3M + margin	31.12.2017
Total	396 541		

BASIC DATA ON CURRENT BORROWINGS WITHOUT INTERESTS AS AT 31.12.2016 [PLN '000]

Contractor	Value	Interest	Redemption date
Echo – Aurus Sp. z o. o.	40 500	WIBOR 3M + margin	31.12.2017
Echo – SPV 7 Sp. z o. o.	145 536	WIBOR 3M + margin	31.12.2017
FORUM 60 Fundusz Inwestycyjny Zamknięty	270 955	WIBOR 3M + margin	30.06.2018
Total	456 991		

BASIC DATA ON CURRENT BORROWINGS WITHOUT INTERESTS AS AT 30.06.2016 [PLN '000]

Contractor	Value	Interest	Redemption date
Echo – Aurus Sp. z o. o.	48 500	WIBOR 3M + margin	31.12.2017
Echo – SPV 7 Sp. z o. o.	339 000	WIBOR 3M + margin	31.12.2017
Total	387 500		

NOTE 11

CHANGE IN PROVISIONS ACCORDING TO TITLES [PLN '000]

	30.06.2017	31.12.2016	30.06.2016
Opening balance			
Provision for penalties	2 000	2 000	2 000
Provisions for expected loss	-	30 908	30 908
Litigation	2 066	2 066	2 066
Provisions for costs	21 924	8 592	8 592
	25 990	43 566	43 566
Increase due to:			
Provisions on expected loss	-	-	4 226
Provisions on costs	736	17 259	10 300
Litigation	-	-	-
	736	17 259	14 526
Release due to:			
Provision on costs	-	(3 927)	-
Provisions on expected loss	-	(30 908)	-
	-	(34 835)	-
Closing balance			
Provision for penalties	2 000	2 000	2 000
Provisions on expected loss	-	-	35 134
Litigation	2 066	2 066	2 066
Provisions for costs	22 660	21 924	18 892
	26 726	25 990	58 092

Penalty reserve includes the value of any penalties that may be charged to the Company under contractual agreements with a probability of charge greater than 50%. The penalty reserve is estimated based on the best knowledge of the Company and its experience.

The provision for the anticipated costs of guarantee repairs includes the value of the repairs or compensations concerning apartments and projects sold with a probability of charge greater than 50%. The provision is based on the best knowledge of the Company and on the basis of its experience.

Realization dates of provisions for penalties and losses, guarantee costs and court cases are not possible to estimate, with a high probability that they will be executed within 12 months of the balance sheet date.

NOTE 12

OFF-BALANCE SHEET ITEMS [PLN '000]

	30.06.2017	31.12.2016	30.06.2016
Contingent receivables	-	-	-
Contingent liabilities			
To related parties (due to)	891 891	881 376	655 498
guarantees and sureties granted	891 891	881 376	655 498
To other entities (due to)	-	24 603	-
guarantees and sureties granted	-	24 603	-
	891 891	905 979	655 498
Other (due to)			
lawsuits against Echo Investment	966	872	150
	966	872	150
Total	892 857	906 851	655 648

SURETY AGREEMENTS ISSUED BY ECHO INVESTMENT AS AT 30 JUNE 2017

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

There was no changes in surety agreements in H1 2017.

As at 20 June 2017 there was no current surety agreements for Echo Investment S.A.

