

Echo Investment S.A.

Independent Registered Auditor's Opinion

Financial Statements

Director's Report

Registered Auditor's Report on the audit of the financial statements

For the year from 1 January to 31 December 2013

Content:

Independent Registered Auditor's Opinion

prepared by PricewaterhouseCoopers Sp. z o.o.

Financial Statements

prepared by Echo Investment S.A.

Directors' Report

prepared by Management Board of Echo Investment S.A.

Registered Auditor's Report on the audit of the financial statements

prepared by PricewaterhouseCoopers Sp. z o.o.

Independent Registered Auditor's Opinion

To the General Shareholders' Meeting and the Supervisory Board of Echo Investment S.A.

We have audited the accompanying financial statements of Echo Investment S.A. (hereinafter called "the Company"), Al. Solidarności 36, Kielce, which comprise the statement of financial position as at 31 December 2013, showing total assets and total equity and liabilities of PLN 1,538,756 thousand, the income statement for the year from 1 January to 31 December 2013, showing a net profit of PLN 60,663 thousand, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the financial year and additional information on adopted accounting policies and other explanatory notes.

The Company's Management Board is responsible for preparing the financial statements and Directors' Report in accordance with the applicable regulations, and for the correctness of the accounting records. Members of the Management Board and Members of the Supervisory Board of the Company are obliged to ensure that the financial statements and the Director's Report comply with the requirements of the Accounting Act of 29 September 1994 ("the Accounting Act" – Journal of Laws of 2013, item 330 as amended).

Our responsibility was to perform an audit of the accompanying financial statements and to express an opinion on whether the financial statements comply in all material respects with the applicable accounting policies and whether they present, in all material respects, a true and clear view of the Company's financial position and its financial results, and whether the accounting records constituting the basis for their preparation are properly maintained.

We conducted our audit in accordance with:

- a. the provisions of Chapter 7 of the Accounting Act;
- b. national standards of auditing issued by the National Council of Registered Auditors.

Our audit was planned and performed to obtain reasonable assurance that the financial statements were free of material misstatements and omissions. The audit included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The audit also included assessing the accounting policies applied by the Company and significant estimates made in the preparation of the financial statements, as well as overall assessment of their presentation. We believe that our audit provides a reasonable basis for our opinion.

Translation note:

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Independent Registered Auditor's Opinion

To the General Shareholders' Meeting and the Supervisory Board Echo Investment S.A. (cont.)

In our opinion, and in all material respects, the accompanying financial statements:

- a. give a fair and clear view of the Company's financial position as at 31 December 2013 and of the financial results for the year from 1 January to 31 December 2013, in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union;
- b. comply in terms of form and content with the applicable laws and the Company's Memorandum of Association;
- c. have been prepared on the basis of properly maintained books of account, in accordance with the applicable accounting policies.

The information contained in the Directors' Report for the year from 1 January to 31 December 2013 has been presented in accordance with the provisions of the Decree of the Minister of Finance dated 19 February 2009 concerning the publication of current and periodic information by issuers of securities and the conditions of acceptance as equal information required by the law of other state, which is not a member state (*"the Decree"* – Journal of Laws of 2014, item 133) and is consistent with the information presented in the audited financial statements.

Person conducting the audit on behalf of PricewaterhouseCoopers Sp. z o.o. Registered Audit Company No. 144:

Piotr Wyszogrodzki

Key Registered Auditor
No. 90091

Warsaw, 24 April 2014

Translation note:

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Echo Investment S.A.

