



Auditor's Opinion

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

We have audited the accompanying financial statements of Echo Investment S.A. (the "Company"), with its registered office in Kielce, at Al. Solidarności 36, which comprise the statement of financial position as at 31 December 2014, showing total assets and total liabilities and equity of PLN 1,684.031, the income statement for the period from 1 January to 31 December 2014 showing a net profit of PLN 26,153 thousand, the statement of comprehensive income, the statement of changes in equity, the cash flow statement for the financial year and additional information on adopted accounting policies and other explanatory notes.

The Company's Management Board is responsible for the preparation of the financial statements and the management report in accordance with applicable regulations, as well as for the accuracy of the accounting records. Members of the Company's Management Board and the Supervisory Board are obliged to ensure that the financial statements and the management report comply with the requirements of the Accounting Act of 29 September 1994 (the "Accounting Act" – J.L. of 2013, item 330, as amended).

Our responsibility was to conduct 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 give, in all material respects, a true and fair view of the Company's property and financial position and its financial results, and whether the accounting records constituting the basis for their preparation are properly maintained.

We conducted the audit in accordance with:

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

The audit was planned and performed so as to obtain reasonable assurance whether the financial statements are free of material misstatements and omissions. The audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The audit also involved evaluating the accounting principles applied by the Company and significant estimates made in the preparation of the financial statements, as well as evaluating the overall statements presentation. We believe that our audit provides a reasonable basis for our opinion.



Auditor's Opinion

To the General Meeting and Supervisory Board of Echo Investment S.A. (continued)

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

- a. give a true and fair view of the property and financial position of the Company as at 31 December 2014 and the financial result for the period from 1 January to 31 December 2014 in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union;
- b. conform in their substance and content to the applicable laws and the Company's Articles of Association;
- c. were prepared on the basis of properly maintained books of account, in accordance with the applicable accounting policies.

The information presented in the management report on the Company's operations for the financial year from 1 January to 31 December 2014 takes into account the provisions of the Regulation of the Minister of Finance of 19 February 2009 on current and periodic information to be submitted by issuers of securities and the conditions for recognising information required under the law of a non-member state as equivalent (the "Regulation" – J.L. of 2014, item 133) and is consistent with the information contained in the audited financial statements.

Person conducting the audit on behalf of PricewaterhouseCoopers Sp. z o.o., a company entered in the list of entities authorised to audit financial statements under number 144:

A handwritten signature in blue ink, reading "Krzysztof Sieczkowski".

Krzysztof Sieczkowski

Key Statutory Auditor
Reg. No. 12643

Warsaw, 21 April 2015

Echo Investment S.A.

**Report on the audit of the financial statements
for the financial year from 1 January to 31 December 2014**

**Report on the audit of the financial statements
for the financial year from 1 January to 31 December 2014**

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

This report consists of 11 pages and comprises the following parts:

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Echo Investment S.A.
Report on the audit of the financial statements
for the financial year from 1 January to 31 December 2014

I. General description of the Company

- a. The registered office of Echo Investment spółka akcyjna (the "Company") is in Kielce, at Al. Solidarności 36.
- b. The Company's Deed of Incorporation was drawn up in the form of a notarial deed in the Notary's Office of Jacek Frelich in Kielce, on 30 June 1994, and registered under Repertory A No. 4162/94. On 10 April 2001, the District Court in Kielce, 10th Commercial Division of the National Court Register, registered the Company in the Register of Entrepreneurs under KRS number 0000007025.
- c. The Company was assigned Tax Identification Number (NIP) 657-02-30-912 for fiscal purposes and REGON 290463755 for statistical purposes.
- d. As at 31 December 2014, the Company's share capital was PLN 20,635 thousand and was divided into 412,690,582 shares with a nominal value of PLN 0.05 each.
As at 31 December 2014, the shareholders' equity was PLN 682,324 thousand.
- e. As at 31 December 2014, the Company's shareholders were:

Shareholder	Number of votes held	Nominal value of votes held (thousands zlotys)	Type of votes held	% of votes held
Michał Sołowow	189,361,930	9,468	ordinary shares	45.9
ING OFE	35,241,541	1,762	ordinary shares	8.5
Aviva OFE Aviva BZ WBK	41,269,050	2,063	ordinary shares	10.0
PZU Żłota Jesień OFE	25,602,249	1,280	ordinary shares	6.2
Other Shareholders	121,215,812	6,062	ordinary shares	29.4
	412,690,582	20,635		100.0

