2022

Consolidated Annual Report of Echo Investment Group

Pic. Fuzja office complex in Łódź

ECHO investment

Content

About the Company

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

The parent company - Echo Investment S.A. with its headquarter in Kielce, at al. Solidarności 36 - was registered in Kielce on 30 June 1994 and is entered into the National Court Register under number 0000007025 by the District Court in Kielce, 10th Commercial Division of the National Court Register.

Since 5 March 1996, the Company's shares are quoted at the Warsaw Stock Exchange on the regulated market. They are included into Warsaw Stock Exchange Index WIG, sWIG80 subindex as well as WIG-Real Estate sector index. The main place where the Company runs its business is Poland. The parent entity is Lisala Sp. z o.o., and the parently company of the highest level of the group is Dayton-Invest Kft., which is controlled at the highest level by Tibor Veres. The Company was established for an indefinite period.

There have been no changes in the name of the reporting entity or other identifying data since the end of the previous reporting period.

Information on the Management Board and Supervisory Board is presented in the Report of the Management Board on the activities of Echo Investment S.A. and its Capital Group for 2022 in part 01 „Basic information about the Company and the Group".

Information on the financial statement

The consolidated statements of the Echo Investment S.A. present financial data for the 12-month period ending on 31 December 2022 and comparative data for the 12-month period ending on 31 December 2021.

The Group's financial statement in this financial statements is presented in thousands of Polish zloty (PLN), if not indicated differently.

Declaration of conformity

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

Assumption of continuity in operations

The statements have been drawn up according to the going concern principle as there are no circumstances indicating a threat to continued activity.

Approval of financial statements

The Consolidated Financial Statement for the year ended 31 December 2022 was approved for publication on 28 March 2023.

As at 31 December 2022 the Capital Group included 163 subsidiaries consolidated according to the full method and 36 jointly controlled companies consolidated according to the equity method. The composition of the Group Companies as at 31 December 2021 is presented in chapter 3, paragraph 01 "Echo Investment Group".

Consolidated financial statements of Echo Investment Group for 2022

Pic. Galeria Młociny in Warsaw

CHAPTER 1

Pic. Face2Face Business Campus office building in Katowice

Consolidated statement of financial position

Consolidated statement of financial position [PLN '000]

	Note	As at 31.12.2022	As at 31.12.2021
Assets			
Non-current assets			
Intangible assets	2	71 752	70 529
Property, plant and equipment	3	60 409	64 261
Investment property	4	1 094 638	843 576
Investment property under construction	5	486 625	741 663
Investment in associates and joint ventures	19	478 180	336 737
Long-term financial assets	8	326 675	366 360
Derivative financial instruments	13	26 251	-
Other assets		1 549	1 854
Deferred tax asset	29	94 494	74 015
Lands for development		21 359	19 455
		2 661 932	**2 518 450**
Current assets			
Inventory	9	1 592 885	1 602 077
Current tax assets		14 925	13 104
Other taxes receivable	10	81 762	64 908
Trade and other receivables	10	333 577	120 163
Short-term financial assets	8	15 327	41 920
Derivative financial instruments	13	366	18 922
Other financial assets *	14	88 914	85 205
Cash and cash equivalents	14	941 997	588 680
		3 069 753	**2 534 979**
Fixed assets (disposal group) held for sale	6	355 327	1 381 451
		3 425 080	**3 916 430**
Total assets		**6 087 012**	**6 434 880**

Consolidated statement of financial position [PLN ‘000]

	Note	As at 31.12.2022	As at 31.12.2021
Equity and liabilities			
Equity			
Share capital	15	20 635	20 635
Supplementary capital	15	1 044 798	1 158 524
Retained earnings		577 337	499 517
Foreign currency translation reserve		1 008	934
Equity attributable to shareholders of the parent company		**1 643 778**	**1 679 610**
Non-controlling interest	15d	162 534	183 927
		1 806 312	**1 863 537**
Long-term liabilities			
Credits, loans, bonds	17	1 609 032	1 626 984
Acquisition of shares	18a	-	50 895
Long-term provisions	16	5 356	6 499
Deferred tax liabilities	29	140 651	172 917
Leasing	18, 28	138 837	117 127
Other liabilities	18	68 200	104 422
		1 962 076	**2 078 844**
Short-term liabilities			
Credits, loans, bonds	17	667 980	652 574
Credits, loans, bonds - non-current assets classified as held for sale	17	142 494	614 520
Acquisition of shares	18a	51 478	-
Derivative financial instruments	18	-	1 188
Income tax payable		31 174	6 318
Other taxes liabilities	18	147 176	15 260
Trade payable	18	142 867	186 793
Dividend payable	18	90 792	-
Leasing	18, 28	96 389	105 355
Short-term provisions	16	51 238	53 412
Other liabilities	18	293 775	216 701
Liabilities due to customers	19	558 252	572 315
		2 273 615	**2 424 436**
Liabilities directly associated with non-current assets classified as held for sale	6	45 009	68 063
		2 318 624	**2 492 499**
Total equity and liabilities		**6 087 012**	**6 434 880**

Consolidated profit and loss account

Consolidated profit and loss account [PLN ‘000]

	Note	1.01.2022-31.12.2022	1.01.2021-31.12.2021
Revenues	19	1 394 306	1 532 665
Cost of sales	20	(901 913)	(1 132 587)
Gross profit		**492 393**	**400 078**
Profit on investment property	21	(11 427)	76 591
Administrative costs associated with project implementation	20	(71 390)	(53 531)
Selling expenses	20	(50 038)	(45 735)
General and administrative expenses	20	(84 264)	(107 405)
Other operating income, including:	22	18 323	57 326
Profit on occasional purchase		-	48 581
Other operating expenses	23	(18 194)	(18 015)
Operating profit		**275 403**	**309 309**
Financial income	24	50 496	40 704
Financial cost	25	(154 699)	(119 695)
Profit (loss) on FX derivatives	13	(5 725)	(458)
Foreign exchange gains (losses)	26	(15 151)	8 670
Share of profit (loss) of associates and joint ventures	27	68 677	23 362
Profit before tax		**219 001**	**261 892**
Income tax	30	(62 455)	(56 461)
- current tax		(115 200)	(117 794)
- deferred tax	29	52 745	61 333
Net profit (loss), including:		**156 546**	**205 431**
Equity holders of the parent		127 150	188 922
Non-controlling interest		29 396	16 509
Equity holders of the parent		127 150	188 922
Weighted average number of ordinary shares (in ‘000) without shares held		412 691	412 691
Profit (loss) per one ordinary share (in PLN)		0,31	0,46
Diluted profit (loss) per one ordinary share (PLN)		0,31	0,46

Consolidated statement of comprehensive income

Consolidated statement of comprehensive income [PLN '000]

	1.01.2022-31.12.2022	1.01.2021-31.12.2021
Profit for the year	**156 546**	**205 431**
Components of other comprehensive income that may be reclassified to profit or loss in later periods		
- exchange differences on translation of foreign operations	74	(32)
Other comprehensive income for the year, net of tax	**74**	**(32)**
Total comprehensive income for the year, including:	**156 620**	**205 399**
Comprehensive income attributable to shareholders of the parent company	127 224	188 890
Comprehensive income attributable to non-controlling interest	29 396	16 509

Statement of changes in equity

Statement of changes in consolidated equity [PLN '000]

	Shareca-pital	Supplemen-tary capital	Accumula-ted retaine-dearnings	Exchange-differences from conversion	Equity attributable to equity holdersof the parent	Non-con-trollng share	Total equity
For the period 1.01.2022 - 31.12.2022							
Opening balance	**20 635**	**1 158 524**	**499 517**	**934**	**1 679 610**	**183 927**	**1 863 537**
Net profit (loss) for the period	-	-	127 150	-	127 150	29 396	156 546
Other comprehensive income	-	-	-	74	74	-	74
Total net income for the period	**-**	**-**	**127 150**	**74**	**127 224**	**29 396**	**156 620**
Transactions with non-controlling shareholders	-	-	18 528	-	18 528	(44 211)	(25 683)
Dividend approved for payment	-	(40 792)	(50 000)	-	(90 792)	-	(90 792)
Dividend paid	-	(90 792)	-	-	(90 792)	(6 578)	(97 370)
Transactions with owners	**-**	**(131 584)**	**(31 472)**	**-**	**(163 056)**	**(50 789)**	**(213 845)**
Distribution of previous years' profit/loss	-	17 858	(17 858)	-	-	-	-
Closing balance	**20 635**	**1 044 798**	**577 337**	**1 008**	**1 643 778**	**162 534**	**1 806 312**
For the period 1.01.2021 - 31.12.2021							
Opening balance	**20 635**	**1 280 664**	**382 420**	**966**	**1 684 685**	**(126)**	**1 684 559**
Net profit (loss) for the period	-	-	188 922	-	188 922	16 509	205 431
Other comprehensive income	-	-	-	(32)	(32)	-	(32)
Total net income for the period	**-**	**-**	**188 922**	**(32)**	**188 890**	**16 509**	**205 399**
Taking control over subsidiaries	-	-	-	-	-	183 496	183 496
Dividend paid	-	(122 140)	(71 825)	-	(193 965)	(15 952)	(209 917)
Transactions with owners	**-**	**(122 140)**	**(71 825)**	**-**	**(193 965)**	**167 544**	**(26 421)**
Closing balance	**20 635**	**1 158 524**	**499 517**	**934**	**1 679 610**	**183 927**	**1 863 537**

Consolidated cash flow statement

Standalone cash flows statement [PLN '000]

	Note	1.01.2022 - 31.12.2022	1.01.2021 - 31.12.2021
A. Operating cash flow — indirect method			
I. Profit before tax		**219 001**	**261 892**
II. Total adjustments			
Share in (profit) net losses of entities accounted for using the equity method		(68 677)	(23 362)
Depreciation of fixed assets and intangible assets	20	15 298	12 528
Profit (loss) on currency exchange rate		11 790	(30 933)
Interest and profit sharing (dividends)		77 004	91 888
Profit / (loss) on revaluation of investment properties		(52 893)	(105 411)
Profit / (loss) from the investment activity		165	205
(Profit) on an occasional purchase		-	(48 581)
Change in provision		57 823	5 040
(Profit) loss on realization of financial instruments		3 031	11 187
		43 541	**(87 439)**
III. Changes in working capital			
Change in inventories		48 419	106 064
Change in receivables		(399 849)	31 791
Change in short-term liabilities, except for loans and borrowings	33	194 104	(116 814)
Change in cash on escrow account		(3 709)	44 989
		(161 035)	**66 030**
IV. Net cash generated from operating activities (I+/-II+/-III)		**101 507**	**240 483**
Income tax paid		(92 323)	(121 316)
V. Cash flow from operating activities		**9 184**	**119 167**
B. Cash flows from investing activities			
I. Inflows			
Disposal of intangible assets and tangible fixed assets		374	799
Disposal of investments in property		960 547	1 138 347
From borrowings		34 092	2 922

Standalone cash flows statement [PLN ‘000]

	Note	1.01.2022 - 31.12.2022	1.01.2021 - 31.12.2021
Disposal of investments		-	22 364
Inflow of cash from bank deposit accounts with maturity over three months		42 841	-
Withdrawal of contributions to joint ventures		32 548	-
		1 070 402	**1 164 432**
II. Outflow			
Purchase of intangible assets and tangible fixed assets		(9 020)	(6 578)
Investment in property		(310 274)	(405 201)
For borrowings		(14 469)	(79 024)
Due to the acquisition of subsidiaries, net of cash and cash equivalents in the acquired entities		-	(35 104)
Increasing capital in joint ventures		(110 003)	(13 148)
Transfer of funds to bank deposit accounts with maturity over three months		(41 800)	-
Investment purchase		-	(21 365)
		(485 566)	**(560 420)**
III. Net cash flow from investing activities (I+II)		**584 836**	**604 012**
C. Cash flow from financing activities			
I. Inflows			
Loans and borrowings	17	220 495	179 763
Issue of debt securities	17	334 277	367 000
		554 772	**546 763**
II. Outflows			
Dividends and other payments to owners	15, 33	(99 994)	(215 079)
Repayment of loans and borrowings	17	(66 298)	(164 943)
Redemption of debt securities	17	(429 910)	(506 867)
Due to currency derivatives		-	(11 187)
Payments of leasing liabilities		(29 817)	(33 673)
Interest paid		(143 773)	(76 610)
Redemption of shares from non-controlling shareholders		(25 683)	-
		(795 475)	**(1 008 359)**
III. Net cash flow from financing activities (I+III)		**(240 703)**	**(461 596)**
D. Total net cash flows (A.V +/- B.III +/- C.III)		**353 317**	**261 583**
E. Change in cash in the consolidated statement of financial position, including:		**353 317**	**261 583**
- change in cash due to exchange rate differences		-	-
F. Cash and cash equivalents at the beginning of the period		**588 680**	**327 097**
G. Cash and cash equivalents at the end of the period (D+F)		**941 997**	**588 680**

CHAPTER 2
Explanatory notes

Pic. CitySpace in the MidPoint71 office building in Wrocław

Explanatory notes to the consolidated financial statement

NOTE 1

Off-balance sheet liabilities [PLN '000]

	31.12.2022	31.12.2021
Contingent liabilities for other parties:		
- due to guarantees and sureties granted	71 932	192 492
- due to court proceedings	17 627	3 884
Total	**89 559**	**196 376**

Contingent liabilities are presented at nominal value.

In the Group's opinion, the fair value of guarantees and sureties is close to zero, due to their low risk of being called. A detailed description of off-balance sheet items is presented in the tables that follow.

NOTE 1A

Financial surety agreements issued by Echo Investment Group as at 31 December 2022 [PLN '000]

Issuer	Entity receiving surety	Beneficiary	Value [PLN '000]	Validity	Description
Echo Investment S.A.	Pimech Invest Sp. z o.o.	Miasto Stołeczne Warszawa	1 230	30.03.2023	Surety for proper performance of the liabilities oarising from the road construction agreement.
Total			**1 230**		

Financial guarantees issued by Echo Investment Group as at 31 December 2022 [PLN '000]

Guarantor	Entity receiving the guarantee	Beneficiary	Value	Validity	Description
Archicom S.A.	Javin Investments Sp. z o.o. Sp.k. w likwidacji; Space Investment Strzegomska 3 Sp. z o.o.	GNT Ventures Wrocław Sp. z o.o.	12 237	25.02.2024	Security for the proper performance of obligations under the contract for the sale of the West Forum IB office building.
Total			**12 237**		

Performance and other guarantees issued by Echo Investment Group as at 31 December 2022 [PLN '000]

Guarantor	Entity receiving the guarantee	Beneficiary	Value	Validity	Description
Echo - SPV7 Sp. z o.o.	R4R Warszawa Wilanowska Sp. z o.o.	Bank PKO S.A.	18 465	31.12.2027	Security of the borrowers liabilities arising from the cost overrun not included in the budget specified in credit agreement and payment of interests under loan facility in construction tranche.
Echo Investment S.A.	Echo Investment S.A.	Nobilis - Projekt Echo 117 Sp. z o.o. Sp.k.	40 000	31.10.2026	Quality guarantee for construction work related to the Nobilis office building in Wrocław.
Total			**58 465**		
Total financial, performance and other guarantees			**70 702**		

Changes in guarantee agreements issued by Echo Investment Group in 2022 [PLN '000]

Change	Guarantor	Entity receiving the guarantee	Beneficiary	Value	Validity	Description
Expiry	Echo - SPV7 Sp. z o.o.	R4R Poznań Szczepanowskiego Sp. z o.o.	Santander Bank Polska S.A.	24 500	8.03.2022	Security of the borrowers liabilities arising from the cost overrun not included in the budget specified in credit agreement.
Expiry	Echo Investment S.A.	Rosehill Investments Sp. z o.o.	IB 6 FIZAN w likwidacji	107 505	31.03.2022	Security for the proper performance of the obligations resulting from the program contract concluded on 31 September 2017.Guarantee issued in EUR.

NOTE 2

Changes in PP&E — by types [PLN '000]

	Trademark	Purchased permits, patents, licences and similar assets	Other intangible assets	Total intangible assets
1.01.2022 - 31.12.2022				
Gross value of intangible assets at the beginning of the period	**66 704**	**13 288**	**1 925**	**81 917**
- purchase	-	1 161	1 953	3 114
- liquidation	-	(4 182)	(26)	(4 208)
Gross value of intangible assets at the end of the period	**66 704**	**10 267**	**3 852**	**80 823**
Accumulated depreciation at the beginning of the period	**-**	**(11 063)**	**(325)**	**(11 388)**
- depreciation	-	(1 473)	(388)	(1 861)
- other	-	4 173	6	4 179
Accumulated depreciation at the end of the period	**-**	**(8 363)**	**(707)**	**(9 070)**
Net value of intangible assets at the end of the period	**66 704**	**1 903**	**3 145**	**71 752**
1.01.2021 - 31.12.2021				
Gross value of intangible assets at the beginning of the period	**-**	**11 544**	**840**	**12 384**
- taking control over subsidiaries	66 704	704	829	68 237
- purchase	-	1 040	329	1 369
- liquidation	-		(73)	(73)
Gross value of intangible assets at the end of the period	**66 704**	**13 288**	**1 925**	**81 917**
Accumulated depreciation at the beginning of the period	**-**	**(8 879)**	**(46)**	**(8 925)**
- depreciation	-	(2 184)	(279)	(2 463)
Accumulated depreciation at the end of the period	**-**	**(11 063)**	**(325)**	**(11 388)**
Net value of intangible assets at the end of the period	**66 704**	**2 225**	**1 600**	**70 529**

Trademark

"As a result of the purchase of stocks of DKR Invest S.A. and shares of DKR Investment Sp. z o.o. (indirectly Archicom S.A.) at 2021, the Group recognized a trademark "Archicom" as an intangible asset. The value of the trademark as at the acquisition date was PLN 66,704 thousand. The Group presented a deferred tax liability of PLN 12,674 thousand on the recognized trademark. The Management Board of the Group decided that there are no foreseeable limits to the period when services and goods sold under the trademark managed by the Group can be expected to generate financial benefits and therefore the trademark is treated as an intangible asset with an indefinite useful life, against which no amortisation write-offs are made. During each reporting period, the useful life is reviewed to determine whether events and circumstances continue to support the assessment that the useful life of the asset is still indefinite. The Group performs its trademark impairment test annually.

As at 31 December 2022, the Group tested the trademark "Archicom" for impairment by estimating its value using the discounted cash flow (DCF) method based on the five-year financial plan covering the years 2023-2027 for the Archicom Group. The analysis took into account basic cash flows resulting from, among other things, revenues from sales of products and services and costs of marketing expenditures. The input data used for the above valuation are not observable directly or indirectly on active markets - the valuation is classified as Level 3 in the fair value hierarchy."

The following assumptions were adopted for impairment testing:

- The fail value in use was determined on the basis of the discounted cash flow (DCF) method — the royalty from relief method.
- The recoverable amount was trademark asset.
- The cash-generating asset is the Archicom S.A. Group.

– The royalty rate was set at 4.21 percent (3.91 percent at 2021), after taking into account the industry strength of the brand, the share of royalty rates in the results of entities in the sector with comparable main parameters of the adopted business model in terms of pricing and capital needs, the level of market royalty rates for the sector in which the entity operates.
– The weighted average cost of capital (WACC) was assumed at the level of 16.68 percent (11,86 percent at 2021), while for intangible assets the expected rate of return amounted to 26.13 percent (17,47 percent at 2021).
– The period of projected cash flows was assumed for 5 years (from 2023 to 2027). (The same projection period was adopted in 2021).
– The growth of sales revenues in the projection period was assumed at the level of 13 percent (5 proc. at 2021).
– The zero long-term growth rate was assumed for the final value. (The same assumption in 2021).

Based on the analysis, the Management Board of the Group did not identify any impairment of the Archicom trademark. In view of the above, the value of the trademark as at 31 December 2022 still amounts to PLN 66,704 thousand.

The Group carried out a sensitivity analysis for the change in basic assumptions used for impairment testing of the Archicom trademark. The impact that an increase and decrease in the royalty rate and the discount rate would have, using the following assumptions, is presented below:
– – Royalty rate - further estimation of the range of values was made by verifying the value of the trademark for the calculated royalty, adjusted by, respectively: -15 percent, -10 percent, +10 percent i +15 percent.
– – Discount rate - for the purpose of the sensitivity analysis, the value of the trademark was verified with a decrease and increase in the discount rate by, respectively: -1,5 percent,-1,0 percent, +1,0 percent i +1,5 percent.

The analysis was performed by assuming that all other assumption.

Trade mark value sensitivity analysis

Discount rate \ License fee rate	2,95%	3,37%	3,79%	4,21%	4,63%	5,05%	5,47%
24,6%	54 337	64 860	75 382	85 904	96 427	106 949	117 471
25,1%	53 088	63 370	73 651	83 933	94 214	104 496	114 777
25,6%	51 890	61 941	71 991	82 042	92 092	102 143	112 193
26,1%	50 740	60 569	70 398	**80 226**	90 055	99 884	109 713
26,6%	49 635	59 251	68 867	78 483	88 099	97 715	107 330
27,1%	48 573	57 984	67 395	76 806	86 218	95 629	105 040
27,6%	47 551	56 765	65 980	75 194	84 408	93 623	102 837

NOTE 3

Changes in PP&E — by types [PLN '000]

	Own land	Buildings and structures	Technical equipment and machines	Means of transport	Other PP&E	Right-of-use asset	Total PP&E
1.01.2022 - 31.12.2022							
Gross value of PP&E at the beginning of the period after corrections	**200**	**6 410**	**7 376**	**2 157**	**15 463**	**60 953**	**92 559**
- purchase	-	2 236	637	58	3 883	-	6 814
- leasing MSSF 16	-	-	-	-	-	5 545	5 545
- sale	-	-	(164)	(32)	(417)	-	(613)
- liquidation	-	(406)	(1 653)	-	(2 173)	-	(4 232)
- other	-	-	-	-	-	(3 435)	(3 435)
Gross PP&E at the end of the period	**200**	**8 240**	**6 196**	**2 183**	**16 756**	**63 063**	**96 638**
Accumulated depreciation at the beginning of the period	**(10)**	**(1 053)**	**(5 391)**	**(1 955)**	**(6 863)**	**(13 026)**	**(28 298)**
- depreciation	(1)	(649)	(1 133)	(64)	(2 481)	-	(4 328)
- liquidation	-	61	1 435	-	465	-	1 961
- leasing MSSF 16 - depreciation	-	-	-	-	-	(9 109)	(9 109)
- leasing MSSF 16 - claiming the lease agreement	-	-	-	-	-	3 124	3 124
- correction due to sale	-	-	142	368	(89)	-	421
Accumulated depreciation at the end of the period	**(11)**	**(1 641)**	**(4 947)**	**(1 651)**	**(8 968)**	**(19 011)**	**(36 229)**
Net value of PP&E at the end of the period	**189**	**6 599**	**1 249**	**532**	**7 788**	**44 052**	**60 409**

	Own land	Buildings and structures	Technical equipment and machines	Means of transport	Other PP&E	Right-of-use asset	Total PP&E
1.01.2021 - 31.12.2021							
Gross value of PP&E at the beginning of the period after corrections	**293**	**5 727**	**5 659**	**2 576**	**10 180**	**29 724**	**54 158**
- taking control over subsidiaries	-	1 395	1 812	267	1 305	8 783	13 562
- purchase	-	610	209	-	5 219	-	6 038
- leasing MSSF 16	-	-	-	-	-	22 446	22 446
- sale	(93)	(352)	(193)	(686)	(830)	-	(2 154)
- liquidation	-	(216)	(111)	-	(312)	-	(639)
- other	-	(754)	-	-	(99)	-	(853)
Gross PP&E at the end of the period	**200**	**6 410**	**7 376**	**2 157**	**15 463**	**60 953**	**92 559**
Accumulated depreciation at the beginning of the period	**(14)**	**(1 412)**	**(5 143)**	**(2 637)**	**(5 754)**	**(11 326)**	**(26 286)**
- depreciation	(2)	309	(515)	(92)	(1 981)	-	(2 281)
- liquidation	-	18	111	-	243	-	372
- leasing MSSF 16 - depreciation	-	-	-	-	-	(7 784)	(7 784)
- leasing MSSF 16 - claiming the lease agreement	-	-	-	-	-	6 084	6 084
- correction due to sale	6	32	156	774	629	-	1 597
Accumulated depreciation at the end of the period	**(10)**	**(1 053)**	**(5 391)**	**(1 955)**	**(6 863)**	**(13 026)**	**(28 298)**
Net value of PP&E at the end of the period	**190**	**5 357**	**1 985**	**202**	**8 600**	**47 927**	**64 261**

NOTE 4

Changes in investment property [PLN '000]

	Offices	Centers	Land	Right-of-use asset	Total
Value at 1.01.2021	**591 461**	**774 389**	**2 212**	**51 421**	**1 419 483**
- purchase	-	-	-	11 285	11 285
- taking control over subsidiaries	101 558	-	7 806	-	109 364
- expenditure on investments	30 165	5 509	25	-	35 699
- revaluation of property - profit/loss on fair value measurement (Note 21)	5 575	8 939	3 938	(11 284)	7 168
- taking to investment properties	-	(80 868)	-	-	(80 868)
- taking to inventories	-	(41 039)	-	-	(41 039)
- taking to assets held for sale	(614 175)	-	(1 767)	(1 574)	(617 516)
Value at 31.12.2021	**114 584**	**666 930**	**12 214**	**49 848**	**843 576**
- purchase	-	-	-	44 808	44 808
- expenditure on investments	11 599	3 877	1	-	15 478
- revaluation of property - profit/loss on fair value measurement (Note 21)	9 032	(44 826)	499	(18 169)	(53 464)
- taking from investment properties	364 713	-	-	7 629	372 342
- taking to assets held for sale	(126 702)	-	(1 400)	-	(128 102)
Value at 31.12.2022	**373 226**	**625 981**	**11 314**	**84 116**	**1 094 638**

The Group measures investment properties at fair value at the end of each reporting period. Measurements of investment properties were carried out by the internal analysis department with the exception of a property valued by an external valuation expert in the amount of PLN 10,869 thousand.

In connection with the commissioning of office properties, the Group moved the React I office building in Łódź in the amount of PLN 100,838 thousand and the Brain Park I office building in Cracow in the amount of PLN 271,504 thousand (including a right-of-use asset of PLN 7,629 thousand) from "investment properties under construction" to "investment properties".

Due to its intention to sell within 12 months, the Group reduced its investment property state, transferring the City2 office building in Wroclaw, valued at PLN 126,702 thousand, and the land property in Gajków, valued at PLN 1,400 thousand, to the item of assets held for sale.

The value of the property state as of 31 December 2022 consists mainly of the following properties: the Libero shopping center in Katowice, the React I office building in Łódź, and the Brain Park I office building in Cracow. At the same time, the value of investment properties includes the value of perpetual usufruct of land, which as of 31 December 2022 amounts to PLN 81,760 thousand (as of 31 December 2021 amounts to PLN 47,591 thousand).

In the fair value hierarchy for investment properties, the Group assigned level 3, except for two investment properties assigned to level 2 in the amount of PLN 10,869 thousand. For details, see the Section 06 "Material estimates and judgments of the Management Board of the Group".

NOTE 5

Changes in investment property under construction [PLN '000]

	Offices	Centers	Land	Right-of-use asset	Total
Value at 1.01.2021	**673 842**	**23 439**	**63 580**	**16 318**	**777 179**
- purchase	-	-	-	1 684	1 684
- expenditure on investments	147 724	11 039	299	-	159 062
- changes in property valuation - gain/loss on fair value measurement (Note 21)	47 186	-	-	191	47 379
- movement from inventory	132 830	-	-	-	132 830
- movement from investment properties	-	80 868	-	-	80 868
- movement to inventory	(6 325)	(5 393)	-	(1 383)	(13 101)
- taking to assets held for sale	(378 066)	-	(63 879)	(2 293)	(444 238)
Value at 31.12.2021	**617 191**	**109 953**	**-**	**14 517**	**741 663**
- purchase	-	-	-	3 753	3 753
- expenditure on investments	178 690	23 917	-	-	202 607
- changes in property valuation - gain/loss on fair value measurement (Note 21)	25 087	-	-	(54)	25 033
- taking to inventories	(25 311)	(87 750)	-	-	(113 061)
- movement to fixed assets	(1 028)	-	-	-	(1 028)
- movement to investment properties	(364 713)	-	-	(7 629)	(372 342)
Value at 31.12.2022	**429 916**	**46 120**	**-**	**10 587**	**486 625**

The Group measures investment properties under construction that meet the criteria to be measured at fair value, in accordance with the Group's accounting policy, at fair value at the end of each reporting period. The valuation methodology is described in the chapter 04 Main accounting policies. Investment properties under construction were valued by the internal analysis department.

The expenditures incurred for completing the investments concerned investment projects located in Cracow, Katowice, Łódź and Wrocław.

Due to the fulfilment of the conditions enabling the measurement to fair value of investment properties under construction, the Group recognised the result from the first revaluation of the Brain Park II office building in Cracow in the amount of PLN 10,460 thousand.

In addition, the Group revalued the fair value of the Brain Park I office building in Cracow in the amount of PLN 14,627 thousand. The total amount of recognised income from the valuation of investment properties under construction amounted to PLN 25,087 thousand.

In relation to commissioning of office properties, the Group transferred the React I office building in Łódź in the amount of PLN 100,838 thousand and the Brain Park I office building in Cracow in the amount of PLN 271,504 thousand (including a right-of-use asset of PLN 7,629 thousand) from "investment properties under construction" to "investment properties".

In the statements as at 31 December 2022, the Group presented investment properties under construction with a total value of PLN 486,625 thousand. The closing balance of the reporting period consisted primarily of the office buildings Brain Park in Krakow phase II, office buildings React II in Łódź, boffice buildings West4 Business Hub II i III in Wrocław, office building at Swobodna Street in Wrocław, office building Falcon in Katowice. The value of investment properties under construction included the right of perpetual usufruct of land in the amount of PLN 10 587 thousand (31 December in the amount of PLN 14 517 thousand).

The value of liabilities under contracts with customersfor the purchase, construction, adaptation and improvement of investment properties under construction as at 31 December 2022 amounted to PLN 26,025 thousand (31 December 2021 amounted to PLN 76,136 thousand).

In the fair value hierarchy for investment properties under construction, the Group has assigned level 3. Details are presented in the chapter 06 Material estimates and judgements of the Management Board of the Group.

NOTE 6

Change in assets held for sale [PLN '000]

	Offices	Centers	Land	Right-of-use asset	Total
Value at 1.01.2021	**1 247 234**	**-**	**-**	**22 095**	**1 269 329**
- investment properties under construction taking	378 066	-	63 879	2 293	444 238
- investment properties taking	614 175	-	1 767	1 574	617 516
- revaluation of property - profit/loss on fair value measurement (Note 21)	43 094	-	-	(70)	43 024
- expenditure on investments	209 477	-	-	-	209 477
- sale	(1 176 988)	-	(1 767)	(23 378)	(1 202 133)
Value at 31.12.2021	**1 315 058**	**-**	**63 879**	**2 514**	**1 381 451**
- investment properties taking	126 702	-	1 400	-	128 102
- revaluation of property - profit/loss on fair value measurement (Note 21)	40 894	-	16 200	(1)	57 093
- expenditure on investments	45 989	-	1 084	-	47 073
- sale	(1 182 687)	-	(81 163)	(2 183)	(1 266 033)
- movement from other assets	7 641	-	-	-	7 641
Value at 31.12.2022	**353 597**	**-**	**1 400**	**330**	**355 328**

The Group measures investment properties that are assets held for sale at fair value at the end of each reporting period. The valuation methodology is described in in the section 04 "Main Accounting Policies." Valuations of assets held for sale were conducted by the internal analysis department with one exception - a land property worth PLN 1,400 thousand.

Due to the intention to sell within 12 months, the Group increased the state of assets held for sale by transferring the City2 office building in Wrocław, with a value of PLN 126,702 thousand, and the land property in Gajków, with a value of PLN 1,400 thousand, from the item of investment property.

The decrease in assets held for sale is due to the sale of:
- the Face2Face I and II office buildings in Katowice worth PLN 521,797 thousand (together with the right of perpetual usufruct of land in the amount of PLN 1,522 thousand),
- the Fuzja CD and J office buildings in Łódź worth PLN 169,645 thousand (together with perpetual usufruct of land in the amount of PLN 661thousand),
- the MidPoint 71 office building in Wrocław worth PLN 346,472 thousand,
- the West4 Business Hub I office building in Wrocław worth PLN 146,956 thousand, and,
- the investment land at Hetmańska Street in Poznań worth PLN 81,164 thousand.

Details of the transactions for the sale of the properties in 2022 are described in Note 32.

In the statements as of 31 December 2022, the Group presented assets held for sale with a total value of PLN 355,328 thousand (including perpetual usufruct of land in the amount of PLN 330 thousand). Properties that constitute the item "assets held for sale" as of the closing balance of the reporting period are:
- the Moje Miejsce II office building in Warsaw,
- the land property at Nowomiejska Street in Gdańsk,
- the land property in Gajków,
- the City 2 property in Wrocław.

