

# TABLE OF CONTENTS

		CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS	4
١.		CONDENSED INTERIM SEPARATE FINANCIAL STATEMENTS	3
II.		MANAGEMENT REPORT ON THE OPERATIONS OF ECHO INVESTMENT S.A. AND THE CAPITAL GROUP6	0
	1.	SEGMENTS OF THE CAPITAL GROUP6	
	2.	PROJECTS OF THE CAPITAL GROUP6	
	3.	ISSUE, REDEMPTION AND REPAYMENT OF DEBT AND EQUITY SECURITIES	5
	4.	PAID (OR DECLARED) DIVIDEND6	
	5.	EVENTS AFTER THE DAY ON WHICH THE CONDENSED INTERIM FINANCIAL STATEMENTS WERE PREPARED	,
		NOT INCLUDED IN THESE STATEMENTS WHICH COULD HAVE A SIGNIFICANT INFLUENCE ON THE CAPITAL	
		GROUP'S FUTURE FINANCIAL PERFORMANCE6	
	6.	CHANGES IN CONTINGENT LIABILITIES OR CONTINGENT ASSETS AFTER THE END OF THE LAST FINANCIAL	
		YEAR6	
	7.	COMPOSITION OF THE ECHO INVESTMENT CAPITAL GROUP6	9
	8.	IDENTIFICATION OF CHANGES IN THE STRUCTURE OF THE BUSINESS UNIT, INCLUDING THOSE RESULTING	
		FROM BUSINESS MERGERS, ACQUISITIONS OR DISPOSALS OF THE CAPITAL GROUP MEMBERS, LONG-	_
	_	TERM INVESTMENTS, DIVISIONS, RESTRUCTURING AND DISCONTINUATION	3
	9.	POSITION OF THE MANAGEMENT BOARD CONCERNING THE POSSIBILITY OF MEETING PREVIOUSLY	
		PUBLISHED FORECASTS OF RESULTS FOR A GIVEN YEAR, IN THE LIGHT OF THE RESULTS PRESENTED IN THE	
	10	QUARTERLY REPORT IN RELATION TO FORECASTED PROFIT/LOSS	
		THE OWNERSHIP STRUCTURE OF MAJOR HOLDINGS OF ECHO INVESTMENT SA	6
	11.	SUMMARY OF CHANGES IN THE SHAREHOLDING OF ECHO INVESTMENT S.A. OR RIGHTS TO SHARES	
		(OPTIONS) BY THE ISSUER'S MANAGERS AND SUPERVISORS, AS TO THE KNOWLEDGE OF ECHO INVESTMENT S.A. SINCE THE PUBLICATION OF THE PREVIOUS QUARTERLY REPORT	7
	10	COURT PROCEEDINGS	
		TRANSACTIONS WITH RELATED PARTIES UNDER TERMS OTHER THAN MARKET TERMS	
		SURETIES GRANTED ON LOANS OR BORROWINGS AND GUARANTEES WITH A VALUE EQUIVALENT TO AT	
	14.	LEAST 10% OF THE COMPANY'S EQUITY	
	1.5	OTHER INFORMATION THAT THE MANAGEMENT BOARD OF ECHO INVESTMENT S.A. BELIEVES TO BE	′
	10.	IMPORTANT TO ASSESS THE PERSONNEL, ECONOMIC AND FINANCIAL SITUATION, THE PROFIT, AND ANY	/
		CHANGES IN THESE ASPECTS OF BUSINESS, AND INFORMATION NECESSARY TO ASSESS THE ECHO	
		INVESTMENT CAPITAL GROUP'S CAPACITY TO MEET ITS OBLIGATIONS	7
	16.	FACTORS WHICH, IN THE OPINION OF THE MANAGEMENT BOARD, WILL INFLUENCE THE CAPITAL	
		GROUP'S FINANCIAL PERFORMANCE FOR AT LEAST THE UPCOMING QUARTER	7
	17.	DESCRIPTION OF SIGNIFICANT RISK FACTORS AND THREATS IN THE MONTHS AHEAD IN 20167	

Dear Sir or Madam,

You are welcome to read the financial report of Echo Investment for H1, 2016. It presents our Company as a classic property developer into which we have transformed ourselves after carrying out several strategic operations. Key events of the recently finished period include: selling revenue generating assets, completing the construction of a unique skyscraper Q22, starting several fantastic projects and improving our internal structure. We also present the performance of our housing, office and commercial teams, with whose performance we are very pleased.

Over the past years Echo Investment has been developing office buildings and shopping centres, remaining their owner. However, taking into account the considerable appetitive of investors for buying high quality projects in Poland, we decided to sell the whole portfolio of finished properties. We managed to find an investor for them, at the same time remaining a minority shareholder. Thanks to that the ownership transfer process is smooth and our tenants are assured undisturbed operation. That was a strategic manoeuvre for the future of our Company.



We have become a classic property developer that invests capital and generates higher rates of return for its shareholders. We are focused on our core business, i.e. constructing and selling real estate. The company operates in four sectors, i.e. housing, office, commercial and construction. Each of them has a strong and competent team as well as impressive achievements. It suffices to mention a few from the past six months: 308 apartments sold, which means a 50 percent increase in comparison with H1, 2015; over 23.5 thousand sq m of leased new office space, which is an increase by 55 percent; signing lease contracts for 39.9 thousand sq m of commercial space, over twice more than in the corresponding period of 2015. To have more influence on cost control and management quality at our building sites, we are strengthening the construction segment. This will be one of key methods to increase rates of return on projects.

With such a past, it is easier for us to look ahead. We intend to become a dominant player in each of the sectors in which we are present. We have already prepared the beginning of this path, i.e. we have 50 projects with over 520 thousand sq m of space under construction and preparation. In recent months only we started the construction of the Libero shopping centre in Katowice, the second stage of Galaxy in Szczecin as well as two office buildings, i.e. Sagittarius and West Link in Wrocław. We are also working on increasing the land bank and the number of projects to ensure business growth in the long term.

When you look at the Warsaw landscape, why don't you notice our Q22 skyscraper. Its completion in the past six months is an event of which we are particularly proud. Although the Warsaw office market has not been the easiest as of late, since the very beginning we believed that this special project would prove a success, and we were right! The building is already leased in over 70 percent, and we will be celebrating its grand opening in a few weeks' time. I am pleased that Q22 will also become the Warsaw-based registered office of Echo Investment.

The success of Q22 proves that Echo Investment is ready to expand its developer business through participating in more fantastic and demanding projects, which will generate higher returns. You are more than welcome to read the financial report of Echo Investment, the biggest Polish developer.

Yours faithfully,

Nicklas Lindberg

CEO of Echo Investment

# I. CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

# CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION [IN THOUSANDS PLN]

		NOTE	30.06.2016	31.12.2015	30.06.2015
AS:	SETS				
1.	Non-current assets				
	1.1. Intangible assets		76	160	238
	1.2. Property, plant and equipment		9,615	17,645	45,765
	1.3. Investment properties	2A	64,632	63,342	4,290,955
	1.4. Investment properties under construction	2C	594,566	1,398,628	1,214,159
	1.5. Shares in entities accounted for using the equity method	13	574,101	-	571
	1.6. Long-term financial assets		17,795	14,065	12,899
	1.7. Financial derivatives	4A	-	-	4,103
	1.8. Deferred income tax assets		52,622	78,682	68,397
		_	1,313,407	1,572,522	5,637,087
2.	Current assets				
	2.1. Inventories	3	625,192	595,460	592,286
	2.2. Income tax receivables		223	6,391	4,598
	2.3. Other tax receivables		57,816	44,664	44,741
	2.4. Trade and other receivables		30,042	41,641	40,983
	2.5. Short-term financial assets		12,936	23,381	85
	2.6. Financial derivatives	4A	210	1,175	3,973
	2.7. Restricted cash		56,824	89,447	71,231
	2.8. Cash and cash equivalents		2,056,603	821,305	328,805
		_	2,839,846	1,623,464	1,086,702
3.	Assets held for sale	2D	1,396,604	5,192,965	5,160
TO	TAL ASSETS		5,549,857	8,388,951	6,278,949

		NOTE	30.06.2016	31.12.2015	30.06.2015
EQ	UITY AND LIABILITIES				
1.	Equity				
	1.1. Equity attributable to the parent company's shareholders		1,797,582	3,663,596	3,168,484
	1.1.1. Share capital		20,635	20,635	20,635
	1.1.2. Supplementary capital		1,478,883	3,139,672	3,139,672
	1.1.3. Acquired treasury shares		-	-	-
	1.1.4. Accumulated profit (loss)		298,955	514,091	22,737
	1.1.5. Foreign exchange differences from conversion of foreign subsidiaries		(891)	(10,802)	(14,560)
	1.2. Equity of non-controlling interests		(95)	(93)	(91)
			1,797,487	3,663,503	3,168,393
2.	Provisions				
	2.1. Long-term provisions	10	16,572	4,006	800
	2.2. Short-term provisions	10	88,616	10,592	2,000
	2.3. Deferred income tax provisions		18,229	245,726	83,072
		_	123,417	260,324	85,872
3.	Non-current liabilities				
	3.1. Loans and borrowings	5	1,107,202	3,707,943	2,768,057
	3.2. Financial derivatives	4B	493	1,580	2,134
	3.3. Security deposits and prepayments received		12,038	65,919	50,721
		_	1,119,733	3,775,442	2,820,912
4.	Current liabilities				
	4.1. Loans and borrowings	5	369,965	331,822	437,190
	4.2. Financial derivatives	4B	272	129,489	1,973
	4.3. Income tax liabilities		6,893	3,256	286
	4.4. Other tax liabilities		3,701	3,372	12,475
	4.5. Trade liabilities		75,026	112,643	92,101
	4.6. Liabilities against dividend	pkt.1.3.4	1,584,732	-	-
	4.7. Other liabilities		46,209	37,352	20,287
	4.8. Security deposits and prepayments received		113,722	71,748	89,460
		_	2,200,520	689,682	653,772
5.	Liabilities related to assets held for sale	6	308,700	-	-
то	TAL EQUITY AND LIABILITIES		5,549,857	8,388,951	6,728,949
ВС	OK VALUE PER SHARE		30.06.2016	31.12.2015	30.06.2015
Во	ok value (thousand PLN)		1,797,582	3,663,596	3,168,484
Nu	mber of shares (in thousands) without treasury shares held		412,691	412,691	412,691
Во	ok value per share		4.36	8.88	7.68

# CONDENSED INTERIM PROFIT AND LOSS ACCOUNT [THOUSAND PLN]

	NOTE	01.01.2016 - 30.06.2016	01.01.2015 - 30.06.2015
Revenues	7	280,532	273,752
Prime cost of sale		(135,175)	(138,672)
Gross profit (loss) on sales		145,357	135,080
Profit (loss) from investment properties	8	385,218	(40,571)
Selling costs		(25,842)	(17,631)
General administrative expenses	pkt.1.12	(48,965)	(49,660)
Other operating revenues		13,059	9,769
Other operating expenses		(64,845)	(5,706)
Operating profit		403,982	31,281
Financial revenues		47,296	8,879
Financial expenses	9	(263,791)	(58,953)
Profit (loss) from foreign currency derivatives		(175)	17,777
Profit (loss) from foreign exchange differences		(96,338)	36,203
Share in (profit) loss of entities recognised using the equity method		21,691	(6,987)
Gross profit (loss)		112,665	28,200
Income tax		186,288	(5,465)
- current portion		(15,150)	(4,680)
- deferred portion	pkt. 1.8	201,438	(785)
Net profit (loss), of which:		298,953	22,735
Profit (loss) attributable to shareholders of the parent company		298,955	22,737
Profit (loss) attributable to non-controlling interests		(2)	(2)
Profit (loss) attributable to the parent company's shareholders (semi-annual)		298,955	22,737
Weighted average number of ordinary shares (in thousands) without owned treasury shares		412,691	412,691
Basic and diluted earnings (loss) per ordinary share (in PLN)		0.72	0.06

# CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPRENESIVE INCOME [THOUSAND PLN]

	01.01.2016 - 30.06.2016	01.01.2015 - 30.06.2015
Net profit	298,953	22,735
Other comprehensive income that may be reclassified to the financial results in a later period:		
- foreign exchange differences from conversion of foreign operations	9,911	(6,887)
Other comprehensive income, net	9,911	(6,887)
Comprehensive income, of which:	308,864	15,848
Comprehensive income attributable to equity holders of the parent entity	308,866	15,850
Comprehensive profit (loss) attributable to non-controlling interest	(2)	(2)

# CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY [THOUSAND PLN]

FOR THE PERIOD FROM 01.01.2016 TO 30.06.2016	SHARE CAPITAL	SUPPLEMENTARY CAPITAL	ACCUMULATED PROFIT (LOSS)	CURRENCY TRANSLATION DIFFERENCES	EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY	NON- CONTROLLING INTERESTS	TOTAL EQUITY
Opening balance	20,635	3,139,672	514,091	(10,802)	3,663,596	(93)	3,663,503
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, net	-	-	-	9,911	9,911	-	9,911
Net profit (loss) for the period	-	-	298,955	-	298,955	(2)	298,953
Total comprehensive income	-	-	298,955	9,911	308,866	(2)	308,864
Closing balance	20,635	1,478,883	298,955	(891)	1,797,582	(95)	1,797,487

FOR THE PERIOD FROM 01.01.2016 TO 30.06.2016							
Opening balance	20,635	2,735,454	404,218	(7,673)	3,152,634	(89)	3,152,545
Allocation of result from previous years	-	404,218	(404,218)	-	-	-	-
Dividend paid	-	-	-	-	-		-
Dividend approved (not paid)	-	-	-	-	-	-	-
Other comprehensive income, net	-	-	-	(6,887)	(6,887)	-	(6,887)
Net profit (loss) for the period	-	-	22,737	-	22,737	(2)	22,735
Total comprehensive income	-	-	22,737	(6,887)	15,850	(2)	15,848
Closing balance	20,635	3,139,672	22,737	(14,560)	3,168,484	(91)	3,168,393

# CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT [THOUSAND PLN]

	01.01.2016 - 30.06.2016	01.01.2015 - 30.06.2015
A. Cash flows from operations - indirect method		
I. Gross profit (loss)	112,665	28,200
II. Adjustments		
<ol> <li>Share in net (profit) loss of entities that are recognised using the equity method</li> </ol>	(21,691)	6,986
2. Depreciation of fixed assets	1,505	2,485
3. Foreign exchange (gains) losses	106,248	(36,203)
4. Interest	54 ,76	44,539
5. (Profit) loss on revaluation of assets and liabilities	(270,271)	33,339
6. (Profit) loss on putting financial instruments into effect	903	(12,057)
	(128,830)	39,089
III. Changes in working capital:		
1. Change in provisions	90,590	800
2. Change in inventories	(28,814)	2,585
3. Change in receivables	14,339	5,937
4. Changes in short-term liabilities, except for loans and borrowings	(80,274)	29,114
5. Movement in cash on blocked accounts	32,623	(16,749)
	28,464	21,687
IV. Net cash generated from operating activities (I+II+III)	12,300	88,976
1. Paid income tax	(5,346)	(14,347)
V. Net cash flows from operating activities	6,954	74,629
B. Cash flows from investing activities		
I. Inflows		
1. Disposal of intangible assets, and property, plant and equipment	1,118	451
2. Disposal of property investments	1,699,644	-
3. From borrowings and financial investments	31,327	27,903
4. Other investment inflows	=	-
	1,732,089	28,354
II. Outflows		
1. Purchase of intangible assets and PP&E	(584)	(2,168)
2. Investments in property	(205,086)	(255,930)
3. On borrowings and financial investments	(34,666)	(3,006)
4. Dividends paid to minority shareholders	-	-
5. Other capital expenditures	-	-
<u> </u>	(240,336)	(261,104)
III. Net cash flows from investments (I-II)	1,491,753	(232,750)

# CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT [IN THOUSANDS PLN] CONT.

	01.01.2016 - 30.06.2016	01.01.2015 - 30.06.2015
C. Cash flows from financing activities		
I. Inflows		
<ol> <li>Net inflows from issue of shares (interests), and other equity instruments capital contributions</li> </ol>	and -	-
2. Loans and borrowings	1,161,249	329,274
3. Issuance of debt securities	-	-
4. Dividends received from units accounted for using the equity method	-	6,000
5. Other financial inflows	-	12,057
	1,161,249	347,331
II. Outflows		
1. Purchase of equity shares (interests)	-	-
2. Dividends and other payments to owners	(590,147)	-
3. Profit distribution liabilities, other than payments to equity holders	-	-
4. Repayments of loans and borrowings	(591,052)	(39,977)
5. Redemption of debt securities	(175,000)	(115,000)
6. Outflows on account of foreign currency derivatives	(903)	-
7. Payment of liabilities arising from finance leasing	-	-
8. Interest	(67,271)	(61,259)
9. Other financial outflows	- · · · · · · · · · · · · · · · · · · ·	-
	(1,424,373)	(216,236)
III. Net cash flows from financing activities (I-II)	(263,124)	131,095
D. Total net cash flow (A.III+/-B.III+/-C.III)	1,235,583	(27,026)
E. Balance sheet movement of cash, of which:	1,235,298	(33,913)
change in cash due to exchange differences	(285)	(6,887)
F. Opening balance of cash	821,305	362,718
G. Closing balance of cash (F+/- D)	2,056,603	328,805

#### ADDITIONAL INFORMATION ABOUT THE ADOPTED ACCOUNTING PRINCIPLES AND OTHER EXPLANATORY NOTES

#### 1.1. General information

The principal business of Echo Investment Capital Group (hereinafter referred to as the "Group") is a construction and lease or sale of space in office, shopping, residential buildings and trade in real estate. Echo Investment S.A. (hereinafter referred to as "Echo", the "Issuer" or the "Company") with its registered office in Kielce, at al. Solidamości 36, is the parent company of the Group.

The Company's shares are listed on the Stock Exchange in Warsaw, the industry according to the regulated market - WIG-Developerzy.

The Company's duration is unlimited.

#### 1.2. Information on the financial statements

The condensed interim consolidated financial statements of Echo Investment Capital Group for the first half of 2016, prepared in accordance with IAS 34 "Interim Financial Reporting", adopted for application in the European Union, for the period between 1 January 2016 and 30 June 2016.

The condensed interim consolidated financial statements of the Group include consolidated financial data as of 30 June 2016 and for the 6-month period ended 30 June 2016 as well as comparative data for the 6-month period ended 30 June 2015 in relation to the profit and loss account, the statement of changes in equity and the cash flow statement. The comparative data as of 31 December 2015 and 30 June 2015 are provided for the statement of financial position. Unless indicated otherwise, all financial data in the Group's condensed consolidated financial statements have been presented in thousands of PLN.

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 2015 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 an 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 2016. The applied changes had no material impact on the presentation of data and measurement in the financial statements.

#### 1.3. Summary of significant achievements and failures of the Capital Group detailing key events in H1, 2016

#### 1.3.1. Establishing Echo Polska Properties N.V.

As part of an effort to reorganise the structure of the Group, in H1, 2016 the Management Board of Echo Investment spun off ready, revenue and profit generating commercial properties from the structure to a newly established company incorporated under the Dutch law, i.e. Echo Prime Properties B.V. Later the newly established company was renamed as **Echo Polska Properties N.V.** (hereinafter: "EPP NV").

On 17 February 2016 Echo Investment transferred to EPP NV the ownership of all issued certificates of the following funds: Forum XXIX Funduszu Inwestycyjnego Zamkniętego (investment fund register no. Rfi 536) and Forum XXXIV Funduszu Inwestycyjnego Zamkniętego (investment fund register no. Rfi 586.). Through special-purpose companies, both funds owned the following **16 commercial properties**: A4 Business Park in Katowice

(stages I and II), Astra Park in Kielce, Malta Office Park in Poznań, Oxygen in Szczecin, Park Rozwoju in Warsaw (stages I and II), West Gate in Wrocław, Galeria Amber in Kalisz, Galaxy in Szczecin, Galeria Echo in Kielce, Galeria Olimpia in Bełchatów, Outlet Park in Szczecin, Pasaż Grunwaldzki in Wrocław, Centrum Handlowe Echo in Przemyśl, Galeria Sudecka in Jelenia

Góra, Galeria Veneda in Łomża and Centrum Handlowe Echo in Bełchatów. In exchange for a contribution in kind in the form of the certificates, Echo Investment acquired 100% of shares in the share capital of EPP NV with a total nominal value of EUR 211,970,402, which as of the signing date of the agreements amounted to the equivalent of PLN 933,560,044 according to the average exchange rate published by the National Bank of Poland (NBP).

#### 1.3.2. Agreement with Redefine Properties Limited

On 1 March 2016 Echo Investment and EPP NV concluded an agreement with Redefine Properties Limited with its registered office in Rosebank in South Africa ("Redefine") for the sale of a part of the existing shares and subscription of new shares in EPP NV. Pursuant to the agreement, after the transaction was finalised, Redefine would hold 75% of shares plus one in the total number of shares in EPP NV while Echo Investment would hold 25% of shares minus one in the total number of shares, taking into account the increase of the capital of EPP NV by new shares. The agreed transaction value of properties in the possession of EPP NV was **EUR 1,188,000,000**.



Galeria Echo, Kielce

The agreement also provided for concluding additional agreements between the Issuer, Redefine and EPP NV, including:

- Shareholders' agreement, regulating issues related to the cooperation between the Issuer and Redefine as part of EPP NV which would include a provision allowing Redefine to sell shares in EPP NV to co-investors; however, provided that Redefine's shareholding in EPP NV would not fall below 45%;
- consulting agreements stipulating among other things that Griffin Real Estate sp. z o.o. would be appointed as the lead consultant of EPP NV for managing the Company and assets;
- agreements with Echo Investment for managing the development process concerning the extension of the Galaxy shopping centre in Szczecin and Outlet Park in Szczecin;
- agreements for managing EPP NV's properties by the subsidiary Echo Investment;
- an agreement concerning the right of first offer ("RFO") on the basis of which Echo Investment would grant a right to a company related to EPP NV to make the first offer for the purchase of the following **7 properties**: Gdańsk Tryton, Katowice A4 (stage III), Kraków Opolska at present O3 Business Campus (stages I, II i III), Łódź Symetris (stages I i II), Nobilis Business House in Wrocław, Sagittarius Business House in Wrocław and the shopping centre in Katowice, ul. Kościuszki (Libero).

The ROF agreement also stipulated that the entity controlled by EPP NV would invest, in the form of borrowings, 25% of the capital already invested in the preparation and development of the ROF properties, and that in the future it would finance

25% of expenditures necessary to complete them. This project was to be financed from the increase of the capital of EPP NV by EUR 20,646,294, subject to an upward adjustment on account of the capital contributed in 2016 prior to closing the deal with Redefine (the amount was later specified at EUR 23,412,000). The capital increase was to be financed by Echo Investment and Redefine through the acquisition of, respectively: 25% and 75% of new EPP NV shares and paying, 25% and 75% respectively, of the total capital increase amount. In connection with involvement in financing the construction of 7 commercial projects covered by the ROF agreement, the entity controlled by EPP NV will be entitled to a 25% share in profits from these properties.

Pursuant to the agreement between Echo Investment, Redefine and EPP NV, on the transaction closing day a resolution was to be adopted on increasing the share capital of EPP NV by EUR 9,775,000 whereby Echo Investment and Redefine would take up, respectively, 25% and 75% of new shares and pay, respectively, 25% and 75% of the issue price to EPP BV. The entire amount of EUR 9,775,000 was earmarked for the payment of a preferred dividend by EPP NV for Echo Investment.

The conclusion of the agreement for the sale and subscription of shares in EPP NV depended on the fulfilment of several conditions, such as obtaining clearance from the European Commission, completing restructuring (in particular transferring to EPP NV all shares in companies being shareholders of entities that owned or held the right of perpetual usufruct of the real estate on which 16 projects covered by the deal had been developed), obtaining required corporate approvals as well as concluding other agreements concerning the deal specified hereinabove.

On 1 June 2016 Echo Investment reported on the fulfilment of all the conditions precedent and on concluding an agreement for the sale of a part of shares and subscription of new EPP NV shares with Redefine. Echo Investment sold 116,188,135 shares with a nominal value of EUR 1 each, representing 54.8% of the share capital and the total number of votes of EPP NV to Redefine. The shares were sold for EUR 124.8 million. The amount will be adjusted by the actual net debt and working capital of EUR 2.2 million (provisions for this amount were established in the statements for H1, 2016). The book value of the shares sold in the accounting books of Echo Investment was PLN 509.5 million as of 31 March 2016.

Subsequently, pursuant to the agreement, Redefine subscribed 194,987,826 new shares of EPP NV, paying EUR 260.7 million for them, while Echo Investment subscribed 7,923,052 news shares of EPP NV, paying EUR 7.9 million for them. As envisaged in the agreement, Redefine became holder of 75% of shares plus one in the share capital and the total number of votes of EPP NV while Echo Investment – the other 25% of shares minus one share. The amount of EUR 9,775,000 was paid out as a preferred dividend by EPP NV to Echo Investment.

Agreements anticipated earlier were concluded as part of the deal too, including the shareholders' agreement, consulting agreements, agreements concerning the right of first offer (ROF), agreements for managing the development of extending Galaxy and Outlet Park, agreements for managing properties covered by the deal by a subsidiary of Echo Investment and other.

The transaction of spinning off and selling developed and revenue generating commercial properties was complemented by an agreement, entered into already after the balance sheet date (1 July 2016) for selling Echo Investment Property Management - "Grupa Echo Spółka z ograniczoną odpowiedzialnością" Spółka komandytowa and "Echo Investment Facility Management - Grupa Echo Spółka z o. o." Spółka komandytowa providing property management services. For both companies EPP NV paid PLN 37.5 thousand to Echo Investment.

Subsequently, also after the end of the first six months of the year, i.e. on 25 July 2016, the Management Board of Echo Investment received information from the Management Board of EPP NV about plans to list all the shares of that company on the stock exchanges in Luxembourg and Johannesburg. In connection with the planned listing, on 12 August 2016 Echo Polska Properties BV was transformed into a joint-stock company (naamloze vennootschap) – EPP NV. EPP NV was floated on the stock exchange in Luxembourg on 30 August 2016 and share quotes started on 31 August 2016.

On 23 August 2016 Echo Investment reported on plans to sell a part of shares in EPP NV. On that day Echo Prime Assets B.V., a subsidiary of Echo Investment holding EPP NV shares, concluded two agreements for the sale of shares, i.e. with Lisala sp. z o.o. with its registered office in Warsaw (the main shareholder of Echo Investment) and Leon Kok, a national of South Africa and Chief Financial Officer of Redefine Properties Limited.

