

2017

MANAGEMENT
BOARD REPORT
ON OPERATIONS
OF ECHO
INVESTMENT S.A.
AND ITS GROUP
- 2017

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Dear Shareholders, Partners and Clients,

Echo Investment has had a very good year. I am pleased to provide you with our financial report in which we describe our work and its results.

The scale of our Company's activity has been growing rapidly in the recent years, which is why we devote a lot of energy to strengthening our business functions, efficiency and streamlining procedures. We hired over 100 employees in 2017 due to the greater number of projects under construction. Our management spent substantial time meeting shareholders and potential investors, reporting improvements and educating the capital market. The Company is constantly working on improving our compliance system, establishing internal audit function, reviewing procedures and routines. This will positively affect the transparency of operations, facilitate decision-making and reduce risks.

Echo Investment effectively implements its strategy of profitable growth. We have focused on the largest cities in Poland, we sell investment projects successfully. Being the leader among retail and office developers we are dynamically growing in the residential sector. We established advantageous partnerships with EPP at the Galeria Młociny shopping centre and the Towarowa 22 multifunctional project in Warsaw, to be present on the strongest consumer market in Poland. We are also extremely pleased about the first 'destination' projects that we started last year: large, city-forming, multifunctional piece of cities such as Browary Warszawskie and Moje Miejsce in Warsaw. Echo Investment is the only Polish developer with great experience from three sectors of the real estate market: office, retail and residential, so we

are uniquely positioned to create such 'destination' projects in Łódź, Kraków and Wrocław, where we already have bought proper plots. Furthermore, the construction of such projects reflects how Echo Investment understands responsibility for co-creating a friendly urban space.

2017 was the first full year in which the results were generated in accordance with our new strategy, almost exclusively from development activities. Our Group generated a net profit of PLN 312 mln. This is the result of delivering 1,006 apartments to our clients and fair value gains on our investment properties by PLN 234 mln, mainly coming from Libero in Katowice, Sagittarius Business House in Wrocław and O3 Business Campus II in Kraków. The results were also influenced by the recognition of the market value of our EPP's shareholding and the remuneration received for the development of Outlet Park and Galaxy in Szczecin as well as leasing of Q22 in Warsaw.

Our profitable growth strategy objective was successfully implemented in 2017 in the office sector. We concluded preliminary contracts for the sale of pre-leased buildings in Wrocław i.e. Sagittarius and West Link, which will be completed in 2018. Furthermore, we have finalized the sale of three other office buildings completed in 2017. Renowned tenants such as L'Oréal Polska, Nokia Networks, EY, Philips Lighting Poland and HCL decided to locate their offices in our buildings. We successfully cooperate with the dynamically developing sector of shared services (BPO/SSC). That is reflected in the Outsourcing Stars 2016 award which we received last year.

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The retail department completed the extension and rental of Outlet Park and Galaxy projects in Szczecin, pre - sold to EPP. Both projects were completed with results better than budgeted. The results of the leasing of Libero in Katowice and Galeria Młociny in Warsaw are also excellent. Libero is over 90% leased and it will be opened for customers already in Q3 2018. In Galeria Młociny our retail specialists designed a new leisure and gastronomy concept. I am convinced that this area will be very attractive and exciting for the future visitors.

The highest growth dynamics we recorded in the residential sector. In 2017 we sold 1,427 units - 54% more than in 2016. Thanks to this result, Echo Investment has entered 9th position on the list of biggest residential developers in Poland. This brings us closer to the strategic goal of becoming the market leader.

Building our future, in 2017 we have acquired plots for over 120,000 sqm of apartments and 240,000 sqm of offices at similar prices as the average prices of the historical land plots we own. A significant part of it will be designed for 'destination' projects. Such projects allow us to reach a better land price, use the resources optimally and generate the effect of scale.

A low level of indebtedness is a positive factor that allows us to look confidently at the future of Echo Investment. It provides us with great comfort when choosing the optimal sources of project financing. Last year we continued cooperation with major Polish banks in terms of lending and we placed over PLN 600 mln in listed corporate bonds sold to individual and institutional investors, which makes us one of the largest issuers of corporate bonds in Poland. In February 2018 the Management Board adopted a resolution on launching another PLN 400 mln bond programme for individual investors.

