

# FINANCIAL REPORT OF ECHO INVESTMENT

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Q1 2019



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## Dear Shareholders, Partners and Clients,

It is with great pleasure that I present this Echo Investment's financial report for the first quarter of 2019, explaining our financial standing and ambitious expansion plans. In this period, Echo Investment generated nearly PLN 32 mln net profit, that was due primarily to the increase in the value of projects under construction. The result was also driven by apartments handed over to clients, rents received from the lease of office space in O3 Business Campus III in Krakow and Gatehouse Offices in the Warsaw Brewery complex, as well as rents from in Libero in Katowice.

### Multifunctional 'destination' projects

We are focused on developing multifunctional, 'destination' complex projects, new parts of cities attracting people to live in, work and spend their free time. Today such projects cover nearly half of our development pipeline going forward. All buildings of our flagship Warsaw Brewery project are at various stages of construction works or are completed. I assure you that by the second half of 2020 this entire quarter, including streets, open squares, greenery and public spaces, will be finished and returned to Warsaw and its residents.

In the first quarter, we started construction of Fuzja - our multifunctional project at Tymienieckiego str. in Łódź. It will contain apartments, offices, service and entertainment space with a total area of about 90,000 sqm. I am convinced that our experience and expertise, the central location and post-industrial architecture of Fuzja will prompt residents of Łódź to move in and spend their free time here, as well as attract companies looking for unique work environment. In March, at the MIPIM real estate fair in Cannes, we presented our idea for another, significant part of Warsaw - the Towarowa 22 project. We are working on it together with the world-famous architecture firm

BIG Architects. They designed offices, apartments, a hotel, retail and service spaces, as well as a theatre, a festival cinema or open space full of greenery and places to relax. I am sure that Towarowa 22 will be a new Warsaw landmark and in a few years it will move the city centre to the Wola district.

### Residential

We are gradually growing our residential offer. Our sales are at a good level, slightly higher than sales recorded in the first quarter of 2018. The number of 351 apartments sold puts us in sixth place among residential developers listed on the Polish stock exchange. However, we still have an appetite for increasing our market share to be in line with our target of 2,000 units sold by 2020 as communicated earlier.

During the first three months of the year, we started construction of 542 apartments in Poznań and Łódź, and by the end of the year we will put on offer about 1,700 units in large and attractive projects, such as successive stages of Fuzja in Łódź or Nasze Jeżyce in Poznań. We intend to sell about 1,300 units throughout the year. On the other hand, we will hand over approximately 1,250 apartments to our clients. Due to work schedules, most of this year's projects will be completed in the second half of the year, and it is precisely during this time that handovers will be accumulated.

Thinking about further growth, we purchased plots of land for approximately 75,000 sqm of usable space in the first quarter - mainly residential. We are working on further purchases: currently, in negotiations we have plots for projects with a total area of over 500,000 sqm - also most of them for residential. This shows our determination to achieve a better and better position on the market.

## Office

We are pleased that the office sector in Poland is in great standing - both in Warsaw and on regional markets. Since the beginning of the year, we have started construction of React office buildings in Łódź and Moje Miejsce II in Warsaw, that together will have around 32,000 sqm of lease area. Due to great interest of potential tenants, we prepare to start construction of projects in Wrocław and Gdańsk by the end of the year, so the area of projects started in 2019 will amount to 100,000 sqm in total. Despite early stages of completion, in many projects, such as Face2Face II or buildings of Warsaw Brewery, we can see the potential for a very high level of the lease before the end of construction. The office market is also very attractive for international investors, as shown by transactions concluded. This is supported, among others by the sale of Gatehouse Offices, the first office building of the Warsaw Brewery complex for EUR 76.5 mln. O3 Business Campus III in Krakow is also under agreement to be sold this year. Further proof of the attractiveness of our office buildings are two financing agreements for buildings of Warsaw Brewery and West 4 Business Hub in Wrocław.

## Retail

We celebrated a great success last week: the opening of Galeria Młociny in Warsaw. Only for the first four days, it was visited by over 220,000 guests. It is fully leased by great retail brands that have prepared refreshed or completely new concepts of their stores. Exceptional eight-meter-high shopfronts, located on the first floor, allow for product display unprecedented in Warsaw. A magnet for clients is the restaurant and entertainment zone, that occupies about 6,000 sqm of space on the top floor. A special place of Galeria Młociny is a unique terrace, where cultural events can be organised, as well as outside dinners

and meetings. We believe that Galeria Młociny will become a place where residents of Bielany will spend their time, as well as a significant part of 24 million passengers of the Młociny transport hub. I am really satisfied with fantastic results of the two-year work on this project together with our JV partner EPP, that now is taking over the management of the centre.

Our project Libero in Katowice becoming a known retail destination in Silesia. Last weekend we opened an attractive city square in front of the building, that will be full of life throughout the year. In summer, concerts and fairs will be organised there, while in winter there will be an ice rink. We are also continuing other dynamic marketing actions in this project, so that soon it will become the most appreciated place for entertainment and shopping in Katowice.

## Financial standing

Echo Investment maintains very stable financial standing and low net debt ratio that amounted to 25% as at 31 March 2019. The value of our assets under construction is steadily growing. In the first quarter, the value of residential and retail projects under construction increased by 13%, what is clearly in line with our strategy of profitable growth.

We are also happy about the trust of financial institutions, that from the beginning of the year granted investment loans for construction of two office projects, and also invested in our bonds worth PLN 100 mln. The Group maintains a high level of cash - PLN 471 mln at the end of the first quarter. We also continue to improve the structure of our debt so that our financial flows are strong and stable in the long term.

I invite you to study in detail our financial report for the first quarter of 2019.

Yours sincerely



**Nicklas Lindberg**  
Prezes Echo Investment

# CHAPTER 1

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## MANAGEMENT BOARD REPORT





# General information about the Company and its Group

## 1996

Incorporation of Echo Investment



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

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

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

# The Management Board of Echo Investment S.A

as at 31 March 2019

**Nicklas Lindberg**  
President of the Board, CEO



**Maciej Drozd**  
Vice-President of the Board,  
CFO



**Artur Langner**  
Vice-President of the Board



**Marcin Materny**  
Member of the Board



**Rafał Mazurczak**  
Member of the Board



**Waldemar Olbryk**  
Member of the Board



**Małgorzata Turek**  
Member of the Board





# The Supervisory Board of Echo Investment S.A.

as at 31 March 2019

**Karim Khairallah**

Chairman of the Supervisory Board



**Laurent Luccioni**

Deputy Chairman of the Supervisory Board



**Mark Abramson**

Independent Supervisory Board Member  
Deputy Chairman of the Audit Committee



**Maciej Dyjas**

Supervisory Board Member



**Stefan Kawalec**

Independent Supervisory Board Member  
Chairman of the Audit Committee



**Nebil Senman**

Supervisory Board Member  
Audit Committee Member



**Sebastian Zilles**

Supervisory Board Member

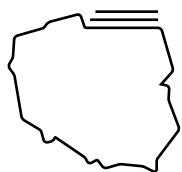


# Strategy of Echo Investment Group

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

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

## STRATEGY OF ECHO INVESTMENT



### POLAND

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



### LEADERSHIP

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



### FOCUS ON DEVELOPMENT

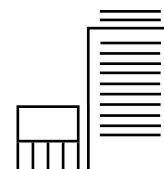
The focus of the adopted strategy model is on development activities, which include land acquisition, construction, lease, active management to increase the market value and then sale of finished project in optimal time for the possible return ratio, capital management, market expectations and trends.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



### STRATEGIC COOPERATION WITH RELIABLE PARTNERS

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

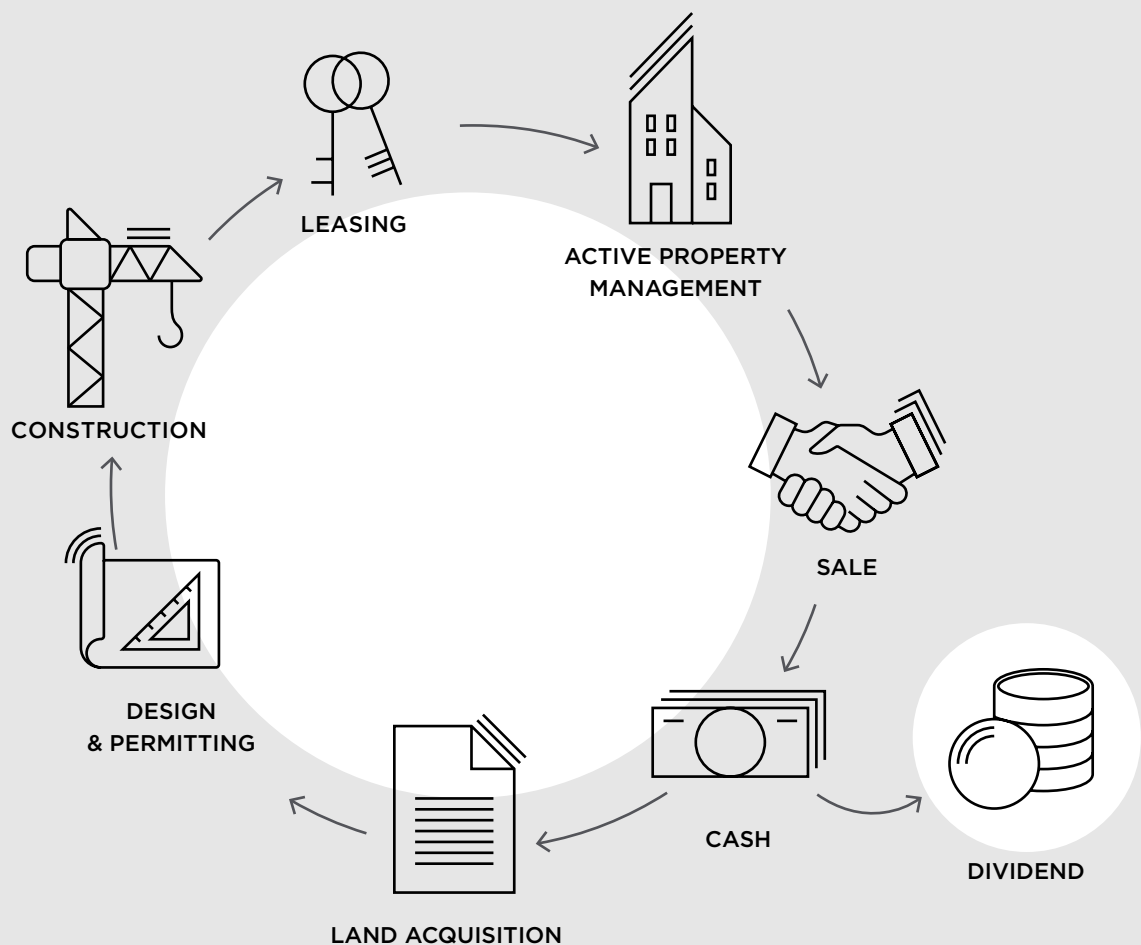
significant capital expenditures, providing its partners with services such as development, planning, leasing, accounting etc. Partners may also be offered by Echo with priority to acquire ready projects on market conditions. Material agreements between Echo Investment and its partners need to be discussed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



### DESTINATION PROJECTS

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

# Business model



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

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

Group falls into the following categories:

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

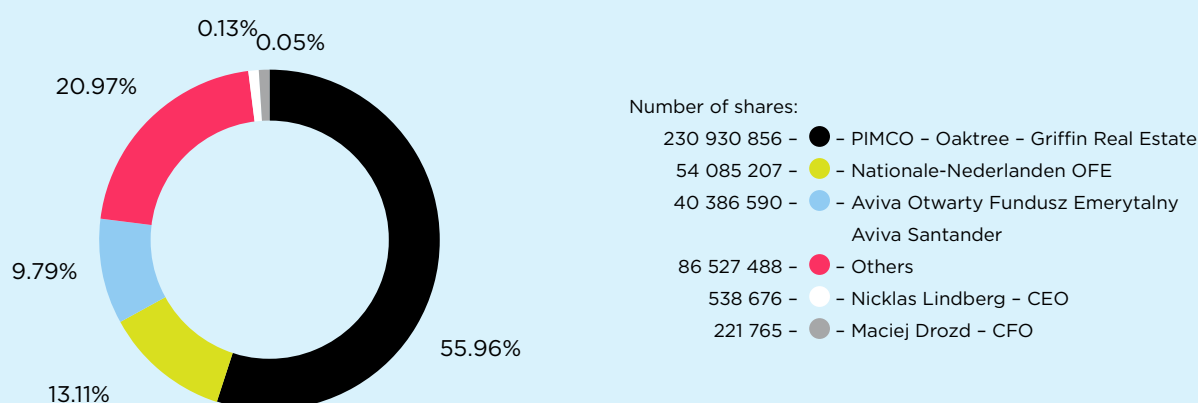
increase its value and sale of retail buildings,

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



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

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



### 4.1 Description of shares

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

number of votes at the General Meeting of Shareholders.

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

### 4.2 Shareholding structure

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

Data concerning the shareholding structure as at the balance sheet day result from information about ownership of shares published by Open

Pension Funds and notifications sent to the Company by members of the Management Board.

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

To the best of the Company's knowledge, among the persons in charge of Echo Investment S.A. management or supervisory functions, the shareholders of the Company are only Nicklas Lindberg, CEO and Maciej Drozd, CFO. According to notifications sent by both board members, in 2018 each of them purchased shares of Echo Investment S.A., in transactions concluded at the session on December 28, 2018 Nicklas Lindberg purchased 78,000 shares for a total amount of c.a. PLN 250,000, while Maciej Drozd 37,500 shares for a total amount of c.a. PLN 120,000.

To the best of the Company's knowledge, none of the other members of the Management Board or the Supervisory Board is a shareholder of the Company directly or indirectly as at the date of publication of the report, none of them was a shareholder on 31 March 2019, as at the balance sheet day and since the beginning of 2019, and none of them concluded any transactions for shares in the Company.

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

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

## Major events in Q1 2019



Fuzja 'destination' project on Tymienieckiego st. in Łódź

### 5.1 Starting the multifunctional project Fuzja on Tymienieckiego street in Łódź

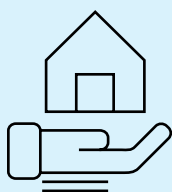
Echo Investment has started construction of the new multifunctional project Fuzja in Łódź on Tymienieckiego street. It will be carried out at 7.7 hectares of land occupying the former textile factory of Karol Scheibler in Księży Młyn, which the company purchased in 2017. The city adopted a spatial development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

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



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

Fuzja 'destination' project  
on Tymienieckiego st.  
in Łódź



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

PLN **33.8** mln

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

After the balance sheet date, the Company placed 188,315 J-series bonds and 150,000 J2-series bonds, which were issued on the basis of the Prospectus approved by the Polish Financial Supervision Authority on 16 April 2018. The total issue value of the placed bonds was PLN 33,831,500. The subscription for J-series bonds lasted from 18 February to 1 March 2019, while J2-series bonds from 18 February to 25 February 2019. The allocation of the bonds took place on 5 March 2019.

The interest rate on J-series and J2-series bonds is based on the WIBOR 6M rate increased by a 3.4% margin. The bonds have a 4.5-year maturity. The offering was organized by Dom Maklerski PKO Banku Polskiego and the consortium of Noble Securities S.A., Michael / Ström Dom Maklerski S.A. and Dom Maklerski Bank Ochrony Środowiska S.A.

