

Report of Supervisory Board of Echo Investment S.A. on results of:

- evaluation of the separate financial report of Echo Investment S.A. and the consolidated financial report of the Echo Investment Capital Group in 2018,
- evaluation of the report of the Management Board on operations of Echo Investment S.A. and the Echo Investment Capital Group for 2018,
- evaluation of the standing of Echo Investment S.A. and the Echo Investment Capital in 2018,

1. CONCLUSIONS FROM EVALUATION OF SEPARATE AND CONSOLIDATED FINANCIAL REPORTS, REPORT OF THE MANAGEMENT BOARD ON OPERATIONS OF THE COMPANY AND THE ECHO INVESTMENT CAPITAL GROUP FOR 2018, AND STANDING OF THE COMPANY AND THE ECHO INVESTMENT CAPITAL GROUP IN 2018

Acting under Article 382.3 of the Polish Code of Commercial Companies and Partnerships and Clauses 70.1.14 and 71.1.12 of the Regulation of the Minister of Finance of 29 March 2018 governing current and periodical information published by issuers of securities and conditions whereunder information required by law of a non-member state may be considered as equivalent, the Supervisory Board approved the following documents submitted by the Management Board and confirmed that they comply with the books, documents and facts:

- a) separate financial report for 2018, comprising:
 - separate balance sheet as at 31 December 2018, with total assets, equity and liabilities amounting to PLN 2,768,923 thousand;
 - separate profit and loss account for the period between 1 January 2018 and 31 December 2018, with the revenue amounting to PLN 430,233 thousand, gross profit amounting to PLN 68,079 thousand and net profit amounting to PLN 42,432 thousand;
 - separate cash flow statement for the period between 1 January 2018 and 31 December 2018, with a balance sheet decrease in net cash of PLN 46,102 thousand;
 - separate statement of changes in equity for the period between 1 January 2018 and 31 December 2018, with an equity decrease of PLN 370,258 thousand;
 - additional information
- b) consolidated financial report for 2018, comprising:
 - consolidated balance sheet as at 31 December 2018, with total assets, equity and liabilities amounting to PLN 3,978,640 thousand;
 - consolidated profit and loss account for the period between 1 January 2018 and 31 December 2018, with the revenue amounting to PLN 713,035 thousand, gross profit amounting to PLN 424,412 thousand and net profit amounting to PLN 305,351 thousand;
 - consolidated cash flow statement for the period between 1 January 2018 and 31 December 2018, with a balance sheet decrease in net cash of PLN 236,802 thousand;
 - consolidated statement of changes in equity for the period between 1 January 2018 and 31 December 2018, with an equity decrease of PLN 94,444 thousand;
 - additional information;
- c) report of the Management Board on operations of Echo Investment S.A. and its Group for 2018.

The separate and consolidated financial reports were audited by the auditing company Ernst & Young audyt Polska spółka z ograniczoną odpowiedzialnością Sp. K. with its registered office in Warsaw, entered in the list of entities authorized to audit financial reports maintained by the Polish National Chamber of Statutory Auditors under no. 130 (Statutory Auditor or Auditor), which was selected by the Supervisory Board to audit the separate and consolidated financial reports of the Company and which entered into an agreement with the Management Board of Echo Investment S.A.

The Supervisory Board represents that:

- a) The auditor and the members of the auditing team meet the requirements to carry out an impartial and independent report on the annual audit of financial reports in compliance with regulations in force, good practices in auditing and professional ethics,
- b) regulations governing rotation of the Auditor and the key statutory auditor as well as applicable periods of grace are not violated,
- c) Echo Investment S.A. has a policy governing selection of the auditing company and a policy governing provision of additional services that are not auditing services, including services whose provision by an auditing company is not prohibited under conditions, which are provided to Echo Investment S.A. by an auditing company, an affiliate of an auditing company or a member of the network thereof

The Supervisory Board read opinions and reports of the Statutory Auditor regarding the separate and consolidated financial reports; the said reports were also subject to verification, review and evaluation by the Audit Committee of the Company's Supervisory Board, which advised the Supervisory Board to approve them.