I encourage you to read our report in detail.
Yours sincerely,



Nicklas Lindberg
President of Echo Investment

CHAPTER 1

MANAGEMENT BOARD REPORT



General information about the Company and its Group

01

1996

Incorporation of Echo Investment Group



Echo Investment Group has been operating on the real estate market since 1996. The Group's parent company is Echo Investment S.A. Echo Investment S.A. shares have been listed on the Warsaw Stock Exchange since 5 March 1996. Shares available for trading constitute 100% of all shares, i.e. 412,690,582 ordinary bearer shares, each giving one vote at the General Meeting of Shareholders.

The Management Board of Echo Investment S.A.

as at 31 December 2017



Nicklas Lindberg
President of the Board, CEO



Maciej Drozd
Vice-President of the Board,
CFO



Piotr Gromniak
Vice-President of the Board



Artur Langner
Vice-President of the Board



Marcin Materny
Member of the Board



Rafał Mazurczak
Member of the Board



Waldemar Olbryk
Member of the Board

<p>Nicklas Lindberg President of the Board, CEO</p>	<p>Responsible for the strategy and development of Echo Investment. For 15 years he had been with Skanska where he worked as President for Skanska Commercial Development Europe (CDE), Skanska's busi-</p>	<p>ness unit that develops properties in Central and Eastern Europe and the head of Skanska Property Poland, a unit within Skanska Commercial Development Europe. Prior to that Mr. Lindberg had worked</p>	<p>with Residential Development in the Nordics and for Skanska Russia as both CFO and CEO. Appointed CEO of Echo Investment on 18 April 2016.</p>
<p>Maciej Drozd Vice-President of the Board, CFO</p>	<p>Responsible for finance and back office. From 1995 he was involved with Eastbridge Group, initially as the financial director of the group's operational companies, from July 2009 until June 2015 he was also the CFO and manag-</p>	<p>ing partner at the Eastbridge Group. He studied philosophy, mathematics and management at the University of Warsaw, he holds a master's degree in philosophy and a master's degree in management, which he earned at the</p>	<p>University of Warsaw, Maciej also holds an MBA degree from the University of Illinois. On 16 July 2015 he was appointed Vice President of the Echo Investment's Board.</p>
<p>Piotr Gromniak Vice-President of the Board</p>	<p>Responsible for development of residential platform for rent. The President of the Management Board in 2008-2016. A graduate of the Faculty of Civil Engineering at Kielce University of Technology. He started his professional ca-</p>	<p>reer after finishing his studies in 1990 and gained experience in the construction industry while working as a site engineer, master builder and tendering specialist with EXBUD and Betonchem. In October 1997 he started working for</p>	<p>Echo Investment S.A. as a Project Manager, from September 1998 he was the Director of the Construction Department. In October 2000 Appointed the Management Board Member.</p>
<p>Artur Langner Vice-President of the Board</p>	<p>Responsible for the construction department of the Company. A graduate of the Faculty of Civil Engineering at Kielce University of Technology. After finishing his studies he started working for a construction company where</p>	<p>he gained his professional experience by participating in all the stages of project construction. He started working for Echo Investment in 1998 as a Project Manager. In June 2000 he was appointed Director of Project Preparation</p>	<p>followed by the position of Director of the Technical Division. In June 2005 he became a Management Board Member. Appointed the Vice-President of the Management Board on 27 June 2008.</p>
<p>Marcin Materny Member of the Board</p>	<p>Responsible for the development of retail business. Marcin Materny has worked in Echo Investment since 1997 and he has climbed all career ladders in the company. He started as a leasing specialist, later he was in charge of a leasing team responsible for 10 shopping centres completed</p>	<p>in the years 1998-2000. Next, as the leasing director he coordinated the commercialization and marketing of Pasaż Grunwaldzki, among others. In the years 2007 - 2010 Marcin Materny got involved with Capital Park, where he coordinated the development of retail and office projects. From</p>	<p>2014 Marcin Materny was the director of the retail department of Echo Investment. He contributed to the company's strategy in this field and was responsible for its comprehensive development. On 15 September 2016 he was appointed the Member of the Company's Board.</p>