Registered auditor's report on the audit of the financial statements for the year from 1 January to 31 December 2013



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**Registered auditor's report on the audit of the financial statements
for the year from 1 January to 31 December 2013**

**To the General Shareholders' Meeting and the Supervisory Board of Echo
Investment S.A.**

This report contains 11 pages and consists of:

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Echo Investment S.A.
Registered auditor's report on the audit of the financial statements
for the year from 1 January to 31 December 2013

I. General information about the Company

- a. Echo Investment ("the Company") has its seat in Kielce, Al.Solidarności 36.
- b. The Company was formed on the basis of a Notarial Deed drawn up on 30 June 1994 at the Notarial Office of Jacek Frelich in Kielce and registered with Rep. A No. A Nr 4162/94. On 10 April 2001, the Company was entered in the Register of Businesses maintained by the District Court in Kielce, the 10th Business Department of the National Court Register, with the reference number KRS 0000007025.
- c. The Company was assigned a tax identification number (NIP) 657-02-30-912 for the purpose of making tax settlements and a REGON number 290463755 for statistical purposes.
- d. As at 31 December 2013 the Company's share capital amounted to PLN 20.635 thousand and consisted of 412.690.582 shares, with a nominal value of PLN 0,05 each. Total equity as at that date amounted to PLN 656.171 thousand.
- e. As at 31 December 2013, the Company's shareholders were:

Shareholder's name	Number of shares held	Par value of shares held (PLN '000)	Type of shares held	Votes (%)
Michał Sołowow	189,361,930	9,468	ordinary	45.9
ING OFE	38,513,969	1,926	ordinary	9.3
Aviva OFE Aviva BZ WBK	41,269,050	2,063	ordinary	10.0
PZU Złota Jesień OFE	22,011,702	1,101	ordinary	5.3
Pozostali akcjonariusze	121,533,931	6,077	ordinary	29.5
	412,690,582	20,635		100.0

As at 31 December 2012, the Company's shareholders were:

Shareholder's name	Number of shares held	Par value of shares held (PLN '000)	Type of shares held	Votes (%)
Michał Sołowow	189,361,930	9,468	ordinary	45.1
ING OFE	44,569,720	2,228	ordinary	10.6
Aviva OFE Aviva BZ WBK	42,958,079	2,148	ordinary	10.2
PZU Złota Jesień OFE	22,011,702	1,101	ordinary	5.3
Pozostali akcjonariusze	121,098,569	6,055	ordinary	28.8
	420,000,000	21,000		100.0

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Echo Investment S.A.
Registered auditor's report on the audit of the financial statements
for the year from 1 January to 31 December 2013

I. General information about the Company (cont.)

- f. During the year the Company's core business consisted in the construction and lease of space in commercial, shopping and entertainment, office, hotel and residential buildings as well as trade in real property.
- g. During the year the Management Board of the Company comprised:
- Piotr Gromniak Prezes Zarządu
 - Artur Langner Wiceprezes Zarządu
 - Waldemar Lesiak Wiceprezes Zarządu from 21 March 2013
- h. The Company's related entities are the entities which form part of the Echo Investment S.A. Capital Group and other entities directly or indirectly controlled by the Company's main shareholder, Mr. Michał Sołowow.
- Subsidiaries, jointly controlled entities and associates are listed in Note 4D of additional information and other explanatory notes.
- h. The Company is an issuer of securities admitted for trading on the Warsaw Stock Exchange. In accordance with the choice of selecting accounting policies permitted by the Accounting Act, from 2005, the Company has decided to prepare its financial statements in accordance with IFRS as adopted by the European Union.
- The decision to prepare the Company's financial statements in accordance with these standards was made by the General Shareholders' Meeting in their Resolution No. 1 passed on 23 December 2004.
- i. As the parent company of the Group, the Company has also prepared consolidated financial statements according to IFRS as adopted by the European Union as at 24 April 2014. To better understand the Company's financial position and its results of operations as the Parent Company, the financial statements should be read in conjunction with the consolidated financial statements.