In the fair value hierarchy for investment properties classified as held for sale, the Group assigned level 3, except for a land property assigned to level 2 in the amount of PLN 1,400 thousand. Details are presented in Section 06 "Material estimates and judgments of the Management Board of the Group".

Regarding the active search for a purchaser and the planned sale of the investment property at Traugutta Street in Wroclaw (the City 2 property) during the year, the property was reclassified in the first quarter of 2022 as the item of assets for sale. Due to changes in the macroeconomic situation, the selling process carried out for several months starting from the reclassification date was not completed due to reasons beyond the Group's control. It is therefore necessary to perform another divestment process for this asset. The Group has a sales agency agreement with a reputable agency which is actively selling the project by presenting it to various parties. These include institutional investors from countries such as Austria, the Czech Republic, Lithuania, Latvia, Estonia and Sweden. The Management Board believes that the sale is highly probable within 12 months from the balance sheet date, a change in the sales plan is unlikely, and the asset is available for immediate sale and offered at a reasonable price concerning fair value, so the criteria required by IFRS5 are fulfiled. Thus the classification in this balance sheet is reasonable.

In the third quarter of 2020, the Moje Miejsce II project was reclassified to assets for sale regarding the commencement of the process of selling the project and the signing of a letter of intent with a potential purchaser. However, the transaction was not effective due to acquiring a more attractive offer. The project is currently in the sale phase and will be concluded no later than the end of 2023.

The land in Gdańsk was reclassified as an asset for sale in the first quarter of 2021 after signing a preliminary conditional sales agreement with two purchasers. Eventually, one of the purchasers decided to withdraw from the transaction, but the other purchaser decided to purchase the whole land. The company expects that the signing of the ownership transfer agreement will be no later than the end of 2023.

In the first quarter of 2023, the land property in Gajków is planned to be sold.

Liabilities associated to assets held for sale [PLN '000]

	31.12.2022	31.12.2021
Leasing liabilities (Note 28,18)	329	2 512
Received deposits (Note 18)	2 722	24 761
Received advances (Note 19)	41 835	39 278
Other (Note 18)	123	1 512
Total	**45 009**	**68 063**

The item 'liabilities associated to assets held for sale' of the consolidated statement of financial position, presents liabilities related to following properties: Moje Miejsce II office building in Warsaw, City2 in Wrocław, as well as land plot on ul. Nowomiejska in Gdańsk.

NOTE 7

Amounts regarding properties included in profit and loss account [PLN '000]

	1.01.2022 - 31.12.2022	1.01.2021 - 31.12.2021
Rental income from investment property	194 613	150 531
Direct operating costs (including repair and maintenance costs) related to investment property which generated rental income in a given period	(101 006)	(81 459)
Direct operating costs (including repair and maintenance costs) related to an investment property that did not generate rental income during the period	(846)	-

Details of the amounts involved real estate included in the income statement are additionally included in note 21.

NOTE 8

Financial assets [PLN '000]

	31.12.2022	31.12.2021
Long-term loans granted (with interests)	319 236	297 163
Short-term loans granted (with interests)	15 327	41 920
Long-term receivables due to disposal of subsidiaries	-	55 291
Long-term sureties	7 352	7 534
Long-term prepayments	87	6 372
Assets at the end of the period	**342 002**	**408 280**
- long-term	326 675	366 360
- short-term	15 327	41 920

Loans were granted to legal entities and natural persons in PLN, with the WIBOR interest rate + margin, as well as in EUR — with a fixed interest rate. As at the balance sheet date, loans with a total value of PLN 318,651 thousand (when converting to PLN) were granted to entities recognised using the equity method: Galeria Młociny, Towarowa 22 and Resi4Rent, to be paid between 2024 and 2031. The carrying amount of loans granted to other entities amounts to PLN 15,912 thousand, to be paid between 2023 and 2026.

The maximum credit risk associated with loans equals their carrying amount. The Company's Management Board actively monitors debtors and assesses that their loan obligations are possible to meet. In particular, it is possible in the case of the loans granted to related entities, which enables the Group to assess and identify the loans for which the credit risk has increased significantly. The Company's Management Board did not identified such loans. The Management Board also assessed the loans in terms of making a write-down for expected credit losses and assessed such write-down as immaterial. The estimated fair value of the loans granted is approximately equal to their carrying amount.

NOTE 9

Inventory [PLN '000]

	31.12.2022	31.12.2021
Semi-finished products and work-in-progress	1 512 267	1 409 493
— asset on perpetual usufruct	57 102	79 065
Finished products	58 865	175 380
Lands for development	20 607	17 204
Goods	1 146	-
Total Inventory	**1 592 885**	**1 602 077**

The "finished products" item includes mainly residential and commercial premises sold under final contracts.

The "semi-finished products and work in progress" item includes mainly real estate owned by the Group and expenditure on housing projects in preparation and implementation (eg. design services, construction works, etc. provided by external companies). Additionally, this item shows the right to use land (perpetual usufruct). The remaining value of the item relates to the expenditure incurred on the services of finishing the premises (fit-out). Due to the specific nature of the business, the purchased land, prepared for development, is presented as work in progress, and the newly purchased land as land.

The 'goods' item includes land earmarked for sale.

Inventories are valued according to the cost of production or purchase, but not higher than the obtainable net sales value. This value is obtained according to the current market prices obtained from the development market. The reversal of an inventory write-down occurs either in connection with the sale of an inventory or in connection with an increase in the net selling price. The amounts of write-offs of the value of inventories recognized as an expense in the period and the amounts of the reversal of write-downs of values decreasing the value of inventories recognized as income in the period are presented in the profit and loss account under "cost of sale".

In accordance with IAS 23, the Group activates the portion of financial costs directly related to the acquisition and production of assets presented as inventories. The amount of financial expenses determined using the effective interest rate reduced by the income from the temporary placement of cash (i.e. the interest on bank deposits, except for deposits resulting from blockades of accounts or letters of credit) in the case of targeted financing contracted for a given construction project. In the case of leasing, interest costs on the leasing obligation related to a specific project are capitalized in the project cost (targeted financing). In the case of general financing, the overall financing costs subject to capitalization are determined by applying the capitalization rate to the expenditure incurred for a given asset.

The activated amount of borrowing costs for inventories in 2022 amounted to PLN 16,674 thousand (capitalization rate 2 percent) whereas in 2021 it amounted to PLN 4,613 thousand (capitalization rate 1.17 percent).

The value of inventories as at 31 December 2022 amounts PLN 1,640,530 thousand, including for sale within 12 months PLN 654,584 thousand.

Inventories — impact on profit/loss [PLN '000]

	1.01.2022-31.12.2022	1.01.2021-31.12.2021
Amount of inventories recognised as an expense in the period	(758 089)	(1 016 702)
Impairment losses on inventories recognised in the period as cost	(1 195)	(22 580)
Reversal of impairment losses which decreases the value of inventories recognised in the period as income	1 215	21 563

Inventory write-downs and reversals refer to residential projects and they are intended to write down the value to the level of a feasible price.

The inventory value recognized as income / cost in a given period is included in the profit and loss account under "cost of sales". The change in inventory write-down until 31 December 2022 amounted PLN 21 thousand (PLN (-)1,017 thousand at 31 December 2021).

The reversal of write-downs in 2022 concerned mainly to residential projects located in Poznań, in relation to sale transactions concluded.

NOTE 10

Short-term receivables [PLN '000]

	31.12.2022	31.12.2021
Trade receivables		
- up to 12 months	70 364	50 970
Total trade receivables	**70 364**	**50 970**
Asset on perpetual usufruct	117	-
Accruals - insurance	2 687	2 581
Cost of transferred infrastructure	-	1 335
Advances - other	4 798	4 996
Other receivables	10 510	9 753
Total non-financial assets	**18 112**	**18 665**
Receivables due to sale of subsidiaries	57 520	-
Receivables due to sales of Browary GH	21 295	20 884
Tender bond for the purchase of real estate	-	10 000
Deposits paid	3 614	3 783
Advances for other deliveries	45 063	6 886
Advances for the purchase of land	117 609	5 283
Advances for invoiced deliveries	-	3 692
Total financial assets	**245 101**	**50 528**
Receivables due to VAT tax	80 079	63 695
Receivables due to other taxes	1 683	1 213
Total receivables due to taxes	**81 762**	**64 908**
Total net short-term receivables	**415 339**	**185 071**
- impairment losses on receivables - trade receivables	12 482	12 354
Total gross-short-term receivables	**427 821**	**197 425**

Receivables on account of deliveries and services result from provided development services, fit-out services, rental of commercial and residential space, and other.

The amount of advance payments for the purchase of land is related to the planned housing project Towarowa 22.

Receivables from the sale of subsidiaries as at 31 December 2022 are receivables from natural persons in PLN - with a fixed interest rate. This is the second installment of the payment for the sale of all shares held by Archicom Capital Group in the share capital of Archicom Polska S.A., payable by 15 June 2023. In the case of this receivable, there is a concentration of risk, because the counterparty is two natural persons who do not have external ratings however, in the opinion of the Management Board, there is no significant credit risk. The amount receivable represents the entire exposure to credit risk.

The Group reviews its counterparties' standing and ability to pay on an ongoing basis. There is no significant concentration of risk in relation to any of the Echo Investment Group's clients. As at 31 December 2022, the Group estimated an impairment loss on receivables from leases and apartments in the amount of PLN 6,327 thousand, accrued penalties on interest in the amount of PLN 5,442 thousand, and other services in the amount of PLN 713 thousand based on a provision matrix developed on the basis of historical data on the repayment of receivables by counterparties.

The maximum value of credit risk related to trade receivables does not significantly differ from the carrying amount. The estimated fair value of trade receivables is the current value of future expected discounted cash flows and does not deviate significantly from the balance sheet value of these receivables.

NOTE 11

Change in impairment losses on short-term receivables [PN '000]

	31.12.2022	31.12.2021
Opening balance	**12 354**	**10 882**
Increase due to:		
— establishment of an impairment loss	13 689	5 993
	13 689	**5 993**
Decrease due to:		
— reversal of a provision	(13 377)	(4 421)
— use of the reserve	-	-
— sale of entities	(184)	(100)
	(13 561)	**(4 521)**
Impairment losses on short-term receivables at the end of the period	**12 482**	**12 354**

The Group estimated an impairment loss on receivables from leases and apartments in the amount of PLN 6 327 thousand, accrued penalties on interest in the amount of PLN 5 442 thousand, and other services in the amount of PLN 713 thousand based on a provision matrix developed on the basis of historical data on the repayment of receivables by counterparties. The matrix is presented in the chapter 07 concerning Financial risk management, in the section regarding credit risk.

NOTE 12

Overdue gross trade receivables, with remaining maturity from the balance sheet date [PLN '000]

	31.12.2022	31.12.2021
up to 1 month	14 825	6 621
between 1 month and 3 months	10 935	5 019
between 3 months and 6 months	2 484	14 427
between 6 months and 1 year	3 678	3 796
over 12 months	14 560	8 013
Total (gross) overdue trade receivables	**46 482**	**37 876**
write-downs on trade receivables	(12 482)	(12 298)
Total (net) overdue trade receivables	**34 000**	**25 578**

NOTE 13

Financial instruments — assets [PLN '000]

	31.12.2022	31.12.2021
- Interest Rate Swap	26 251	18 922
- FX fowards	366	-
Total financial investments in derivatives	**26 617**	**18 922**
With maturities:		
- up to 1 year	366	-
- from 1 to 3 years	26 251	18 922

Financial instruments — liabilities [PLN '000]

	31.12.2022	31.12.2021
- Forward	-	1 188
Total financial investments in derivatives		**1 188**
With maturities:		
- up to 1 year	-	1 188

Profit (loss) on FX derivatives [PLN '000]

	31.12.2022	31.12.2021
- profit/loss on settlement of forwards instruments	(2 518)	(9 165)
- income/costs due to revaluation of forwards instruments	-	10 929
- income/costs due to revaluation instruments of buy/sell options	(3 207)	(2 223)
- profit/loss on settlement of Interest Rate Swap instruments ((Note 24)	10 259	(2 022)
- profit/loss on revaluation of Interest Rate Swap instruments (Note 24)	7 329	20 545
Total profit (loss) on FX derivatives	**11 863**	**18 065**

NOTE 14

Cash and its equivalents [PLN '000]

	31.12.2022	31.12.2021
Cash in hand and at bank	941 997	588 680
Total cash	**941 997**	**588 680**

The Group keeps surplus cash in the following banks: PKO BP S.A., Pekao S.A., Alior Bank Polska S.A. mBank S.A. and Bank Millennium S.A.

The maximum credit risk of cash is equal to its carrying amount.

Other financial assets [PLN '000]

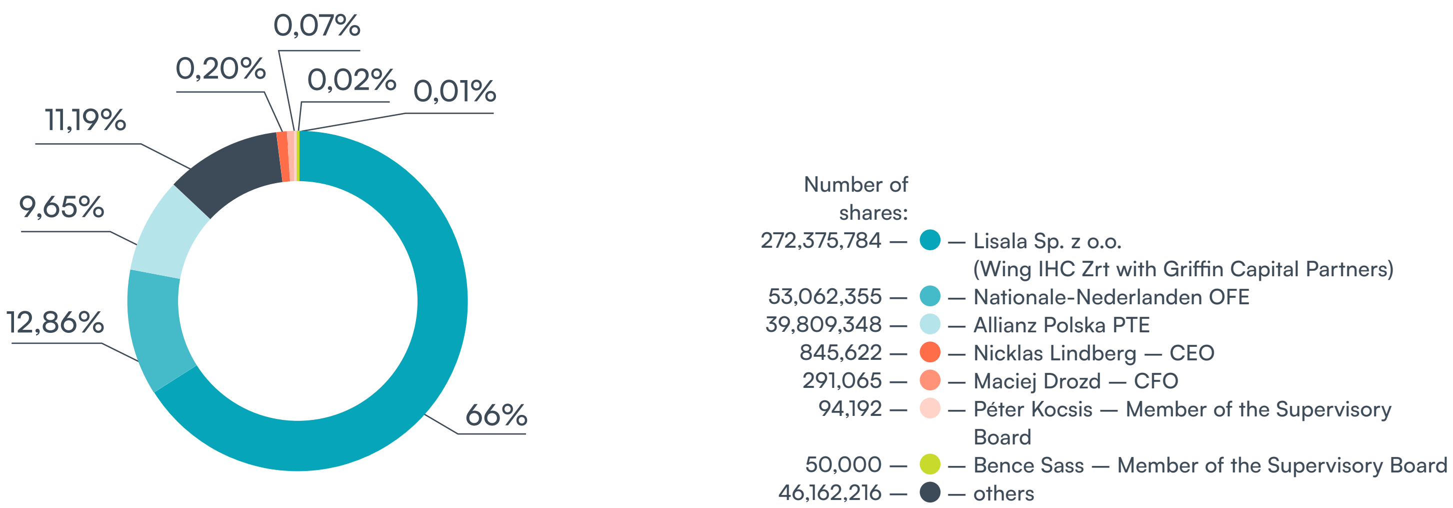
	31.12.2022	31.12.2021
Restricted cash:		
- proceeds from residential customers on escrow accounts released by the bank in the course of the progress of investment	55 427	44 762
- securing the refund of security deposit	22 294	10 010
- securing the repayment of interest and principal instalments	11 193	30 433
Total other monetary assets	**88 914**	**85 205**

NOTE 15A

Shareholders of Echo Investment S.A. holding more than 5 percent share capital as at 31 December 2022

Shareholder	No of shares and votes	% of share capital	% votes on GMS
Lisala Sp. z o.o. (Wing IHC Zrt with Griffin Capital Partners)	272 375 784	66,00	66,00
Nationale-Nederlanden OFE	53 062 355	12,86	12,86
Allianz Polska PTE	39 809 348	9,65	9,65
Nicklas Lindberg	845 622	0,20	0,20
Maciej Drozd	291 065	0,07	0,07
Péter Kocsis	94 192	0,02	0,02
Bence Sass	50 000	0,01	0,01
Others	46 162 216	11,19	11,19
Total	**412 690 582**	**100,00**	**100,00**

Shareholders of Echo Investment S.A. as at 31 December 2022



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. All issued shares are equal in terms of its rights and obligations, i.e. they are shares of the same type and incorporate the same rights and obligations.

None of the shares has restricted rights. The Company's share capital, i.e. the nominal value of all the shares, amounts to PLN 20,635 thousand, 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.

Shareholding structure

The major shareholder of Echo Investment S.A. is Lisala Sp. z o.o., controlled by Hungarian Wing IHC Zrt. and Griffin Capital Partners. The ultimate parent company of the group is Dayton-Invest Kft., which is controlled at the top level by Tibor Veres.

The shareholding structure information is based on notification from shareholders and information of open pension funds (OFE) stock ownerhip as at 31 December 2022.

NOTE 15B

Supplementary capital [PLN ‘000]

	31.12.2022	31.12.2021
From share premium	100 748	100 748
Created out of profits	643 864	643 864
Reserve fund for dividend	300 186	413 912
Total	**1 044 798**	**1 158 524**

Dividend from profit for 2021

The Ordinary General Meeting of Shareholders of Echo Investment S.A. was held on 15 June 2022. The shareholders passed a resolution to allocate the net profit generated in 2021 in the amount of PLN 27,842 thousand, increased by the amount of PLN 153,742 thousand from the Dividend Fund - a total of PLN 181,584 thousand - to be distributed to all shareholders of the Company. The dividend amount per share amounted to PLN 0.44. The amount of PLN 90 792 thousand, i.e. PLN 0.22 per share, was paid on 26 July 2022.

The Ordinary General Meeting of Shareholders of Archicom S.A. was held on 23 June 2022. The shareholders passed a resolution to allocate the profit earned in 2021. The net profit of PLN 35,257 thousand, plus the amount of PLN 168 thousand from the Fund for dividend reserves - a total of PLN 35,425 thousand - was allocated to be distributed to all shareholders of the Company. The dividend amount per share was PLN 1.38. The dividend payable to minority shareholders in the amount of PLN 923 thousand, i.e. PLN 0.14 per share, was paid on 29 July 2022, while the dividend in the amount of PLN 5 655 thousand, i.e. PLN 1.24 per share, was paid on 15 December 2022.

Dividend advance from profit for 2022

On 23 December 2022, the Management Board of Echo Investment S.A. passed a resolution to pay the Company’s shareholders an advance dividend for the 2022 financial year. The total amount allocated to the advance dividend amounted to PLN 90,792 thousand, i.e. PLN 0.22 per share. The dividend advance was paid after the balance sheet date on 2 February 2023.

NOTE 15C

Book value per share

	31.12.2022	31.12.2021
Equity attributable to equity holders of the parent entity [PLN ‘000]	1 643 778	1 679 610
Number of shares (in thous. pieces)	412 691	412 691
Book value per share (in PLN)	**3,98**	**4,07**
Diluted number of shares	412 691	412 691
Diluted book value per share	3,98	4,07

Earnings per share

	31.12.2022	31.12.2021
Profit (loss) attributable to the parent entity's shareholders [PLN ‘000]	127 150	188 922
Weighted average number of ordinary shares (in thousands)	412 691	412 691
Basic profit (loss) per ordinary share (in PLN)	**0,31**	**0,46**
Profit (loss) attributable to the parent entity's shareholders [PLN ‘000]	127 150	188 922
Weighted average diluted number of ordinary shares (in thousands)	412 691	412 691
Diluted profit (loss) per ordinary share (in PLN)	**0,31**	**0,46**

In 2022 and 2021 the Company did not use diluting instruments.

NOTE 15D

Non-controlling interests

[PLN '000]	Place of business	Proportion of non-controlling interests	Proportion of voting rights held by non-controlling shareholders	Profit or loss attributable to non-controlling shareholders	Cumulative non-controlling interest in a sub-sidiary	Dividends paid to non-controlling shareholders in the period
Year ended 31 December 2022						
Archicom S.A.	Wrocław, Polska	20,21%	16,34%	29 400	162 665	(6 578)
Year ended 31 December 2021						
Archicom S.A.	Wrocław, Polska	25,68%	20,74%	16 511	184 055	(15 952)

					at 31 December	at Year ended 31 December		
[PLN '000]	Assets	Non-current assets	Current liabilities	Long-term liabilities	Revenue	profit/loss	Total income	cashflow
2022								
Archicom S.A.	1 262 224	163 241	419 264	175 982	509 254	119 615	119 615	286
2021								
Archicom S.A.	1 061 399	339 118	490 802	169 737	501 829	64 294	64 294	59 535

NOTE 16

Change in provisions [PLN '000]

	31.12.2022	31.12.2021
Opening balance		
- provisions on expected costs of general administrative	7 573	700
- provision for estimated penalties	15 182	13 014
- provision for estimated costs of warranty repairs, etc.	8 137	1 274
- provision for court cases	9 092	3 434
- provision for other cost	19 927	5 013
	59 911	**23 435**
Increases due to		
- provisions on expected costs of general administrative	14 220	12 522
- provision for estimated penalties	127	4 642
- provision for estimated costs of warranty repairs, etc.	3 577	14 415
- provision for court cases	3 438	8 064
- provision for other cost	38 185	31 113
	59 547	**70 756**
Utilization due to		
- incurred costs of general administrative	(8 917)	(5 649)
- incurred penalties	(1 571)	(2 474)
- incurred of warranty repairs, renovations, etc.	(3 720)	(7 552)
- provision for court cases	(4 206)	(2 406)
- provision for other cost	(44 450)	(16 199)
	(62 864)	**(34 280)**
Closing balance		
- provisions on expected costs of general administrative	12 876	7 573
- provision for estimated penalties	13 738	15 182
- provision for estimated costs of warranty repairs, etc.	7 994	8 137
- provision for court cases	8 324	9 092
- provision for other cost	13 662	19 927
	56 594	**59 911**
including:		
- long-term provisions	**5 356**	**6 499**
- short-term provisions	**51 238**	**53 412**

The implementation dates for the provisions for penalties, warranty costs and litigation are difficult to estimate, although it is highly probable that they will be implemented within 12 months of the balance sheet date.

The provision for penalties include the value of penalties that may be charged to the Group in respect of contracts entered into, with a probability of being charged higher than 50 percent.

The provision for anticipated warranty repair costs includes the value of repairs, or compensation relating to sold premises and projects.

The provision for project-related liabilities applies to the provision for lease brokerage and other project-related provisions.

The amounts of the provisions were estimated based on the best knowledge of the Group's Management Board and on the basis of past experience.

NOTE 17

Credit, loans and bonds [PLN ‘000]

	31.12.2022	31.12.2021
Loans and borrowings	722 880	630 489
Credits, loans, - non-current assets classified as held for sale	126 429	580 511
Debt securities	1 539 109	1 610 934
Debt securities - non-current assets classified as held for sale	15 382	29 719
Profit share liabilities	15 706	42 425
Total liabilities due to loans, borrowings and bonds	**2 419 506**	**2 894 078**
- of which long-term portion	1 609 032	1 626 984
- of which short-term portion	810 474	1 267 094

In the item ‘loans, borrowings and bonds financing properties held for sale’ of the consolidated statement of financial position, liabilities (bank loans, bonds, loans) related to projects intended for sale and presented in the item ‘assets held for sale’.

As at the balance sheet date, this item includes liabilities financing projects:
– Moje Miejsce II in Warsaw,
– City2 in Wrocław.”

In the item loans and borrowings, the Group presents its special-purpose loans and used credit lines in current accounts. Securities of loan agreements for the financing of projects are mainly mortgages on properties, assignments of receivables from concluded lease agreements, implementation contracts, policies, as well as registered and financial pledges on shares, accounts and a collection of assets and rights of subsidiaries. The interest rate on the loans denominated in EUR is based on the EURIBOR rate plus a margin.

Current and operating credit lines (with a value of PLN 155,399 thousand) are secured by statements of submission to execution and powers of attorney to bank accounts. The interest rate on the loans is based on the WIBOR rate plus a bank margin.

According to the best information and data of the Management Boards of the Group’s companies, during the fiscal year, as of the balance sheet date and up to the date of signing the financial statements, there were no violations of the terms and conditions of loan agreements and established security levels.

In the item of debt securities, the Group presents issued bonds. The interest rate on the bonds is based on the WIBOR rate plus a margin. The Group has also issued bonds in zlotys based on a fixed rate as well as bonds in euros that have a fixed interest rate.

The fair value of liabilities on account of loans and borrowings does not differ materially from the carrying value. For bonds listed, the fair value was determined based on quoted prices as of the balance sheet date, while for unlisted bonds the fair value was determined using the income approach based on cash flows discounted by the current market interest rate. The discount rate (averaged over all valuations) amounted to 10.26 percent in 2022. The fair value valuation for listed bonds was classified as level 1, and for unlisted bonds as level 2 in the fair value hierarchy defined by accounting standards.

Below is a summary of the fair and carrying amounts of debt securities:

Debt financial instruments [PLN '000]

	31.12.2022	31.12.2021
Carrying value	1 526 072	1 548 863
Fair value	1 597 555	1 630 201

Details of loans and bonds can be found in the section 01 of the report of the Management Board Financial liabilities of the Company and its Group.

The Management Board of the Group decided to change the presentation of profit share liabilities. After the analysis, the Management Board decided that profit share liabilities should be presented in the consolidated statement of financial position under "Loans, advances and bonds" and "Loans, loans and bonds financing real estate" and not as before in short and long term provisions. At the same time, profit share costs were presented in the consolidated income statement under "financial expenses" and not under "profit (loss) on investment property" as before.

The presentation results from the fact that the profit share is an integral part of the loan, which results from contractual provisions. The loan plus accrued additional interest is the lender's interest in the borrower, which is redeemable at the time the project is sold (or at the final maturity date) and therefore meets the definition of a financial liability under IAS 32.

As a consequence, the Group made an appropriate presentation change in the consolidated statement of financial position.

Profit share is the minority investor's share of profit. It results from agreements entered into, according to which the investor is required to pay a capital that represents a share in the investment. The capital is contributed to the entities implementing the project in the form of a loan granted or the issuance of participation bonds. When the project is sold, the capital is returned to the investor together with the profit share due to the investor (calculated as sales price - costs). Profit share liabilities are estimated for projects measured by the income approach in proportion to the recognized result on the property. Hence, the first profit share liability is created with the first valuation of the project at fair value.

Liabilities from profit distribution were divided according to their maturity from the balance sheet date, i.e.: to long-term, in the amount of PLN 14,820 thousand (PLN 37,937 thousand as of 31 December 2021) and short-term, amounting to PLN 886 thousand (PLN 4,488 thousand as of 31 December 2021).

Issue of PLN 205 million bonds for individual investors

In 2022, Echo Investment issued five series of bonds for individual investors.

Series	K	L	M	N	O
Subscription start date	10 January 2022	22 February 2022	27 April, 2022	27 June 2022	6 September 2022
Interest rate	WIBOR 6M + 4% margin	WIBOR 6M + 4% margin	WIBOR 6M + 4% margin	WIBOR 6M + margin 4%	WIBOR 6M + margin 4%
Subscription end date	21 January 2022	8 March 2022	11 May 2022	7 July 2022	20 September 2022
Series value	PLN 50 mln	PLN 50 mln	PLN 40 mln	PLN 40 mln	PLN 25 mln
Reduction rate	79%	27%	34%	37%	1%
Maturity date	3 years	4 years	4 years	4 years	4 years

The bonds are not secured and have been introduced to trading in the alternative trading system on Catalyst organized by the Warsaw Stock Exchange S.A. The money raised will be spent on business development.

The offering agent was Powszechna Kasa Oszczędności Bank Polski S.A. - the Brokerage House in Warsaw.

The K, L, M, N and O-series bonds public offering was carried out on the basis of the prospectus approved by the Polish Financial Supervision Authority on 26 November 2021 and supplements to the prospectus.

Issue of bonds worth PLN 110 million for institutional investors by Archicom S.A.

On 16 March 2022 a subsidiary of Echo Investment - Archicom S.A. - issued a series M6 / 2022 coupon bonds for a total amount of PLN 110 million, as part of the Bond Issue Program with mBank S.A. up to the maximum amount of PLN 350 million from 2016.

The bonds were issued for the period ending on 15 March 2024. The redemption will take place at their nominal value. The interest rate on the bonds was determined according to the variable WIBOR 3M interest rate, increased by a margin.

The interest period is three months. The bonds are not secured and were subject to introduction to trading in the alternative trading system Catalyst organized by the Warsaw Stock Exchange.

Establishment of the Bond Issue Program

The Management Board of Echo Investment S.A. adopted a resolution on 25 November 2022 to establish and sign a Bond Issue Program with Ipopema Securities S.A. Based on it, Echo Investment S.A. may issue bearer bonds in one or more series with a total nominal value not exceeding PLN 500 million. The Bonds may be listed in the alternative trading system operated by the Warsaw Stock Exchange. Detailed terms and conditions of the issue of the Bonds will be set out in separate resolutions accompanying individual issues as part of the program. The values and schedules for the issue of individual series of the bonds will depend on the current capital needs of the company and its Group.

Issue of bonds for institutional investors by Echo Investment S.A. and early redemption of bonds worth PLN 180 million

As part of the Bond Issue Program established, in partnership with Ipopema Securities S.A., up to PLN 500 million, on 8 December 2022 Echo Investment S.A. issued 18,000 bonds with a total nominal value of PLN 180 million, which were taken up by qualified investors.

The issue related to unsecured ordinary bearer bonds bearing interest at a variable base rate of WIBOR 6M plus a margin for investors, with a maturity of 5 years. The bonds were offered for purchase with no requirement for the Company to provide a prospectus or information memorandum. The bonds were listed in the alternative trading system operated by the Warsaw Stock Exchange.

Simultaneously, in connection with the bond issue, the Company acquired in order to redeem bonds with a total nominal value of PLN 100 million maturing in August 2024 and bonds with a total value of PLN 80 million maturing in May 2024.

Redemption of bonds worth PLN 589.9 million in total

In 2022, Echo Investment Group redeemed four series of bonds. Two series of bonds for institutional investors, with a total value of PLN 128.5 million, were redeemed by Archicom S.A. Echo Investment S.A. redeemed three series of bonds for individual investors (PLN 250 million) and three for institutional investors (PLN 211.4 million).

The bonds were redeemed due the redemption date or before.

Issuer	Series	ISIN code	Maturity	Nominal value ['000 PLN]
Archicom	M5/2020	PLO221800025	7.02.2022	78 500
Archicom	M3/2018	PLARHCM00065	13.07.2022	50 000
Echo Investment S.A.	1/2018	PLECHPS00282	25.04.2022	31 410
Echo Investment S.A.	H-series	PLECHPS00266	22.05.2022	50 000
Echo Investment S.A.	F-series	PLECHPS00233	11.10.2022	125 000
Echo Investment S.A.	G-series	PLECHPS00241	27.10.2022	75 000
Echo Investment S.A.	1P/2020	PLO017000020	8.12.2022	100 000
Echo Investment S.A.	1/2020*	PLO017000012	8.12.2022	80 000

*partial redemption

NOTE 18

Trade and other liabilities [PLN '000]

	31.12.2022	31.12.2021
Trade payables maturing:		
- up to 12 months	142 867	186 793
Total	**142 867**	**186 793**
Leasing liabilities		
Long-term	138 837	122 409
Short-term	96 389	100 073
Liabilities related to assets held for sale (note 6)	329	2 512
Total	**235 555**	**224 994**
Other liabilities:		
Liabilities due to purchases of land	49 951	117 512
Security deposits from contractors and deposits received	92 518	90 573
Security deposits from contractors, tenants and advances received - liabilities related to assets held for sale (note 6)	2 722	24 761
Payments on escrow account from clients purchasing apartments	55 427	44 764
Liabilities to secure income for rent-free or reduced-rent periods (master lease)	51 899	16 344
Liabilities under contracts with customers regarding fit-out works	46 760	9 343
Liabilities under contracts with customers regarding investment projects	16 494	1 207
Derivative financial instruments	-	1 188
Accruals - expenditure on real estate projects to be incurred in connection with concluded contracts	19 832	11 354
Accruals - bonuses for the Management Board and employees	21 906	23 796
Accruals - other	3 084	719
Other liabilities	3 196	6 698
Other liabilities - liabilities related to assets held for sale (note 6)	123	324
Total, including:	**363 912**	**348 583**
Liabilities relating to assets held for sale	2 845	26 273
Dividend liabilities		
Dividend liabilities	90 792	-
Total	**90 792**	**-**
Liabilities due to VAT	143 519	5 358
Liabilities due to other taxes	3 657	9 902
Total	**147 176**	**15 260**
Total trade and others liabilities	**980 302**	**775 630**

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

Dividend liabilities as at 31 december 2022 concern Echo Investment S.A. in the amount of PLN 90,792 thousand.

After the balance sheet date, on 2 February 2022, the dividend liability of Echo Investment S.A. was paid.