## 5.3 Review of potential strategic options by major shareholder

The Management Board of Echo Investment S.A. announced that on 14 March 2019, it was notified by its majority direct and indirect shareholder, Lisala sp. z o.o. and Echo Partners B.V. that both entities have decided to undertake a review of the potential strategic options in relation to their investment in the Company and the further development of the Company's business. It cannot be excluded that as part of the process, to the extent permitted under applicable provisions of law,

additional information on the Company and its capital group will be disclosed to selected entities. The review of strategic options may result in taking and implementing various types of actions and transactions, including those of a corporate nature. However, it may also be decided that no such action or transaction will be taken or implemented.

EUR **76.8** million

**The target amount of the sale transaction of Gatehouse Offices**

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

On 29 March 2019, GLL Real Estate Partners signed an agreement with Echo Investment for the purchase of Gatehouse Offices - the first office building of Warsaw Brewery. The final sale price of the office building will amount to EUR 76.8 million, after meeting certain conditions.

According to the agreement, the sale price is to be paid in two tranches. The first tranche in the amount of EUR 38.6 million net was paid immediately after the conclusion of the agreement, while the remaining part of the price - after meeting the conditions set by the parties, but not later than 12 months from the date of the sale agreement. Together with the first tranche, the purchaser paid the amount of VAT on the entire sale price. The payment of the price increase is expected at the turn of the third and fourth quarter of 2019.

Along with the sale agreement, the parties entered into agreements for quality guarantee of the building and rent guarantee, according to which the purchaser is compensated for the loss of operating income resulting from incentives for tenants.

The Gatehouse office building received the occupancy permit in the fourth quarter of 2018. It offers 15,700 sqm of space, occupied mainly by L'Oréal Polska, EPAM Poland and WeWork.

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



Gatehouse Offices  
(Warsaw Brewery J),  
Warsaw



# Major events after the balance sheet day

## 6.1 Issuance of bonds for institutional investors

As part of the Bond Issuance Programme of up to PLN 1 bln of 2011, which was signed with mBank, Echo Investment issued coupon bonds with a total value of PLN 100 mln on 11 April 2019. The nominal value and the issue price of one bond was PLN 10,000. The bonds were issued for the period ending on 11 April 2023. The interest rate on the bonds was determined based on the variable WIBOR 6M rate plus

a margin for investors. The redemption of the bonds on the redemption date will be at the nominal value of the bonds. The interest will be paid semi-annually. The issued bonds are not secured.

At the same time, the Company acquired 1,000 own bonds marked with the ISIN code PLECHPS00159 for redemption.

PLN **100** mln

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

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

Bank Pekao has granted Echo Investment a loan of EUR 87 mln for the construction of Villa Offices and Malthouse Offices - two office buildings being developed at the Warsaw Brewery complex at Grzybowska street in Warsaw. According to the agreement signed on 25 April 2019, the loan is divided into two tranches. The first one amounts to EUR 54.8 mln of a construction loan and PLN 10 mln of a VAT loan, while the second one - to EUR 32.6 mln of a construction loan and PLN 7 mln of a VAT loan. The loan was granted for a period of 24 months from the date of commissioning, but no longer than until 31 December 2022.

The construction loan, after completing the construction of projects, will be transformed into an investment loan of the

same amount. It will be granted for 5 years from commissioning, however not longer than until 31 December 2027. Investment and construction loan amounts bear interest at a variable EURIBOR rate, increased by a margin, while a VAT loan - at a variable WIBOR interest rate plus a margin. The agreement provides for an obligation to meet conditions suspending a payment of loans, including establishing collateral that are standard in this type of transactions.

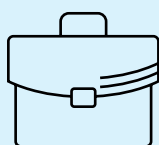
Warsaw Brewery is a cohesively designed urban space, combining offices, apartments, apartments for rent, services and eating places. The project is being developed in the quarter of Grzybowska, Wronia, Krochmalna and Chłodna streets in Warsaw's Wola district. The construction work began in 2016 and already two years



later, the first office building and residential building were put into use. Villa Offices and Malthouse Offices, being financed by Bank Pekao, have a total of 46,000 sqm of

leasable space, their construction started last year and their completion is scheduled for 2020.

Construction works  
on Warsaw Brewery,  
Warsaw



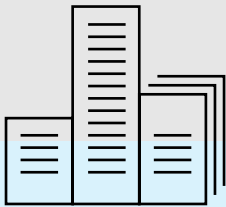
### 6.3 Loan agreement for the construction of West 4 Business Hub in Wrocław

Bank Millennium has concluded an investment loan agreement with Echo Investment in the amount of more than EUR 20 million for the construction of the West 4 Business Hub office building in Wrocław. West 4 Business Hub will be the continuation of West Gate and West Link office buildings that have already been developed at Na Ostatnim Groszu street and successfully leased and sold. The construction of the first office building of the West 4 complex was launched at the end of 2018.

The new project West 4 will offer over 80,000 sqm of office space. The first

building will have over 15,500 sqm of space. Its construction is in line with the schedule - earthworks have been completed and builders are currently working on a foundation slab and 0 level walls. The first West 4 building is planned for use in the third quarter of 2020. The architectural office Maćków Pracownia Projektowa is responsible for the design.

Echo Investment in Wrocław has been present for 12 years. The developer has built, leased and sold five office buildings here: Aquarius, Sagittarius, Nobilis, West Gate and West Link.



West 4 Business Hub office project in Wrocław

## 6.4 Opening of Galeria Młociny in Warsaw

After three years of construction, on 23 May 2019, Echo Investment and EPP opened Galeria Młociny at Zgrupowania AK "Kampinos" street in Warsaw. The project has nearly 85,000 sqm of leasable space, of which 76,000 sqm for retail and gastronomy, and 6,000 sqm of office space that was leased by Inter Cars.

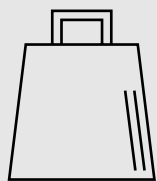
The architectural design of Galeria Młociny was developed by two architectural design studios - Kuryłowicz & Associates and Chapman Taylor. The general contractor was Erbud, while the financing was provided by a consortium of banks Santander, PKO Bank Polski and Bank Gospodarstwa Krajowego.

The complex will include 220 stores and nearly 50 restaurants and cafes, a medical centre and the first multiplex cinema in Bielany. Among renowned brands present in Galeria Młociny, it is worth mentioning Inditex group (Zara, Zara Home, Oysha, Massimo Dutti, Bershka, Stradivarius, Pull & Bear), H&M, Van Graff, TK Maxx, C & A,

CCC, Media Markt and RTV Euro AGD. Brands such as Gagliardi, Sloggi or Mayoral Premiere stores also will open their stores.

Galeria Młociny was developed right next to the Młociny transport interchange – within easy reach of Warsaw, with direct access to the metro station, several tram lines, city, suburban and country bus lines, a bicycle station and a P&R car park. It is the most important transport hub of the northern part of the city and neighbouring towns that is used by over 24 mln passengers every year.

Galeria Młociny's investors are EPP (70% of shares) and Echo Investment (30% of shares). EPP will manage the newly-opened complex. Echo Investment is fully responsible for the development and lease process.



Galeria Młociny shopping centre, Warsaw



# Echo Investment Group business segments – description of the market, activities and outlook

Perspectives of each market sectors in coming 12 months:

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

## 7.1 Residential market in Poland

### ↑ Fluctuations in demand and stabilisation of supply

In the first quarter of 2019, the residential market in the six largest cities was stable. Sales of new apartments, according to JLL, remained at a similar level as in the last quarter of 2018 and amounted to 16,500. The sustained high demand for apartments continues to affect prices that have already exceeded the levels recorded at the peak in 2008. The rate of increases, in comparison to previous quarters, has stabilised. For the first three months of 2019, prices increased by approximately 1.6%, with almost 12% growth per annum. However, there are major differences between cities at the rate of sales and delivery of new apartments to the market.

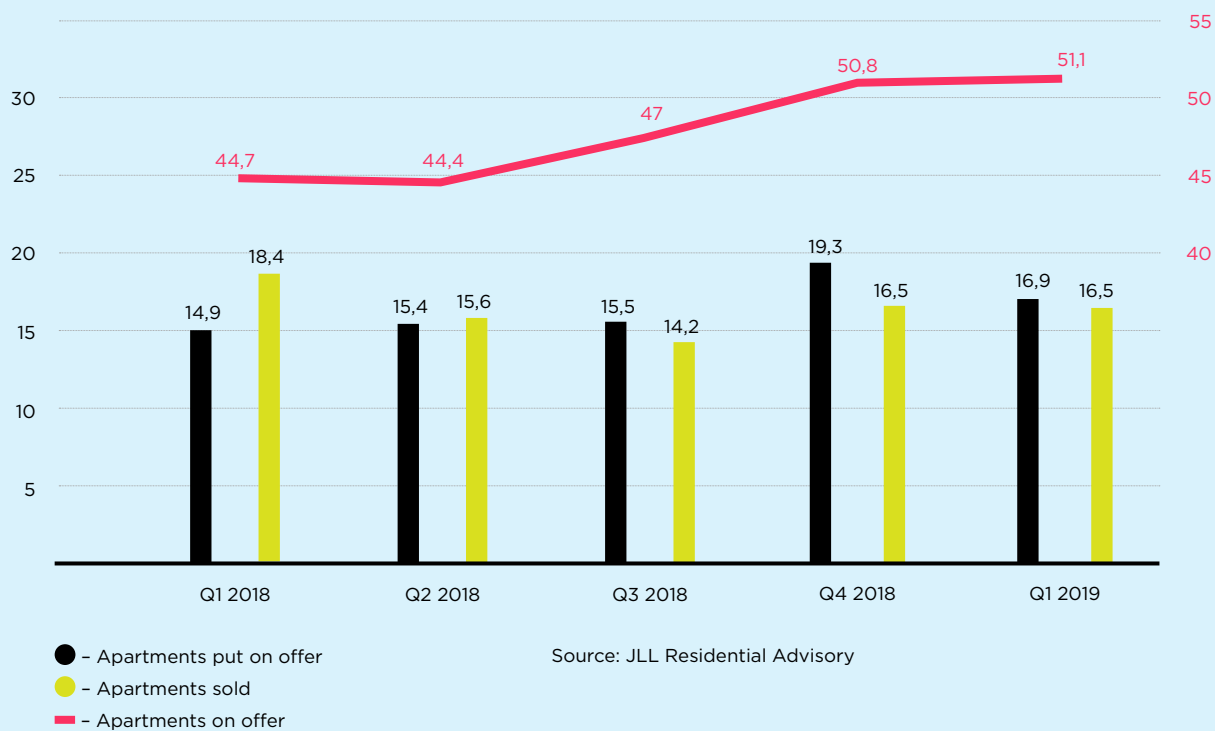
16,900 apartments were marketed, i.e. 13% less than in the fourth quarter of 2018. However, it should be stressed that this is a much better result than the same period last year. The number of new apartments put on offer in Q1 was only c.a. 350 higher than the number of apartments sold. According to JLL, there were large fluctuations in supply of apartments in individual cities. The largest increase in developers' activity was noted in Kraków and Poznań, where 50% and 30% more apartments were marketed respectively than in the fourth quarter of 2018. The offer of apartments was also significantly increased in

Wrocław (over 23%). In Warsaw, after the exceptionally successful end of the year, the number of units launched for sale remained at the level recorded in the previous quarters, while in the Tri-City a great decrease was recorded compared to the fourth quarter of 2018 - 26%. In total, in the last four quarters, in the six largest Polish cities, the supply amounted to 67,900 apartments.

Price increases also spread unevenly on a quarterly basis. The greatest increases were recorded in Wrocław (5.3%) and Warsaw (3.5%), while in other cities they were insignificant. However, it should be emphasized that average prices in the last 12 months were increased by almost 12%. The greatest increases in the year were recorded in Warsaw (nearly 15%) and Kraków (10.9%), while the slightest - in Poznań (7.7%) and Łódź (8%).

In the last quarter, Poznań and Łódź are also sales leaders. In Łódź, 25.6% more apartments were sold, while in the capital of Wielkopolska, as much as 36.2% compared to Q4 2019. On the other hand, sales fell in Warsaw (-3.3%), in Wrocław (-10.3%) and the Tri-City (-19%). In total, 62,900 apartments were sold in the last four quarters.

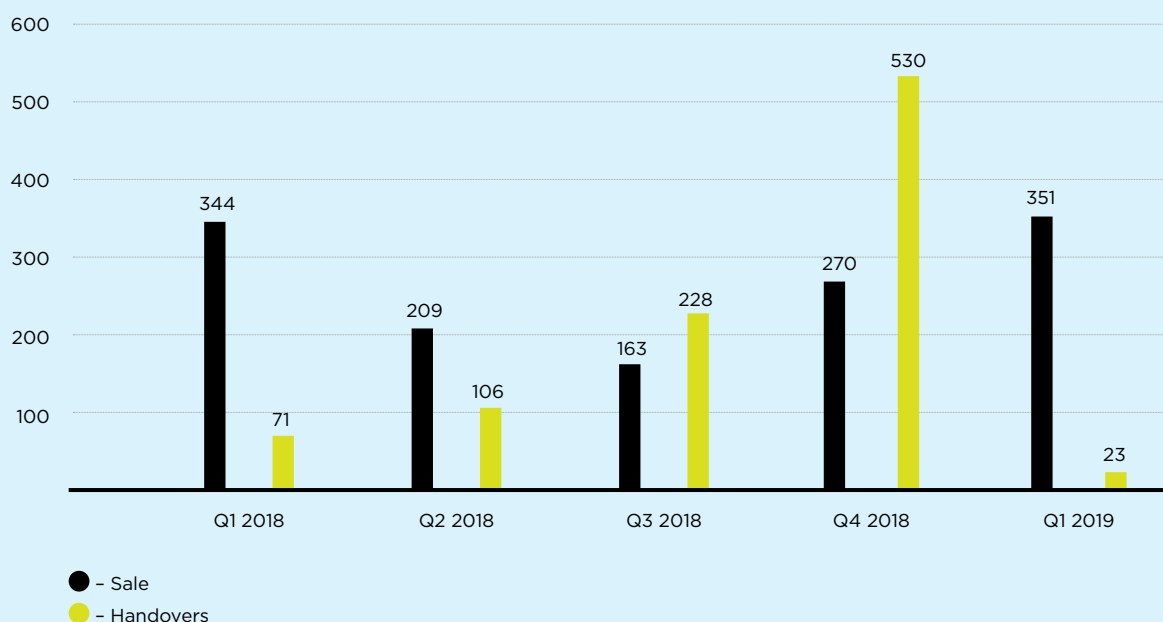
## APARTMENTS SOLD AND PUT ON OFFER AS WELL AS OFFER VOLUME [IN THOUSAND]



## 7.2 Echo Investment's activities in the residential sector

Echo Investment remains among the largest residential developers in the country and strengthens the position consistently. In the first quarter of 2019, as one of a few listed companies, resisted drops in sales of apartments: the company sold 351 units, 2% more than in the first quarter of 2018. Such dynamic puts Echo Investment in the 5th place among Polish listed developers. In terms of the number of units sold, the company ranked sixth in Poland.

**NUMBER OF APARTMENTS SOLD AND HANDED OVER IN ECHO INVESTMENT IN EACH QUARTER [UNITS]**



From January to March 2019, Echo Investment has started construction of 542 flats and apartments in the projects: Esencja Apartmety in Poznań and Fuzja in Łódź. By the end of the year, the company will put on offer approximately 1,700 units in large and attractive projects, such as Stacja Wola at ul. Ordona in Warsaw, subsequent stages of Fuzja in Łódź or Nasze Jeżyce in Poznań.