Echo Investment S.A.
Registered auditor's report on the audit of the financial statements
for the year from 1 January to 31 December 2013

II. Information about the audit

- a. The audit of the financial statements for the year from 1 January to 31 December 2013 was conducted by PricewaterhouseCoopers Sp. z o.o. with its seat in Warsaw, Al. Armii Ludowej 14, registered audit company no. 144. The audit was conducted on behalf of the registered audit company under the supervision of the key registered auditor Piotr Wyszogrodzki (no. 90091).
- b. PricewaterhouseCoopers Sp. z o.o. was appointed registered auditor to the Company by Resolution No. 6/V/2011 of the the Supervisory Board dated 24 May 2011 in accordance with paragraph 13 of the Company's Memorandum of Association.
- c. PricewaterhouseCoopers Sp. z o.o. and the key registered auditor conducting the audit are independent of the audited entity within the meaning of art. 56, clauses 2-4 of the Act dated 7 May 2009 on registered auditors and their self-government, registered audit companies and on public supervision (Journal of Laws No. 77, item 649, as amended).
- d. The audit was conducted in accordance with an agreement dated 20 July 2011, in the following periods:
 - interim audit from 25 to 29 November 2013;
 - final audit from 10 March to 24 April 2014.



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Echo Investment S.A.
Registered auditor's report on the audit of the financial statements
for the year from 1 January to 31 December 2013

III. The Company's results, financial position and significant items of financial statements

STATEMENT OF FINANCIAL POSITION as at 31 December 2013 (selected lines)

	31.12.2013	31.12.2012	Change		Structure	
	PLN '000	PLN '000	PLN '000	(%)	31.12.2013 (%)	31.12.2012 (%)
ASSETS						
Non-current assets	991,505	969,253	22,252	2.3	64.4	58.4
Current assets	547,251	689,796	(142,545)	(20.7)	35.6	41.6
Total assets	1,538,756	1,659,049	(120,293)	(7.3)	100.0	100.0
LIABILITIES AND EQUITY						
Equity	656,171	629,204	26,967	4.3	42.7	37.9
Provisions	2,000	2,000	-	-	0.1	0.1
Long-term liabilities	510,631	544,845	(34,214)	(6.3)	33.2	32.9
Short-term liabilities	369,954	483,000	(113,046)	(23.4)	24.0	29.1
Total liabilities and equity	1,538,756	1,659,049	(120,293)	(7.3)	100.0	100.0

INCOME STATEMENT

for the year from 1 January to 31 December 2013 (selected lines)

	2013	2012	Change		Structure	
	PLN '000	PLN '000	PLN '000	(%)	2013 (%)	2012 (%)
Revenue	249,261	201,470	47,791	23.7	100.0	100.0
Cost of sales	(147,186)	(119,212)	(27,974)	23.5	(59.0)	(59.2)
Gross profit	102,075	82,258	19,817	24.1	41.0	40.8
Net profit	60,663	41,113	19,550	47.6	(59.0)	20.4

STATEMENT OF COMPREHENSIVE INCOME

for the year from 1 January to 31 December 2013 (selected lines)

	2013	2012	Change		Structure	
	PLN '000	PLN '000	PLN '000	(%)	2013 (%)	2012 (%)
Net profit	60,663	41,113	19,550	47.6	24.3	20.4
Other net comprehensive income	-	-	-	-	-	-
Total net comprehensive income	60,663	41,113	19,550	47.6	24.3	20.4

Echo Investment S.A.
Registered auditor's report on the audit of the financial statements
for the year from 1 January to 31 December 2013

III. The Company's results, financial position and significant items of financial statements (cont.)

Selected ratios characterising the Company's financial position and results

The following ratios characterise the Company's operating activities, financial results during the year and its financial position as at the balance sheet date compared with previous years:

	2013	2012	2011
Asset ratios			
- receivables turnover	43 days	91 days	64 days
- inventory turnover	696 days	931 days	365 days
Profitability ratios			
- net profit margin	24 %	20 %	4 %
- gross margin	16 %	11 %	11 %
- return on capital employed	9 %	7 %	3 %
Liability ratios			
- gearing	57 %	62 %	62 %
- payables turnover	29 days	73 days	47 days
	31.12.2013	31.12.2012	31.12.2011
Liquidity ratios			
- current ratio	1.5	1.4	2.0
- quick ratio	0.8	0.8	1.0

The above ratios have been calculated on the basis of the financial statements

It was not the purpose of the audit to present the Company in the context of the results of operations and ratios achieved. A detailed interpretation of the ratios requires an in-depth analysis of the Company's operations and its circumstances.