The Management Board of the Group decided to change the presentation of liabilities due to securing revenues for rent-free periods or periods with reduced rent (master lease), liabilities under contracts with customers regarding fit-out works and liabilities under contracts with customers regarding investment projects. After the analysis, the Management Board decided that the above liabilities should be presented in the consolidated statement of financial position under “Other liabilities”, and not as previously under “Short and long-term provisions” As a consequence, the Group made an appropriate presentation change in the consolidated statement of financial position.

Liabilities for securing revenue for rent-free or reduced-rent periods (master lease) - when selling investment projects, it happens that buildings are not fully commercialised at the time of their sale. The price is calculated based on the projected net operating income (NOI) of the project, with the Group signing a contract to secure rent-free periods (master lease).

The security of rental income (master lease) is estimated on the basis of information obtained from the office project leasing team, approved by the Member of the Management Board responsible for this business segment, regarding:
- the terms and conditions of signed leases,
- assumptions for unleased spaces, such as, expected handover dates, estimates of rental rates and rent-free periods.

On this basis, the following is calculated:
- for vacancies: a rent that would be paid by a potential future tenant,
- for contracts signed: a rent-free period (if any).

The estimate is made from the balance sheet date for the period provided for the security of rental income. For each calculated month:
- if there is a vacancy expected on a space in a given month, then the cost of securing rental income is a full rent that is expected for that space,
- if a space is expected to be delivered and a tenant has a rent-free period, then the cost of securing rental income relating to that space in a given month is equal to the value of the rent-free period,
- if in a given month it is expected that a rent-free period for that tenant is over, the cost of securing rental income is equal to zero.

Both base rent and service charges are calculated in this way, with the exception that there is no rent-free period in case of service charges. The sum of these values, discounted at the balance sheet date, represents the value of the liability due to securing rent-free periods (master lease). The liability for securing rent-free periods (master lease) is calculated for sold projects.

The value of liabilities relating to securing revenues for rent-free or reduced-rent periods (master lease) is estimated on the basis of the property leasing plan by the office leasing department. This plan is updated every quarter and adjusted to current market conditions both in terms of rental periods and rental rates.

In 2022, liabilities relating to securing revenues for rent-free or rent-reduced periods (master lease) applied to projects: Face2Face, Sagittarius, Moje Miejsce I, MidPoint71, West 4 Business Hub I, Fuzja CDJ, Browary GH, J (Sagittarius, Moje Miejsce I, Browary GH, K, J, Opolska III in 2021). The Group secures revenues for rent-free periods (master lease) up to no later than 2031 (in 2021 up to no later than 2031).

Liabilities arising from securing revenues for rent-free periods or with reduced-rent periods (master lease) were divided according to the maturity from the balance sheet date, i.e. long-term in the amount of PLN 26,946 thousand (PLN 7,283 thousand as at 31 December 2021), short-term in the amount of PLN 24,952 thousand (PLN 9,061 thousand as at 31 December 2021.) Liabilities relating to securing revenues for rent-free periods (master lease) will be settled up to one year in the amount of PLN 24,952 thousand (PLN 9,061 thousand for 2021), over one to three years in the amount of PLN 11,809 thousand (PLN 5,696 thousand for 2021), over three to five years in the amount of PLN 9,223 thousand (PLN 939 thousand) and over five to ten years in the amount of PLN 5,914 thousand (PLN 648 thousand for 2021).

NOTE 18A

Liability for the purchase of shares

As a result of the execution of the preliminary agreement for the sale of shares and interests dated 17 February 2021, Echo Investment S.A. concluded on 22 April 2021 with Dorota Jarodzka-Śródka, Kazimierz Śródka and Rafał Jarodzki, the founders of the Archicom Group, the final agreement for the sale of all shares of DKR Investment Sp. z o.o. (now DKR Echo Investment Sp. z o.o.) and all shares of DKR Invest S.A (now DKR Echo Invest S.A.). Accordingly, it indirectly acquired a block of 16,945,487 Archicom S.A. shares, which represented a total of approx. 66.01 percent of the share capital and entitled to 21,039,375 votes at the General Meeting, representing approx. 65.99 percent of the total votes. Archicom S.A. is a public company whose shares are listed on the Warsaw Stock Exchange.

Moreover, in respect of the sale of the controlling stake in Archicom S.A., Echo Investment and Partners DKRA Sp. z o.o. (Dorota Jarodzka-Śródka and Rafał Jarodzki) entered into the option agreement pursuant to which Echo Investment will be entitled to acquire, until 18 April 2023, or designate an entity to acquire, all shares in the share capital of DKRA Sp. z o.o., which holds 8.31 percent of Archicom S.A. shares, on substantially the same terms and conditions as the indirect acquisition of 66 percent of Archicom S.A. shares within the transaction of 22 April 2021. The remuneration for such acquisition will be increased by the amount of interest accrued from 15 March 2021 to the date of exercise of the option agreement, calculated at an annual interest rate of 6 percent. In the event that Echo Investment S.A. does not exercise the right indicated in the call option, the shareholders of DKRA Sp. z o.o. will have the option to sell their shares in the share capital of that company to Echo Investment.

As a result of the option agreement, the Company analysed the provisions of IFRS 10 to determine whether it met all the criteria giving it ongoing access to the financial results of the acquired business arising from non-controlling interests. As a result of the analysis of the signed agreements, the Company concluded that the rights provided by the agreements placed it in an economic position as if it effectively held non-controlling interests. On this basis, the Company recognised 8.31 percent in the consolidated financial statements as shares acquired as part of the purchase price allocation and recognised a liability to pay for these shares at the discounted repurchase price. The value at the date of acquisition amounted to PLN 53.8 million and was recognised within the purchase price at nominal value. As at 31 December 2022, the contractual value was measured and presented in short -term liabilities in the consolidated financial statements within the item “ Liability for the purchase of shares”, and the measurement effect was recognised in the consolidated profit and loss statement.

NOTE 19

Sales revenues by title [PLN '000]

	1.01.2022 - 31.12.2022	1.01.2021 - 31.12.2021
Revenue from Contracts with Customers		
Sale and lease of residential space	1 109 440	1 254 679
Sale to the Resi4Rent	16 873	22 260
Services in office space	41 526	31 407
Services in retail space	854	708
Other sale	30 207	71 415
Revenue from Contracts with Customers	**1 198 900**	**1 380 469**
Lease (MSSF16)		
Lease of residential space	186	758
Lease of office space	125 175	95 164
Lease of retail space)	69 438	55 150
Lease of other space	607	1 124
Asset on leasing IFRS 16	**195 406**	**152 196**
Revenue total	**1 394 306**	**1 532 665**

Disclosures are set out below, in respect of the main groups of revenue, which will enable users of the financial statements to understand the nature, amounts, timing and uncertainties associated with contract revenue and cash flows.

Future minimum cash flows arising from operating leases in which the Group is a lessor [PLN '000]

	31.12.2022	31.12.2021
up to 1 year	67 945	76 149
over 1 year to 2 years	66 456	109 960
over 2 years to 3 years	52 163	119 388
over 3 years to 4 years	55 560	99 739
over 4 years to 5 years	53 297	98 533
over 5 years	126 616	297 389
Total	**422 038**	**801 158**

Investment properties are leased to tenants on the basis of operating leases with monthly instalments. Where considered necessary to reduce credit risk, the Group may obtain bank guarantees for the duration of the lease term. The Group is exposed to changes in the residual value of the properties at the end of the existing leases. The Group's residual value risk is reduced by active management of its property portfolio to optimise the structure of its tenants in order to:

- achieve the longest possible weighted average lease term,
- minimise vacancies in all properties,
- minimise the rotation of highly creditworthy tenants.

The Group also uses leasing incentives mainly in the form of rent-free periods and interior fit-outs of leased spaces to encourage high-profile tenants to remain in the properties for longer leases. In the case of major tenants, this also attracts other tenants to the property, thus contributing to the overall occupancy level. Lease contracts may include a clause requiring a tenant to restore its leased space to the condition in which it was when the space was handed over to the tenant if the tenant decides not to renew the lease. This contributes to the maintenance of the property and enables the space to be re-leased quickly after the tenant leaves.

Revenues [PLN ‘000]

	1.01.2022 - 31.12.2022	1.01.2021 - 31.12.2021
Sale	1 109 440	1 254 679
Lease	186	758
Apartments	**1 109 626**	**1 255 437**
Lease	125 175	95 164
Fit-out services	41 526	31 407
Office	**166 701**	**126 571**
Lease	69 438	55 150
Development services	854	708
Retail	**70 292**	**55 858**
Sale	16 873	22 260
Resi4Rent	**16 873**	**22 260**
Sale	28 435	67 083
Lease	607	1 124
Services	1 772	4 332
Other	**30 814**	**72 539**

The value of the Capital Group’s revenues recognized at the time of fulfillment of the obligation to perform the service amounted to PLN 1,156,520 thousand (PLN 1,348,354 thousand in 2021).

The value of the Capital Group’s revenues recognized during the fulfillment of the performance obligation amounted to PLN 237,789 thousand (PLN 184,311 thousand in 2021).

(A)
Revenues related to development activities — selling residential and commercial space in residential projects

The Group recognises revenues when the performance obligation is fulfilled. The performance obligation is considered to be satisfied when the property is handed over to the buyer, which occurs on the basis of an acceptance protocol signed by the parties only upon the completion of the construction process of the property and obtaining an occupancy permit, and provided that the buyer made 100 percent payment in respect of the purchase price of the property. Contracts concluded within this revenue group do not contain a variable remuneration element. Moreover, in the Group's opinion, the contracts concluded do not contain a significant financing element. Therefore, the Group, as a general rule, does not recognise receivables or other contract asset balances related to this revenue group. Contract liabilities reflect advances paid by clients. The table below shows the changes in the balance of contract liabilities in relation to this group of revenues. dvance payments of PLN 546,657 thousand up to the balance sheet date. These revenues will be recognised when the properties are delivered to their buyers, upon the completion of construction and obtaining the necessary administrative decisions, which occurs on average after a period of approximately 1 to 3 months after the completion of construction.

Liabilities under customers contracts [PLN '000]

	1.01.2022 - 31.12.2022	1.01.2021 - 31.12.2021
Liabilities under customers contracts - opening balance	**566 486**	**231 613**
Increase - inflows	1 094 199	1 589 552
Presented as revenue in the period	(1 109 440)	(1 254 679)
— including revenue presented in the period, considered in balance of received advanced payments at the beginning of the period	(519 621)	(93 578)
Liabilities under customers contracts - closing balance	**551 245**	**566 486**

The total value of revenue to be recognised in the future resulting from contracts for the sale of residential spaces signed as at the balance sheet date of 31 December 2022 amounts to PLN 2,037,682 thousand, of which the Group received advance payments of PLN 551,245 thousand until the balance sheet date. These revenues will be recognised when the properties are released to their buyers, upon the completion of their construction and obtaining the necessary administrative decisions, which occurs, on average, after a period of approximately 1 to 3 months after the completion of construction.

Deferred income resulting from residential sales agreements as at 31 December 2022 [PLN '000]

Project	Targeted completion	Targeted total value	Total value of deferred revenue related to concluded agreements	Received advance paymants / deferred income (long and short--term)*	Deposit on apartments (long and short-term other liabilities (note 18)**
Residential project					
Osiedle Krk I, Kraków	completed	98 147	1 201	1 262	98
Osiedle Krk II, Kraków	completed	99 845	6 386	1 076	306
Osiedle ZAM I, Kraków	completed	64 859	4 877	49	-
Osiedle ZAM II, Kraków	III Q 2024	75 090	75 090	-	140
Osiedle Bonarka Living II C, Kraków	III Q 2023	101 810	101 810	31 393	870
Osiedle Bonarka Living II D, Kraków	III Q 2023	86 990	86 990	25 636	967
Nowa Dzielnica, Łódź	completed	30 249	941	-	-
Fuzja I, Łódź	completed	108 222	2 937	167	-
Fuzja II, Łódź	completed	101 050	12 046	2 121	13
Fuzja III, Łódź	III Q 2023	79 130	79 130	31 135	6 729
Fuzja Lofty I, Łódź	IV Q 2024	83 240	83 240	166	339
Zenit I, Łódź	completed	62 070	62 070	44 175	3 055
Boho, Łódź	III Q 2023	109 284	109 284	15 191	2 309
Osiedle Enter IA, Poznań	completed	42 190	351	18	-
Osiedle Enter IB, Poznań	completed	39 084	268	51	-
Osiedle Enter II, Poznań	completed	62 193	2 376	1 388	787
Osiedle Enter III, Poznań	completed	66 264	5 904	3 400	45
Nasze Jeżyce I, Poznań	completed	57 997	66	-	-
Nasze Jeżyce II, Poznań	completed	64 554	25	-	-
Apartamenty Esencja, Poznań	completed	116 937	2 558	-	-
Wieża Jeżyce I, Poznań	IV Q 2023	107 497	107 497	35 964	15 212
Widoki Mokotów, Warszawa	completed	69 556	35	-	-
Browary Warszawskie Etap E, Warszawa	completed	113 792	9 004	69	-
Osiedle Reset I, Warszawa	completed	66 718	61	20	-
Osiedle Reset II, Warszawa	completed	119 413	27	-	-
Moje Miejsce, Warszawa	completed	132 337	68	-	-
Stacja Wola I, Warszawa	completed	205 093	120	3	-
Stacja Wola II, Warszawa	completed	145 768	2 126	1 092	225
Rytm Apartamenty na Kabatach, Warszawa	IV Q 2023	289 450	289 450	112 330	13 274
Ogrody Graua, Wrocław	completed	44 750	35	-	-
Stacja 3.0, Wrocław	completed	89 747	79	-	-
Awicenny L1, L2, Wrocław	completed	66 710	322	322	-
Awicenny L3, L4, Wrocław	completed	79 986	4 281	2 725	16
Sady nad Zieloną A, Wrocław	completed	35 302	2 295	307	30
Browary Wrocławskie BA1, BL3, Wrocław	completed	105 580	298	298	-
Browary Wrocławskie BP1, BP2, Wrocław	completed	63 591	459	459	-
Browary Wrocławskie BL1, BL2, BP3, BP4, Wrocław	completed	164 718	5 209	1 082	-
Forma, Wrocław	completed	90 774	426	426	-
Cztery Pory Roku J15, J16, J17, J18, Wrocław	completed	119 384	661	480	-
Księżno P5-P7, Wrocław	completed	74 213	30	8	-

Deferred income resulting from residential sales agreements as at 31 December 2022 [PLN '000]

Project	Targeted completion	Targeted total value	Total value of deferred revenue related to concluded agreements	Received advance paymants / deferred income (long and short--term)*	Deposit on apartments (long and short-term other liabilities (note 18)**
Olimpia Port M1-M4, Wrocław	completed	71 923	309	309	-
Olimpia Port M7-M11, Wrocław	completed	87 526	19	19	-
Olimpia Port M12, M14, Wrocław	completed	79 672	45	45	-
Olimpia Port M21, M22, M23, Wrocław	completed	72 638	997	66	-
Olimpia Port M28, M29, M30, M30, M31, M32, M33, Wrocław	completed	142 270	69	69	-
Olimpia Port M34, M35, M36, M38, Wrocław	completed	76 911	10 475	4 421	131
Olimpia Port S16a, S16b, S17, Wrocław	completed	54 184	20	12	-
Planty Racławickie R5,R6,R7, Wrocław	completed	96 262	8 062	3 723	9
River Point KM3, Wrocław	completed	72 786	302	302	-
Słoneczne Stabłowice Z21, Z22, Z23, Wrocław	completed	40 496	13	1	-
Słoneczne Stabłowice ZD1, ZD2, Wrocław	completed	33 830	26	1	-
Browary Wrocławskie BA2, BA3, Wrocław	II Q 2023	183 484	183 484	88 487	1 751
Olimpia Port M37,M39, Wrocław	II Q 2023	81 871	81 871	14 836	477
Awicenny L5, Wrocław	III Q 2023	60 569	60 569	18 834	2 420
Olimpia Port M24,M25,M26, Wrocław	III Q 2023	128 063	128 063	32 118	2 988
Planty Racławickie R8, Wrocław	III Q 2023	59 440	59 440	21 780	1 251
Browary Wrocławskie BP5,BP6, Wrocław	IV Q 2023	109 107	109 107	27 269	749
River Point KM4, Wrocław	I Q 2024	119 015	119 015	24 445	685
Planty Racławickie R9, Wrocław	II Q 2024	118 235	118 235	1 695	406
River Point KM6, Wrocław	III Q 2024	97 531	97 531	-	132
Total Residential project		**5 519 396**	**2 037 682**	**551 245**	**55 414**
Other projects					
Others		7 022	7 022	7 007	13
Total other projects		**7 022**	**7 022**	**7 007**	**13**
Total residential and others projects		**5 526 418**	**2 044 704**	**558 252**	**55 427**

* Advance payments released from escrow accounts (due residential projects)
** Advance payments (gross) to be released from escrow accounts (due residential projects)

In the item "Liabilities due to contracts with clients", the Group presents payments received and released from escrow accounts from clients for apartments in residential projects under construction. As at 31 December 2022, the amount of released payments amounted to PLN 551,245 thousand. As at 31 December 2021, the amount of released payments amounted to PLN 566 486 thousand.

Deferred income resulting from residential sales agreements as at 31 December 2021 [PLN '000]

Project	Targeted completion	Targeted total value	"Total value of deferred revenue related to concluded agreements"	"Received advance paymants / deferred income (long and short--term) *"	Deposit on apartments (long and short-term other liabilities (note 18)**
Residential project					
Osiedle Krk I, Kraków	completed	97 899	3 396	4 622	127
Osiedle Krk II, Kraków	III Q 2022	99 118	99 118	19 199	867
Osiedle Bonarka Living I, Kraków	completed	69 520	9 275	5 567	-
Osiedle Jarzębinowe VII, Łódź	completed	37 015	-	-	-
Osiedle Jarzębinowe VIII, Łódź	completed	40 807	6 682	5 632	1 625
Nowa Dzielnica, Łódź	completed	30 254	941	-	-
Fuzja I, Łódź	completed	107 588	5 896	1 021	80
Fuzja II, Łódź	III Q 2022	97 456	97 456	37 536	4 124
Fuzja III, Łódź	IV Q 2022	74 206	74 206	6 360	3 422
Wodna 17-19, Łódź	III Q 2023	93 648	93 648	2 431	397
Zenit I, Łódź	IV Q 2022	58 657	58 657	9 376	1 373
Osiedle Perspektywa I, Poznań	completed	43 740	-	127	-
Osiedle Perspektywa III, Poznań	completed	30 360	-	-	34
Osiedle Enter III, Poznań	IV Q 2022	66 077	66 077	17 235	5 005
Osiedle Enter II, Poznań	IV Q 2022	61 698	61 698	17 408	15
Osiedle Enter IA, Poznań	completed	42 320	2 583	845	89
Osiedle Enter IB, Poznań	completed	39 411	8 426	6 601	4 773
Osiedle ZAM I, Kraków	II Q 2022	64 020	64 020	34 919	4 364
Nasze Jeżyce I, Poznań	completed	57 997	66	-	19
Nasze Jeżyce II, Poznań	completed	64 554	355	222	195
Apartamenty Esencja, Poznań	completed	116 862	2 782	-	17
Wieża Jeżyce I, Poznań	IV Q 2023	97 603	97 603	353	63
Widoki Mokotów, Warszawa	completed	69 352	2 181	-	-
Browary Warszawskie Etap A, Warszawa	completed	55 343	160	-	-
Browary Warszawskie Etap B, Warszawa	completed	125 311	98	56	-
Browary Warszawskie Etap E, Warszawa	completed	113 755	16 541	-	-
Osiedle Reset I, Warszawa	completed	66 927	290	-	-
Osiedle Reset II, Warszawa	completed	119 908	2 450	-	-
Moje Miejsce, Warszawa	completed	132 269	1 648	435	-
Stacja Wola I, Warszawa	completed	205 187	15 749	14 631	119
Stacja Wola II, Warszawa	II Q 2022	145 533	145 533	96 464	1 217
Grota - Roweckiego 111 etap III	completed	16 232	44	-	-
Ogrody Graua, Wrocław	completed	44 869	5 087	2 054	-
Stacja 3.0, Wrocław	completed	89 769	2 585	699	555
Zebra, Wrocław	completed	75 752	52	26	54
Akacjowy Zakątek	completed	26 615	1 234	465	-
Awipolis L1, L2	completed	66 710	85	7	-
Browary Wrocławskie BA1, BL3	completed	105 580	3 963	98	94
Browary Wrocławskie BP1, BP2	completed	63 591	110	1	-
Browary Wrocławskie BL1, BL2, BP3, BP4	completed	164 718	91 267	58 464	9 527

Deferred income resulting from residential sales agreements as at 31 December 2021 [PLN '000]

Project	Targeted com-pletion	Targeted total value	"Total value of deferred reve-nue related to concluded agreements"	"Received advance paymants / deferred income (long and short--term) *"	Deposit on apartments (long and short-term other liabilities (note 18)**
Forma A3, A4, A5	completed	90 774	162	2	-
Cztery Pory Roku J15, J16, J17, J18	completed	119 384	11 385	926	-
Księżno P5-P7	completed	74 213	52	33	-
Olimpia Port M1-M4	completed	71 923	30	33	-
Olimpia Port M12, M14	completed	79 672	-	450	-
Olimpia Port M16 - M20	completed	127 617	804	186	37
Olimpia Port M21, M22, M23	completed	72 638	74 364	63 496	-
Olimpia Port M28, M29, M30, M30, M31, M32, M33	completed	142 270	22 658	3 078	605
Olimpia Port M5a, MC	completed	19 572	54	9	-
Olimpia Port M7-M11	completed	87 526	126	41	-
Olimpia Port S16a, S16b, S17	completed	54 184	20	28	-
Olimpia Port S8-S15	completed	102 237	56	34	-
Planty Racławickie R1, R2, R3, R4	completed	120 141	4 538	2 229	-
Stabłowice Z1, Z5	completed	19 689	448	5	-
Stabłowice Z3, Z4, Z7, Z8	completed	48 710	524	256	-
Stabłowice Z21, Z22, Z23	completed	40 496	875	19	-
Stabłowice ZD1, ZD2	completed	33 830	33 830	27 239	90
Olimpia Port M34, M35	II Q 2022	27 155	27 155	10 098	400
Planty Racławickie R5, R6, R7	II Q 2022	94 999	94 999	38 789	261
Sady nad Zieloną	III Q 2022	34 930	34 930	12 637	482
Awipolis L3, L4	III Q 2022	78 748	78 748	36 577	261
Olimpia Port M36, M38	III Q 2022	48 477	48 477	9 808	579
Browary Wrocławskie BA2, BA3	II Q 2023	181 395	181 395	16 039	3 407
Olimpia Port M24, M25, M26	II Q 2023	120 369	120 369	1 329	17
Awipolis L5 (etap 3)	III Q 2023	56 594	56 594	295	233
Total Residential project		5 125 774	1 834 555	566 486	44 526
Other projects					
SH Nowomiejska, Gdańsk	II Q 2022	19 256	-	19 256	-
R4R Stocznia, Gdańsk	II Q 2022	19 556	-	19 556	-
Other		6 533	6 533	6 295	238
Total other projects		**45 345**	**6 533**	**45 107**	**238**
Total residential and others projects		**5 171 120**	**1 841 088**	**611 593**	**44 764**

* Advance payments released from escrow accounts (due residential projects)
** Advance payments (gross) to be released from escrow accounts (due residential projects)

(B)
Sale of commercial property — office buildings and shopping centres

The Group recognises types and numbers of performances to which it is committed in favour of the buyer as part of a sale contract for the property. As part of the sale of the investment properties, the Group recognises revenue when the performance obligation is fulfilled, i.e. when the notarial deed is signed, which is the moment when ownership of the property is transfered to the buyer. The Group recognises the amount of revenue in the amount of the price resulting from the transaction defined by the sale and purchase contract between the entity and the buyer. Its level is determined at its fair value, taking into account the amount of future liabilities arising from the economic content of the contract. The variable element occurring in this type of contracts (due to its dependence on future events) is the amount relating to rental guarantees. Despite the uncertainty, the Group is able to reliably estimate the payments that it will have to make for unleased spaces of the building during the period indicated in the contract, as at the conclusion of the contract. The estimated payments reduce this contract remuneration and therefore the revenue recognised on the performance of the contract. The result on sales of commercial properties, which are classified as investment properties, in accordance with IAS 40 'Investment properties', is presented in the statement of comprehensive income as Profit (loss) from investment properties. Details regarding the income security liability for rent-free or rent-reduced periods recognised by the Group as at 31 December 2022 are provided in note 18. The Group recognises the additional costs of bringing the sale agreement to a successful conclusion as an element of the consolidated profit and loss account when it recognises revenues from the sale of the asset. Furthermore, in the Group's opinion, the concluded contracts do not contain a significant financing element. The sale price of the property obtained from the buyer is generally paid at the time of the sale in this type of contracts. Due to such characteristics of the concluded contracts, the Group, as a rule, does not recognise receivables or other balances of contract assets related to this group of revenues.

Details of the sales transactions that occurred in 2022 are presented in note 32.

(C)
Rental income

Commercial buildings - shopping centres and offices, commissioned, and individual premises in residential projects held for lease are a source of rental income for the Group. In accordance with IFRS 16 Leases, revenues from residential and commercial leases are recognised on a straight-line basis during the term of the contracts.

The leases contain a non-lease element as described in (D) below.

The entity attributes a transaction price to each performance obligation (or to a separate good or separate service) in the amount that reflects the amount of consideration the entity expects to receive for providing the promised goods or services to the client.

(D)
Revenues from fit-out works

As part of office development services, it is a market standard to perform fit-out works to spaces before they are handed over to tenants. The Group provides fit-out services, which includes the preparation and arrangement of the scope of works, the organisation and handling of tenders for construction works, and the supervision and coordination of construction works. The Group recognises revenues when the performance obligation is fulfilled, i.e. when the works are completed. The contractual remuneration is fixed and payable to the Group upon the handover of the office space to the tenant. The duration of the contracts is relatively short, ranging from 1 to 2 months. Furthermore, in the Group's opinion, the contracts concluded do not contain a significant financing element. Due to these characteristics of the signed contracts, there are no significant balances of contract assets or liabilities, apart from trade receivables (see note 10).

The total value of revenues to be recognized in the future related to the obligations to perform the fit-out contract signed as at the balance sheet date of 31 December 2022 is PLN 551,245 thousand. These revenues will be recognized when the works are completed, which, depending on the office facility, is expected in the following periods:

Deferred income resulting from fit-out works agreement as at 31 December 2022 [PLN '000]

Tenant	Building	Date of execution	Value
City Space Management Sp. z o.o.	Fuzja Office J	04/2023	4 626
Playtkia	Browary GH	03/2023	12 349
Playtkia	Browary GH	12/2023	11 049
Total			**28 024**

Deferred income resulting from fit-out works agreement as at 31 December 2021 [PLN '000]

Tenant	Building	Date of execution	Value
Sagittarius	Codelab Sp. z o.o.	04/2022	1 123
Browary GH	Playtika Poland Sp. z o.o.	01/2022	12 111
Browary GH	Point 72 Poland Sp. z o.o.	01/2022	9 069
Browary GH	Playtika Poland Sp. z o.o.	06/2022	4 507
Browary GH	Playtika Poland Sp. z o.o.	06/2022	4 529
Browary GH	Playtika Poland Sp. z o.o.	06/2022	1 800
Browary GH	Restkolekcja Sp. z o.o.	03/2022	1 241
Browary GH	Nine's Sp. z o.o. Sp.k.	03/2022	659
Browary GH	Francuska 24 Sp. z o.o.	03/2022	358
Browary GH	Łap Orient Sp. z o.o.	03/2022	110
Browary GH	Food Hall Browary Sp. z o.o.	03/2022	72
Browary GH	Lood is Good Sp. z o.o.	03/2022	57
Browary GH	Restkolekcja Sp. z o.o.	03/2022	6
Browary GH	Food Hall Browary Sp. z o.o.	03/2022	6
City One	Vacant	12/2022	545
Total			**36 193**

(E)
Revenues from investment implementation services

As part of its investment implementation services, the Group provides services to prepare and organise the investment process in relation to development projects owned by other entities, subsidiaries of the Echo Investment Group and non-related entities. Within the scope of its obligations, the Group undertakes to perform advisory, management, legal and other activities necessary for the management of investment implementation. This process includes the preparation of investments, organisation and handling of tenders for construction works, supervision and coordination of construction works and customer service. The Group recognises revenues when the performance obligation is fulfilled, i.e. during the period of providing the services. The remuneration arising from the concluded contracts is fixed and payable to the Company on a monthly basis. Furthermore, in the Group's opinion, the concluded contracts do not contain a significant element of financing. Due to these characteristics of signed contracts, there are no significant balances of contract assets or liabilities, apart from trade receivables (see note 10).

(F)
Other revenues generated by the Group

The Management Board analysed other service contracts, including the provision of real estate agency services, accounting, legal, consulting, IT, financial, marketing and other services. The Group recognises revenues when the performance obligation is fulfilled, i.e. for certain contracts, when a particular type of services is completed (e.g. the signing of a sales contract for a property as a result of providing real estate agency services) or during the period of providing a particular type of services (e.g. during the period of providing bookkeeping, marketing, consulting, legal or property management services).
In most cases, the services are provided on a monthly basis and are settled in the same period and the Group's remuneration becomes due. For some contracts (e.g. real estate brokerage), the contractual remuneration includes a variable element, however, it follows from the nature of these contracts that the Group is only entitled to the remuneration when the contractual obligation is performed. This means that the variable remuneration is known at the time of the recognition of revenue, and its value does not change thereafter. In addition, in the Group's opinion, the signed contracts do not contain a significant financing component. Due to these characteristics of the signed contracts, there are no significant balances of contract assets or liabilities, except for trade receivables (see note 10).

(G)
Revenues from the sale of apartments for rent

As part of the sale of properties classified as R4R, relating to the platform of apartments for rent, the Group recognizes the revenue when the performance obligation is fulfilled, i.e. when control of the property is transferred to the buyer. The Group recognizes the amount of the revenue in the amount of the price resulting from the transaction determined by the purchase and sale agreement between the entity and the buyer. Its level is determined at fair value of the consideration.

NOTE 20

Net operating costs PLN '000]

	1.01.2022-31.12.2022	1.01.2021-31.12.2021
Sale of residential space	(731 755)	(971 731)
Services of implementation of spaces in office buildings	(41 123)	(30 337)
Services of implementation of spaces in shopping and entertainment centers	(1 336)	(1 918)
Sale to the Resi4Rent	(9 115)	(17 656)
Other	(17 198)	(28 332)
Total cost of sales	**(800 527)**	**(1 049 974)**
Lease of residential spaces (Segment: Apartments)	(376)	(726)
Lease of spaces in office buildings (Segment: Commercial properties)	(69 698)	(55 425)
Lease of spaces in shopping and entertainment centers (Segment: Commercial properties)	(31 308)	(25 827)
Lease of other spaces (Segment: Commercial properties)	(4)	(635)
Cost of sales from leases (IFRS 16)	**(101 386)**	**(82 613)**
Total cost of sales	**(901 913)**	**(1 132 587)**

Costs by type [PLN '000]

	1.01.2022-31.12.2022	1.01.2021-31.12.2021
Amortisation	(15 298)	(12 528)
Consumption of materials and power	(51 028)	(351 401)
Outsourced services	(523 259)	(529 155)
Construction services	(90 086)	(131 835)
Taxes and charges	(23 448)	(28 786)
Payroll	(84 279)	(75 308)
Social security contributions and other benefits	(15 100)	(13 554)
Other costs by type	(33 490)	(26 291)
Total costs by type	**(835 988)**	**(1 168 857)**
Change in inventories, finished products and work in progress	(271 617)	(170 400)
Administrative expenses related to execution of projects	71 390	53 531
Selling and distribution expenses	50 038	45 735
General and administrative expenses	84 264	107 405
Cost of products sold	**(901 913)**	**(1 132 587)**

NOTE 21

Net profit on investment property [PLN '000]

	1.01.2022-31.12.2022	1.01.2021-31.12.2021
Profit (loss) from the sale of investment property	(37 523)	(8 435)
Revaluation of real estate (profit/loss on fair value measurement), including:	26 097	85 027
- settlement of rental income over time	(4 186)	(12 809)
- changes in the valuation of investment properties (Note 4)	(53 465)	7 168
- changes in the valuation of investment properties under construction (Note 5)	25 033	47 644
- changes in the valuation of assets held for sale (note 6)	58 714	43 024
Net profit (loss) on investment property	**(11 427)**	**76 591**

In 2022, the Group sold office buildings Fuzja CD&J in Łódź, MidPoint71, West4 Business Hub I in Wrocław, Face2Face II in Katowice as well as land plots on ul. Hetmańska in Poznań. The transactions are described in note 32.

In the item "profit (loss) on the sale of investment properties", costs of securing rental revenues (master lease), which are mainly related to sold Sagittarius Business House in Wrocław, MidPoint71 and West4 Business Hub I in Wrocław, O3 Business Campus in Kraków, Moje Miejsce I in Warsaw, and Fuzja CD in Łódź.