Rafał Mazurczak

Member of the Board

Responsible for office department in Echo Investment. He started his career as an office project leasing manager in Echo Investment in 2000. In the years 2007 – 2013 he was the leasing director in the office department. From 2013 he was the director of

the office department. He co-created the development strategy of this part of Echo Investment's business and implemented it. He was responsible for the construction, leasing and marketing of the company's flagship project – the Q22 skyscraper in War-

saw as well as Park Rozwoju, O3 Business Park complex in Kraków, A4 Business Park in Katowice, Tryton office building in Gdańsk as well as West Gate and Nobilis in Wrocław. On 15 September 2016 he was appointed Member of the Company's Board.

Waldemar Olbryk

Member of the Board

Waldemar Olbryk is responsible for the development of the residential sector. He joined Echo Investment in August 2017. Earlier he worked for companies from the Skanska group, including positions such as: managing director

of business development, manager of teams responsible for new business such as public private partnerships or shared services. Until 2008 he worked for Philips Poland, Apsys Poland and BP. He is a graduate of International

Economic Relations at the University of Łódź, he also completed MBA studies at the University of Łódź/the University of Maryland. He was appointed to the Board on 10 October 2017.

The Management Board of Echo Investment S.A. was appointed by the Supervisory Board on 29 June 2017, for 3 years term of office.

The Management Board of Echo Investment S.A. as at 31 December 2016:

Nicklas Lindberg – President of the Management Board, CEO
 Maciej Drozd – Vice-President of the Management Board, CFO
 Piotr Gromniak – Vice-President of the Management Board
 Artur Langner – Vice-President of the Management Board
 Marcin Materny – Member of the Management Board
 Rafał Mazurczak – Member of the Management Board.

The Supervisory Board of Echo Investment S.A.

as at 31 December 2017



Karim Khairallah
Chairman of the Supervisory
Board



Laurent Luccioni
Vice-President
of the Supervisory Board



Mark Abramson
Independent Member
of the Supervisory Board



Maciej Dyjas
Member of the Supervisory
Board



Stefan Kawalec
Independent Member
of the Supervisory Board



Nebil Senman
Member of the Supervisory
Board



Sebastian Zilles
Member of the Supervisory
Board

Karim Khairallah Chairman of the Supervisory Board	He is the Managing Director at Oaktree Capital Management Limited. He joined Oaktree Group in 2005, and became involved with Oaktree's European Principal Fund. Previously, he worked for General Atlantic Partners for 4 years.	His previous professional experience includes working for J.P. Morgan Capital and Lehman Brothers International. Karim Khairallah holds a Bachelor of Science in Economics, which he received from London School of Economics.	He received an MBA from INSEAD. Karim Khairallah was a Chairman at Panrico and a member of managing bodies at Stock Spirits Group (Polmos Lublin), Campofrio Food Group and R&R Ice Cream (Zielona Budka) companies.
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Laurent Luccioni Vice-President of the Supervisory Board	Laurent Luccioni is a managing director and a portfolio manager in the London office heading commercial real estate investments for Europe. Prior to joining PIMCO in 2013, he was the European CEO for	MGPA, the Macquarie-backed private equity real estate investment advisory company. Additionally, he worked with Cherokee Investment Partners in London. He has 19 years of investment and financial ser-	vices experience and holds an MBA from Kellogg School of Management at Northwestern University and a doctorate in civil engineering from University of California, Berkeley.
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Mark Abramson Independent Member of the Supervisory Board	He is a portfolio manager of publicly traded shares of real estate companies in Europe and globally, on behalf of major international institutional investors, sovereign wealth funds, pension programs and others. He was Managing Director at Heitman LLC, the real estate investment firm	from 2005-2017. And he was Senior Managing Director at Bear Stearns & Co., Inc., the investment bank, from 1994-2005. He began his career doing public policy research at the Center for Strategic and International Studies, Washington DC. He received his BA in Political Economics from	the Johns Hopkins University, his MA in Economics from the American University and completed further post graduate studies in Public Policy at the University of Maryland. He is a member of the Regulatory & Tax Committee of the European Public Real Estate Association (EPRA).
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Maciej Dyjas Member of the Supervisory Board	He is a shareholder of Griffin Real Estate - a leading company on the commercial property market in Central and Eastern Europe. He is also a managing partner at the private equity fund Cornerstone Partners, which makes investments in, among others, healthcare and pharmaceuticals, commerce, industry,	manufacturing, and infrastructure sectors. He gained management experience in the consulting company Wandel & Goltermann Hewlett Packard Systems, and continued as managing partner and chairman at Eastbridge Group and key companies controlled by the Fund, such as NFI Empik Media & Fashion. In 2014,	Eastbridge Group held assets worth over USD 3 billion in the retail, consumer goods, and real estate sectors. He pursued studies in the area of business, management, IT, and psychology of management and communication at universities in Warsaw, Stuttgart, Frankfurt, and Southampton.
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Stefan Kawalec