III. The Company's results, financial position and significant items of financial statements (cont.)

The financial statements do not take into account the effects of inflation. The consumer price index (on a December to December basis) amounted to 0.7% in the audited year (2.4% in 2012).

The following comments are based on information obtained during the audit of the financial statements.

- The Company's core business in the current financial year consisted of trade in real properties. Revenue from the trade in real properties increased by PLN 64,975 thousand compared to the previous year. The sales revenue amounted to PLN 249,261 thousand and increased PLN 47,791 thousand (23.7 %) compared to previous year. The increase was caused mainly by increase in the trade in real properties by PLN 64,975 thousand, which included mainly transactions of sales of perpetual usufruct of land.
- The cost of third party services was the largest position within operating expenses and amounted to PLN 106,183 thousand in the audited year, which constituted 50.6 % of operating expenses. The cost of third parties services has decreased by 16,511 thousand, i.e. by 13.5 % compared with the previous year.
- In 2013 other operating income amounted to PLN 77,859 thousand and comprised mainly of income from dividends and profit sharing of PLN 63,551 thousand. An increase of other operating income by PLN 18,644 thousand (i.e. by 31.5 %) compared to previous financial year was mainly due to the increase of income from dividends and profit sharing by PLN 25,660 thousand that was netted-off by decrease of interest on borrowings to related parties by PLN 4,755 thousand.
- Other operating expenses amounted to PLN 1,473 thousand and included mainly other expenses of PLN 1,016 thousand. A decrease of other operating expenses by PLN 1,223 thousand (i.e. by 45.4 %) compared to previous financial year was the result of decrease of revaluation of investments by PLN 1,972 thousand.
- Profitability measured with net profit amounted to 24 % and was 4 percentage points higher than in previous year. The change in the Company's profitability was primarily due to an increase of income from dividends by PLN 25,606 thousand and a decrease of financial costs by PLN 10,347 thousand in comparison to previous financial year.
- At the end of the financial year, the Company's total assets amounted to PLN 1,538,756 thousand. During the year total assets decreased by PLN 120,293 thousand (i.e. by 7.3 %). The decrease in total assets is mainly due to a decrease in short-term liabilities of PLN 113,046 thousand, long-term liabilities of PLN 34,214 thousand and a redemption of shares of PLN 33,696 thousand. At the same time, the Company generated net profit of PLN 60,663 thousand.

III. The Company's results, financial position and significant items of financial statements (cont.)

- Short-term liabilities due to loans, borrowings and bonds as at 31 December 2013 comprised short-term liabilities due to debt financial instruments issued of PLN 334,191 thousand. Short-term liabilities due to loans, borrowings and bonds decreased by 104,366 thousand (i.e. by 23.8 %) compared to previous financial year, mainly because of a decrease of short-term liabilities due to loans and borrowings by PLN 112,431 thousand.
- Liability ratios and the structure of liabilities have changed. The gearing ratio decreased from 62 % at the end of the previous year to 57 % at the end of the current year. The payables turnover ratio decreased from 73 days to 29 days, respectively. The changes were mainly due to the decrease of short-term liabilities due to loans and borrowings by PLN 112,431 thousand.
- The Company's liquidity has slightly changed. In the audited year, the current and quick ratios, which amounted to 1.5 (2012: 1.4) and 0.8 (2012: 0.8) respectively, improved and remained unchanged.

The financial statements have been prepared on the assumption that the Company will continue in operation as a going concern.