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

Guarantor	For	Value [PLN '000]	Validity	Description
Echo Investment S.A.	Horta Sp. z o.o.	21 133	to 02.07.2020	Performance bond concerning execution of the final sales agreement concerning the Acquarius Business House I office building in Wrocław. Issued in EUR.
Echo Investment S.A.	Skua Sp. z o.o.	25 359	to 30.07.2021	Performance bond concerning execution of the final sales agreement concerning the Acquarius Business House II office building in Wrocław. Issued in EUR.
Echo Investment S.A. / BZ WBK S.A.	Skarb Państwa	43 045	to 22.05.2018	Surety bond concerning liabilities of Outlet Park – Projekt Echo – 126 Sp. z o.o. Sp. K.
Echo Investment S.A.	mBank S.A.	14 974	until fulfilment of suitable financial indexes, no longer than 31.03.2021	Surety bond for liabilities of Nobilis – Projekt Echo – 117 Sp. z o.o. Sp. K. resulting from loan agreement of 16.06.2016. Issued in EUR.
Echo Investment S.A.	mBank S.A.	5 489	Until the day of confirmation of meeting all financial indicators, not later than to 31.03.2018	Surety bond for cost overrun on Nobilis office building in Wrocław
Echo Investment S.A.	BGŻ BNP Paribas S.A.	5 169	until project completion date	Surety bond for cost overrun and liabilities resulting from debt service in the period of construction of the Symetris I and II office building in Łódź. Issued in EUR.
Q22 – Projekt Echo – 128 Sp. z o.o. Sp. K. / Echo Investment S.A.	IREEF – Stryków Propco Sp. z o.o.	420 000	to 15.12.2019	Construction work quality guarantee related to Q22 in Warsaw.
Q22 – Projekt Echo – 128 Sp. z o.o. Sp. K. / Echo Investment S.A. / BZ WBK S.A.	IREEF – Stryków Propco Sp. z o.o.	56 258	to 15.12.2021	Rent guarantee related to the sale of Q22 office building in Warsaw. The collateral of rent guarantee is a bank guarantee issued by BZ WBK S.A. for Echo Investment S.A. Issued in EUR.
Echo Investment S.A.	IREEF – Stryków Propco Sp. z o.o.	145 986	to 15.12.2018	Surety bond concerning failure to execute liabilities of Q22 – Projekt Echo – 128 Sp. z o.o. Sp. K. resulting from the sales contract concerning Q22 in Warsaw of 16.12.2016. Issued in EUR.
Echo – Opolska Business Park Sp. z o.o. Sp. K. / Echo Investment S.A.	Ventry Investments Sp. z o.o. Sp. K.	27 908	to 20.12.2019	Rent guarantee related to the sale of O3 Business Campus I in Kraków. The collateral of rent guarantee is a corporate guarantee issued by Echo Investment S.A. Partly issued in EUR.
Tryton – Projekt Echo – 127 Sp. z o.o. Sp. K. / Echo Investment S.A.	Emfold Investments Sp. z o.o. Sp. K.	42 508	to 20.12.2019	Rent guarantee related to the sale of the Tryton office building in Gdańsk. The collateral of rent guarantee is a corporate guarantee issued by Echo Investment S.A. Partly issued in EUR.
Symetris – Projekt Echo – 131 Sp. z o.o. Sp. K. / Echo Investment S.A.	Flaxton Investments Sp. z o.o. Sp. K.	17 883	to 20.12.2019	Rent guarantee related to the sale of the Symetris office building in Łódź. The collateral of rent guarantee is a corporate guarantee issued by Echo Investment S.A. Partly issued in EUR.
Echo Investment S.A.	Bank Millennium 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

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

Guarantor	For	Value [PLN '000]	Validity	Description
Projekt Echo – 135 Sp. z o.o. Sp.K. / Echo Investment S.A.	A4 Business Park – „Iris Capital” Sp. z o.o. Sp.K.	21 191	to 25.04.2020	Rent guarantee related to the sale of the A4 Business Park III in Katowice. The collateral of rent guarantee is a corporate guarantee issued by Echo Investment S.A. Partly issued in EUR.
Echo Investment S.A.	PKO BP S.A.	25 700	do 30.09.2020	Surety bond for credit facilities of 01.06.2017, guarantee of cost overrun to PLN 25.7 mln of 01.06.2017
Total		879 903		

The total value of the binding guarantees obtained by Echo Investment S.A. as at June 30 2017 amounts to:

- PLN 87,019.18, EUR 16,478.46 under the signed lease contracts,
- PLN 25,435,434.14, EUR 7,857.24 under the developed projects.

AMENDMENTS TO GUARANTEE AGREEMENTS IN H1 2017

Change	Guarantor	For	Date of change	Value ['000]	Description
Reduce of the collateral amount from EUR 9 mln to EUR 6 mln, according to guarantee agreement	Echo Investment S.A.	Skua Sp. z o.o.	31.01.2017	6 000 EUR	Performance bond concerning the execution of the final sales agreement concerning the Acquarius Business House II office building in Wrocław. Issued in EUR.
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	Echo Investment S.A.	BGŻ BNP Paribas S.A.	16.01.2017	1 223 EUR	Surety bond for construction cost overrun at the Symetris I and II office complex and the coverage of liabilities resulting from the service of debt of Symetris - Projekt Echo - 131 Sp. z o.o. Sp. K. (Issuer's subsidiary)
Expiry	Echo Investment S.A.	Nokia Solutions and Networks Sp. z o.o.	18.01.2017	1 986 EUR	Surety bond for liabilities resulting from the lease concluded on 29.08.2016.
Expiry	Echo Investment S.A./ PZU S.A.	FTF Columbus S.A.	19.01.2017	24 600 PLN	Surety bond concerning agreement concluded on 22.06.2015
Issue	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
Extension of the expiry date to 22.05.2018, according to annex 1 to guarantee agreement	Echo Investment S.A.	State Treasury	16.05.2017	40 163 PLN	Surety bond concerning liabilities of Outlet Park – Projekt Echo – 126 Sp. z o.o. Sp. K.
Extension of the collateral amount from PLN 40,162 mln to PLN 43,045 mln, according to annex 2 to guarantee agreement	Echo Investment S.A.	State Treasury	14.06.2017	43 045 PLN	Surety bond concerning liabilities of Outlet Park – Projekt Echo – 126 Sp. z o.o. Sp. K.
Issue	Echo Investment S.A.	PKO BP SA	01.06.2017	25 700 PLN	Surety bond for cost overrun of Sagittarius Business House in Wrocław, expiry – to 30.09.2020