Pursuant to the agreement, Lisala would acquire 12,863,228 of EPP NV shares representing around 2.5% of the share capital while Leon Kok – 25,726,456 shares representing around 5% of the share capital. Lisala will be able to transfer rights under the agreement to Echo Partners B.V., a company incorporated under the Dutch law holding 100% of its share capital. Meanwhile, in the agreement for the acquisition of EPP NV shares Leon Kok represents the managing directors of Redefine and the EEP NV shares acquired by him will be transferred to them or to an entity controlled by them within one month after the transaction conclusion date.

Pursuant to the agreement, Lisala will pay EUR 12.9 million for acquired shares in EPP NV until 1 April 2018 (including interest on the selling price for the period until the payment thereof) while Redefine directors – EUR 25.7 million in two tranches, i.e.

the first on the agreement closing day and the second, including interest, within 12 months after the agreement conclusion date.

In connection with deferring the payment date for some of EPP NV shares sold, Echo Investment negotiated reducing the period during which it undertook not to sell EPP NV shares from five years as of the floating of EPP NV on the stock exchange in Johannesburg to one year as of that event. At the same time Lisala undertook not to sell EPP NV shares for five years as of that event.

The deal will be closed subject to obtaining necessary permits of the financing banks. The parties to the agreements undertook to make reasonable efforts to ensure that the conditions precedent would be fulfilled as soon as possible, i.e. before 30 November 2016. Both agreements will be closed within five business days as of the fulfilment of the conditions precedent or within another timeframe agreed by the parties to a given agreement.

Until the publication of this report the transaction was not closed. After it has been closed, Echo Investment will hold 17.5% of EPP N.V. shares.

#### 1.3.3. Restructuring of the debt of the properties making up the portfolio of EPP NV

On 16 May 2016 Echo Investment reported on two transactions restructuring the debt of the project companies in possession of the real estate from the portfolio sold to EPP NV.

317

MILLION EURO

LOAN FOR 11 PROPERTIES As part of the first one, 4 entities from Echo Investment group took out an investment loan of **EUR 132 million**, bearing interest at EURIBOR floating interest rate, plus the margin of the crediting banks. The loan was incurred by the project companies that owned or held the right of perpetual usufruct of the real estate on which Malta Office Park, Park Rozwoju, West Gate and A4 Business Park had been developed.

The loan was granted by a consortium of Berlin Hyp AG with its registered office in Berlin and ING Bank Śląski S.A. with its registered office in Katowice. The funds raised under the loan agreement were to be used to repay the debt of the borrowing companies arising from the loan agreements on which Echo Investment reported in current reports no. 47/2013 of 6 December 2013, 33/2013 of 29 August 2013, 7/2015 of 19

March 2015 and 8/2014 of 1 April 2014 as well as their intra-group debt. The final loan repayment date was set as the earlier of the following dates: a day falling not later than 5 years as of the first loan disbursement or 30 June 2021.

As part of the second one, 7 entities from Echo Investment group took out an investment loan of **EUR 185 million**, bearing interest at EURIBOR floating interest rate, plus the margin of the crediting bank. The loan was incurred by the project companies that owned or held the right of perpetual usufruct of the real estate on which the following projects had been developed: Galeria Sudecka, Galeria Veneda, Galeria Amber, Galeria Olimpia, Outlet Park, Echo Przemyśl and Centrum Handlowe Bełchatów.

The loan was granted by Landesbank Hessen-Thüringen Girozentrale, with its registered office in Frankfurt am Main. The funds raised under this agreement were to be used to repay the debt of the borrowing companies arising from the loan agreements on which Echo Investment reported in current reports no. 51/2013 of 20 December 2013, 60/2011 of 16 December 2011, 21/2012 of 27 July 2012, 64/2011 of 29 December 2011 and 53/2013 of 30 December 2013 as well as their intra-group debt. The final loan repayment date was set as the day falling 7 years after the agreement signature date.

Both loans are secured through standard procedures and instruments, specified in current reports no. 11/2016 and 12/2016. In connection with he sale of the borrowing companies to EPP N.V., this debt was excluded from this balance.

#### 1.3.4. Payment of the first dividend in the history of Echo Investment S.A.

On 21 December 2015 the Extraordinary General Meeting of Echo Investment decided to release the unused capital reserve for the acquisition of treasury shares in the amount of PLN 386,803,583.02 and determined the amount of the company's supplementary capital, taking into account the amount resulting from releasing the capital reserve for the acquisition of treasury shares, at PLN 661,690,023.74, of which the supplementary capital established from previous years profits amounts to PLN 560,920,275.77. Subsequently, the EGM decided to create a special-purpose reserve fund to pay the overdue dividend or an interim dividend, and to transfer PLN 555,763,426.00 to that fund from the supplementary capital.

Subsequently, on 23 December 2015 the Management Board of Echo Investment decided to pay the interim dividend to the shareholders for the financial year 2015, subject to an approval of the Supervisory Board.

Pursuant to Management Board resolution, the total sum earmarked for paying the interim dividend was to amount to PLN 590,147,532.26 and it was to be paid in two instalments: PLN 0.72 per 1 share (a total of PLN 297,137,219.04) on 10 February 2016 and PLN 0.71 per 1 share (PLN 293,010,313.22) until 30 December 2016. The entitlement to the dividend was to rest with shareholders holding the Company's shares on 3 February 2016, i.e. 7 days before the payout of the 1st instalment of the interim dividend. The Supervisory Board approved the payout of the interim dividend on the above rules on 13 January 2016.

The first dividend instalment was paid on 10 February 2016 while the second on 22 April 2016.

On 2 June 2016 the Management Board of Echo Investment adopted a resolution on proposed distribution of the profit for 2015. According to the resolution, the net profit for 2015 of PLN 2,958,589,735.86 was to be distributed as follows:

- the amount of PLN 800,217,992.00 to the Company's supplementary capital;
- the amount of PLN 2,158,371,743.86 to be distributed to all the shareholders as a dividend;
- the amount of PLN 590,147,532.26 which had already been paid out was to be credited towards the dividend for the financial year 2015.

On the same day it was resolved that the Extraordinary General Meeting would be convened on 28 June 2016 to adopt resolutions, among other things on profit distribution. In the end the EGM approved the distribution of the net profit earned by the Company in the financial year 2015 in the amount of PLN 2,958,589,735.86 as follows:

- the amount of PLN 783,710,368.72 was distributed to the Company's supplementary capital;
- the amount of PLN 2,174,879,367.14 was distributed to all the shareholders as a dividend;
- the amount of PLN 590,147,532.26 paid out by the Company as the interim dividend towards the dividend for the financial year 2015 was credited towards the dividend;
- the difference between the adopted dividend and the interim dividend paid out in the amount of PLN 1,584,731,834.88 was earmarked for payout in the form of the other part of the dividend, in the amount of PLN 3.84 per one share.

The record date for the remaining part of the dividend was set on 5 July 2016 and the payout date on 8 July 2016. The resolution was performed, the rate of the dividend paid out by Echo Investment for the net profit for 2015 stood at **approx.** 66%, taking into account the closing price of 30 June 2016.

#### 1.3.5. Changes in the Management Board

On 18 April 2016 the Supervisory Board of Echo Investment appointed **Nicklas Lindberg** as President of the Company's Management Board (CEO) for the duration of the joint term of the Management Board.

From 2001, Nicklas Lindberg worked with Skanska Sweden AB. Between 2005 and 2008, he held the functions of the Chief Financial Officer (CFO) and the Chief Executive Officer (CEO) in Skanska Russia. In 2008, he started working with Skanska Property Poland as a managing director (2008-2011), and from 2011 he held the function of the Business Unit President in Skanska Commercial Development Europe. He graduated from the faculty of economy of Kristianstad University, and also holds an MBA degree of Lund University.

In connection with the appointment of Nicklas Lindberg as the President of the Management Board, the Supervisory Board entrusted **Piotr Gromniak**, the previous President of the Management Board, with the function of a Vice-President of the Management Board (COO).

On 31 May 2016 Waldemar Lesiak handed in his resignation from his position in the Management Board with immediate effect, without specifying reasons thereof.

#### 1.3.6. Development activities:

#### Office developments

The key event of the first six months of the year involved completing the construction and putting into use our flagship project, i.e. the **Q22** office building in the centre of Warsaw with GLA of 53 thousand sq m. At present finishing touches are being put on the office space and tenants are moving in. The first tenant, i.e. Deloitte, moved in in early July 2016. At present

23.5

THOUSAND

# OF LEASED NEW OFFICE

the building is leased in over 70% and talks are ongoing for the remaining office space. Between January and June 2016 lease contracts were signed with such companies as Allegro (7.6 thousand sq m), William Demant (3 thousand sq m), Citi Handlowy (1 thousand sq m), Vestor Dom Maklerski (1.1 thousand sq m), Puro Hotels (0.4 thousand sq m), or Deloitte (extending the previous contract by additional 3 thousand sq m to 14 thousand sq m).

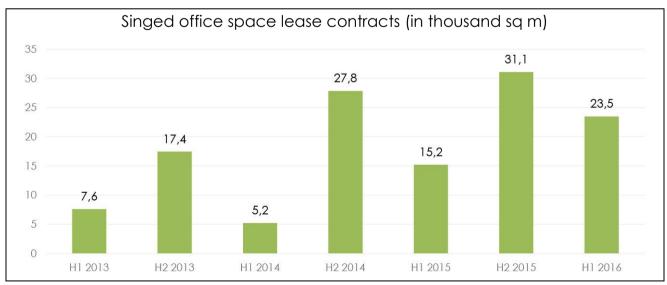
Significant events of H1, 2016 include putting into use the first of three buildings of the **O3 Business Campus** complex in Cracow. The building has GLA of 19 thousand sq m and at present it is leased in almost 70%.

The third phase of the **A4 Business Park** in Katowice is already at an advanced stage. It is predicted that the building permit will be obtained in September 2016. The office building with an area of 12 thousand sq m is leased in over 60% and the figure is expected to reach 90% at the end of the development process. Its key tenant is Rockwell Automation, which occupies 7.5 thousand sq m.

Echo Investment is particularly active in the office sector in Wrocław. On this market the Company is implementing 3 office projects: Nobilis Business House, Sagittarius Business House and West Link (II stage of the West Gate project). Finishing touches are being put to the Nobilis office building, which will have GLA of 16.9 thousand sq m. At present the building is leased in around 40% and advanced talks are underway for the remaining space.

The construction of the Sagittarius and West Link office buildings started at the turn of H1 and H2. The former will have GLA of 24.9 thousand sq m and it is expected to be completed in late 2017, while the latter will have GLA of 13.9 thousand sq m and it is expected to be put into use in early 2018. In both projects Echo Investment is at an advanced stage of talks with potential tenants, which should lead to leasing more than 70% of the area still in 2016.

The **Tryton Business House** in Gdańsk was put into use in H1, 2016. The building has GLA of 23.7 thousand sq m. Its tenants will include the IT company Ciklum (1 thousand sq m), the consulting firm EY (0.3 thousand sq m) and mBank (1.2 thousand sq m). Talks are being carried out with more prospective tenants from the BPO and SSC sector that are interested in leasing GLA of around 10 thousand sq m.



Data only for lease contracts for new buildings.

#### **Commercial developments**

In the segment of shopping centres the key event of H1, 2016 involved the commencement of the construction of Libero in

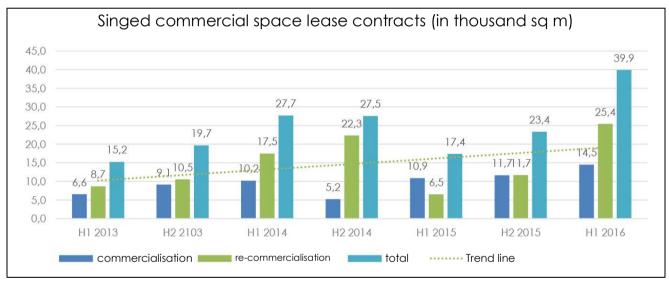
Katowice. Echo Investment received the building permit in June 2016. The facility will have GLA of 44.7 thousand sq m. Tenants will include the cinema operator Helios (3 thousand sq m), the fitness club Fabryka Formy (1.6 thousand sq m) or Media Markt (2.1 thousand sq m). The Company signed an agreement for redeveloping the roads around the facility with the authorities of Katowice. Libero is expected to be completed and put into use in 2018.

In H1, 2016 the Company also leased 100% of the office of the third stage of **Outlet Park** in Szczecin. Media Expert, the fitness Club Befit Clubs and the clinic Dom Lekarski will occupy a total area of 3.5 thousand sq m. The fourth stage of Outlet Park (the fitness club and the clinic) will be completed in H2, 2016 when the third stage, with an area of 3.8 thousand sq m, should get underway.

14.5 THOUSAND

OF LEASED NEW
COMMERCIAL SPACE

Obtaining the building permit for extending **Galaxy Szczecin** is another key event of H1, 2016. The shopping centre will be extended by 15.1 thousand sq m. In May an agreement was signed with Mostostal-Warszawa for developing the shell of the facility. The new part is expected to be put into use in 2017.



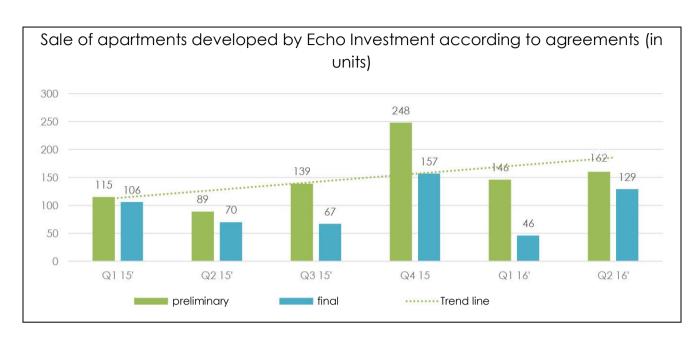
Due to the specificity of the commercial market, a small proportion of contracts signed do not take effect.

#### Residential developments

In H1, 2016 Echo Investment sold 308 apartments, i.e. 50% more than in H1, 2015, when the Company sold 204 apartments. At the same time in this period the Company handed over 175 apartments to customers, which will be reflected in the revenues and profits for H1, 2016. As of 30 June Echo Investment had

around 920 apartments in its portfolio in 23 projects situated in Poznań, Warsaw, Cracow, Wrocław, Łódź and Kielce. As of the publication date of this report, Echo Investment has 11 projects under construction with 1.1 thousand apartments.





#### 1.3.7. Disinvestments

In H1, 2016 Echo Investment group received a total of around **PLN 74 million** from selling assets that were not indispensable for conducting core business activities. The sale of the following assets was closed:

- "Zakład Ogrodniczy Naramowice Pamiątkowo Sp. z o.o." S.k.a. with agricultural land of approx. 535 ha. The transaction price was PLN 33 million.
- "Projekt Echo 133 Sp. z o.o." with its registered office in Pamiqtkowo that owned land with an area of approx. 105 ha in Lublin at ul. Poligonowa,
- claims for compensation against the city of Lublin on account of the takeover of plots of land from "Projekt Echo 133 Sp. z o.o." for public roads. The total transaction price was approx. PLN 41 million.

After the balance sheet date, on 27 August 2016, Echo Investment also sold a plot of land with an area of approx. 4.4 thousand sq m in Częstochowa at Al. Wolności for PLN 1.5 million.

#### 1.3.8. Acquisitions

In H1, 2016 Echo Investment group acquired a plot of land with an area of 6.9 thousand sq m in Wrocław at ul. Lotnicza, where the West Link office building (formerly called West Gate stage II) with GLA of 13.9 thousand sq m will be developed.

After the date of the report, on 29 July 2016, the Company signed a final contract for purchasing the right of perpetual usufruct of plots of land with a total area of 23.8 thousand sq m in Katowice at ul. Żelazna/Chorzowskiego/Grundmanna, where it plans to develop an office complex with total GLA of 38 thousand sq m.

On 26 July 2016 Echo Investment purchased 100% of shares of five companies making up an enterprise called Compass Offices. Through this investment Echo Investment entered the market of short-term office space lease contracts. With the support of Echo Investment, Compass Offices will be developing its business models at new locations, mainly in buildings developed by Echo Investment. The total transaction cost, including the price, the acquisition of shares and the subrogation of borrowings, exceeded EUR 1 million.

# 1.4. Factors and events, in particular those of unusual nature, materially affecting the financial performance

Factors affecting the financial performance of the Capital Group in the first half of 2016:

accounting of revenues from final agreements of sales of 175 apartments;

sales of "Zakład Ogrodniczy Naramowice – Pamiątkowo Sp. z o.o." S.k.a. and "Projekt Echo – 133 Sp. z o.o.", as well as claims for compensation against the city of Lublin on account of taking over plots of land from "Projekt Echo – 133 Sp. z o.o." for public roads, which generated revenues of PLN 74 million for the Company;

revenues generated from the lease of space in offices and shopping centres;

quarterly revaluation of the fair value of the property owned by the Group:

- in use, including:
  - changing foreign exchange rates (EUR & USD),

- indexation of rents,
- changing levels of net operating revenue,
- measurement of vacancies and stands;
- first valuations using the income method based on perpetuity (NOI/yield):
  - Tryton Business house in Gdańsk,
  - O3 Business Campus in Cracow,
  - A4 Bussines Park stage III in Katowice,

selling costs as well as general and administrative expenses;

valuation of liabilities from bonds, loans and borrowings at amortised cost;

measurement of loans and cash due to changes in foreign exchange rates;

measurement and settlement of FX hedging instruments;

interest on deposits and borrowings granted;

discounts and interests on loans, bonds and borrowings.

Unusual events affecting the Company's financial result in H1, 2016:

the first dividend payout in the Company's history (PLN 5.27 per share – including the dividend paid out in July 2016);

the sale of shares in Echo Polska Properties (the transaction described in detail in items 1.3.1 and 1.3.2 hereof).

#### Foreign currency hedging

FX hedging transactions are concluded under the applied hedging policy in order to guarantee future levels of cash flows from the currency conversion of loan tranches in EUR and one-off significant operating income (e.g. from the sale of investment projects).

The average-weighted strike for the remaining open transactions is 4.4647 EUR/PLN.

MATURITIES OF OPEN HEDGES (AS OF 30 JUNE 2016) IN MILLION EUR:

				MATURITY BY NOMINAL EUR]]	VALUE [MILLION
		BALANCE SHEET [MILLION EUR]	NOMINAL [MILLION EUR]	Q3, 2016	Q4, 2016
Options	EUR/PLN	-0.1	100.0	-	100.0
Forward	EUR/PLN	0.05	1.6	1.6	-

#### 1.5. Notes on the seasonality or cyclical nature of the Capital Group's business in the presented period

The operations of the Group cover several segments. The 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. In connection with selling almost the entire portfolio of revenue generating commercial properties on 1 June 2016 (see items 1.3.1 and 1.3.2 in the "Summary of significant achievements and failures of the Capital Group"), revenues from the lease of commercial space in different periods ceased to be comparative. Revenues from general investment services and property trading can be irregular. The Management Board cannot exclude other one-time events which may influence results generated in a given period.

#### 1.6. Accounting policy

During the preparation of these statements the Group used accounting principles consistent with the rules adopted and described in the annual consolidated financial statements for 2015, except for the application of the following new or amended standards and new interpretations effective for annual periods beginning on 1 January 2016:

- amendments to IAS 19 Defined Benefit Plans: Employee Contributions (issued on 21 November 2013),
- amendments resulting from the IFRS review 2010-2012 (issued on 12 December ,2013)
- amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations (issued on 6 May 2014),
- amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation (issued on 12 May 2014),
- amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants (issued on 30 June 2014),
- amendments to IAS 27 Equity method in separate financial statements (issued on 12 August 2014),
- amendments resulting from the IFRS review 2012-2014 (issued on 25 September 2014),
- amendments to IAS 1 Disclosures (issued on 18 December 2014).

The Group analysed the above amendments and ascertained that they do not have material impact on the Group's financial situation, results and the scope of disclosures in these interim condensed consolidated financial statements.

#### 1.7. Reporting by segment

The Group's business segments are presented in accordance with data derived from internal management reporting and analysed by the Management Board, which is the key operating decision-maker responsible for allocating resources and assessing the performance of operating segments.

The Group identified the following reporting segments, the same as the operating segments, defined based on the type of projects:

office buildings, shopping centres, residential developments.

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 specifically 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 11A-11E to these condensed financial statements.

#### 1.8. Estimates by the Group companies' Management Boards

To prepare the financial statements, the Group's Management Board had to make certain estimates and assumptions, which are reflected in the statements. The areas of significant estimates and judgements used to prepare these interim financial statements are the same as those presented in the annual consolidated financial statements for the financial year ended 31 December 2015. The actual results may differ from the estimates. The main areas in which estimates of the Management Boards have a significant impact on the financial statements include:

#### Investment properties/Investment properties under construction/Fixed assets available for sale

Investment properties are buildings rented by Group companies, grouped together because of the risks and valuation method in two classes of investment property (shopping centres and office buildings). The fair value of investment property is classified at Level 3 of the fair value hierarchy – there were no transfers between levels.

The fair value of fixed revenue-generating property is determined by the entity through by the income approach, using a simple capitalization technique as the ratio of net operating income of the project (NOI) to yields. The yield value is at least once a year verified by independent property appraisers, net operating income (NOI) is updated quarterly on the basis of the existing lease agreements, the values expressed in EUR and USD are calculated on a quarterly basis according to the current rates published by the NBP.

According to the Group's measurements, the total value of investment properties, as of 30 June 2016, was PLN 64,632 thousand. (PLN 55,197 thousand is the value of the office building, PLN 6,117 thousand is the value of investment land and PLN 3,318 thousand is the value of other properties). As of 31 December 2015 the value of investment properties was PLN 63,342 thousand (PLN 53,152 thousand is the value of the office building, PLN 7,273 thousand is the value of investment land and PLN 2,917 thousand is the value of other properties), and as of 30 June 2015 - PLN 4,290,955 thousand (PLN 3,285,654 thousand is the value of shopping centres, PLN 999,091 thousand is the value of office buildings, PLN 3,368 thousand is the value of investment land and PLN 2,842 thousand is the value of other properties). The capitalisation rates used to estimate the fair value for shopping centres were between 6.5% and 8.5% (as of 31 December 2015 and as of 30 June 2015), for buildings they were between 5.85% and 8.75% (as of 30 June 2016) and between 7.0% and 8.4% (as of 31 December 2015 and 30 June 2015).

All the investment properties under construction as of 30 June 2016 and as of 30 June 2015 were characterised with risks related to the implementation processes, at levels which in the opinion of the Management Board prevented credible estimation of the fair value of those properties. The value of investment properties under construction as of 30 June 2016 was PLN 594,566 thousand, and as of 30 June 2015 – PLN 1,214,159 thousand. Meanwhile, as of 31 December 2015 the Group had one office property under construction valued using the discounted cashflow method – its value was PLN 609,218 thousand. The value of the other investment properties under construction as of 31 December 2015 (disclosed according to the amount of expenditures incurred) was PLN 789,410 thousand. The capitalisation rates used to estimate the fair value for office buildings were between 7.0% and 8.4% (as of 31 December 2015).

In fixed assets available for sale the Group presents properties with respect to which a decision was made to sell them within 12 months. This item includes both completed projects, projects under construction and investment land. As of 30 June 2016 the value of fixed assets available for sale was PLN 1,396,604 thousand (PLN 1,285,908 thousand is the value of office buildings, PLN 110,696 thousand is the value of land real estate). As of 31 December 2015 the value of fixed assets available

for sale was PLN 5,192,965 thousand (PLN 1,123,761 thousand is the value of office buildings, PLN 3,927,139 thousand is the value of shopping centres and PLN 142,065 thousand is the value of land real estate) and as of 30 June 2015 the value of assets classified as available for sale was PLN 5,160 thousand (investment land). As of 30 June 2016 and 31 December 2015 all office properties and shopping centres recognised in fixed assets available for sale were measured at fair value. The capitalisation rates used to estimate the fair value for shopping centres were between 6.5% and 8.5% (as of 31 December 2015), for buildings they were between 5.85% and 8.75% (as of 30 June 2016) and between 7.0% and 8.4% (as of 31 December 2015).

As of 30 June 2016 in its interim statement of financial position, in the item "provisions", the Group recognised estimated liabilities of PLN 36.7 million resulting from the agreements signed.

#### Financial instruments measured at fair value

The fair value of financial instruments (included in the fair value hierarchy level 2) which are not traded on an active market is determined in accordance with valuation techniques (income method). The company uses its own judgement when selecting the measurement method and makes assumptions based on market conditions on each balance sheet day. In particular, the concluded forward agreements and option agreements are valued on the basis of valuations provided by the banks, which use in their calculations such data as current foreign exchange rates, the historical volatility and interest rates on deposits (WIBOR, EURIBOR). In H1, 2016 the Capital Group did not change the rules of measuring financial instruments, there were no changes in the classifications or movements in levels of the hierarchy of the fair values of instruments. There is no difference between the balance sheet value and the fair value of financial instruments.

#### **Inventories**

In estimating the amount of the write-down on inventories held by the Company as of the balance sheet date, active market data concerning the expected sales prices and current market trends and information arising out of the Company's preliminary sales agreements is analysed.

The assumptions used in the calculation of the write-down are based mainly on property market prices prevailing in a given market segment. In the case of land included as an inventory item, write-downs arise from the suitability of the land for the present and future needs of the Company estimated by the Board. The data on write-downs of inventories to net realizable value and the reversal for write-downs are presented in Note 3B.

#### Deferred income tax

The Management Board of the Company is obligated to estimate the probability of realisation of deferred income tax assets. In the process of preparing the financial statements, the Company estimates the value of provisions and deferred tax assets on the basis of, among other things, the value of future levels of burden of income tax. The process includes an analysis of the current levels of income tax burdens and the value of temporary differences resulting from different treatment of transactions for tax and accounting purposes, from which assets and deferred income tax result.

In the process of that evaluation, a number of assumptions are adopted for the purpose of determining the value of assets and the deferred income tax. These estimates take into account tax projections, historical value of the tax burden, currently available strategies for planning operations of the Company and completion dates of individual temporary differences. These estimates are subject to change due to external factors as the Company may periodically adjust the value of deferred tax assets and provision which in turn may affect the Company's financial situation and results.

In H1, 2016 the Group established and released deferred income tax provisions and assets with a total value of PLN 201.4 thousand, which increased the Group's financial result. A change of the legal status of the entities making up the Group, which were transformed into partnerships, was a material factor having an impact on the amount of the deferred income tax. As of the balance sheet date the Group had income deferred income tax provisions of PLN 18,229 thousand and deferred income tax assets of PLN 56,662 thousand.

#### 1.9. Additional information

#### Acquisitions or sales of fixed assets

In H1, 2016 a transaction was carried out with Redefine Properties Limited, described in item .1.3.2.

In H1, 2016 the Capital Group did not acquire properties with a value in excess of 10% of equity.

#### Changes in classification of non-financial assets

As of 30 June 2016, in connection with the intention to sell three investment properties with a total value of PLN 1,218 million (Tryton in Gdańsk, Q22 in Warsaw and O3 Business Park (Stage I) in Cracow) in the course of 12 months, these properties were reclassified from the item "properties" to the item "fixed assets available for sale."