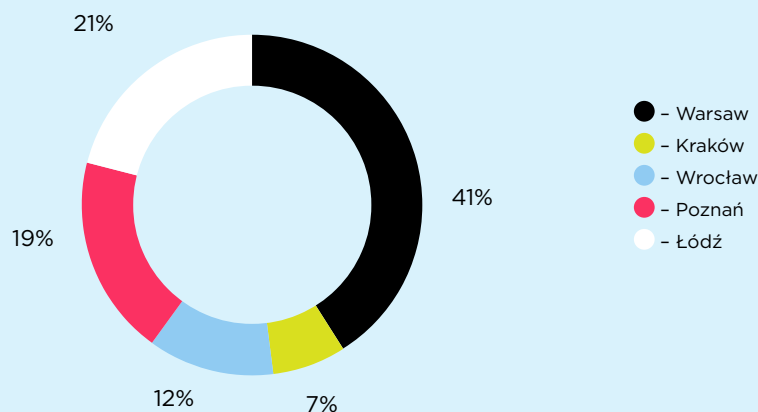
Due to a large number of projects put up for sale in the fourth quarter of 2018 and at the beginning of 2019, in the first quarter of 2019, the Company sold 351 apartments (2% more than in the first quarter of 2018). In addition, in April, the number of units sold

amounted 93. In the whole year, Echo Investment intends to sell about 1,300 apartment, reaching more than 30% growth compared to 2018. Due to schedules of construction processes, residential buildings are usually not put into use in the first quarter, that is why it is a period with a low number of apartments handed over to clients. In the first quarter of 2019, Echo Investment delivered 23 apartments to its clients. The vast majority of residential projects to be completed this year will be commissioned in the second half of the year. Throughout the year, the Company expects to hand over approximately 1,250 apartments to clients. That would mean around 35% growth.

In the first quarter of 2019, Echo Investment purchased land in Kraków and Wrocław, where approximately 52,400 sqm of apartments may be developed. In addition, the company concluded preliminary agreements for land allowing for construction of nearly 73,000 sqm in Warsaw, Krakow and Poznań.

The company makes investment decisions based on a detailed analysis of local markets, trying to stay ahead of trends. In the first quarter of 2019, nearly 40% of apartments being built are located in cities of the highest sales increases, i.e. Poznań and Łódź.

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



The company has started cooperation with suppliers of cutting-edge apartment management solutions. Responding to the needs of clients, the company installs every unit the heart of the system for remote management of access, temperature, lighting and other functions. Echo Investment also reacts to new social and communication needs of city residents by planning so-called life-services. In cooperation with Samsung Electronics, the company has created the first showroom presenting the potential of a smart home in the Warsaw Brewery project.

The Resi4Rent project, the first institutional apartment rental platform, completes the residential business for sale. Currently, the platform has six projects under construction, more than 1,800 apartments in total. By the end of the year, Resi4Rent plans to start construction of two more projects. In the second half of 2019, the company will put into use the first buildings in Łódź and Wrocław and then it will start renting apartments. Resi4Rent secures further projects. In 3-5 years, it plans to own and manage 5,000-7,000 apartments. Echo Investment is a shareholder of the platform (the company holds 30% of shares) and provides development services, planning, supervision, etc.



## 7.3 Office market in Poland

### 📍 Warsaw

Since the beginning of the year, development companies have put into use only one building in Warsaw with more than 10,000 sqm of space. The total office space remained at a similar level to the end of 2018 - nearly 5.5 million sqm. However, a record-breaking number of space remains under construction: office space should increase by more than 834,000 sqm by 2021. Most of these projects (approximately 70%) are located in the city centre and in the Wola district.

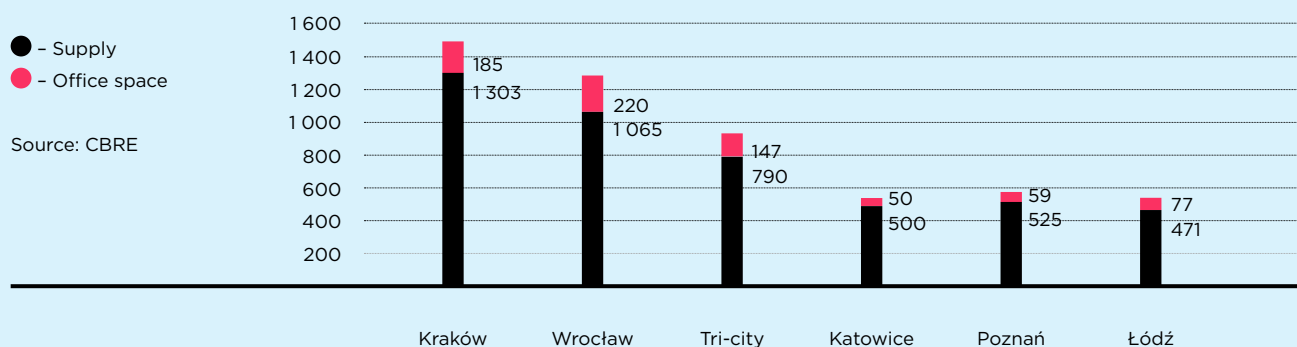
In the first quarter, a noticeable drop in leasing activity in Warsaw by approximately 29% compared to the first quarter of 2018. However, a significant growth of signing new contracts in the next quarters is expected to rise according to CBRE analysts. Due to relatively low demand, the vacancy rate increased by 0.5 p.p. and at the end of March amounted to 9.1%. Analysts have not noticed any changes in rents, that are at the level of EUR 23-24 per sqm/month in the city centre and approximately EUR 15.5 outside the centre of Warsaw.

### 📍 Regional markets

In the first quarter of 2019, regional markets were much more active than Warsaw. Over six times as much leasable space was put into use, i.e. 122,000 sqm. In Poland, total office space at the end of the quarter exceeded 10.6 million sqm. Most space was completed in Kraków and Poznań (46.1 thousand sqm each). About 800,000 sqm remains under construction, mainly in Wrocław, Kraków, Łódź and the Tri-City.

The demand for office space in regional cities was similar to the demand from the same period last year and amounted to 130,500 sqm (increased by 2.6%). In connection with the match of supply and demand, the average vacancy rate did not change significantly - it amounted to approximately 9.4%. Similarly to the Warsaw market, rents remained at levels recorded in the previous quarter, i.e. between EUR 10.5 to EUR 15 per sqm per month.

**SUPPLY OF OFFICE SPACE IN REGIONAL CITIES  
AT THE END OF Q1 2019 [THOU. SQM.]**



## 7.4 Echo Investment's activities in the office sector

At the end of the first quarter of 2019, Echo Investment had 126,000 sqm of total leasable office space under construction. In May, construction of the first office building of the Moje Miejsce project in Warsaw was completed and construction of the second building of this complex was started, as well as the React building in Łódź. By the end of the year, construction of West 4 Business Hub in Wrocław and the office building in Gdańsk at ul. Nowomiejska will start.

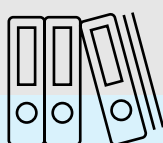
West 4 Business Hub is a continuation of office projects at ul. Na Ostatnim Groszu in Wrocław: West Gate and West Link, that Echo Investment successfully built, leased and sold. The complex will offer over 80,000 sqm of lease space. The first West 4 building is planned for use in the third quarter of 2020. In Łódź, the company has presented the React project, which is being developed at the intersection of al. Piłsudskiego and ul. Kiliński, in the very centre of the city. The completion of construction of this office building is planned for 2020.

In Katowice, according to schedule, two stages of the Face2Face Business Campus complex with 47,000

sqm of lease space, are being carried out, at the same time contracts with key tenants are being finalised. At the end of the quarter, Echo Investment was the most active developer on the Katowice market in terms of space under construction.

The biggest lease agreement signed by the office department in the first quarter of 2019 concerned nearly 11,000 sqm of space in Villa Offices in the Warsaw Brewery complex. Due to this agreement, Warsaw Brewery will become one of the largest co-working spaces in Poland, because WeWork had rented previously office space in the Gatehouse Offices building. After being fully leased, the building was sold to GLL Real Estate Partners for EUR 76.8 million in March.

The next office buildings being developed have earned the trust of banks. In April, Bank Pekao signed a loan agreement with Echo Investment for construction of Villa Offices and Malthouse Offices. The loan value amounts to EUR 87 million. In turn, Bank Millennium granted Echo Investment a loan of over EUR 20 million for construction of West 4 Business Hub Wrocław.



React office project in Łódź

## 7.5 Retail space market in Poland



In the first three months of 2019, approximately 40,000 sqm of modern retail space was commissioned in Poland, what constituted only 60% of supply opened in the same quarter of 2018 - according to research by Knight Frank. Expansion of existing facilities has a noticeable share in completed space - 16%. At the end of the quarter, 390,000 sqm of space was under construction, of which about 280,000 sqm is to be opened in 2019. Galeria Młociny was the largest building under construction, which EPP and Echo Investment opened in May.

In the situation of the Polish shopping centre market being saturated, developers are more and more reserved towards construction of new large facilities. For at least the last decade, the volume of modern retail projects under construction at the level below 400,000 sqm has not been observed in Poland. On the other hand, however, other commercial formats are developing, such as multi-purpose facilities or convenience-type centres, that are a response to changing shopping habits of consumers.

Despite declining construction activity of developers, the demand for retail space remains stable. Both Polish and international brands present on the Polish market are constantly growing. Knight Frank analysts also note several foreign debuts. However, due to the very low vacancy rate in shopping centres in the largest Polish cities (on average 3.1% at the end of 2018), new retail chains are forced to wait for space to be vacated. That is why debuts of foreign brands took place mainly in multifunctional projects completed or being under construction.

# 320

thousand sqm.

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**Retail space is to be put into use throughout 2019 in Poland. It means that a downward trend maintains in growth dynamic of the retail space market.**

## 7.6 Echo Investment's activities in the retail sector

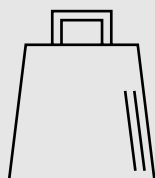
In the first quarter, the retail department of Echo Investment was focused on finalising the last lease agreements and finishing works in Galeria Młociny, that was opened on 23 May.

The almost fully leased facility has gathered more than 220 stores and service outlets, comfortable offices, a medical centre, children's play areas, a fitness club and nearly 50 restaurants, cafes and dining spots, as well as the first multi-screen cinema in Bielany. In line with trends in the retail space sector, approximately 20% of space of the centre has been dedicated to a non-commercial offer - services, entertainment and food court. The restaurant and entertainment space - occupying the entire +2 level and connected to the green roof garden - was designed by architects from the renowned Broadway Malyan studio.

The centre was developed just next to the Młociny transport hub - in one of the best transit locations in Warsaw, with easy access to the metro station,

numerous tram lines and city, suburban and country bus lines, a bicycle station and a P&R car park. It is the most important transport interchange of the northern part of the city and neighbouring towns, that is used by over 24 million passengers every year. Galeria Młociny's investors are EPP (70% of shares) and Echo Investment (30% of shares). While the former will manage the newly opened complex, the latter was fully responsible for the development process and leasing.

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

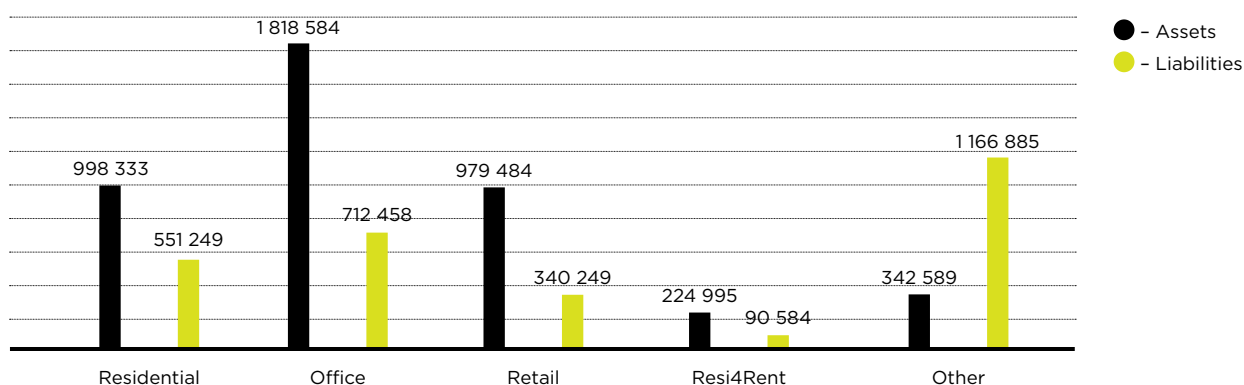


Grand opening of Galeria Młociny in Warsaw



# The Groups segments – financial structure

**ASSIGNMENT OF ASSETS AND LIABILITIES TO SEGMENTS  
AS AT 31.03.2019 [PLN '000]**



**ASSIGNMENT OF ASSETS TO SEGMENTS [PLN '000]**

	31.03.2019	31.12.2018
Residential	998 333	864 392
Office	1 818 584	1 368 502
Retail	979 484	978 421
Resi4Rent	224 995	194 588
Other	342 589	572 737
<b>Total</b>	<b>4 363 984</b>	<b>3 978 640</b>

PLN **4 364** mln

Total value of assets as at  
31.03.2019

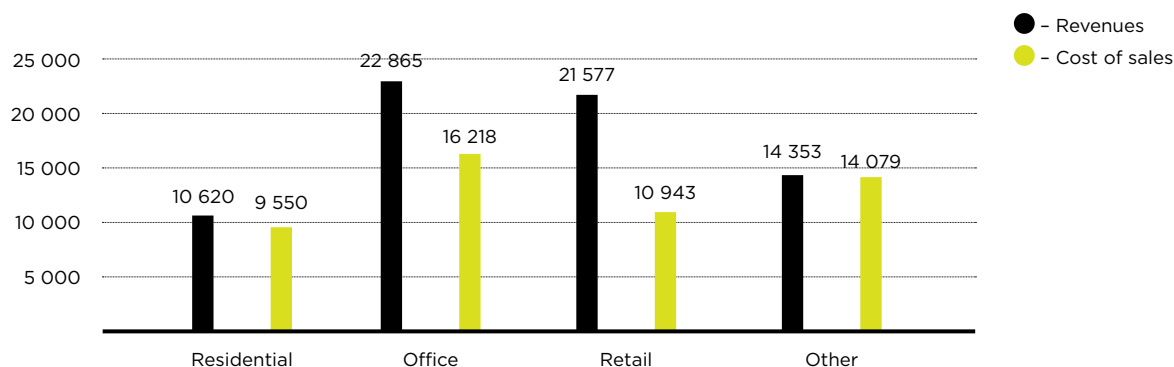
PLN **2 861** mln

Total value of liabilities as at  
31.03.2019

## ASSIGNMENT OF LIABILITIES TO SEGMENTS [PLN '000]

	31.03.2019	31.12.2018
Residential	546 123	313 809
Office	712 458	529 464
Retail	340 249	334 107
Resi4Rent	95 710	90 841
Other	1 166 885	1 214 960
<b>Total</b>	<b>2 861 424</b>	<b>2 483 181</b>

## ASSIGNMENT OF REVENUE AND COST OF SALES TO SEGMENTS FOR THE PERIOD FROM 01.01.2019 TO 31.03.2019 [PLN '000]



PLN **18,6** mln

**Gross profit for Q1 2019**

## ASSIGNMENT OF REVENUE, COST OF SALES AND GROSS PROFIT TO SEGMENTS FOR THE PERIOD FROM 01.01.2019 TO 31.03.2019 [PLN '000]

	Revenue	Cost of sales	Gross profit
Residential	10 620	9 550	1 070
Office	22 865	16 218	6 647
Retail	21 577	10 943	10 634
Other	14 353	14 079	274
<b>Total</b>	<b>69 415</b>	<b>50 790</b>	<b>18 625</b>