Independent Member
of the Supervisory Board

Graduated from the Department of Mathematics, Mechanics and Computer Science at the University of Warsaw in 1979. In 1989-1994, he worked for the Ministry of Finance, in 1989 - 1991 as General Director and chief economic adviser to the Minister of Finance, and from 1991, as deputy minister. While working for the Ministry of Finance, he served in preparing and implementing the stabilisation and transformation programme for Polish economy (the Balcerowicz Plan), led

the negotiations and preparation of successive agreements with the International Monetary Fund (1990, 1991, and 1993), managed the restructuring and privatisation of state banks. He was responsible for work on the development of new insurance legislation and supervised insurance matters and led the works on creation of a separate State Office for Insurance Supervision. In 1994-2002, he was Head of the Advisory Team to the Management of Bank Handlowy w Warszawie and

in 1998-2002 - Head of Strategy at Bank Handlowy (from 2000, as part of Citigroup). In 2002-2003, he worked for the Commercial Union Group as Vice-President of the Management Board of Commercial Union Polska, and then as Senior Advisor to the President of the Group in Poland. In 2003-2006, he was Managing Director for Strategy at the PZU Group. Since December 2006, he has been self-employed and since 2008 - a partner and CEO of the Capital Strategy consulting firm.

Nebil Senman

Member of the Supervisory
Board

Co-Managing Partner at Griffin Real Estate. Nebil Senman held leading positions for nine years as Senior Vice President and Supervisory Board Member of Oaktree's German and Polish real estate funds and operations worth several billion Euro. Before joining

Oaktree he spent eight years dealing with the real estate and corporate consulting at Ernst & Young Real Estate (previously Arthur Andersen), where he held different managerial positions. He is a graduate of universities in Berlin (TU Berlin, EBS), Paris (ESCP Eu-

rope) and London (LSE) and holds an MBA and a degree in civil engineering. He also holds a post-graduate diploma in real estate management (EBS). He is a member of the Royal Institution of Chartered Surveyors, MRICS.

Sebastian Zilles

Member of the Supervisory
Board

He is a vice-president and portfolio manager in the London office, focusing on pan-European real estate. He is responsible for sourcing, closing, managing and disposing of real estate and real estate related assets. Prior to joining PIMCO in 2013, he

was part of the transaction team of Corestate Capital in London, a Swiss-based investment manager focused on distressed real estate transactions in Europe. Previously, he worked for Morgan Stanley (Argoneo) in Frankfurt. He has several years of investment

experience and holds a bachelor's degree from University of Glamorgan and a diploma from University of Munich (AS). In 2018 he received Ph.D. degree on Finance at Vienna University of Economics and Business Administration.