As of 30 June 2016, in connection with the intention to sell an investment property under construction with a value of PLN 67.3 million, i.e. A4 Business Park (Stage III) in Katowice, this property was reclassified from the item "investment properties under construction" to the item "fixed assets available for sale."

As of 30 June 2016 a land property with a value of PLN 1.5 million situated in Częstochowa was also classified under fixed assets available for sale. The property was sold in July 2016 (see item 1.3.7).

# Non-repayment of a loan or violation of the material provisions of a loan agreement, in respect of which no corrective action was taken until the end of the reporting period

In H1, 2016 there were no actions related to non-repayment of a loan or breach of any material provisions of a loan agreement.

#### Issues, redemption and repayment of non-equity securities

See item 3 of the Management Report and Note 5 of the financial statements.

#### Transactions with related parties under terms other than market terms

In H1, 2016 within the Capital Group there were no transactions to related entities on other than market conditions.

#### Litigation

In H1, 2016 there were no significant settlements arising from litigation.

#### Changes of the economic situation

In H1, 2016 the Company's Management Board did not observe any change of the economic situation or business conditions in comparison with the previous year.

#### 1.10. Material events after the balance sheet date

Significant events after the balance sheet date should include:

- transferring to EPP NV all rights and obligations of the limited partner and the general partner in companies providing property management services, i.e. "Echo Investment Property Management "Grupa Echo Spółka z ograniczoną odpowiedzialnością" Spółka komandytowa with its registered office in Kielce and "Echo Investment Facility Management Grupa Echo Spółka z ograniczoną odpowiedzialnością" Spółka komandytowa with its registered office in Kielce;
- receiving information on the planned listing of all issued shares of EPP NV (transformed from EPP BV) on the stock exchanges in Luxembourg and Johnsonburg;
- selling an interest of 7.5% of EPP NV shares;
- acquiring the enterprise of Compass Offices.

These events are described in detail in item 1.3 hereof, i.e. "Summary of significant achievements and failures."

Other significant events after the balance sheet date should include the loan contract financing the construction of the office complex Symetris I and II in Łódź. The contract was signed on 18 August 2016. The construction loan of EUR 24.6 million was granted for three years by BGŻ BNP Paribas.

#### 1.11. Transactions with related parties

The Capital Group concluded the following transactions with related parties (other than the transactions with Management Board and Supervisory Board members described in note 1.12):

- purchase of consulting services by Echo Investment S.A. from Lisala Sp. z o.o. totalling PLN 8,373 thousand in H1, 2016.
- repayment of a borrowing of PLN 12,618 thousand arising from a contract signed in 2015 by Lisala Sp. z o.o. to Echo-Aurus Sp. z o.o. in February 2016,
- a contract for a borrowing from Echo-Aurus Sp. z o.o. to Lisala Sp. z o.o. concluded in 2016 for an amount of PLN 15,200 thousand, repaid in April 2016.

#### 1.12. Remuneration of the Management Board and Supervisory Board

The Management of Echo Investment S.A. in H1, 2016 received the remuneration at Echo Investment S.A. and for performing functions in the governing bodies of the subsidiaries, respectively:

In Echo Investmeth S.A. Nicklas Lindberg received total remuneration of PLN 883 thousand, he did not receive remuneration for serving in the authorities of the subsidiaries, jointly controlled entities or affiliates. Nicklas Lindberg's bonus system:

In addition, 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 an appropriate bonus per each increase of the share price above the base level, the amount of the bonus changes per PLN 1 of the change of the share price.

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.

At Echo Investment S.A. Maciej Drozd received total remuneration of PLN 1,183 thousand, he did not receive remuneration for serving in the authorities of the subsidiaries, jointly controlled entities or affiliates.

At Echo Investment S.A. Piotr Gromniak received total remuneration of PLN 796 thousand, he did not receive remuneration for serving in the authorities of the subsidiaries, jointly controlled entities or affiliates.

At Echo Investment S.A. Artur Languer received total remuneration of PLN 706 thousand, he did not receive remuneration for serving in the authorities of the subsidiaries, jointly controlled entities or affiliates.

At Echo Investment S.A. Waldemar Lesiak received total remuneration of PLN 696 thousand, he received remuneration for providing services to a subsidiary in the total amount of PLN 969 thousand, he did not receive remuneration for serving in the authorities of the subsidiaries, jointly controlled entities or affiliates.

Persons managing Echo Investment S.A. in H1, 2015 received remuneration at Echo Investment S.A. and for performing functions in the governing bodies of the subsidiaries, respectively:

At Echo Investment S.A. Piotr Gromniak received total remuneration of PLN 666 thousand, he did not receive remuneration for serving in the authorities of the subsidiaries, jointly controlled entities or affiliates.

At Echo Investment S.A. Artur Languer received total remuneration of PLN 589 thousand, he did not receive remuneration for serving in the authorities of the subsidiaries, jointly controlled entities or affiliates.

At Echo Investment S.A. Waldemar Lesiak received total remuneration of PLN 589 thousand, he did not receive remuneration for serving in the authorities of the subsidiaries, jointly controlled entities or affiliates.

In H1, 2015 provisions were established for bonuses for key employees of the Company, including provisions for bonuses for Management Board members of PLN 5,561 thousand.

The supervisors of Echo Investment S.A. in H1, 2016 received the remuneration at Echo Investment S.A. for the performance of supervisory functions respectively:

At Echo Investment Maciej Dyjas received total remuneration of PLN 30 thousand, he did not receive remuneration for serving in the authorities of the subsidiaries, jointly controlled entities or affiliates.

At Echo Investment Stefan Kawalec received total remuneration of PLN 90 thousand, he did not receive remuneration for serving in the authorities of the subsidiaries, jointly controlled entities or affiliates.

At Echo Investment Przemysław Krych received total remuneration of PLN 30 thousand, he did not receive remuneration for serving in the authorities of the subsidiaries, jointly controlled entities or affiliates.

At Echo Investment Nebil Senman received total remuneration of PLN 30 thousand, he did not receive remuneration for serving in the authorities of the subsidiaries, jointly controlled entities or affiliates.

The Supervisors of Echo Investment S.A. in H1, 2015 received the remuneration at Echo Investment S.A. for the performance of supervisory functions respectively:

At Echo Investment S.A. Wojciech Ciesielski received total remuneration of PLN 42 thousand, he did not receive remuneration for serving in the authorities of the subsidiaries, jointly controlled entities or affiliates.

At Echo Investment S.A. Andrzej Majcher received total remuneration of PLN 30 thousand, he did not receive remuneration for serving in the authorities of the subsidiaries, jointly controlled entities or affiliates.

At Echo Investment S.A. Mariusz Waniołka received total remuneration of PLN 30 thousand, he did not receive remuneration for serving in the authorities of the subsidiaries, jointly controlled entities or affiliates.

At Echo Investment S.A. Robert Oskard received total remuneration of PLN 18 thousand, he did not receive remuneration for serving in the authorities of the subsidiaries, jointly controlled entities or affiliates.

At Echo Investment S.A. Karol Żbikowski received total remuneration of PLN 18 thousand, he did not receive remuneration for serving in the authorities of the subsidiaries, jointly controlled entities or affiliates.

#### **NOTES**

#### NOTE 1

OFF-BALANCE SHEET ITEMS [THOUSAND PLN)	30.06.2016	31.12.2015	30.06.2015
1. Contingent receivables			
1.1 To other entities, due to:			
a) claims arising from the acquired land	-	5,000	-
	-	5,000	-
Contingent receivables, total	-	5,000	-
Contingent liabilities			
1.1 To related parties, due to:			
a) granted guarantees and warranties	-	-	-
1.2 To other entities, due to:	-	-	-
a) granted guarantees and warranties	639,818	372,359	65,946
b) litigation	150	150	-
	639,968	372,509	65,946
Contingent liabilities, total	639,968	372,509	65,946

Contingent liabilities are shown at nominal value, no different from fair value.

#### List of guarantees (issued on behalf of the Group) and security:

- 1. Security of liabilities for Horta Sp. z o.o. in the event of improper performance of the final contract of sale of an office building Aquarius Business House in Wroclaw, stage I. Guarantee issued in EUR. The guarantee amounts to PLN 22,128 thousand.
- 2. Security of liabilities for Skua Sp. z o.o. in the event of improper performance of the final contract of sale of an office building Aquarius Business House in Wroclaw, stage I. Guarantee issued in EUR. The guarantee amounts to PLN 39,830 thousand.
- 3. Security for costs overruns of the implementation of Tryton Business House office building project in Gdańsk, to the benefit of HSBC BANK plc. The guarantee amounts to PLN 34,974 thousand.
- 4. Security for costs overruns in the implementation of Opolska Business Park office building project, stage I, in Kraków, to the benefit of HSBC BANK plc. The guarantee amounts to PLN 27,106 thousand.
- 5. Powszechny Zakład Ubezpieczeń S.A. granted the guarantee for FTF Columbus S.A. as security for improper performance of the agreement of 22 June 2015. by Echo Investment SA. The guarantee amounts to PLN 24,600 thousand.
- 6. Powszechny Zakład Ubezpieczeń S.A. granted the guarantee for FTF Columbus S.A. as security for improper performance of agreements of 27 January 2016 by Echo Investment SA. The guarantee amounts to PLN 180,000 thousand.
- 7. Security for exceeded costs, coverage for the lack of own funds, hedging liabilities and support in organising the construction process during implementation of the Q22 office development in Warsaw for Bank Zachodni WBK S.A. and PKO BP S.A. Guarantee issued in EUR. The guarantee amounts to PLN 265,530 thousand.
- 8. Security of overrunning costs of implementing the Nobilis office development in Wrocław for mBank S.A. The guarantee amounts to PLN 5,489 thousand.
- 9. Security of non-performance of the obligation of Outlet Park Projekt Echo 126 Spółka z ograniczoną odpowiedzialnością SK for the State Treasury. The guarantee amounts to PLN 40,163 thousand.

#### **NOTE 2A**

CHANGE IN PROPERTIES (THOUSAND PLN)	30.06.2016	31.12.2015	30.06.2015
Opening balance	63,342	4,065,211	4,065,211
a) increases (due to)			
- reclassification from investment property under construction	1,071,206	278,951	216,432
- capital expenditures	16,103	96,621	27,793
- reclassification from fixed assets	-	29,284	-
- reclassification from inventories	-	47,160	8,528
- changes in the valuation of property	133,663	646,503	-
- values of rent free periods	-	7,674	302
	1,220,972	1,106,193	253,055
b) decreases (due to)			
- sales	-	16,591	-
- changes in the valuation of property	-	-	21,802
- reclassification to investment property under construction	-	6,396	-
- reclassification to inventories	-	98	349
- reclassification to fixed assets held for sale (Note 2D)	1,219,682	5,084,977	5,160
	1,219,682	5,108,062	27,311
Property at the end of the period	64,632	63,342	4,290,955

The Group values the property at fair value at the end of each calendar quarter. Profit/loss from valuation are shown in "Profit (loss) on investment property" in the Profit and Loss Account.

As of 30 June 2016, the Group classified 5 investment properties located in the cities in Poland in the item of "Investment property".

As of 31 December 2015, the Group classified 6 investment properties located in the cities in Poland in the item of "Investment property".

As of 30 June 2015, the Group classified 21 investment properties located in the cities in Poland in the item of "Investment property". Whereas most of the lease agreements stipulated for rents denominated in euro, appraisals were prepared in these currencies and converted to PLN at the exchange rate effective at the balance sheet date.

In H1 2016 the Group put into use 3 office buildings: Tryton in Gdańsk, Q 22 in Warsaw and O3 Business Park (stage I) in Cracow. These projects were reclassified from the item "investment properties under construction" (note 2C). As of 30 June 2016, due to the intention to sell the abovementioned properties within 12 months (details – note 2D), they were reclassified to fixed assets available for sale.

As of 30 June 2016 the land property situated in Częstochowa, sold in July 2016 (see item 1.3.7), was also classified under fixed assets available for sale.

#### NOTE 2B

AMOUNTS STATED IN THE INTERIM CONSOLIDATED PROFIT AND LOSS ACCOUNT (THOUSAND PLN)	01.01.2016 - 30.06.2016	01.01.2015 - 31.12.2015	01.01.2015 - 30.06.2015
a) rental income from investment property	191,640	421,151	201,684
b) direct operating expenses (including repairs and maintenance) arising from investment property which generated rental income during the period	65,943	153,569	76,086
c) direct operating expenses (including repairs and maintenance) arising from investment property which did not generate rental income during the period	164	687	-

#### NOTE 2C

CHANGE IN PROPERTIES UNDER CONSTRUCTION (THOUSAND PLN)	30.06.2016	31.12.2015	30.06.2015
Opening balance	1,398,628	1,207,214	1,207,214
a) increases (due to)			
- capital expenditures	181,001	473,320	245,336
- changes in the valuation of property	223,907	167,476	-
- reclassification from inventories	-	714	-
- exchange rate differences	275	-	-
- reclassification from investment property	-	6,396	-
	405,183	647,906	245,336
b) decreases (due to)			
- reclassification to investment property	1,071,206	278,951	216,432
- changes in the valuation of property	19,226	66,258	18,769
- exchange rate differences	446	3,295	3,190
- reclassification to fixed assets held for sale (Note 2D)	118,367	107,988	-
	1,209,245	456,492	238,391
Property at the end of the period	594,566	1,398,628	1,214,159

In H1, 2016 the activated amount of borrowing costs stood at: PLN 6,321 thousand, in 2015 – PLN 16,913 thousand, in H1, 2015 – PLN 8,560 thousand.

The capitalisation rate stood at: in H1, 2016 – 2.16%, in 2015 – 4.44%, in H1, 2015 – 2.3%. The capitalization rate is the weighted average rate of all borrowing costs on loans and borrowings taken out during the period, other than borrowings made specifically for the purpose of acquiring a qualifying asset.

In H1, 2016 the Group put into use 3 office properties which were reclassified to the item "investment property". As of 30 June 2016, due to the intention to sell the abovementioned properties within 12 months (details – note 2D), they were reclassified to the item "fixed assets available for sale". A4 Business Park (stage III) in Katowice, under construction, was also classified as available for sale.

#### NOTE 2D

CHANGE IN ASSETS HELD FOR SALE (THOUSAND PLN)	30.06.2016	31.12.2015	30.06.2015
Opening balance	5,192,965	-	-
a) increases (due to)			
- reclassification from investment property under construction	118,367	107,988	-
- reclassification from investment property	1,219,682	5,084,977	-
- reclassification from inventories	=	5,160	5,160
- capital expenditures	14,991	-	-
- changes in the valuation of property	111,857	-	-
- exchange rate differences	2,509	=	-
	1,467,406	5,198,125	5,160
b) decreases (due to)			
- changes in the valuation of property	1,042	-	-
- sales	5,262,726	5,160	-
	5,263,768	5,160	-
Property at the end of the period	1,396,603	5,192,965	5,160

As of 31 December 2015 assets available for sale included 16 investment properties covered by the agreement for sale and subscription of shares concluded with Redefine Properties Limited in 2016 as well as 5 land properties: in Lublin, Słupsk, Koszalin, Brasov and Budapest, with a total value of PLN 143 million. All the assets were reclassified to the item "assets held for sale" due to an ongoing effort to find buyers as well as plans to sell them within 12 months.

Due to the fact that all the conditions precedent had been fulfilled and that the final agreement for selling a part of shares and subscribing new shares of EPP NV had been concluded on 1 June 2016, as described in item 1.3.2, the title of ownership to those assets was transferred and the assets are not disclosed in the balance sheet of the Group as of 30 June 2016.

Furthermore, the item "decreases due to sale" presents the value of the land property in Lublin sold in March 2016 (see item 1.3.7).

As of 30 June 2016, in connection with the intention to sell three investment properties from the business segment "office buildings" with a total value of PLN 1,218 million (Tryton in Gdańsk, Q22 in Warsaw and O3 Business Park (Stage I) in Cracow) in the course of 12 months, these properties were reclassified from the item "investment properties" to the item "fixed assets held for sale." Liabilities related to them are described in Note 6.

As of 30 June 2016, in connection with the intention to sell an investment property under construction from the business segment "office buildings" with a value of PLN 67.3 million, i.e. A4 Business Park (Stage III) in Katowice, this property was reclassified from the item "investment properties under construction" to the item "fixed assets held for sale." Liabilities related to it are described in Note 6.

As of 30 June 2016 the land property situated in Częstochowa with a value of PLN 1.5 million, sold in July 2016 (see item 1.3.7), was also classified under fixed assets held for sale.

#### **NOTE 3A**

INVENTORIES (THOUSAND PLN)	30.06.2016	31.12.2015	30.06.2015
a) materials	3	228	236
b) semi-finished products and work-in-progress	430,648	521,657	494,725
c) finished products	171,016	48,913	62,318
d) goods	23,525	24,662	35,007
e) advance payments for deliveries	-	-	-
Total inventories	625,192	595,460	592,286

In H1, 2016 the activated amount of borrowing costs stood at: PLN 918 thousand, in 2015 – PLN 4,669 thousand, in H1, 2015 – PLN 1,924 thousand.

The capitalisation rate stood at: in H1, 2016 – 2.16%, in 2015 – 4.44%, in H1, 2015 – 2.3%.

"Finished products" include finished residential apartments for sale.

"Semi-finished products and products in progress" mainly include the Group's property and expenditures on housing developments in the course of planning and execution.

The "Goods" item includes land held for sale.

Inventories are valued no higher than the obtainable value of the net sales. This value is derived from the information from an active market. Reversal of inventory write—down occurs either in connection with the sale of an inventory item or in connection with an increase in net realizable value. The amounts of impairment losses on inventories recognized as an expense in the period and any reversals of impairment loss which decreases the value of inventories recognized as income in the period are disclosed in the income statement under "Prime Costs of Sale."

#### **NOTE 3B**

INVENTORIES – IMPACT ON THE RESULT (THOUSAND PLN)	01.01.2016 - 30.06.2016	01.01.2015 - 31.12.2015	01.01.2015 - 30.06.2015
a) amount of inventories recognized as an expense in the period	55,035	130,995	56,260
b) amount of inventory write-downs in the period	-	31,588	8,878
c) amount of reversal of write-downs which decrease the value of inventories in the period	-	15,549	1,280

The amount of inventories recognised as an expense in the period can be found in the Profit and Loss Account in the "Prime Costs of Sales" item.

#### **NOTE 4A**

DERIVATIVE FINANCIAL INSTRUMENTS (ASSETS) (THOUSAND PLN)	30.06.2016	31.12.2015	30.06.2015
a) Interest Rate Swap	18	72	1,373
b) FX options	143	1,020	3,085
c) FX forwards	49	83	3,618
Derivative financial investments, total	210	1,175	8,076
of which with maturity:			

- within 1 year	210	1,175	3,973
- between 1 and 5 years	-	-	4,103
- above 5 years	-	-	-

#### NOTE 4B

DERIVATIVE FINANCIAL INSTRUMENTS (LIABILITIES) (THOUSAND PLN)	30.06.2016	31.12.2015	30.06.2015
a) Interest Rate Swap	493	1,580	660
b) FX options	272	316	1,473
c) FX forwards	-	1,594	1,974
d) estimated share in profit (Q22 option agreement)*		127,579	-
Derivative financial liabilities, total	765	131,069	4,107
of which with maturity:			
- within 1 year	272	129,489	1,973
- between 1 and 5 years	493	1,580	1,474
- above 5 years	-	-	660

The total amount of nominal value of currency options as of 30 June 2016 was EUR 150 million. These contracts include: sale (EUR 100 million) and purchase (EUR 50 million) of euro in 2016 and are intended to hedge a portion of the Group's forecast cash flows against FX risk.

As of 30 June 2016 the total amount of the nominal value of unsettled FX forwards stood at EUR 1,568 thousand. These contracts involve the sale of euro in 2016 and are intended to hedge a portion of the Group's forecast cash flows against FX risk

IRS instruments concern the conversion of variable into fixed interest rate. As of 30 June 2016, they applied to loans with the total nominal value of PLN 305,000 thousand by 19 June 2018. As of 31 December 2015, they applied to loans with the total nominal value of PLN 355,000 thousand by 19 June 2018. The concluded IRS transactions and interest rate options protect a portion of future interest payments within the Group against the risk of changes in interest rates

In particular, the concluded forward contracts, option contracts and IRS instruments are measured based on measurements provided by the banks, which use data such as current and historic exchange rates, and interest rates on deposits (WIBOR, EURIBOR). The fair value of financial instruments is classified at level 2 in the hierarchy of fair value.

\*Estimated share in the profit related to the Q22 option agreement was reclassified to the item of liabilities concerning investment properties available for sale.

#### NOTE 5

LOANS AND BORROWINGS (BY TYPE) (THOUSAND PLN)	30.06.2016	31.12.2015	30.06.2015
a) loans	543,777	3,029,930	2,401,410
b) borrowings	96,908	-	2,401,410
b) debt securities	836,332	1,009,835	803,837
d) interest on borrowings	150	-	-
Loans and borrowings, total	1,477,167	4,039,765	3,205,247
- of which long-term portion	1,107,202	3,707,943	2,768,057
- of which short-term portion	369,965	331,822	437,190

Under "loans", the Group presents its long-term special-purpose loans and overdraft facilities. The amount of liabilities due to loans resulting from the sale of shares in EPP NV, indirectly the owner of special-purpose companies that had financial liabilities on that account, changed as of the end of H1, 2016.

Loan agreements are secured by mortgages established on properties, assignments of outstanding amounts due to the concluded agreements and registered pledges on the interests of subsidiaries. The interest rate on the loans in EUR is based on EURIBOR plus the bank's margin. The Group applies interest rate hedges in the form of IRS instruments. Most of IRS instruments are not stand-alone instruments but are included in loan agreements and measured together with loans.

Loan facilities in PLN are secured by blank promissory notes, statements on submission to enforcement and authorisations to use bank accounts. The interest rate on the loans is based on WIBOR plus the bank's margin.

Under "borrowings" the Group presents its long-term borrowings.

Under "debt securities" the Group presents issued bonds – in H1, 2016 it redeemed bonds with a nominal value of PLN 175 million (in 2015 – PLN 135 million). The bond interest rate is based on WIBOR plus the margin.

Loan liabilities are measured using the "amortized cost of a liability," according to IAS 39.

As of 30 June 2016, 13.1% of liabilities on loans and debt securities yielded fixed-rate interest, the remaining part – variable-rate interest. As of 31 December 2015, 31.7% of liabilities on loans and debt securities yielded fixed-rate interest, the remaining part – variable-rate interest.

The fair value of liabilities due to loans and borrowings does not differ materially from the carrying amount. The fair value was determined using the income approach based on cash flows discounted using the current market interest rate. The measurement to fair value was classified to level 2 in the hierarchy of fair value.

According to the best information and data of the Management Board of the Group, during the financial year and by the date of signing of the financial statements there has been no breach of the loan agreements and agreed security levels.

#### NOTE 6

#### LIABILITIES RELATED TO ASSETS HELD FOR SALE

As of 30 June 2016 under "liabilities related to assets held for sale" the Group disclosed liabilities related to the following office properties: Tryton, O3 Bussines Park (stage I) and A4 Bussines Park (stage III) resulting from concluded contracts worth PLN 27.2 million in total. Furthermore, this item includes the liability related the Q22 office building resulting from the concluded contract worth PLN 281.5 million.

#### NOTE 7

NET REVENUES FROM SALES DUE TO: (THOUSAND PLN)	01.01.2016 - 30.06.2016	01.01.2015 - 30.06.2015
a) lease of space in shopping centres, and in shopping and entertainment centres	149,952	162,858
d) construction and lease of space in office facilities	46,694	41,551
b) sale and lease of residential space	77,842	65,717
d) other sales	6,044	3,626
Net revenues from sales, total	280,532	273,752

#### NOTE 8

NET PROFIT (LOSS) ON INVESTMENT PROPERTY (THOUSAND PLN)	01.01.2016 - 30.06.2016	01.01.2015 - 30.06.2015
Revenues from the sale of property	-	=
Property selling costs	-	-
Revaluation of property	385,218	(40,571)
Net profit (loss) on investment property	385,218	(40,571)

The item "revaluation of property" includes the cost resulting from the liabilities described in Note 6 (for office properties: Tryton, O3 Bussines Park (stage I) and A4 Bussines Park (stage III)).

#### NOTE 9

FINANCIAL EXPENSES (THOUSAND PLN)	01.01.2016 - 30.06.2016	01.01.2015 - 30.06.2015
Interest expenses	(58,133)	(49,429)
Costs due to revaluation of financial assets	(6,654)	(2,978)
Financial commissions	(19,178)	(2,841)
Loss on disposal of investments(	(25,876)	(3,697)
Costs due to revaluation of other financial instruments (option to buy the Q22 project)	(153,920)	-
Other financial expenses	(30)	(8)
Total financial expenses	(263,791)	(58,953)

<sup>\*</sup> Including the result on de-consolidation of EPP NV in the amount of PLN 25,696 thousand.

#### NOTE 10

CHANGE IN PROVISIONS ACCORDING TO TITLES (THOUSAND PLN)	30.06.2016	31.12.2015	30.06.2015
a) opening balance			
- provision for penalties	2,000	2,000	2,000
- provisions for costs of selling shares	-	-	-
- litigation	2,006	-	-
- provisions for costs	10,592	-	-
	14,598	2,000	2,000
b) change in the period (arising from)			
- provision for penalties	=	-	-
- provisions for costs of selling shares*	45,054	-	-
- litigation	=	2,006	800
- provisions for costs	45,536	10,592	-
	90,590	12,598	800
c) closing balance			
- provision for penalties	2,000	2,000	2,000
- provisions for costs of selling shares	45,054	-	-
- litigation	2,006	2,006	800
- provisions for costs	56,128	10,592	-
	105,188	14,598	2,800

<sup>\*</sup> The provisions for costs of selling 16 assets, described in detail in item 1.3.2, were recognised in the consolidated statements for the year ended 31 December 2015 and they were presented as transaction costs decreasing the value of assets held for sale in accordance with the requirements of IFRS 5. In 2016 the unsettled part of these provisions of PLN 25,214 thousand was reclassified to the item of provisions as the abovementioned assets were sold and de-consolidated from the Group's balance sheet on 1 June 2016.