The item "revaluation of real estate" mainly valuation of office projects such as Moje Miejsce II in Warsaw, Face2Face Business Campus I and II in Katowice, Brain Park I and II in Kraków and City2 in Wrocław.

NOTE 22

Other operating income [PLN '000]

	1.01.2022-31.12.2022	1.01.2021-31.12.2021
Profit on occasional purchase	-	48 581
Provisions released	7 695	2 448
Termination of reserves and provisions	3 503	12
Compensations	2 554	2 727
Contractual penalties	828	606
Profit on disposal of non-financial fixed assets	-	186
Other	3 743	2 765
Total other operating income	**18 323**	**57 326**

NOTE 23

Other operating expenses [PLN '000]

	1.01.2022-31.12.2022	1.01.2021-31.12.2021
Provisions created	(3 933)	(9 615)
Revaluation of receivable and inventories	(4 884)	(1 752)
Contractual penalties	(1 334)	(658)
Donations	(1 614)	(408)
Loss on disposal of non-financial non-current assets	(165)	-
Other	(6 264)	(5 582)
Total other operating expenses	**(18 194)**	**(18 015)**

The item "Provisions created" presents mainly provisions for court cases and lease brokerage for projects sold in previous years.

NOTE 24

Financial income [PLN '000]

	1.01.2022-31.12.2022	1.01.2021-31.12.2021
Income from borrowings interest with amortized cost	22 072	12 598
Income from derivatives	17 558	18 523
Discount income	9 620	-
Profit on disposal of investments	-	5 200
Income from interest	1 084	2 444
Other financial income	161	1 939
Total financial income	**50 496**	**40 704**

NOTE 25

Financial costs [PLN '000]

	1.01.2022- 31.12.2022	1.01.2021- 31.12.2021
Interest expense from bonds with amortized cost	(132 555)	(71 208)
Interest expense from credit with amortized cost	(42 112)	(46 141)
Profit share costs	26 722	3 857
Costs due to interest of leasing	(5 661)	(5 802)
Loss on disposal of investments	-	(313)
Costs due to buyout of shares from minority shareholders	(769)	-
Other financial costs	(325)	(88)
Total Financial costs	**(154 699)**	**(119 695)**

In accordance with IAS 23, the Group activates the part of financial costs that are directly related to the acquisition and production of assets. In the case of general financing, the financing costs subject to capitalisation are determined using the weighted average of all external financing costs in relation to the incurred outlays for a given asset.

The activated amount of general borrowing costs in 2022 amounted to: PLN 20,018 thousand at a capitalization rate of 2 percent (of which: for inventories: PLN 16,674 thousand, for investment properties under construction: PLN 3,344 thousand). In 2021 it amounted to: PLN 5,591 thousand at a capitalization rate of 1.17 percent (of which: for inventories: PLN 4,613 thousand, for investment properties under construction: PLN 978 thousand).

The profit share costs related to the Moje Miejsce office building, stage I in Warsaw and the Libero shopping center in Katowice.

NOTE 26

Profit (loss) due to exchange rate differences [PLN '000]

	1.01.2022- 31.12.2022	1.01.2021- 31.12.2021
- Realised exchange rate differences' losses over profits surplus	(15 131)	(22 821)
- Unrealised exchange rate differences' losses over profits surplus	(20)	31 491
Total profit (loss) due to exchange rate differences	**(15 151)**	**8 670**

NOTE 27

Joint-ventures

The value of investments in associates and joint ventures accounted for using the equity method is presented in the table below:

	31.12.2022	31.12.2021
Rosehill Investments Sp. z o.o., Berea Sp. z o.o. (Galeria Młociny)	205 274	86 656
Projekt Echo 138 Sp. z o.o. Sp.k. (Towarowa 22)	103 715	147 099
R4R Poland Sp. z o.o. (Resi4Rent)	169 192	102 981
Total	**478 180**	**336 737**

Rosehill Investments Sp. z o.o., Berea Sp. z o.o. (Galeria Młociny)

On 31 May 2017 the Echo Investment Group together with the EPP Group concluded a purchase agreement concerning a property located in Warsaw at ul. Zgrupowania AK „Kampinos". Under the concluded transaction the companies purchased shares in Rosehill Investments Sp. z o.o., which is the owner of Galeria Młociny project by way of holding 100 percent shares in Berea Sp. z o.o. The property value was established as EUR 104.5 mln. As at the day of the acquisition and the balance date i.e. on 31 December 2022 the Echo Investment Group held 30 percent shares in the project company being the owner of the property and the remaining 70 percent was held by the EPP Group. The share of the Group in Berea Sp. z o.o. presented in the financial report is estimated according to the equity method. Pursuant to the articles of association, all strategic financial and operational decisions (including in particular: purchase of a significant asset, conclusion of a lease agreement, etc.) require the unanimous consent of both shareholders.

In 2022, the Echo Investment Group together with the EPP N.V. made a proportional capital increase in Rosehill Investments Sp z o.o. in the total amount of EUR 76.3 million (EPP N.V. - EUR 53.4 million, Echo Group - EUR 22.9 million).

A summary of financial information in the joint venture is presented below. The carrying value of the investment as at 31 December 2022 amounted to PLN 205,274 thousand. At the same time, since the beginning of the project, the Echo Group granted to Rosehill Investments Sp. z o.o. and Berea Sp. z o.o. loans with a total value of PLN 84,950 thousand.

In 2019, the company analyzed the impairment of net investment value based on the equity method in a jointly controlled company Rosehill Investments Sp. z o.o (projekt Młociny). In the first half of 2019, due to Galeria Młociny opening, the company updated the fair value of the project in the net assets of the jointly controlled entity. The company estimated that the recoverable amount of the net investment as at the balance sheet date is lower than the value of the shares in net assets as at that day. As at 31 December 2022, the company recognized an impairment loss of PLN 13,091 thousand.

Financial data of the joint venture - Galeria Młociny Selected data from the statement of comprehensive income [PLN '000]

	31.12.2022	31.12.2021
Fixed assets — investment property	1 811 708	1 766 170
Non-current assets - other financial assets	0	8 299
Current assets	10 002	4 839
Cash	63 049	38 952
Total assets	**1 884 759**	**1 818 260**
Long-term liabilities	**1 212 748**	**1 209 747**
Financial liabilities (without trade liabilities)	1 049 091	1 054 265
Other long-term liabilities	163 657	155 482
Short-term liabilities	**60 918**	**392 811**
Financial liabilities (without trade liabilities)	50 753	374 832
Other short-term liabilities	10 165	17 979
Total liabilities	**1 273 666**	**1 602 558**
Equity	**611 094**	**215 702**
Share of the Echo Investment S.A.	30,00%	30,00%
Share of the Echo Investment Group in net assets	183 328	64 711
Goodwill	35 037	35 037
Impairment write-off	(13 091)	(13 091)
The carrying amount of an investment accounted for using the equity method	205 274	86 656

Financial data of the joint venture - Galeria Młociny Selected data from the statement of comprehensive income [PLN '000]

	1.01.2022 - 31.12.2022	1.01.2021 - 31.12.2021
Operating income	115 721	83 751
Operating costs, including:	(41 474)	(32 645)
Depreciation	-	-
Revenue/cost - revaluation of property	13 752	(38 451)
Costs of general administrative	(2 413)	(2 044)
Costs of sales	(901)	(502)
Other income / operating costs	(264)	(1 672)
Financial income and cost, including:	(40 415)	(69 604)
Financial interest cost	(49 089)	(68 958)
Gross profit (loss)	**44 006**	**(61 167)**
Income tax	(10 791)	583
Net profit (loss)	**33 215**	**(60 585)**
Total comprehensive income	**33 215**	**(60 585)**
Share of the Echo Investment Group (%)	30,00%	30,00%
Share of the Echo Investment Group in the net profit/loss of the joint venture	9 965	(18 175)
Share of the Group in comprehensive income resulting from joint-venture	9 965	(18 175)

Projekt Echo 138 Sp. z o.o. Sp.k. (Towarowa 22)

On 15 September 2016, the Echo Investment Group and the EPP Group N.V. entered into a conditional purchase agreement relating to a property located in Warsaw at 22 Towarowa Street on which a joint investment project will be carried out. The final purchase agreement was concluded on 23 December 2016. The sale price of the property was agreed at EUR 77.4 million where Echo Investment paid EUR 35.82 million and EPP's contribution amounted to EUR 41.58 million.

On 8 June 2022, the following transactions took place regarding the property:
- EPP Group N.V. increased the capital in the joint venture by EUR 36 million and then sold all its shares to a new investor, i.e. AFI Europe N.V. (a company fully owned by AFI Properties Ltd, which is a public company registered in Israel and listed on the Tel Aviv Stock Exchange),
- Echo Investment and AFI Europe N.V. have proportionally withdrawn their contributions to the joint venture: Echo Investment in the amount of EUR 7.1 million and AFI Europe N.V. - in the amount of EUR 16.6 million,
- Echo Investment signed a preliminary purchase agreement for a part of the property located at 22 Towarowa Street ("a part of the joint venture"), which is intended for the construction of apartments, and made a down payment for this plot of land in the amount of EUR 23.7 million, which represents 50 percent of the value of the plot.

Following the completion of the above transactions and as at the balance sheet date of 31 December 2022, the Echo Group holds a 30 percent stake and AFI Europe N.V. 70 percent of the shares in the joint venture.

Based on the articles of association, all strategic financial and operational decisions (including, in particular, purchasing a material asset, entering into a lease agreement, etc.) require the unanimous approval of both shareholders. Echo Investment S.A. and AFI Europe N.V. are only liable for their proportionate part of the purchase price. The participation of this joint venture in the consolidated financial statements of the Echo Investment Group is accounted for using the equity method. The carrying amount of the investment as at 31 December 2022 was PLN 103,715 thousand. At the same time, since the beginning of the investment, the Echo Group has provided Projekt Echo 138 Sp. z o.o. Sp.k. and Projekt Echo 138 Sp. z o.o. loans with a total value of PLN 14,506 thousand.

Below there is a summary of the financial information in the joint venture.

Financial data of the joint venture - Towarowa 22 Selected data from the financial situation [PLN '000]

	31.12.2022	31.12.2021
Fixed assets — investment property	585 224	433 066
Other fixed assets	6 824	551
Cash	6 752	2 544
Current assets	9 527	798
Total assets	**608 327**	**436 959**
Long-term liabilities	**133 668**	**88 731**
Financial liabilities (without trade liabilities)	129 703	81 766
Other long-term liabilities	3 965	6 965
Short-term liabilities	**127 580**	**24 578**
Financial liabilities (without trade liabilities)	5 955	5 955
Other short-term liabilities	121 626	18 624
Total liabilities	**261 249**	**113 310**
Equity	**347 079**	**323 649**
Share of the Echo Investment S.A.	30,00%	46,20%
Elimination of mutual transactions between unit and the Group (revenues, costs, sales profits in the amount of 30 percent)	(409)	(2 416)
Echo Investment Group's share in net assets = carrying amount of the investment valued using the equity method	103 715	147 099

Financial data of the joint venture - Towarowa 22
Selected data from the statement of comprehensive income [PLN '000]

	1.01.2022 - 31.12.2022	1.01.2021 - 31.12.2021
Operating income	1 360	10 876
Operating costs, including:	(8 822)	(4 208)
Depreciation	(2 074)	885
Costs of general administrative	(63)	(356)
Other income / operating costs	(19 430)	(399)
Financial income and costs, including:	(8 604)	(7 440)
Financial interest expense	(2 780)	(451)
Gross profit (loss)	**(35 560)**	**(1 528)**
Income tax	2 423	130
Net profit (loss)	**(33 137)**	**(1 398)**
Total comprehensive income	**(33 137)**	**(1 398)**
Share of the Echo Investment Group (%)	30,00%	46,20%
Share of the Group in comprehensive income resulting from joint-venture (46.2 percent until 8 June 2022, 30 percent from 9 June 2022)	(9 394)	(646)
Share of the Echo Investment Group in the total income from the joint venture	(9 394)	(646)

R4R Poland Sp. z o.o. (Resi4Rent)

On 20 July 2018 Echo Investment S.A. acquired 30 percent of shares and votes in a joint investment venture R4R Poland Sp. z o.o. The remaining 70 percent of shares and votes was acquired by R4R S.a.r.l. Pursuant to the articles of association, all strategic financial and operational decisions (including in particular: purchase of a significant asset, conclusion of a lease agreement, etc.) require the unanimous consent of both share-holders.

Pursuant to the agreement, the joint-venture operates as a platform of apartments for rent in Poland. As part of the project, buildings with apartments for rent were built - primarily in Warsaw, Łódź and Wrocław. Under the agreement, Echo Investment S.A. provides planning, design and investment implementation services while R4R Poland Sp. z o.o. is responsible for the operational management of the platform.

By fulfilling its commitment to co-finance the project, Echo Investment S.A. provided capital to R4R Poland Sp. z o.o. acquiring new shares in the increased share capital:
- PLN 41,354,269 in 2018,
- PLN 9,434,700 in 2019,
- PLN 3,474,000 in 2020,
- PLN 13,149,000 in 2021,
- PLN 1,350,000 in 2022.

At the same time, Echo Investment granted loans to R4R-Poland Sp. z o.o.:
- PLN 77,250,728 in 2019,
- PLN 35,546,700 in 2020,
- PLN 74,511,000 in 2021,
- PLN 7,650,000 in 2022.

In 2018-2022, new subsidiaries of R4R Poland Sp. z o.o. were created in order to develop projects located among others in Warsaw (Grzybowska, Taśmowa, Woronicza, Wilanowska), Gdańsk (Kołobrzeska, Zielony Trójkąt), Kraków (3 Maja, Jana Pawła II, Puszkarska, Romanowicza, Zabłocie, Młyńska), Poznań (Szczepanowskiego, Nowe Miasto, ul. Dmowskiego), Łódź (Wodna, Kilińskiego) and Wrocław (Grabiszyńska, Jaworska, Rychtalska, Kępa, Park Zachodni, Bardzka).

The share of the Echo Investment Group in the consolidated financial statements is recognised by using the equity method. A summary of financial information in the joint venture is provided below.

The carrying value of the investment as at 31 December 2022 amounted PLN 169,192 thousand.

Financial data of the joint venture - Resi4Rent Selected data from the financial situation [PLN '000]

	31.12.2022	31.12.2021
Fixed assets — investment property	1 546 604	1 059 929
Fixed assets — investment properties under construction	666 874	469 190
Other fixed assets	59 376	3 530
Cash	122 753	148 585
Current assets	51 766	76 242
Total assets	**2 447 373**	**1 757 476**
Long-term liabilities	**1 734 836**	**1 341 293**
Financial liabilities (without trade liabilities)	1 559 123	1 241 654
Other long-term liabilities	175 712	99 639
Short-term liabilities	**116 165**	**52 218**
Financial liabilities (without trade liabilities)	14 425	8 955
Other short-term liabilities	101 739	43 263
Total liabilities	**1 851 000**	**1 393 511**
Equity	**596 372**	**363 964**
Share of the Echo Investment S.A. (%)	30,00%	30,00%
Elimination of mutual transactions between unit and the Group (revenues, costs, sales profits in the amount of 30 percent)	(9 720)	(6 207)
Echo Investment Group's share in net assets = carrying amount of the investment valued using the equity method	169 192	102 981

Financial data of the joint venture - Resi4Rent Selected data from the statement of comprehensive income [PLN '000]

	1.01.2022 - 31.12.2022	1.01.2021 - 31.12.2021
Operating income	82 843	48 333
Revenue - revaluation of property	260 203	154 413
Administrative costs related to project	(18 899)	(10 425)
Costs of general administrative	(24 479)	(18 424)
	(96)	(28)
Other income / operating costs	1 292	819
Financial costs	(19 681)	(2 440)
	(19 654)	(2 297)
Gross profit (loss)	**281 279**	**172 276**
Income tax	(53 369)	(34 445)
Net profit (loss)	**227 910**	**137 831**
Total comprehensive income	**227 910**	**137 831**
Share of the Echo Investment Group (%)	30,00%	30,00%
Share of the Group in comprehensive income resulting from joint-venture	68 373	41 349
Share of the Group in comprehensive income resulting from joint-venture	68 373	41 349

NOTE 28

Leasing

	Perpetual usufruct right				Other agreements		
	Inventory	Investment properties	Investment properties under construction	Assets held for sale	Fixed assets	Investment properties	Total
Asset on right of use							
As at 1 January 2022	**79 065**	**5 358**	**14 518**	**2 512**	**48 015**	**44 490**	**193 958**
Depreciation	(950)	-	-	-	(9 109)	-	**(10 059)**
Fair value measurement	-	252	-	-	-	(16 722)	**(16 470)**
Increases	3 618	7 475	-	-	5 318	43 786	**60 197**
Reductions	(24 631)	-	(3 930)	(2 183)	(172)	(523)	**(31 439)**
As at 31 December 2022	**57 102**	**13 085**	**10 588**	**329**	**44 052**	**71 031**	**196 187**

	Perpetual usufruct right				Other agreements		
	Inventory	Investment properties	Investment properties under construction	Assets held for sale	Fixed assets	Investment properties	Total
Lease liabilities							
As at 1 January 2022	**74 834**	**5 358**	**14 396**	**2 512**	**61 025**	**66 869**	**224 994**
Interest expense	2 602	500	720	115	4 870	2 329	**11 136**
Repayment of liabilities	(4 290)	(200)	(726)	(116)	(13 463)	(12 532)	**(31 327)**
Increases	3 618	7 475	-	-	6 185	43 787	**61 065**
Reductions	(22 228)	(208)	(3 930)	(2 182)	(780)	(523)	**(29 851)**
Reclassification	(462)	-	-	-	-	-	**(462)**
As at 31 December 2022	**54 074**	**12 925**	**10 460**	**329**	**57 837**	**99 930**	**235 555**

	Perpetual usufruct right				Other agreements		
	Inventory	Investment properties	Investment properties under construction	Assets held for sale	Fixed assets	Investment properties	Total
Lease liabilities							
short-term	54 074	2 899	726	329	19 861	18 829	**96 718**
long term	-	10 026	9 734	-	37 976	81 101	**138 837**

In the item of increases in right-of-use assets and lease liabilities, mainly new lease agreements concluded in the amount of PLN 43 046 thousand, changes in estimated lease payments in the amount of PLN 3 984 thousand and modifications to lease agreements in the amount of PLN 7 298 thousand were recognised.

The item of decreases in right-of-use assets and lease liabilities is mainly related to sales of investment properties and inventories.

	1.01.2022 - 31.12.2022	1.01.2021 - 31.12.2021
Costs related to the leasing of low-value assets	1 899	815
Costs related to short-term leasing	33 608	22 476
Income from subleasing (subleasing) right-of-use assets	36 841	20 688

The total cash outflow from the repayment of lease liabilities in 2022 amounted to PLN 31,327 thousand (PLN 34,532 thousand at 2021).

Details regarding the operating lease are described in Note 19.

NOTE 29

Change in deferred income tax assets (+) and deferred tax provisions (-) [PLN '000]

	1.01.2022 - 31.12.2022	1.01.2021 - 31.12.2021
Deferred tax at the beginning of the period		
- measurement of financial instruments	(902)	279
- valuation of investment property	(113 230)	(183 762)
- shares in joint ventures *	(13 091)	(9 712)
- tax loss	50 039	39 756
- liabilities due to loans and bonds (measurement, FX differences, etc.)	4 136	8 964
- liabilities due to borrowings (measurement, FX differences, etc.)	(2 114)	(395)
- loan receivables (interest, exchange differences, etc.)	(14 455)	(14 071)
- liabilities related to investment projects (master lease)	1 361	944
- activated costs on projects during construction	9 921	15 112
- costs due to created reserves	12 623	2 929
- IFRS 16	6 364	4 903
- difference between the book value and tax value of inventory	(13 750)	-
- difference between the book value and tax value of prepayments for premises	(12 388)	-
- difference between the book value and tax value of other assets	(12 850)	-
- liabilities and provisions for employee benefits	375	-
- other	(941)	(11 986)
	(98 901)	**(147 039)**
Change in the period		
- measurement of financial instruments	(893)	(1 181)
- valuation of investment property	42 968	70 533
- shares in joint ventures *	(14 217)	(3 378)
- tax loss	(7 396)	10 283
- liabilities due to loans and bonds (measurement, FX differences, etc.)	4 434	(4 828)
- liabilities due to borrowings (measurement, FX differences, etc.)	12 276	(1 719)
- loans receivable (interest, valuation, exchange rate differences, etc.)	(19 013)	(384)
- liabilities related to investment projects (master lease)	2 429	417
- activated costs on projects during construction	11 042	(5 192)
- costs due to created reserves	13 918	9 694
- IFRS 16	304	1 461
- difference between the book value and tax value of inventory	287	(26 138)
- difference between the book value and tax value of prepayments for premises	4 782	-
- difference between the book value and tax value of other assets	201	(12 850)
- liabilities and provisions for employee benefits	788	375
- other	836	11 044
	52 745	**48 138**
Total deferred income tax at the end of the period		
- measurement of financial instruments	(1 795)	(902)
- valuation of investment property	(70 262)	(113 230)
- shares in joint ventures *	(27 307)	(13 091)
- tax loss	42 643	50 039
- liabilities due to loans and bonds (measurement, FX differences, etc.)	8 571	4 136

Change in deferred income tax assets (+) and deferred tax provisions (-) [PLN ‘000]

	1.01.2022 - 31.12.2022	1.01.2021 - 31.12.2021
- liabilities due to borrowings (measurement, FX differences, etc.)	10 687	(2 114)
- loans receivable (interest, valuation, exchange rate differences, etc.)	(33 993)	(14 455)
- liabilities related to investment projects (master lease)	3 790	1 361
- activated costs on projects during construction	20 963	9 921
- costs due to created reserves	26 542	12 623
- IFRS 16	6 668	6 364
- difference between the book value and tax value of inventory	(13 463)	(13 750)
- difference between the book value and tax value of prepayments for premises	(7 606)	(12 388)
- difference between the book value and tax value of other assets	(12 649)	(12 850)
- liabilities and provisions for employee benefits	1 163	375
- other	(108)	(941)
	(46 156)	**(98 901)**
- including:		
Deferred tax assets	94 494	74 015
- change during the year	20 479	17 539
- taking control over subsidiaries	-	31 885
Deferred tax provision	140 651	172 917
- change during the year	(32 266)	(30 601)
- taking control over subsidiaries	-	45 077

* Estimated tax burden related to expected changes in the Group’s structure resulting from the difference between the tax and balance sheet value of interests in joint ventures.

As of 31 December 2022, the Group did not recognize deferred tax assets in the amount of PLN 50,735 thousand due to tax losses.

The expiration dates of the right to reduce income tax arise in 2023 (PLN 7,925 thousand), 2024 (PLN 460,898 thousand), 2025 (PLN 48,877 thousand), 2026 (PLN 53,064 thousand), 2027 (PLN 53,671 thousand).

As at 31 December 2021, the Group did not recognize deferred tax assets in the amount of PLN 27,753 thousand due to tax losses. The expiration dates for the right to reduce the income tax fall in 2022 (PLN 5,559 thousand), 2023 (PLN 14,510 thousand), 2024 (PLN 75,454 thousand), 2025 (PLN 83,048 thousand). PLN) and 2026 (PLN 77,842 thousand).

NOTE 30

Income tax - effective tax rate [PLN ‘000]

	1.01.2022 - 31.12.2022	1.01.2021 - 31.12.2021
1. Profit before tax (gross profit)	**219 001**	**261 892**
2. Income tax calculated according to the parent company tax rate (19%)	41 611	49 760
3. Differences:		
Tax effect of non-taxable income	2 558	(13 784)
Tax effect of income from change in provisions and non-taxable liabilities	(6 560)	(971)
Allowances for expected credit losses - receivables solution	(1 033)	(1 180)
Tax effect of non-deductible costs	7 657	8 288
The tax effect of financial costs that are permanently not tax deductible	2 212	4 184
Financial services above the ebitda limit	17 968	10 265
Utilization of previously unrecognized tax losses	(1 630)	(430)
Tax losses for which deferred income tax has not been recognized	19 970	3 698
Income tax for the preceding years	(1 080)	143
Tax losses from previous years for which deferred income tax was recognized	(3 527)	(2 604)
Interim result of partnerships	2 062	(64)
Provision for the sale of real estate	(14 836)	
Effect of tax rate change	(1 914)	(843)
Unrecognized asset for deferred tax in previous years	(1 003)	
Differences total	**20 844**	**6 702**
Charge on the financial result due to income tax, including	**62 455**	**56 461**
- current tax	(115 200)	(117 794)
- deferred tax	52 745	61 332

NOTE 31

In 2021 the Group's Management Board decided to change the method of presenting revenues and costs by segment. The previous segments "office", "retail" and "other" are now presented as one segment "commercial". The change of presentation results from organizational changes in the Group: joint supervision over the "office" and "retail" segments was taken over by one member of the Management Board. The new way of presentation is therefore in line with the management model.

The strategic steering committee of the Group, which includes the Management Board, analyzes the activity throughout the type of product / service and distinguishes 3 segments: apartments, apartments for rent and commercial properties.

Revenues of all segments of the Group's operations are recognized when the obligation to perform the service is fulfilled, except for revenues from the lease of space, which are recognized in a given period.

Revenues from any of the Group's clients did not exceed 10 percent of the sales revenues generated by the Group in the 12-month period ended on 21 December 2022.

Both in the 2022 and in 2021, the Group generated sales revenues only in Poland.

Selected items of the balance sheet for the period 2022 divided by segments

	Total	Residential	PRS	Commercial properties
Investment property	**1 094 638**	32 938	0	1 061 700
Investment property under construction	**486 625**	0	0	486 625
Investment in associates and joint ventures	**478 180**	0	169 192	308 988
Deferred tax asset	**94 494**	53 403	22	41 069
Inventory	**1 592 886**	1 505 275	656	86 956
Cash and cash equivalents	**941 997**	271 245	237	670 515
Non-current assets (or disposal groups) held for sale	**355 327**	0	0	355 327
Other reportable segment assets	**1 042 865**	404 785	230 963	407 118
Total reportable segment assets	**6 087 012**	**2 267 646**	**401 069**	**3 418 299**
Credits, loans, bonds - Long-term liabilities	**1 609 032**	340 733	131 396	1 136 904
Credits, loans, bonds - Short-term liabilities	**667 979**	154 945	55 484	457 550
Credits, loans, bonds - non-current as- sets classified as held for sale Short-term liabilities	**142 494**	0	0	142 494
Incentive program	**4 330**			4 330
Other liabilities	**293 775**	121 939	4	171 832
Liabilities due to customers	**558 253**	557 425	0	828
Liabilities directly associated with non-current assets classified as held for sale	**45 009**	0	0	45 009
Other reportable segment liabilities	**959 826**	448 542	668	510 615
Total reportable segment liabilities	**4 280 698**	**1 623 584**	**187 552**	**2 469 562**

Selected items of the balance sheet f or the period 2021 divided by segments

	Total	Residential	PRS	Commercial properties
Investment property	**843 576**	32 485	0	811 091
Investment property under construction	**741 663**	1 893	0	739 770
Investment in associates and joint ventures	**336 737**	0	102 981	233 756
Deferred tax asset	**74 016**	43 807	14	30 194
Inventory	**1 602 078**	1 575 598	419	26 060
Cash and cash equivalents	**588 680**	238 865	394	349 421
Non-current assets (or disposal groups) held for sale	**1 381 451**	0	16 977	1 364 475
Other reportable segment assets	**866 678**	238 898	209 507	418 273
Total reportable segment assets	**6 434 880**	**2 131 548**	**330 293**	**3 973 039**
Credits, loans, bonds - Long-term liabilities	**1 626 984**	340 918	109 232	1 176 834
Credits, loans, bonds - Short-term liabilities	**652 574**	122 813	30 763	498 998
Credits, loans, bonds - non-current as- sets classified as held for sale Short-term liabilities	**614 520**	0	0	614 520
Incentive program	**9 059**			9 059
Other liabilities	**206 152**	65 809	385	139 958
Liabilities due to customers	**572 316**	566 129	0	6 187
Liabilities directly associated with non-current assets classified as held for sale	**68 063**	0	19 556	48 507
Other reportable segment liabilities	**821 678**	373 878	922	446 878
Total reportable segment liabilities	**4 571 345**	**1 469 547**	**160 857**	**2 940 941**

Selected items of the profit and loss account for the period 2022 divided by segments

	Total	Residential	PRS	Commercial properties
Revenues	**1 394 306**	1 109 627	16 873	267 806
Revenue from Contracts with Customers	**1 198 900**	1 109 440	16 873	72 587
Rental income	**195 406**	186	0	195 220
Cost of sales	**-901 914**	-732 132	-9 115	-160 666
Gross profit	**492 393**	377 495	7 758	107 140
Profit on investment property	**-37 524**	0	0	-37 524
Revaluation of real estate (profit/loss on fair value measurement)	**26 098**	0	0	26 098
Revaluation of receivable	**-4 884**	-961	0	-3 923
Amortisation	**-15 298**	-8 048	-811	-6 439
Income from borrowings interest with amortized cost	**22 072**	7 589	5 864	8 618
interest expense from credit with amortized cost	**-42 113**	-3 505	-644	-37 964
interest expense from bonds with amortized cost	**-132 555**	-45 779	-7 826	-78 949
Share of profit (loss) of associates and joint ventures	**68 677**	0	69 140	-463
Profit before tax	**219 002**	206 120	61 670	-48 789

Selected items of the profit and loss account for the period 2021 divided by segments

	Total	Residential	PRS	Commercial properties
Revenues	**1 532 665**	1 255 437	22 260	254 968
Revenue from Contracts with Customers	**1 380 469**	1 254 679	22 260	103 530
Rental income	**152 196**	758	0	151 438
Cost of sales	**-1 132 586**	-972 456	-17 656	-142 474
Gross profit	**400 079**	282 981	4 604	112 494
Profit on investment property	**-8 435**	0	0	-8 435
Revaluation of real estate (profit/loss on fair value measurement)	**85 027**	0	0	85 027
Revaluation of receivable	**-1 750**	-690	0	-1 060
Amortisation	**-12 528**	-5 580	-761	-6 187
Income from borrowings interest with amortized cost	**12 599**	15	7 125	5 458
interest expense from credit with amortized cost	**-46 141**	-2 883	-472	-42 786
interest expense from bonds with amortized cost	**-71 208**	-17 615	-2 641	-50 952
Share of profit (loss) of associates and joint ventures	**23 362**	0	42 180	-18 818
Profit before tax	**261 894**	195 538	48 757	17 598

NOTE 32

Sale of investment properties

MidPoint71 office building in Wrocław

A subsidiary of Echo Investment S.A. - Midpoint 71 - Cornwall Investments Sp. z o.o. S.K.A. - entered into an agreement for the sale of the MidPoint71 office building in Wrocław on 30 June 2022 with a company from the group of the Czech Trigea Real Estate Fund.

The transaction value of EUR 109,265 thousand plus VAT was reduced by the value of rent-free periods, rent reductions, as well as other costs, resulting in the amount of EUR 103,863 thousand plus VAT. The amount to be paid at closing was further reduced by, among other things, the value of works related to arranging unleased premises in the building. The amount of these works will be released in parts to the seller after the lease and arrangement works are completed. As a result, the price to be paid at closing was EUR 100,547 thousand plus VAT.

The parties also entered into a building quality guarantee and a rent guarantee agreement. The basic provisions of the rent guarantee agreement stipulate that the seller will cover rent payments and maintenance fees to the buyer for the parts of the building that are not leased and those that are leased, but for which additional conditions are not met (such as delivering to tenants).

After taking into account all costs related to the above transactions, the revaluation of the fair value of the property, the Group recognized the result from the sale of the investment property in 2022 in the amount of (-) PLN 6,066 thousand. The difference between the sale price and historically incurred expenditures amounted to PLN 103,156 thousand.

West 4 Business Hub I office building in Wrocław

A subsidiary of Echo Investment S.A. - Project 17 - Echo Group Sp. z o.o. S.K.A. - entered into a contract for the sale of the West 4 Business Hub I office building in Wrocław on 20 January 2022 with a company from the Solida Capital group.

The transaction value of EUR 39,025 thousand plus VAT was reduced by the value of rent-free periods, rent reductions, as well as other costs, and ultimately amounted to EUR 38,158 thousand plus VAT. The amount to be paid at closing was further reduced by the value of fit-out works and related to the removal of defects. As a result, the price payable at closing was EUR 35,380 thousand plus VAT. In addition, after closing, the seller will receive the separate remuneration related to the implementation of the fit-out works on the tenants' spaces and the removal of defects, in the total amount of EUR 2,778 thousand plus VAT.

The parties also entered into a building quality guarantee agreement, a rent guarantee agreement, a fit-out agreement and a good neighbor agreement. The basic provisions of the rent guarantee agreement stipulate that the seller will cover rent payments and maintenance fees to the buyer for the parts of the building that are not leased and those that are leased, but for which additional conditions (such as delivering to tenants) are not met. The basic provisions of the fit-out agreement stipulate that the seller will be appointed as a contractor for certain fit-out works within the premises of the building. The basic provisions of the good-neighbor agreement regulates certain rights and obligations of the parties in connection with the future use of the property and other plots of land owned by the seller.