As at 31 December 2013, the Company's shareholders were:

Shareholder	Number of votes held	Nominal value of votes held (thousands zlotys)	Type of votes held	% of votes held
Michał Sołowow	189,361,930	9,468	ordinary shares	45.9
ING OFE	38,513,969	1,926	ordinary shares	9.3
Aviva OFE Aviva BZ WBK	41,269,050	2,063	ordinary shares	10.0
PZU Żłota Jesień OFE	22,011,702	1,101	ordinary shares	5.3
Other Shareholders	121,533,931	6,077	ordinary shares	29.5
	412,690,582	20,635		100.0

- f. During the audited period, the Company's core business involved construction and lease or sale of space in commercial, shopping and entertainment, office, hotel and residential buildings and trading in real property.

I. General description of the Company (continued)

g. In the financial year, the Company Management Board was composed of the following persons:

- Piotr Gromniak President of the Management Board,
- Artur Langner Vice-President of the Management Board,
- Waldemar Lesiak Vice-President of the Management Board.

h. The Company's related entities include entities of the Echo Investment S.A. Group and other entities directly or indirectly controlled by Mr Michał Sołowow, the Company's main shareholder.

Subsidiaries, jointly controlled entities and associates are listed in Note 4D of additional information and other explanatory notes.

i. The Company is an issuer of securities admitted to trading on the Warsaw Stock Exchange. In accordance with the choice of selecting accounting policies permitted by the Accounting Act, since 2005 the Company has been preparing 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 Meeting in its Resolution No. 1 passed on 23 December 2004.

j. As the parent entity of the Group, the Company also prepared the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) approved by the European Union, as at 21 April 2015. In order to understand the financial standing and operational results of the Company as a parent entity, the separate financial statements should be read in conjunction with the consolidated financial statements.

II. Information about the audit

- a. The audit of the financial statements for the financial year from 1 January to 31 December 2014 was carried out by PricewaterhouseCoopers Sp. z o.o., with its registered office in Warsaw, at ul. Armii Ludowej 14, a company entered in the list of entities authorised to audit financial statements under number 144. The audit was conducted on behalf of the audit company under the supervision of Krzysztof Sieczkowski, Key Statutory Auditor (Reg. No. 12643).
- b. PricewaterhouseCoopers Sp. z o.o. was selected as the auditor of the Company by Resolution No. 6/V/2011 of the Supervisory Board of 24 May 2011 pursuant to Section 13(1) of the Company's Articles of Association.
- c. PricewaterhouseCoopers Sp. z o.o. and the Key Statutory Auditor conducting the audit are independent of the entity within the meaning of Article 56(2) to (4) of the Act of 7 May 2009 on auditors and their self-government, entities authorised to audit financial statements and on public supervision (Journal of Laws, No. 77, item 649, as amended).
- d. The audit was conducted under the agreement concluded on 7 May 2014 for the following periods:
 - interim audit from 24 to 28 November 2014;
 - final audit from 9 March to 21 April 2015.

Echo Investment S.A.
Report on the audit of the financial statements
for the financial year from 1 January to 31 December 2014

III. Characteristics of the entity's results, financial standing and significant items of the financial statements

STATEMENT OF FINANCIAL POSITION as at 31 December 2014 (selected items)

	31.12.2014 in PLN '000	31.12.2013 in PLN '000	Exchange PLN '000	(%)	Structure 31 December 2014 (%)	31 December 2013
ASSETS						
Non-current assets	1,071,990	991,505	80,485	8.1	63.7	64.4
Current assets	612,041	547,251	64,790	11.8	36.3	35.6
Total assets	1,684,031	1,538,756	145,275	9.4	100.0	100.0
LIABILITIES AND EQUITY						
Equity	682,324	656,171	26,153	4.0	40.5	42.7
Provisions	2,000	2,000	-	-	0.1	0.1
Long-term liabilities	760,276	510,631	249,654	48.9	45.1	33.2
Short-term liabilities	239,431	369,954	(130,523)	(35.3)	14.3	24.0
Total liabilities and equity	1,684,031	1,538,756	145,275	9.4	100.0	100.0