# REPORTING BY SEGMENT

#### NOTE 11A

ALLOCATION OF ASSETS TO SEGMENTS (THOUSAND PLN)	30.06.2016	31.12.2015	30.06.2015
- shopping centres	175,900	4,251,181	3,652,931
- office buildings	1,988,891	2,739,942	1,940,034
- residential areas	679,833	701,373	578,155
- unallocated assets	2,705,233	696,455	557,829
Total assets	5,549,857	8,388,951	6,728,949

# NOTE 11B

ALLOCATION OF LIABILITIES TO SEGMENTS (THOUSAND PLN)	30.06.2016	31.12.2015	30.06.2015
- shopping centres	10,163	2,285,408	1,754,081
- office buildings	917,573	1,017,141	688,948
- residential areas	100,781	71,313	44,735
- unallocated liabilities	2,723,853	1,351,586	1,072,792
Total liabilities	3,752,370	4,725,448	3,560,556

#### NOTE 11C

ALLOCATION OF OPERATING REVENUES TO SEGMENTS (THOUSAND PLN)	01.01.2016 - 30.06.2016	01.01.2015 - 30.06.2015
- shopping centres	149,952	162,858
- biurowce	46,694	41,551
- residential areas	77,842	65,717
- unallocated revenues	6,044	3,626
Total operating revenues	280,532	273,752

# NOTE 11D

ALLOCATION OF OPERATING COSTS TO SEGMENTS (THOUSAND PLN)	01.01.2016 - 30.06.2016	01.01.2015 - 30.06.2015
- shopping centres	(47,332)	(53,357)
- office buildings	(26,932)	(24,336)
- residential areas	(57,085)	(56,810)
- unallocated costs	(3,826)	(4,169)
Total operating revenues	(135,175)	(138,672)

#### NOTE 11E

ALLOCATION OF GROSS PROFIT/LOSS ON SALES TO SEGMENTS (THOUSAND PLN)	01.01.2016 - 30.06.2016	01.01.2015 - 30.06.2015
- shopping centres	102,620	109,502
- office buildings	19,762	17,216
- residential areas	20,756	8,907
- unallocated costs	2,218	(545)
Total operating profit (loss)	145,356	135,080

Unallocated assets and liabilities include items which cannot be clearly attributed to individual segments.

There were no inter-segment revenues within the Group.

#### FINANCIAL RISK MANAGEMENT

#### NOTE 12

In the interim period there were no material changes in financial risk management in comparison with the previous financial year. A material change in the scope of non-discounted contractual cash flows on account of loans in comparison with the balance as of 31 December 2015 is caused by the sale of shares in EPP NV, an indirect owner of the special-purpose companies that had financial liabilities on that account. Moreover, Echo Investment SA, the parent company, repaid a portion of bonds and subsidiaries incurred borrowings from external parties.

As of the balance sheet date of 30 June 2016 non-discounted contractual cash flows are as follows:

[IN THOUSAND PLN]	LOANS	BORROWINGS	BONDS	FORWARD DERIVATIVES	TRADE LIABILITIES
Up to 1 year	38,127	-	262,164	491	75,026
Between 1 and 3 years	94,465	-	639,867	273	-
Between 3 and 5 years	42,657	-	-	-	-
Between 5 and 10 years	518,490	116,573	-	-	-
Total	693,739	116,573	902,031	764	75,026

As of the balance sheet date of 31 December 2015 non-discounted contractual cash flows were as follows:

[IN THOUSAND PLN]	LOANS	BONDS	FORWARD DERIVATIVES	TRADE LIABILITIES
Up to 1 year	147,458	246,018	1,910	112,641
Between 1 and 3 years	444,100	689,223	641	12
Between 3 and 5 years	1,024,001	175,065	939	-
Between 5 and 10 years	1,733,793	-	-	-
Above 10 years	14,930	-	-	-
Total	3,364,282	1,110,306	3,490	112,653

#### NOTE 13 Share in affiliated entities

Since 1 June 2016 the Group has held 25% of shares minus one in Echo Polska Properties NV. The entity invests in high quality properties for lease, mainly in Europe, in order to provide investors with a stable rate of return. In consolidated financial statements, the share of the Group in Echo Polska Properties NV is valued using the equity method.

# Financial data of affiliated entities

CONDENSED STATEMENT OF FINANCIAL POSITION [IN THOUSANDS PLN)	30.06.2016
Current assets	136,763
Non-current assets	5,432,824
Current liabilities	449,355
Non-current liabilities	2,798,369
Equity	2,321,862

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IN THOUSAND PLN)	04.01.2016 – 30.06.2016
Revenues	169,307
Prime cost of sale	(53,904)
Management costs	(24,473)
Profit from revaluation of properties	59,073
Financial costs/revenues	(49,596)
Gross profit	94,624
Income tax	177,584
Net profit	272,208
Other comprehensive income transferable later on to the profit/loss	(7,580)
Comprehensive income	264,627

# Dated: 31 August 2016 Signatures of the Echo Investment S.A. Management Board

Nicklas Lindberg	Maciej Drozd	Piotr Gromniak	Artur Langner
President of the Management Board	Vice-President of the Management Board	Vice-President of the Management Board	Vice-President of the Management Board
	Signature of the person er	ntrusted with bookkeeping	
	Anna Gabryszev	wska-Wybraniec	

Chief Accountant

# II. CONDENSED INTERIM SEPARATE FINANCIAL STATEMENTS

# SEPARATE INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION [THOUSAND PLN]

ASSETS	NOTE	30.06.2016	31.12.2015	30.06.2015
1. Non-current assets				
1.1. Intangible assets		76	160	238
1.2. Property, plant and equipment	1	5,511	6,945	6,102
1.3. Investment properties	2	6,685	6,285	6,210
1.4. Investments in subsidiaries, joint subsidiaries and associated companies	3	960,706	464,167	867,809
1.5. Long-term financial assets	3	1,901,606	4,082,815	13,547
1.6. Borrowings granted	4	-	21	285,821
1.7. Deferred income tax asset	5	49,442	46,731	29,279
	_	2,924,026	4,607,124	1,209,006
2. Current assets				
2.1. Inventories	6	323,953	305,075	347,076
2.2. Income tax receivables		80	2,234	931
2.3. Other tax receivables		=	-	-
2.4. Trade and other receivables		82,612	59,374	88,185
2.5. Borrowings granted	4	98,170	278,731	32,114
2.6. Restricted cash		23,779	16,571	13,163
2.7. Cash and cash equivalents	_	1,362,870	19,048	8,564
		1,891,464	681,033	490,033
3. Assets held for sale	2	-	-	5,160
TOTAL ASSETS		4,815,490	5,288,157	1,704,199

# SEPARATE INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION [THOUSAND PLN]

EQUITY AND LIABILITIES	NOTE	30.06.2016	31.12.2015	30.06.2015
1. Equity				
1.1. Share capital		20,635	20,635	20,635
1.2. Supplementary capital		1,445,400	105,926	661,689
1.3. Reserve capital		-	555,763	-
1.4. Retained earnings / Loss carried forward		(5,157)	(5,157)	(5,157)
1.5. Net profit		244,251	2,958,590	43,064
	_	1,705,129	3,635,757	720,231
2. Provisions				
2.1. Provisions for liabilities - current	10	58,092	43,566	2,000
2.2. Provisions for liabilities - non-current		-	-	800
	_	58,092	43,566	2,800
3. Non-current liabilities				
3.1. Loans, borrowings and bonds	7	579,495	766,574	549,200
3.2. Security deposits and prepayments received		1,113	527	666
	_	580,608	767,101	549,866
4. Current liabilities				
4.1. Loans, borrowings and bonds	9	759,136	760,855	369,304
- of which: from subsidiaries		397,196	501,969	-
4.2. Current income tax liabilities	8	5,679	188	-
4.3. Other tax liabilities	8	2,044	1,852	1,916
4.4. Trade liabilities	8	38,320	25,898	7,894
4.5. Security deposits and prepayments received	8	53,412	30,280	34,729
4.6. Liabilities against dividend	8	1,584,732	-	-
4.7. Other liabilities	8	28,338	22,660	17,459
		2,471,661	841,733	431,302
TOTAL EQUITY AND LIABILITIES		4,815,490	5,288,157	1,704,199

# INTERIM SEPARATE CONDENSED PROFIT AND LOSS ACCOUNT [THOUSAND PLN]

	NOTE	01.01.2016- 30.06.2016	01.01.2015- 30.06.2015
Revenues	12	121,704	67,624
Prime cost of sale		(65,817)	(28,796)
Gross profit on sales		55,887	38,828
Profit on investment properties	2	401	(60)
Selling costs		(13,046)	(12,541)
General administrative expenses		(32,637)	(41,526)
Other operating revenues	13	249,170	78,463
Other operating expenses		(26,785)	(1,079)
Profit before tax and excluding financial revenue / expenses		232,990	62,085
Financial revenues	14	50,989	2,082
Financial expenses		(31,420)	(26,006)
Gross profit		252,559	38,161
Income tax		(8,308)	4,903
Net profit		244,251	43,064
Net profit		244,251	43,064
Weighted average ordinary shares		412,690,582	412,690,582
Profit per ordinary share (in PLN)		0.59	0.10
Weighted average diluted ordinary shares		412,690,582	412,690,582
Diluted profit per ordinary share (in PLN)		0,59	0,10

# INTERIM SEPARATE CONDENSED STATEMENT OF COMPRENESIVE INCOME [THOUSAND PLN]

Other comprehensive income, net  Comprehensive income		244,251	43,064
Other comprehensive incomes not			
Net profit		244,251	43,064
	NOTE	01.01.2016- 30.06.2016	01.01.2015-3 0.06.2015

# INTERIM SEPARATE CONDENSED CASH FLOW STATEMENT [THOUSAND PLN]

	NOTE	01.01.2016- 30.06.2016	01.01.2015- 30.06.2015
Cash flows from operating activities – indirect method			
I. Gross profit		252,559	38,161
II. Adjustments		(226,119)	(48,912)
1. Depreciation		1,019	1,377
2. Interest and shares in profit (dividend)		(253,850)	(51,254)
3. Profit / (loss) on revaluation of assets and liabilities		26,712	965
III. Change in working capital		(7,882)	(11,212)
1. Change in provisions		(20,342)	(531)
2. Change in inventories		(18,879)	(14,091)
3. Change in receivables		(4,456)	(10,395)
4. Changes in current liabilities, except for loans and borrowings		43,003	24,596
5. Change in restricted cash		(7,208)	(10,791)
IV. Net cash generated from operating activities (I+/-II+/- III)		18,558	(21,963)
V. Income tax paid		(1,326)	(3,092)
VI. Net cash flows from operating activities (IV+/-V)		17,232	(25,055)
Cash flows from investing activities			_
I. Inflows		2,261,911	561,047
1. Disposal of intangible assets, and property, plant and equipment		1,076	441
2. Disposal of investments in properties and intangible assets		-	-
3. From financial assets, of which:		2,260,835	560,606
a) in related parties		2,224,567	533,178
- disposal of financial assets		551,316	-
- dividends and profit sharing		248,292	71,432
- repayment of borrowings granted		253,436	460,248
- interest		5,322	1,498
- redemption of certificates		1,136,201	-
- other inflows from financial assets		30,000	-
b) in other entities		36,268	27,428
- disposal of financial assets		36,268	-
- repayment of borrowings granted		-	26,793
- interest		-	635
II. Oufflows		(110,088)	(530,337)
1. Purchase of intangible assets and PP&E		(344)	(401)
2. Investments in properties and intangible assets		-	(93)
3. On financial assets, of which:		(109,724)	(529,666)
a) in related parties		(109,724)	(529,666)
- purchase of financial assets		(35,218)	(14,469)
- borrowings granted		(74,506)	(515,197)
b) in other entities		-	-
4. Other capital expenditures		(20)	(177)
Net cash flows from investing activities		2,151,823	30,710

# INTERIM SEPARATE CONDENSED CASH FLOW STATEMENT [THOUSAND PLN]

	NOTE	01.01.2016- 30.06.2016	01.01.2015- 30.06.2015
Cash flows from financing activities			
I. Inflows		105,000	88,896
1. Net inflows from issue of shares (interests), and other equity instruments and capital contributions		-	-
2. Loans and borrowings		105,000	88,896
3. Issuance of debt securities		-	-
II. Oufflows		(930,233)	(142,697)
1. Purchase of equity shares (interests)		-	-
2. Dividends and other payments to owners		(590,148)	-
3. Expenditure against distribution of profit, other than payments to owners		-	-
4. Repayments of loans and borrowings		(129,082)	(31)
5. Redemption of debt securities		(175,000)	(115,000)
6. Due to other financial liabilities		-	-
7. Payment of liabilities arising from finance leasing		-	-
8. Interest		(36,003)	(27,666)
9. Other financial outflows		-	-
Net cash flows from financing activities		(825,233)	(53,801)
Total net cash flows		1,343,822	(48,146)
Balance sheet change of cash, of which:		1,343,822	(48,146)
- change in cash due to foreign exchange gains/losses		1,927	-
Opening balance of cash		19,048	56,710
Closing balance of cash		1,362,870	8,564

# INTERIM SEPARATE CONDENSED STATEMENT OF CHANGES IN EQUITY [THOUSND PLN]

	SHARE CAPITAL	SUPPLEMENTAR Y CAPITAL	RESERVE CAPITAL	PREVIOUS YEARS PROFIT	CURRENT YEAR PROFIT	TOTAL EQUITY
As of 1 January 2016	20,635	105,926	555,763	2,953,433	-	3,635,757
Adjustments of result from previous years	-	-	-	-	-	
As of 1 January 2016	20,635	105,926	555,763	2,953,433	-	3,635,757
Changes in the period:						
Allocation of result from previous years	-	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	-	-	-	-	244,251	244,251
Total changes	-	1,339,474	(555,763)	(2,958,590)	244,251	(1,930,628)
As of 30 June 2016	20,635	1,445,400	-	(5,157)	244,251	1,705,129
As of 1 January 2015	20,635	635,536	-	26,153	-	682,324
Adjustments of result from previous years	-	-	-	(5,157)	-	(5,157)
As of 1 January 2015	20,635	635,536	-	20,996	-	677,167
Changes in the period:						
Allocation of result from previous years	-	(529,610)	555,763	(26,153)	-	-
Net profit for the period	-	-	-	-	2,958,590	2,958,590
Total changes	-	(529,610)	555,763	(26,153)	2,958,590	2,958,590
As of 31 December 2015	20,635	105,926	555,763	(5,157)	2,958,590	3,635,757
As of 1 January 2015	20,635	635,536	_	26,153	_	682,324
Adjustments of result from previous years	-	-	-	(5,157)	-	(5,157)
As of 1 January 2015	20,635	635,536	-	20,996	•	677,167
Changes in the period:  Allocation of result from previous years	-	26,153	-	(26,153)	-	-
Net profit for the period	-	-	-	-	43,064	43,064
Total changes	-	26,153	-	(26,153)	43,064	
As of 30 June 2015	20,635	661,689	-		43,064	

# ADDITIONAL INFORMATION ABOUT THE ADOPTED ACCOUNTING PRINCIPLES AND OTHER EXPLANATORY NOTES

# **GENERAL INFORMATION**

The principal scope of activities of Echo Investment S.A. is construction and lease or sale of space in commercial, shopping and entertainment, office and residential buildings and property trading.

Echo Investment S.A. (hereinafter referred to as "Echo" or the "Company") with its registered office in Kielce, at al. Solidarności 36 was registered in Kielce on 23 July 1992. Echo Investment is a joint stock company (Spółka Akcyjna), entered into the National Court Register under number 0000007025 by the District Court in Kielce X Commercial Department of the Court Register.

The Company's shares are listed on the Stock Exchange in Warsaw, the industry according to the regulated market - WIG-Deweloperzy.

The Company's duration is unlimited.

As of 30 June 2016 the Management Board of Echo Investment S.A. was composed of: Nicklas Lindberg, President of the Management Board, Piotr Gromniak, Vice-President of the Management Board, Maciej Drozd, Vice-President of the Management Board and Artur Langner, Vice-President of the Management Board, while as of 30 June 2015 of: Piotr Gromniak, President of the Management Board, Artur Langner, Vice-President of the Management Board, and Waldemar Lesiak, Vice-President of the Management Board.

As of 30 June 2016 the Supervisory Board was composed of: Karim Khairallah, Chairman of the Supervisory Board, Laurent Luccioni, Vice-Chairman of the Supervisory Board and Supervisory Board members Maciej Dyjas, Przemysław Krych, Nebil Senman, Sebastian Zilles and Stefan Kawalec, while as of 30 June 2015 of: Karim Khairallah, Chairman of the Supervisory Board, Laurent Luccioni, Vice-Chairman of the Supervisory Board and Supervisory Board members Maciej Dyjas, George Graham, Przemysław Krych, Nebil Senman and Stefan Kawalec. As of 30 June 2016 the Audit Committee is composed of: Stefan Kawalec, Chairman of the Committee, Committee members Maciej Dyjas and Nebil Senman and Secretary Rafał Kwiatkowski.

#### **INFORMATION ON THE FINANCIAL STATEMENTS**

The condensed interim financial statements of Echo Investment S.A. present the financial data for the period of 6 months ended 30 June 2016 and comparative data for the period of 6 months ended 30 June 2015 and comparative data for the period of 12 month ended 31 December 2015.

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 6 months ending 30 June 2016. These consolidated financial statements are available at the Company's registered office, in Kielce al. Solidarności 36 or on the website <a href="www.echo.com.pl">www.echo.com.pl</a>. 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 2016. The applied changes had no material impact on the presentation of data and measurement in the financial statements.

#### **KEY ACCOUNTING PRINCIPLES**

During the preparation of these statements the Company used accounting principles consistent with the rules adopted and described in the annual consolidated financial statements for 2015, except for the application of the following new or amended standards and new interpretations effective for annual periods beginning on 1 January 2016:

- amendments to IAS 19 Defined Benefit Plans: Employee Contributions (issued on 21 November 2013),

- amendments resulting from the IFRS review 2010-2012 (issued on 12 December, 2013),
- amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations (issued on 6 May 2014),
- amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation (issued on 12 May 2014),
- amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants (issued on 30 June 2014),
- amendments to IAS 27 Equity method in separate financial statements (issued on 12 August 2014),
- amendments resulting from the IFRS review 2012-2014 (issued on 25 September 2014),
- amendments to IAS 1 Disclosures (issued on 18 December 2014).

The Company analysed the above amendments and ascertained that they do not have any material impact on the Company's financial situation, results and the scope of disclosures in these interim condensed consolidated financial statements.

#### METHODS FOR MEASURING FINANCIAL PERFORMANCE

The financial performance is measured using the calculation method.

#### Operating revenues

Revenues from sales of goods and products are recognized at the fair value of consideration received or receivable, net of discounts, rebates and sales taxes and are recognized at the time the goods and products are released and the risks and benefits of ownership of the goods and products is transferred to the buyer and the amount of revenue can be measured reliably.

In particular, the revenues from the sale of the Company's residential and commercial units are recognized in accordance with IAS 18 and IFRIC 15 at the time of transfer of ownership of these premises pursuant to sales agreements after project completion and the right of use of the premises is obtained.

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

Revenues from legal, consulting, IT, finance, marketing, security and other services from sales are recognized in period in which the services were provided.

# Prime cost of sale

The production costs of goods, products and services sold consist of the incurred costs with respect to the revenue of a given the fiscal year and accrued costs, which have not yet been incurred.

The costs of goods and products sold are valued at production costs using the method of strict identification of actual costs of sold assets or the percentage of, e.g., sold acreage, sold shares, etc. In particular, cost of sales of the units and land sold is measured in proportion to their share of the total cost of construction of the project and of the land constituting the project.

#### **Financial expenses**

Financial expenses for the current period are recognised in the profit and loss account, except for the costs to be capitalised in accordance with the reporting standard found in IAS 23. The Company capitalises part of financial costs that are directly attributable to the acquisition and production of assets that require a long time to prepare for their intended use or sale, recognised as inventories and investments in progress. Capitalisation applies to costs determined using the effective interest rate reduced by income yielded on temporary cash deposits (i.e. the amount of interest on bank deposits, except for deposits resulting from holds of accounts, letters of credit). In the case of general financing the costs of general financing subject to capitalization are determined by applying a rate of capitalization in relation to expenditures for the asset.

#### Cash flow statement

The cash-flow statement is calculated according to the indirect method. Liabilities due to bank overdrafts are presented as loan debt, not cash equivalent.

# Reporting by segments

The Company does not recognise information on segments according to IFRS 8, paragraph 4. Information about this issue can be found in the consolidated financial statements of the Echo Investment Capital Group.

#### MATERIAL ESTIMATES OF THE MANAGEMENT BOARD

The preparation of the financial statements required the Management of the Company to make certain estimates and assumptions that are reflected in these statements. The actual results may differ from the estimates. The main areas in which Management estimates are significant to the financial statements are as follows:

#### **Inventories**

In estimating the amount of the write-down on inventories held by the Company as of the balance sheet date, active market data concerning the expected sales prices and current market trends and information arising out of the Company's preliminary sales agreements is analysed.

The assumptions used in the calculation of write-down are mainly property market prices prevailing in a given market segment. The Management Board believes that the changes in these assumptions would not have a material impact on the value of the write-down of inventories at the balance sheet due to the fact that the assumptions and information on write-down value were based in a significant part on the concluded sales agreements. In the case of land included as an inventory item, write-downs arise from the suitability of the land for the present and future needs of the Company estimated by the Board.

# Impairment of shares in subsidiaries, joint subsidiaries and affiliates

The impairment test is carried out when there is an indication that the carrying value of investments will not be recovered. Assessment of impairment of shares in subsidiaries, joint subsidiaries and associates is based on an analysis of the fair value of assets and liabilities held by the entities and the expectations for future cash flows from the activities of these units. During the assessment the Company also measures the duration and degree in which the current value of shares is lower than purchasing price and the prospects of a given unit and the plans concerning its investment projects. All material declines in the fair value of the subsidiaries have been recognised by the Board as long-term and they resulted in share charge-off in subsidiaries. In particular, in the case of significant subsidiaries which as of 31 December 2015 did not conduct operational activity, the value of charge-offs corresponds to the total value of the difference between net value of the assets of the subsidiary and the purchase price of the shares.

SENSITIVITY ANALYSIS FOR LOSS OF VALUE OF SHARES, STOCKS AND FUNDS	VALUE CALCULATED FOR THE PURPOSE OF ANALYSIS			
[IN THOUSAND PLN)	AS OF 30.06.2016	AS OF 31.12.2015	AS OF 30.06.2015	
Status of owned shares and funds	2,344,779	4,264,550	869,139	
Financial revenues / expenses on account of shares and funds valuation	20,687	(430,299)	-	
Estimated percentage change in the value of shares and funds	+/-,1,p.p.	+/-,1,p.p.	+/-,1,p.p.	
Estimated financial revenues / expenses on account of potential changes in the value of shares and funds	23,448	42,645	8,691	
Total effect on the gross result for the period	23,448	42,645	8,691	
Income tax	4,455	8,103	1,651	
Total effect on the net result for the period	18,993	34,542	7,040	

The Company, while calculating impairment of shares and funds in subsidiaries, associates and joint subsidiaries refers to the net asset value of the company, taking into account cash flows of the resulting from the investment properties held by these companies.

# Deferred income tax

The Management Board of the Company is obligated to estimate the probability of realisation of deferred income tax assets. In the process of preparing the financial statements, the Company estimates the value of provisions and deferred tax assets on the basis of, among other things, the value of future levels of burden of income tax. The process includes an analysis of the current levels of income tax burdens and the value of temporary differences resulting from different treatment of transactions for tax and accounting purposes, from which assets and deferred income tax result.

In the process of that evaluation, a number of assumptions are adopted for the purpose of determining the value of assets and the deferred income tax. These estimates take into account tax projections, historical value of the tax burden, currently available strategies for planning operations of the Company and completion dates of individual temporary differences. These estimates are subject to change due to external factors as the Company may periodically adjust the value of deferred tax assets and provision which in turn may affect the Company's financial situation and results.

# **ADDITIONAL EXPLANATIONS**

Significant agreements entered into with related parties pursued during the period

In connection with the strategy of Echo Investment Group involving the construction of all shopping centres, offices and selected residential buildings by different subsidiaries, a large part of the transactions made by Echo Investment are made with related parties. The largest 2016 transactions with related companies were executed based on the following agreements:

- Agreement for general project execution concluded on 6 May 2016 with Project Echo 135 Sp. z o. o. Sp. K. as the investor. Pursuant to this agreement, Echo Investment S.A. undertook general execution of an office building in Katowice at ul. Francuska. The value of the transaction for 2016 is PLN 5,554 thousand.
- Agreement for general project execution concluded on 6 May 2016 with Symetris -Projekt Echo 131 Sp. z o. o. Sp. K. as the investor. Pursuant to this agreement, Echo Investment S.A. undertook general execution of an office building in Łódź at al. Marszałka Piłsudskiego 86. The value of the transaction for 2016 is PLN 5,689 thousand.
- Agreement for the management of an investment project concluded on 1 July 2013 with Q22 -Projekt Echo 128 Sp. z o.o. Sp. K. as the investor. Under this agreement, Echo Investment S.A. agreed to provide comprehensive investment management and consulting services in all matters related to the construction of the office facility situated in Warsaw at al. Jana Pawła II. The value of the transaction for 2016 is PLN 2,629 thousand.
- Agreement for the management of an investment project concluded on 31 October 2014 with Nobilis -Projekt Echo 117 Sp. z o. o. Sp. K. as the investor. Under this agreement, Echo Investment S.A. agreed to provide comprehensive investment management and consulting services in all matters related to the construction of the office facility situated at al. Marii Curie-Skłodowskiej in Wrocław. The value of the transaction for 2016 is PLN 1,565 thousand.

Transactions with related parties specified in the financial statements refer to subsidiaries.

#### SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

All significant events after the balance sheet date are described in item 1.10 in the part concerning the consolidated financial statements.

#### REMUNERATION OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

As of 30 June 2016 managerial staff of Echo Investment S.A. received the following remuneration in Echo Investment S.A.:

At Echo Investment S.A. Nicklas Lindberg received total remuneration of PLN 883 thousand. Nicklas Lindberg's bonus system:

In addition, 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 an appropriate bonus per each increase of the share price above the base level, the amount of the bonus changes per PLN 1 of the change of the share price.

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.

At Echo Investment S.A. Maciej Drozd received total remuneration of PLN 1,183 thousand,

At Echo Investment S.A. Piotr Gromniak received total remuneration of PLN 796 thousand,

At Echo Investment S.A. Artur Languer received total remuneration of PLN 706 thousand,

At Echo Investment S.A. Waldemar Lesiak received total remuneration of PLN 696 thousand.

As of 30 June 2016 the supervisors of Echo Investment S.A. received the following remuneration in H1, 2016 at Echo Investment S.A. for the performance of supervisory functions, respectively:

At Echo Investment Stefan Kawalec received total remuneration of PLN 90 thousand,

At Echo Investment Przemysław Krych received total remuneration of PLN 30 thousand,

At Echo Investment Maciej Dyjas received total remuneration of PLN 30 thousand,

At Echo Investment Nebil Senman received total remuneration of PLN 30 thousand.