After taking into account any costs associated with the transaction, the revaluation of the fair value of the property, the Group recognized the result from the sale of the investment property in 2022 in the amount of (-) PLN 2,990 thousand.

The difference between the sale price and historically incurred expenditures amounted to PLN 29,168 thousand.

Office buildings C, D and J in the Fuzja project in Łódź

A subsidiary of Echo Investment S.A. - Projekt Echo 130 Sp. z o.o. - entered into a contract for the sale of office buildings C, D and J, which are part of the Fuzja complex in Łódź, on 30 June 2022 with a KGAL Group company.

Office buildings C and D are already completed, while building J is under construction, and the seller agreed to complete it.

The parties also entered into quality guarantee agreements for all buildings, a rent guarantee agreement and a fit-out agreement. The basic provisions of the rent guarantee agreement stipulate that the seller will cover rent payments and maintenance fees to the buyer for the parts of the buildings that are not leased and those that are leased and for which rent reductions or rent-free periods were applied. The basic provisions of the fit-out contract provide for the seller's obligation to carry out fit-out and construction works on the property.

The value of the transaction on the date of the agreement amounted to EUR 56,701 thousand plus VAT. The amount payable at closing was calculated based on the value of the transaction less, among other things, the amount of the value of rent-free periods, rents on spaces not delivered to tenants, fit-out and construction works (including works related to the removal of possible defects), as well as other costs. As a result, the price payable at closing was EUR 42,989 thousand plus VAT.

After closing, the seller will receive the separate remuneration related to the implementation of fit-out works within the tenants' spaces and the removal of any defects, in the total amount of EUR 3,055 thousand plus VAT, as well as the remuneration related to the construction and obtaining of the occupancy permit for Building J and the removal of any defects, in the amount of EUR 4,100 thousand plus VAT.

After taking into account all costs related to the transaction, the revaluation of the fair value of the property, the Group recognized the result from the sale of the investment property in 2022 in the amount of PLN 553 thousand.

The difference between the sale price and historically incurred expenditures amounted to PLN 39,135 thousand.

Face2Face I and II office buildings in Katowice

A subsidiary of Echo Investment S.A.- Face2Face - Stranraer Sp. z o.o. S.K.A., based in Kielce - entered into a contract on 23 December 2022 with Huramitell Investments Sp. z o.o., based in Warsaw, for the sale of Face2Face Phase I and Phase II office buildings in Katowice.

The transaction value of EUR 112,991 thousand plus VAT was reduced by, among other things, the amount of the value of rent-free periods and other costs and ultimately amounted to EUR 111,723 thousand plus VAT.

The parties also entered into a quality guarantee agreement regarding the Buildings and a rent guarantee agreement. The basic provisions of the Quality Guarantee Agreement state that a quality guarantee is provided to the Buyer for the Buildings and structures located on the Land, as well as for the as-built documentation, including quality guarantees for the designs. The basic provisions of the Rent Guarantee Agreement provide for a guarantee in favor of the Buyer that the Seller will cover rent payments and service charges with respect to non-leased premises in the Buildings, including rent reductions relating to such non-leased premises.

After taking into account all transaction-related costs, the Group recognized the result from the sale of investment properties in 2022 in the amount of (-) PLN 14,147 thousand.

The difference between the sale price and historically incurred expenditures amounted to PLN 110,791 thousand.

Land property in Poznań at Hetmańska Street

A subsidiary of Echo Investment S.A. - Metropolis - Project Echo 121 Sp. z o.o. S.K.A. - entered into a contract on 12 May 2022 with Giant Invest Sp. z o.o., based in Poznań, for the sale of a non-developed property in Poznań, at Hetmańska Street. The value of the transaction amounted to PLN 79,000 thousand plus VAT.

After taking into account all costs related to the transaction, the revaluation of the fair value of the property, the Group recognized the result from the sale of the investment property in 2022 in the amount of PLN 13,826 thousand.

NOTE 33

Change of liabilities resulting from financial activity [PLN ‘000]

	liabilities due to loans, borrowings and bonds	liabilities due to dividends
opening balance as at 1.01.2022	**2 894 078**	**-**
Cash flows		
- inflows	554 772	-
- outflows	(639 981)	(99 994)
Non-cash changes	(389 363)	190 786
		-
- accrued interest	99 962	-
- valuation of FX differences	15 448	-
- valuation by effective interest rate	865	-
- loan repayment with investment receivables*	(647 807)	-
- repayment with a loan from liabilities**	142 169	-
- distribution of the result and a resolution on the advance payment		190 786
closing balance as at 31.12.2022	**2 419 506**	**90 792**
opening balance as at 1.01.2021	**2 808 304**	**-**
Cash flows		
- taking control over subsidiaries	256 149	
- inflows	509 365	-
- outflows	(748 375)	-
Non-cash changes	68 635	-
		-
- accrued interest	102 069	-
- valuation of FX differences	(8 549)	-
- valuation by effective interest rate	(631)	-
- loan repayment with investment receivables	(480 833)	-
- repayment with a loan from liabilities	456 579	-
closing balance as at 31.12.2021	**2 894 078**	**-**

* repayment of the loan by the buyer of the real estate, bypassing the Group’s bank accounts (with funds from the sold real estate)
** repayment of liabilities by taking out a loan, excluding the Group’s bank accounts

Change of short-term liabilities, excluding borrowings and loans [PLN '000]

	1.01.2022—31.12.2022	1.01.2021—31.12.2021
Change of short-term liabilities, excluding borrowings and loans, including	**194 104**	**(116 814)**
- due to deferred income	(41 819)	(82 666)
- due to trade liabilities and others	98 406	10 753
- due to other tax liabilities	131 988	(1 144)
- due to liabilities on residential deposits on escrow accounts	13 950	(6 623)
- due to liabilities on deposits received from sybcontractors and advance payment received	10 660	(46 955)
- due to liabilities on deposits received from sybcontractors and advance payment received	(20 094)	9 821
- due to liabilities an assets held for sale	1 013	-

Additional explanations to the consolidated statement of cash flows

In the consolidated statement of cash flows, the lessee classifies within financing activities:
- cash payments of the principal plus interest.

In contrast, within operating activities it classifies:
- short-term lease payments,
- lease payments including low-value assets, and
- variable lease payments not included in the valuation of the lease liability.

Information on financial instruments

The Group classifies its financial assets into the following categories:
- financial assets measured at amortised cost,
- financial assets measured at fair value through other comprehensive income,
- financial assets measured at fair value through profit or loss.

The classification of components is made at initial recognition. It depends on what model the entity adopted to manage the financial instruments and its analysis of the characteristics of the contractual cash flows of these instruments.

Instrument type	Note	Classification according to IFRS 9	Carrying amount as at 31.12.2022	Carrying amount as at 31.12.2021
Financial assets				
Long-term loans granted	8	Amortized cost	319 236	297 163
Short-term loans granted	8	Amortized cost	15 327	41 920
Trade and other receivables	10	Amortized cost	315 465	101 498
Derivative financial instruments	13	Fair value through profit or loss	26 617	18 922
Cash and other cash assets	14	Amortized cost	1 030 911	673 885
Financial liabilities				
Liabilities due to issue of debt securities	17	Amortized cost	1 554 491	1 640 653
Profit share liabilities	17	Amortized cost	15 706	42 425
Derivative financial instruments	18	Fair value through profit or loss	-	1 188
Trade and other liabilities	18	Amortized cost	461 957	498 319
Leasing liabilities	18, 28	Measurement outside the scope of IFRS 9	235 555	224 994
Credits and loans	17	Amortized cost	849 309	1 211 000

Loans granted, trade receivables and other receivables are measured by the Group at amortised cost, as two conditions are met for them:
1. assets are held as part of the business model, the intention of which is to hold assets in order to receive contractual flows.
2. contractual terms and conditions of these financial assets result in cash flows at specified times that represent solely repayment of principal and interest on the outstanding portion of the principal.

“In accordance with IFRS 9, at each reporting date the Group estimates the amount of the impairment loss equal to the expected credit losses
- in the next 12 months, if credit risk associated with a given instrument did not significantly increase since the initial recognition of the instrument, or
- by the end of the expected life of the financial asset, if credit risk associated with the instrument increased significantly from initial recognition of the instrument and if a default occurred, which is identified after 90 days from the maturity date.

In determining the future expected credit loss, the Group considers all reasonable and confirmed information, including information that relates to the future. The Group will apply the permitted simplified impairment measurement on the basis of expected lifetime losses for all receivables in the range provided for in IFRS 9. For trade receivables, the Group applies the simplified approach and therefore does not monitor changes in credit risk during the life and measures the impairment loss at the amount equal to the expected credit losses over the life horizon of the receivables. The Group uses a provision matrix performed on the basis of historical data on the repayment of receivables by contractors to calculate the impairment loss on trade receivables. In addition, the Group individually analyses trade and other receivables with a significant degree of probability of irrecoverability, in cases justified by the nature of its business or the structure of its clients - and recognises a write down at a reliably estimated value. The classification of an asset into this category is made on the basis of information about the current financial position of the contractor and information about other events that may have a significant impact on the recoverability of the asset. The impairment loss is updated at each reporting date.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 related to the IBOR reform. In response to the expected reform of reference rates (IBOR reform), the International Accounting Standards Board published the second part of the amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. The amendments relate to accounting issues that will arise when instruments IBOR-based financial institutions will switch to the new interest rates. The changes from January 1, 2021 introduced a number of guidelines and exemptions, in particular a practical simplification in the case of modifications of contracts required by the reform, which will be accounted for by updating the effective interest rate, exemption from the obligation to terminate hedge accounting, temporary exemption from the need to identify the risk component, and also the obligation to include additional disclosures. The above-mentioned the changes have been analyzed by the Management Board of the Group and do not have a significant impact on the financial position, results of the Group's operations, or the scope of information presented in these interim condensed financial statements. The interest rates on which financial instruments are based continue to be published and comply with the BMR. The National Benchmark Reform Working Group (NGR), established by the Office of the Polish Financial Supervision Authority, is working on the implementation of a new RFR-type benchmark - WIRON (Warsaw Interest Rate Overnight), which will replace WIBOR and WIBID. The Roadmap published by NGR explains that the change is taking place under the BMR Regulation as part of the IBOR reform. Completion of the reform is planned by the end of 2024, while the implementation by market participants of a new offer of financial products using the WIRON index is planned for 2023 and 2024. The method of replacing the existing rates by WIRON will be regulated in the Ordinance of the Minister of Finance planned for 2023, which will specify replacement dates and adjustment spread. The assumptions of the Road Map also indicate that the WIBOR and WIBID reference indices will cease to be published from the beginning of 2025. The Management Board monitors the introduced changes and as at the date of preparation of the separate financial statements is not able to clearly determine the impact of the reform.

List of mortgages on Echo Investment Group's inventories

Company	Real estate	Assets value [PLN '000]	Mortgage value [EUR'000]	Mortgage value [PLN '000]	For	Comment
Projekt Beethovena - Projekt Echo 122 Sp. z o.o. S.K.A.	Warszawa, ul. Beethovena	172 335	75 420	42 450	Bank PKO BP S.A.	due to the financing of the Moje Miejsce II in Warsaw
				24 000		
Galeria Libero - Projekt Echo 120 Sp. z. o.o. Sp. k.	Katowice, ul. Kościuszki	595 400	50 675	33 000	Santander Bank Polska S.A.	due to the financing of the Libero shopping center in Katowice
				9 000		
			50 675	20 850	BNP Paribas Bank Polska S.A.	
				9 000		
Echo - Arena Sp. z o.o.	Kraków, Al.Pokoju / ul. Fabryczna	329 219	131 120	119 100	Bank PKO BP S.A. oraz Pekao S.A.	due to the financing of the Brain Park I and II in Cracow
				18 000		
Fianar Investments Sp. z.o.o	Kraków, ul. Kapelanka	138 142	31 005		Topaz Jewel Sp. z.o.o.	security of pecuniary receivable debts in connection with the real estate purchase transaction in Cracow at Kapelanka street
			5 704		Pearl Jewel Sp. z o.o.	security of pecuniary receivable debts due the real estate purchase transaction in Poznań and Łódź
			5 070			
Archicom Nieruchomości 14 Sp. z o.o.	Wrocław / Góralska etap 2	148 138	35 200	8 000	Bank Pekao S.A.	due to the financing of the City Forum 2 project
				24 000		
Projekt 140 — Grupa Echo Sp. z o.o. Sp.k.	Katowice, ul. Skargi	11 000		120 000*	Bank Pekao S.A.	due to the credit concluded by PE 129 Sp. z o.o.
GRO Nieruchomości Sp. z o.o.	Kraków, ul. Żelazna / ul. Kątowa	21 440				
Projekt 139 - Grupa Echo Sp. z o.o. Sp.k.	Wrocław, ul. Swobodna	44 000				
Potton Sp. z o.o.	Poznań, ul. Opieńskiego	21 800				
Villea Investments Sp. z o.o	Kraków, ul. Wita Stwosza	61 218				
Total		**1 542 691**				

* The mortgage of this value applies to both investment properties and inventories as a whole, these amounts should not be considered individually.

List of mortgages on the inventories of Echo Investment Group's inventories

Company	Real estate	Assets value [PLN '000]	Mortgage value [EUR'000]	Mortgage value [PLN '000]	For	Comment
Archicom Nieruchomości 9 Sp. z o.o.	Wrocław, ul. Góralska (etap 2)	9 144		3 000	mBank S.A.	due to the financing of ongoing operations of Archicom Sp. z o.o. Realizacja Inwestycji Sp.k.
Archicom Nieruchomości JN1 Sp. z o.o.	Wrocław, Browary Wrocławskiej (bud. BA2, BA3), al. Jedności Narodowej	87 718		120 000	Bank PKO BP S.A.	due to the bank overdraft facility granted to Archicom S.A.
Archicom Residential Sp. z o.o.	Wrocław, Kępa Mieszczańska (bud. KM4), ul. Dmowskiego	42 731				
Projekt Echo - 143 Sp. z o.o. S.K.A.	Warszawa, al. KEN	88 035	120 000*		Bank Pekao S.A.	due to the loan concluded by PE 129 Sp. z o.o.
Total		**227 628**				

* The mortgage of this value applies to both investment properties and inventories as a whole, these amounts should not be considered individually.

NOTE 36

The impact of the war in Ukraine on the operations and results of the Company and its Group in the future

Echo Investment Group has not yet identified any circumstances that could constitute specific risk factors resulted directly from the invasion of Ukraine by the Russian Federation or the economic sanctions imposed on Russia and Belarus. Echo Investment S.A. and its group of companies do not conduct any activities in the territory of Ukraine, Russia or Belarus.

In the Group management's opinion, these events have an impact on the Group's activity as well as the financial and operating condition, however, this impact is indirect and combined with a number of other macroeconomic and geopolitical factors. The war and its immediate aftermath - sanctions in particular - contributed to instability in the global markets of energy resources and building materials, but the degree of this impact cannot be determined.

The Group monitors the potential impact of the war on operating activities, financial results and development prospects. In particular, this includes monitoring the availability of workforce, prices and availability of major building materials and fuels. Currently, the risk of labor shortage is assessed as low. After a short period of turmoil, the situation on the building materials and fuels market stabilizes. At present, the Group has not identified specific risks that directly result from the war and significantly affect its operating activities, financial results and development prospects.

Due to the dynamics of the situation in Ukraine, the Group is not able to exclude new risk factors in the future that may affect the business, financial and operating situation. If such risks are revealed, Echo Investment S.A. provides information on new conditions that have a significant impact on the business, financial results or prospects, in a manner prescribed by law and to the extent required.

CHAPTER 3

Information on financial statement of the Group

Pic. Apartments for rent Resi4Rent - penthouse in Browary Warszawskie

01 Echo Investment Group

Composition of the Group

As at 31 December 2022 the Capital Group included 163 subsidiaries consolidated according to the full method and 36 jointly controlled companies valued according to the equity method.

The most important role in the Group's structure belongs to Echo Investment S.A., which supervises, co-delivers and provides funds for carrying out ongoing developer projects. Most of the Group's companies have been established or acquired for the purpose of carrying out specific project-based tasks, including those arising from the process of execution of specific projects.

Echo Investment S.A. indirectly - through DKR Echo Investment Sp. z o.o. and DKR Echo Invest S.A. - is a major shareholder of Archicom S.A., in which it held 71.48 percent of shares entitling it to 70.41 percent of votes at the General Meeting of Shareholders as at 31 December 2022. Echo Investment S.A. consolidates all companies of the Archicom S.A. group according to the full method.

The Echo Investment Group also includes Echo Investment ACC - Grupa Echo Sp. z o.o. Sp. k., which acts as an accounting and clearing centre for most of the Group's companies.

The Group also holds minority interests in a number of joint ventures - mostly in companies owning finished, under construction or planned projects with apartments for rent Resi4Rent, the shopping centre Galeria Młociny in Warsaw or the planned multifunctional project Towarowa 22 in Warsaw.

Subsidiaries

No	Subsidiary	Registered office	% of capital held	Parent entity
1	Avatar - Grupa Echo Sp. z o.o. S.K.A.	Kielce	100%	Echo Investment S.A.
2	Bełchatów - Grupa Echo Sp. z o.o. S.K.A. w likwidacji	Kielce	100%	Echo Investment S.A.
3	City Space - GP Sp. z o.o.	Warsaw	100%	Echo Investment S.A.
4	Rondo 1 City Space - GP Sp. z o.o. Sp.k.	Warsaw	100%	City Space Management Sp. z o.o.
5	City Space Management Sp. z o.o.	Warsaw	100%	Echo Investment S.A.
6	Cornwall Investments Sp. z o.o.	Warsaw	100%	Echo Investment S.A.
7	Dagnall Sp. z o.o.	Warsaw	100%	Echo Investment S.A.
8	Dellia Investments - Projekt Echo 115 Sp. z o.o. Sp.k.	Kielce	100%	Pudsey Sp z o.o.
9	Doxent Investments Sp. z o.o.	Warsaw	100%	Echo Investment S.A.
10	Duże Naramowice - Projekt Echo 111 Sp. z o.o. S.K.A.	Kielce	100%	Echo Investment S.A.
11	Echo - Advisory Services Sp. z o.o.	Kielce	100%	Echo Investment S.A.
12	Echo - Arena Sp. z o.o.	Kielce	100%	Echo Investment S.A.
13	Echo - Aurus Sp. z o.o.	Kielce	100%	Echo Investment S.A.

Subsidiaries

No	Subsidiary	Registered office	% of capital held	Parent entity
14	Echo - Browary Warszawskie Sp. z o.o.	Kielce	100%	Echo Investment S.A.
15	Echo - Browary Warszawskie Sp. z o.o. Sp.k.	Kielce	100%	Echo Investment S.A.
16	Galaxy - Grupa Echo Sp. z o.o. S.K.A.	Kielce	100%	Echo Investment S.A.
17	Echo - Nowy Mokotów Sp. z o.o.	Kielce	100%	Echo Investment S.A.
18	Echo - Nowy Mokotów Sp. z o.o. Sp.k.	Kielce	100%	Echo-Browary Warszawskie Sp. z o.o. S.k.
19	Echo - Opolska Business Park Sp. z o.o. w likwidacji	Kielce	100%	Echo Investment S.A.
20	Opolska Business Park — Grupa Echo Sp. z o.o. Sp.k.	Warsaw	100%	Pudsey Sp. z o.o.
21	Echo - Property Poznań 1 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
22	Echo - SPV 7 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
23	Echo Investment ACC - Grupa Echo Sp. z o.o. Sp.k.	Kielce	100%	Echo Investment S.A.
24	Echo Investment Project 1 S.R.L.	Brasov	100%	Echo - Aurus Sp. z o.o.
25	Echo Investment Project Management S.R.L.	Brasov	100%	Echo Investment S.A.
26	Elektrownia RE Sp. z o.o.	Kielce	100%	Echo Investment S.A.
27	Fianar Investments Sp. z o.o.	Warsaw	100%	Echo Investment S.A.
28	Galeria Libero - Projekt Echo 120 Sp. z o.o. Sp.k.	Kielce	100%	Fianar Investments Sp. z o.o.
29	Galeria Nova - Grupa Echo Sp. z o.o. S.K.A.	Kielce	100%	Echo Investment S.A.
30	Galeria Tarnów - Grupa Echo Sp. z o.o. S.K.A.	Kielce	100%	Echo Investment S.A.
31	Gosford Investments Sp. z o.o.	Warsaw	100%	Echo Investment S.A.
32	GRO Nieruchomości Sp. z o.o.	Kraków	100%	Echo Investment S.A.
33	Grupa Echo Sp. z o.o.	Kielce	100%	Echo Investment S.A.
34	Kielce - Grupa Echo Sp. z o.o. S.K.A. w likwidacji	Kielce	100%	Echo Investment S.A.
35	Malta Office Park - Grupa Echo Sp. z o.o. S.K.A.	Kielce	100%	Echo Investment S.A.
36	Metropolis - Projekt Echo 121 Sp. z o.o. S.K.A.	Kielce	100%	Echo Investment S.A.
37	Oxygen - Grupa Echo Sp. z o.o. S.K.A. w likwidacji	Kielce	100%	Echo Investment S.A.
38	Park Rozwoju III — Grupa Echo Sp. z o.o. Sp.k.	Kielce	100%	Pudsey Sp. z o.o.
39	Perth Sp. z o.o.	Warsaw	100%	Echo Investment S.A.
40	PHS - Grupa Echo Sp. z o.o. Sp.k.	Warsaw	100%	Echo Investment S.A.
41	Potton Sp. z o.o.	Warsaw	100%	Echo Investment S.A.
42	PPR - Grupa Echo Sp. z o.o. S.K.A.	Kielce	100%	Echo Investment S.A.
43	Princess Investment Sp. z o.o.	Kielce	100%	Echo Investment S.A.
44	Projekt 1 - Grupa Echo Sp. z o.o. S.K.A. w likwidacji	Kielce	100%	Echo Investment S.A.
45	Projekt 12 - Grupa Echo Sp. z o.o. S.K.A.	Kielce	100%	Echo Investment S.A.
46	React - Dagnall Sp. z o.o. S.K.A.	Kielce	100%	Potton Sp. z o.o.
47	Projekt 16 - Grupa Echo Sp. z o.o. S.K.A.	Kielce	100%	Echo Investment S.A.
48	Projekt 17 - Grupa Echo Sp. z o.o. S.K.A.	Kielce	100%	Echo Investment S.A.
49	Cinema Asset Manager - Grupa Echo Sp. z o.o. S.K.A.	Kielce	100%	Echo Investment S.A.
50	Face2Face - Stranraer Sp. z o.o. S.K.A.	Kielce	100%	Echo Investment S.A.
51	Midpoint 71 - Cornwall Investments Sp. z o.o. S.K.A.	Kielce	100%	Echo Investment S.A.
52	Projekt 5 - Grupa Echo Sp. z o.o. S.K.A. w likwidacji	Szczecin	100%	Echo - Aurus Sp. z o.o.
53	Projekt Beethovena - Projekt Echo 122 Sp. z o.o. S.K.A.	Kielce	100%	Echo Investment S.A.
54	Projekt CS Sp. z o.o. w likwidacji	Kielce	100%	Echo Investment S.A.
55	Projekt Echo 104 Sp. z o.o. w likwidacji	Kielce	100%	Echo Investment S.A.
56	Projekt Echo 108 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
57	Projekt Echo 111 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
58	Projekt Echo 112 Sp. z o.o. w likwidacji	Kielce	100%	Echo Investment S.A.
59	Projekt Echo 113 Sp. z o.o. w likwidacji	Kielce	100%	Echo Investment S.A.

Subsidiaries

No	Subsidiary	Registered office	% of capital held	Parent entity
60	Projekt Echo 115 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
61	Projekt Echo 116 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
62	Projekt Echo 120 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
63	Projekt Echo 121 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
64	Projekt Echo 122 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
65	Projekt Echo 123 Sp. z o.o.	Kielce	100%	Galeria Nova - Grupa Echo Sp. z o.o. S.K.A.
66	Projekt Echo 127 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
67	Projekt Echo 128 Sp. z o.o. w likwidacji	Kielce	100%	Echo Investment S.A.
68	Projekt Echo 129 Sp. z o.o.	Kielce	100%	Selmer Investments Sp. z o.o. Sp.k.
69	Projekt Echo 130 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
70	Projekt Echo 131 Sp. z o.o. w likwidacji	Kielce	100%	Echo Investment S.A.
71	Projekt Echo 135 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
72	Projekt Echo 135 Sp. z o.o. Sp.k.	Kielce	100%	Pudsey Sp. z o.o.
73	Projekt Echo 136 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
74	Projekt Echo 136 Sp. z o.o. Sp.k.	Kielce	100%	Echo Investment S.A.
75	Projekt Echo 137 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
76	Projekt 139 - Grupa Echo Sp. z o.o. Sp.k.	Kielce	100%	Echo Investment S.A.
77	Projekt 140 - Grupa Echo Sp. z o.o. Sp.k.	Kielce	100%	Echo Investment S.A.
78	Projekt 144 - Grupa Echo Sp. z o.o. Sp.k.	Kielce	100%	Echo - Arena Sp. z o.o.
79	Projekt Echo 93 Sp. z o.o. w likwidacji	Kielce	100%	Echo Investment S.A.
80	Projekt Echo 99 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
81	Projekt Naramowice - Grupa Echo Sp. z o.o. S.K.A.	Kielce	100%	Echo Investment S.A.
82	Projekt Saska Sp. z o.o.	Kielce	95%	Echo Investment S.A.
83	Pudsey Sp. z o.o.	Warsaw	100%	Echo Investment S.A.
84	Pure Systems Sp. z o.o. w likwidacji	Kraków	100%	Echo Investment S.A.
85	Q22 - Grupa Echo Sp. z o.o. Sp.k.	Kielce	100%	Pudsey Sp. z o.o.
86	Sagittarius - Projekt Echo 113 Sp. z o.o. Sp.k.	Kielce	100%	Pudsey Sp. z o.o.
87	Seaford Sp. z o.o.	Warsaw	100%	Echo Investment S.A.
88	Selmer Investments Sp. z o.o.	Warsaw	100%	Echo Investment S.A.
89	Selmer Investments Sp. z o.o. Sp.k.	Warsaw	100%	Echo Investment S.A.
90	Senja 2 Sp. z o.o.	Warsaw	100%	Echo - Browary Warszawskie Sp. z o.o. Sp.k.
91	Stranraer Sp. z o.o.	Warsaw	100%	Echo Investment S.A.
92	Strood Sp. z o.o.	Warsaw	100%	Echo Investment S.A.
93	Swanage Sp. z o.o.	Warsaw	100%	Echo Investment S.A.
94	Symetris - Grupa Echo Sp. z o.o. Sp.k.	Warsaw	100%	Gosford Investments Sp. z o.o.
95	Taśmowa - Projekt Echo 116 Sp. z o.o. S.K.A.	Kielce	100%	Echo Investment S.A.
96	ZAM - Projekt Echo 127 Sp. z o.o. Sp.k.	Warsaw	100%	Perth Sp. z o.o.
97	Villea Investments Sp. z o.o.	Warsaw	100%	Echo Investment S.A.
98	Bowen Sp. z o.o.	Kielce	100%	Echo - Browary Warszawskie Sp. z o.o. Sp.k.
99	RPGZ IX Sp. z o.o.	Kraków	100%	Echo Investment S.A.
100	Projekt Echo 139 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
101	Projekt Echo 140 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
102	Projekt Echo 141 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
103	Projekt Echo 142 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
104	Projekt Echo 143 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
105	Projekt Echo 144 Sp. z o.o.	Kielce	100%	Echo Investment S.A.

Subsidiaries

No	Subsidiary	Registered office	% of capital held	Parent entity
106	Projekt Echo 145 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
107	DKR Echo Invest S.A.	Kielce	100%	Echo Investment S.A.
108	DKR Echo Investment Sp. z o.o.	Kielce	100%	Echo Investment S.A.
109	Archicom S.A.	Wrocław	79,79%	DKR Echo Investment sp. z o.o./ DKR Echo Invest S.A.
110	Archicom Residential Sp. z o. o.	Wrocław	79,79%	Archicom S.A.
111	Archicom Residential 2 Sp. z o. o.	Wrocław	79,79%	Archicom S.A.
112	Archicom Sp. z o.o.	Wrocław	79,79%	Archicom S.A.
113	Archicom Consulting Sp. z o.o.	Wrocław	79,79%	Archicom S.A.
114	Archicom Stabłowice Sp. z o.o.	Wrocław	79,79%	Archicom Consulting Sp. z o.o.
115	Archicom Jagodno 5 Sp. z o.o.	Wrocław	79,79%	Archicom S.A.
116	Bartoszowice 1 Sp. z o.o.	Wrocław	79,79%	Archicom S.A.
117	Archicom Nieruchomości Sp. z o.o.	Wrocław	79,79%	Archicom Holding Sp. z o.o.
118	Archicom Nieruchomości 2 Sp. z o.o.	Wrocław	79,79%	Archicom S.A.
119	Archicom Nieruchomości 3 Sp. z o.o.	Wrocław	79,79%	Archicom Nieruchomości Sp. z o.o.
120	Archicom Nieruchomości 4 Sp. z o.o.	Wrocław	79,79%	Archicom S.A.
121	Archicom Nieruchomości 5 Sp. z o.o.	Wrocław	79,79%	Archicom S.A.
122	Archicom Nieruchomości 6 Sp. z o.o.	Wrocław	79,79%	Archicom S.A.
123	Archicom Nieruchomości 7 Sp. z o.o.	Wrocław	79,79%	Archicom S.A.
124	Archicom Nieruchomości 8 Sp. z o.o.	Wrocław	79,79%	Archicom S.A.
125	Archicom Nieruchomości 9 Sp. z o.o.	Wrocław	79,79%	Archicom S.A.
126	Archicom Nieruchomości 10 Sp. z o.o.	Wrocław	79,79%	Archicom Consulting Sp. z o.o.
127	Archicom Nieruchomości 11 Sp. z o.o.	Wrocław	79,79%	Archicom S.A.
128	Archicom Nieruchomości 12 Sp. z o.o.	Wrocław	79,79%	Archicom S.A.
129	Archicom Nieruchomości 14 Sp. z o.o.	Wrocław	79,79%	Archicom S.A.
130	Archicom Poznań Sp. z o.o.	Wrocław	79,79%	Archicom S.A.
131	Archicom Nieruchomości 17 Sp. z o.o.	Wrocław	79,79%	Archicom Nieruchomości 20 Sp. z o.o.
132	Archicom Nieruchomości 18 Sp. z o.o.	Wrocław	79,79%	Archicom S.A.
133	Archicom Nieruchomości 19 Sp. z o.o.	Wrocław	79,79%	Archicom S.A.
134	Archicom Nieruchomości JN1 Sp. z o.o.	Wrocław	79,79%	Altona Investments Sp. z o.o.
135	Archicom Nieruchomości JN2 Sp. z o.o.	Wrocław	79,79%	Archicom S.A.
136	Archicom Nieruchomości JN3 Sp. z o.o.	Wrocław	79,79%	Archicom S.A.
137	Archicom Nieruchomości Club House Sp. z o.o.	Wrocław	79,79%	Archicom S.A.
138	Archicom Nieruchomości Residential Sp. z o.o.	Wrocław	79,79%	Archicom Residential 2 Sp. z o.o.
139	Archicom Holding Sp. z o. o.	Wrocław	79,79%	Archicom Consulting Sp. z o.o.
140	Archicom Cadenza Hallera Sp. z o.o.	Wrocław	79,79%	Archicom S.A.
141	Archicom Lofty Platinum 1 Sp. z o.o.	Wrocław	79,79%	Archicom S.A.
142	Archicom Jagodno Sp. z o.o.	Wrocław	79,79%	Archicom Consulting Sp. z o.o.
143	Archicom Jagodno Sp. z o.o. Sp.k.	Wrocław	79,79%	Archicom S.A.
144	Archicom Marina 3 Sp. z o.o.	Wrocław	79,79%	Archicom S.A.
145	Archicom Marina 4 Sp. z o.o.	Wrocław	79,79%	Archicom S.A.
146	Archicom Marina 5 Sp. z o.o.	Wrocław	79,79%	Archicom S.A.
147	TN Stabłowice 1 Sp. z o.o.	Wrocław	79,79%	Archicom S.A.
148	Archicom Dobrzykowice Park Sp. z o.o.	Wrocław	79,79%	Archicom Consulting Sp. z o.o.
149	Archicom Byczyńska 1 Sp. z o.o.	Wrocław	79,79%	Archicom S.A.
150	Archicom Nieruchomości 20 Sp. z o.o.	Wrocław	79,79%	Archicom Consulting Sp. z o.o.