The Supervisory Board as at 31 December 2016:

Karim Khairallah – Chairman
Laurent Luccioni – Vice-Chairman
Maciej Dyjas – Member of the Supervisory Board
Stefan Kawalec – Member of the Supervisory Board meeting
meeting the criteria of independence
Przemysław Krych – Member of the Supervisory Board
Nebil Senman – Member of the Supervisory Board
Sebastian Zilles – Member of the Supervisory Board.

AUDIT COMMITTEE

According to the resolution of the Supervisory Board of the 19th of October 2017 the Audit Committee consists of:

Stefan Kawalec – President of the Audit Committee
Mark E. Abramson – Member of the Audit Committee
Nebil Senman – Member of the Audit Committee.

Independent members of the Supervisory Board constitute the majority in the Audit Committee.

In this way the Company has fulfilled the requirements of the Act on statutory auditors, audit companies and public supervision of the 11th of May 2017 and one of the 'Best Practices of WSE Listed Companies 2016'.

Strategy in action

02

In 2016, the Management Board of Echo Investment prepared and introduced a new 'strategy of profitable growth' with the approval of the Supervisory Board. In accordance with the strategy, Echo Investment's capital cycle is short and consequently it generates high rate of return. The company shares the generated profit with its shareholders in the form of regular dividends. Our strategy is based on the following pillars:

ECHO INVESTMENT'S STRATEGY

POLAND

It is the largest country and real estate market in Central and Eastern Europe. Echo Investment, as an entity which has operated here for over two decades, knows its potential, realities and principles of functioning very well. We focus on the execution of projects in seven most important cities of the country, which are the most attractive and liquid real estate markets: Warsaw, Tri-City, Wrocław, Poznań, Katowice, Kraków and Łódź

Undertaken activities

- Purchase of real estate for future projects only in the seven largest Polish cities
- Disposal of non core projects in Kiev (Ukraine) and Brasov (Romania)
- Advanced negotiations regarding the sale of a project in Budapest (Hungary)
- Disposal of non core projects (including in Lublin, Poznań, Kraków, Kielce, Częstochowa, Warsaw)
- Preparation for sale of subsequent non core properties (including in Koszalin, Radom, Zabrze, Katowice, Kielce, Poznań, Słupsk)

LEADING POSITION

Echo Investment is the largest development company operating in Poland in terms of the number and area of projects implemented. We are active in three sectors of real estate: office, retail and residential. The strategy of profitable growth assumes that Echo Investment will be one of the top developers in each of these sectors separately. Our large scale of operations will allow for the optimal use of resources.

Undertaken activities

- Maintaining the leading position in the office market (in terms of space under construction and preparation, as well as rental)
- Search for new business niches, including in short-term rental (through the purchase of CitySpace)
- Maintaining the leading position in the retail sector (in terms of space under construction and preparation)
- Strengthening the position in the residential sector: advancement from the 11th place among residential developers in 2015 (selling ca. 600 apartments annually) to the 9th place in 2017 (selling over 1,400 units).
- Preparation of residential projects allowing for further advancement in the ranking
- Strengthening our competitive advantage by preparation and construction of multifunctional projects that enable us to combine different competencies and implement projects faster
- Search for new market niches, including student flats and apartments for rent

ECHO INVESTMENT'S STRATEGY



DEVELOPMENT ACTIVITY

The adopted business model focuses on the development activity, which consists of operations such as the purchase of a plot (real estate), project preparation, construction, rental and sale of completed projects in the shortest possible time.

Echo Investment does not want to be a long-term owner of completed projects and the income from office or retail rent accounts for a small portion of its total revenue.

Undertaken activities

- Separation of working office and retail assets in 2016 to another company – EPP and sale of the majority of its shares
- Sales of companies involved in maintaining completed properties
- Sales of newly developed office buildings still under construction or soon after their completion
- Conducting the sales process of residential projects in such a way that 80% of units are sold at the time of completion
- Provision of development services to external companies for remuneration



COOPERATION WITH THE MAIN SHAREHOLDER

Echo Investment's strategy cooperates with the main shareholder on market terms. Entities gathered around the PIMCO-Oaktree-Griffin group can outsource development, consulting and other services to Echo Investment. They can also be partners in development projects or potential buyers of newly built commercial, office or residential projects. The development activity of Echo Investment in this group is complementary to the activities of other entities. It should be emphasized that significant agreements between Echo Investment and entities related to the main shareholder and the Griffin Real Estate group are discussed and approved by the Supervisory Board.