The Supervisory Board finds that the data included in the separate financial report of Echo Investment S.A. and the consolidated financial report of the Echo Investment Capital Group reflect the Group's property and financial standing in a correct and reliable manner. Furthermore, the financial report and the report on the activity of the Management Board contain all information relevant for the evaluation of results of the business operations, profitability and identification of all risks. The Supervisory Board also confirms that the financial information contained in the report of the Management Board on operations of Echo Investment S.A. and the Echo Investment Capital Group comes directly from the audited financial reports and is consistent therewith. The above statements

of the Supervisory Board are based on the separate and consolidated financial reports and the content of the opinion and report of a Statutory Auditor.

The Statutory Auditor's opinion confirms that the financial reports have been correctly prepared in all material aspects, in accordance with accounting principles of the International Financial Reporting Standards and related interpretations published in the form of European Commission regulations, and in the scope not governed by these Standards – in accordance with the provisions of the Accounting Act of 29 September 1994 and the executive regulations issued on its basis and on the basis of properly maintained accounting books. Moreover, the reports comply with the provisions of the Company's Articles of Associations.

Having analyzed the profit and loss account for the year 2018, the Supervisory Board finds that the profit in the Capital Group decreased by 2% compared to 2017 and it amounted to PLN 305 million. The 'profit from investment property' item had a large share in the results due to entering into books of the first valuations of the fair values of real properties such as: Warsaw Brewery's Villa Offices and Malthouse Offices, O3 Business Campus III, Face 2 Face I, Moje Miejsce I, as well as profit from sale of West Link, Sagittarius Business House and Symetris II. The value of the 'profit from investment property' item also increased due to opening of the Libero shopping center in Katowice in the third quarter of 2018.

The residential segment also contributed to the operational result, which in 2018 reached a consolidated level of PLN 404.5 million. In 2018, clients were delivered 935 apartments, which marks the second highest score of the Group.

Analysis of the balance sheet reveals that the value of the Company's balance sheet total decreased by PLN 898.7 million, whereas the Echo Investment Capital Group grew by PLN 125.7 million.

The liabilities of the Echo Investment Capital Group increased by 6%. Analysis of the liquidity and debt ratios of the Echo Investment Capital Group shows that there is no risk of loss of liquidity. Keeping the debt and cash at a level similar to previous years made it possible to keep the general debt ratio at a comparable level. The Company's debt to equity ratio increased, whereas the quick liquidity ratio decreased. All indicators are found at acceptable levels and reflect good financial standing.

DEBT AND LIQUIDITY RATIOS	2018	2017
General debt ratio (general liabilities / general assets)	53%	52%
Debt to equity ratio (general liabilities / equity)	141%	127%
Current liquidity ratio (current assets / short-term liabilities)	1.84	1.90
Current liquidity ratio ((current assets – stock) / short-term liabilities)	0.96	1.20

In 2018, the Echo Investment Capital Group followed the strategic plan drafted in 2016, known as 'Profitable Growth Strategy'. Accordingly, it will focus on revolving its capital more quickly and, in consequence, should generate higher growth rates. The company intends to share the profit with its shareholders in the form of regularly paid dividends.

As of 31 December 2018, the Group completed the following projects:

retail projects:

- a) Galeria Młociny in Warsaw,

office projects:

- a) in Wrocław: West 4 Business Campus I
- b) in Katowice: Face 2 Face I, Face 2 Face II
- c) in Warsaw: Warsaw Brewery's Villa Offices and Malthouse Offices, Moje Miejsce I

residential projects:

- a) in Warsaw: Warsaw Brewery (stages B, C, E), Osiedle Reset (stage 1 i 2), Widoki Mokotów, Moje Miejsce I
- b) in Cracow: Dom Pod Wilgą (stage 3), Rydla 32
- c) in Poznań: Osiedle Perspektywa (stage 2 and 3), Osiedle Jaśminowe (stage 4)
- d) in Wrocław: Zebra, Ogrody Graua, Grota-Roweckiego III
- e) in Łódź: Osiedle Jarzębinowe (stage 5 and 6), Nowa Dzielnica.