INCOME STATEMENT

for the financial year from 1 January to 31 December 2014 (selected items)

	2014 in PLN '000	2013 in PLN '000	Exchange PLN '000	(%)	Structure 2014 (%)	2013 (%)
Revenue	211,570	249,261	(37,691)	(15.1)	100.0	100.0
Cost of sales	(82,261)	(147,186)	64,925	(44.1)	(38.9)	(59.0)
Profit before tax	129,309	102,075	27,234	26.7	61.1	41.0
Profit after tax	26,153	60,663	(34,510)	(56.9)	12.4	24.3

STATEMENT OF COMPREHENSIVE INCOME

for the financial year from 1 January to 31 December 2014 (selected items)

	2014 in PLN '000	2013 in PLN '000	Exchange PLN '000	(%)	Structure 2014 (%)	2013 (%)
Profit after tax	26,153	60,663	(34,510)	(56.9)	12.4	24.3
Other comprehensive net income	-	-	-	-	-	-
Comprehensive net income	26,153	60,663	(34,510)	(56.9)	12.4	24.3

III. Characteristics of the entity's results, financial standing and significant items of the financial statements (continued)

Selected ratios characterising the Company's property and financial position and financial results

The following ratios characterise the Company's activities, results of operations during the year and its financial position as at the balance sheet date:

	in 2014	in 2013	in 2012
Asset ratios			
– receivables turnover	51 days	43 days	91 days
– inventories turnover	1,345 days	696 days	931 days
Profitability ratios			
– net profit margin	12%	24%	20%
– gross margin	61%	41%	41%
– return on capital employed	4%	9%	7%
Debt ratios			
– debt rate	59%	57%	62%
– liabilities turnover	55 days	29 days	73 days
	31.12.2014	31.12.2013	31.12.2012
Liquidity ratios			
– liquidity ratio I	2.5	1.5	1.4
– liquidity ratio II	1.1	0.8	0.8

The above ratios were 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 entity's operations and their circumstances.

III. Characteristics of the entity's results, financial standing and significant items of the financial statements (continued)

The financial statements do not take account of the effects of deflation. The consumer price index (from December to December) amounted to -1.0% in the audited year (2013: inflation 0.7%).

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

- The Company's core business in the current financial year consisted in the sale of residential and commercial space. Revenue from this activity increased by PLN 36,081 thousand compared to the previous period, i.e. by 127.8%. Total sales revenues amounted to PLN 211,570 thousand and decreased by PLN 37,691 thousand, i.e. by 15.1%, compared to the previous year.
- The cost of third party services was the largest position within operating expenses and amounted to PLN 116,198 in the audited year, which accounts for 74.2% of operating expenses. The cost of third party services increased by PLN 10,022 thousand, i.e. by 9.4%, compared to the previous year.
- In 2014, other operating income amounted to PLN 120,920 thousand and comprised primarily income from dividends and shares in profits in the amount of PLN 105,804 thousand. An increase in other operating income by PLN 43,061 thousand (i.e. by 55.3%) compared to the previous reporting period was mainly due to the increase in operating income from dividends and shares in profits by PLN 42,253 thousand.
- In 2014, other operating expenses amounted to PLN 43,843 thousand and comprised mainly expenses from revaluation of loans in the amount of PLN 42,527 thousand.
- Profitability measured with net profit amounted to 12% and was lower by 12 percentage points than in the previous year. A decrease in net profit compared to the previous year had a significant impact on the profitability of the Company.
- As at the end of the financial year, the Company's assets amounted to PLN 1,684,031 thousand. During the year, total assets increased by PLN 145,275 thousand, i.e. by 9.4%. This increase was financed mainly by net profit (in the amount of PLN 26,153 thousand) and an increase in long-term loans, borrowings and bonds (by PLN 248,991 thousand) and a decrease in short-term loans, borrowings and bonds (by PLN 147,476 thousand).
- Inventories as at 31 December 2014 amounted to PLN 348,024 thousand and comprised primarily semi-finished products and work in progress in the amount of PLN 263,850 thousand. An increase in inventories by PLN 81,400 thousand compared to the previous year was mainly attributable to an increase in semi-finished products and work in progress by PLN 65,566 thousand.