## RESIDENTIAL SEGMENT [PLN '000]

	Revenue	Cost of sales	Gross profit
Sales	10 247	7 535	2 712
Rents	24	3	21
Costs of projects completed in previous years	-	1 579	(1 579)
Maintenance of the project in preparation and construction	349	433	(84)
<b>Total</b>	<b>10 620</b>	<b>9 550</b>	<b>1 070</b>

## OFFICE SEGMENT [PLN '000]

	Revenue	Cost of sales	Gross profit
Rents	8 452	3 978	4 474
Services (fit-outs)	14 388	11 947	2 441
Maintenance of the project in preparation and construction	25	293	(268)
<b>Total</b>	<b>22 865</b>	<b>16 218</b>	<b>6 647</b>

## RETAIL SEGMENT [PLN '000]

	Revenue	Cost of sales	Gross profit
Sales	4 178	3 340	838
Rents	13 179	4 580	8 599
Services (development)	4 103	2 918	1 185
Maintenance of the project in preparation and construction	117	105	12
<b>Total</b>	<b>21 577</b>	<b>10 943</b>	<b>10 634</b>

## OTHER [PLN '000]

	Revenue	Cost of sales	Gross profit
Sales	11 435	11 593	(158)
Leasing	1 103	662	441
Services	1 815	1 824	(9)
<b>Total</b>	<b>14 353</b>	<b>14 079</b>	<b>274</b>

# Portfolio of properties

## 9.1 Residential

### Definitions:

**Sales level** – the item exclusively concerns pre-liminary contracts

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

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

### RESIDENTIAL PROJECTS UNDER CONSTRUCTION

Project / address	Sales area [sqm]	Number of units	Sales level [% of units]	Targeted revenues [PLN mln]	Targeted budget [PLN mln]	Expenditure incurred [%]	Start	Targeted completion
<b>Dom pod Wilgą III</b> Kraków, ul. Spiska	4 600	63	98%	41,8	28,7	96%	Q2 2017	Q1 2019
<b>Rydla 32</b> Kraków, ul. Rydla	5 700	95	98%	48,5	36,5	66%	Q1 2018	Q3 2019
<b>Osiedle Jarzębinowe V</b> Łódź, ul. Okopowa	8 100	145	78%	43,0	34,0	71%	Q4 2017	Q3 2019
<b>Osiedle Jarzębinowe VI</b> Łódź, ul. Okopowa	3 300	52	17%	20,0	15,7	38%	Q4 2018	Q1 2020
<b>Nowa Dzielnica</b> Łódź, ul. Wodna	5 300	87	66%	29,7	22,8	87%	Q3 2017	Q2 2019
<b>Fuzja I</b> Łódź, ul. Tymienieckiego	14 300	282	1%	104,0	79,0	10%	Q1 2019	Q4 2020
<b>Osiedle Jaśminowe IV</b> Poznań, ul. Sielawy	5 300	103	80%	32,4	23,4	38%	Q2 2017	Q1 2020
<b>Osiedle Perspektywa II</b> Poznań, ul. Sielawy	4 600	94	99%	24,8	20,7	56%	Q4 2017	Q3 2019
<b>Osiedle Perspektywa III</b> Poznań, ul. Sielawy	5 600	105	100%	30,9	25,4	38%	Q4 2017	Q4 2019
<b>Apartamenty Esencja</b> Poznań, ul. Grabary	12 500	260	22%	114,8	86,8	19%	Q1 2019	Q4 2020



## RESIDENTIAL PROJECTS UNDER CONSTRUCTION

Project / address	Sales area [sqm]	Number of units	Sales level [% of units]	Targeted revenues [PLN mln]	Targeted budget [PLN mln]	Expenditure incurred [%]	Start	Targeted completion
<b>Warsaw Brewery B</b> Warsaw, ul. Grzybowska	10 500	190	99%	125,0	79,4	65%	Q4 2017	Q3 2019
<b>Warsaw Brewery C</b> Warsaw, ul. Grzybowska	6 900	114	100%	91,8	54,1	68%	Q4 2017	Q3 2019
<b>Warsaw Brewery E</b> Warsaw, ul. Grzybowska	6 100	82	17%	118,9	78,0	18%	Q4 2018	Q4 2020
<b>Widoki Mokotów</b> Warsaw, ul. Puławska	4 800	87	40%	69,1	50,3	54%	Q4 2017	Q1 2020
<b>Osiedle Reset I</b> Warsaw, ul. Taśmowa	7 300	164	83%	66,2	55,3	71%	Q4 2017	Q4 2019
<b>Osiedle Reset II</b> Warsaw, ul. Taśmowa	12 200	255	41%	117,8	95,9	34%	Q4 2018	Q4 2020
<b>Moje Miejsce</b> Warsaw, ul. Beethovena	13 300	251	46%	131,2	96,5	46%	Q3 2018	Q3 2020
<b>Zebra</b> Wrocław, ul. Zakładowa	11 300	233	97%	76,0	55,3	71%	Q3 2017	Q2 2019
<b>Grota - Roweckiego 111 phase III</b> Wrocław, ul. Grota-Roweckiego	2 600	53	74%	16,2	12,6	38%	Q4 2018	Q4 2019
<b>Ogrody Graua</b> Wrocław, ul. Gdańska	4 000	57	26%	44,1	32,5	30%	Q4 2018	Q2 2020
<b>Total</b>	<b>148 300</b>	<b>2 772</b>		<b>1 346,2</b>	<b>982,9</b>			

## RESIDENTIAL PROJECTS IN PREPARATION

Project / address	Sales area [sqm]	Number of units	Targeted revenues [PLN mln]	Targeted budget [PLN mln]	Expenditure incurred [%]	Targeted start	Targeted completion
<b>Wita Stwosza I</b> Kraków, ul. Wita Stwosza	13 700	217	132,2	82,6	17,0%	Q3 2020	Q1 2022
<b>Wita Stwosza II</b> Kraków, ul. Wita Stwosza	12 400	196	121,7	73,9	16,7%	Q3 2021	Q1 2023
<b>Rydlówka I</b> Kraków, ul. Rydlówka	5 900	107	53,8	41,0	16,4%	Q1 2020	Q4 2021
<b>Rydlówka II</b> Kraków, ul. Rydlówka	6 000	119	55,4	41,4	16,3%	Q2 2020	Q4 2021
<b>Osiedle Jarzębinowe VII</b> Łódź, ul. Opolska	6 100	100	35,9	28,8	12,4%	Q2 2019	Q4 2020
<b>Osiedle Jarzębinowe VIII</b> Łódź, ul. Okopowa	6 100	101	36,2	28,4	12,1%	Q1 2020	Q4 2021
<b>Nasze Jeżyce I</b> Poznań, ul. Szczepanowskiego	7 500	142	57,6	44,5	15,7%	Q2 2019	Q1 2021
<b>Nasze Jeżyce II</b> Poznań, ul. Szczepanowskiego	8 000	168	61,6	47,2	13,6%	Q3 2019	Q2 2021
<b>Stacja Wola I</b> Warsaw, ul. Ordona	20 000	387	191,0	137,8	25,6%	Q3 2019	Q3 2021
<b>Stacja Wola II</b> Warsaw, ul. Ordona	28 800	535	280,7	196,4	25,4%	Q3 2020	Q4 2022

## RESIDENTIAL PROJECTS IN PREPARATION

Project / address	Sales area [sqm]	Number of units	Targeted revenues [PLN mln]	Targeted budget [PLN mln]	Expenditure incurred [%]	Targeted start	Targeted completion
<b>Swobodna</b> Wrocław, ul. Swobodna	10 900	191	95,8	66,3	18,0%	Q4 2019	Q2 2021
<b>Mińska</b> Wrocław, ul. Mińska	11 000	204	88,2	64,6	19,7%	Q2 2019	Q4 2020
<b>Fuzja II</b> Łódź, ul. Tymienieckiego	11 700	212	90,0	64,1	9,1%	Q2 2020	Q4 2021
<b>Fuzja III</b> Łódź, ul. Tymienieckiego	8 600	152	70,4	47,6	6,2%	Q1 2021	Q4 2022
<b>18 MW I</b> Poznań, ul. Sielawy	12 000	222	76,3	55,8	4,5%	Q3 2019	Q3 2021
<b>18 MW II</b> Poznań, ul. Sielawy	8 500	153	54,7	39,5	3,6%	Q1 2020	Q4 2021
<b>18 MW III</b> Poznań, ul. Sielawy	9 600	168	61,9	44,4	3,1%	Q1 2021	Q4 2022
<b>Total</b>	<b>186 800</b>	<b>3 374</b>	<b>1 563</b>	<b>1 104,3</b>			

## 9.2 Residential projects for rental platform Resi4Rent

### Definitions:

An estimated budget of Resi4Rent projects includes the value of land, cost of design, construction and external supervision, development

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

### RESIDENTIAL PROJECTS FOR RENTAL PLATFORM RESI4RENT UNDER CONSTRUCTION

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

### RESIDENTIAL PROJECTS FOR RENTAL PLATFORM RESI4RENT IN PREPARATION

Project / address	Sales area [sqm]	Number of units	Targeted annual rental revenues [PLN mln]	Targeted budget [PLN mln]	Targeted start	Targeted completion	Comments
<b>Szczepanowskiego</b> Poznań, ul. Szczepanowskiego	5 000	160	3,8	42,9	Q3 2019	Q3 2021	Project being prepared to sale from Echo Investment to Resi4Rent
<b>Total</b>	<b>5 000</b>	<b>160</b>	<b>3,8</b>	<b>42,9</b>			

## 9.3 Office

### Definitions:

**GLA** – gross leasable area

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

**ROFO** – (right of first offer)

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

**Completion** – date of commissioning permit.

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

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

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

### OFFICE BUILDING IN OPERATION

Project / address	GLA [sqm]	Leasing [%]	NOI [EUR mln]	Targeted budget [PLN mln]	Expen- diture incurred [%]	Recognized fair value gain [PLN mln]	Completion	Comments
<b>O3 Business Campus III</b> Kraków, ul. Opolska	18 800	39%	3,3	115,3	73%	48,2	Q1 2018	Preliminary sale agreement with EPP
<b>Total</b>	<b>18 800</b>		<b>3,3</b>	<b>115,3</b>		<b>48,2</b>		

### OFFICE BUILDINGS UNDER CONSTRUCTION

Project / address	GLA [sqm]	Leasing [%]	NOI [EUR mln]	Targeted budget [PLN mln]	Expen- diture incurred [%]	Start	Recognized fairvalue gain [PLN mln]	Targeted completion	Comments
<b>Moje Miejsce I</b> Warsaw, ul. Beethovena	18 700	64%	3,4	149,0	71%	Q3 2017	29,7	Q2 2019	Project completed in Q2 2019. ROFO agreement with Globalworth Poland
<b>Face 2 Face I</b> Katowice, ul. Grundmanna	20 400	38%	3,6	151,8	30%	Q2 2018	12,8	Q4 2019	
<b>Biura przy Willi i Biura przy Warzelni (Browary KGH)</b> Warsaw, ul. Grzybowska	44 900	23%	10,9	500,6	22%	Q3 2018	128,7	Q3 2020	
<b>West 4 Business Hub I</b> Wrocław, ul. Na Ostatnim Groszu	15 600	0%	2,6	112,6	15%	Q4 2018	-	Q3 2020	
<b>Face 2 Face II</b> Katowice, ul. Grundmanna	26 400	0%	4,6	195,4	16%	Q4 2018	-	Q4 2020	
<b>Total</b>	<b>126 000</b>		<b>25,1</b>	<b>1 109,4</b>			<b>171,2</b>		



## OFFICE BUILDINGS IN PREPARATION

Project / address	GLA [sqm]	NOI [EUR mln]	Targeted budget [PLN mln]	Expenditure incurred [%]	Targeted start	Targeted completion	Comments
<b>Moje Miejsce II</b> Warsaw, ul. Beethovena	16 900	2,9	128,8	23%	Q2 2019	Q4 2020	ROFO agreement with Globalworth Poland
<b>React</b> Łódź, ul. Piłsudskiego	15 000	2,5	101,9	13%	Q2 2019	Q3 2020	
<b>Solidarności</b> Gdańsk, ul. Nowomiejska	30 600	5,1	211,1	11%	Q4 2019	Q4 2021	
<b>Midpoint 71</b> Wrocław, ul. Powstańców Śląskich	36 400	6,4	285,7	18%	Q2 2019	Q2 2021	
<b>Wita Stwosza</b> Kraków, ul. Wita Stwosza	29 600	5,2	234,8	13%	Q2 2020	Q3 2022	
<b>Al. Pokoju</b> Kraków, ul. Fabryczna	38 500	7,0	323,5	24%	Q1 2020	Q2 2023	
<b>Swobodna</b> Wrocław, ul. Swobodna	23 300	4,1	185,9	12%	Q2 2022	Q2 2024	
<b>Total</b>	<b>190 300</b>	<b>33,3</b>	<b>1 471,6</b>				

## 9.4 Retail

### Definitions:

**GLA** – gross leaseable area

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

**ROFO** – right of first offer

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

**Completion** – date of commissioning permit.

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

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

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

### RETAIL PROJECT IN OPERATION

Project / address	GLA [sqm]	Leasing [%]	NOI [EUR mln]	Targeted budget [PLN mln]	Expenditure incurred [%]	Recognized fair value gain [PLN mln]	Completion	Comments
<b>Libero</b> Katowice, ul. Kościuszki	44 900	99%	9,5	379,7	99%	184,0	Q4 2018	ROFO agreement with EPP
<b>Total</b>	<b>44 900</b>		<b>9,5</b>	<b>379,7</b>		<b>184,0</b>		

### RETAIL PROJECT UNDER CONSTRUCTION

Project / address	GLA [sqm]	Leasing [%]	NOI [EUR mln]	Targeted budget [PLN mln]	Expenditure incurred [%]	Recognized fair value gain [PLN mln]	Start	Targeted completion	Comments
<b>Galeria Młociny</b> Warsaw, ul. Zgrupowania AK "Kampinos"	84 800	97%	22,1	1 280,8	84%	72,5*	Q4 2016	Q2 2019	Project completed in Q2 2019. Joint-venture with EPP holding 70% of stake
<b>Total</b>	<b>84 800</b>		<b>22</b>	<b>1 280,8</b>		<b>72,5</b>			

\* 30% of the project value

## 9.5 Towarowa 22

### Definitions:

**GLA** – gross leaseable area

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

### TOWAROWA 22, WARSAW

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

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

## 9.6 Land Bank

### EARLY STAGE PROJECTS

Project / address	Plot area [sqm]	Potential of leasing/sales area [sqm]	Comments
Łódź, ul. Tymienieckiego	59 800	55 400	Plot for office and services
Wrocław, ul. Na Ostatnim Groszu	32 300	55 000	Plot for office
Warsaw, ul. Chłodna/Wronia	600	1 100	Plot for residential
Łódź, ul. Kilińskiego	9 500	35 000	Plot for office
Katowice, Piotra Skargi	3 700	22 000	Plot for office
Poznań, Hetmańska	65 300	80 000	Plot for office and residential
Kraków, Al. Pokoju	4 000	18 500	Plot for residential
<b>Total</b>	<b>175 200</b>	<b>266 500</b>	

### INVESTMENT PROPERTIES

Property	Plot area [sqm]	Comments
Poznań, Pamiątkowo	874 200	Preliminary sale agreement for part of the plot
Poznań, Naramowice	230 300	
Koszalin, Krakusa i Wandy	39 300	Preliminary sale agreement
Katowice, Jankego	26 200	
Poznań, Sołacz	17 300	
Zabrze, Miarki	8 100	
Warsaw, ul. Konstruktorska	7 200	
Radom, Beliny	6 300	
Warsaw, Woronicza	5 100	Plot for the Student House dormitory
<b>Total</b>	<b>1 214 000</b>	

# Main investments in Q1 2019 – acquisition of properties

## PROPERTIES ACQUIRED BY ECHO INVESTMENT GROUP IN 2019

Date of transaction	Address	Legal form	Area	Capacity
Q1 2019	Wrocław, ul. Swobodna	perpetual usufruct	7,900 sqm	10,900 sqm of residential space and 23,200 sqm of office and service space
Q1 2019	Wrocław, ul. Mińska	ownership	8,900 sqm	11,000 sqm of residential space
Q1 2019	Kraków, ul. Rydlówka	ownership	9,100 sqm	12,000 sqm of residential space
Q1 2019	Kraków, al. Pokoju	perpetual usufruct	4,000 sqm	18,500 sqm of residential space
Q2 2019	Poznań, ul. Garbary	perpetual usufruct	2,900 sqm	5,000 sqm of residential space
Q2 2019	Kraków, Krowodrza	perpetual usufruct	7,800 sqm	19,300 sqm of residential space

# 1,254<sub>pln</sub>

**Value of land in 1 sqm of leasable or sellable space possible to build on plots acquired in Q1 2019.**

In 2018 Echo Investment has acquired land properties for approximately 76,000 sqm of residential and office space. The total value of this transactions amounted to PLN 94 mln.