Projects planned for 2019 are listed in the chart below:

OFFICE PROJECTS TO START IN 2019

Project	GLA [sqm]	NOI [EUR million]	Targeted budget [PLN million]	Planned start of construction	Planned completion of construction
Wrocław, ul. Powstańców Śląskich	36,400	6.4	284.6	Q2 2019	Q2 2021
Moje Miejsce II Warsaw, ul. Beethovena	16,900	2.9	128.8	Q1 2019	Q3 2020
React Łódź, ul. Piłsudskiego	15,000	2.4	101.9	Q1 2019	Q3 2020
Solidarności Gdańsk, ul. Nowomiejska	30,600	5.0	211.1	Q4 2019	Q4 2021
Total	98,900	16.7	726.4		

RESIDENTIAL PROJECTS TO START IN 2019

Project	Sales area [sqm]	No of units	Targeted revenue [PLN million]	Targeted budget [PLN million]	Planned start of construction	Planned completion of construction
Rydłówka I Cracow, ul. Rydłówka	5,900	108	53.2	43.1	Q4 2019	Q3 2021
Wita Stwosza I Cracow, ul. Wita Stwosza	13,800	252	127.2	93.1	Q4 2019	Q2 2021
Osiedle Jarzębinowe VII Łódź, ul. Opolska	6,100	100	34.7	28.6	Q2 2019	Q3 2021
Apartamenty Esencja Poznań, ul. Garbary	12,600	260	113.6	87.2	Q1 2019	Q4 2020
Nasze Jeżyce I Poznań, ul. Szczepanowskiego	7,500	142	56.4	43.8	Q2 2019	Q1 2021
Nasze Jeżyce II Poznań, ul. Szczepanowskiego	8,000	168	60.4	47.1	Q3 2019	Q3 2021
Ordona I Warsaw, ul. Ordona	20,000	387	180.3	141.3	Q2 2019	Q3 2021
Swobodna Wrocław, ul. Swobodna	10,800	200	93.1	68.1	Q4 2019	Q3 2021
Mińska Wrocław, ul. Mińska	11,000	204	87.1	66.5	Q4 2019	Q2 2021
Fuzja I Łódź, ul. Tymienieckiego	14,300	267	100.6	84.2	Q2 2019	Q2 2021
Naramowice – 18 MW I Poznań, ul. Sielawy	12,000	222	73.3	59.1	Q3 2019	Q3 2021
Total	122,000	2,310	979.9	762.1		

The company continues to work on optimization of its development processes. As previously stated, the Management Board closely monitors the development of the real estate market, and takes decisions regarding implementation of projects on an individual basis, according to current market analyses. In order to mitigate the risk of unfavorable market changes, large projects are implemented in several stages.

In 2018, the Group was involved in active rent of its commercial space. Throughout the past year, the Company rented 73 thousand sqm of office space. The Company rented 28 thousand sqm of space in retail facilities. The Company was also very successful in the residential sector with 986 apartment sold and 935 delivered to clients with booked profit.

The company monitored the market in order to acquire new areas for investment purposes, which led to purchase of plots (PLN 130 million spent) with potential leasable or useable residential area of 106,000 sqm. The following assets were purchased:

- plots of land with the total area of 7.2 thousand sqm, situated by Żelazna and Wita Stwosza Streets in Cracow, whose multifunction design may have additional 25 thousand sqm of leasable area;
- perpetual usufruct right to a plot of land with an area of 3.7 thousand sqm by Piotra Skargi Street in Katowice, where an office complex with a leasable area of approx. 22 thousand sqm may be developed;
- plots of land with the total area of 18 thousand sqm, situated by Szczepanowskiego Street in Poznań, with potential 21 thousand sqm of residential area;
- perpetual usufruct right to a plot of land with an area of 14.9 thousand sqm by Fabryczna Street and Pokoju Avenue in Cracow, where an office complex with a leasable area of app. 38 thousand sqm may be developed

CSR ACTIVITIES OF ECHO INVESTMENT GROUP

Projects developed by Echo Investment in the biggest Polish cities become a part of local communities, redefine their surroundings, invite new users, create new expectations and change the way space and local communities function. Having committed to corporate social responsibility, Echo Investment cares about relations with local communities, clients, business partners, contractors and other involved parties. The Company participates in charity actions, supports social activity, provides financial contribution to events and activities of organizations that are important to the communities where it develops its projects, recruit employees and pay taxes. Echo Investment supports mainly sports, culture and art initiatives as well as institutions and activities targeting the most vulnerable groups.

