

Echo Investment S.A.

**REPORT FROM THE AUDIT OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
ON 31 DECEMBER 2015**

I. GENERAL

1. General information

Echo Investment S.A. (the "Company") was established by notarial deed as of 30 June 1994. The Company's registered office is in Kielce, at ul. Al. Solidarności 36.

On 10 April 2001, the Company was entered into the register of entrepreneurs of the National Court Register under KRS (National Court Register) number 0000007025.

The Company's NIP (tax identification number) is 6570230912, and its REGON (state statistical number) is 290463755.

The Company is the parent company of the Echo Investment Capital Group. The information on transactions with related entities and the list of companies in which the entity holds at least 20% of the shares in the share capital or the total number of votes of the regulatory authority of the company is included in note 4D of the accounting principles (policy) and explanatory notes ("Notes") to the audited financial statements for the year ended on 31 December 2015.

The Company's business focus consists of the following:

- buying and selling of own real estate;
- development of building projects connected with construction of buildings;
- construction works connected with construction of residential and non-residential buildings;
- specialised construction works;
- renting and operating of own or leased real estate.

As at 31 December 2015, the share capital of the Company amounted to PLN 20,635,000. The Company's equity as at this date amounted to PLN 3,635,757,000.

According to the copy of the National Court Register entry as of 8 March 2016 and the information disclosed in the financial statements, the ownership structure of the Company's share capital was as follows:

	Number of shares	Number of votes	Nominal value of shares	Share in the share capital
Lisala Sp. z o.o.	272,375,784	272,375,784	13,619	65.99%
Aviva OFE Aviva BZ WBK	41,269,050	41,269,050	2,064	9.99%
Nationale-Nederlanden OFE	35,000,000	35,000,000	1,750	8.48%
Other Shareholders	64,045,798	64,045,798	3,202	15.52%
Total	412,690,632	412,690,632	20,635	100%

In the reporting period and in the period between the balance sheet date and the date of the opinion the following changes took place in the ownership structure of the Company's share capital:

- On 10 June 2015, Lisala Sp. z o.o. purchased from FTF Columbus S.A. with its registered office in Warsaw, which is a subsidiary of Michał Sołowow, 171,477,880 shares in Echo Investment S.A., which constitute 41.55% of the total number of shares in the Company and 41.55% of the total number of votes in the Company;
- On 7 August 2015, Lisala Sp. z o.o. purchased, based on a tender offer, 85,104,470 shares in the Company's share capital constituting 20.62% of the total number of shares in the Company and 20.62% of the total number of votes in the Company. Consequently, Lisala Sp. z o.o. held 256,582,350 shares in the Company's share capital constituting 62.17% of the total number of shares in the Company and 62.17% of the total number of votes in the Company;
- As a result of selling the shares in Echo Investment S.A. at the WSE on 21 October 2015, OFE PZU held 5,208,815 shares constituting 1.26% of the total number of shares in the Company's share capital and 1.26% of the total number of votes in the Company;
- On 22 October 2015, as a result of settling a block transaction with Lisala Sp. z o.o. being a party to this transaction, Lisala Sp. z o.o. held 271,375,784 shares in the Company's share capital, constituting 65.99% of the total number of shares in the Company's share capital and 65.99% of the total number of votes in the Company.

In the reporting period, there were no changes in the Company's share capital. As at 21 March 2016, the members of the Company's Management Board were:

Piotr Gromniak	– President of the Management Board
Artur Langner	– Vice-President of the Management Board
Waldemar Lesiak	– Vice-President of the Management Board
Maciej Drozd	– Vice-President of the Management Board

In the reporting period and in the period between the balance sheet date and the date of the opinion there was one change in the composition of the Company's Management Board. On 16 July 2015, Mr Maciej Drozd was appointed a member of the Company's Management Board.

2. Financial statements

On 23 December 2004, the General Meeting of Shareholders decided to prepare the financial statements of the Company in accordance with the International Financial Reporting Standards as approved by the EU.

2.1 Auditor's opinion and audit of the financial statements

Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k. with its registered office in Warsaw, at Rondo ONZ 1, is entered in the list of entities authorised to audit financial statements under no. 130.