Undertaken activities

- Partnership with EPP on large and capital-intensive commercial as well as multi-functional projects, in which Echo has a minority shareholding and conducts the development and leasing process for remuneration
- Partnership based on ROFO (right of first offer) agreements, which limits Echo Investment's capital expenditures and predefines the sales path of the completed project
- Marketing cooperation to achieve economies of scale and optimizing the cost of reaching recipients, customers and business partners
- Provision of support services (accounting, HR, leasing) to affiliated entities for remuneration



LARGE PROJECTS

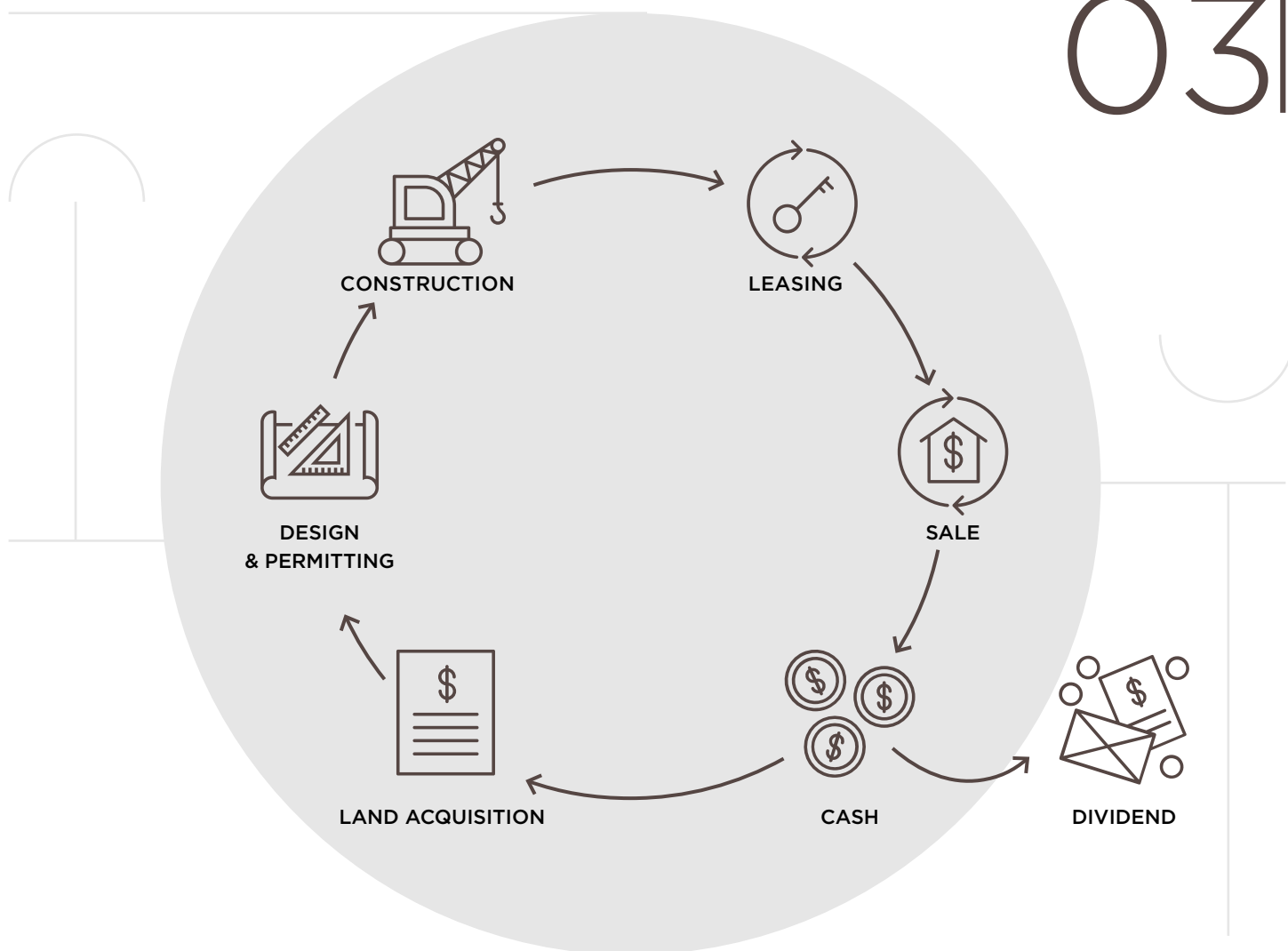
Echo Investment's many years of experience in three real estate sectors gives the Company a competitive advantage consisting in the ability to implement large, multi-functional and city-forming projects. Thanks to this, the Company can buy larger areas, with regard to which the unit price is lower and the competition among buyers is much smaller. Combining the functions provides for faster completion of the project and comprehensive design of the urban space.