In order to strengthen the compliance system, in 2018, Echo Investment improved its evaluation system of applications for support as well as sponsorship and charity cooperation. Such application became subject to a strict procedure. Moreover, the Company appointed its Ethics Committee, an advisory body of the Management Board, which verifies submitted documentation and compliance with requirements and policies of the Company.

2. EVALUATION OF FULFILLMENT BY THE COMPANY OF DISCLOSURE REQUIREMENTS REGARDING CORPORATE GOVERNANCE PRINCIPLES

In 2018, Echo Investment S.A. was subject to corporate governance as laid down in 'Best Practices of WSE Listed Companies 2016', adopted by the Resolution of the Supervisory Board of the Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.) no. 26/1413/2015 dated 13 October 2015 adopting 'Best Practices of WSE Listed Companies 2016' (effective as of 1 January 2016).

In 2018, the Company carried out a review of the 'Best Practices' and limited the number of exceptions from its application.

Best practice principles applied at Echo Investment since 22 March 2018 are as follows:

- the Company publishes on its website a description of the diversity policy it follows,
- the Management Board declares that from time to time it will publish justification for draft resolutions at the General Meetings of Shareholders, and it will make every effort to receive such justification from the Shareholders proposing resolutions, and to inform the remaining Shareholders about them,
- the Management Board confirms that the persons responsible for the internal audit functions in the Company report directly to the Chief Financial Officer or the Deputy Chief Financial Officer, and they may directly report to the Supervisory Board and the Audit Committee. Furthermore, the Company is in the process of creating the Internal Audit Department,
- the Internal Audit Director, who will be employed by the Company, will meet the criteria and principles of independence as set out in generally recognized international standards of professional internal audit practices,
- risk management and internal controls are discussed at every meeting of the Supervisory Board and the Audit Committee, which are always attended by representatives of the Management Board.
- possibility of participation of representatives of the media in the General Meeting of Shareholders,
- presence or availability of representatives of the Management Board and the Supervisory Board during the General Meeting of Shareholders,
- ensuring appropriate time limits between the dividend day and the dividend payment date,

- attention of the Company's Management Board to the appropriate level of the nominal value of the shares,
- Supervisory Board's control over significant transactions concluded with shareholders holding at least 5% of the total number of votes and shares,
- publication of the report on the remuneration policy.

Current information on the rules that the Company does not apply or does not fully apply is available in a report published on the corporate website: <https://en.echo.com.pl/s,41,strategia-i-lad-korporacyjny.html>

3. REPORT ON ACTIVITY OF SUPERVISORY BOARD IN 2018

In 2018, the Supervisory Board of Echo Investment S.A. conducted its operations in accordance with its rules and regulations, the Company's Articles of Associations, 'Best Practice of GPW Listed Companies' and generally applicable law, always bearing in mind the best interest of the Company and the good of its Shareholders and other Stakeholders.

In 2018, Members of the Supervisory Board stayed in permanent touch with Members of the Management Board, holding numerous consultations on specific areas of the Company's activities.

The Supervisory Board constantly supervised the Company operations in all areas of its activities. The operations included, among others:

- analysis and evaluation of current financial results and periodic financial reports of the Company,
- analysis of information concerning Company's operations obtained from the Management Board,
- granting permission for accepting obligations by the Company and signing agreements connected with Company's operations,
- supervision of administrative procedures concerning projects implemented by the Group.
- In 2018, the composition of the Supervisory Board remained unchanged and as at 31 December 2018, the Supervisory Board had the following members:
- Karim Khairallah - Chairman of the Supervisory Board
- Laurent Luccioni - Deputy Chairman of the Supervisory Board
- Stefan Kawalec - Independent Member of the Supervisory Board
- Mark Abramson - Independent Member of the Supervisory Board
- Sebastian Zilles - Member of the Supervisory Board
- Maciej Dyjas - Member of the Supervisory Board
- Nebil Senman - Member of the Supervisory Board

In 2018, while performing its duties, the Supervisory Board passed 24 resolutions concerning matters arising under the Code of Commercial Companies and Partnerships and the Articles of Association of Echo Investment S.A.