On 2 July 2015, Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k. was chosen by the Supervisory Board to audit the Company's financial statements.

Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k. and the key auditor satisfy, within the meaning of Art. 56, paragraphs 3 and 4 of the Act of 7 May 2009 on Statutory Auditors and their Governing Council, Entities Authorised to Audit Financial Statements and

Public Supervision (Journal of Laws 2009, No. 77, item 649 as amended), the conditions to provide an unbiased and impartial opinion on the financial statements.

Under the agreement concluded on 17 July 2015 with the Company's Management Board, we have audited the financial statements for the year ended on 31 December 2015.

Our responsibility was to give an opinion on the financial statements based on the conducted audit. The procedures implemented in the course of auditing of the financial statements were designed in such a way as to allow for giving an opinion on the financial statements as a whole. Our procedures did not cover supplementary data which does not affect the financial statements as a whole.

Based on our audit, on 21 March 2016, we issued an unqualified auditor's opinion with the following wording:

“For the Shareholders and Supervisory Board of Echo Investment S.A.

1. We have audited the attached financial statements of Echo Investment S.A. (the “Company”) with its registered office in Kielce, at ul. Al. Solidarności 36, for the year ended on 31 December 2015, including the statement of financial position as at 31 December 2015, the profit and loss account, the statement of comprehensive income, the cash flow statement, the statement of changes in equity for the period from 1 January 2015 to 31 December 2015, the accounting principles (policy), and explanatory notes (the “attached financial statements”).
2. The truth and fairness of the attached financial statements, as well as their preparation in compliance with the applicable accounting principles (policy) and the proper maintenance of the accounting books are the responsibility of the Company's Management Board. Furthermore, the Company's Management Board and the members of the Supervisory Board are obliged to assure that the attached financial statements and the Management report satisfy the requirements provided for in the Accounting Act of 29 September 1994 (Journal of Laws 2013, item 330 as amended – the “Accounting Act”). It was our responsibility to audit the attached financial statements and, based on the audit, express an opinion on their compliance, in all material respects, with the applicable accounting principles (policy), and whether they truly and fairly present, in all material respects, the financial position and the financial result of the Company, as well as whether the accounting books constituting the basis for their preparation are properly maintained in all material respects.
3. The audit of the attached financial statements was conducted in accordance with:
 - Chapter 7 of the Accounting Act;
 - National Auditing Standards as issued by the Polish National Chamber of Statutory Auditors;

so as to obtain reasonable assurance as to whether the financial statements are free of material misstatement. In particular, the audit covered examination, mainly on a test basis, of the accounting documents relevant to the amounts and information included in the attached financial statements. It also included verification of the correctness of the accounting principles adopted and applied by the Company's Management Board and the significant estimates made by the Company's Management Board, and the overall presentation of the financial statements. In our opinion

the audit provided us with sufficient evidence to give an opinion on the attached financial statements as a whole.

4. The financial statements for the previous financial year ended on 31 December 2014 was subject to audit by a key auditor acting for another authorised entity who issued an unqualified opinion on these statements on 21 April 2015.
5. In our opinion, the audited financial statements, in all material respects,:
 - present truly and fairly all the information relevant to the assessment of the financial result of the business activities for the period from 1 January 2015 to 31 December 2015, as well as the financial position of the audited Company as at 31 December 2015;
 - were prepared in accordance with the International Financial Reporting Standards as approved by the EU and based on properly maintained accounting books;
 - are in compliance with the regulations on the preparation of financial statements and the provisions of the Company's Articles of Association affecting the form and contents of financial statements.
6. We have become acquainted with the Management report on the Company's activities in the period from 1 January 2015 to 31 December 2015 (the "Management report"), and we have found the information included in the attached financial statements compliant with this report. The information included in the Management report takes into account the provisions of Art. 49, paragraph 2 of the Accounting Act and the Regulation of the Minister of Finance of 19 February 2009 on current and interim information to be submitted by issuers of securities and conditions for considering as equivalent information required under the law of a non-member state (Official Journal 2014, item 133 as amended – the "Regulation on Current and Interim Information").

We audited the Company's financial statements in the period from 23 November 2015 to 21 March 2016, including in the Company's registered office from 23 November 2015 to 4 December 2015 and from 22 February 2016 to 10 March 2016.