The Management of Echo Investment S.A. in the first half of 2015 received the following remuneration at Echo Investment S.A.:

At Echo Investment S.A. Piotr Gromniak received total remuneration of PLN 666 thousand,

At Echo Investment S.A. Artur Langner received total remuneration of PLN 589 thousand,

At Echo Investment S.A. Waldemar Lesiak received total remuneration of PLN 589 thousand.

In H1, 2015 provisions were established for bonuses for key employees of the Company, including provisions for bonuses for Management Board members of PLN 5,561 thousand.

The Supervisors of Echo Investment S.A. in H1, 2015 received the remuneration at Echo Investment S.A. for the performance of supervisory functions respectively:

At Echo Investment S.A. Wojciech Ciesielski received total remuneration of PLN 42 thousand,

At Echo Investment S.A. Andrzej Majcher received total remuneration of PLN 30 thousand,

At Echo Investment S.A. Mariusz Waniołka received total remuneration of PLN 30 thousand,

At Echo Investment S.A. Robert Oskard received total remuneration of PLN 18 thousand,

At Echo Investment S.A. Karol Żbikowski received total remuneration of PLN 18 thousand.

# AGREEMENT WITH THE ENTITY AUTHORISED TO AUDIT FINANCIAL STATEMENTS FOR AN AUDIT OR REVIEW OF FINANCIAL STATEMENTS OR CONSOLIDATED FINANCIAL STATEMENTS

In 2016 the Company's Supervisory Board, acting pursuant to §13 (1) (b) of the Articles of Association of Echo Investment S.A., selected Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp.k. with its registered office in Warsaw at ul. Rondo ONZ 1, entered in the list of statutory auditors under no. 130 ("Auditor") to audit separate financial statements of the Company and consolidated financial statements of the Company's Capital Group in years 2016-2017. The Supervisory Board authorised the Management Board to enter into an agreement with EY Audyt Polska for an audit of separate financial statements of the Company and consolidated financial statements of the Company's Capital Group in years 2016-2017.

On 25 June 2015, the Company's Supervisory Board, acting pursuant to §13, item 1, letter b) of the Company's Statute, according to the applicable regulations and professional standards, appointed an entity authorised to audit financial statements. The entity authorised to audit financial statements is Ernst & Young Audyt Polska Sp. z o.o. Sp.K. with its registered office in Warsaw at ul. Rondo ONZ 1, entered in the list of entities authorised to audit financial statements, kept by the National Chamber of Statutory Auditors, under no. 130 (Statutory Auditor); an agreement was concluded with that entity for the audit and review of the financial statements for 2015.

# **REMUNERATION OF ENTITIES AUTHORISED TO AUDIT FINANCIAL STATEMENTS**

The remuneration of the entity authorised to audit financial statements of the Company and of the Group, paid or due for the financial year, amounts to:

for the audit of separate and consolidated annual statements for 2016: PLN 210,000; the remuneration paid for the audit of similar statements for 2015 amounts to PLN 170,000,

for the review of separate and consolidated financial statements for 2016: PLN 125,000, and remuneration paid for the review of separate and consolidated financial statements for 2015: PLN 86,000.

# SUMMARY OF SIGNIFICANT ACHIEVEMENTS AND FAILURES OF THE COMPANY DETAILING THE KEY EVENTS

Key events of H1, 2016 concerning Echo Investment S.A. are described in the part concerning the consolidated financial statements in item 1.3.

# FACTORS AND EVENTS, AND IN PARTICULAR THOSE OF UNTYPICAL NATURE, MATERIALLY AFFECTING THE FINANCIAL PERFORMANCE OF THE COMPANY

Factors and events that affected the financial performance of the Company are described in an analogous item in the part concerning the consolidated financial statements (item 1.4).

# NOTES ON THE SEASONALITY OR CYCLICAL NATURE OF THE COMPANY'S BUSINESS IN THE PRESENTED PERIOD

The operations of the Company cover several segments of the property market. Systematic execution of projects for subsidiaries on the basis of investment preparation agreements and investment project management agreements to a large extent provide a regular income each quarter. The 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. Income from general investment services for third parties and property trading can be irregular. Because of selling most shares in companies owning revenue generating commercial properties on 1 June 2016 (see item 1.3.2), revenues from the lease of commercial space ceased to be comparative in relevant periods. The Management Board cannot exclude other one-time events which may influence results generated in a given period.

# EXPLANATORY NOTES TO THE INTERIM STATEMENT OF FINANCIAL POSITION

#### NOTE 1A

PROPERTY PLANT AND EQUIPMENT	30.06.2016	31.12.2015	30.06.2015
a) fixed assets, of which	5,511	6,945	6,032
- land	97	163	164
- buildings, premises and civil engineering structures	2,104	2,759	2,804
- technical plant and equipment	181	121	137
- vehicles	2,491	3,276	2,443
- other fixed assets	638	626	484
b) fixed assets under construction	-	-	70
c) advances for fixed assets under construction		-	=
Total property, plant and equipment	5,511	6,945	6,102

The Company did not create impairment losses for PP&E in the periods covered by the financial statements.

The company has no securities established on PP&E.

# NOTE 2A

CHANGE IN INVESTMENT PROPERTY [THOUSAND PLN]	30.06.2016	31.12.2015	30.06.2015
Value of property investments as of the beginning of the period	6,285	2,903	2,903
a) increases (due to)	400	3,382	8,527
- reclassification from inventories	-	3,368	8,527
- changes in the valuation of property	400	14	-
b) decreases (due to)	-	-	(5,220)
- sales	-	-	-
- reclassification to fixed assets held for sale	-	-	(5,160)
- changes in the valuation of property	-	-	(60)
Value of property investments as of the end of the period	6,685	6,285	6,210

The Company values the property at fair value at the end of each calendar quarter. Profit/loss from valuation are shown in "Profit (loss) on investment property" in the profit and loss account.

As of 30 June 2016 the Company had investment properties located in Poland. Since leases specify rents denominated in EUR, the valuation was made in that currency and converted to PLN at the NBP exchange rate prevailing at the balance sheet date.

The Company has no security established on investment properties. As of 30 June 2016 the Company does not have any contractual liabilities.

# **NOTE 3A**

SHARES [THOUSAND PLN]	30.06.2016	31.12.2015	30.06.2015
a) Investments in subsidiaries, jointly controlled entities and associates			
- in subsidiaries	505,893	464,154	866,296
- in jointly controlled entities	-	-	1,500
- in associates	454,813	13	13
Total shares	960,706	464,167	867,809

The Company has shares in the financial result of associated companies equal to the total number of votes at the General Meeting.

The increase of the value of shares in associated entities results from the transaction described in item 1.3.2 of the consolidated financial statements.

# **NOTE 3B**

CHANGE IN SHARE [THOUSAND PLN]	30.06.2016	31.12.2015	30.06.2015
a) opening balance, of which:	464,167	867,470	867,470
- shares	464,167	867,470	867,470
b) increases (due to)	1,230,156	28,502	339
- purchase of shares	240,040	13,663	120
- capital increase	969,172	14,839	219
- write-down on assets	20,944	=	-
c) decreases (due to)	(733,617)	(431,805)	-
- sale of shares	(733,360)	(1,506)	-
- capital decrease	-	-	-
- write-down on assets	(257)	(430,299)	-
d) closing balance, of which:	960,706	464,167	867,809
- shares	960,706	464,167	867,809

In 2016 the Company purchased, among others, shares of:

Project Naramowice Grupa Echo SKA worth PLN 63,732 thousand,

Duże Naramowice - PE-111 SP Z O. O. SKA worth PLN 176,141 thousand,

Selmer Investments SP.K. worth PLN 15 thousand,

Cornwall Investments SP.K. worth PLN 15 thousand,

Camas Investments SP.K. worth PLN 15 thousand,

Minster Investments SP.K. worth PLN 15 thousand,

Elissea Investments SP. Z O.O. worth PLN 13 thousand,

Doxent Investments SP. Z O.O. worth PLN 13 thousand,

Fianar Investments Sp. Z O.O. worth PLN 13 thousand,

Gosford Investments SP. Z O.O. worth PLN 13 thousand, Camas Investments Sp. Z O.O. worth PLN 12 thousand,

Cornwall Investments SP. Z O.O. worth PLN 12 thousand,

Selmer Investments Sp. Z O.O. worth PLN 12 thousand,

Minster Investments SP. Z O.O. worth PLN 12 thousand.

#### In 2016 the Company sold shares in:

Echo - Babka Tower - SP.K. worth PLN 1 thousand,

Galeria Katowice - PE-120 S.K.A. worth PLN 3 thousand,

Babka Tower - PE 93 SP. Z O.O. worth PLN 1 thousand,

Projekt Beethovena - PE-122 SKA worth PLN 1 thousand,

Sagittarius - PE-113 SP.K. worth PLN 50 thousand,

Nobilis PE-11 7 SPK worth PLN 800 thousand,

Park Rozwoju (Development Park) III - PE-112 SP.K. worth PLN 90 thousand,

West Gate II - PE-114 SP.K. worth PLN 1 006 thousand,

A4 Business Park-Iris Capital SP.K. worth PLN 51 thousand,

Echo - Park Rozwoju Sp.K. worth PLN 1 thousand,

Echo - Galeria Amber SP.K. worth PLN 51 thousand,

Galeria Sudecka Pe43 SP.ZOO SPK worth PLN 50 thousand,

Veneda - PE-97 SP.K. worth PLN 1 thousand,

Farring Investments PE-124 SP.K. worth PLN 61 thousand,

Galeria Olimpia-PE98 SP.ZOO SPK worth PLN 1 thousand.

Duże Naramowice - PE-111 SPZOO SKA worth PLN 176.141 thousand.

Oxygen - PE-125 SP.K. worth PLN 51 thousand,

Astra Park-'PE-69' SP.K. worth PLN 74 thousand,

Outlet Park - PE-126 SP.K. worth PLN 50 thousand,

Tryton - PE-127 SP.K. worth PLN 50 thousand,

Projekt Echo - 133 SP Z OO worth PLN 36,523 thousand,

Q22 - PE-128 SP.K. worth PLN 5,047 thousand,

Dellia Investments - PE-115 SPK worth PLN 119 thousand,

Pamiatkowo' SP. Z O.O. worth PLN 84 thousand,

Zo Naramowice-Pamigtkowo SPZOO SKA worth PLN 24 thousand,

Camas Investments SP. Z O.O. worth PLN 12 thousand,

Minster Investments SP. Z O.O. worth PLN 12 thousand,

Minster Investments SP.K. worth PLN 15 thousand,

Echo - Park Rozwoju SP. Z O.O. worth PLN 97 thousand,

Magellan West SP. Z O.O. worth PLN 51 thousand,

Echo - Galeria Amber SP. Z O.O. worth PLN 102 thousand,

Echo - West Gate SP. Z O.O. worth PLN 290 thousand,

Iris Capital SP. Z O.O. worth PLN 122 thousand,

Project Echo - 97 SP Z OO worth PLN 76 thousand,

Project Echo - 69 SP Z OO worth PLN 115 thousand,

Project Echo - 43 SP Z OO worth PLN 51 thousand,

Project Echo - 125 SP Z OO worth PLN 31 thousand,

Project Echo - 109 SP Z OO worth PLN 51 thousand,

Project Echo - 126 SP Z OO worth PLN 31 thousand,

Project Echo - 124 SP Z OO worth PLN 31 thousand,

Project Echo - 118 SP Z OO worth PLN 26 thousand,

Vousoka Polska SP. Z O.O. worth PLN 29 thousand, Project Echo - 106 SP Z OO worth PLN 51 thousand,

Project Echo - 98 SP Z OO worth PLN 76 thousand,

Camas Investments SP.K. worth PLN 15 thousand,

Project Echo - 135 SP.K. worth PLN 6 thousand,

Echo Prime Properties BV worth PLN 511,716 thousand.

# In 2016 the Company paid up and increased capital in the following subsidiaries:

Project Echo - 95 SP Z OO worth PLN 25 thousand,

Echo-Browary Warszawskie SPZOO worth PLN 50 thousand,

Echo - Advisory Services SP. Z O.O. worth PLN 50 thousand,

Project Echo - 133 SP Z OO worth PLN 196 thousand,

Echo Prime Properties BV worth PLN 933,560 thousand,

Project Echo - 122 SP Z OO worth PLN 25 thousand,

Project Echo - 121 SP Z OO worth PLN 25 thousand,

Project Echo - 120 SP Z OO worth PLN 25 thousand,

Project Echo - 113 SP Z OO worth PLN 25 thousand,

Project Echo - 112 SP Z OO worth PLN 25 thousand,

Project Echo - 95 SP Z OO worth PLN 10 thousand,

Project Echo - 114 SP Z OO worth PLN 25 thousand,

Project Echo - 123 SP Z OO worth PLN 25 thousand,

Project Echo - 126 SP Z OO worth PLN 25 thousand,

Project Echo - 128 SP Z OO worth PLN 25 thousand,

Project Echo - 130 SP Z OO worth PLN 25 thousand,

Project Echo - 125 SP Z OO worth PLN 25 thousand,

Project Echo - 127 SP Z OO worth PLN 25 thousand,

Project Echo - 124 SP Z OO worth PLN 25 thousand, Echo Prime Properties BV worth PLN 88 thousand,

Project Echo - 135 SP Z OO worth PLN 25 thousand,

Project Echo - 136 SP Z OO worth PLN 25 thousand, Project Echo - 100 SP. Z O.O. worth PLN 50 thousand, Echo - 131 SP Z OO worth PLN 25 thousand, Echo Prime Properties BV worth PLN 34,719 thousand.

# NOTE 3C

LONG-TERM FINANCIAL ASSETS [THOUSAND PLN]	30.06.2016	31.12.2015	30.06.2015
a) advances paid	-	11,883	12,556
b) investment certificates	1,384,073	3,800,383	1,130
c) advances for shares	-	671	3,686
d) receivables for the purchase of certificates	517,533	269,878	-
Total long-term financial assets	1,901,606	4,082,815	17,372

# NOTE 4

LONG-TERM BORROWINGS GRANTED [THOUSAND PLN]	30.06.2016	31.12.2015	30.06.2015
- in subsidiaries	-	=	285,803
- in other entities	-	21	18
Total long-term borrowings granted	<u>-</u>	21	285,821

As of 30 June 2016 long-term borrowings had been repaid.

# NOTE 4A

SHORT-TERM BORROWINGS GRANTED [THOUSAND PLN]	30.06.2016	31.12.2015	30.06.2015
a) in subsidiaries			
- borrowings granted	85,560	265,959	31,769
- interest	12,275	12,740	322
	97,835	278,699	32,091
b) in other entities			
- borrowings granted	334	32	23
- interest	1	-	-
	335	32	23
Total short-term borrowings granted	98,170	278,731	32,114

Note 4A contains short-term borrowings plus interest.

# NOTE 4B

SHORT-TERM BORROWINGS GRANTED (CURRENCY BREAKDOWN) [THOUSAND PLN]	30.06.2016	31.12.2015	30.06.2015
a) in the Polish currency	97,397	278,562	32,114
b) in foreign currencies (by currency and after conversion into PLN)	773	169	-
Total short-term borrowings granted	98,170	278,731	32,114

Note 4B comprises short-term borrowings with interest.

# BASIC DATA ON MAJOR SHORT-TERM BORROWINGS, WITHOUT INTEREST, AS OF 30 JUNE 2016

NAME OF THE COUNTERPARTY	AMOUNT [THOUSAN D PLN]	INTEREST	REPAYMENT DATE
Barconsel Holdings Limited	100	3M WIBOR + margin	30 June 2016
Dellia Investments - Projekt Echo - 115 Spółka z ograniczoną odpowiedzialnością Sp.K.	10,153	3M WIBOR + margin	30 June 2017
Echo - Opolska Business Park Spółka z ograniczoną odpowiedzialnością - S.K.	29,294	3M WIBOR + margin	31 December 2016
Echo Investment Hungary Ingatlanhasznosito Kft	30,966	3M WIBOR + margin	31 December 2016
Echo-Project-Management Ingatlanhasznosito Kft	778	3M WIBOR + margin	31 December 2016
Projekt Beethovena-Projekt Echo - 122 Spółka z ograniczoną odpowiedzialnością S.K.A.	3,700	3M WIBOR + margin	31 December 2016
El Project Cyp-1 Limited	50,430	3M WIBOR + margin	31 December 2016
Projekt 20 - 'Grupa Echo' Spółka z ograniczoną odpowiedzialnością - S.K.A.	5,000	3M WIBOR + margin	30 June 2017
GP Development S.a.r.l	167	3M WIBOR + margin	31 December 2016
GP Office S.a.r.l	167	3M WIBOR + margin	31 December 2016
GP Office S.a.r.l	167	3M WIBOR + margin	31 December 2016
Q22 - Projekt Echo - 128 Spółka z ograniczoną odpowiedzialnością -Sp.K.	1,190	3M WIBOR + margin	30 June 2017
Total:	132,112		

The maximum value of the credit risk associated with the loans is equal to their carrying value.

The borrowings granted are not secured.

The borrowings granted are not past due, no impairment of borrowings granted has occurred.

The borrowings were granted to related entities with a good financial standing.

BASIC DATA ON MAJOR SHORT-TERM BORROWINGS, WITHOUT INTEREST, AS OF 31 DECEMBER 2015

NAME OF THE COUNTERPARTY	AMOUNT [THOUSAND PLN]	INTEREST	REPAYMENT DATE
Echo - Park Rozwoju Sp. z o. o. S.K.A.	49,700	3M WIBOR + margin	31 December 2016
Echo - Opolska Biznes Park sp. z o. o. SKA	59,760	3M WIBOR + margin	31 December 2016
Dellia Investments SA	7,653	3M WIBOR + margin	31 December 2016
Echo Investment Hungary Ingatlanhasznosito KF	30,966	3M WIBOR + margin	31 December 2016
Echo - Projekt Management Ingatlanhasznosito KFT	778	3M WIBOR + margin	31 December 2016
El Project CYP- 1 LIMITED	50,206	3M WIBOR + margin	31 December 2016
Projekt Echo Galeria Kielce -Magellan West Sp. z o.o. S.K.A.	10,000	3M WIBOR + margin	31 December 2016
Echo-West Gate Sp. z o. o. S.K.A.	4,150	3M WIBOR + margin	31 December 2016
Duże Naramowice -Projekt Echo -111 Sp. z o. o. S.K.A.	80,000	3M WIBOR + margin	31 December 2016
Galeria Katowice - Projekt Echo 120 Sp. z o. o. S.K.A.	2,050	3M WIBOR + margin	30 June 2016
Projekt Betowena - Projekt Echo -122 SP. z o. o. S.K.A.	3,700	3M WIBOR + margin	31 December 2016
A4 - Bisiness Park - Iris Capital Sp. z o. o. S.K.A.	3,300	3M WIBOR + margin	30 September 2016
Projekt Echo - 102 Sp. z o. o.	8,500	3M WIBOR + margin	31 December 2016
Barconsel Holding Limited	100	3M WIBOR + margin	30 June 2016
GP Development S.a.r.l	42	3M WIBOR + margin	31 December 2016
GP Retail S.a.r.l	42	3M WIBOR + margin	31 December 2016
GP Office S.a.r.l	42	3M WIBOR + margin	31 December 2016
other - unrelated parties	32	3M WIBOR + margin	
Total:	311,021		

# NOTE 5

CHANGE IN DEFERRED INCOME TAX PROVISIONS ASSETS / PROVISIONS [THOUSAND PLN]	30.06.2016	31.12.2015	30.06.2015	
Opening balance of deferred income tax assets / provisions	46,731	24,369	24,369	
Financial instruments	8	-	-	
investment properties	703	(234)	(234)	
receivables and liabilities due to borrowings	(1,504)	(559)	(559)	
liabilities due to loan and bonds	(628)	(489)	(489)	
tax loss	2,047	60	60	
Inventories	10,365	7,862	7,862	
Shares	34,234	23,596	23,596	
Other	1,506	(5,867)	(5,867)	
2. Increases	4,041	23,446	5,675	
Financial instruments	11	8	-	
investment properties	-	937	951	
receivables and liabilities due to borrowings	271	_		
liabilities due to loan and bonds	1,959	-	222	
tax loss	-	1,987	1,362	
Inventories	-	2,503	84	
Shares	740	10,638	-	
Other	1,060	7,373	3,056	
3. Decreases	(1,330)	(1,084)	(765)	
investment properties	(76)	-	-	
receivables and liabilities due to borrowings	-	(945)	(765)	
liabilities due to loan and bonds	-	(139)	-	
tax loss	(1,059)	-	-	
Inventories	(195)	-	-	
Other	-	-	-	
4. Closing balance of deferred income tax assets / provisions	49,442	46,731	29,279	
Financial instruments	19	8	-	
investment properties	627	703	717	
receivables and liabilities due to borrowings	(1,233)	(1,504)	(1,324)	
liabilities due to loan and bonds	1,331	(628)	(267)	
tax loss	988	2,047	1,422	
Inventories	10,170	10,365	7,946	
Shares	34,974	34,234	23,596	
Other	2,566	1,506	(2,811)	

The Company does not hold any items where deferred tax has not been recognised.

# NOTE 6A

INVENTORIES [THOUSAND PLN]	30.06.2016	31.12.2015	30.06.2015
a) semi-finished products and work-in-progress	190,216	253,492	282,780
b) finished products	112,202	29,419	31,900
c) goods	21,535	22,164	32,396
Total inventories	323,953	305,075	347,076

Inventories are measured at the cost of manufacturing; however, no higher than the obtainable value of the net sales. This value is derived from the information from an active market.

"Finished products" include finished residential apartments for sale. The "semi-finished products and work-in-progress" item includes mainly the property owned by the Company and expenditures on residential projects in preparation and under construction. The "Goods" item includes land.

# NOTE 6B

INVENTORIES - IMPACT ON THE FINANCIAL RESULT [THOUSAND PLN]	30.06.2016	31.12.2015	30.06.2015
The amount of inventory write-downs recognised in the period as cost	(105)	(31,588)	(8,878)

The amount of reversal of write-downs which decrease the value of inventories	249	15,548	1,279
recognised in the period as revenue			
Change in inventory write-down	144	(16,040)	(7,599)

Recognition and reversal of impairment losses on inventories relates to housing projects and is aimed to be written down to a realisable value.

Reversal of inventory write-down occurs in connection with the sale of an inventory item or an increase in net realizable value. Inventory allowances disclosed in the period as cost and reversals of inventory write-downs disclosed in the period as a decrease of costs are presented in the income statement under prime cost of sale.

The amount of inventories recognised as an expense in the period can be found in the Profit and Loss Account in the "Prime cost of sales" item. The change of the inventory write-down as of 30 June 2016 stood at PLN 144 thousand (as of 30 June 2015: PLN 7,599 thousand).

Work-in-progress in respect of which financing costs were not capitalised during the year amounted to PLN 50,195 thousand as of 30 June 2016.

#### NOTE 7A

NON-CURRENT LIABILITIES (WITHOUT PROVISIONS FOR INCOME TAX) [THOUSAND PLN]	30/06/2016	31.12.2015	30.06.2015
a) due to subsidiaries		-	-
	-	-	-
b) due to other entities			
- advances received	-	-	-
- security deposits received	1,113	527	666
- loan	-	-	-
- on account of issue of debt securities	579,495	766,574	549,200
	580,608	767,101	549,866
Total non-current liabilities	580,608	767,101	549,866

# NOTE 7B

NON-CURRENT LIABILITIES (WITHOUT INCOME TAX PROVISIONS) MATURING AS OF THE BALANCE SHEET DATE [THOUSAND PLN]	30.06.2016	31.12.2015	30.06.2015
a) between 1 and 3 years	417,536	604,351	482,178
b) between 3 and 5 years	162,707	162,468	67,614
c) over 5 years	365	282	74
Total non-current liabilities	580,608	767,101	549,866
Interest rates used to discount the expected cash flows:	5.13%	5.27%	5.84%

The Company has presented its non-current liabilities at nominal value in note 7E.

# NOTE 7C

NON-CURRENT LIABILITIES (WITHOUT INCOME TAX PROVISIONS) (CURRENCY BREAKDOWN) [THOUSAND PLN]	30.06.2016	31.12.2015	30.06.2015
a) in the Polish currency	580,608	767,101	549,866
Total non-current liabilities	580,608	767,101	549,866

Financial liabilities on debt instruments are measured using the "amortized cost of a liability," according to IAS 39. The fair value of long-term liabilities does not differ significantly from their carrying value.

According to the best information and data of the Management Board of the Company, during the financial year and by the date of signing of the condensed financial statements there has been no breach of the loan agreements and agreed security levels.

# **NOTE 7D**

CREDIT LINES AS OF 30 JUNE 2016

NAME (COMPANY) AND ITS LEGAL FORM  REGISTERED AMOUNT AS PER AGREEMENT	LOAN/BORROWING AMOUNT TO BE REPAID		REPAYMENT DATE	SECURITY
--------------------------------------------------------------------------------	---------------------------------------	--	-------------------	----------

		THOUSAN D PLN	CURRENCY	THOUSAND PLN	CURRENCY			
PKO BP S.A.	Warsaw	75,000	PLN	75,000	PLN	1M Wibor + margin	19 August 2017	power of attorney over bank account, declaration of submission to enforcement proceedings
Alior Bank S.A.	Warsaw	30,000	PLN	30,000	PLN	3M WIBOR + margin	30 January 2017	power of attorney over bank account, declaration of submission to enforcement proceedings
BZ WBK S.A.	Wrocław	75,000	PLN	-	PLN	1M Wibor + margin	30 July 2016*	power of attorney over bank account, declaration of submission to enforcement proceedings
Total		180,000		105,000				

<sup>\*</sup>The loan was extended for another 24 months

CREDIT LINES AS OF 31 DECEMBER 2015

NAME (COMPANY) AND ITS LEGAL	REGISTERE	LOAN/BORE AMOUNT AS AGREEMEN	S PER	R AMOUNT TO BE		INTEREST TERMS	REPAYMENT	SECURITY
FORM	D OFFICE	THOUSAND PLN	CURREN CY	THOUSAND PLN	CURRENC Y		DATE	
PeKaO S.A.	Warsaw	75,000	PLN	-	-	1M Wibor + margin	30 June 2016*	power of attorney over bank account, declaration of submission to enforcement proceedings
PKO BP S.A.	Warsaw	75,000	PLN	-	-	1M Wibor + margin	19 August 2017	power of attorney over bank account, declaration of submission to enforcement proceedings
Alior Bank S.A.	Warsaw	30,000	PLN	-	-	3M WIBOR + margin	30 January 2016	power of attorney over bank account, declaration of submission to enforcement proceedings
BZ WBK S.A.	Wrocław	75,000	PLN	15,582	PLN	1M Wibor + margin	30 July 2016**	power of attorney over bank account, declaration of submission to enforcement proceedings
Total		255,000		15,582				

<sup>\*</sup> automatic renewal clause of the Loan Agreement dated 30 June 2015 to 30 June 2016 following payment of all liabilities thereunder,

CREDIT LINES AS OF 30 JUNE 2015

<sup>\*\*</sup> Loan repayment date is 30 July 2016 or 30 July 2015 in the case of failure to meet the required level or in the case of breach of the Loan Agreement.