The potential of purchased real properties is estimated based on planning documents and guidelines valid at the

date of purchase. Ultimately, the use of each property is determined at a later stage of project preparation, taking into account current planning documents, arrangements, market potential and finally accepted project concept.

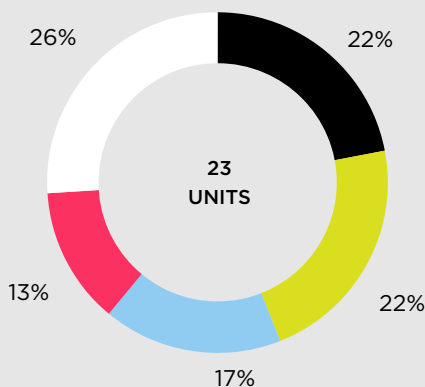


# Factors and unusual events influencing the financial result in Q1 2019

## Factors which influenced the Group's financial results in Q1 2019

a. Revenue resulting from hand overs of 23 housing units and housing plots.

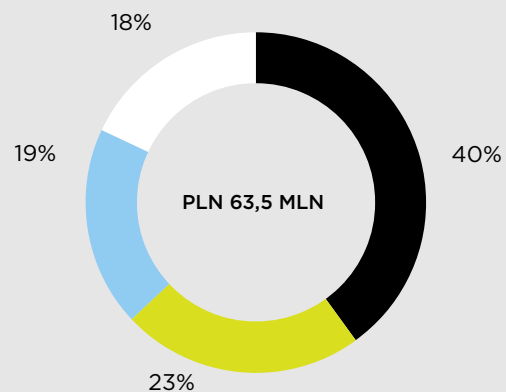
### RESIDENTIAL PROJECTS SHARES IN THE TOTAL NUMBER OF FINAL CONTRACTS [UNITS]



- - Park Sowińskiego IV, Poznań
- - Rakowicka 32, Kraków
- - Osiedle Jarzębinowe IV, Łódź
- - Perspektywa I, Poznań
- - Other

b. Profit on investment property amounting to PLN 63,5 mln.

### PROFIT ON INVESTMENT PROPERTY BY ASSETS



- - Villa Offices and Malthouse Offices (Warsaw Brewery KGH), Warsaw
- - Moje Miejsce I, Warsaw
- - Gatehouse Offices (Warsaw Brewery J), Warsaw
- - Other

c. Costs of sales and overheads.

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

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

f. Measurement and settlement of FX hedging instruments.

g. Interest on deposits and borrowings granted.

h. Revenues from framework services of EPP group.

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

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

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

## Seasonal or cyclical nature of operations

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

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

recognizes revenue and profit earned on them in third and fourth quarters.

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

# Information on dividend

## 14.1 The dividend policy

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

The adopted dividend policy states that from the profit in 2018 and subsequent years the Management Board will be recommending the payment of the dividend up to amount of 70% of the consolidated net profit of the Capital Group attributable to shareholders of the parent company.

When recommending the dividend payment the Management Board will take into

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

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

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

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

## 14.2 Advance dividend from the 2018 profit

The Management Board of Echo Investment, taking into account that the approved separate financial statements of the Company for the accounting year 2017 reported a net profit of PLN 642.5 mln, adopted on November 8, 2018 a resolution on conditional payment of the advance payment for the dividend for the accounting year 2018 to its shareholders.

The total amount for the payment of the advance dividend amounted to PLN 206.3 mln, i.e. PLN 0.5 per share. The amount of the dividend payment did not exceed half of the Company's net profit from the end of the previous accounting year, increased by the reserve capital created for the purpose of further payment of dividend or advances for dividend and

reduced by uncovered losses and own shares. The advance dividend was to be paid on December 19, 2018 to those shareholders who hold shares on December 12, 2018, i.e. 7 days before the payment date.

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

**0,50** PLN

**Amount of advanced dividend paid from 2018 profit**

# Financial liabilities of the Company and its Group

## 15.1 Bonds

### COMPANY'S LIABILITIES DUE TO BONDS ISSUED AS AT 31.03.2019 [PLN '000]

#### Bonds for institutional investors

Series	ISIN code	Bank	Nominal value	Maturity	Interest rate	Guarantees / securities	Quotation market
<b>2/2014</b>	PLECHPS00159	mBank S.A.	70 500	15.05.2019	WIBOR 6M + margin 3,6%	-	ASO CATALYST
<b>1/2016</b>	PLECHPS00209	mBank S.A.	100 000	18.11.2020	WIBOR 6M + margin 3,0%	-	ASO CATALYST
<b>1/2017</b>	PLECHPS00225	mBank S.A.	155 000	31.03.2021	WIBOR 6M + margin 2,9%	-	ASO CATALYST
<b>2/2017</b>	PLECHPS00258	mBank S.A.	150 000	30.11.2021	WIBOR 6M + margin 2,9%	-	ASO CATALYST
<b>1/2018</b>	PLECHPS00282	mBank S.A.	140 000	25.04.2022	WIBOR 6M + margin 2,9%	-	ASO CATALYST
<b>Total</b>			<b>615 500</b>				

#### Bonds for individual investors

<b>E-series</b>	PLECHPS00217	DM PKO BP S.A.	100 000	06.07.2021	WIBOR 6M + margin 2,9%	- regulated market CATALYST
<b>F-series</b>	PLECHPS00233	DM PKO BP S.A.	125 000	11.10.2022	WIBOR 6M + margin 2,9%	- regulated market CATALYST
<b>G-series</b>	PLECHPS00241	DM PKO BP S.A.	75 000	27.10.2022	WIBOR 6M + margin 2,9%	- regulated market CATALYST
<b>H-series</b>	PLECHPS00266	DM PKO BP S.A.	50 000	22.05.2022	WIBOR 6M + margin 2,8%	- regulated market CATALYST
<b>I-series</b>	PLECHPS00274	Consortium of: DM PKO Banku Polskiego S.A. , Noble Securities S.A. i Centralny Dom Maklerski Pekao S.A.	50 000	08.11.2023	WIBOR 6M + margin 3,4%	- regulated market CATALYST
<b>J and J2-series</b>	PLECHPS00290	J-series: consortium of Noble Se- curities S.A., Michael / Ström Dom Maklerski S.A., Dom Maklerski Banku Ochrony Środowiska S.A.  J-series: DM PKO Banku Polskiego S.A.	33 832	21.09.2023	WIBOR 6M + margin 3,4%	- regulated market CATALYST
<b>Total</b>			<b>433 832</b>			
<b>Total bonds</b>			<b>1 049 332</b>			



After the balance sheet day, on 11 April 2023, Echo Investment issued coupon bonds with a total value of PLN 100 mln, as part of the Bond Issuance Programme of up to PLN 1 bln, which was signed with mBank. The nominal value and the issue price of one bond was PLN 10,000. The bonds were issued for the period ending on 11 April 2023. The interest rate on the bonds was determined based on the variable WIBOR

6M rate plus a margin for investors. The redemption of the bonds on the redemption date will be at the nominal value of the bonds. The interest will be paid semi-annually. The issued bonds are not secured.

At the same time, the Company acquired 1,000 own bonds marked with the ISIN code PLECHPS00159 for redemption.

## 15.2 Credit facilities

### CREDIT FACILITIES OF ECHO INVESTMENT S.A. AS AT 31.03.2019 ['000]

Bank	Contractual amount of loan	Outstanding loan amount	Interest rate	Repayment deadline	Security
<b>PKO BP S.A. *</b>	75 000		WIBOR 1M + margin	30.10.2020	Authorisation to bank account, statement on submission to enforcement proceedings
<b>Alior Bank S.A.</b>	75 000	30 000	WIBOR 3M + margin	15.12.2019	Authorisation to bank account, statement on submission to enforcement proceedings
<b>Santander Bank Polska S.A.**</b>	100 000		WIBOR 1M + margin	30.11.2020	Authorisation to bank account, statement on submission to enforcement proceedings
<b>Raiffeisen Bank Polska S.A***</b>	62 000		WIBOR 1M + margin	16.12.2019	Authorisation to bank account, statement on submission to enforcement proceedings
<b>Total</b>	<b>312 000</b>	<b>30 000</b>			

\* The available loan amount as at 31 March 2019 is decreased by the guarantees issued and amounts to PLN 47.7 million.

\*\* Under the credit limit of PLN 100 million, the Company has been granted a sublimit for current loan up to PLN 75 million and a sublimit up to PLN 25 million for guarantees. As at 31 March 2019, the limit for guarantees was used in the amount of PLN 24.2 million.

\*\*\* As at 31 March 2019, the available loan amount is reduced by the guarantees issued and amounts to nearly PLN 60 million.

## INVESTMENT LOANS OF ECHO INVESTMENT GROUP AS AT 31.12.2019

Borrower	Bank	Contractual amount of loan	Outstanding loan amount	Interest rate	Repayment deadline	Security
<b>Galeria Libero - Projekt Echo 120 Sp. z. o.o. Sp. K.</b>	Santander Bank Polska S.A. /	67 566 000 EUR	56 899 153 EUR	Margin + EURIBOR 3M	10.04.2026	Mortgages, registered and financial pledges, authorisation to bank account, subordination agreement, submission to enforcement proceedings, transfer of rights and claims of selected agreements
	Bank BNP Paribas S.A.	12 000 000 PLN	306 659 PLN	Margin + WIBOR 1M	10.07.2021	
<b>Berea Sp. z o.o.*</b>	Santander Bank Polska S.A /	**56 100 000 EUR	41 543 913 EUR	Margin + EURIBOR 3M	30.04.2025	Mortgages, registered and financial pledges, authorisation to bank account, subordination agreement, submission to enforcement proceedings, transfer of rights and claims of selected agreements
	PKO BP S.A., Bank Gospodarstwa Krajowego	10 350 000 PLN	10 349 354 PLN	Margin + WIBOR 1M	30.04.2020	
<b>Projekt Beethovena - Projekt Echo - 122 Sp. z o.o. SKA</b>	<b>PKO BP S.A.</b>	50 280 000 EUR	8 479 167 EUR	Margin + EURIBOR 3M	30.09.2023	Mortgages, registered and financial pledges, authorisation to bank account, subordination agreement, submission to enforcement proceedings, transfer of rights and claims of selected agreements
		16 000 000 PLN	0 PLN	Margin + WIBOR 1M	31.03.2021	
<b>Total</b>		<b>173 946 000 EUR</b>	<b>106 922 233 EUR</b>			
		<b>38 350 000 PLN</b>	<b>10 656 013 PLN</b>			

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

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

# Off balance sheet liabilities

## 16.1 Guarantee agreements

### GUARANTEE AGREEMENTS ISSUED BY ECHO INVESTMENT GROUP AS AT 31.03.2019 [PLN '000]

Issuer	For	Value	Validity	Description
Echo Investment S.A.	Horta Sp. z o.o.	21 507	until 02.07.2020	Performance bond for the final sale agreement of the Aquarius Business House I office building in Wrocław. Issued in EUR.
Echo Investment S.A.	Skua Sp. z o.o.	25 808	until 30.07.2021	Performance bond for the final sale agreement of the Aquarius Business House II office building in Wrocław. Issued in EUR.
Echo Investment S.A./Santander Bank Polska SA	State Treasury	45 466	until 22.05.2019	Surety bond for liabilities of Outlet Park - Projekt Echo - 126 Sp. z o.o. Sp.K.
Echo Investment S.A./Santander Bank Polska SA	State Treasury	4 550	until 20.06.2019	Surety bond for liabilities of Outlet Park - Projekt Echo - 126 Sp. z o.o. Sp.K.
Q22 - Projekt Echo 128 Sp. z o.o. Sp.K. / Echo Investment S.A.	IREEF - Stryków Propco Sp. z o.o.	420 000	until 15.12.2019	Construction work quality guarantee related to the Q22 office building in Warsaw.
Echo Investment S.A. / PKO BP S.A.	IREEF - Q22 Propco Sp. z o.o.	992	until 31.07.2019	Performance bond for liabilities of Galeria Libero - Projekt Echo - 120 Sp. z o.o. Sp.k. resulting from the agreement of 16.06.2016 on a road construction project.
Echo - Aurus Sp. z o.o.	Echo - Park Rozwoju Sp. z o.o. Sp.K.	761	until 28.02.2027	Guarantee securing the execution of liabilities of Echo Investment S.A. resulting from the lease agreement of 24.10.2016. Issued in EUR.
Echo - Aurus Sp. z o.o.	Nobilis - Projekt Echo 117 Sp. z o.o. Sp.K.	761	until 31.07.2027	Guarantee securing the execution of liabilities of Projekt 137 - City Space - GP Sp. z o.o. Sp.k. resulting from the lease agreement of 28.02.2017. Issued in EUR.
Echo - Aurus Sp. z o.o.	Ventry Investments Sp. z o.o. Sp.K.	1 196	until 09.04.2027	Guarantee securing the execution of liabilities of City Space - GP Sp. z o.o. resulting from the lease agreement of 12.10.2016. Issued in EUR.
Raiffeisen Bank S.A.	Agentia Nationala de Administrare Fiscala	2 116	02.09.2019	Guarantee securing the execution of liabilities of S.C. Echo Investment Project 1 S.R.L. Issued in RON.
Echo Investment S.A.	IB 6 FIZAN / GPF 3 FIZAN	119 167	31.10.2021	Performance bond for liabilities of Rosehill Investments Sp. z o.o. resulting from the framework agreement of 31.08.2017. Issued in EUR.
Echo Investment S.A.	Santander Bank Polska SA / BNP Paribas Bank Polska S.A.	56 971	until credit conversion from construction into investment loan	Surety bond for costs overrun of the project of Galeria Libero in Katowice.