COMPANY AUDIT COMMITTEE

The Audit Committee includes three members.

Between 1 January 2018 and 31 December 2018, the composition of the Audit Committee remained unchanged:

- Stefan Kawalec – Chairman, Independent Member of the Supervisory Board
- Mark Abramson – Deputy Chairman (until 30 April 2018, Committee Member), Independent Member of the Supervisory Board
- Nebil Senman – Member of the Committee,

ipso facto, in 2018:

- regulations governing appointment, composition and functioning of the Audit Committee were complied with, including those regarding its members meeting criteria of independence and requirements in terms of professional knowledge and skills in the area where the issuer operates, and in the area of accountancy or financial report auditing
- The Audit Committee carried out its tasks laid down in regulations in force;

In 2018, the Audit Committee focused on the following matters:

- Monitoring of the financial reporting process.

- Monitoring of the audit process of financial reports carried out by the auditor.
- Monitoring and controlling of auditor's independence.
- Monitoring of risk control and internal control systems.
- Monitoring of implementation of recommendations of the auditor and the Audit Committee regarding changes aimed at strengthening effectiveness of risk control and internal control systems.
- Supervising and participating in recruitment of employees to the internal audit unit.
- Analysis of selected risks in the Company's operations.
- Monitoring of Company's fulfillment of obligations under the Act on statutory auditors.

4. EVALUATION OF INTERNAL CONTROL SYSTEM, RISK MANAGEMENT, COMPLIANCE AND INTERNAL AUDIT IN THE COMPANY

A detailed list of the main features of the internal control and risk management systems applied by the Company were presented by the Management Board in the Corporate Governance Report for 2018.

The Internal Audit Department of Echo Investment has been established in 2018; in scope of its duties there is performance of an independent evaluation of risk management and internal control systems. Audit tasks are based on the annual audit plans that are approved and adopted by the Company's Management Board and the Audit Committee respectively. Ad-hoc audits may be performed upon request of the Audit Committee or the Company's Management Board. Results of internal audits are reported directly to the Audit Committee and the Management Board.

The Internal Audit Department is part of the Financial Division, but it reports directly to the Supervisory Board and the Audit Committee. The Internal Audit Director meets the criteria and principles of independence as set out in generally recognized international standards of professional internal audit practices.

Having regard to risk management, the Audit Committee finds that the Company implemented risk management principles, even though they are not sufficiently formalized.

Having regard to the compliance system, the Audit Committee finds that the compliance system implemented in the Company is adequate and raises not reservations.

5. SUPERVISORY BOARD'S STANCE ON ALLOCATION OF PROFIT

The Supervisory Board examined a proposal of the Company's Management Board regarding the distribution among the shareholders of the net profit of PLN 42,431,650.15 generated by Echo Investment S.A. in 2018 and intended for dividend payment. This amount will be increased by funds from the Dividend Fund existing in the Company and fully settled with the dividend advance payment paid by the Company in 2018 in the amount of PLN 206,345,291.

The Supervisory Board accepts the Management Board's stance and intends to communicate such information to the General Meeting of Shareholders.

6. SUPERVISORY BOARD'S STANCE ON ALLOCATION OF UNDIVIDED RESULT (PROFIT) FROM PREVIOUS YEARS

The Supervisory Board examined a proposal of the Company's Management Board concerning the allocation of the undivided result (profit) from previous years in the net amount of PLN 2,243,582 obtained by the Company as a result of change in the applied accounting principles and its allocation to the Dividend Fund.

The Supervisory Board accepts the Management Board's stance and intends to communicate such information to the General Meeting of Shareholders.

SIGNATURE PAGES FOLLOW:

SIGNATURE PAGE:

Karim Khairallah

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SIGNATURE PAGE:

Laurent Luccioni

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SIGNATURE PAGE:

Sebastian Zilles

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SIGNATURE PAGE:

Maciej Dyjas

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Mark Abramson

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Stefan Kawalec

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