Subsidiaries

No	Subsidiary	Registered office	% of capital held	Parent entity
151	Space Investment Strzegomska 3 Otyńska Sp. z o.o.	Wrocław	79,79%	Archicom S.A.
152	Space Investment Strzegomska 3 Kamieńskiego Sp. z o.o.	Wrocław	79,79%	Archicom S.A.
153	Archicom Investment Sp. z o.o.	Wrocław	79,79%	Archicom S.A.
154	Strzegomska Nowa Sp. z o.o.	Wrocław	79,79%	AD Management Sp. z o.o.
155	AD Management Sp. z o.o.	Wrocław	79,79%	Archicom Consulting Sp. z o.o.
156	Archicom Sp. z o.o. Realizacja Inwestycji Sp.k.	Wrocław	79,79%	Archicom S.A.
157	Archicom Asset Management Sp. z o.o.	Wrocław	79,79%	Archicom S.A.
158	Archicom Fin Sp. z o.o.	Wrocław	79,79%	Archicom S.A.
159	P16 Inowrocławska Sp. z o.o.	Wrocław	79,79%	Archicom S.A.
160	Altona Investments Sp. z o .o.	Wrocław	79,79%	Archicom Nieruchomości Residential Sp. z o.o.
161	Archicom RW Sp. z o.o.	Wrocław	79,79%	Archicom S.A.
162	Archicom Wrocław Sp. z o.o.	Wrocław	79,79%	Archicom S.A.
163	Archicom Łódź Sp. z o.o.	Wrocław	79,79%	Archicom S.A.

Joint ventures

No	Subsidiary	Registered office	% of capital held	Parent entity
Galeria Młociny				
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.
Towarowa 22				
3	Projekt Echo 138 Sp. z o.o. Sp.k.	Warsaw	30%	Strood Sp. z o.o.
4	Projekt Echo 138 Sp. z o.o.	Warsaw	30%	Echo Investment S.A.
Resi4Rent				
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.
11	R4R Poznań Szczepanowskiego Sp. z o.o.	Warsaw	30%	R4R Poland Sp. z o.o.
12	R4R Warszawa Taśmowa Sp. z o.o.	Warsaw	30%	R4R Poland Sp. z o.o.
13	R4R Warszawa Woronicza Sp. z o.o.	Warsaw	30%	R4R Poland Sp. z o.o.
14	R4R Gdańsk Kołobrzeska Sp. z o.o.	Warsaw	30%	R4R Poland Sp. z o.o.
15	R4R RE Sp. z o.o.	Warsaw	30%	R4R Poland Sp. z o.o.
16	R4R Kraków 3 Maja Sp. z o.o.	Warsaw	30%	R4R Poland Sp. z o.o.
17	R4R Warszawa Wilanowska Sp. z o.o.	Warsaw	30%	R4R Poland Sp. z o.o.
18	R4R RE Wave 3 Sp. z o.o.	Warsaw	30%	R4R Poland Sp. z o.o.
19	R4R Wrocław Jaworska II Sp. z o.o.	Warsaw	30%	R4R Poland Sp. z o.o.
20	Pimech Invest Sp. z o.o.	Warsaw	30%	R4R Poland Sp. z o.o.

Joint ventures

No	Subsidiary	Registered office	% of capital held	Parent entity
21	M2 Hotel Sp. z o.o.	Warsaw	30%	R4R Poland Sp. z o.o.
22	R4R RE Wave 4 Sp. z o.o.	Warsaw	30%	R4R Poland Sp. z o.o.
23	R4R Kraków JPII Sp. z o.o.	Warsaw	30%	R4R Poland Sp. z o.o.
24	R4R Gdańsk Stocznia Sp. z o.o.	Warsaw	30%	R4R Poland Sp. z o.o.
25	R4R Wrocław Park Zachodni Sp. z o.o.	Warsaw	30%	R4R Poland Sp. z o.o.
26	M2 Biuro Sp. z o.o.	Warsaw	30%	R4R Poland Sp. z o.o.
27	R4R Łódź Kilińskiego Sp. z o.o.	Warsaw	30%	R4R Poland Sp. z o.o.
28	R4R Gdańsk Zielony Trójkąt Sp. z o.o.	Gdańsk	30%	R4R Poland Sp. z o.o.
29	R4R SPV 10 Sp. z o.o.	Warsaw	30%	R4R Poland Sp. z o.o.
30	R4R Wrocław Grabiszyńska Sp. z o.o.	Warsaw	30%	R4R Poland Sp. z o.o.
31	Hotel Kraków Romanowicza Sp. z. o.o.	Kraków	30%	R4R Poland Sp. z o.o.
32	R4R Poznań Nowe Miasto Sp. z o.o.	Warsaw	30%	R4R Poland Sp. z o.o.
33	Hotel Kraków Zabłocie Sp. z o.o.	Warsaw	30%	R4R Poland Sp. z o.o.
34	Hotel Kraków Młyńska Sp. z o.o.	Kraków	30%	R4R Poland Sp. z o.o.
35	Hotel Poznań Dmowskiego Sp. z o.o.	Poznań	30%	R4R Poland Sp. z o.o.
36	Hotel Wrocław Bardzka Sp. z o.o.	Warsaw	30%	R4R Poland Sp. z o.o.

Changes in the structure of the Group in 2022

Increase of the Group [PLN]

Enity	Action	Data	Share capital
Archicom Wrocław Sp. z o.o.	Registration in the Regis-ter of Entrepreneurs	21.07.2022	10 000
Archicom Łódź Sp. z o.o.	Registration in the Regis-ter of Entrepreneurs	22.07.2022	10 000

Tender offer for the shares of Archicom S.A.

On 23 August 2022, the majority shareholders of Archicom S.A., i.e. Echo Investment S.A. and DKR Echo Investment Sp. z o.o., announced a voluntary tender offer for 8,724,854 shares of Archicom S.A. entitling them to a total of 10,838,468 votes at the General Meeting of Shareholders. The tender offer concerned:

a. 6,611,240 A-series ordinary bearer shares, of which one share entitles the holder to one vote at the General Meeting, entitling the holder to exercise a total of 6,611,240 votes at the General Meeting, which in total represent approximately 20.74 percent of the total number of votes and approximately 25.75 percent of the total number of shares in the Company's share capital. The shares are listed and traded on the regulated market operated by the Warsaw Stock Exchange; and
b. 2,113,614 B1-series registered shares, of which one share entitles the holder to two votes at the General Meeting, entitling the holder to exercise a total of 4,227,228 votes at the General Meeting, representing a total of approximately 13.26 percent of the total number of votes and approximately 8.23 percent of the total number of shares in the Company's share capital, dematerialized and registered with the KDPW (the Central Securities Depository of Poland).

Subscriptions began on 24 August and closed on 22 September 2022. As a result of the call, subscriptions were finally made for the sale of 1,403,448 Company shares, entitling to 1,403,448 votes at the General Meeting of Shareholders, at the price per share of PLN 18.30 and for the total price of PLN 25,683 thousand. Thus, Echo Investment increased its share in the number of shares in Archicom from 66.01 percent. to 71.47 percent In the consolidated statement of financial position, the above transaction resulted in a decrease in the capital of non-controlling shareholders in the amount of PLN 44,212 thousand. and an increase in equity attributable to shareholders of the parent company in the item "retained earnings" in the amount of PLN 18,529 thousand.

Echo Investment, as the main shareholder, intends to continue the current direction of the company's development and increase the scale of its activities. Archicom will continue launching new residential projects to increase its value and competitiveness in the real estate market, while developing a strategic cooperation with its main shareholder in the residential segment in relation to land acquisition, designing, managing construction and sales processes, as well as in terms of supporting functions such as IT, accounting and human resources. In particular, the aim is to take advantage of cost synergies, implement proven business solutions, develop the exchange of know-how and increase the competencies of managers and employees.

In addition, the main shareholder indicated that it has no intention to delist the shares of Archicom S.A. from the WSE in the near future.

Acquisition of DKR Invest S.A. shares and shares in DKR Investment Sp. z o.o. (indirectly Archicom S.A.) in 2021

The fair values of assets and liabilities acquired as at the date of taking control over (22 April 2021) Archicom Group are presented in the table below:

Acquired Assets		
Non-current assets		
Intangible assets		68 237
Tangible fixed assets		13 561
Investment Estates		109 364
longterm financial assets		91 545
Deferred tax assets		31 893
		314 600
Assets		
Wrestling		862 510
Income tax receivables		6 885
Other tax receivables		14 006
Trade and other receivables		6 635
Other financial assets		47 670
Cash and cash equivalents		205 507
		1 143 213
Total assets	**A**	**1 457 813**
Acquired Liabilities		
Long-term liabilities		
Credits, loans and bonds		166 088
Long-term reserves		6 805
Deferred income tax		45 077
Leasing liabilities		24 166
Liabilities under contracts with customers		3 990
Other liabilities		22 712
		268 838
Current liabilities		
Credits, loans and bonds		90 061
Income tax liability		9 423
Other tax liabilities		2 679
Trade commitments		53 948
Leasing liabilities		2 105

Acquired Assets		
Short-term reserves		30 763
Other liabilities		40 463
Liabilities under contracts with customers		245 011
		474 453
Total liabilities	B	**743 291**
Net asset value	C = A-B	**714 522**
Value of non-controlling interests measured in proportion to share in net assets (25.68%)	D	**183 496**
Purchase price of the enterprise	E	**482 445**
Gain on bargain purchase	F=E-C+D	**48 581**
Purchase price of the enterprise, including:		
Amount paid - cash		240 611
Amount paid - bond issue		188 000
Recognition of call/put options (nominal value)		53 834
The total purchase price of the venture		**482 445**

02 New standards and interpretations that are effective as of 1 January 2022

The following standards and amendments to standards became effective on 1 January 2022:

Amendments to IAS 16

“Property, Plant and Equipment” - the prohibition from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while preparing the asset to begin operating in accordance with management’s intentions.

Amendments to IFRS 3

“Business Combinations” - the update of the Conceptual Framework in IFRS standards

Amendments to IAS 37

“Provisions, Contingent Liabilities and Contingent Assets” - the clarification on whether an agreement is an onerous contract

Annual amendments to IFRS 2018 - 2020 (IFRS 1

“First-time Adoption of International Financial Reporting Standards”, IFRS 9 “Financial Instruments”, IAS 41 “Agriculture” and to illustrative examples to IFRS 16 “Leases”)

The impact of the above amendments to standards and interpretations had no significant impact on the report financial,. The above amendments do not affect the consolidated financial statements.

03 Published standards and interpretations which are not effective yet and have not been adopted

In approving these financial statements, the following amendments to existing standards have been issued by the IASB and endorsed for use in the EU, which are effective at a later date:

Amendments to IFRS 4 "Insurance Contracts" entitled "Extension of the temporary exemption from the application of IFRS 9"

(approved in the EU on 16 December 2020)

The expiry date of the temporary exemption from IFRS 9 has been extended from 1 January 2021 to annual periods beginning on or after 1 January 2023.

Amendments to IAS 1 "Presentation of Financial Statements" - Disclosures on the accounting policy applied

It is effective for annual periods beginning on or after 1 January 2023.

Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" - Disclosures on the Accounting Policy Applied

It is effective for annual periods beginning on or after 1 January 2023.

IFRS 17 "Insurance Contracts" as amended to IFRS 17

It is effective for annual periods beginning on or after 1 January 2023.

Amendments to IAS 12 Income Taxes

(issued on 7 May 2021)

Until the date of approval of these financial statements, not approved by the EU - applicable to annual periods beginning on 1 January 2023.

Amendments to IAS 1 "Presentation of financial statements" - Classification of liabilities as shortterm or long-term

It is effective for annual periods beginning on or after 1 January 2024.

Amendments to IFRS 16 "Leasing" - lease liabilities in sale and leaseback transactions

It is effective for annual periods beginning on or after 1 January 2024.

New standards and amendments to existing standards issued by the IASB but not yet endorsed for use in the EU

The IFRS as approved by the EU do not currently differ significantly from the regulations issued by the International Accounting Standards Board (IASB), except for the following new standards and amendments to standards, which as at 31 December 2022 have not yet been approved for use in the EU (the following effective dates refer to the full version of the standards):

IFRS 14 "Deferred balances from regulated activities"

Effective for annual periods beginning on or after 1 January 2016. The European Commission has decided not to initiate the approval process of this interim standard for use in the EU until the final version of IFRS 14 is issued.

Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - Sale or Contribution of Assets between an Investor and its Associate or Joint Undertaking undertaking and subsequent changes

The effective date of the amendments has been postponed until the completion of research work on the equity method.

According to the Group's estimates, the above-mentioned new standards and changes to the existing standards would not have a significant impact on the financial statements, if they had been applied by the Group as at the balance sheet date.

Hedge accounting of the portfolio of financial assets and liabilities, the principles of which have not been approved for use in the EU, still remain outside the regulations approved by the EU.

According to the Group's estimates, the application of hedge accounting for the portfolio of financial assets or liabilities in accordance with IAS 39 "Financial Instruments: Recognition and Measurement" would not have a significant impact on the financial statements, if applied as at the balance sheet date.

The Group is currently analyzing how the implementation of the above standards and interpretations will affect the consolidated financial statements and the accounting policies applied by the Group.

04 Main accounting principles

The most important accounting principles applied in the preparation of these financial statements are presented below. These rules were applied in all presented periods in a continuous manner unless stated otherwise (in part 07 - Financial risk management, the note “Analysis of undis-counted financial liabilities” was updated in the comparative period).

Functional currency and currency of presentation

Items in the financial statements of each Group’s entities are presented in the main currency of the economic environment in which given subsidiary operates (functional currency). The Group’s financial statement is presented in the Polish zloty (PLN) — the presentation currency and the functional currency of the parent company.

Transactions denominated in foreign currencies are translated into the functional currency at the exchange rate effective on the transaction or measurement day when items are revalued. Gains and losses arising from the settlement of such transactions and measurement of assets and liabilities denominated in foreign currencies are recognised in profit or loss, except for foreign exchange gains and losses related to interest costs to the extent that such interest is capitalized in the value of the asset, which is recognized in the carrying amount of the asset.

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

Leasing

The Group as a lessee

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 Group applies the following simplifications, based on not including the lease liability:
- 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 Group 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.

The Group recognizes a right of perpetual usufruct of land granted by an administrative decision as a leasing contract. This applies to all land, including those related to development projects presented in stock.

The Group applies the straight-line method of depreciation and depreciation rates: the perpetual annuity method or over the period covered by the use, depending on the contract.

If leasing and non-leasing elements are identified in the contract, the Group chooses a practical solution according to which it recognizes each leasing element and any accompanying non-leasing elements as a single leasing element.

In addition, in the case of a portfolio of leases with similar characteristics, the Group applies the standard to the entire portfolio when it reasonably expects that the impact that the application of this standard will have on the financial statements will not be significantly different from the impact of applying it to individual leases under this portfolio.

The duration of the lease agreement is defined as the irrevocable period of the lease agreement including also possible periods of renewal of the lease agreement if the lessee has sufficient certainty that this option will be used and the possible periods of notice for the lease agreement if the lessee has sufficient certainty that this option will be used.

At the time of the first recognition, the Group recognizes 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, and if it is not available, at the incremental borrowing rate specific to the 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 Group recognises an asset for the right to use in the same amount as a liability, adjusted for all lease payments paid on or before the start date, less any lease incentives received and increased by any initial direct costs incurred by the lessee. After initial recognition, the Group recognises a lease liability by:
– increasing the carrying amount to reflect interest on a lease liability,
– reducing the carrying amount to reflect lease payments paid, and
– updating the valuation of the carrying amount to take account of any reassessment or changes in the leases listed below (changes in the lease contract), or to reflect substantially updated constant lease payments.

Changes to the lease agreement that make it necessary to update the value of the liability include:
– change in the leasing period,
– change in the assessment of the call option of the underlying asset.

For the above changes, the Group applies an unchanged discount rate.

For the following changes:
– change in the amount expected to be paid under the residual value guarantee,
– a change in future lease payments resulting from a change in the index or rate used to determine these payments, including, for example, a change to take account of changes in rental rates on the free market following a review of these rentals.

The Group applies an unchanged discount rate, unless the change in lease payments results from a change in variable interest rates. In this case, the Group applies an updated discount rate that reflects changes in the interest rate.

The Group shall recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group recognizes the remaining amount of the revaluation in the result.

After the date of commencement of the lease, the asset under the right of use is measured at cost less total depreciation and amortization (impairment) and total impairment loss and the revised lease liability adjusted for any revaluation. Depreciation is calculated using the straight-line method over the estimated useful life. If the lease agreement transfers to the Group the title of the asset before the end of the lease period or when the cost of the asset due to the right of use reflects the fact that the Group will exercise the option to buy the residual value of the leased asset, the Group depreciates the asset from the right of use from the moment of commencement of the leasing contract until the end of the estimated economic useful life of the asset. In other cases, the Group depreciates assets due to the right of use from the date of commencement of the contract to the earlier of two dates: the date of the end of the economic life of the asset or the end date of the lease. For lease contracts, the subject of which is an asset which, in accordance with the Group's accounting policies, is measured at fair value, the Group does not depreciate such assets due to the right of use but measures them at fair value.

The Group has decided to include assets due to the right of use in the same line of the statement of financial position, in which the corresponding leased assets are presented when they are the property of the Group. Liabilities are presented appropriately in long-term - when the asset due to the right of use is classified as a fixed asset, investment property or investment property under construction, or shortterm - when perpetual usufruct concerns assets classified as inventory.

The Group classifies assets due to the right of use resulting from contracts / decisions issued to the following balance sheet items and applies the appropriate accounting policy for certain items:

Contract type and presentation in the balance sheet income statement	Valuation method as at the balance sheet date	Impact on the
Office space lease agreements:		
— investment property, or	Valuation at fair value	Yes
— fixed assets	Depreciation	Yes
Rental agreement on means of transport:		
— fixed assets	Depreciation	Yes
Perpetual usufruct of land:		
— investment property, or	Valuation at fair value	Yes
— investment property under construction, not valued at fair value, or	Depreciation with simultaneous capitalization of depreciation costs in the value of investment property under construction	No
— fixed assets	Depreciation	Yes
— inventory	Depreciation with simultaneous capitalization of depreciation costs in inventory	No

Lease liabilities are covered by IFRS 9 with respect to determining when these liabilities meet the criteria for removing them from the balance sheet. A liability in accordance with IFRS 9 par. B.3.31-B.3.34 is removed from the balance sheet once it has been settled, expired or the debtor has been legally released from debt, e.g. by transferring the debt to another party. The right of perpetual usufruct of land, in relation to which the Group is legally released from the debt arising from the obligation to pay fees for perpetual usufruct or transformation fees only at the time of legal (notarial) transfer of a share in the land belonging to the premises sold to the buyer, is a special case. Therefore, until the transfer of the above ownership, the liabilities of the lease of land, as well as the corresponding assets due to the right to use the land in perpetual usufruct, remain on the balance sheet, although in accordance with the policies described in section 20. Methods for determining the financial result, revenues from the sale of residential and service premises are recognized when the property is delivered to the buyer.

For this reason, when the premises are transferred to the buyer (which is also the moment when the proceeds from the sale of the premises are recognized), a portion of the related leasing asset is transferred from inventory to receivables from the buyer, in the amount corresponding to the recognized liability for the leasing of the given land. Until the (notarial) transfer of the property to the purchaser, both the receivable and the liability are disclosed as short-term, because they will be settled by transfer to the buyer during the "operating cycle". On the date of transfer of ownership to the buyer, the liability for land lease and receivables from the purchaser of premises are derecognized.

The Group as a lessor

In the case of contracts where the Group acts as a lessor, each lease contract is classified as operating or finance lease. Lease agreements under which the lessor retains a significant portion of the risks and rewards of ownership of the leased asset are classified as operating leases. A leasing contract is classified as a financial leasing if, as a result of this contract, substantially all of the risk and rewards of ownership of the leased asset are transferred to the lessee.

In the case of operating lease agreements, the Group recognizes lease revenues on an straight-line basis in the statement of comprehensive income. In the case of finance leases, the Group derecognises the asset that is the subject of the agreement while recognizing the lease receivable.

Sub-leasing — a transaction for which an underlying asset is released by a lessee ('intermediate lessor') to a third party, and the lease ('head lease') between the head lessor and lessee remains in effect.

The Group classifies sub-leasing as follows:
- if it was decided to choose a short-term lease exemption for main lease, subleasing is classified as operating lease,
- otherwise, sub-leasing is classified in relation to the asset due to the right to use the principal lease and not the underlying asset.

If the sub-lease agreement is classified as operating lease, the indirect lessor (the Group) continues to recognize the lease liability and asset due to the right to use of the main lease. At the same time, it recognizes sublease leasing revenues during the lease period basis. If the sub-lease agreement is classified as financial lease, the indirect lessor (the Group):
- ceases to recognize the asset due to the right to use the main lease as at the date of the initial sub-lease agreement,
- recognizes the net investment from sub-leasing instead and assesses it for impairment (lease receivable),
- continues to recognize the original lease liability.

Property, plant and equipment

Property, plant and equipment include fixed assets owned by the Group.

The composition of the Group's fixed assets include:
- real estate (not leased and not intended for trade) used by the Group,
- plant and machinery,
- vehicles,
- other complete and serviceable items with an expected service life of more than one year.

Fixed assets are valued and presented in the statement according to purchase prices or production costs, less depreciation and impairment write-offs.

Fixed assets are posted on collective accounts according to the groups of the Classification of Fixed Assets and a detailed register of fixed assets is kept.

Fixed assets are depreciated using the straight-line method of tax rates, which reflect the period of economic usefulness. Subsequent expenditure is included in the asset's carrying amount or recognized as a separate asset (where appropriate) only when it is probable that economic benefits will flow to the Company from the item and the cost of the item can be reliably measured . All other repair and maintenance expenses are charged to the profit and loss account in the financial period in which they were incurred.

Property, plant and equipment are verified for impairment if events or changes in circumstances indicate that the carrying amount may not be realizable. An impairment loss is recognized for the amount by which the carrying amount of an asset or cash-generating unit exceeds the recoverable amount and is recognized in the profit and loss account. The recoverable amount is the higher of the fair value less costs to sell or value in use.

Gains and losses on disposal of fixed assets, representing the difference between the sales proceeds and the carrying amount of the fixed asset sold are recognised in the profit and loss account under other operating income / expenses.

Intangible assets

Intangible assets are recognised, if it is likely that they will result in economic benefits directly attributable to these assets in the future. Intangible assets are initially recognised at the purchase price or the manufacturing cost. After the initial recognition, intangible assets are measured at the purchase price or the manufacturing cost, less amortisation (except for assets that have an indefinite useful life) and impairment losses. Records of intangible assets are conducted analytically. The depreciation schedule corresponding to the useful life of the asset is used in the depreciation plan.

Intangible assets are tested for impairment, if certain events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is disclosed in the amount by which the carrying value of an asset exceeds the recoverable value.

If a trademark is identified among the acquired assets, the Management Board assesses whether the intangible asset has a definite or indefinite useful life. An intangible asset with an indefinite useful life is not amortized. The Group con-ducts an analysis of possible impairment by comparing the carrying amount of the trademark with its recoverable amount, at least once a year, and any writedowns of the trademark value are charged to the Group's current financial result.

Investment properties, investment properties under construction

Investment properties include properties owned by the Group which are leased out together with land directly related to these properties, as well as land purchased and maintained in order to in-crease their value. Investment properties under construction are investments carried out by the Group intended for lease and under construction. The Group classifies investment properties under construction as investment properties when they are available for use.

Investment properties are initially recognized at purchase price / manufacturing cost. Subsequent expenditure is included in the carrying amount of the investment property or recognized as a separate investment property (where applicable) only when it is probable that an economic benefit will flow to the Group from the item and the cost of the item can be reliably measured. All other repair and maintenance expenses are charged to the statement of comprehensive income in the financial period in which they are incurred. The value of investment properties under construction includes costs directly related to the project not yet completed. They consist of expenses incurred for the purchase of land real estate, outlays for the design and implementation of buildings (mainly external services), activated financial costs and other costs incurred during the implementation directly related to the investment.

After initial recognition, as at each balance sheet date, investment property under construction that meets the premises for their valuation, and investment property are disclosed at fair value. The fair value measurement is updated at least quarterly. Profits or losses resulting from changes in the fair value of investment properties are recognized in the statement of comprehensive income in the period in which they arise. The result on the valuation of investment properties is presented in the profit / loss on investment property item.

For investment properties under construction, the premises for valuation are deemed to be met in the case of projects where a significant part of the risks related to the construction process has been eliminated and it is possible to measure reliably at fair value. In other cases, when it is not possible to reliably determine the fair value, the value of real estate under construction is valued according to the purchase price or production cost less impairment losses.

The Group has specified the conditions under which it begins the process of analyzing whether significant risks relating to investment properties under construction have been eliminated. These conditions include:

- obtaining a building permit,
- contracting construction works with a value of at least 30 percent of the investment budget,
- renting at least 20 percent of the area in the project under implementation.

The presented conditions constitute the boundary criteria of the analysis. Each investment property under construction is analyzed individually in terms of the possibility of obtaining a reliable valuation to fair value, taking into account, in addition to the conditions described above, also the general economic and market situation, the availability of data for similar properties and expectations regarding the volatility of factors underlying the valuation and the method of financing investment project.

The fair values of land and buildings measured at fair value are updated in such a way as to reflect the market conditions prevailing at the end of the reporting period. The fair value of investment property is the price that would have been received for the sale of an asset or paid for the transfer of a liability in a transaction between market participants carried out on normal conditions at the valuation date. Property fair values are subject to verification by internal Analyse Department in cooperation with the Management Board, based on transaction concluded on active market, offers, preliminary agreements, knowledge and experience, or based on external vauations prepared by experts. As a rule, valuations of office real estate, for which the Group carries out an active sales preparation process, are prepared internally, based on available market data, in particular a level of discount rate (yield) discussed with potential buyers, and based on levels of rent and oter rental conditions. The discounted net cash flow (DCF) method is used to determine the fair value.
In the case of investment property under construction, the valuation is reduced by the discounted expenditure necessary to complete the investment, taking into account the development margin. As part of the fair value measurement of real estate, the Group estimates the area that remains vacant for certain periods.

In the event of a change in the use of the property, it shall be appropriately reclassified in the financial statements. The property is transferred and recognized in the item of property, plant and equipment or inventory at the previously disclosed carrying amount.

The result on the sale of in-vestment property is recognized under ‘profit / loss on investment property’.

The Group transfers investment properties to a category of assets held for sale only when the property is sold outside the ordinary operating cycle, e.g. as a result of discontinuing operations in a given segment / region. This is due to the adopted strategy of the Echo Investment Group, according to which real estate is maintained by the Group and sold at the best moment - in the opinion of the Management Board - that takes into account expectations regarding return on invested capital, availability of capital for other investments, as well as basing the decision on the market situation and expectations for its further development. The Group's goal is to build properties and increase their value through active management of investment projects. Therefore, the Group classifies in-vestment projects as investment properties (or investment properties under construction) and re-classifies them to assets held for sale only in rare situations.

Assets held for sale

Assets (or a disposal group) are classified as held for sale if their carrying amount is recovered principally through a sale transaction and not through its further use. This condition is considered to be fulfilled only when the occurrence of the sale transaction is highly likely and the asset (or the disposal group) is available for immediate disposal in its current state (in accordance with generally accepted commercial terms). Classification of an asset as held for sale assumes the intention of the Group's management to make a sale transaction within one year from the change of classification.

Inventories

The item of inventories comprises: semi-finished products and work in process, finished products, and goods. Due to the nature of the business, newly purchased plots of land are presented as land and plots of land to be developed are divided by the Group between fixed and current assets based on the estimated duration of the operating cycle. The operating cycle is a period of approx. 5 years on average, individually estimated for each project, consisting of 2 phases: (1) the preparatory phase (which includes obtaining all necessary administrative arrangements, permits, environmental decisions, building permits or drawing up the architectural concept and design) lasting most often up to 3 years, and then (2) the construction phase lasting from the end of the preparatory phase until the granting of the occupancy permit. Projects that are in the operational cycle (phase 1 or 2) are presented in short-term assets under Inventories (Work in progress), and projects beyond the operational cycle are presented in long-term assets under "Land held for development". The individual evaluation of each project, in terms of meeting the classification criteria, is carried out at each balance sheet date. The work in progress includes also the expenses incurred over the process of construction of facilities and sites for sale (design services, construction works, etc. provided by external contractors). Finished products mainly include residential and business premises completed and sold under final sale contracts.

The inventories of tangible items of current assets are measured at the value corresponding to the purchase price of land and the cost of production of developers' business products increased by activated financial costs, being not higher than the net realizable value. This value is collected from information on the active market. Reversal of impairment loss of inventories appears either on the sale of inventories exor due to increased net sales price. Both the amount of write-downs of inven-tories recognised as an expense in the period and the amount of any reversal of any write-downs decreasing the value of inventories recognised in the period as reduction in cost are stated in the profit and loss accounts under cost of sales.

Financial assets

In accordance with IFRS 9, the Group classifies its financial assets into the following categories:
- financial assets measured at amortized cost,
- financial assets measured at fair value through other comprehensive income,
- financial assets at fair value through profit or loss.

The classification of assets takes place at the moment of initial recognition. It depends on the financial instruments management model adopted by the entity and analysis of the characteristics of contractual cash flows from these instruments.

Loans granted, trade and other receivables and restricted cash that do not meet the definition of cash equivalents in accordance with IAS 7 Statement of Cash Flows (i.e. collateral for bank guarantees and funds held in open housing fiduciary accounts) are measured by the Group at amortized cost, as two conditions are met for them: the assets are held in a business model whose intention is to hold the assets to obtain contractual flows and the contractual terms of these financial assets give rise to cash flows at certain times that are only repayments of principal and interest on outstanding capital.

Assets are entered into the books on the trade date and are excluded from the balance sheet when the contractual rights to cash flows from the financial asset expire or when the financial asset is transferred along with all the risks and rewards of ownership of the asset. The Group uses a weighted average of financial instruments of the same type and risk as the applicable cost method for financial instruments.

If the renegotiation or other type of modification of the contractual cash flows generated by the financial asset results in its derecognition in accordance with IFRS 9, the modified instrument is treated as new. In the event of a renegotiation or other modification of the contractual cash flows generated by a given asset that does not result in derecognition, the Group revalues the gross carrying amount of that financial asset (ie the amount of its amortized cost before allowance for credit losses). The revaluation is the discounting of new expected contractual cash flows (after modification) using the original effective interest rate. The resulting difference is recognized as profit / loss in profit or loss. From that point on, an entity assesses whether the credit risk of the financial instrument has increased significantly after its initial recognition by comparing the credit risk at the reporting date (under the modified terms) with that at initial recognition (under the pre-modification terms).

Receivables

Trade and other receivables constituting financial assets are recognized in the balance sheet at transaction price and then at amortized cost using the effective interest method, reducing them by impairment losses using the expected credit loss model. When the difference between the value at amortized cost and the value of the amount of the payment required does not have a significant effect on the Group's financial results, such receivables are recognized in the balance sheet as the amount of the payment required.

The value of receivables is updated taking into account the degree of probability of their payment by making a write-down. The rules for creating revaluation writeoffs are described below in the section Impairment of financial assets.

Advances for deliveries are valued according to cash disbursed and in accordance with received VAT invoices documenting the granting of advance payments.

Borrowings granted

Borrowings granted are debt instruments held for the purpose of obtaining contractual cash flows that consist solely of principal and interest repayments ("SPPI").

These assets are booked under at the date of the transaction, and derecognized when the contractual rights to cash flows from a financial asset expire or when the financial asset is transferred along with all the risks and benefits of ownership of the asset.

Borrowings granted are recognized as at the date of entering the books at fair value plus transaction costs, then as at the balance sheet date at amortized cost determined using the effective interest method.

The rules for recognition of impairment write-downs are described below in the section 'Impairment of financial assets'.

Loss of value of financial assets ('ECL')

Pursuant to IFRS 9, as at each reporting day, the Group estimates the amount of the impairment loss equal to the expected credit loss ('ECL').

The Group calculates the write-off as follows for individual asset categories:

Trade receivables

The Group uses a simplified approach and therefore does not monitor changes in credit risk during its lifetime and measures the impairment loss in the amount equal to the expected credit losses ('ECL') over the life of the debt. To calculate the value of the impairment loss for trade receivables, the Group uses a provision matrix made once a year as at December 31 based on historical data (for the last 5 years) regarding the payment of receivables by contractors. Impairment losses are updated as at each reporting day. The provision matrix is based on the analysis of the payment of receivables in individual past due groups and determining the probability of non-payment of receivables from a given age range based on historical data. For the purposes of the analysis, trade receivables are divided into two groups: receivables from the sale of apartments, the lease and other receivables.

The calculated probability of non-payment of receivables in each of the past due groups for specific categories of receivables is applied to the current balance of receivables in each of the past due groups and the write-off for the expected credit losses of receivables is calculated.

Additionally, the Group analyzes individual trade receivables and other receivables where it is highly probable they will become uncollectible, in cases justified by the type of business or the client structure - and recognizes the write-off in a reliably estimated value. Classification of an asset to this category is made on the basis of information about the current financial situation of the counterparty and information about other events that may have a significant impact on the recoverability of the asset.