NAME (COMPANY)	REGISTERED	LOAN/BORROWING AMOUNT AS PER AGREEMENT		LOAN/BORROWING AMOUNT TO BE REPAID			REPAYMENT	SECURITY
AND ITS LEGAL FORM	OFFICE	THOUSAND	CURRENCY	THOUSAND PLN	CURRENCY	TERMS	DATE	JEGORII I
Credit lines								
PeKaO S.A.	Warsaw	75,000	PLN	44,082	PLN	1M Wibor + margin	30 June 2016*	power of attorney to the bank account, declaration of submission to enforcement proceedings up to PLN 90 million
PKO BP S.A.	Warsaw	100,000**	PLN	25,770	PLN	1M Wibor + margin	19 August 2015**	authorisation to a bank account, statement on submission to enforcement proceedings up to PLN 200 million, sola blank bill of exchange
Alior Bank S.A.	Warsaw	30,000	PLN	-	PLN	3M Wibor + margin	30 January 2016	power of attorney to the bank account, declaration of submission to enforcement proceedings up to PLN 60 million
BZ WBK S.A.	Wrocław	75,000	PLN	44,815 114.667	PLN	1M Wibor + margin	30 July 2016**	power of attorney to the bank account, declaration of submission to enforcement proceedings up to PLN 90 million

<sup>\*</sup> automatic renewal clause of the Loan Agreement dated 30 June 2015 to 30 June 2016 following payment of all liabilities thereunder,

The value of the loans corresponds to the non-discounted cash flows.

NOTE 7E

NON-CURRENT AND CURRENT LIABILITIES DUE TO DEBT FINANCIAL INSTRUMENTS ISSUED

DEBT FINANCIAL INSTRUMENTS BY TYPE	NOMINAL VALUE	INTEREST TERMS	REDEMPTION DATE	GUARANTEES/SECURIT Y	QUOTATION MARKET
bonds (mBank S.A. )	230,000	6M Wibor + margin	23 April 2018	none	BondSpot
bonds (mBank S.A. )	200,000	6M Wibor + margin	28 April 2017	none	BondSpot
bonds (mBank S.A. )	100,000	6M Wibor + margin	19 February 2019	none	BondSpot
bonds (mBank S.A. )	80,000	6M Wibor + margin	19 June 2018	none	BondSpot
bonds (mBank S.A. )	70,500	6M Wibor + margin	15 May 2019	none	BondSpot
Unlisted bonds	680,500				
bonds (PKO BP )C series	75,000	6M Wibor + margin	04 March 2018	none	BondSpot
bonds (PKO BP )D series	50,000	6M Wibor + margin	20 April 2018	none	BondSpot
bonds (PKO BP )B series	25,000	6M Wibor + margin	02 July 2016	none	BondSpot
Listed bonds	150,000				
Total	830,500				

The bond value corresponds to non-discounted cash flows, without interest.

A change in business and economic conditions has no significant effect on the fair value of financial liabilities.

The Company redeemed bonds in the following amounts:

<sup>\*\*</sup> On 19 August 2015 an annexe was signed to the Loan Agreement decreasing the credit limit to PLN 75 million and extending the loan repayment date to 18 August 2017.

<sup>\*\*\*</sup> Loan repayment date is 30 July 2016 or 30 July 2015 in the case of failure to meet the required level or in the case of breach of the Loan Agreement.

- 11 February 2016 in the amount of PLN 125 million,
- 26 June 2016 in the amount of PLN 50 million.

# NOTE 8B

CURRENT TRADE LIABILITIES, TAXES, DEPOSITS RECEIVED, ADVANCES RECEIVED AND OTHER LIABILITIES (WITHOUT PROVISIONS)	30.06.2016	31.12.2015	30.06.2015
- trade liabilities to subsidiaries maturing:	3,451	1,290	58
- within 12 months	3,451	1,290	58
- above 12 months	-	-	-
- trade liabilities to other entities maturing:	34,869	24,608	7,836
- within 12 months	34,869	24,608	7,836
- above 12 months	-	-	-
Total current liabilities	38,320	25,898	7,894
- advances received	47,757	26,247	30,928
- security deposits received	5,655	4,033	3,801
Total security deposits and advances received	53,412	30,280	34,729
- due to taxes, customs duties, insurance and other payments	7,723	2,040	1,916
Total taxes	7,723	2,040	1,916
- other liabilities	1,613,070	22,660	17,459
- due to remunerations	8	6	-
- other (due to)	1,613,062	22,654	17,459
- Dividend	1,584,732	-	-
- Other	28,330	-	-
Total other current liabilities	1,613,070	22,660	17,459
Total current trade payables, taxes, deposits and advances received and other liabilities	1,712,525	80,878	61,998

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

# NOTE 9A

SHORT-TERM LOANS, BORROWINGS AND BONDS [THOUSAND PLN]	30.06.2016	31.12.2015	30.06.2015
due to subsidiaries			
- loans and borrowings	397,196	501,969	-
	397,196	501,969	-
due to other entities			
- loans and borrowings	105,000	15,582	114,667
- on account of issue of debt securities	256,837	243,261	254,637
- IRS	103	43	-
	361,940	258,886	369,304
Total short-term loans, borrowings and bonds	759,136	760,855	369,304

According to the best information and data of the Company, during the financial year and by the date of signing of the condensed financial statements there has been no breach of the loan agreements and agreed security levels.

# NOTE 9B

SHORT-TERM LOANS, BORROWINGS AND BONDS )CURRENCZ BREAKDOWN= [THOUSAND PLN]	30.06.2016	31.12.2015	30.06.2015
due to other entities			
in the Polish currency	759,136	760,855	369,304
Total short-term loans, borrowings and bonds	759,136	760,855	369,304
NOTE 10			
CHANGE IN THE BALANCE OF SHORT-TERM PROVISIONS (BY TYPES) [THOUSAND PLN]	30.06.2016	31.12.2015	30.06.2015

a) opening balance			
- provision for penalties	2,000	2,000	2,000
- provisions for costs of selling shares	30,908	-	-
- litigation	2,066	-	-
- provisions for costs	8,592	-	-
	43,566	2,000	2,000
b) increases (due to)			
- provisions for costs of selling shares	4,226	30,908	-
- provisions for costs	10,300	8,592	-
- litigation	<del>-</del>	2,066	800
	14,526	41,566	800
c) closing balance			
- provision for penalties	2,000	2,000	2,000
- provisions for costs of selling shares	35,134	30,908	-
- litigation	2,066	2,066	800
- provisions for costs	18,892	8,592	
	58,092	43,566	2,800

The provision for penalties covers the value of potential penalties the Company may be charged with under concluded agreements, with probability greater than 50%. The amount of the provision was estimated on the basis of the best knowledge of the Company and past experience.

The provision for estimated warranty repairs costs include the value of repairs or compensation associated with sales of units and projects, with the probability of being charged greater than 50%. The amount of the provision was estimated on the basis of the best knowledge of the Company and past experience.

The dates of realisation of the provisions for penalties and loss, warranty costs and litigation are not possible to assess, while there is a large probability of realisation within 12 months of the balance sheet date.

# NOTE 11

OFF-BALANCE-SHEET ITEMS [THOUSAND PLN]	30.06.2016	31.12.2015	30.06.2015
1. Contingent receivables	-	-	-
2. Contingent liabilities			
2.1. To related parties (due to)	655,498	664,003	643,284
- guarantees and sureties granted	655,498	664,003	643,284
2.2. To other entities (due to)	-	219,055	2,306
- guarantees and sureties granted	-	219,055	2,306
	655,498	883,058	645,590
3. Other (due to)			
- lawsuits against Echo Investment	150	150	81
	150	150	81
Total	655,648	883,208	645,671

# Guarantees and sureties granted by Echo Investment S.A.

- 1. Security of liabilities for Horte Sp. z o.o. in the event of improper performance of the final contract of sale of an office building Aquarius Business House in Wroclaw, stage I. Guarantee issued in EUR. The guarantee amounts to PLN 22,128 thousand.
- 2. Security of liabilities in the event of improper performance of the final agreement for sale of an office building Aquarius Business House in Wrocław, stage II. Guarantee issued in EUR. The guarantee amounts to PLN 39,830 thousand.
- 3. Security for costs overruns in the implementation of Opolska Business Park office building project, stage I, in Kraków, to the benefit of HSBC BANK plc. The guarantee amounts to PLN 27,106 thousand.
- 4. Security of liabilities in the event of non-performance of the agreement entered into on 22 June 2015 by Echo Investment S.A. to the benefit of FTF Columbus S.A. The guarantee amounts to PLN 24,600 thousand.
- 5. Security for exceeded costs, coverage for the lack of own funds, debt service liabilities and hedging agreements, and support in organising the construction process during implementation of the Q22 office development in Warsaw for Bank Zachodni WBK S.A. and PKO BP S.A. The guarantee amounts to PLN 265,530 thousand.
- 6. Security for costs overruns of the implementation of Tryton Business House office building project in Gdańsk, to the benefit of HSBC BANK plc. The guarantee amounts to PLN 34,974 thousand.
- 7. Security of liabilities in the event of non-performance of the agreement entered into on 22 June 2015 by Echo Investment S.A. to the benefit of FTF Columbus S.A. The guarantee amounts to PLN 180,000 thousand.
- 8. Security of non-performance of the obligation of Outlet Park Projekt Echo 126 Spółka z ograniczoną odpowiedzialnością spółka komandytowa for the State Treasury. The guarantee amounts to PLN 40 thousand.
- 9. Security of liabilities of Nobilis Projekt Echo 117 spółka z ograniczoną odpowiedzialnością spółka komandytowa arising from the loan agreement concluded on 16 June 2016. Guarantee issued in EUR. The guarantee amounts to PLN 16 thousand.
- 10. Security of overrunning costs of implementing the Nobilis office development in Wrocław for mBank S.A. The guarantee amounts to PLN 5 thousand

The Company believes that the fair value of guarantees and warranties is close to zero, due to their low risk of realization.

# NOTES TO THE PROFIT AND LOSS ACCOUNT

# NOTE 12

OPERATING REVENUES (STRUCTURE - TYPES OF ACTIVITIES) [THOUSAND PLN]	01.01.2016 -30.06.2016	01.01.2015 -30.06.2015
A. Sales of residential and commercial space*	44,944	12,086
- of which: from related parties	-	-
B. Project implementation services	28,375	15,834
- of which: from related parties	27,626	15,829
from subsidiaries	27,626	15,829
C. Property transactions	642	2,957
- of which: from related parties	-	-
D. Lease services	2,138	1,903
- of which: from related parties	660	971
from subsidiaries	660	971
from the parent company	-	=
E. Legal, accounting, consulting and IT services	19,762	21,949
- of which: from related parties	19,759	21,946
from subsidiaries	19,759	21,946
from joint subsidiaries	-	-
F. Financial, marketing, securing services and other revenue	25,843	12,895
- of which: from related parties	24,496	12,074
from subsidiaries	24,495	12,073
from key staff	1	1
Total operating revenues	121,704	67,624
- of which: from related parties	72,541	50,820
from subsidiaries	72,540	50,819
from the parent company	-	-
from key staff	1	1

<sup>\*</sup>The increase of the sale of residential space is described in item 1.3.6. of the consolidated financial statements. The Company did not conclude any transactions with affiliated entities pursuant to terms others than market ones.

# NOTE 13A

OTHER OPERATING REVENUES	01.01.2016 -30.06.2016	01.01.2015 -30.06.2015
a) released provisions (due to)		274
- receivables	-	274
b) other, of which:	5,739	1,478
- contractual penalties	-	29
- revenues from sale of non-financial non-current assets	664	224
- other	5,075	225
c) interest on borrowings	-	8,305
- from related parties, of which:	-	8,305
- from subsidiaries	-	8,305
b) other interest	140	1,457
- from other entities	140	1,457
Other operating revenues, total	5,879	11,514
NOTE 13B		
OTHER OPERATING REVENUES DUE TO DIVIDENDS AND PROFIT SHARING	01.01.2016	01.01.2015
a) from related parties, of which:	<b>-30.06.2016</b> 243,291	- <b>30.06.2015</b> 79,900
- from subsidiaries	243,291	79,900
Total operating revenues due to dividends and profit sharing	243,291	79,900
NOTE 14A	*	
FINANCIAL REVENUES RELATIVE TO INTEREST	01.01.2016	01.01.2015
	-30.06.2016	-30.06.2015
a) other interest - from other entities	196 196	28 28
Tabul financial account of the first and the first and the first account of the first account	10/	
Total financial revenues relative to interest  NOTE 14B	196	28
NOIL 14D	01.01.2016	01.01.2015
OTHER FINANCIAL REVENUES	-30.06.2016	-30.06.2015
a) foreign exchange gains	5,065	1,579
b) profit on disposal of shares	45,705	163
c) revaluation of loans, borrowings and bonds	-	223
b) other	23	-
Total other financial revenues	50,793	1,965

NOTE 15
INFORMATION ON FINANCIAL INSTRUMENTS [THOUSAND PLN]

Item	TVDE OF INCTRIBATION	NOTE	CARRYING VALUE (THOUSAND PLN)		
No.	TYPE OF INSTRUMENT	NOIE	30.06.2016	31.12.2015	30.06.2015
	Financial assets				
1.	Borrowings and receivables:		141,902	316,367	348,231
	- long-term borrowings	4	-	21	285,821
	- short-term borrowings	4	98,170	278,731	32,114
	- trade receivables		43,732	25,732	18,414
	- advances received		-	11,883	11,882
2.	Cash and cash equivalents		1,386,649	35,619	21,727
	Restricted cash		23,779	16,571	13,163
	Cash and cash equivalents		1,362,870	19,048	8,564
	Financial liabilities				
1.	Other financial liabilities:		1,376,848	1,553,284	926,398
	- liabilities on account of issue of debt securities	7,9	836,332	1,009,835	803,837
	-trade liabilities		38,320	25,898	7,894
	- loans and borrowings	7,9	502,196	517,551	114,667

The main financial instruments in the Company are:

borrowings granted are valued at the amortised acquisition price calculated using the effective interest rate method, financial liabilities, i.e. liabilities due to an issue of debt securities, bank loans and other liabilities (borrowings and trade liabilities). Financial liabilities are measured using the "amortized cost of a liability," according to IAS 39.

The fair value of financial instruments does not differ significantly from the book values thereof

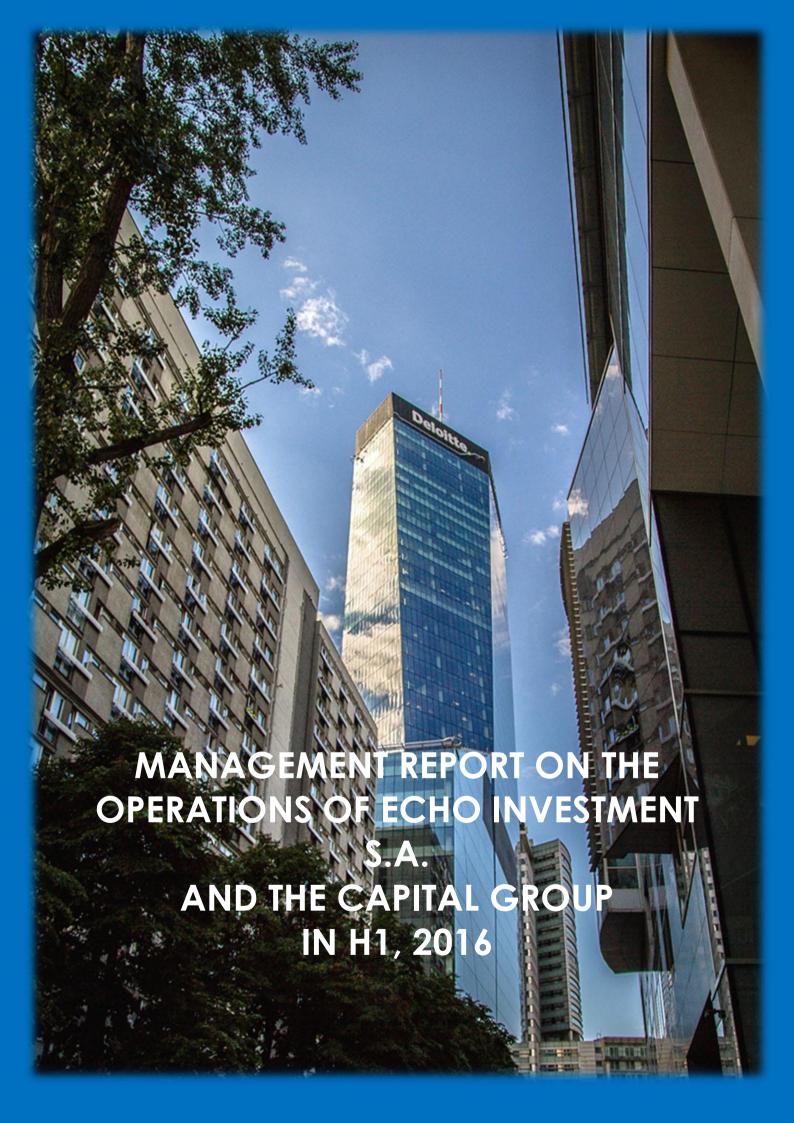
Dated: 31 August 2016

Signatures of the Echo Investment S.A. Management Board

Nicklas Lindberg	Maciej Drozd	Piotr Gromniak	Artur Langner
President of the Management Board	Vice-President of the Management Board	Vice-President of the Management Board	Vice-President of the Management Board
воста	мападеттетт воага	манадетен воага	манадетені воага
	Signature of the person er	ntrusted with bookkeeping	

Anna Gabryszewska-Wybraniec

Chief Accountant



# III. MANAGEMENT REPORT ON THE OPERATIONS OF ECHO INVESTMENT S.A. AND THE CAPITAL GROUP

Echo Investment S.A. Capital Group ("Capital Group", "Group") has been active on the property market since 1996. The parent company of the Group is Echo Investment S.A. (Echo, Issuer, Company)

Echo organises the entire investment process for a given project, from purchasing property, through obtaining administrative decisions, financing, oversight of construction, putting a project into service to selling it. It conducts these activities on its own behalf or, in most cases, by providing services to subsidiaries established specially for this purpose. The implementation of development projects through subsidiaries considerably simplifies the organisation of implemented processes and ensures transparency in the structure of the Group. These entities carry out business activities principally in the scope of leasing commercial space (shopping and entertainment centres, offices), construction and sales of apartments. The Company also provides services as a general contractor to foreign investors.

As of 30 June 2016 the principal scope of activities of the Capital Group was divided into three segments:

- construction and lease of area in office facilities,
- construction and lease of space in shopping centres and shopping and entertainment centres,
- construction and sale of residential apartments.

The Capital Group carries out economic activities throughout Poland.

As of 30 June 2016 and 30 June 2015, the Group employed 333 and 362, people, respectively.

The financial statements presented cover the period of 6 months ended 30 June 2016 and include comparative data for the period of 6 months ended 30 June 2015 and comparative data for the period of 12 months ended 31 December 2015 (in the case of the balance and the statement of changes in equity). The statements are written in thousands of PLN, in accordance with the International Financial Reporting Standards as adopted by the European Commission.

The Company's shares have been listed on the Warsaw Stock Exchange since 5 March 1996. The number of the Issuer's shares is 412,690,582 ordinary bearer shares. The total number of votes resulting from all the Company's shares issued is 412,690,582.

# 1. SEGMENTS OF THE CAPITAL GROUP

The Capital Group generates revenues from the lease of owned commercial space, from the sales of apartments, from the construction of projects and from the provision of property management services. The structure of revenues is as follows:

REALISED OPERATING RESULTS DURING H1, 2016 BY SEGMENTS:

DETAILS	REVENUES [PLN MILLION]	% SHARE	COSTS [PLN MILLION]	% SHARE
shopping centres as well as shopping and entertainment centres	150.0	53.5%	47.3	35.2%
residential areas	77.8	27.7%	57.1	42.2%
office facilities	46.7	16.6%	26.9	19.9%
not allocated to the above segments	6.0	2.2%	3.8	2.7%
total operating results	280.5	100.0%	135.1	100.0%

145 MILLION ZLOTY

# GROSS PROFIT ON SALES



■ apartments

14%

offices other

14%

The Capital Group did not change segment criteria in H1, 2016. In comparison with the data presented in the report for 2015, the sum of segment assets changed as a result of the sale of shares in EPP NV, an indirect owner of special-purpose companies operating in the sector of shopping centres and office facilities.

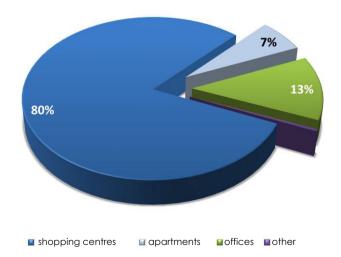
shopping centres

REALISED OPERATING RESULTS DURING H1, 2015 BY SEGMENTS:

DETAILS	REVENUES [PLN MILLION]	% SHARE	COSTS [PLN MILLION]	% SHARE
shopping centres as well as shopping and entertainment centres	162.9	59.5%	53.4	38.5%
residential areas	65.7	24.0%	56.8	41.0%
office facilities	41.6	15.2%	24.3	17.5%
not allocated to the above segments	3.6	1.3%	4.2	3.0%
total operating results	273.8	100.0%	138.7	100.0%

135 MILLION ZLOTY

GROSS PROFIT ON SALES
IN H1, 2015



# 2. PROJECTS OF THE CAPITAL GROUP

As of 30 June 2016 the Group's portfolio included projects in use, under construction or in preparation for construction.

# PORTFOLIO OF PROPERTY IN USE

As of 30 June 2016 the Group's portfolio included 4 office projects for lease. The number of projects decreased due to the sale described in item 1.3.2 of the consolidated financial statements.

PROPERTY PORTFOLIO AS OF 30 JUNE 2016

СІТҮ	LOCATION	NAME	GLA <sup>1</sup> [\$QM]	NOI <sup>2</sup> [millions of EUR]
Gdańsk	ul. Jana z Kolna	Tryton Business House	23,700	3.8
Cracow	ul. Opolska	O3 Business Campus (stage I)	19,100	3.2
Warsaw	al. Jana Pawła II	Q22	53,000	14.4
Warsaw	al. Jana Pawła II	Babka Tower	6,200	1.2
PROJECTS FOR LEASE	TOTAL		102,000	22.6

Office space is leased to domestic and international enterprises, including local businesses. Key office tenants include: Deloitte, Linklaters, Grupa Allegro, mBank, Ecolab Services Poland, KPMG, Orlen Oil Sp. z o.o. or Kainos Software.

# PROJECTS UNDER CONSTRUCTION AND IN PREPARATION

The Management Board closely monitors the situation in the property market and decisions concerning construction projects are made on the basis of an assessment of the current market conditions, project implementation dates are flexible and reasonably adapted to the actual situation.

PROJECTS UNDER CONSTRUCTION OR IN PREPARATION WITHIN THE SEGMENT OF SHOPPING CENTRES AS WELL AS SHOPPING AND ENTERTAINMENT CENTRES

PROJECT	GLA [SQM]	NOI [millions of EUR]	COMMENCEMEN I	COMPLETION
Szczecin, Galaxy (expansion)*	15,100	3.3	H1, 2016	H2, 2017
Szczecin, Outlet Park (Fitness & Medical Centre)*	3,300	0.4	H1, 2016	H2, 2016
Katowice, Libero	44,700	9.0	H2, 2016	H1, 2018
PROJECTS UNDER CONSTRUCTION	63,100	12.7		
Szczecin, Outlet Park (stage III)*	3,800	0.6	H2, 2016	H2, 2017
PROJECTS IN PREPARATION	3,800,	0.6		
SHOPPING CENTRES, TOTAL	66,900	13.3		

 $<sup>^{\</sup>ast}$  The developments are a part of a stake sold to Echo Prime Properties N.V.