## GUARANTEE AGREEMENTS ISSUED BY ECHO INVESTMENT GROUP AS AT 31.03.2019 [PLN '000]

Issuer	For	Value	Validity	Description
<b>Echo Investment S.A.</b>	Santadner Bank Polska SA/ PKO BP S.A. / Bank Gospo- darstwa Krajowego / mBank S.A.	40 002	until credit conver- sion from construc- tion into investment loan	Surety bond for costs overrun of the project of Galeria Młociny in Warsaw and liabilities of Berea Sp. z o.o. resulting from the agreement on 17.10.2017. Issued in EUR.
<b>Echo Investment S.A.</b>	Nobilis - Projekt Echo 117 Sp. z o.o. Sp.K.	40 000	until 31.10.2026	Construction work quality guarantee related to the Nobilis office building in Wrocław.
<b>Echo Investment S.A./PKO BP S.A.</b>	Novaform Polska Sp. z o.o.	4 616	until 31.05.2019	Guarantee securing the execution of liabilities of Duże Naramowice - Projekt Echo - 111 Sp. z o.o. S.K.A. resulting from the agreement of 08.01.2018.
<b>Echo Investment S.A./PKO BP S.A.</b>	IB 14 FIZAN	88 361	until 24.05.2024	Performance bond for liabilities resulting from the final sale agreement of the West Link office building in Wrocław. Issued in EUR.
<b>Echo - Aurus Sp. z o.o.</b>	Sagittarius - Projekt Echo - 113 Sp. z o.o. Sp.K.	50	until 31.01.2024	Guarantee securing the execution of liabilities of Echo Investment S.A. resulting from the lease agreement of 22.06.2018. Issued in EUR
<b>Sagittarius-Projek Echo - 113 Sp.z o.o. Sp.k./Echo - SPV 7 Sp. z o.o./Echo - Aurus Sp. z o.o./PKO BP S.A.</b>	Warburg-HiH Invest Real Estate GmbH	218 717	until 31.10.2028	Construction work quality guarantee related to the Sagittarius office building in Wrocław. The part of guarantee issued in EUR
<b>Echo Investment S.A.</b>	A 19 Sp. z o.o.	25 808	until agreement termination	Guarantee securing the execution of liabilities of Projekt 22 - Grupa Echo Sp. z o.o. SKA resulting from the good neighbourhood agreement of 04.07.2018. Issued in EUR
<b>Echo-SPV 7 Sp. z o.o.</b>	Ventry Investments Sp. z o.o. Sp.K.	42	until 90 days after the lease agreement termination	Guarantee securing the execution of liabilities of Echo Investment S.A. resulting from the lease agreement of 24.11.2017. Issued in EUR
<b>Echo Investment S.A.</b>	Bank Polska Kasa Opieki S.A.	14 147	until 30.06.2029	Cost overrun guarantee agreement regarding housing projects
<b>SPV 7 Sp. z o.o. / Echo Investment S.A.</b>	R4R Wrocław Kępa Sp. z o.o./SO SPV 103 Sp. z o.o./R4R Warszawa Browary Sp. z o.o.	107 082	until 31.07.2021	The advance payment guarantee
<b>Santander Bank Polska S.A.</b>	City of Katowice	758	until 15.01.2020	Guarantee securing the execution of liabilities of Galeria Libero - Projekt Echo 120 Sp. z o.o. Sp.K., resulting from the agreement concluded on 16.06.2016, regarding to the road construction.
<b>Echo Investment S.A.</b>	PKO BP S.A.	36 000	until 30.06.2023	Cost overrun guarantee agreement regarding Moje Miejsce office project in Warsaw
<b>Echo Investment S.A./PKO BP S.A.</b>	LUX Europa III S.a.r.l.	6 450	until 25.03.2020	Guarantee securing the execution of liabilities of Dellia Invest- ments - Projekt Echo - 115 Sp. z o.o. Sp.K. resulting from the quality guarantee agreement concluded on 27.03.2019.
<b>Echo Investment S.A.</b>	LUX Europa III S.a.r.l.	323 809	until 30.06.2030	Guarantee securing the execution of liabilities of Dellia Invest- ments - Projekt Echo - 115 Sp. z o.o. Sp.K., resulting from sale agreement of Gatehouse Offices, part of Warsaw Brewery complex in Warsaw. Partially issued in EUR.
<b>Echo Investment S.A.</b>	DH Supersam Kato- wice Sp. z o.o. Sp.k.	363	until 31.01.2020	Guarantee securing the execution of liabilities of Supersam City Space - GP Sp. z o.o. Sp.k. resulting from the lease agreement of 28.02.2017. Issued in EUR
<b>Echo Investment S.A.</b>	Tryton Business Park Sp. z o.o.	545	until 31.01.2020	Guarantee securing the execution of liabilities of Tryton City Space - GP Sp. z o.o. Sp.k. resulting from the lease agreement of 12.06.2018. Issued in EUR
<b>Total</b>		<b>1 605 928</b>		

Due to the fact, that provisions for liabilities on rent  
free period are already presented in the consolidated

balance sheet, off-balance sheet liabilities for that  
item are not presented above.

## AMENDMENTS TO GUARANTEE AGREEMENTS ISSUED BY ECHO INVESTMENT GROUP IN Q1 2019

Change	Issuer	For	Date of change	Value ['000]	Description
<b>expiry</b>	Santander Bank Polska S.A.	City of Katowice	31.01.2019	2 676 PLN	Performance bond for liabilities of Galeria Libero - Projekt Echo - 120 Sp. z o.o. Sp.K. resulting from the agreement of 16.06.2016 on a road construction project.
<b>expiry</b>	BNP Paribas Bank Polska S.A.	City of Katowice	31.01.2019	2 676 PLN	Performance bond for liabilities of Galeria Libero - Projekt Echo - 120 Sp. z o.o. Sp.K. resulting from the agreement of 16.06.2016 on a road construction project.
<b>issue</b>	Santander Bank Polska S.A.	City of Katowice	16.01.2019	617 PLN	Construction work quality guarantee of Galeria Libero - Projekt Echo - 120 Sp. z o.o. Sp.K. resulting from the agreement of 16.06.2016 on a road construction project.
<b>increase of value to PLN 758,000 and extending to 16.01.2020</b>	Santander Bank Polska S.A.	City of Katowice	17.01.2019	758 PLN	Construction work quality guarantee of Galeria Libero - Projekt Echo - 120 Sp. z o.o. Sp.K. resulting from the agreement of 16.06.2016 on a road construction project.
<b>increase of value to PLN 106,97 mln</b>	SPV 7 Sp. z o.o. / Echo Investment S.A.	R4R Wrocław Kępa Sp. z o.o./SO SPV 103 Sp. z o.o./R4R Warszawa Browary Sp. z o.o.	29.03.2019	107 082 PLN	The advance payment guarantee
<b>issue</b>	Echo Investment S.A.	PKO BP S.A.	08.02.2019	36 000 PLN	Cost overrun guarantee agreement regarding to Moje Miejsce office project in Warsaw.
<b>issue</b>	Echo Investment S.A./PKO BP S.A.	LUX Europa III S.a.r.l.	26.03.2019	6 450 PLN	Guarantee securing the execution of liabilities of Dellia Investments - Projekt Echo - 115 Sp z o.o. Sp.k. resulting from quality guarantee agreement on 27.03.2019.
<b>issue</b>	Echo Investment S.A.	LUX Europa III S.a.r.l.	25.01.2019	4 500 EUR	Performance bond for liabilities of Dellia Investments - Projekt Echo - 115 Sp. z o.o. Sp.K. resulting from preliminary sale agreement concluded on 25.01.2019.
<b>expiry</b>	Echo Investment S.A.	LUX Europa III S.a.r.l.	28.03.2019	4 500 EUR	Performance bond for liabilities of Dellia Investments - Projekt Echo - 115 Sp. z o.o. Sp.K. resulting from preliminary sale agreement concluded on 25.01.2019.
<b>issue</b>	Echo Investment S.A.	LUX Europa III S.a.r.l.	28.03.2019	37 258 EUR and 163 550 PLN	Performance bond for liabilities of Dellia Investments - Projekt Echo - 115 Sp. z o.o. Sp.K. resulting from the sale agreement of Gatehouse Offices, one of office buildings of Warsaw Brewery complex in Warsaw.
<b>issue</b>	Echo Investment S.A.	DH Supersam Katowice Sp. z o.o. Sp.k.	05.03.2019	84 EUR	Performance bond for liabilities of Supersam City Space - GP Sp. z o.o. Sp.k. resulting from a lease agreement concluded on 28.02.2017.
<b>issue</b>	Echo Investment S.A.	Tryton Business Park Sp. z o.o.	05.03.2019	127 EUR	Performance bond for liabilities of Tryton City Space - GP Sp. z o.o. Sp.k. resulting from a lease agreement concluded on 12.06.2018.



## 16.2 Surety agreements

### SURETY AGREEMENTS ISSUED BY ECHO INVESTMENT GROUP AS AT 31.03.2019 [PLN '000]

Issuer	For	Value [PLN '000]	Validity	Description
<b>Echo Investment S.A.</b>	Bletwood Investments Sp. z o.o.	1 447	Entire validity period of the lease and three months following its termination date	Surety for liabilities of Cogil II Poland Limited Sp. z o.o. as a collateral of liabilities resulting from the lease agreement of 06.11.2015. Issued in EUR.
<b>Echo Investment S.A.</b>	HPO AEP Sp. z o.o. Sp.J.	10 753	Until the date of issuance of the occupancy permit for the projects but no later than 07.12.2031.	Surety for liabilities of Echo - Browary Warszawskie Sp. z o.o. Sp.K. and Dellia Investments - Projekt Echo - 115 Sp. z o.o. Sp. K. j as a collateral of liabilities resulting from the lease agreement of 07.12.2016. Mutual surety issued in EUR.
<b>Echo Investment S.A.</b>	Human Office Polska Sp. z o.o.	100	Until the expiry of obligations under leasing agreement	Surety for liabilities of Sagittarius - Projekt Echo - 113 Sp. z o.o. Sp.K. resulting from the leasing agreement
<b>Echo-Aurus Sp. z o.o.</b>	Human Office Polska Sp. z o.o.	340	until 27.09.2021	Surety for liabilities of Projekt 137 - City Spcae - GP Sp. z o.o. Sp.K. resulting from the lease agreement of 27.09.2017.
<b>Echo-Aurus Sp. z o.o.</b>	PKO Leasing S.A.	312	until 06.12.2020	Surety for liabilities of City Space - SPV 1 Sp. z o.o. resulting from the lease agreement of 06.12.2017.
<b>Echo-Aurus Sp. z o.o.</b>	Grenkeleasing Sp. z o.o.	297	until 22.11.2022	Surety for liabilities of Echo Innovations - City Space - GP Sp. z o.o. resulting from the lease agreement of 22.11.2018.
<b>Echo-Aurus Sp. z o.o.</b>	PEAC (Poland) Sp. z o.o.	513	until 05.02.2019	Surety for liabilities of Aquarius - City Space - GP Sp. z o.o. Sp.K. resulting from the lease agreement of 5.02.2019.
<b>Total</b>		<b>13 762</b>		

Due to the fact, that the loan liabilities are already presented in the consolidated balance sheet, off-balance sheet commitments related to the loans (that would be duplicated) are not included above.

### CHANGES IN SURETY AGREEMENTS ISSUED BY ECHO INVESTMENT GROUP IN Q1 2019

Change	Issuer	For	Date of change	Date of change	Description
<b>Issue</b>	Echo-Aurus Sp. z o.o.	PEAC (Poland) Sp. z o.o.	05.02.2019	513 PLN	Surety for liabilities of Aquarius - City Space - GP Sp. z o.o. Sp.K. resulting from the lease agreement of 5.02.2019.

## **Influence of the results disclosed in the report for Q1 2019 on fulfilment of result forecasts**

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

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

Between 1 January and 31 March 2019, there were no proceedings pending before court, a competent arbitration authority or a public administration authority concerning liabilities or claims of Echo Investment S.A. or its subsidiary the value, of which equaled at least 10% of the Company's equity.

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

Between 1 January and 31 March 2019, no material transactions were concluded between Echo Investment S.A. and its subsidiaries, and related parties on terms other than market terms.

# CHAPTER 2

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## FINANCIAL STATEMENTS



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**CONDENSED INTERIM  
CONSOLIDATED FINANCIAL  
STATEMENT AS OF AND FOR THE  
PERIOD ENDED 31 MARCH 2019**

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

	As at 31.03.2019	As at 31.12.2018	As at 31.03.2018
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	2 646	2 468	195
Property, plant and equipment	22 886	8 938	10 430
Investment property	814 091	1 007 716	6 117
Investment property under construction	1 094 300	940 427	1 567 591
Investment in associates and joint ventures	256 191	258 531	217 228
Long-term financial assets	129 563	84 590	36 111
Deferred tax asset	58 582	52 493	63 683
	<b>2 378 259</b>	<b>2 355 163</b>	<b>1 901 355</b>
<b>Current assets</b>			
Inventory	1 017 991	771 836	690 461
Current tax assets	6 964	3 381	4 112
Other taxes receivable	88 184	87 177	64 328
Trade and other receivables	288 719	211 142	268 995
Short-term financial assets	16 999	42 190	85 534
Derivative financial instruments	-	-	1 284
Restricted cash	76 873	54 719	83 110
Cash and cash equivalents	470 978	439 532	518 739
	<b>1 966 708</b>	<b>1 609 977</b>	<b>1 716 563</b>
<b>Assets held for sale</b>	<b>19 017</b>	<b>13 500</b>	<b>91 771</b>
<b>Financial assets held for sale</b>	<b>-</b>	<b>-</b>	<b>279 375</b>
<b>Total assets</b>	<b>4 363 984</b>	<b>3 978 640</b>	<b>3 989 064</b>

# CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL SITUATION CONT. [‘000 PLN]

	As at 31.03.2019	As at 31.12.2018	As at 31.03.2018
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Equity attributable to equity holders of the parent	1 502 679	1 495 573	1 677 895
Share capital	20 635	20 635	20 635
Supplementary capital	1 420 922	1 420 922	1 192 117
Revaluation capital	-	-	(13 575)
Retained earnings	53 041	45 543	488 087
Foreign currency translation reserve	8 081	8 473	(9 369)
Non-controlling interest	(118)	(114)	(108)
	<b>1 502 561</b>	<b>1 495 459</b>	<b>1 677 787</b>
<b>Provisions</b>			
Long-term provisions	79 042	125 559	72 375
Short-term provisions	195 518	135 988	157 758
Deferred tax liabilities	91 998	111 303	61 509
	<b>366 558</b>	<b>372 850</b>	<b>291 642</b>
<b>Long-term liabilities</b>			
Debt liabilities	1 296 022	1 149 693	947 239
Other liabilities	158 950	28 089	-
Deferred income	74 592	57 851	-
	<b>1 529 564</b>	<b>1 235 633</b>	<b>947 239</b>
<b>Short-term liabilities</b>			
Debt liabilities	158 571	280 729	636 373
Income tax payable	29 248	8 859	2 020
Other taxes liabilities	63 123	8 400	7 021
Trade payable	162 595	234 623	166 703
Other liabilities	185 266	78 590	147 472
Deferred income	366 498	263 497	112 807
	<b>965 301</b>	<b>874 698</b>	<b>1 072 396</b>
<b>Total equity and liabilities</b>	<b>4 363 984</b>	<b>3 978 640</b>	<b>3 989 064</b>
Book value	1 502 679	1 495 573	1 677 895
Number of shares	412 690 582	412 690 582	412 690 582
Book value per one share (in PLN)	3,64	3,62	4,07

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

	01.01.2019 - 31.03.2019	01.01.2018 - 31.03.2018
Revenues	69 415	64 386
Cost of sales	(50 790)	(49 226)
<b>Gross profit</b>	<b>18 625</b>	<b>15 160</b>
Profit on investment property	63 475	98 579
Administrative costs associated with project implementation	(5 462)	(12 972)
Selling expenses	(4 425)	(5 114)
General and administrative expenses	(22 081)	(22 551)
Other operating income	10 685	15 862
Other operating expenses	(8 750)	(7 694)
<b>Operating profit</b>	<b>52 067</b>	<b>81 270</b>
Financial income	5 703	6 439
Financial cost	(17 636)	(17 824)
Profit (loss) on FX derivatives	-	(976)
Foreign exchange gains (losses)	(491)	(1 112)
Share of profit (loss) of associates and joint ventures	(2 371)	(1 795)
<b>Profit (loss) before tax</b>	<b>37 272</b>	<b>66 002</b>
Income tax	(5 443)	(15 326)
current tax	(28 430)	(2 509)
deferred tax	22 987	(12 817)
<b>Net profit, including:</b>	<b>31 829</b>	<b>50 676</b>
Equity holders of the parent	31 833	50 677
Non-controlling interest	(4)	(1)
Equity holders of the parent	31 833	50 677
Weighted average number of ordinary shares (in '000) without shares held	412 691	412 691
	0,08	0,12
Profit (loss) per one ordinary share (in PLN)	0,08	0,12
<b>Diluted profit (loss) per one ordinary share (PLN)</b>		