NOTE 13

OPERATING REVENUES – TYPE OF ACTIVITIES [PLN '000]

	01.01.2017– 30.06.2017	01.01.2016– 30.06.2016
Sales of residential and commercial space	46 581	44 944
of which: from related parties	–	–
Project implementation services	38 253	28 375
of which: from related parties	37 736	27 626
from subsidiaries	37 736	27 626
Sale of properties	198	642
From subsidiaries	–	–
Lease services	3 230	2 138
of which: from related parties	977	660
from subsidiaries	977	660
From parent company	–	–
Legal, accounting, consulting and IT services	6 732	19 762
of which: from related parties	6 710	19 759
from subsidiaries	6 710	19 759
From joint-ventures	–	–
Financial, marketing, securing services and other revenue	15 993	25 843
of which: from related parties	14 694	24 496
from subsidiaries	14 691	24 495
From key staff	3	1
Total operating revenues	110 987	121 704
of which: from related parties	60 117	72 541
from subsidiaries	60 114	72 540
From parent company	–	–
From key staff	3	1

The Company did not conclude any deals with entities affiliated in any other way than market conditions. The contracts concerning the biggest deals with affiliated entities were presented by the Company in the Management Report.

NOTE 14A

OTHER OPERATING REVENUES - TYPE OF ACTIVITIES [PLN '000]

	01.01.2017- 30.06.2017	01.01.2016- 30.06.2016
Other, of which:	1 397	5 739
Contractual penalties	36	-
Revenues from sale of debt	-	-
Revenues from sale of non-financial non-current assets	492	664
Other	869	5 075
Other interest	33	140
From other entities	33	140
Other operating revenues, total	1 430	5 879

NOTE 14B

OTHER OPERATING REVENUES DUE TO DIVIDENDS AND PROFIT SHARING [PLN '000]

	01.01.2017- 30.06.2017	01.01.2016- 30.06.2016
From related parties	86 978	243 291
From subsidiaries	86 978	243 191
From other entities	-	-
Total	86 978	243 191

NOTE 15A

FINANCIAL OPERATING REVENUES DUE TO INTEREST [PLN '000]

	01.01.2017- 30.06.2017	01.01.2016- 30.06.2016
Future interest		
From other entities	313	196
Total	313	196

NOTE 15B

OTHER FINANCIAL REVENUES [PLN '000]

	01.01.2017- 30.06.2017	01.01.2016- 30.06.2016
Foreign exchange gains	252	5 065
Profit on disposal of shares	-	45 705
Revaluation of loans, borrowings and bonds	234	-
Revaluation of interests	-	-
Other	529	23
Total	1 015	50 793

NOTE 16

INFORMATION ON FINANCIAL INSTRUMENTS [PLN '000]

	Note	As at 30.06.2017	As at 31.12.2016	Balance-sheet value as at 30.06.2016
Financial assets				
Borrowings and receivables		90 128	170 010	141 902
Long-term borrowings	4	10 952	9 479	-
Short-term borrowings	7	42 632	84 170	98 170
Trade receivables	-	36 544	76 361	43 732
Advances received	-	-	-	-
Cash and cash equivalents		65 989	42 426	1 386 649
Restricted cash	-	47 189	20 884	23 779
Cash and cash equivalents	-	18 800	21 542	1 362 870
Financial liabilities				
Other financial liabilities		1 369 693	1 422 124	1 376 848
Liabilities on account of issue of debt securities	8, 9	866 273	885 917	836 332
Trade liabilities	9	28 363	74 666	38 320
Loans and borrowings	8, 9	475 057	461 541	502 196

The main financial instruments used by the Company include:

- granted loans (which are calculated based on depreciated purchasing price estimated by effective interest rate method),
- financial liabilities, i.e. liabilities related to the issuance of debt securities, bank loans, other liabilities (loans and liabilities related to deliveries and services). Financial liabilities are estimated based on the amortised cost of liability component method, in accordance with IAS 39.

Fair value of the financial instruments does not differ significantly from their balance value.



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, 8 September 2017.

IV

Statement of the Management Board



The Management Board of Echo Investment S.A. declares that, to the best of its knowledge, the interim financial report for H1 2017 and comparative data have been presented in compliance with the applicable accounting principles, and that they reflect in a true, reliable and transparent manner the economic and financial situation and the financial results of Echo Investment S.A. and its Group. The management report of Echo Investment S.A. and its Group presents a true view of development, accomplishments and situation of Echo Investment S.A. and its Group, including a description of fundamental risks and threats.

The Management Board of Echo Investment S.A. declares that the entity authorised to audit financial statements, auditing the financial statements for H1 2017, was selected in accordance with the laws. This entity and the statutory auditors conducting the audit fulfilled the conditions required to express an unbiased and independent opinion on the audited financial statements for H1 2017, pursuant to the applicable laws and professional standards.

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

Kielce, 8 September, 2017