Echo Investment S.A.
Registered auditor's report on the audit of the financial statements
for the year from 1 January to 31 December 2013

IV. The independent registered auditor's statement

- a. The Management Board of the Company provided all the information, explanations, and representations requested in the course of the audit and provided a representation letter confirming the completeness of the data included in the accounting records and the disclosure of all contingent liabilities and post balance-sheet events which occurred up to the date on which that letter was signed.
- b. The scope of the audit was not limited.
- c. The Company has up-to-date documentation of its accounting policies, approved by the Management Board. The Company's accounting policies were tailored to its needs and ensured the recognition of all events having a material effect on the assessment of its financial position and results, taking into consideration the prudence principle. There were no changes to the accounting policies compared with the previous year.
- d. The closing balances as at the end of the previous year were correctly brought forward as the opening balances of the current financial year in all material respects.
- e. The stocktaking of assets and liabilities were carried out and reconciled in accordance with the Accounting Act, and the results were included in the accounting records for the audited year.
- f. The financial statements of the Company for the year from 1 January to 31 December 2012 were approved by Resolution No. 5 passed by the General Shareholders' Meeting on 6 June 2013 and filed with the National Court Register in Kielce on 11 June 2013.
- g. In accordance with the Resolution No. 7 of the General Shareholders' Meeting of 6 June 2013, the net profit for the prior year of PLN 41.113 thousand was earmarked for a contribution to the Company's supplementary capital.
- h. The financial statements for the previous financial year were audited by PricewaterhouseCoopers Sp. z o.o. The registered auditor issued an unqualified opinion.
- i. We have assessed the operation of the accounting system. Our assessment covered in particular:
 - the accuracy of the documentation relating to business transactions;
 - the fairness, accuracy and verifiability of the books of account, including computerised books of account;
 - the methods used for controlling access to data and the computerised data processing system;
 - the safeguarding of the accounting documentation, books of account, and financial statements.

This assessment, together with our verification of individual items of the financial statements, provides the basis for expressing an overall and comprehensive opinion on these financial statements. The audit was not intended to provide a comprehensive opinion on the operations of the said system.

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IV. The independent registered auditor's statements (cont.)

- j. The notes to the financial statements present all significant information required by IFRS as adopted by the European Union.
- k. The information in the Directors' Report for the year ended 31 December 2013 has been prepared in accordance with the provisions of the Decree of the Minister of Finance dated 19 February 2009 concerning the publication of current and periodic information by issuers of securities and the conditions of acceptance as equal information required by the law of other state, which is not a member state (Journal of Laws of 2014, item 133) and is consistent with that presented in the financial statements}.

Echo Investment S.A.
Registered auditor's report on the audit of the financial statements
for the year from 1 January to 31 December 2013

V. Final information

This report has been prepared in connection with our audit of the financial statements of Echo Investment S.A, Al. Solidarności 36, Kielce. The financial statements were signed by the Company's Management Board and the person entrusted with maintaining the books of account on 24 April 2014.

This report should be read in conjunction with the Independent Registered Auditor's unqualified Opinion to the General Shareholders' Meeting and the Supervisory Board of Echo Investment S.A dated 24 April 2014, concerning the said financial statements. The opinion on the financial statements expresses a general conclusion drawn from the audit and involves assessing the materiality of individual audit findings rather than being a sum of all the evaluations of individual financial statement components. This assessment takes account of the impact of the facts noted on the truth and fairness of the financial statements as a whole.

Person conducting the audit on behalf of PricewaterhouseCoopers Sp. z o.o., Registered Audit Company No. 144:

Piotr Wyszogrodzki

Key Registered Auditor
No. 90091

Warsaw, 24 April 2014



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PricewaterhouseCoopers Sp. z o.o. is entered into the National Court Register (KRS) maintained by the District Court in Warsaw, with the reference number (KRS) 0000044655, and tax identification number (NIP) 526-021-02-28. Share capital amounts to PLN 10,363,900. Headquarters in Warsaw, Al. Armii Ludowej 14.