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

	01.01.2019 - 31.03.2019	01.01.2018 - 31.03.2018
<b>Profit for the year</b>	<b>31 829</b>	<b>50 676</b>
Other comprehensive income:		
- exchange differences on translation of foreign operations	(392)	1 107
- revaluation gains (EPP's shares)	-	36 101
<b>Other comprehensive income for the year, net of tax</b>	<b>(392)</b>	<b>37 208</b>
<b>Total comprehensive income for the year, including:</b>	<b>31 437</b>	<b>87 884</b>
Comprehensive income attributable to shareholders of the parent company	31 441	87 885
Comprehensive income attributable to non-controlling interest	(4)	(1)

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

	Share Capital	Supple- mentar capital	Reva- luation capital	Accumula- ted retained earnings	Currency translation differences	Equity attributable to equity holders of the parent	Capital of non-con- trolling interests	Equity total
<b>For the period from 01.01.2019 to 31.03.2019</b>								
<b>Opening balance</b>	<b>20 635</b>	<b>1 420 922</b>	<b>-</b>	<b>45 543</b>	<b>8 473</b>	<b>1 495 573</b>	<b>(114)</b>	<b>1 495 459</b>
Impact of IFRS 16 as at 1 January 2019				(24 335)		(24 335)		(24 335)
<b>Opening balance, with restated figures</b>	<b>20 635</b>	<b>1 420 922</b>	<b>-</b>	<b>21 208</b>	<b>8 473</b>	<b>1 471 238</b>	<b>(114)</b>	<b>1 471 124</b>
Other comprehensive income	-	-	-	-	(392)	(392)	-	(392)
Profit (loss) for the period	-	-	-	31 833	-	31 833	(4)	31 829
<b>Closing balance</b>	<b>20 635</b>	<b>1 420 922</b>	<b>-</b>	<b>53 041</b>	<b>8 081</b>	<b>1 502 679</b>	<b>(118)</b>	<b>1 502 561</b>
<b>For the period from 01.01.2018 to 31.03.2018</b>								
<b>Opening balance</b>	<b>20 635</b>	<b>1 192 117</b>	<b>(49 676)</b>	<b>435 150</b>	<b>(10 476)</b>	<b>1 587 750</b>	<b>(107)</b>	<b>1 587 643</b>
Changes in accounting principles				2 260		2 260		2 260
<b>Opening balance, with restated figures</b>	<b>20 635</b>	<b>1 192 117</b>	<b>(49 676)</b>	<b>437 410</b>	<b>(10 476)</b>	<b>1 590 010</b>	<b>(107)</b>	<b>1 589 903</b>
Other comprehensive income	-	-	-	-	1 107	1 107	-	1 107
Results of financial investment's reval- uation (EPP shares)	-	-	36 101			36 101	-	36 101
Net profit (loss) for the period	-	-	-	50 677	-	50 677	(1)	50 676
<b>Closing balance</b>	<b>20 635</b>	<b>1 192 117</b>	<b>(13 575)</b>	<b>488 087</b>	<b>(9 369)</b>	<b>1 677 895</b>	<b>(108)</b>	<b>1 677 787</b>

## CONSOLIDATED CASH FLOW STATEMENT [PLN '000]

	01.01.2019 - 31.03.2019	01.01.2018 - 31.03.2018
<b>A. Operating cash flow – indirect method</b>		
<b>I. Profit (loss) before tax</b>	<b>37 272</b>	<b>66 002</b>
<b>II. Total adjustments</b>		
Share in net (profit) loss of associates and joint ventures	2 371	1 795
Depreciation of PP&E	842	819
Foreign exchange (gains) losses	175	1 900
Interest and profit sharing (dividends)	6 467	14 239
(Profit) loss on revaluation of assets and liabilities	(73 420)	(125 031)
(Profit) loss on revaluation of assets and liabilities	-	(116)
	<b>(63 565)</b>	<b>(106 394)</b>
<b>III. Changes in working capital</b>		
Change in provisions	13 013	3 141
Change in inventories	(169 640)	(7 518)
Change in receivables	(77 275)	22 224
Change in short-term liabilities, except for loans and borrowings	180 151	196
Change in restricted cash	(22 155)	(28 344)
	<b>(75 906)</b>	<b>(10 301)</b>
<b>IV. Net cash generated from operating activities (I+II+III)</b>	<b>(102 199)</b>	<b>(50 693)</b>
Income tax paid	(11 623)	(8 675)
<b>V. Net cash generated from operating activities</b>	<b>(113 822)</b>	<b>(59 368)</b>
<b>B. Cash flows from investing activities</b>		
<b>I. Inflows</b>		
Disposal of intangible assets and tangible fixed assets	93	100
Sale of investments in property	238 082	29 329
From borrowings and financial investments	1 411	67 530
	<b>239 586</b>	<b>96 959</b>
<b>II. Outflows</b>		
Purchase of intangible assets and PP&E	(9)	-
Investment in property	(87 764)	(162 004)
On loans and financial investments	(17 818)	(27 000)
	<b>(105 591)</b>	<b>(189 004)</b>
<b>III. Net cash flow from investing activities (I+II)</b>	<b>133 995</b>	<b>(92 045)</b>



## CONSOLIDATED CASH FLOW STATEMENT CONT. [PLN '000]

	01.01.2019 - 31.03.2019	01.01.2018 - 31.03.2018
<b>C. Cash flow from financing activities</b>		
<b>I. Inflows</b>		
Loans and borrowings	136 996	125 656
Issue of debt securities	33 832	-
	<b>170 828</b>	<b>125 656</b>
<b>II. Outflows</b>		
Repayment of loans and borrowings	(54 236)	(56 073)
Redemption of debt securities	(100 000)	(75 000)
Interest paid	(5 319)	(765)
	<b>(159 555)</b>	<b>(131 838)</b>
<b>III. Net cash flow from financing activities (I+II)</b>	<b>11 273</b>	<b>(6 182)</b>
<b>D. Total net cash flows (A.III+B.III+C.III)</b>	<b>31 446</b>	<b>(157 595)</b>
<b>E. Change in the balance of cash in consolidated statement of financial position, including:</b>	<b>31 446</b>	<b>(157 595)</b>
- change in cash due to foreign exchange gains/losses	-	-
<b>F. Cash and cash equivalents at the beginning of the period</b>	<b>439 532</b>	<b>676 334</b>
<b>G. Cash and cash equivalents at the end of the period (F+D)</b>	<b>470 978</b>	<b>518 739</b>

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

	As at 31.03.2019	As at 31.12.2018	As at 31.03.2018
Off-balance sheet receivables	-	-	-
Off-balance sheet liabilities	1 619 690	1 231 518	1 020 736
<b>Total</b>	<b>1 619 690</b>	<b>1 231 518</b>	<b>1 020 736</b>

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# INFORMATION ON FINANCIAL STATEMENTS OF ECHO INVESTMENT GROUP

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

The statements of the Echo Investment S.A. present financial data for the 3-month period ending on 31 March 2019 and comparative data for the 3-month period ending on 31 March 2018. Unless indicated otherwise, all financial data in the Company's financial statements has been presented in thousand PLN. The financial statements have been drawn up in accordance with the historical cost principle with the exception of investment property, which was measured at fair value.

As at 31 March 2019 the Capital Group consisted of 130 entities consolidated according to the full method, and four entities consolidated according to the equity method.

## **DECLARATION OF CONFORMITY**

The statements have been prepared in compliance with the International Financial Reporting Standards (IFRS), as adopted by the European Commission.

## **ASSUMPTION OF CONTINUITY IN OPERATIONS**

The Groups' consolidated financial statements for Q1 2019 have been drawn up according to the going concern principle as there are no circumstances indicating a threat to continued activity by the Group's companies.

## **APPROVAL OF THE FINANCIAL STATEMENTS**

These consolidated financial statements were approved for publication by the Management Board on 29 May 2019.

# Echo Investment Group

## 2.1 Composition of the Group

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

investment tasks, including those resulting from the construction process of a concrete development project. As at 31 March 2019 the Capital Group included 130 subsidiaries consolidated according to the full method and 10 jointly controlled companies consolidated according to the equity method.

### SUBSIDIARIES

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

## SUBSIDIARIES

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

## SUBSIDIARIES

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



## SUBSIDIARIES

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

## JOINT-VENTURES

No	Subsidiary	Registered office	% of capital held	Parent entity
1	Rosehill Investments Sp. z o.o.	Warsaw	30%	Echo Investment S.A.
2	Berea Sp. z o.o.	Warsaw	30%	Rosehill Investments Sp. z o.o.
3	Projekt Echo - 138 Sp. z o.o. Sp. k.	Warsaw	45,26%	Strood Sp. z o.o.
4	Projekt Echo - 138 Sp. z o.o.	Warsaw	30%	Echo Investment S.A.
5	R4R Poland Sp. z o.o.	Warsaw	30%	Echo Investment S.A.
6	R4R Łódź Wodna Sp. z o.o.	Warsaw	30%	R4R Poland Sp. z o.o.
7	R4R Wrocław Kępa Sp. z o.o.	Warsaw	30%	R4R Poland Sp. z o.o.
8	R4R Wrocław Rychtalska Sp. z o.o.	Warsaw	30%	R4R Poland Sp. z o.o.
9	R4R Warszawa Browary Sp. z o.o.	Warsaw	30%	R4R Poland Sp. z o.o.
10	R4R Leasing Sp. z o.o.	Warsaw	30%	R4R Poland Sp. z o.o.

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

## 2.2 Changes in the structure of the capital group in Q1 2019

No	Entity	Action	Date
1	Projekt 17 – Grupa Echo Sp. z o.o. SKA	Registration of capital increase in the company by Echo Investment S.A.	01.02.2019
2	Projekt 139 – Grupa Echo Sp. z o.o. Sp.K.	Change of general partner – disposal of rights and obligations in the entity from Echo Investment S.A. to Perth Sp. z o.o. with its registered office in Warsaw	01.03.2019
3	Projekt 144 – Grupa Echo Sp. z o.o. Sp.K.	Change of general partner – disposal of rights and obligations in the entity from Echo Investment S.A. to Echo - Arena Sp. z o.o. with its registered office in Warsaw	01.03.2019
4	City Space – GP Sp. z o.o.	Registration of capital increase in the company by Echo Investment S.A.	20.03.2019
5	City Space Management Sp. z o.o.	Registration of capital increase in the company by Echo Investment S.A.	26.03.2019

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

Since 1 January 2019, the following standards and changes in standards have become effective:

## IFRS 16 Leases

- (published on 13 January 2016);

## IFRIC 23 Uncertainty over Income Tax Treatments

- (published on 7 June 2017);

## Amendments to IFRS 9 Prepayment features with negative

- (published on 12 October 2017);

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

- (published on 12 October 2017).

All the changes listed have been analysed by the Management Board of the Company. In addition to the changes resulting from the application of IFRS 16 Leases, that were implemented by the Company on 1 January 2019, the Management Board of the Company believes that other changes have no material impact on the financial standing, the results of the Group's operations or the scope of information presented in these consolidated financial statements.

## Changes to the accounting policy of the Company introduced as a result of the implementation of IFRS 16

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

- the contract must relate to an identified asset for which the supplier does not have a significant converting right

- the contract should give the beneficiary the right to control the use of the identified asset for a specified period of time. This means that the user has the right to take advantage of the economic benefits of using a given component and the right to decide on its use
- the contract must be payable.

The company applies the following simplifications:

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

In the case of identification of a leasing element and a non-leasing element in the contract, the Company chooses a practical solution according to which it recognises each leasing element and any accompanying non-leasing elements as a single leasing element. In addition, in the case of a leasing portfolio with similar characteristics, the Company applies the standard to the entire portfolio when it reasonably expects that the impact of applying this standard to the portfolio on the financial statements will not significantly differ from the impact of its application to individual leases in within this portfolio.

The duration of the leasing contract is defined as the non-cancellable period of the lease contract, including the possible periods of renewal of the lease contract if the lessee is sufficiently sure that this possibility will be used and the possible periods of

termination of the lease contract if the lessee is sufficiently sure this option will be not used.

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

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

At the same time, the Company recognises the asset due to the right of use in the same amount as the liability, adjusted for any lease payments paid at or before the starting date, less any incentives received and increased by any initial direct costs incurred by the lessee.

After the initial recognition, the Company recognises the lease liability by:

- increasing the carrying amount to reflect interest on the lease liability,
- decreasing the carrying amount to take into account lease payments paid, and
- revaluating the carrying amount to reflect any re-assessment or change of the lease or to reflect substantially updated fixed lease payments.

After the starting date of the lease, the right-of-use asset component is measured at cost less accumulative depreciation charges and accumulative impairment losses and adjusted for any revaluation of the liability under the lease. The depreciation is calculated using the straight-line method over the estimated period of the economic life. If the leasing agreement transfers the ownership of the given asset to the Company before the end of the leasing period or when the cost of the asset due to the right of use reflects the fact that the Company will apply the option to buy the final value of the leased asset, the Company depreciates the asset due to the right of use from the beginning of the lease contract until the end of the estimated economic life of the asset. In other cases, the Company depreciates assets due to the right of use from the starting date of the contract to the earlier of two dates: the date of ending the economic life of the asset or the date of the end of the lease. For leases where the subject is the asset which, in accordance with the accounting policies of the Company, is measured at fair value, the Company does not depreciate such asset due to the right of use and measures it at fair value. For the asset due to the right of use regarding the right of perpetual usufruct, which is measured in accordance with the accounting policies of the Company at fair value, this value is equal to the lease liability as at each balance sheet date.

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

## IFRS 14 'Regulatory Deferral Accounts'

- effective for financial years beginning on or after 1 January 2016 (issued on 30 January 2014). The European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard. Not yet endorsed by EU at the date of approval of these financial statements;

## Amendments to IFRS 10 and IAS 28 'Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture'

- (issued on 11 September 2014). The endorsement process of these Amendments has been postponed by EU. The effective date was deferred indefinitely by IASB;

## IFRS 17 'Insurance Contracts'

- effective for financial years beginning on or after 1 January 2021 (issued on 18 May 2017). Not yet endorsed by EU at the date of approval of these financial statements;

## Amendments to References to the Conceptual Framework in IFRS Standards

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

## Amendment to IFRS 3 'Business Combinations'

- effective for financial years beginning on or after 1 January 2020 (issued on 22 October 2018). Not yet endorsed by EU at the date of approval of these financial statements;

## Amendments to IAS 1 and IAS 8: 'Definition of Material'

- effective for financial years beginning on or after 1 January 2020 (issued on 31 October 2018). Not yet endorsed by EU at the date of approval of these financial statements.

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

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

## Change of accounting policy

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

The accounting policies applied by the Group in these Interim Condensed Consolidated Financial Statements are the same as those applied by the Group in its consolidated financial statements for the year ended 31 December 2018, except the application of the new standards, changes to the standards and amendments which became effective as of 1 January 2019.