 $<sup>^{\</sup>mbox{\scriptsize 1}}$  GLA – gross leasable area, including warehouse and common leased space

<sup>&</sup>lt;sup>2</sup> NOI – net operating income, based on full lease

# PROJECTS UNDER CONSTRUCTION OR IN PREPARATION IN THE RESIDENTIAL SEGMENT

PROJECT	GLA [SQM]	NOI [millions of EUR]	COMMENCEME NT	COMPLETION
Wrocław, Sagittarius	24,900	4.5	H1, 2016	H2, 2017
Wrocław, West Link (stage II)*	14,200	2.5	H2, 2016	H2, 2017
Wrocław, Nobilis	16,900	2.9	H2, 2014	H2, 2016
Katowice, A4 Business Park (stage III)	12,000	2.1	H1, 2015	H2, 2016
Łódź, Symetris (stage I)	9,400	1.6	H1, 2015	H2, 2016
Łódź, Symetris (stage II)	9,500	1.6	H1, 2016	H2, 2017
Krakow, Opolska (stage II)	19,100	3.2	H1, 2016	H1, 2017
PROJECTS UNDER CONSTRUCTION	106,000	18.4		
Krakow, Opolska (stage III)	19,100	3.2	H1, 2017	H2, 2018
Warsaw, Beethovena (stage I)	18,000	3.1	H2, 2016	H1, 2018
Warsaw, Beethovena (stage II)	17,400	2.9	H1, 2018	H2, 2019
Warsaw, Beethovena (stage III)	20,100	3.2	H2, 2019	H1, 2021
Warsaw, Taśmowa (stage I)	17,700	3.0	H1, 2017	H2, 2018
Warsaw, Grzybowska, Brewery J	16,000	3.3	H1, 2017	H1, 2018
Warsaw, Grzybowska, Brewery K	21,000	3.4	H1, 2018	H1, 2020
Warsaw, Grzybowska, Brewery G	8,800	1.8	H1, 2018	H2, 2019
Warsaw, Grzybowska, Brewery H	12,200	2.5	H2, 2019	H2, 2020
PROJECTS IN PREPARATION	150,300	26.4		
TOTAL OFFICE PROJECTS	256,300	44.8		

<sup>\*</sup> Plot of land purchased in Q1 2016



Q22, Warsaw

# PROJECTS UNDER CONSTRUCTION OR IN PREPARATION IN THE RESIDENTIAL SEGMENT

PROJECT	USABLE AND RESIDENTIAL AREA [SQM]	REVENUES [MILLION]	COMMENCEMENT	COMPLETION
Krakow, Park Avenue Apartments	5,600	79.1	H2, 2014	H2, 2016
Krakow, Kościuszki Apartments	5,300	63.9	H2, 2015	H2, 2017
Krakow, Dom pod Wilgą (stage I)	6,600	51.9	H2, 2015	H2, 2017
Łódź, Osiedle Jarzębinowe (stage III)	6,500	31.6	H2, 2015	H2, 2017
Poznań, Osiedle Jaśminowe (stage II)	4,600	25.1	H1, 2015	H2, 2016
Sowińskiego, Poznań (stage I)	7,100	49.7	H1, 2014	H2, 2016
Poznań, Sowińskiego (stages II-III)	7,700	55.5	H1, 2015	H1, 2017
Poznań, Jackowskiego	8,100	52.4	H2, 2015	H1, 2017
Poznań, Pod Klonami, row houses (stage III)	1,900	8.8	H2, 2015	H1, 2017
Warsaw, Nowy Mokotów (stage II)	11,900	96.6	H1, 2014	H1, 2016
Warsaw, Nowy Mokotów (stage III)	16,200	128.4	H2, 2015	H2, 2017
Wrocław, Grota Roweckiego (stage II)	8,100	40.9	H2, 2015	H2, 2017
PROJECTS UNDER CONSTRUCTION	89,600	683.9		
Krakow, Dom pod Wilgą (stage II)	8,800	70.3	H2, 2016	H1, 2018
Krakow, Dom pod Wilgą (stage III)	4,600	38.7	H1, 2018	H2, 2019
Krakow, Rakowicka	7,600	64.8	H2, 2016	H1, 2018
Łódź, Osiedle Jarzębinowe (stage IV)	4,300	20.9	H2, 2016	H2, 2018
Łódź, Osiedle Jarzębinowe (stage V)	8,600	42.3	H1, 2017	H1, 2019
Poznań, Osiedle Jaśminowe (stage III)	4,200	23.1	H2, 2016	H2, 2018
Poznań, Osiedle Jaśminowe (stage IV)	5,100	27.7	H1, 2018	H2, 2019
Poznań, Sowińskiego (stage IV)	5,100	35.1	H2, 2016	H1, 2018
Poznań, 17 MW (stage I)	8,100	42.0	H2, 2016	H2, 2018
Poznań, 17 MW (stage II)	4,500	23.4	H2, 2017	H1, 2019
Poznań, 17 MW (stage III)	5,500	28.5	H2, 2018	H1, 2020
Warsaw, Nowy Mokotów (stage IV)	3,200	29.5	H1, 2016	H1, 2018
Warsaw, Grzybowska, Brewery A	5,200	51.0	H2, 2016	H1, 2018
Warsaw, Grzybowska, Brewery B	10,600	103.0	H2, 2016	H2, 2018
Warsaw, Grzybowska, Brewery C	6,900	66.8	H2, 2017	H1, 2019
Warsaw, Grzybowska, Brewery E	5,100	49.0	H1, 2018	H2, 2019
Wrocław, Rychtalska	10,700	69.1	H1, 2017	H2, 2018
Wrocław, Gdańska	4,000	29.4	H1, 2017	H2, 2018
PROJECTS IN PREPARATION	112,100	814.6		_
TOTAL PROJECTS IN THE RESIDENTIAL SEGMENT	201,700	1,498.5		
PLOTS FOR SALE				
PROJECT	AREA OF A PLOT OF LAND [SQM]	REVENUES [MILLION]	COMMENCEMENT	COMPLETION
Kielce, Występa	134,500	15.5	H1, 2017	H2, 2017
Warsaw, Rezydencje Leśne	52,900	26.5	H1, 2011	H2, 2012
TOTAL LAND	187,400	42.0		

In Q2, 2016 Echo Investment sold 162 apartments through preliminary contracts (compared with 89 apartments sold in Q2, 2015). Cumulatively, since the beginning of the year the Company sold 308 apartments through preliminary contracts (compared with 204 apartments sold in H1, 2015).

In Q2, 2016 Echo Investment concluded 129 final contracts transferring apartment ownership (compared with 70 apartments concluded in Q2, 2015). Cumulatively, since the beginning of the year the Company concluded 175 final contracts for the sale of apartments, (compared with 176 contracts concluded in H1, 2015).

Investment land – developments in the design phase

PROJECT	AREA OF A PLOT OF LAND [SQM]	COMMENTS
Katowice, Jankego	26,200	
Katowice, Grundmanna	23,800	
Kielce, Zagnańska	6,900	
Kiev, Dehtiarivska	43,300	
Krakow, Focha, Cracovia	17,400	
Krakow, Rydla	7,800	
Lublin	4,700	
łódź, Okopowa	12,500	
Łódź, Wodna	8,100	
Poznań, Hetmańska	65,300	
Poznań, Naramowice, Czarnucha	323,900	
Poznań, Pamiątkowo	870,000	
Radom	6,300	
Szczecin, Struga	25,800	
Warsaw, Taśmowa	21,500	
Warsaw, Grzybowska	5,200	
Warsaw, Woronicza, Park Rozwoju III	9,500	
Wrocław, Kępa Mieszczańska	8,100	
Wrocław, Rychtalska	9,800	
Zabrze	8,100	
TOTAL INVESTMENT LAND	1,504,200	

# LAND FOR SALE

PROJECT	AREA OF A PLOT COMMENTS OF LAND [SQM]	
Budapest Mundo, (Hungary)	67,700	land for sale
Słupsk	65,700	land for sale
Brasov Korona (Romania)	49,700	land for sale
Koszalin	39,300	land for sale
Warsaw, Puławska	2,600	land for sale
TTOTAL LAND FOR SALE	225,000	

# 3. ISSUE, REDEMPTION AND REPAYMENT OF DEBT AND EQUITY SECURITIES

In addition to own funds, borrowings and loans, current operations of the Capital Group are also funded through the issue of debt financial instruments

On 15 April 2004, Echo Investment S.A. and mBank S.A. signed an agency agreement and a dealership agreement on an issue programme for short-term, mid-term and long-term bonds denominated in the Polish zloty, with a maximum nominal value of the programme of PLN 1 billion. Pursuant to these agreements, mBank S.A. undertook to organise and carry out comprehensive servicing of the issuance of the Company's bonds within the Bond Issuance Programme. These agreements, with subsequent annexes thereto, were concluded for a non-fixed period of time and they provide for multiple bond issuances by the Company according to non-public offering procedure. The maximum total par value of all issuable bonds is PLN 1 billion. Bonds issued within the Bond Issuance Programme are issued as non-collateralised bearer securities. Bonds may bear fixed or floating interest. Final issuance terms and conditions are determined before an issuance during the Bond Issuance Programme.

Funds raised from the bond issuance supplement the Company's credit limits and enable it to finance planned projects as well as expand its operations in current business areas on the property market.

As of 30 June 2016 the Issuance Programme allowed to issue bonds up to a maximum nominal value of PLN 1 billion.

On 11 February 2016, Echo Investment S.A. redeemed bonds for a total amount of PLN 125 million.

On 27 June 2016, Echo Investment S.A. redeemed listed bonds series A for a total amount of PLN 50 million.

Echo Investment S.A. issued bonds, for which at the date of this report it has liabilities in amounts shown in the table below: LIABILITIES DUE TO BONDS ISSUED AS OF 30 JUNE 2016 [THOUSAND PLN]

BANK NAME	QUOTATION NUMBER AT BONDSPOT	INSTRUMENT TYPE	UTILISED AMOUNT ['000 PLN]	REDEMPTION DATE	INTEREST TERMS
mBank S.A./KDPW	(ISIN: PLECHPS00118)	Bonds	200,000	28 April 2017	6M WIBOR + margin
mBank S.A./KDPW	(ISIN: PLECHPS00191)	Bonds	230,000	23 April 2018	6M WIBOR + margin
mBank S.A./KDPW	(ISIN: PLECHPS00126)	Bonds	80,000	19 June 2018	6M WIBOR + margin
mBank S.A./KDPW	(ISIN; PLECHPS00134)	Bonds	100,000	19 February 2019	6M WIBOR + margin
mBank S.A./KDPW	(ISIN: PLECHPS00159)	Bonds	70,500	15 May 2019	6M WIBOR + margin
Unlisted bonds			680 500		
Series B issue*	[ISIN: PLECHPS00167]	Bonds	25,000	2 July 2016	6M WIBOR + margin
Series C issue	[ISIN: PLECHPS00175]	Bonds	75,000	4 March 2018	6M WIBOR + margin
Series D issue	[ISIN: PLECHPS00183]	Bonds	50,000	20 April 2018	6M WIBOR + margin
Listed bonds			150 000		
TOTAL			830,500		

<sup>\*</sup> redeemed on 4 July 2016

# 4. PAID (OR DECLARED) DIVIDEND

# Payment of the first dividend in the history of Echo Investment

On 21 December 2015 the Extraordinary General Meeting of Echo Investment decided to release the unused capital reserve for the acquisition of treasury shares in the amount of PLN 386,803,583.02 and determined the amount of the company's supplementary capital, taking into account the amount resulting from releasing the capital reserve for the acquisition of treasury shares, at PLN 661,690,023.74, of which the supplementary capital established from previous years profits amounts to PLN 560,920,275.77. Subsequently, the EGM decided to create a special-purpose reserve fund to pay the overdue dividend or an interim dividend, and to transfer PLN 555,763,426.00 to that fund from the supplementary capital.

Subsequently, on 23 December 2015 the Management Board of Echo Investment decided to pay the interim dividend to the shareholders for the financial year 2015, subject to an approval of the Supervisory Board.

Pursuant to Management Board resolution, the total sum earmarked for paying the interim dividend was to amount to PLN 590,147,532.26 and it was to be paid in two instalments: PLN 0.72 per 1 share (a total of PLN 297,137,219.04) on 10 February 2016 and PLN 0.71 per 1 share (PLN 293,010,313.22) until 30 December 2016. The entitlement to the dividend was to rest with shareholders holding the Company's shares on 3 February 2016, i.e. 7 days before the payout of the 1st instalment of the interim dividend. The

5.27 PLN

dividend paid per share (paid before July 2016)

Supervisory Board approved the payout of the interim dividend on the above rules on 13 January 2016.

The first dividend instalment was paid on 10 February 2016 while the second on 22 April 2016.

On 2 June 2016 the Management Board of Echo Investment adopted a resolution on proposed distribution of the profit for 2015. According to the resolution, the net profit for 2015 of PLN 2,958,589,735.86 was to be distributed as follows:

- the amount of PLN 800,217,992.00 to the Company's supplementary capital;
- the amount of PLN 2,158,371,743.86 to be distributed to all the shareholders as a dividend;
- the amount of PLN 590,147,532.26 which had already been paid out was to be credited towards the dividend for the financial year 2015.

On the same day it was resolved that the Extraordinary General Meeting would be convened on 28 June 2016 to adopt resolutions, among other things on profit distribution. In the end the EGM approved the distribution of the net profit earned by the Company in the financial year 2015 in the amount of PLN 2,958,589,735.86 as follows:

- the amount of PLN 783,710,368.72 was distributed to the Company's supplementary capital;
- the amount of PLN 2,174,879,367.14 was distributed to all the shareholders as a dividend;
- the amount of PLN 590,147,532.26 paid out by the Company as the interim dividend towards the dividend for the financial year 2015 was credited towards the dividend;

- the difference between the adopted dividend and the interim dividend paid out in the amount of PLN 1,584,731,834.88 was earmarked for payout in the form of the other part of the dividend, in the amount of PLN 3.84 per one share.

The record date for the remaining part of the dividend was set on 5 July 2016 and the payout date on 8 July 2016. The resolution was performed, the rate of the dividend paid out by Echo Investment for the net profit for 2015 stood at **approx.** 66%, taking into account the closing price of 30 June 2016.

5. EVENTS AFTER THE DAY ON WHICH THE CONDENSED INTERIM FINANCIAL STATEMENTS WERE PREPARED, NOT INCLUDED IN THESE STATEMENTS WHICH COULD HAVE A SIGNIFICANT INFLUENCE ON THE CAPITAL GROUP'S FUTURE FINANCIAL PERFORMANCE

All significant events after the balance sheet are described in item 1.10 of the consolidated financial statements.

6. CHANGES IN CONTINGENT LIABILITIES OR CONTINGENT ASSETS AFTER THE END OF THE LAST FINANCIAL YEAR

#### **SURETY AGREEMENTS**

As of 30 June 2016 there were no binding surety agreements in the Capital Group (see also item 14 of this report).

The surety granted by Echo Investment S.A. to Bank Polska Kasa Opieki S.A. as security for obligations of Galeria Sudecka - "Projekt Echo - 43" Spółka z ograniczoną odpowiedzialnością - spółka komandytowa (formerly: Galeria Sudecka - Projekt Echo - 43 spółka z ograniczoną odpowiedzialnością SKA) resulting from the loan agreement concluded on 19 December 2013, the framework agreement of 19 April 2011 and agreement no. 2013/127/DDF of 17 September 2013 expired on 31 May 2016.

#### The value of current surety agreements in force received by the Group as of 30 June 2016 is as follows:

- under lease agreements concluded: PLN 0, EUR 41.12 thousand, USD 0
- on account of project implementation PLN 0, EUR 0, USD 0.

# **GUARANTEE AGREEMENTS**

GUARANTEES IN FORCE AS OF 30 JUNE 2016 [THOUSAND PLN]

GUARANTOR	VALUE [THOUSAND PLN]	VALIDITY	DESCRIPTION
Echo Investment S.A.	22,128	until 2 July 2020	Security of liabilities in the event of improper performance of the final agreement for sale of an office building Aquarius Business House in Wrocław, stage I. Guarantee issued in EUR.
Echo Investment S.A.	39,830	until 30 July 2021	Security of liabilities in the event of improper performance of the final agreement for sale of an office building Aquarius Business House in Wrocław, stage II. Guarantee issued in EUR.
Echo Investment S.A.	265,530	until the Conversion Date but not beyond 6 February 2018	Security for exceeded costs, coverage for the lack of own funds, debt service liabilities and hedging agreements, and support in organising the construction process during implementation of the Q22 office development in Warsaw for Bank Zachodni WBK S.A. and PKO BP S.A.
Echo Investment S.A.	34,974	12 months after the completion of the construction project	Security for costs overruns of the implementation of Tryton Business House office building project in Gdańsk, to the benefit of HSBC BANK plc.
Echo Investment S.A.	27,106	12 months after the completion of the construction project	Security for costs overruns in the implementation of Opolska Business Park office building project, stage I, in Kraków, to the benefit of HSBC BANK plc.
PZU S.A.	24,600	until 26 February 2017	Security for non-performance of the agreement concluded on 22 June 2015 by Echo Investment S.A. for FTF Columbus S.A.
PZU S.A.	180,000	until 26 February 2017	Security in the event of non-performance of agreements entered into on 27 January 2016 by Echo Investment S.A. to the benefit of FTF Columbus S.A.
BZ WBK S.A.	40,163	until 22 May 2017	Security of non-performance of the obligation of Outlet Park - Projekt Echo - 126 Spółka z ograniczoną odpowiedzialnością spółka komandytowa for the State Treasury.
Echo Investment S.A.	15,679	until confirmation that relevant financial ratios have been achieved, but not beyond 31 March 2021	Security of liabilities of Nobilis - Projekt Echo - 117 spółka z ograniczoną odpowiedzialnością spółka komandytowa arising from the loan agreement concluded on 16 June 2016. Guarantee issued in EUR
Echo Investment S.A.	5,489	until the Project Completion date, but not beyond 31 December 2016	Security of overrunning costs of implementing the Nobilis office development in Wrocław for mBank S.A.

See also item 14 of this Report.

The guarantee of PLN 2,154,946.45.00 issued by PKO BP S.A. for Orbis S.A. as security of non-performance or improper performance of all obligations arising from the General Project Implementation Agreement of 4 September 2008 expired on 17 May 2016.

The guarantee of PLN 13,148,420.00 issued by Echo Investment S.A. for Bank Polska Kasa Opieki S.A. as security of obligations of Galeria Sudecka - "Projekt Echo - 43" Spółka z ograniczoną odpowiedzialnością - spółka komandytowa (formerly: Galeria Sudecka - Projekt Echo - 43 spółka z ograniczoną odpowiedzialnością SKA) concerning overrunning costs of extending CHR Galeria Sudecka in Jelenia Góra and covering the shortage of fixed assets expired on 31 May 2016.

The bank guarantee of PLN 3,600,000.00 issued by Bank PeKaO S.A. for the Commune of Jelenia Góra as security of the payment of claims resulting from a failure to perform in a timely manner the agreement concluded on 24 August 2012 by Galeria Sudecka - "Projekt Echo - 43" Spółka z ograniczoną odpowiedzialnością - spółka komandytowa (formerly: Galeria Sudecka - Projekt Echo - 43 spółka z ograniczoną odpowiedzialnością SKA) expired on 26 April 2016.

On 23 May 2016 BZ WBK SA, at the request of Echo investment SA, issued a bank guarantee of PLN 40,162,789.00 for the State Treasury as security of non-performance of the obligations of Outlet Park - Projekt Echo -126 Spółka z ograniczoną odpowiedzialnością spółka komandytowa.

On 16 June 2016 Echo investment S.A. granted to mBank S.A. a guarantee of EUR 3,542,845.00 as security of liabilities of Nobilis - Projekt Echo - 117 spółka z ograniczoną odpowiedzialnością spółka komandytowa (a subsidiary of the Issuer) resulting from the Ioan agreement entered into on 16 June 2016. The guarantee is valid until the confirmation that the relevant financial ratios specified in the Ioan agreement of 16 June 2016 have been achieved; however, not beyond 31 March 2021.

On 16 June 2016 Echo investment S.A. granted to mBank S.A. a guarantee of PLN 5,488,500 as security of overrunning costs of the construction of the Nobilis office building in Wrocław by (a subsidiary of the Issuer).

# The value of current guarantee contracts in force received by the Group as of 30 June 2016 is as follows:

- under lease agreements concluded: PLN 500.34 thousand, EUR 2.47 million, USD 0;
- under project execution agreements: PLN 45.23 million, EUR 2.78 million, USD 0;

# 7. COMPOSITION OF THE ECHO INVESTMENT CAPITAL GROUP

The key role in the group's structure is performed by Echo Investment S.A, which supervises, co-implements and provides financial resources for the implementation of development projects. The companies it is composed of have been established or acquired to meet specific investment projects' goals and do not engage in economic activity other than that which would arise from the implementation of a specific project, and subsequently lease already completed assets or provide other services.

As of 30 June 2016 the Capital Group comprised 130 subsidiaries, consolidated under the full method, and one affiliated company consolidated under the equity method.

#### SUBSIDIARIES:

Item No.	NAME	REGISTERED OFFICE	% OF CAPITAL HELD	PARENT COMPANY
1	"Symetris - Projekt Echo - 131 Sp. z o.o." Sp. k.	Kielce	100%	SPV Development" SCSp
2	"Taśmowa - Projekt Echo - 116 Sp. z o.o." S.k.a.	Kielce	100%	Echo Investment S.A.
3	"Avatar - Projekt Echo - 119 Sp. z o.o." S.k.a.	Kielce	100%	60 FIZ Forum
4	"Cornwall Investments Sp. z o.o." Sp. k.	Warsaw	100%	Echo Investment S.A.
5	"Cornwall Investments" Sp. z o.o.	Warsaw	100%	Echo Investment S.A.
6	"Doxent Investments" Sp. z o.o.	Warsaw	100%	Echo Investment S.A.
7	"Duże Naramowice - Projekt Echo - 111 Sp. z o.o." S.k.a.	Kielce	100%	60 FIZ Forum
8	"Echo - Browary Warszawskie Sp. z o.o." Sp. k.	Kielce	100%	Echo Investment S.A.
9	"Echo - Browary Warszawskie" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
10	"Echo Innovations - Projekt Echo - 99 Sp. z o.o." Sp. K.	Kielce	100%	Echo Investment S.A.
11	"Elissea Investments" Sp. z o.o.	Warsaw	100%	Echo Investment S.A.
12	"Fianar Investments" Sp. z o.o.	Warsaw	100%	Echo Investment S.A.
13	"Galeria Katowice - Projekt Echo 120 Sp. z o.o." S.k.a.	Kielce	100%	"SPV Development" SCSp
14	"Gosford Investments" Sp. z o.o.	Warsaw	100%	Echo Investment S.A.
15	"Kielce - Projekt Echo 129 Sp. z o.o." S.k.a.	Kielce	100%	60 FIZ Forum
16	"Metropolis - Projekt Echo 121 Sp. z o.o." S.k.a.	Kielce	100%	60 FIZ Forum
17	"Park Postępu - Projekt Echo - 130 Sp. z o.o." S.k.a.	Kielce	100%	60 FIZ Forum
18	"Projekt Beethovena - Projekt Echo - 122 Sp. z o.o." S.k.a.	Kielce	100%	SPV Development" SCSp
19	"Selmer Investments Sp. z o.o." Sp. k.	Warsaw	100%	Echo Investment S.A.
20	"Selmer Investments" Sp. z o.o.	Warsaw	100%	Echo Investment S.A.

Item No.	NAME	REGISTERED OFFICE	% OF CAPITAL HELD	PARENT COMPANY
21	"Echo – Project - Management Ingatlanhasznosito" Kft.	Budapest	100%	Echo Investment S.A.
22	"Echo Investment Hungary Ingatlanhasznosito" Kft.	Budapest	100%	Echo Investment S.A.
23	"Echo Investment Project 1" S.R.L.	Brasov	100%	"Echo - Aurus" Sp. z o.o.
24	"Echo Investment Project Management" S.R.L.	Brasov	100%	Echo Investment S.A.
25	"Echo Investment Property Management - Grupa Echo Sp. z o. o." Sp. k.	Kielce	100%	Echo Investment S.A.
26	"Echo Investment Ukraine" LLC	Kiev	100%	Echo Investment S.A.
27	"El Option" S.A.	Krakow	100%	Echo Investment S.A
28	"El Project Cypr - 1" Ltd	Nicosia	100%	Echo Investment S.A.
29	"Elmira Investments" Sp. z o. o.	Kielce	100%	Echo Investment S.A.
30	"Princess Investment" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
31	"Projekt 1 - Grupa Echo Sp. z o.o." - S.k.a.	Kielce	100%	60 FIZ Forum
32	"Projekt Echo - 100" Sp z o.o.	Kielce	100%	Echo Investment S.A.
33	"Park Rozwoju III - Projekt Echo - 112 Sp. z o.o." Sp. k.	Kielce	100%	SPV Development" SCSp
34	"53 – Grupa Echo Sp. z o.o." S.k.a.	Kielce	100%	60 FIZ Forum
35	"Babka Tower - Projekt Echo – 93 Sp. z o.o." S.k.a.	Kielce	100%	"SPV Development" SCSp
36	"Barconsel Holdings" Ltd	Nicosia	100%	Echo - SPV 7 Sp. z o.o.
37	"Bełchatów – Grupa Echo Sp. z o.o." S.k.a.	Kielce	100%	60 FIZ Forum
38	"Budivelnuy Soyuz Monolit" LLC	Kiev	100%	Yevrobudgarant LLC
39	"Dellia Investments - Projekt Echo - 115 sp. z o.o." Sp.k.	Kielce	100%	SPV Development" SCSp
40	"Echo - Advisory Services" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
41	"Echo – Arena" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
42	"Echo – Aurus" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
43	"Echo – Babka Tower Sp. z o.o."	Kielce	100%	Echo Investment S.A.
44	"Echo - Babka Tower Sp. z o.o." Sp. k.	Kielce	100%	"SPV Development" SCSp
45	"Echo - Galaxy Sp. z o.o." S.k.a.	Kielce	100%	60 FIZ Forum
46	"Echo - Galaxy" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
47	"Echo – Kasztanowa Aleja Sp. z o.o." Sp. k.	Kielce	100%	Echo Investment S.A.
48	"Echo – Klimt House Sp. z o.o." Sp. k.	Kielce	100%	Echo Investment S.A.
49	"Echo – Klimt House" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
50	"Echo – Nowy Mokotów Sp. z o.o." Sp. k.	Kielce	100%	Echo Investment S.A.
51	"Echo – Nowy Mokotów" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
52	"Echo – Opolska Business Park Sp. z o.o."	Kielce	100%	Echo Investment S.A.
53	"Echo – Opolska Business Park Sp. z o.o." Sp. k.	Kielce	100%	"SPV Development" SCSp
54	"Echo – Pod Klonami Sp. z o.o." Sp. k.	Kielce	100%	Echo Investment S.A.

Item No.	NAME	REGISTERED OFFICE	% OF CAPITAL HELD	PARENT COMPANY
55	"Echo – Pod Klonami" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
56	"Echo - Property Poznań 1" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
57	"Echo - SPV 7" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
58	"Echo Investment ACC - Grupa Echo Sp. z o.o." Sp. kom.	Kielce	100%	Echo Investment S.A.
59	"Echo Investment Facility Management - Grupa Echo Sp. z o.o." Sp. k.	Kielce	100%	Echo Investment S.A.
60	"Galeria Nova - Grupa Echo Sp. z o.o." S.k.a.	Kielce	100%	Echo Investment S.A.
61	"Galeria Tarnów – Grupa Echo Sp. z o.o." S.k.a.	Kielce	100%	60 FIZ Forum
62	"GP Development" sarl	Luxembourg	100%	"Barconsel Holdings" Ltd
63	"Grupa Echo" \$p. z o.o.	Kielce	100%	Echo Investment S.A.
64	"Malta Office Park - Projekt Echo - 96 Sp. z o.o." S.k.a.	Kielce	100%	60 FIZ Forum
65	"Mena Investments" Sp. z o. o.	Kielce	100%	Echo Investment S.A.
66	"Nobilis - Projekt Echo – 117 sp. z o.o." Sp. k.	Kielce	100%	SPV Development" SCSp
67	"Oxygen - Projekt Echo - 95 Sp. z o.o." S.k.a.	Kielce	100%	60 FIZ Forum
68	"PHS – Projekt CS Sp. z o.o." S.k.a.	Warsaw	100%	SPV Development" SCSp
69	"PPR - Projekt Echo – 77 Sp. z o.o. " S.k.a.	Kielce	100%	60 FIZ Forum
70	"Projekt – 132-"Grupa Echo" Sp. z o.o." Sp. k.	Kielce	100%	Echo Investment S.A.
71	"Projekt – 133-"Grupa Echo" Sp. z o.o." Sp. k.	Kielce	100%	Echo Investment S.A.
72	"Projekt - 134-"Grupa Echo" Sp. z o.o." Sp. k.	Kielce	100%	Echo Investment S.A.
73	"Projekt – 137 – "Grupa Echo" Sp. z o.o." Sp. k.	Kielce	100%	Echo Investment S.A.
74	"Projekt - Pamiątkowo" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
75	"Projekt 12 – Grupa Echo Sp. z o.o." S.k.a.	Kielce	100%	60 FIZ Forum
76	"Projekt 13 – Grupa Echo Sp. z o.o." S.k.a.	Kielce	100%	60 FIZ Forum
77	"Projekt 14 – Grupa Echo Sp. z o.o." S.k.a.	Kielce	100%	60 FIZ Forum
78	"Projekt 15 – Grupa Echo Sp. z o.o." S.k.a.	Kielce	100%	Echo Investment S.A.
79	"Projekt 16 – Grupa Echo Sp. z o.o." S.k.a.	Kielce	100%	Echo Investment S.A.
80	"Projekt 17 – Grupa Echo Sp. z o.o." S.k.a.	Kielce	100%	Echo Investment S.A.
81	"Projekt 18 – Grupa Echo Sp. z o.o." S.k.a.	Kielce	100%	Echo Investment S.A.
82	"Projekt 19 – Grupa Echo Sp. z o.o." S.k.a.	Kielce	100%	Echo Investment S.A.
83	"Projekt 20 – Grupa Echo Sp. z o.o." S.k.a.	Kielce	100%	Echo Investment S.A.
84	"Projekt 21 – Grupa Echo Sp. z o.o." S.k.a.	Kielce	100%	Echo Investment S.A.
85	"Projekt 22 – Grupa Echo Sp. z o.o." S.k.a.	Kielce	100%	Echo Investment S.A.
86	"Projekt 5 – Grupa Echo Sp. z o.o." S.k.a.	Szczecin	100%	60 FIZ Forum
87	"Projekt CS" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
88	"Projekt Echo - 104" Sp. z o.o.	Kielce	100%	Echo Investment S.A.