Such receivables are excluded from the matrix analysis, and a possible write-off is recognized on the basis of an individual analysis.

Loans granted and covered bonds

The Group calculates the expected credit losses ('ECL') for loans and bonds as the difference between the cash flows arising from the contracts signed and the cash flows that the entity expects to receive.

If, as at the reporting date, the credit risk related to loans granted has not increased significantly since initial recognition, the Group measures the allowance for expected credit losses on this financial instrument in the amount equal to 12-month expected credit losses.

In the case of an increase in credit risk from the initial recognition, the expected credit losses are calculated over the entire life of a given financial instrument.

The Group calculates the cash flows that it expects to obtain based on the default ratio determined on the basis the credit risk of entities to which loans were granted and for which bonds were issued and adjusted by the recovery ratio.

In addition, the Group provides the individual analysis of loans granted and bonds covered with a significant level of probability of default, in cases justified by the type of business or the client structure - and recognizes the write-off in a reliably estimated value. Classification of an asset to this category is made on the basis of information about the current financial situation of the counterparty and information about other events that may have a significant impact on the recoverability of the asset. Such loans and bonds are excluded from the matrix analysis, and a possible write-off is recognized on the basis of an individual analysis.

Derivatives

Derivatives are ecognized in the books at the time where the Group becomes a party to a binding agreement. The Group takes recourse to derivative instruments to mitigate the risks associated with changes in ex-change rates or interest rates. The Group does not apply hedge accounting.

At the balance sheet date, derivatives are measured at fair value. Whereas derivatives with fair value greater than zero are financial assets, those with negative fair value are financial liabilities.

Profit or loss on derivatives is recognized in financial income or expenses (IRS) or in profits/losses on derivatives (Forwards), respectively, and in the consolidated statement of cash flows as cash flows from operating (forwards) and financing activities (IRS).

Cash

Cash at bank and in hand as well as short-term deposits (up to 3 months from the date of establishment), as well as other financial assets that meet the definition of cash equivalents are measured at nominal value plus accrued interest. At each balance sheet date, the Group assesses the premises for impairment of cash value, including the need to create a write-down for expected credit losses.

Foreign currency cash is measured as of the reporting date. The same definition of cash applies to the cash flow statement.

Liabilities

Financial liabilities include loans, borrowings, debt securities, not payable interest on bank loans accounted for according to the accrual principle as well as the discount of debt securities to be settled in subsequent accounting periods. Foreign currency loans are measured at the selling rate of the National Bank of Poland. The credits, bonds and loans line also includes profit share liabilities, and the revaluation is recognized as interest expense in the period when the revaluation occurred. Profit share is an integral part of the loan, which results from contractual provisions. The loan plus accrued additional interest is the lender's interest in the borrower, which is redeemable when the project is sold (or at final maturity).

Financial liabilities are initially recognized at fair value less transaction costs, and then measured using the "amortized cost" method. The valuation of liabilities includes all costs of obtaining financing, including directly related to financing costs of bank fees, costs of brokers and agents, legal costs, experts and a bank monitor.

Trade liabilities are initially measured at fair value, and subsequently, long-term liabilities are measured at amortized cost using the effective interest method. In cases where the difference between the value at amortized cost and the value in the amount of the payment required does not have a significant effect on the financial results of the Group, such liabilities are recognized in the balance sheet in the amount of the payment required.

Contracts of issued financial guarantees

After initial recognition, the Group measures granted financial guarantees at the higher of the following values:

(i) the amount of the allowance for expected credit losses, and
(ii) the amount initially recognized, if applicable, less the cumulative amount of income recognized in accordance with the principles of IFRS 15.

The Group calculates the expected credit loss ('ECL') regarding the guarantees given as expected payments to compensate the guarantee holder for the incurred credit loss. The Group first determines the value of the Group's exposure due to guarantees granted (the actual total value of the contingent liability as at the balance sheet date). The net exposure resulting from the guarantee thus determined is multiplied by the default ratio (determined on the basis the credit risk of the entities to which the guarantee was granted . and adjusted for the recovery ratio).

Income tax

Income tax on the profit or loss for the financial year includes current and deferred income tax. Income tax is recognised in the profit and loss account, except for amounts related to items recognised directly in equity or in other comprehensive income; in this case, income tax is disclosed in equity and other comprehensive income respectively

The current portion of income tax is the expected amount of tax on taxable income for a given year, calculated based on the tax rates determined as of the balance sheet date along with any tax adjustments for previous years.

Deferred tax is calculated with the balance sheet method as tax to be paid or reimbursed in the future on the differences between the carrying values of assets and liabilities and the corresponding tax values used to calculate the tax base, except for temporary differences which arise at the time of initial recognition of an asset or liability, and do not affect the accounting or tax result. At the commencement of the lease, the right-of-use asset and the lease liability are equal, so there is no temporary difference and no deferred tax is created. During the lease term, a difference arises between the value of the asset and the lease liability. The Group charges deferred income tax on the difference between these values. This approach aims to reflect the relationship between the right-of-use asset and the lease liability, and account for deferred tax based on cumulative temporary differences. This method provides an effective tax rate that better reflects the economics of the entire lease transaction.

Deferred tax is not created for temporary differences on investments in subsidiaries, jointly controlled entities and associates, if the Group controls the reversal of these differences and they will not be reversed in foreseeable future.

Deferred income tax assets due to tax loss are created, if the settlement of the loss in the following years is probable. For the calculation of deferred income tax, a tax rate is used which will apply in the reporting periods in which assets will be settled or liabilities will be released.

Deferred income tax is estimated on every balance sheet date by recognising differences in the profit and loss account, other comprehensive income or equity, depending where the temporary difference from which the deferred tax is subtracted was recognised.

Equity

Share capital is measured at the nominal value disclosed in the National Court Register. Differences between the fair value of a payment and the nominal value of shares are recognised in the share premium.

The issue costs of shares decrease the Group's supplementary capital.

Provisions

The provisions are recognised when the Group is under a present obligation resulting from past events, it is probable that fulfilment of this obligation will cause an outflow of resources representing economic costs and a reliable estimate of the amount of the obligation can be made. Provisions are measured at the present value of the costs estimated in accordance with the best knowledge of the management of the Group, the incursion of which is required to settle the present liability at the balance sheet date.

The Group creates provisions for unused leaves of employees. The provision is calculated on a quarterly basis. The provision is estimated for each employee individually, as the product of gross remuneration increased by social security contributions, which are the employer's expense, and the days of the due leave and unused leave as at the balance sheet date for which the provision is calculated. Provisions for unused leaves are presented under short-term pro visions in the statement of financial position, and the change in the value of the provision in the period is charged to remuneration costs.

The Group creates provisions for retirement gratuities. Retirement benefits are paid on a one-off basis upon the employee's retirement. The amount of the retirement benefits depends on the length of service and the employee's average salary. The Group creates a provision for future liabilities due to retirement benefits in order to assign costs to the periods of acquiring rights by employees. The calculated provisions are equal to discounted payments to be made in the future and relate to the period until the balance sheet date. Demographic information and information on employment rotation are based on historical data. The effects of the valuation of the provision for future liabilities due to retirement benefits are recognized in profit or loss.

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Methods of determining the financial result

Revenue

In accordance with IFRS 15, the Company recognises revenues when the obligation is fulfilled (or in the course of fulfilling) by transferring a promised goods or services (i.e. an asset) to a customer. The asset is transferred when the customer obtains control of that asset. After fulfilling (or in the course of fulfilling) obligations, the entity recognises an amount equal to a transaction price as income, which has been assigned to that performance obligation. To determine the transaction price, the entity shall consider the terms of the contract and its usual commercial practices. The transaction price is the amount of remuneration that the entity expects to be entitled to in exchange for the transfer of promised goods or services to the customer, excluding amounts collected on behalf of third parties (for example, certain sales taxes). The remuneration specified in the contract with the client may include fixed amounts, variable amounts or both.

Revenue from the sale of residential and service premises are recognised on the date of handover of real estate to the buyer. This occurs on the basis of the acceptance protocol signed by the parties providing only after completion of the construction of real estate and receiving the occupancy permit on condition that the buyer will pay 100 percent towards the purchase price of real estate. Paid apartments are also considered to be cases of minor underpayments (up to PLN 500), larger underpayments, which the Group decides not to collect from customers, or in the event of receivables from tenant changes, which, according to arrangements, are payable later than the moment of handover of the premises.

Revenue from the sale of real estate is recognized when control over the investment property is transferred to the buyer, which takes place when the ownership is legally transferred and the property is handed over to the buyer.

Revenues from the rental of residential and commercial space are recognised on a straight-line basis over the term of the contracts concluded. Revenue from other contracts for the provision of services (legal, consulting, IT, financial, marketing, security and other services) is recognised by the Group when the performance obligation is met.
The Group analyses if a sales contract contains several performance obligations. In general, the sales contract may include the following performance obligations:
- the sale of the property,
- the performance of fit-out and other finishing works after transferring control of the property to the buyer,
- the performance of property leasing agency services (finding clients that rent the property).

The Group allocates transaction prices to the individual performance obligations on the basis of their proportional individual sales price.

The Group recognises revenues from the sale of services (the performance of fit-out works and leasing agency services) within the period of fulfilling the performance obligation.

The Group measures the service advancement based on the advancement of the services/works provided.
The Group acts as a the principal in respect of all such services and recognises, on account of their performance, own costs and revenues in the period of fulfilment of the performance obligation.

The component of the transaction price allocated to the performance of fit out and other finishing works, once control of the property is transferred to the buyer, and the performance of property agency services (finding clients that rent the property) are recognised as liabilities due to contracts with clients.

Cost of sales

Costs of goods, products and services sold consist of costs incurred in respect of revenues of a given financial year and overheads not yet incurred.

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

Administrative costs associated with projects

Administrative costs related to projects include administrative costs indirectly related to the implementation of development projects which include: real estate tax, maintenance fees, property protection, administrative staff remuneration costs and maintenance costs of employees responsible for construction of projects in the part where cannot be assigned to a specific project or they relate to projects completed and other costs related to the maintenance of development projects. Costs of employees responsible for construction of projects in the part where cannot be assigned to a specific project, during the construction period are capitalised in the value of project. Costs are allocated on the basis of working hours reported by employees.

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

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

Cost of financing

Financial costs related to the current period are recognized in the profit and loss account according to the amortized cost method described in the Liabilities section, except for costs subject to activation in accordance with the solution included in IAS 23.

The Group activates the part of financial expenses which is directly related to the acquisition and production of financial assets recognized as stock and projects commenced. In case of targeted financing, incurred to implement a project, the amount of financial costs, less income from temporary deposits of cash (i.e. amounts of interest on bank deposits, except for deposits resulting from blocking accounts, letters of credit agreement) is activated. In the case of general financing, financing costs subject to the capitalization are determined using the weighted average of all borrowing costs in relation to the expenditure incurred for a given asset. In the case of leasing, interest costs on the leasing obligation related to a specific project are capitalized in the cost of this project (targeted financing).

Pursuant to the requirements of IAS 23, the Group begins to activate financial costs when the Group undertakes actions necessary to prepare an asset for its intended use or sale. These activities involve more than just activities related to its manual construction. They also include technical and administrative work preceding manual construction, such as activities related to obtaining necessary permits, design and preparatory. However, such activities do not include the holding of an asset if it is not accompanied by any processes affecting the change in the asset's condition.

Consolidation of subsidiaries

Subsidiaries are all entities over which the Group exercises control, which occurs when the Company exercises authority over the entity, is exposed to changing returns or holds rights to variable returns, is capable of using the authority exercised over the entity in which the investment was made to influence the amount of their financial returns.

Subsidiaries are consolidated in the full method from the date of extending authority over them to the time of losing it.

Financial statements of subsidiaries present data for the same accounting period as the parent company, using consistent accountancy methods. The process of consolidation eliminates all intra-group transactions and accounting balances. Elimination also extends to the value of shares held by the Company and other consolidated entities in subsidiaries which represents the share of the Company and other Group entities subject to consolidation in the equity of subsidiaries.

The most important role in the structure of the Group is played by Echo Investment S.A., which is the owner of units of the Group, supervises, co-participates and provides funds for the implementation of ongoing developer's projects. The companies included in its composition have been established or acquired in order to carry out specific investment tasks and mostly do not engage in business operations other than that which would result from the process of execution of specific project, and next from the provision of services of lease assets already completed or other services.

Combinations of business entities

The Group has subsidiaries which hold real estate. At the time of the acquisition, the Group considers whether the acquisition is the acquisition of an enterprise or the acquisition of an asset. The Group analyzes whether the acquisition meets the definition of a venture in accordance with IFRS 3. In particular, the Group performs a concentration test that enables a simplified assessment of whether the acquired set of activities and assets constitutes a venture. A positive concentration test result means that the acquisition does not constitute a business and no additional assessment is required. The concentration test is positive when substantially all of the fair value of the acquired gross assets is concentrated in a single identifiable asset or group of similar identifiable assets. A negative result requires a detailed analysis of whether the acquisition meets the definition of a project.

The acquisition of subsidiaries by the Group, except for the acquisition of entities under common control, is accounted for according to the acquisition method. The payment transferred in the business combination transaction is measured at fair value, calculated as the collective fair value of the Group's assets transferred, liabilities contracted to the previous owners of the acquired entity and capital instruments issued by the Group in exchange for acquisition of control over the acquired entity. The costs related to the acquisition are recognized in the result at the time they are incurred.

Goodwill is valued as the excess of the amount of payment transferred, the amount of non-controlling interest in the acquired entity and the fair value of shares in the acquiree previously held the acquirer over the fair value of identifiable net assets acquired and liabilities measured at the acquisition date. If, after re-verification, the net value of identifiable assets and liabilities valued at the date of acquisition, exceeds the sum of the payment transferred, the value of non-controlling interests in the acquiree and the fair value of shares in that entity previously held by the acquirer, this surplus is recognized directly in the result as a gain on bargain purchase.

Non-controlling shares that form part of ownership interests and entitle owners to a proportionate share in the net assets of the entity in the event of its liquidation can be initially measured at fair value or proportionally to non-controlling interests in the recognized value of identifiable net assets of the acquiree. The selection of the valuation method is made individually for each takeover transaction.

In the event that the acquisition of subsidiaries does not constitute a takeover of the business, it is recognized as the acquisition of a group of assets and liabilities. The acquisition cost is allocated to assets and liabilities acquired based on their relative fair values and no goodwill or deferred income tax is recognized.

Investments in associated companies and joint ventures

Associates are the companies which the parent company has a direct or indirect (through subsidiaries) influence on yet are not its subsidiaries or joint ventures.

Joint ventures are joint contractual arrangements whereby two or more parties undertake a business which is subject to co-control. Joint ventures are contractual arrangements whereby two or more parties undertake an economic activity that is subject to joint control. A joint venture is a joint contractual arrangement in which the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

The financial year of associates, joint ventures and the parent company is the same.

The Group's investments in associates and joint ventures are accounted for in the consolidated financial statements using the equity method. Under the equity method, the investment in an associate or joint venture is initially recognized at cost and subsequently adjusted to take account of the Group's interest in the financial result and other comprehensive income of the associate or joint venture. If the Group's share of losses in an associate or joint venture exceeds its share in the entity, the Group ceases to recognize its share of further losses. Additional losses are recognized only to the extent consistent with legal or customary liabilities assumed by the Group or to payments made on behalf of an associate or joint venture.

An investment in an associate or joint venture is accounted for using the equity method from the date on which the entity acquired the status of a joint venture or associate. On the date of investing in an associate or joint venture, the amount by which the investment costs exceed the Group's share of the net fair value of the identifiable assets and liabilities of that entity is recognized as goodwill and included in the balance value of the investment. The amount by which the Group's share of net fair value in identifiable assets and liabilities exceeds investment costs is recognized directly in profit or loss in the period in which the investment was made.

When assessing the need to recognize the impairment of an investment of the Group in an associate or joint venture, the requirements of IAS 28 apply. If necessary, the entire carrying amount of the investment is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount. with the carrying amount. The recognized impairment is part of the carrying amount of the investment. The reversal of this impairment is recognized in accordance with IAS 36 to the extent corresponding to the subsequent increase in the recoverable amount of the investment.

The Group ceases to apply the equity method on the date a given investment ceases to be its associate or joint venture and when it is classified as earmarked for sale. The difference between the balance value of an associate or joint venture at the date of discontinuance of the equity method and the fair value of retained interests and proceeds from the disposal of a portion of the interest in that entity is taken into account when calculating the gain or loss on disposal of an associate or joint venture.

If the Group reduces its share in an associate or in a joint venture but it continues to settle it using the equity method, it transfers to the financial result any portion of profit or loss previously recognized in other total income, corresponding to the share reduction, provided that the profit or loss is subject to reclassification to the financial result at the time of the disposal of related assets or liabilities.

Unrealized profits and losses resulting from transactions between the Group and the entity recognized under the equity method are subject to consolidation eliminations in accordance with the Group's share in the equity of the entity recognized using the equity method.

The group grants loans to units under joint projects, the repayment of which is planned according to the date resulting from the concluded contracts.

Valuation to fair value

The Group measures financial instruments such as instruments measured at fair value available for sale as well as derivative instruments and non-financial assets such as investment properties at fair value as at each balance sheet date. Fair value is defined as the price that would have been received from the sale of an asset or paid to transfer a liability in a transaction carried out on the usual terms of asset disposal between market participants on the valuation date under current market conditions. The fair value measurement is based on the assumption that the sale transaction of an asset or liability transfer takes place on the market available for the main market for a given asset or liability, available to the Group, or in the absence of the main market, on the most advantageous market for a given asset or liability.

The fair value of an asset or liability is measured assuming that when determining the price of an asset or liability, market participants act in their best economic interest.

The fair value measurement of a non-financial asset takes into account the market participant's ability to generate economic benefits through the largest possible and best use of the asset or its disposal to another market participant that would ensure the greatest possible and best use of the asset.

The Group applies valuation techniques that are appropriate to the circumstances and for which sufficient data is available to measure fair value, with the maximum use of appropriate observable input data and the minimum use of unobservable input data. All assets and liabilities that are measured at fair value or their fair value is disclosed in the financial statements are classified in the fair value hierarchy as described below based on the lowest input data level that is significant for the fair value measurement taken as a whole:

- Level 1 — Quoted (unadjusted) market prices in an active market for identical assets or liabilities,
- Level 2 — Valuation techniques for which the lowest level of input data, which is significant for the fair value measurement as a whole, is directly or indirectly observable,
- Level 3 — Valuation techniques for which the lowest level of input data, which is significant for the fair value measurement as a whole, is unobservable.

At each balance sheet date, in the case of assets and liabilities occurring at particular balance sheet dates, the Group assesses in the financial statements whether transfers took place between levels of the hierarchy by reassessing the classification to individual levels, guided by the relevance of the input data from the lowest level that is significant for the valuation to fair value treated as a whole.

Segment reporting

In 2021, the Group's Management Board decided to change the method of presenting revenues and costs by segment. The segments "office", "retail" and "other" are presented as one segment "commercial". The change in presentation results from organizational changes in the Group: joint supervision over the "office" and "retail" segments was taken over by one member of the Management Board. The new way of presentation is therefore in line with the management model.

The Group's business segments are presented in accordance with data from internal management reporting and analyzed by the key operational decision maker. The key

operating decision maker, which is responsible for the allocation of resources and the assessment of operating segments' results, is the Management Board of Echo Investment S.A. In the Group, the following reporting segments were identified, which are identical to operating segments defined on the basis of the type of projects implemented:
- residential areas (rental and sale of residential and service areas),
- sale of real estate: Resi4Rent (sale of properties classified as apartments for rent, related to the rental platform),
- commercial properties (shopping centres and offices — rental, services and other services for external counter partners — accountancy, leasing, development).

Principles for determining revenues, costs, segment's result measurement, asset valuation and segment's liabilities are the accounting policies adopted for the preparation and presentation of the Group's consolidated financial statements, as well as accounting policies that specifically relate to segment reporting. The operating segment profit margin is measured as 'gross profit / loss on sales'.

Segment financial data are included in note 31 to the financial statements.

Net profit per share

The net profit per share for each period is calculated by dividing the net profit for a given period attributable to ordinary shareholders of the parent entity by the weighted average number of shares issued during the period.

Cash flow

The cash flow statement is prepared using the indirect method. Liabilities on account of overdraft facilities are denominated as loan debt rather than cash equivalent.

06 Material estimates and judgments of the Management Board of the Group

The preparation of the financial statements requires the Management Board of the Company to adopt certain assumptions and make estimates and judgments that affect the figures disclosed in the financial statements. Assumptions and estimates are based on the best knowledge of current and future events and activities, however, actual results may differ from those anticipated. Estimates and related assumptions are subject to ongoing verification.

Change in accounting estimates is recognized in the period in which they were changed — if it concerns only this period, or in the current and future period — if the changes concern both the current and future period.

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

Investment properties under construction / Investment properties / Assets held for sale

Investment real estate includes facilities leased to clients by companies which are part of the Group. The fair value of investment real estate is classified at level 2 and 3 in the fair value hierarchy. There were no transfers between the levels.

The Group most often measures properties at fair value during construction and / or commercialisation. The property valuation is based on the income method using the discounted cash flow technique, which takes into account future proceeds from rent (including rent guarantees), the sale of real estate and other expenditure to be incurred. The yield used to determine residual values recognized in cash flows result from the Management Board's estimates based on preliminary agreements for the sale of real estate, letters of intent, external valuations of appraisers or their familiarity with the market. The rates used also take into account the risk, and the level of risk is assessed individually for each property subject to its status.

The fair value of real estate properties which are almost 100 percent commercialised and generate a fixed income is determined by the unit according to the income method, using simple capitalization technique as the quotient of the project's net operating income (NOI) and the yield, or using the value resulting from external valuation, a preliminary contract for the sale of real estate, a letter of intent or a purchase offer, provided they exist.

In the accounting policy, in part 04 "Main accounting principles", conditions are described under which, if not met, an investment property is not measured at fair value.

The impact of individual ratios on the fair value of real estate is presented below:

Segment	Number of objects	Value [PLN '000]	Valuation type	NOI [mln PLN]	Yield %	Discount rate %	Sensitivity (gross change in PLN '000)			
Retail	1	595 400	income method	42,2	7,00%	7,50%	Yield [p.p]			
							NOI [%]	-0,25 p.p.	0 p.p.	+ 0,25 p.p.
							-1%	16 178	-5 593	-25 860
							0,0%	21 990	0	-20 471
							1%	27 803	5 593	-15 082
Offices	5	756 676	income method	75,9	6,75% - 7,50%	7,25% - 8,00%	Yield [p.p]			
							NOI [%]	-0,25 p.p.	0 p.p.	+ 0,25 p.p.
							-1%	29 624	-10 407	-47 619
							0,0%	40 438	0	-37 590
							1%	51 252	10 407	-27 562
Offices		12 269	comparative method							
Retail - Right-of-use asset		3 101								
Offices - Right-of-use asset		7 629								
Offices - City Space		71 032								
Other real estate		490 485	by cost production							
Total		**1 936 590**								

Investment property under construction

According to the valuations prepared by the Group, the value of investment properties under construction as at 31 December 2022 amounted to PLN 486,625 thousand. It consisted of real estate measured at fair value (PLN 65,344 thousand) and other properties (PLN 421,281 thousand) valued at the purchase value that best reflects the fair value of the asset at the balance sheet date valued at the purchase amount, which best reflects the fair value of the asset as at the balance sheet date.

The table below presents an analysis of investment properties under construction carried at fair value in the consolidated statement of financial position according to the levels of the fair value hierarchy:

Investment property under construction — fair value hierarchy levels

	Level 1*	Level 2**	Level 3***	Fair value - total
31.12.2022				
Office	-	-	65 344	65 344
Total	**-**	**-**	**65 344**	**65 344**

* Level 1 - Quoted (unadjusted) market prices in ac-tive markets for identical assets or liabilities
** Level 2 - valuation techniques where the lowest level inputs that are relevant to the determination of fair value are directly or indirectly observable
*** Level 3 - valuation techniques where the lowest level inputs that are relevant to the measurement of fair value are unobservable.

The key input data and assumptions adopted for in-vest-ment properties under construction measured at fair valueare as follows:

Investment property under construction — valuation techniques

	Valuation	Valuation tech-nique	Discount rate %	Capitalization %
31.12.2022				
Office	65 344	income method	7,25%	6,75%
Total	**65 344**			

According to the valuations prepared by the Group, the value of investment properties under construction as at 31 December 2021 amounted to PLN 741,663 thousand. PLN and consisted of real estate valued at fair value (PLN 232,152 thousand) and other real estate (PLN 509,511 thousand) valued at the purchase amount, which best reflects the fair value of the asset as at the balance sheet date.

The table below presents an analysis of investment properties under construction carried at fair value in the consolidated statement of financial position according to the levels of the fair value hierarchy:

Investment properties under construction — fair value hierarchy levels

	Level 1*	Level 2**	Level 3***	Fair value — total
31.12.2021				
Office	-	-	232 152	232 152
Total	**-**	**-**	**232 152**	**232 152**

* Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
** Level 2 - valuation techniques where the lowest level inputs that are relevant to the determination of fair value are directly or indirectly observable
*** Level 3 - valuation techniques where the lowest level inputs that are relevant to the measurement of fair value are unobservable.

The key input data and assumptions adopted for in-vestment properties under construction measured at fair valueare as follows:

Investment property under construction — valuation techniques

	Valuation	Valuation technique	Discount rate %	Capitalization %
31.12.2021				
Office	232 152	income method	7,20% - 8,00%	6,70% - 7,50%
Total	**232 152**			

Investment property

As at 21 December 2022, the value of investment properties was PLN 1,094,638 thousand. It consisted of real estate measured at fair value (PLN 1,061,255 thousand) and other properties (PLN 33,383 thousand) measured at cost due to the inability to determine a reliable fair value.

The table below presents an analysis of investment properties carried at fair value in the consolidated statement of financial position according to the levels of the fair value hierarchy:

Investment property — fair value hierarchy levels

	Level 1*	Level 2**	Level 3***	Fair value — total
31.12.2022				
Retail	-	-	598 500	598 500
Office	-	10 869	380 855	391 724
Office — City Space	-	-	71 032	71 032
Total	**-**	**10 869**	**1 050 386**	**1 061 255**

* Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
** Level 2 - valuation techniques where the lowest level inputs that are relevant to the determination of fair value are directly or indirectly observable
*** Level 3 - valuation techniques where the lowest level inputs that are relevant to the measurement of fair value are unobservable.

The key input data and assumptions adopted for in-vestment properties measured using the income method are as follows:

Investment property — valuation techniques

	Valuation	Valuation technique	Discount rate %	Capitalization %
31.12.2022				
Retail	598 500	income method	7,50%	7,00%
Office	380 855	income method	7,25% - 8,00%	6,75% - 7,50%
Office — City Space	71 032	income method	9,16%	-
Office	10 869	comparative method	-	-
Total	**1 061 255**			

According to the valuations prepared by the Group, the value of investment properties as at 31 December 2021 amounted to PLN 843,576 thousand. It consisted of properties measured at fair value (PLN 810,646 thousand) and other properties (PLN 32,930 thousand) measured at cost due to the inability to determine a reliable fair value.

The table below presents an analysis of investment properties carried at fair value in the consolidated statement of financial position according to the levels of the fair value hierarchy:

Investment property — fair value hierarchy levels

	Level 1*	Level 2**	Level 3***	Fair value — total
31.12.2021				
Retail	-	-	639 803	639 803
Office	-	-	126 353	126 353
Office — City Space	-	-	44 490	44 490
Total	**-**	**-**	**810 646**	**810 646**

* Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
** Level 2 - valuation techniques where the lowest level inputs that are relevant to the determination of fair value are directly or indirectly observable
*** Level 3 - valuation techniques where the lowest level inputs that are relevant to the measurement of fair value are unobservable.

The key input data and assumptions adopted for investment properties measured at fair valueare as follows:

Investment property — valuation techniques

	Valuation	Valuation technique	Discount rate %	Capitalization %
31.12.2021				
Retail	639 803	income method	7,00%	6,50%
Office	116 394	income method	6,50%-9,00%	6,50%-9,00%
Office — City Space	44 490	income method	3,79%	-
Office	9 959	other method	-	-
Total	**810 646**			

Assets held for sale

The value of assets held for sale as at 31 December 2022 amounted to PLN 355,327 thousand. It consisted of real estate valued at fair value (PLN 319,506 thousand) and real estate valued at the value of expenditure (PLN 35,821 thousand), valued at the purchase amount that best reflects the fair value of the asset as of the balance sheet date (applies to a land property on Nowomiejska Street in Gdańsk).

The table below presents an analysis of assets held for sale carried at fair value in the consolidated statement of financial position according to the levels of the fair value hierarchy:

Assets held for sale — fair value hierarchy levels

	Level 1*	Level 2**	Level 3***	Fair value - total
31.12.2022				
Office	-	1400	318 106	319 506
Total	**-**	**1 400**	**318 106**	**319 506**

* Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
** Level 2 - valuation techniques where the lowest level inputs that are relevant to the determination of fair value are directly or indirectly observable
*** Level 3 - valuation techniques where the lowest level inputs that are relevant to the measurement of fair value are unobservable.

The key input data and assumptions adopted for as-sets held for sale measured using the income method are as follows:

Assets held for sale — valuation techniques

	Valuation	Valuation technique	Discount rate %	Capitalization %
31.12.2022				
Office	318 106	income method	7,25% - 7,65%	6,75% - 7,15%
Office	1 400	comparative method	-	-
Total	**319 506**			

Under the 'assets held for sale' item the Group presents the properties with reference to which a decision was made to sell them within 12 months. This item includes completed projects as well as ongoing projects and in-vestment plots.

As at 31 December 2021, the value of assets held for sale amounted to PLN 1,381,451 and consisted of office buildings measured at fair value (PLN 1,347,498 thousand) and other properties (PLN 33,953 thousand) valued at the purchase amount, which best reflects the fair value of the asset as at the balance sheet date.

The table below presents an analysis of assets held for sale carried at fair value in the consolidated statement of financial position by levels of the fair value hierarchy:

Assets held for sale
— fair value hierarchy levels

	Level 1*	Level 2**	Level 3***	Fair value — total
31.12.2021				
Office	-	-	1 283 618	1 283 618
Retail	-	-	63 880	63 880
Total	**-**	**-**	**1 347 498**	**1 347 498**

* Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
** Level 2 - valuation techniques where the lowest level inputs that are relevant to the determination of fair value are directly or indirectly observable
*** Level 3 - valuation techniques where the lowest level inputs that are relevant to the measurement of fair value are unobservable.

The key input data and assumptions adopted for investment properties for sale measured using the income method are as follows:

Assets held for sale
— valuation techniques

	Valuation	Valuation technique	Discount rate %	Capitalization %
31.12.2021				
Office	1 283 618	income method	6,85% - 7,90%	6,35% - 7,40%
Retail	63 880	another method	-	-
Total	**1 347 498**			

Fit-out works

As of 31 December 2022, the value of liabilities due to contracts with clients regarding finishing works amounted to PLN 46,760 thousand.

As of 31 December 2021, the value of liabilities due to contracts with clients regarding finishing works amounted to PLN 9,343 thousand.

Inventory

When estimating the amount of the write-down on inventories held by the Group as at the balance sheet date, information is analyzed according to the current market prices obtained from the development market, regarding the expected sale prices and current market trends, as well as information resulting from the preliminary sales agreements concluded by the Group.

Assumptions used in the calculation of the writedown are mainly based on valid market prices of real estate in a given market segment. In the case of land included in the item of inventories, the value of write-downs results from the suitability of the given land for the needs of the current and future operations of the Group estimated by the Management.

Data regarding write-downs updating the value of inventories to the net value possible to obtain and reversing write-downs on this account are presented in note 9.

Financial instruments valued according to fair value

The Group uses its judgment when selecting valuation methods and makes assumptions based on market conditions existing at each balance sheet date. In particular, concluded forward contracts and concluded option agreements are valued on the basis of valuations provided by banks, are based on the discounted cash flow method using observable data such as exchange rates, interest rates (WIBOR, EURIBOR) and interest rate curves.

As at 31 December 2022, the Group did not change the valuation principles for financial instruments, there were no changes in the classification or movements between levels of the fair value hierarchy. There is no difference between the carrying value and the fair value of financial instruments. The Group classifies derivative forwards and options to the second level in the fair value hierarchy.

Asset from deferred income tax

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

The Management Board verifies the estimates adopted for the probability of the recovery of deferred tax assets based on changes in the factors considered in determining them, new information and past experience.