## Application of IFRS 16 Leases for the first time

The Group has implemented IFRS 16 Leases since 1 January 2019. The standard introduced one model of lease recognition in the lessee's accounting books - in general, IFRS 16 assumes recognition of all lease agreements in a model similar to the financial leasing approach in line with IAS 17. The new IFRS 16 standard Leases replaces IAS 17, as well as interpretations IFRIC 4, SIC 15 and SIC 27. The Group applied IFRS 16 retrospectively, with reference to the cumulative effect of the first application of this standard, as an adjustment to the opening balance of retained earnings as at 1 January 2019.

In accordance with IFRS 16, a contract is a lease or it includes a lease if it delegates the right to control an identified asset for a given period in exchange for remuneration.

As at the date of transition to IFRS 16, the Group recognised the asset due to the right of use and the lease liability. The Company separately recognises the cost of interest and depreciation.

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

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

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

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

The impact of the implementation of IFRS 16 on 1 January 2019 resulted in recognition of an asset due to the right of use in the amount of PLN 176 674 thousand and lease liabilities in the amount of PLN 203 416 thousand, of which PLN 69 573 thousand relates to inventories, PLN 56 056 thousand to investment property, PLN 71 215 thousand to office space, and PLN 6 572 thousand to cars. The Group recognised deferred tax assets in the amount of PLN 27 764 thousand and a provision for deferred tax in



the amount of PLN 25 357 thousand. After offsetting, the Group disclosed in the Financial Statements the asset for deferred tax in the amount of PLN 2 407 thousand. The impact of the application of IFRS 16 for the first time on the result of previous years amounted to PLN 24 335 thousand.

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

	Approved financial report 31 December 2018	IFRS 16 adjustments	1 January 2019
<b>Assets</b>			
<b>Non-current assets</b>	<b>2 355 163</b>	<b>109 508</b>	<b>2 464 671</b>
Fixed assets	8 938	14 652	23 590
Investment property	1 007 716	36 393	1 044 109
Investment property under construction	940 427	56 056	996 483
Deferred tax assets	52 493	2 407	54 900
<b>Current assets</b>	<b>1 609 977</b>	<b>69 573</b>	<b>1 679 550</b>
Inventory	771 836	69 573	841 409
<b>Total assets</b>	<b>3 978 640</b>	<b>179 081</b>	<b>4 157 721</b>
<b>Equity and liabilities</b>			
<b>Equity</b>	<b>1 495 459</b>	<b>(24 335)</b>	<b>1 471 124</b>
Retained earnings	45 543	(24 335)	21 208
<b>Long-term liabilities</b>	<b>1 235 633</b>	<b>133 843</b>	<b>1 369 476</b>
Other liabilities	28 089	133 843	161 932
<b>Short-term liabilities</b>	<b>874 698</b>	<b>69 573</b>	<b>944 271</b>
Other liabilities	78 590	69 573	148 163
<b>Total equity and liabilities</b>	<b>3 978 640</b>	<b>179 081</b>	<b>4 157 721</b>

## CHAPTER 3

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# CONDENSED INTERIM STANDALONE FINANCIAL STATEMENT OF ECHO INVESTMENT S.A. AS OF AND FOR THE PERIOD ENDED 31 MARCH 2019



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

	As at 31.03.2019	As at 31.12.2018	As at 01.03.2018
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	2 604	2 445	1186
Property, plant and equipment	19 574	5 284	4 827
Investment property	2 212	2 212	2 212
Investment property under construction	875 297	975 449	967 914
Investment in associates and joint ventures	779 079	796 125	990 735
Long-term financial assets	256 813	221 504	26 909
Loans granted	-	-	13 390
<b>Deferred tax asset</b>	<b>1 935 579</b>	<b>2 003 019</b>	<b>2 007 173</b>
Current assets	231 897	201 445	229 730
Inventory	2 333	-	-
Current tax assets	333	248	-
Other taxes receivable	117 417	109 224	108 732
Trade and other receivables	405 983	265 621	603 895
Loans granted	6 778	7 389	18 262
Restricted cash	101 186	181 977	371 566
<b>Cash and cash equivalents</b>	<b>865 927</b>	<b>765 904</b>	<b>1 332 185</b>
<b>Total assets</b>	<b>2 801 506</b>	<b>2 768 923</b>	<b>3 339 358</b>

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

	As at 31.03.2019	As at 31.12.2018	As at 01.03.2018
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	20 635	20 635	20 635
Supplementary capital	1 054 295	1 054 295	839 054
Reserve capital	326 309	326 309	319 579
Accumulated profit	106 568	44 675	676 250
	<b>1 507 807</b>	<b>1 445 914</b>	<b>1 855 518</b>
<b>Provisions</b>			
Short-term provisions	16 216	17 317	38 490
Long-term deferred tax liabilities	1 619	1 468	6 045
	<b>17 835</b>	<b>18 785</b>	<b>44 535</b>
<b>Long-term liabilities</b>			
Loans, borrowings, bonds	944 117	903 448	746 957
Other liabilities	14 422	-	-
Received deposits and advanced payments	749	746	728
	<b>959 288</b>	<b>904 194</b>	<b>747 685</b>
<b>Short-term liabilities</b>			
Loans, borrowings, bonds	148 847	267 725	547 086
- including from subsidiaries	-	-	-
Current income tax payable	3	1 219	701
Other taxes liabilities	2 194	1 678	4 115
Trade payable	19 578	32 595	24 043
Received deposits and advanced payments	114 143	74 795	75 272
Other liabilities	31 811	22 018	40 403
	<b>316 576</b>	<b>400 030</b>	<b>691 620</b>
<b>Total equity and liabilities</b>	<b>2 801 506</b>	<b>2 768 923</b>	<b>3 339 358</b>
Book value	1 507 807	1 445 914	1 855 518
Number of shares	412 690 582	412 690 582	412 690 582
Book value per share (PLN)	3,65	3,50	4,50

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

	As at 31.03.2019	As at 31.12.2018	As at 01.03.2018
Off-balance sheet receivables	-	-	-
Off-balance sheet liabilities	1 608 018	1 215 751	1 065 950
<b>Total</b>	<b>1 608 018</b>	<b>1 215 751</b>	<b>1 065 950</b>

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

	01.01.2019 - 31.03.2019	01.01.2018 - 31.03.2018
Revenues	37 499	61 264
Cost of sales	(19 332)	(38 291)
<b>Gross profit</b>	<b>18 167</b>	<b>22 973</b>
Profit on investment property	-	-
Administrative costs associated with project implementation	(1 203)	(3 842)
Selling expenses	(4 043)	(3 833)
General and administrative expenses	(16 264)	(17 114)
Other operating income	72 861	57 292
Other operating expenses	(502)	(265)
<b>Operating profit</b>	<b>69 016</b>	<b>55 211</b>
Financial income	8 871	1 695
Financial cost	(16 031)	(16 605)
<b>Profit (loss) before tax</b>	<b>61 856</b>	<b>40 301</b>
Income tax	37	(1 112)
<b>Net profit</b>	<b>61 893</b>	<b>39 189</b>
Net profit (annualised)	655 200	618 683
Weighted average number of ordinary shares	412 690 582	412 690 582
Profit per one ordinary share (in PLN)	1,59	1,50
Weighted average diluted number of ordinary shares	412 690 582	412 690 582
Diluted profit (loss) per one ordinary share (PLN)	1,59	1,50

## CONDENSED STANDALONE STATEMENT OF CHANGES IN EQUITY [PLN '000]

	Share capital	Supplementar capital	Dividend fund	Accumulated retained earnings	Total equity
<b>For quarter (current year), period from 01.01.2019 to 31.03.2019</b>					
<b>Opening balance, with restated data</b>	<b>20 635</b>	<b>1 054 295</b>	<b>326 309</b>	<b>44 675</b>	<b>1 445 914</b>
Changes in the period					
Distribution of previous years' profit/loss	-	-	-	-	-
Dividend paid	-	-	-	-	-
Profit (loss) for the period	-	-	-	61 893	61 893
Total changes in the period	-	-	-	61 893	61 893
<b>Closing balance</b>	<b>20 635</b>	<b>1 054 295</b>	<b>326 309</b>	<b>106 568</b>	<b>1 507 807</b>
<b>For previous year, period from 01.01.2018 to 31.12.2018</b>					
<b>Opening balance</b>	<b>20 635</b>	<b>839 054</b>	<b>319 579</b>	<b>634 661</b>	<b>1 813 929</b>
Changes in accounting principles	-	-		2 243	2 243
Opening balance, with restated data	20 635	839 054	319 579	636 904	1 816 172
Changes in the period					
Distribution of previous years' profit/loss	-	215 241	213 075	(428 316)	-
Dividend paid			(206 345)	(206 345)	(412 690)
Dividend approved			-		-
Profit (loss) for the period	-	-	-	42 432	42 432
Total changes in the period	-	215 241	6 730	(592 229)	(370 258)
<b>Closing balance</b>	<b>20 635</b>	<b>1 054 295</b>	<b>326 309</b>	<b>44 675</b>	<b>1 445 914</b>
<b>For quarter (previous year), period from 01.01.2018 to 31.03.2018</b>					
<b>Opening balance</b>	<b>20 635</b>	<b>839 054</b>	<b>319 579</b>	<b>634 661</b>	<b>1 813 929</b>
Adjustment of the retained profit	-	-	-	2 400	2 400
<b>Opening balance, with restated data</b>	<b>20 635</b>	<b>839 054</b>	<b>319 579</b>	<b>637 061</b>	<b>1 816 329</b>
Changes in the period					
Distribution of previous years' profit/loss	-	-	-	-	-
Dividend paid		-	-	-	-
Dividend approved			-	-	-
Profit (loss) for the period	-	-	-	39 189	39 189
Total changes in the period	-	-	-	39 189	39 189
<b>Closing balance</b>	<b>20 635</b>	<b>839 054</b>	<b>319 579</b>	<b>676 250</b>	<b>1 855 518</b>



## CONDENSED STANDALONE CASH FLOW STATEMENT [PLN '000]

	01.01.2019 - 31.03.2019	01.01.2018 - 31.03.2018
<b>A. Operating cash flow – indirect method</b>		
<b>I. Profit (loss) before tax</b>	<b>61 856</b>	<b>40 301</b>
<b>II. Adjustments</b>	<b>(61 953)</b>	<b>239 329</b>
Amortisation / Depreciation	631	503
Foreign exchange (gains) losses	(1 352)	2
Interest and profit sharing (dividends)	(61 377)	239 063
(Profit) loss on revaluation of assets and liabilities	99	(339)
(Profit) loss on sale of PP&E and investment properties	46	100
<b>III. Changes in working capital</b>	<b>10 866</b>	<b>79 726</b>
Change in provisions	(950)	(136)
Change in inventories	(30 452)	(10 026)
Change in receivables	(8 193)	93 057
Change in short-term liabilities, except for loans and borrowings	49 849	(5 791)
Change in restricted cash	611	2 622
<b>IV. Net cash generated from operating activities (I+II+III)</b>	<b>10 769</b>	<b>359 356</b>
<b>V. Income tax paid</b>	<b>(3 360)</b>	<b>(2)</b>
<b>VI. Net cash generated from operating activities (IV+/-V)</b>	<b>7 409</b>	<b>359 354</b>
<b>B. Cash flows from investing activities</b>		
<b>I. Inflows</b>		
Disposal of intangible assets and tangible fixed assets	46	38
From financial assets	82 979	499 880
	<b>83 025</b>	<b>499 918</b>
<b>II. Outflows</b>		
Purchase of intangible assets and PP&E	(1 333)	(553)
Investments in property and intangible assets	(1)	-
On financial assets	(207 048)	(334 749)
Other investment expenditures	(387)	(120)
	<b>(208 769)</b>	<b>(335 422)</b>
<b>III. Net cash flow from investing activities</b>	<b>(125 744)</b>	<b>164 496</b>



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

	01.01.2019 - 31.03.2019	01.01.2018 - 31.03.2018
<b>C. Cash flow from financing activities</b>		
<b>I. Inflows</b>		
Loans and borrowings	159 991	75 000
Issue of debt securities	33 832	-
	<b>193 823</b>	<b>75 000</b>
<b>II. Outflows</b>		
Repayment of loans and borrowings	(50 000)	(367 955)
Redemption of debt securities	(100 000)	(75 000)
Interest paid	(5 319)	(11 834)
Other investment outflows	(960)	(572)
	<b>(156 279)</b>	<b>(455 361)</b>
<b>III. Net cash flow from financing activities (I-II)</b>	<b>37 544</b>	<b>(380 361)</b>
<b>D. Total net cash flow (A.VI +/- B.III +/- C.III)</b>	<b>(80 791)</b>	<b>143 489</b>
<b>E. Change in the balance of cash, including:</b>	<b>(80 791)</b>	<b>143 489</b>
- Including change in cash due to foreign exchange gains/losses	-	(2)
<b>F. Cash at the beginning of the period</b>	<b>181 977</b>	<b>228 079</b>
<b>G. Cash at the end of the period (F +/- D), including:</b>	<b>101 186</b>	<b>371 566</b>
- restricted	6 778	18 262

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**INFORMATION ON FINANCIAL  
STATEMENT OF ECHO INVESTMENT S.A.**

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# Effects of changing the principles of accounting used

## Change of accounting policy

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

The accounting policies applied by the Company in these Interim Condensed Standalone Financial Statements are the same as those applied by the Company in its separated financial statements for the year ended 31 December 2018, except the application of the new standards, changes to the standards and amendments which became effective as of 1 January 2019.

## Application of IFRS 16 Leases for the first time

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

- The Company does not apply this standard to contracts that have not previously been identified as leasing agreements in accordance with IAS 17 and IFRIC 4;

- The Company will apply a single discount rate to the portfolio of leases of a similar nature;
- Operating lease agreements, with the remaining leasing period shorter than 12 months on 1 January 2019, were treated as short-term leases and thus recognition of these contracts will not change;
- Operating lease agreements for which the underlying asset is of low value (e.g. office equipment) have not been recalculated and their recognition has not changed;

The Company did not separate lease and non-lease components.

On 1 January 2019, the Group, as the lessee, recognised lease liabilities measured at the current value of other lease payments, discounted according to marginal Group interest rates, and recognised assets due to the right of use in the amount equal to lease liabilities. The Group decided to present assets under the right of use under the same item, where the relevant underlying assets would be presented if they were the property of the Group (the lessee).

The impact of the implementation of IFRS 16 on 1 January 2019 resulted in recognition assets due to the right of use and lease liabilities in the amount of PLN 23 891 thousand, of which PLN 7 894 thousand relates to inventories, PLN 6 439 thousand to office space, and PLN 6 439 thousand to cars.

The application of IFRS 16 for the first time did not affect the result from previous years of the Company.

## IMPACT OF THE IMPLEMENTATION OF IFRS 16 ON STANDALONE STATEMENT ON FINANCIAL POSITIONS AS AT 1 JANUARY 2019 [PLN '000]

	Approved financial report 31 December 2018	IFRS 16 adjustments	1 January 2019
<b>Assets</b>			
Fixed assets	5 284	14 333	19 617
Inventory	201 445	9 558	211 003
<b>Equity and liabilities</b>			
<b>Long-term liabilities</b>			
Other liabilities	-	14 333	14 333
<b>Short-term liabilities</b>			
Other liabilities	22 018	9 558	31 576

The document is signed with qualified electronic signature

**Nicklas Lindberg**

President of the Board, CEO

**Maciej Drozd**

Vice-President of the Board, CFO

**Artur Langner**

Vice-President of the Board

**Marcin Materny**

Member of the Board

**Rafał Mazurczak**

Member of the Board

**Waldemar Olbryk**

Member of the Board

**Małgorzata Turek**

Member of the Board

**Anna Gabryszewska-Wybraniec**

Chief Accountant

Kielce, 29 March 2019

# Contact

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