2.2 Statements received and data availability

The Management Board has confirmed its responsibility for the truth and fairness of the financial statements, as well as for their preparation in compliance with the applicable accounting principles (policy), and has declared that it has provided us with all the financial data, accounting books and other documents required, and has provided all the necessary explanations. We also received a written statement of the Company's Management Board as of 21 March 2016 concerning:

- the completeness of the data recognised in the accounting books;
- recognition of all contingent liabilities in the financial statements, and
- the disclosure in the financial statements of any significant events which took place after the balance sheet date until the date of making the statement.

It was acknowledged in the statement that the information provided to us was accurate and true to the best knowledge of the Company's Management Board and that it covered all the events that could have affected the financial statements.

Simultaneously, we represent that the scope of the audit was not limited while auditing the financial statements.

2.3 Information on the Company's financial statements for the previous financial year

The Company's financial statements for the year ended on 31 December 2014 was audited by Mr Krzysztof Sieczkowski, a key auditor reg. no. 12643, acting on behalf of PricewaterhouseCoopers Sp. z o.o., a company entered in the list of entities authorised to audit financial statements kept by the National Chamber of Statutory Auditors under number 144. The key auditor acting on behalf of the authorised entity issued an unqualified opinion on these financial statements for the year ended on 31 December 2014. The Company's financial statements for the year ended on 31 December 2014 were approved at the General Meeting of Shareholders on 2 June 2015, during which the shareholders adopted a resolution according to which the net profit for 2014 will be transferred to supplementary capital to finance current operations of the Company.

The financial statements for the financial year ended on 31 December 2014, together with the auditor's opinion, a copy of the resolution on the approval of the financial statements, a copy of the resolution on profit distribution and the Management report were submitted in the National Court Register on 16 June 2015.

The approved closing balance sheet as at 31 December 2014 was correctly entered into the accounting books as the opening balance sheet as at 1 January 2015.

3. Financial position

3.1 Basic financial figures and ratios

Below, the selected ratios describing the Company's financial position in 2013-2015 are presented, which were calculated based on the financial figures included in the financial statements for the years ended on 31 December 2015 and 31 December 2014.

The ratios for the years ended on 31 December 2014 and on 31 December 2013 were calculated based on the financial figures included in the approved financial statements, which were audited by another auditor.

	2015	2014	2013
balance sheet total	5,288,157	1,678,874	1,538,756
equity	3,635,757	677,167	656,171
net financial result	2,958,590	26,153	60,663
return on assets (%)	55.9%	1.6%	3.9%
net financial result x 100%			
total assets			
return on equity (%)	436.9%	4.0%	9.6%
net financial result x 100%			
opening balance of equity			

Echo Investment S.A.
*Report from the audit of the financial statements
for the year ended on 31 December 2015
(in PLN '000)*

	2015	2014	2013
return on sales (%)	1,436.9%	12.4%	24.3%
net financial result x 100%			
sales of products, goods and materials			
liquidity – current ratio	0.8	2.5	1.5
total current assets			
current liabilities			
liquidity – cash ratio	0.0	0.2	0.0
cash			
current liabilities			
receivables turnover	105 days	127 days	93 days
trade receivables x 365 days			
sales of products, goods and materials			
liability payment period	40 days	43 days	21 days
trade liabilities x 365 days			
value of goods and materials sold + cost of manufacture of products sold			
inventory turnover	471 days	796 days	463 days
inventory x 365 days			
value of goods and materials sold + cost of manufacture of products sold			
sustainability of financing ratio (%)	84.1%	85.7%	76.0%
(equity + provisions and long-term liabilities) x 100%			
total equity and liabilities			
debt to assets ratio (%)	31.2%	59.7%	57.4%
(total equity and liabilities - equity) x 100%			
total assets			

	2015	2014	2013
inflation rate:			
annual average	-0.90%	0.00%	0.90%
December-to-December	-0.50%	-1.00%	0.70%

3.2 Commentary

The ratios presented indicate the following trends:

- the return on assets increased to reach the level of 55.9% in 2015, in comparison with 1.6% in 2014 and 3.9% in 2013;
- the return on equity increased to reach the level of 436.9% in 2015, in comparison with 4.0% in 2014 and 9.6% in 2013;
- the return on sales increased to reach the level of 1,436.9% in 2015, in comparison with 12.4% in 2014 and 24.3% in 2013;
- liquidity measured with the current ratio was 0.8 at the end of 2015, in comparison with 2.5 at the end of 2014 and 1.5 in 2013;
- the cash ratio was 0.0 at the end of 2015, in comparison with 0.2 at the end of 2014 and 0.0 at the end of 2013;
- the receivables turnover in 2015 decreased to 105 days, in comparison with 127 days in 2014, and increased in comparison with 2013 when it was 93 days;
- the liability payment period in 2015 was shortened to 40 days in comparison with 43 days in 2014. In 2013, it was 21 days;
- the inventory turnover decreased to 471 days in 2015, in comparison with 796 days in 2014. In 2013, it was 463 days;
- the total share of the sources of long-term financing in the financing structure as at the end of 2015 was 84.1%, in comparison with 85.7% at the end of 2014 and 76.0% at the end of 2013;
- the debt to assets ratio decreased to 31.2% at the end of 2015, in comparison with 59.7% at the end of 2014 and 57.4% in 2013.

3.3 Going concern

During our audit nothing came to our attention that causes us to believe that the Company is not able to retain business continuity for at least 12 months following 31 December 2015, as a result of a wilful or forced omission, or the Company significantly limiting the scope of its activities.

In the introduction to the audited financial statements of the Company for the year ended on 31 December 2015, it was indicated by the Management Board that the financial statements were prepared assuming that the Company will continue as a going concern for at least 12 months following 31 December 2015 and that there are no circumstances indicating a risk to the Company's continuation as a going concern.

II. DETAILED ANALYSIS

1. Correctness of the accounting system applied

The Company's accounts are kept using the IFS computer software at the Company's registered office. The Company keeps up-to-date documentation, referred to in Art. 10 of the Accounting Act of 29 September 1994 (Journal of Laws 2013, item 330 as amended – the "Accounting Act"), including the corporate chart of accounts approved by the Company's Management Board.

During our audit we did not find any material irregularities in the accounting books which could materially affect the audited financial statements and which would not have been corrected, including irregularities regarding:

- the legitimacy and continuity of the application of the accounting principles (policy);
- the reliability and correctness of the accounting books, and the correspondence of accounting entries within the accounting books;
- documenting of economic transactions;
- correct opening of the accounting books based on the balances of the approved balance sheet for the previous period;
- the correspondence of accounting entries to the accounting documents and financial statements;
- meeting the conditions for the protection of accounting documents and the storage of accounting books and financial statements.

2. Assets, liabilities and equity, and items determining the Company's performance

The structure of assets and liabilities of the Company's balance sheet, the Company's equity, as well as items determining the Company's performance is presented in the audited financial statements for the year ended on 31 December 2015.

The inventory of the assets and liabilities was taken in compliance with the Accounting Act. The inventory differences were settled and recognised in the accounting books for 2015.

3. Notes

The notes to the financial statements for the year ended on 31 December 2015 were prepared, in all material respects, in line with the International Financial Reporting Standards as approved by the EU.

4. Management report

We have become acquainted with the Management report on the Company's activities in the period from 1 January 2015 to 31 December 2015 and the principles governing the preparation of annual financial statements (the "Management report"), and we have found the information included in the attached financial statements compliant with this report. The information included in the Management report takes into account the provisions of Art. 49, paragraph 2 of the Accounting Act and the Regulation of the Minister of Finance of 19 February 2009 on current and interim information to be submitted by issuers of securities and conditions for considering as equivalent information required under the law of a non-member state (Official Journal 2014, item 133 as amended).

5. Compliance with law

We have received a written confirmation from the Management Board that no laws or provisions of the Company's Articles of Association affecting the financial statements were violated in the reporting year.

On behalf of
Ernst & Young Audyt Polska spółka
z ograniczoną odpowiedzialnością sp. k.
Rondo ONZ 1, 00-124 Warsaw
reg. no. 130

Key Auditor



Katarzyna Twarowska
Statutory Auditor
reg. no. 11738

Warsaw, 21 March 2016