III. Characteristics of the entity's results, financial standing and significant items of the financial statements (continued)

- Long-term loans, borrowings and bonds as at 31 December 2014 amounted to PLN 759,410 thousand. An increase in long-term loans, borrowings and bonds by PLN 250,300 thousand compared to the previous year was primarily attributable to the issue of new bonds with long maturities.
- Short-term loans, borrowings and bonds as at 31 December 2014 amounted to PLN 185,406 thousand and comprised primarily liabilities arising from the issue of debt securities to other entities in the amount of PLN 159,605 thousand. A decrease in short-term loans, borrowings and bonds by PLN 148, 785 thousand compared to the previous year was mainly due to a decrease in liabilities arising from the issue of debt securities to other entities.
- The Company's debt ratios and structure changed. The debt ratio increased from 57% at the end of previous year to 59% at the end of the current year. Liability turnover increased from 29 days to 55 days. The changes were mainly due to the increase in long- and short-term liabilities.
- The Company's liquidity changed. Liquidity ratios I and II which at the end of the audited year amounted to 2.5 (at the end of 2013: 1.5) and 1.1 (at the end of 2013: 0.8) respectively, increased mainly due to a significant increase in current assets compared to the end of the previous reporting period by 11.8% and a decrease in short-term liabilities by 34.9% compared to the end of the previous reporting period.

The financial statements were prepared on the going concern basis.

IV. Auditor's statements

- a. During the audit the Company's Management Board provided all the information, explanations and declarations required by us, and submitted a letter confirming the completeness of the information included in the accounting records and the disclosure of all contingent liabilities and significant post-balance sheet events that occurred to the date the letter was signed.
- b. The scope of the audit was not limited.
- c. The Company had up-to-date documentation of its accounting policies, approved by the Company's Management Board. The accounting policies adopted by the Company were tailored to the Company's needs and ensured that all the events relevant to the assessment of the Company's property and financial position and financial result were identified according to the prudence principle. There were no changes to the accounting policies compared to 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 period from 1 January to 31 December 2013 were approved by Resolution No. 1 of the Supervisory Board dated 14 May 2014 and submitted to the National Court Register in Kielce on 24 June 2014.
- g. Pursuant to Resolution No. 2 of the General Meeting dated 6 May 2014, the net profit for the previous year in the amount of PLN 60,663 thousand was allocated to the Company's legal reserve.
- h. The financial statements for the previous year were audited by PricewaterhouseCoopers Sp. z o.o. The auditor issued an unqualified opinion.
- i. We have evaluated the operation of the accounting system. In particular, we evaluated:
 - the accuracy of the documentation relating to business transactions;
 - fairness, accuracy and verifiability of the books of account, including computerised books of account;
 - methods used for controlling access to data and the computerised data processing system;
 - 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.

IV. Auditor's statements (continued)

- j. The notes to the financial statements present all significant information required by IFRS as adopted by the European Union.
- k. The information presented in the management report on the Company's operations for the financial year from 1 January to 31 December 2014 takes into account the provisions of the Regulation of the Minister of Finance of 19 February 2009 on current and periodic information to be submitted by issuers of securities and the conditions for recognising information required under the law of a non-member state as equivalent (J.L. of 2014, item 133) and is consistent with the information contained in the audited financial statements.

V. Final information and remarks

This report has been prepared in connection with our audit of the financial statements of Echo Investment S.A. with its registered office in Kielce, at Al. Solidarności 36. The financial statements were signed by the Company's Management Board and the person responsible for keeping books of account on 21 April 2015.

This report should be read in conjunction with the unqualified opinion of the independent auditor to the General Meeting of Investment S.A. dated 21 April 2014 concerning the said financial statements. The opinion on the financial statements expresses a general conclusion drawn from the audit. The conclusion does not constitute a sum of evaluated results of respective items of the statements or issues, but it assumes that respective findings are assigned relevant importance, taking into account the influence of determined facts on reliability and correctness of the financial statements.

Person conducting the audit on behalf of PricewaterhouseCoopers Sp. z o.o., a company entered in the list of entities authorised to audit financial statements under number 144:



Krzysztof Sieczkowski

Key Statutory Auditor
Reg. No. 12643

Warsaw, 21 April 2015