Item No.	NAME	REGISTERED OFFICE	% OF CAPITAL HELD	PARENT COMPANY
89	"Projekt Echo - 108" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
90	"Projekt Echo - 111" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
91	"Projekt Echo - 112" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
92	"Projekt Echo - 113" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
93	"Projekt Echo - 114" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
94	"Projekt Echo - 115" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
95	"Projekt Echo - 116" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
96	"Projekt Echo - 117" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
97	"Projekt Echo - 119" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
98	"Projekt Echo - 120" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
99	"Projekt Echo - 121" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
100	"Projekt Echo - 122" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
101	"Projekt Echo - 123" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
102	"Projekt Echo - 127" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
103	"Projekt Echo - 128" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
104	"Projekt Echo - 129" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
105	"Projekt Echo - 130" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
106	"Projekt Echo - 131" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
107	"Projekt Echo - 132" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
108	"Projekt Echo - 135 Sp. z o.o." Sp. k.	Kielce	100%	Echo Investment S.A.
109	"Projekt Echo - 135" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
110	"Projekt Echo - 136 Sp. z o.o." Sp. k.	Kielce	100%	Echo Investment S.A.
111	"Projekt Echo - 136" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
112	"Projekt Echo - 137" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
113	"Projekt Echo - 77" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
114	"Projekt Echo - 93" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
115	"Projekt Echo - 95" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
116	"Projekt Echo - 96" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
117	"Projekt Echo - 99" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
118	"Projekt K-6 - Grupa Echo Sp. z o.o." S.k.a.	Kielce	100%	Echo Investment S.A.
119	"Projekt Naramowice – "EBR Global Services Sp. z o.o." S.k.a.	Kielce	100%	60 FIZ Forum
120	"Projekt Saska" Sp. z o.o.	Kielce	95%	Echo Investment S.A.
121	"Pure Systems" Sp. z o.o.	Krakow	100%	Echo Investment S.A.
122	"Q22 - Projekt Echo - 128 Sp. z o.o." Sp. k.	Kielce	100%	SPV Development" SCSp
123	"Sagittarius - Projekt Echo – 113 sp. z o.o." Sp. k.	Kielce	100%	SPV Development" SCSp

Item No.	NAME	REGISTERED OFFICE	% OF CAPITAL HELD	PARENT COMPANY
124	"SPV Development" SCSp	Luksemburg	100%	60 FIZ Forum
125	"Tryton - Projekt Echo – 127 sp. z o.o." Sp. k.	Kielce	100%	SPV Development" SCSp
126	"Verwood Investments" Sp. z o.o.	Warsaw	100%	Echo Investment S.A.
127	"Villea Investments" Sp. z o.o.	Warsaw	100%	Echo Investment S.A.
128	"Vousoka" Ltd	Nicosia	100%	"El Project Cypr - 1" Ltd
129	"West Gate II - Projekt Echo - 114 Sp. z o.o." Sp.k.	Kielce	100%	SPV Development'' SCSp
130	"Yevrobudgarant" LLC	Kiev	100%	El Project Cypr - 1 Ltd

The affiliated company is Echo Polska Properties N.V. with its registered office in Amsterdam.

All certificates issued by 60 FIZ Forum are held by companies from the Echo Investment Capital Group

8. IDENTIFICATION OF CHANGES IN THE STRUCTURE OF THE BUSINESS UNIT, INCLUDING THOSE RESULTING FROM BUSINESS MERGERS, ACQUISITIONS OR DISPOSALS OF THE CAPITAL GROUP MEMBERS, LONG-TERM INVESTMENTS, DIVISIONS, RESTRUCTURING AND DISCONTINUATION

# In Q1 2016, the composition of the Echo Investment S.A. Capital Group expanded by 13 companies as a result of the following:

- On 5 January 2016, the Commercial and Business Register in the Netherlands registered a newly incorporated company, Echo Prime Properties BV, with its registered office in Amsterdam;
- On 26 February 2016, 100% of interests were purchased in Cornwall Investments Spółka z ograniczoną odpowiedzialnością Sp. kom., with its registered office in Warsaw. The total purchase price amounted to PLN 14,626.50. The company's share capital is PLN 5 thousand;
- On 26 February 2016, 100% of interests were purchased in Selmer Investments Spółka z ograniczoną odpowiedzialnością Sp. kom., with its registered office in Warsaw. The total purchase price amounted to PLN 14,626.50. The company's share capital is PLN 5 thousand;
- On 26 February 2016, 100% of interests were purchased in Cornwall Investments Sp. z o.o. with its registered office in Warsaw. The total purchase price amounted to PLN 11,878.30. The company's share capital is PLN 5 thousand;
- On 26 February 2016, 100% of interests were purchased in Selmer Investments Sp. z o.o. with its registered office in Warsaw. The total purchase price amounted to PLN 11,878.30. The company's share capital is PLN 5 thousand;
- On 26 February 2016, 100% of interests were purchased in Doxent Investments Sp. z o.o. with its registered office in Warsaw. The total purchase price amounted to PLN 13,419.30. The company's share capital is PLN 5 thousand;
- On 26 February 2016, 100% of interests were purchased in Elissea Investments Sp. z o.o. with its registered office in Warsaw. The total purchase price amounted to PLN 13,419.30. The company's share capital is PLN 5 thousand;
- On 26 February 2016, 100% of interests were purchased in Fianar Investments Sp. z o.o. with its registered office in Warsaw. The total purchase price amounted to PLN 13,419.30. The company's share capital is PLN 5 thousand;
- On 26 February 2016, 100% of interests were purchased in Gosford Investments Sp. z o.o. with its registered office in Warsaw. The total purchase price amounted to PLN 13,419.30. The company's share capital is PLN 5 thousand.

# II. In Q1, 2016 the composition of the Echo Investment S.A. Capital Group decreased by 3 companies as a result of the following:

- On 10 March 2016, 100% of shares in Projekt Echo 133 Sp. z o.o., with its registered office in Pamiqtkowo, were sold. The company's share capital was PLN 36,326,400.00.
- On 22 April 2016, 100% of shares in Pamiqtkowo Sp. z o.o. with its registered office in Kielce were sold. The company's share capital was PLN 5,000.00;
- On 22 April 2016 100% of shares in Zakład Ogrodniczy Naramowice Pamiątkowo Sp. z o.o. S.k.a. with its registered office in Pamiątkowo were sold. The company's share capital was PLN 18,999,900.00.

# III. Other changes in the companies of the Issuer's Capital Group in Q1, 2016:

- the business name of "Projekt Echo - 137 Sp. z o.o. Sp. kom was changed for "Projekt – 137 – "Grupa Echo" Sp. z o.o." Sp. kom (date of registration in the National Court Register: 29 January 2016)

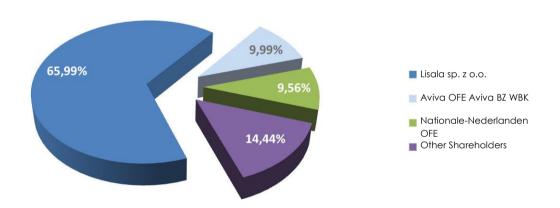
- the business name of "Projekt Echo 133 Sp. z o.o." Sp. kom was changed for "Projekt 133 "Grupa Echo" Sp. z o.o." Sp. kom (date of registration in the National Court Register: 25 February 2016)
- the business name of "Projekt Echo 134 Sp. z o.o." Sp. kom was changed for "Projekt 134 "Grupa Echo" Sp. z o.o." Sp. kom (date of registration in the National Court Register: 26 February 2016)
- the business name of "Projekt Echo 132 Sp. z o.o." Sp. kom was changed for "Projekt 132 "Grupa Echo" Sp. z o.o." Sp. kom (date of registration in the National Court Register: 24 March 2016);
- Increase of the share capital in "Projekt Echo 95" Sp. z o.o. by Echo Investment S.A. (date of registration: 05 January 2016);
- Increase of the share capital in "Echo Browary Warszawskie" Sp. z o.o. by Echo Investment S.A. (date of registration: 18 January 2016);
- Increase of the share capital in "Echo Kasztanowa Aleja" Sp. z o.o. by Echo Investment S.A. (date of registration: 19 January 2016);
- Increase of the share capital in "Projekt Echo 121" Sp. z o.o. by Echo Investment S.A. and Grupa Echo Sp. z o.o. (date of registration: 05 February 2016);
- Increase of the share capital in "Projekt Echo 120" Sp. z o.o. by Echo Investment S.A. and Grupa Echo Sp. z o.o. (date of registration: 08 February 2016);
- Increase of the share capital in "Projekt Echo 122" Sp. z o.o. by Echo Investment S.A. and Grupa Echo Sp. z o.o. (date of registration: 08 February 2016);
- Increase of the share capital in "Projekt Echo 123" Sp. z o.o. by Echo Investment S.A. and Grupa Echo Sp. z o.o. (date of registration: 08 February 2016);
- Increase of the share capital in "Projekt Echo 130" Sp. z o.o. by Echo Investment S.A. and Grupa Echo Sp. z o.o. (date of registration: 10 February 2016);
- Increase of the share capital in "Projekt Echo 127" Sp. z o.o. by Echo Investment S.A. and Grupa Echo Sp. z o.o. (date of registration: 10 February 2016);
- Increase of the share capital in "Projekt Echo 128" Sp. z o.o. by Echo Investment S.A. and Grupa Echo Sp. z o.o. (date of registration: 11 February 2016);
- Increase of the share capital in "Projekt Echo 112" Sp. z o.o. by Echo Investment S.A. and Grupa Echo Sp. z o.o. (date of registration: 12 February 2016);
- Increase of the share capital in "Projekt Echo 113" Sp. z o.o. by Echo Investment S.A. and Grupa Echo Sp. z o.o. (date of registration: 12 February 2016);
- Increase of the share capital in "Projekt Echo 114" Sp. z o.o. by Echo Investment S.A. and Grupa Echo Sp. z o.o. (date of registration: 12 February 2016);
- Increase of the share capital in "Projekt Echo 135" Sp. z o.o. by Echo Investment S.A. (date of registration: 24 March 2016);
- Increase of the share capital in "Projekt Echo 136" Sp. z o.o. by Echo Investment S.A. (date of registration: 24 March 2016);
- Increase of the share capital in "Projekt Echo 100" Sp. z o.o. by Echo Investment S.A. (date of registration: 20 April 2016);
- Increase of the share capital in "Projekt Echo 137" Sp. z o.o. by Echo Investment S.A. (date of registration: 22 April 2016);
- Decrease of the share capital of "Bełchatów Grupa Echo Sp. z o.o." S.k.a. by decreasing the nominal value of shares from PLN 1.00 to PLN 0.01 (date of registration in the National Court Register: 12 January 2016);
- Decrease of the share capital in "Kielce Projekt Echo 129 Sp. z o.o." S.k.a. by decreasing the nominal value of shares from PLN 1.00 to PLN 0.01 (date of registration in the National Court Register: 14 January 2016);
- Decrease of the share capital in "Echo Galaxy Sp. z o.o." S.k.a. by decreasing the nominal value of shares from PLN 1.00 to PLN 0.01 (date of registration in the National Court Register: 25 January 2016);
- Decrease of the share capital in "Malta Office Park Projekt Echo 96 Sp. z o.o." S.k.a. by decreasing the nominal value of shares from PLN 1.00 to PLN 0.01 (date of registration in the National Court Register: 22 January 2016);
- Change of the general partner: On 18 January 2016, Grupa Echo Sp. z o.o. transferred to EBR Global Services Sp. z o.o., with its registered office in Kielce, the rights and obligations of the general partner in Projekt Naramowice Grupa Echo Sp. z o.o.- S.k.a.;

- change of the limited partner on 31 May 2016 "Echo Investment" S.A. disposed of the rights and obligations of the limited partner in "Projekt Echo 135 Sp. z o.o." S.k. to "SPV Development" SCSp with its registered office in Luxembourg, as a result of
- transactions within the Capital Group, the following interests of shares were transferred to Echo Investment S.A.:
  - 46,458,998 shares "Echo Prime Properties" B.V.:
  - 165,511,404 shares in "Echo Prime Properties" B.V.:
  - 1 share in "Projekt Echo 128" Sp. z o.o.
  - 1 share in "Projekt Echo 127" Sp. z o.o.
- as a result of transactions within the Group, the following interests of shares were transferred to Echo Investment S.A.:
  - 156,929,000 series B registered shares in "Projekt Naramowice "Grupa Echo" Sp. z o.o. "S.k.a.;
  - 386,550,000 series B registered shares in "Duże Naramowice Projekt Echo 111 Sp. z o.o. S.k.a." S.k.a.
- As a result of transactions within the Capital Group, the following interests of shares were transferred to 60 FIZ Forum:
  - 2 series A registered shares in "Projekt 11 Projekt Echo 131 Sp. z o.o." S.k.a.;
  - 2 series A registered shares in "Echo Babka Tower Sp. z o.o." S.k.a.;
  - 500 series A registered shares in "Galeria Katowice Projekt Echo 120 Sp. z o.o." S.k.a.;
  - 100 series A registered shares in "PHS Projekt CS Sp. z o.o." S.k.a.;
  - 1,000 series A registered shares in "Avatar Projekt Echo 119 Sp. z o.o." S.k.a.;
  - 10,000 series A registered shares in "Babka Tower Projekt Echo 93 Sp. z o.o." S.k.a.;
  - 450 series A registered shares in "Projekt Beethovena Projekt Echo 122 Sp. z o.o." S.k.a.;
  - 450 series A registered shares in "Echo Opolska Business Park Sp. z o.o."S.k.a.;
  - 99,998 series A registered shares in "Dellia Investments" S.A.;
  - 386,550,000 series B registered shares in "Duże Naramowice Projekt Echo 111 Sp. z o.o." S.k.a.
- As a result of transactions within the Capital Group, the following interests of shares were transferred to 60 FIZ Forum:
  - 19,999 shares in "Echo Galeria Lublin" Sp. z o.o.;
  - 15,999 shares in "Projekt Echo 101" Sp. z o.o.;
  - 999 shares in "Projekt Echo 107" Sp. z o.o.;
  - 99 shares in "Vasco Investment" Sp. z o.o.;
  - 999 shares in "Projekt Echo 70" Sp. z o.o.;
  - 999 shares in "Projekt Echo 102" Sp. z o.o.
- As a result of transactions within the Capital Group the following interests of shares were transferred to "Projekt Echo 127" Sp. z o.o.:
  - 1 share in "Projekt Echo 102" Sp. z o.o.
- As a result of transactions within the Capital Group the following interests of shares were transferred to "Projekt Echo 128" Sp. z o.o.:
  - 1 share in "Projekt Echo 70" Sp. z o.o.;
- As a result of transactions within the Capital Group, the following interests of shares were transferred to "SPV Development" SCSp:
  - 10,000 series A registered shares and 119,980,000 series B registered shares in "Babka Tower Projekt Echo 93 Sp. z o.o." S.k.a.;
  - 450 series A registered shares and 49,999,500 series B registered shares in "Echo Opolska Business Park Sp. z o.o." S.k.a.;
  - 450 series A registered shares and 20,049,500 series B registered shares in "Projekt Beethovena Projekt Echo 122 Sp. z o.o." S.k.a.;
  - 100 series A registered shares and 2,518,400 series B registered shares in "PHS Projekt CS Sp. z o.o." S.k.a.;
  - 500 series A registered shares and 49,500 series B registered shares in "Galeria Katowice Projekt Echo 120 Sp. z o.o." S.k.a.;
  - 2 series A registered shares, 49,998 series B registered shares and 1,950,000 series C registered shares in "Echo Babka Tower Sp. z o.o." S.k.a.;

- 2 series A registered shares and 49,998 series B registered shares in "Projekt 11 Projekt Echo 131 Sp. z o.o." S.k.a.;
- 99,998 series A registered shares in "Dellia Investments" S.A.;
- 19,999 shares in "Echo Galeria Lublin" Sp. z o.o.;
- 99 shares in "Vasco Investment" Sp. z o.o.;
- 999 shares in "Projekt Echo 70" Sp. z o.o.;
- 15,999 shares in "Projekt Echo 101" Sp. z o.o.;
- 999 shares in "Projekt Echo 102" Sp. z o.o.;
- 999 shares in "Projekt Echo 107" Sp. z o.o.
- As a result of transactions within the Capital Group 11,770,438 series B registered shares were redeemed in "Zakład Ogrodniczy Naramowice Pamigtkowo Sp. z o.o." S.k.a.
- 9. POSITION OF THE MANAGEMENT BOARD CONCERNING THE POSSIBILITY OF MEETING PREVIOUSLY PUBLISHED FORECASTS OF RESULTS FOR A GIVEN YEAR, IN THE LIGHT OF THE RESULTS PRESENTED IN THE QUARTERLY REPORT IN RELATION TO FORECASTED PROFIT/LOSS

The Management of the Company did not publish any financial forecasts.

#### 10. THE OWNERSHIP STRUCTURE OF MAJOR HOLDINGS OF ECHO INVESTMENT SA



The total number of shares issued by the Company stands at 412,690,582 (say: four hundred twelve million, six hundred ninety thousand five hundred and eighty-two), of which Lisala Sp. z o.o. holds 272,375,784 shares; Aviva OFE Aviva BZ WBK – 41,269,000 shares; a Nationale-Nederlanden OFE – 39,443,048 shares. The other shareholders hold a total of 59,602,750 shares.

The share in the share capital is equivalent to the share in total votes at the AGM.

Lisala Sp. z o.o. is an entity indirectly controlled 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 28 June 2016.

In the period since the publication of the last financial report, i.e. 16 May 2016, to the date of this report the Issuer did not receive any notifications of a change in the shareholding of significant shareholders.

11. SUMMARY OF CHANGES IN THE SHAREHOLDING OF ECHO INVESTMENT S.A. OR RIGHTS TO SHARES (OPTIONS) BY THE ISSUER'S MANAGERS AND SUPERVISORS, AS TO THE KNOWLEDGE OF ECHO INVESTMENT S.A. SINCE THE PUBLICATION OF THE PREVIOUS QUARTERLY REPORT

According to the information held by the Company, no Management Board or Supervisory Board member holds or, in H1, 2016, held any shares of Echo Investment S.A.

#### 12. COURT PROCEEDINGS

As of 30 June 2016 there were no proceedings pending before court or a public administration authority concerning liabilities or claims of the Company and its subsidiaries, whose total value constitutes at least 10% of the Company's equity.

# 13. TRANSACTIONS WITH RELATED PARTIES UNDER TERMS OTHER THAN MARKET TERMS

In H1, 2016 the Company and its subsidiaries did not conclude any transactions with related parties on other than market conditions.

14. SURETIES GRANTED ON LOANS OR BORROWINGS AND GUARANTEES WITH A VALUE EQUIVALENT TO AT LEAST 10% OF THE COMPANY'S EQUITY

In H1, 2016 (26 February 2016), at the request of Echo Investment S.A. Powszechny Zakład Ubezpieczeń S.A. granted a guarantee to FTF Columbus S.A. the value of which was at least 10% of the Company's equity. The guarantee secures improper performance of the agreements dated 27 January 2016 by Q22 - Projekt Echo - 128 Spółka z ograniczoną odpowiedzialnością - spółka komandytowa (formerly: "Projekt Echo - 70" sp. z o.o.) - a subsidiary of the Issuer. The guarantee amounts to PLN 180,000,000.00. The Guarantee is valid until 26 February 2017.

15. OTHER INFORMATION THAT THE MANAGEMENT BOARD OF ECHO INVESTMENT S.A. BELIEVES TO BE IMPORTANT TO ASSESS THE PERSONNEL, ECONOMIC AND FINANCIAL SITUATION, THE PROFIT, AND ANY CHANGES IN THESE ASPECTS OF BUSINESS, AND INFORMATION NECESSARY TO ASSESS THE ECHO INVESTMENT CAPITAL GROUP'S CAPACITY TO MEET ITS OBLIGATIONS

All events which in the opinion of the Management Board would have been significant for assessing the situation of the Capital Group are described in item 1.3 of the consolidated financial statements.

16. FACTORS WHICH, IN THE OPINION OF THE MANAGEMENT BOARD, WILL INFLUENCE THE CAPITAL GROUP'S FINANCIAL PERFORMANCE FOR AT LEAST THE UPCOMING QUARTER

#### **ASSESSMENT OF THE MARKETS ON WHICH THE COMPANY OPERATES**

#### Office sector

#### Warsaw – stable

Despite a record-high supply of office space in the capital city, the vacancy rate is not rising, but it remains at the level of 15.4%. According to JLL, in H1, 2016 a total of 360 thousand sq m of space was leased, mainly downtown and in Mokotów. Such demand consumed the space delivered on the market. In H2 the supply of new office space will be considerably smaller (83 thousand sq m of space is expected to be delivered, four times less than in H1), and throughout 2017 it is estimated only at around 300 thousand sq m. However, aggressive competition on the office market affects mainly owners of older office buildings at less convenient locations. On the whole market rents remain at a stable level, and in the long-term an extra demand for office space may be observed as companies will be moving from Great Britain as a result of Brexit.

# Regional cities – positive approach

At present around 60% of the demand for office space in eight biggest cities except for Warsaw is generated by companies from BPO and SSC sectors. According to ABSL survey, over 90% of companies from these sectors that are already present in Poland plan to expand their activities between Q1, 2016 and Q1, 2017. According to JLL, in H1, 2016 a total of 268 thousand sq m was leased on these markets, i.e. nearly 50 thousand sq m more than the volume of space delivered in this period. At present there is nearly 900 thousand sq m of space under construction in regional cities, as a result of which rent remains at an unchanged level in spite of considerable demand.

# Sector of shopping centres – stable, selective approach

For the past few years Poland has been among European leaders by the volume of commercial space delivered on the market. In Poland the saturation with such space is around 9% lower than in Western Europe. GDP growth, a high growth rate

of consumer consumption, among other things connected with the launch of the 500+ programme aimed at raising the birth rate (by 4.1% in 2016 and 4% in 2017 according to Eurostat) as well as record-low unemployment (8.6% in July 2016) are factors that encourage commercial chains to expand their activities and developer companies to develop new facilities. The greatest interest is observed in cities with more than 400 thousand inhabitants, mainly in Warsaw and Katowice agglomerations. According to JLL, saturation in both cities is at a relatively low level (around 450 sq m per 1,000 people), and in addition the purchasing power of the inhabitants of Warsaw is 68% higher than the national average.



Galeria Libero, Katowice

On the whole commercial market there is a low vacancy rate of ground 3% and rent remains stable.

vacancy rate of around 3% and rent remains stable. Capitalisation rates for the best shopping centres are at around 5%.

After two decades of growth, on the Polish commercial market there are new investment opportunities involving redeveloping, extending and modernising older but well situated shopping centres of the first and second generation. At present around half of shopping centres operating on the market are older than ten years. Some owners have already started modernising their facilities or they plan to do that soon. An alternative is to sell such facilities to opportunistic investors.

#### Apartments – stable

The residential market in Poland is achieving record-high results. According to REAS, the number of transactions where customers buy apartments from developer companies has been rising steadily since Q1, 2013. In Q2, 2016 it reached 15.1 thousand on six key markets. However, in contrast to the strong demand observed in 2006 and 2007, for the past few quarters apartment prices have been at a stable level, and there is no concern about speculative demand.



Dom Pod Wilgą, Krakow

Out of 27 EU countries (excluding Malta) Poland ranks the 24th by residential space per person. The Polish Association of Developers estimates that it may take even around a decade to bridge the structural gap on residential Consumers are motivated to invest apartments by record-low interest rates that may decrease further in the future as well as continuously increasing deposits of Polish people financial institutions (nearly PLN 700 billion) despite decreasing profitability of bank deposits.

The demand for apartments is also fuelled by record-low unemployment (8.6% in July 2016) and a considerable increase of the consumer confidence index.

The market may be hampered by stricter downpayment requirements for consumers planning to take out a mortgage loan, a small surplus of apartments delivered on the market over those already on the market, a gradual phase-out of the Housing for the Young family-support programme as well as an inflation increase anticipated by the National Bank of Poland (1.5% in

mid-2017). However, we do not expect the market of developer housing to be affected by the National Housing Programme. Its assumptions indicate that it is dedicated to a different group of customers who would not become customers of developer companies because of low income.

In the long run the developer market may be affected by the trend of institutional lease of apartments. In Poland this market is only being created; however, it can generate extra demand and another client for developer companies, i.e. the housing fund.

#### In subsequent periods, the financial performance of the Company and the Group will be influenced by the following factors:

posting of revenues from final agreements for the sale of residential properties;

accounting of revenues from final agreements of sales of plots with house projects in Dyminy near Kielce (Osiedle Południowe) and Masłów near Kielce;

revenues earned from the lease of office space;

potentially entering into final sales agreements on commercial projects;

selling land properties earmarked for disinvesting;

potential capital expenditures;

valuation of the interest of shares held in Echo Polska Properties and possible dividends;

selling costs as well as general and administrative expenses;

having projects measured at fair value by third-party property valeurs;

valuation of liabilities from bonds and borrowings at amortised cost;

measurement of loans and cash due to changes in foreign exchange rates;

measurement and settlement of FX hedging instruments;

interest on deposits and borrowings granted;

discounts and interests on loans, bonds and borrowings.

# 17. DESCRIPTION OF SIGNIFICANT RISK FACTORS AND THREATS IN THE MONTHS AHEAD IN 2016

The Company's Management Board does not expect any significant risk factors or threats to occur that might have material impact on the financial performance in H2, 2016.

Dated: 31 August 2016

Signatures of the Echo Investment S.A. Management Board

Nicklas Lindberg	Maciej Drozd	Piotr Gromniak	Artur Langner
President of the Management	Vice-President of the	Vice-President of the	Vice-President of the
Board	Management Board	Management Board	Management Board

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