Estimated useful life of the trademark

In accordance with IAS 38 para. 88, the Group evaluated whether the "Archicom" trademark as an intangible asset, which arose from the business acquisition and was valued at PLN 67 million as of the acquisition date in 2021, has an indefinite or limited useful life. Indefinite does not mean 'infinite' (IAS 38 para. 91), but simply means that, based on the relevant factors, as at the valuation date, there is no reasonably foreseeable limit to the period over which the asset is expected to generate net proceeds to the entity. In particular, the assessment of the assumed period took into account that the Echo Group owns and controls the "Archicom" brand; there are no indications that would limit the period of using the brand by the Echo Group and it plans to use the brand without time limit and there are no other factors that would limit the period of using the brand. In addition, in the opinion of the Management Board, there is no foreseeable time limit for the use of the brand, the trademark is recognisable in the Wrocław market where it has a significant market share with a growing trend, no technical, technological or commercial obsolescence of the brand is expected, as the Group is constantly improving its construction technique and technology to follow the market and intends to follow the preferences and expectations of its clients, especially in terms of living/housing conditions. The industry is relatively stable, with the strongest brands in the industry existing for around 20-30 years. In accordance with IAS 38 para. 109, the useful life of an intangible asset that is not subject to depreciation is verified each period to determine whether events and circumstances continue to support the indefinite useful life for that asset, as discussed in note 2.

Leasing

The adaption and application of IFRS 16 required the Company to make various estimates and to engage in professional judgment. The main area in which it happened concerning the assessment of lease periods, in agreements for an indefinite period and in agreements for which the Company was entitled to extend the agreement. When determining a lease period, the Company had to consider all facts and circumstances, including the existence of economic incentives to use or not to extend the agreement and any termination option. The Company also estimated the discount rate used in the calculation of the lease liability - as a rate reflecting the cost of financing a similar asset for the same period.. As at 1 January 2019, the average weighted IBR rate used to discount of liability valuation amounted to 5.73 percent.

Long-term incentive program

The Group has a long-term incentive program that meets the definition of a program based on shares in IFRS 2 "Share-based payment", which covers members of the Management Board and the President of the CEO of the subsidiary Archicom S.A. Due to the Group's expectation of settling the program in the form of cash, the liability amount and the cost were recognized in the period under general and administrative expenses. The valuation of the program is based on the 'Monte Carlo' model and variables such as the share price, the period until the end of the program or the expected share price at the end of the program.

Identification of a significant financing component within contracts with clients

The Group considered that the contracts with clients do not contain a significant financing component. In support of the conclusion that the contract does not contain a significant financing component is the fact that advance payments from clients are intended to secure the implementation of the contract (i.e. they guarantee to the developer that the client will not withdraw from the purchase and, from the client's point of view, they are securities that a given unit will be sold to the client at the agreed price), so they are made for reasons other than to provide financing to the developer (IFRS 15 para. 62c).

07 Financial risk management

The risk of changes in cash flows and fair value related to interest rate

The Group's exposure to interest rate risk stems from financial assets and liabilities, in particular with loans granted, bank deposits, bank loans received and bonds issued. Borrowings, loans, and bonds bear interest at variable rates and make the Group vulnerable to interest rate risk, while loans bear interest at fixed interest rates and expose the Group to fluctuations in fair value of financial instruments. In addition, the Group is exposed to the risk of interest rate fluctuations in the case of borrowing a new loan or refinancing existing debt into long-term financing.

As at 31 December 2022, 22.93 percent of liabilities due to loans and debt securities earned interest at fixed rates, the rest - at floating rates. As at 31 December 2021, 21.79 percent of liabilities due to loans and debt securities earned interest at fixed rates, the rest - at floating rates.

As at 31 December 2022, 80.02 percent of liabilities due to loans and debt securities earned interest at floating rates. As at 31 December 2021, 74.04 percent of liabilities due to loans and debt securities earned interest at floating rates.

As at 31 December 2022, the Group apply interest rate hedge for bonds in the form of IRS instruments (i.e. changing the floating rate to constant).

Interest rates' risk — liabilities due to debt securities issue [PLN '000]

	Value calculated for analysis purposes	
	31.12.2022	31.12.2021
Balance of liabilities due to the debt securities issue with a variable interest rate	1 003 288	1 306 047
Financial costs of debt securities issue's interests	73 400	51 031
Estimated change in interest rates	+/- 1 p.p.	+/- 1 p.p.
"Financial costs of debt securities issue's interests rates, taking into account increase / (decrease) of interests rates"	10 033	13 060
Total impact on the gross results for the period	**10 033**	**13 060**
Income tax	1 906	2 481
Total impact on the net result for the period	**8 127**	**10 579**

Interest rates' risk — liabilities due to loans and borrowings [PLN '000]

	Value calculated for analysis purposes	
	31.12.2022	31.12.2021
Balance of liabilities due to loans and borrowings with a variable interest rate	849 309	922 513
Financial costs of interests	30 914	21 176
Estimated change in interest rates	+/- 1 p.p.	+/- 1 p.p.
Change of interest as a result of interest rate's change (on a yearly basis)	8 493	9 225
Total impact on the gross results for the period	**8 493**	**9 225**
Income tax	1 614	1 753
Total impact on the net result for the period	**6 879**	**7 472**

Interest rates' risk — cash [PLN '000]

	Value calculated for analysis purposes	
	31.12.2022	31.12.2021
Cash balance	941 997	588 680
Other operating revenues on interests	3 503	12
Estimated change in interest rate	+/- 1 p.p.	+/- 1 p.p.
Other operating revenues on interests with change of interest rate impact	9 420	5 887
Total impact on the gross results for the period	**9 420**	**5 887**
Income tax	1 790	1 118
Total impact on the net result for the period	**7 630**	**4 768**

Interest rates' risk — loans granted [PLN '000]

	Value calculated for analysis purposes	
	31.12.2022	31.12.2021
Loans granted balance with a variable interest rate	58 063	79 691
Operating revenues on granted loans	3 014	3 736
Estimated change in interest rates	+/- 1 p.p.	+/- 1 p.p.
Financial revenues on interests due to loans granted with change of interest rate impact	581	797
Total impact on the gross results for the period	**581**	**797**
Income tax	110	151
Total impact on the net result for the period	**470**	**645**

Credit risk

Regarding receivables and loans, the entities with which the Group has these settlements do not have any external ratings published. In case of financial institutions, the external credit rating ranged between BBB - and A - (according to the rating agency EuroRating). The Group granted loans to entities accounted for using the equity method: Galeria Młociny, Towarowa 22 and Resi4Rent, therefore there is a concentration risk. All of these items were classified as Level 1 in the ECL model because credit risk has not increased since initial recognition. There were no movements on gross value and write-downs between levels. The borrowers do not have external ratings, the group assessed the borrowers as very good, characterized by a high ability to regulate contractual cash flows. The maximum exposure to credit risk is equal to the carrying amount of loans granted.

Credit risk arises in the case of cash, granted borrowings, derivative financial instruments and deposits in banks and financial institutions, as well as in relation to clients and tenants of the Group in the form of outstanding receivables. The specifics of the Group's operations in the field of sales of residential space, lease and provision of services mean that the Group is not exposed to significant credit risk.

As at 31 December 2022, the Group estimated the value of impairment losses on trade receivables based on the provision matrix based on historical data regarding repayment of receivables by contractors in the division of types of revenues. Credit loss ratios were calculated on the basis of a model based on historical repayment of receivables in individual overdue groups. The table below presents data on exposures and the value of impairment losses on expected credit losses.

31.12.2022	Default rate weighted average	Gross value of trade receivables [PLN '000]	Provision for expected credit losses [PLN '000]
current	1,67%	33 414	558
1-30 days	2,17%	14 825	322
31-90 days	13,30%	10 935	1 454
91-360 days	38,29%	6 162	2 360
over 361 days	44,48%	17 510	7 788
Total		**82 846**	**12 482**

In addition, the Group has procedures in place to assess the creditworthiness of customers and tenants, and in the case of tenants, security deposits and guarantees are also used. There is no significant concentration of risk in relation to any of the clients of the Echo Investment Group. In the case of cash and deposits in financial institutions and banks, as well as payments made by residential clients on escrow accounts presented as other financial assets, the Group uses the services of reputable entities. With regard to the above-mentioned categories, there is a concentration risk resulting from maintaining almost 50 percent of funds in the bank Polska Kasa Opieki S.A.

Financial institutions with which the beneficial Group have an external rating:

rating wg Fitch Issuer Default Ratings	Amount of cash and other financial assets [PLN '000]
A+	3 855
BB	12 862
BBB	791 333
BBB-	204 475
BBB+	18 386
	1 030 911

Cash and cash equivalents along with payments made by residential customers on escrow accounts presented as other financial assets were classified to level 1 in the expected credit loss model, and the estimated impairment loss was considered by the management to be immaterial.

In the Management Board's opinion, in view of the presented business characteristics, the risk of non-performance of contractual obligations is low. The Group's debtors have a high short-term ability to fulfil their obligations resulting from contracts concluded with the Group, and possible adverse changes in economic and business conditions in the long term may - but not necessarily and, in the opinion of the Management Board, they should not - limit their ability to fulfil their obligations within the scope resulting from concluded agreements.

Loss of liquidity

The risk of losing liquidity is the risk that the Group will not be able to settle its financial liabilities on their maturity dates. The Group manages the liquidity risk by maintaining the appropriate amount of the available cash reserve, using the offer of banking services and reserve credit lines and by monitoring the forecast and actual cash flows.

Available current and revolving loans and cash [mln PLN]

	31.12.2022	31.12.2021
current and revolving loans	295	305
including available limits	124,2	100,8
non-restricted cash on bank accounts	942	589

Due to the dynamic nature of its operations, the Group retains the flexibility of financing through the availability of cash and the diversity of sources of financing. The Group has sufficient funds to pay all liabilities in due time. Liquidity risk is minimised in the longer term through the availability of bank credit facilities. At any time, the Group may use sufficient funds from the loan facilities granted by banks.

The analysis of the Group's undiscounted financial liabilities that will be settled in appropriate aging periods based on the time remaining to contractual maturity date as at the balance day 31 December 2022:

Analysis of undiscounted financial liabilities as at 31 December 2022 [PLN '000]

Period	Loans	Borro-wings	Bonds	Leasing	Guaran-tees and sureties	Derivates	Trade and other liabilities	Revenue security liabi-lities for rent--free periods (masterlease)	Profit share liabilities	Total
Up to 1 month	17 213	10	2 959	10 967	12 237	-	136 678	2 839	-	**182 902**
1 - 3 months	104 480	185	127 318	24 750	-	-	7 430	6 417	-	**270 580**
3 months - 1 year	327 622	1 735	374 550	100 426	-	-	48 686	15 696	886	**869 600**
1 — 3 years	322 197	-	1 059 748	60 906	-	-	-	11 809	14 820	**1 469 481**
3 — 5 years	118 668	8 572	353 575	34 879	-	-	-	9 223	-	**524 916**
5 — 10 years	-	-	-	96 463	-	-	-	5 914	-	**102 377**
Over 10 years	-	-	-	97 831	-	-	-	-	-	**97 831**
Total	**890 179**	**10 501**	**1 918 149**	**426 222**	**12 237**	**-**	**192 794**	**51 898**	**15 706**	**3 517 687**

Analysis of undiscounted financial liabilities as at 31 December 2021 [PLN '000]

Period	Loans	Borro-wings	Bonds	Leasing	Guaran-tees and sureties	Derivates	Trade and other liabilities	Revenue security liabi-lities for rent--free periods (masterlease)	Profit share liabilities	Total
Up to 1 month	97 161	-	10 330	9 964	105 430	15 300	159 938	1 684	-	**399 807**
1 - 3 months	26 426	24	160 936	21 619	-	27 673	36 539	1 562	-	**274 780**
3 months - 1 year	690 538	3 442	552 106	91 407	-	4 600	59 124	5 815	4 488	**1 411 520**
1 — 3 years	433 779	654	809 242	59 444	-	-	48 704	5 696	37 937	**1 395 455**
3 — 5 years	-	7 854	342 882	42 150	-	-	-	939	-	**393 825**
5 — 10 years	20 924	-	-	121 292	-	-	-	648	-	**142 864**
Over 10 years	-	-	-	87 092	-	-	-	-	-	**87 092**
Total	**1 268 827**	**11 974**	**1 875 496**	**432 968**	**105 430**	**47 573**	**304 305**	**16 344**	**42 425**	**4 105 342**

Estimated future interest payments were included in the analysis.

Liquidity ratios

Current ratio
(current assets / short-term liabilities)

Quick ratio indicator
(current assets - inventories / short-term liabilities)

Instant cash ratio
(cash / short-term liabilities)

In 2022, the liquidity ratios increased and remain at good levels, which proves the stable liquidity situation of the Group.

The increase in ratios results from an increase in current assets (cash and receivables) with a decrease in the level of short-term liabilities.

Value of liquidity ratio

	31.12.2022	31.12.2021
Current ratio	1,38	1,11
Quick ratio indicator	0,66	0,40
Instant cash ratio	0,46	0,29

Currency risk

The risk of foreign exchange rate fluctuations is related to the investment loans and borrowings denominated in foreign currencies within the Group (as at 31 December 2022 it amounted to EUR 150,166 thousand, as at 31 December 2021 they amounted EUR 271,755 thousand) the lease agreements, where rents are dependent on the PLN/EUR exchange rate and other receivables expressed in foreign currencies.

This risk arises with the following types of financial events:
- currency translation of received loans (tranches of loans) and funds from the sale of commercial projects from EUR to PLN,
- repayment of loan instalments,
- obtaining receivables in respect of property lease,
- currency translation of other receivables in foreign currency.

The Group uses natural hedging: contracts with tenants are expressed in the currency of the loan that was taken out to finance the investment. Payments received from the tenants obtained in this way are intended for repayment of the aforementioned loans. Such linking of funding with sources of income reduces the foreign exchange risk to a min-imum or eliminates it completely.

In 2022 in order to safeguard from exchange rate risk the Group opened positions on the forward currency market by acquiring derivative financial instruments hedging the exchange rate of EUR to PLN.

As a result of opened position, as of 31 December 2022 the Group remained hedged for cash flows of EUR 4.6 million. Transactions were conducted on the basis of bank agreements, not speculatively and were a part of hedging policy (but not treated by the Group as hedge accounting as defined by IAS39) with the intention of securing future cash flows from conversion of loan tranches granted in EUR and funds from the sale of commercial projects.

Main data on long-term derivative financial instruments as at 31 December 2022 [PLN '000]

	Nominal collateral	Interest	Date	Date od end
IRS - 39624	150 000	0,59%	24.08.2020	31.05.2024
IRS - 39827	100 000	0,54%	16.09.2020	05.08.2024
Forward	22 000	nie dotyczy	17.11.2022	31.05.2023

The Group pursues a uniform risk management policy of exchange rate changes and constantly monitors risk areas, while using available strategies and mechanisms to minimise the negative effects of market volatility and cash flow hedges. The Group maintains financial surpluses mostly in the PLN. The amounts held in bank accounts in other currencies are mainly to current transactions.

Currency structure of cash owned by the Goup [PLN '000]

	31.12.2022	31.12.2021
PLN	83,9%	85,1%
EUR	16,1%	14,9%

Based on the simulations, it was found that the impact of changes in EUR/PLN interest rates by 10 percent net profit would be a maximum increase or decrease, within individual categories of receivables and liabilities:

Currency risk - receivables due to sale of projects and other [PLN '000]

	Value calculated for the purpose of analysis	
	31.12.2022	31.12.2021
Balance of receivables due to sale of projects and ithers in EUR	16 518	13 806
Estimated change of exchange rate (EUR)	+/- 10 p.p.	+/- 10 p.p.
FX difference due to exchange rate's change	**1 652**	**1 381**
Estimated (deferred) income tax	314	262
Net impact on net result	**1 338**	**1 119**

Currency risk — borrowings receivables [PLN '000]

	Value calculated for the purpose of analysis	
	31.12.2022	31.12.2021
Balance of receivables due to borrowings in EUR	35 983	39 174
Estimated change of exchange rate (EUR)	+/- 10 p.p.	+/- 10 p.p.
FX difference due to exchange rate's change	**3 598**	**3 917**
Estimated (deferred) income tax	684	744
Net impact on net result	**2 914**	**3 173**

Currency risk — borrowings liabilities [PLN '000]

	Value calculated for the purpose of analysis	
	31.12.2022	31.12.2021
Balance of liabilities due to borrowings in EUR	10 539	190 414
Estimated change of exchange rate (EUR)	+/- 10 p.p.	+/- 10 p.p.
FX difference due to exchange rate's change	**1 054**	**19 041**
Estimated (deferred) income tax	200	3 618
Net impact on net result	**854**	**15 423**

Currency risk — loans liabilities [PLN '000]

	Value calculated for the purpose of analysis	
	31.12.2022	31.12.2021
Balance of liabilities due to loans in EUR	693 724	1 059 507
Estimated change of exchange rate (EUR)	+/- 10 p.p.	+/- 10 p.p.
FX difference due to exchange rate's change	**69 372**	**105 951**
Estimated (deferred) income tax	13 181	20 131
Net impact on net result	**56 191**	**85 820**

Currency risk — bonds liabilities [PLN '000]

	Value calculated for the purpose of analysis	
	31.12.2022	31.12.2021
Balance of liabilities due to bonds in EUR	208 100	219 988
Estimated change of exchange rate (EUR)	+/- 10 p.p.	+/- 10 p.p.
FX difference due to exchange rate's change	**20 810**	**21 999**
Estimated (deferred) income tax	3 954	4 180
Net impact on net result	**16 856**	**17 819**

Currency risk
— cash and cash equivalents [PLN '000]

	Value calculated for the purpose of analysis	
	31.12.2022	**31.12.2021**
Balance of cash and cash equivalents (in EUR)	148 779	70 085
Estimated change of exchange rate (EUR)	+/- 10 p.p.	+/- 10 p.p.
FX difference due to exchange rate's change	**14 878**	**7 009**
Estimated (deferred) income tax	2 827	1 332
Net impact on net result	**12 051**	**5 677**

Currency risk
— other financial assets [PLN '000]

	Value calculated for the purpose of analysis	
	31.12.2022	**31.12.2021**
Balance of other financial assets (in EUR)	16 316	29 163
Estimated change of exchange rate (EUR)	+/- 10 p.p.	+/- 10 p.p.
FX difference due to exchange rate's change	**1 632**	**2 916**
Estimated (deferred) income tax	310	554
Net impact on net result	**1 322**	**2 362**

08 Capital risk management

The Group's objective in managing capital is to protect the Group's ability to continue its operations, so that it can generate return for shareholders and to maintain an optimal capital structure to reduce its cost.

While managing the capital, the Group makes decisions regarding the level of financial leverage, dividend policy, issuance of new shares or purchasing and subsequent redemption or resale of previously issued shares and the possible sale of assets to reduce debt.

The Group monitors its capital by such methods as debt ratios. This ratio is calculated as net debt to net assets. Net debt is calculated as total loans, borrowings and bonds (including current and long-term loans and borrowings presented in the balance sheet) less cash, cash equivalents. Net assets are calculated as total assets presented in the balance sheet reduced by cash and cash equivalents.

Debt ratio [PLN '000]

	Note	31.12.2022	31.12.2021
Total loans, borrowings and bonds	17	2 419 506	2 894 078
Cash and cash equivalents	14	(941 997)	(588 680)
Net debt		1 477 509	2 305 398
Total assets		6 087 012	6 434 880
Net assets		5 145 015	5 846 200
Debt ratio		28,72%	39,43%

Value of presented ratios are within the financial as-sumptions of the Group.

09 Agreements concluded with related entities

Transactions with related entities [PLN '000]

	31.12.2022	31.12.2021
Results of transactions with owners		
Receivables from loans granted	10 900	41 920
Trade liabilities	1 901	1 900
Incurred costs	18 541	17 595
Recognized interest income	1 133	2 558
Results of transactions with related entities		
Trade receivables	1 541	3 283
Recognized revenues from the sale of apartments and parking spaces	5 528	5 641
Results of transactions with members of the Management Board		
Recognized revenue	1 023	1
Advances received	891	794
Incurred costs	-	46
Results of transactions with jointly controlled entities		
Receivables from loans granted	320 084	291 284
Trade receivables	9 087	8 611
Liabilities	483	5
Incurred costs	374	3 397
Recognized revenues from rental, advisory, accounting and other services	6 266	4 505
Recognized revenue from the sale of shares	-	30 524
Recognized revenues from the sale of land and real estate, support for investment implementation	18 579	30 131
Recognized interest income	13 188	10 790
Advance payments for the purchase of land	109 779	-

The Members of the Management Board of Echo Investment S.A. and the President of the Management Board of its subsidiary Archicom S.A. are entitled to additional additional incentive remuneration in the form of a Long-Term Bonus. As at 31 December 2022, the Group recognised a provision in the financial statements in the amount of PLN 4 330 thousand for bonuses for the Management Board based on the share price. The impact on the company's profit or loss due to changes in the amount of this provision in 2022 amounted to PLN 4 729 thousand gross to increase profit or loss. Details are set out in the section 1 ,Remuneration of the Management Board and Supervisory Board'.

Change in allowances for expected credit losses - loans [PLN '000]

	31.12.2022	31.12.2021
As at the beginning of the period	**482**	**391**
Increases due to		
- creation of a write-of	952	91
Balance of allowances at the end of the period	**1 434**	**482**

10 Significant events after the balance sheet day

Fulfilment of the condition on advance payment of dividend for the financial year 2022 and payment

On 23 December, 2022 the Management Board of Echo Investment S.A. adopted a resolution to pay to shareholders an advance on future dividend for the financial year 2022. The total amount allocated to the advance amounts was PLN 90.8 million, i.e. PLN 0.22 per share. The dividend advance was paid on 2 February 2023 after obtaining the consent of the Supervisory Board on 10 January 2023. The shareholders holding the Company's shares on 26 January, 2023, i.e. 7 days before the payment date, were entitled to the dividend advance.

Issue of bonds worth PLN 62 million for institutional investors

In Q1 2023, Echo Investment issued one series of bonds for institutional investors.

Series	M7/2023
Value	PLN 62 mln
Maturity	2 years
Interest	WIBOR 3M + margin

The bonds are not secured and is listed on Warsaw Stock Exchange. The money raised will be spent on business development.

The offering agent was mBank.

11 Remuneration of the Management Board and Supervisory Board

Remuneration of Members of the Management Board [PLN]

	2022					2021				
	From Echo Investment S.A.					From Echo Investment S.A.				
	Basic remuneration	Bonus	From subsidiaries, joint-ventures and associates	Other benefits	Total	Basic remuneration	Bonus	From subsidiaries, joint-ventures and associates	Other benefits	Total
Nicklas Lindberg	1 407 305	793 349	2 566 960	658 414,10	5 426 029	1 376 985	1 482 723	2 873 597	667 853	6 401 158
Maciej Drozd	538 285	422 829	1 334 915	42 350	2 338 380	527 288	770 520	1 403 649	38 136	2 739 593
Artur Langner	240 000	208 373	932 747	6 018,84	1 387 139	230 505	192 000	828 000	5 124	1 255 628
Marcin Materny (resigned on 22.04.2021)	–	–	–	–	–	360 000	189 000	942 516	4 886	1 496 402
Rafał Mazurczak	306 000	260 100	1 066 932	12 220,36	1 645 252	284 000	189 000	898 032	10 235	1 381 267
Waldemar Olbryk (resigned on 22.04.2021)	–	–	–	–	–	204 286	661 000	0	29 497	894 783
Małgorzata Turek	306 000	252 450	1 004 550	5 418,84	1 568 419	284 000	192 000	958 000	4 724	1 438 724
Total	**2 797 590**	**1 937 101**	**6 906 105**	**724 422**		**3 267 064**	**3 676 242**	**7 903 793**	**760 455**	
Total in year					**12 365 218**					**15 607 555**

The long-term incentive program of the CEO and CFO

On 21 July 2021, Echo Investment S.A. entered into contracts with Nicklas Lindberg, the CEO of the Company and Maciej Drozd, the CFO specifying the terms of additional incentive compensation in the form of a long-term bonus. Such additional compensation conforms with the Remuneration Policy.

Nicklas Lindberg and Maciej Drozd obtained the right to a long-term bonus. The amount of it will depend on the growth in the Company's goodwill measured by the aggregate amount of dividend and the growth in the share price on the Warsaw Stock Exchange in annual evaluation periods.

The contracts define the rules of determining the amount of the long-term bonus based on the growth in the average six-month price of the Company's shares calculated for one-year periods, increased by the dividend disbursed by the Company above the initial value of a Company share determined at PLN 4.34 per share. The right to the longterm bonus will be acquired in annual periods over the term of the program, i.e., from 1 January 2020 to 31 December 2024, unless a material change in the shareholding structure of the Company occurs earlier. The amount of the longterm bonus depends on the growth in the value of the Company's shares, provided that the amount of the long-term bonus (the "base value") does not exceed EUR 10 million for Nicklas Lindberg and EUR 5 million for Maciej Drozd if at the end of the five-year period the growth in the average six-month price of the Company's shares increased by the dividend disbursed during the term of the program exceeds the amount of the initial quotation of the Company's shares by PLN 5.80, i.e., if the aggregate amount of the disbursed dividend increased by the average six-month price of the Company's shares reaches the amount of PLN 10.14 per share. In case of a material change in the shareholding structure of the Company, in lieu of the average six-month price of the Company's shares, the basis for the calculation of the long-term bonus will be the price received for the Company's shares calculated on the basis of the price indicated in the transaction resulting in such material change in the shareholding structure.

The duration of the program may be extended by a two years (to a seven-year total), i.e., until 31 December 2026; in such case the maximum amount of the long-term bonus will be 125 percent of the base value if the average six-month price of the Company's shares increased by the dividend disbursed during the seven-year evaluation period exceeds the base value by PLN 7.25, i.e., the aggregate amount of the disbursed dividend increased by the average six-month price of the Company's shares reaches the value of PLN 11.59 per share.

The long-term bonus is to be disbursed in the form of the Company's shares (whether existing or of a new issue) annually, at the end of the evaluation period, and should that be impracticable, it will be disbursed as a lump sump in cash at the end of the five-year term (or the seven-year term, should the former be extended) of the program. In case of a material change in the shareholding structure of the Company, the long-term bonus shall be disbursed as a lump sum upon occurrence of such event.

The Contracts also define the detailed terms of the disbursement of the longterm bonus, as well as addressing a situation where a Management Board memberforfeits the right to receive the long-term bonus or a part thereof, in particular inthe event of causing damage to the Company or of taking actions that breach the elevant provisions of the law or the Company's in-house regulations.

Extension of the Long-Term Bonus program

On 15 June 2022, Echo Investment S.A. entered into contracts with Rafał Mazurczak and Małgorzata Turek, members of the company's management board and Waldemar Olbryk, president of the management board of Archicom S.A., the subsidiary of the Company specifying the terms of additional incentive compensation in the form of a long-term bonus. Such additional compensation conforms with the Remuneration Policy.

Under the contracts, Rafał Mazurczak, Małgorzata Turek and Waldemar Olbryk obtained the right to a long-term bonus. The amount of it will depend on the growth in the Company's goodwill measured by the aggregate amount of dividend and the growth in the share price on the Warsaw Stock Exchange in annual evaluation periods.

The contracts define the rules of determining the amount of the long-term bonus based on the growth in the average six-month price of the Company's shares calculated for one-year periods, increased by the dividend disbursed by the Company above the initial value of a Company share determined at PLN 4.07 per share. The right to the longterm bonus will be acquired in annual periods over the term of the program, i.e., from 31 December 2022 to 31 December 2025, unless a material change in the shareholding structure of the Company occurs earlier. The maximum amount of the long-term bonus (the "base value") does not exceed EUR 1 million for each of the participants if at the end of the four-year period the growth in the average six-month price of the Company's shares increased by the dividend disbursed during the term of the program exceeds the amount of the initial quotation of the Company's shares by PLN 5.60, i.e., if the aggregate amount of the disbursed dividend increased by the average six-month price of the Company's shares reaches the amount of PLN 9.67 per share. In case of a material change in the shareholding structure of the Company, in lieu of the average six-month price of the Company's shares, the basis for the calculation of the long-term bonus will be the price received for the Company's shares calculated on the basis of the price indicated in the transaction resulting in such material change in the shareholding structure.

The duration of the program may be extended by a further one years (to a five-year total), i.e., until 31 December 2026; in such case the maximum amount of the long-term bonus will be 112.5 percent of the base value if the average six-month price of the Company's shares increased by the dividend disbursed during the five-year evaluation period exceeds the base value by PLN 6.3, i.e., the aggregate amount of the disbursed dividend increased by the average six-month price of the Company's shares reaches the value of PLN 10.37 per share.

The other rules regarding the long-term bonus program for Małgorzata Turek, Rafał Mazurczak and Waldemar Olbryk are the same as in the case of Nicklas Lindberg and Maciej Drozd.

As at 31 December 2022, the Company recognized a provision in the amount of PLN 4,330 million in its financial statements for a management bonus based on the share price. The change in the amount of the provision in 2022 increased the financial result of the Company by PLN 4,729 million gross.

Agreements concluded between the company and members of the management

In 2022 and as at the date of publication of the report, there were no agreements concluded between the Company and executives, providing for compensation in case of their resignation or dismissal from their position without an important reason, or if their dismissal occurs due to a merger of Echo Investment S.A. or due to an acquisition.

Remuneration of Members of the Supervisory Board [PLN]

	2022			2021		
	From Echo Investment S.A.	From subsidiaries, joint-ventures and associates	Other benefits	From Echo Investment S.A.	From subsidiaries, joint-ventures and associates	Other benefits
Noah M. Steinberg	240 000	_	_	240 000	-	-
Tibor Veres	84 000	_	_	84 000	-	-
Margaret Dezse	180 000	_	_	180 000	-	-
Maciej Dyjas	60 000	_	_	60 000	-	-
Sławomir Jędrzejczyk	180 000	_	_	180 000	-	-
Péter Kocsis	60 000	_	_	60 000	-	-
Bence Sass	60 000	_	_	60 000	-	-
Nebil Senman	60 000	_	_	60 000	-	-
Total	**924 000**	**_**	**_**	**924 000**	**-**	**-**

12 Agreements concluded with an auditor

The Supervisory Board of Echo Investment S.A., upon the recommendation of the Audit Committee, has selected Pricewaterhousecoopers Polska Sp. z o.o. Audyt Sp.k. based in Warsaw, ul. Polna 11, registered as number 144 in the list of expert auditors to audit separate financial reports of Echo Investment and consolidated financial reports of the Echo Investment Capital Group for the years 2022-2023. The agreement was concluded by the Management Board, based on the Supervisory Board's authorisation.

The Management Board of Echo Investment S.A. informs that the selection of the auditing company conducting the audit of the annual financial statements was made in accordance with the polish regulations, including on the basis of the applicable policy and procedure for selection of the auditing company [adopted by the Audit Committee on 23 March 2018].

The auditing company and the members of the team conducting the audit met the conditions for preparing an unbiased and independent report on the audit of the annual financial statements in accordance with the applicable regulations, professional standards and professional ethics.

Echo Investment S.A. complies with the existing regulations related to rotation of the auditing company and the key statutory auditor, as well as prevailing mandate periods. Echo Investment S.A. has a policy with respect to the selection of the auditing company and a policy with respect to providing services to the issuer by the auditing company, any entity related to the auditing company or a member of its network of additional non-auditing services, including services which are conditionally excluded from the ban on such services by the auditing company. The auditing company selection policy and procedure and the non-auditing services purchase policy were approved by resolutions of the Audit Committee dated 23 March 2018 and are available on the Company's website under Investor relations / Strategy and corporate governance and were adopted by resolutions of the Audit Committee of 15 September 2022 and 2 February 2023, respectively.

The net remuneration due to the auditor entitled to audit financial reports of the company and the group

Title	Contractual amount [PLN]
Review of the standalone and consolidat-ed financial statements for the 1st half-year 2022	210 000
Additional audit of the standalone finan-cial statement for the 1st half-year 2022	93 000
Audit of the standalone and consolidated financial statements for 2022	600 000
Audit statements of remuneration for 2022	25 000
Review of the interim consolidated finan-cial statements and audit of the interim standalone condensed financial state-ments of Archicom S.A.	220 000
Audit of the annual consolidated and standalone financial statements of Ar-chicom S.A.	250 000
Total	**1 398 000**

Nicklas Lindberg
President of the Board, CEO

Maciej Drozd
Vice-President of the Board, CFO

Artur Langner
Vice-President of the Board

Rafał Mazurczak
Member of the Board

Małgorzata Turek
Member of the Board

Anna Gabryszewska-Wybraniec
Chief Accountant

The document is signed with qualified electronic signature

Kielce, 28 March 2023

Statement of the Management Board

Pic. Face2Face office building in Katowice

The Management Board of Echo Investment S.A. declares that, to the best of its knowledge, the Annual Consolidated Financial Statements of Echo Investment S.A. and its Group for 2022 and comparative data have been presented in compliance with the applicable accounting principles, and that they reflect in a true, reliable and transparent manner the economic and financial situation of Echo Investment Group and its financial result.

The management report on operations of the Echo Investment S.A. and its Group provides a true view of the development and achievements and standing, including the description of major threats and risks.

Nicklas Lindberg
President of the Board, CEO

Maciej Drozd
Vice-President of the Board, CFO

Artur Langner
Vice-President of the Board

Rafał Mazurczak
Member of the Board

Małgorzata Turek
Member of the Board

Kielce, 28 March 2023

The document is signed with qualified electronic signature

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