Undertaken activities

- The commencement of the construction of the first three projects combining office, retail, entertainment and residential functions – Browary Warszawskie, Moje Miejsce (Beethovena) and Taśmowa in Warsaw with very good social reception
- Preparation of another multifunctional project at ul. Towarowa 22 in Warsaw
- Purchase of land for such projects at ul. Tymienieckiego in Łódź, ul. Wita Stwosza in Kraków and ul. Powstańców Śląskich in Wrocław
- Search for other large areas for multifunctional purposes

Business model

03



Echo Investment Group runs the entire investment process in-house, starting from purchasing property, through obtaining administrative permits, financing and oversight of construction, leasing and sale. These steps are taken in most cases through the special purpose vehicles (SPV).

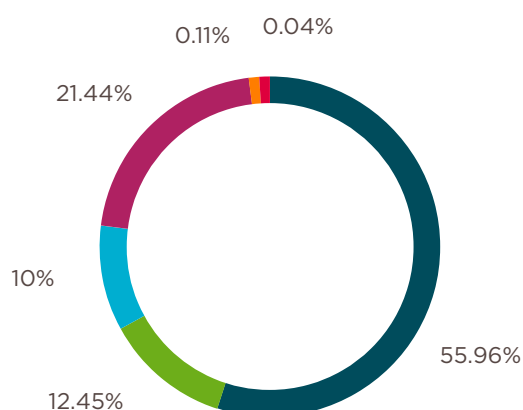
The core business of Echo Investment Group is divided into following segments:

1. construction, lease and sale of office buildings,
2. construction, lease and sale of retail buildings,
3. construction and sale of residential apartments
4. provision of services (general contractor, managing contractor, leasing, consulting etc.).

The ownership structure of Echo Investment S.A. and shares description

04

SHAREHOLDERS OF ECHO INVESTMENT S.A. AS AT 31.12.2017



Number of shares:

230 930 856	- Lisala sp. z o.o.
51 383 105	- Nationale-Nederlanden OFE
41 269 000	- Aviva OFE BZ WBK
88 462 693	- Others
460 663	- Nicklas Lindberg - president of the board
184 265	- Maciej Drozd - vice-president of the board

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

4.2 Shareholding structure

Lisala sp. z o.o. is an entity which is directly controlled by Echo Partners B.V. and indirectly by the Oaktree Capital Management, Pacific Investment Management Corporation (PIMCO) and Griffin Real Estate funds.

Data concerning the shareholding structure as at 31 December 2017 result from information about shareholders who held minimum 5% of the total number of votes at the Extraordinary General Meeting of Echo Investment S.A. of 16 October 2017 and notifications sent to the Company by shareholders on 25-30 October 2017.

4.3 Changes in Company's shareholding structure in 2017

On 20 September 2017 the main shareholder of Echo Investment and the Management Board of the Company started concept work concerning the diversification of the shareholding structure, increasing the number of shares in free trade and supporting the liquidity of shares on the stock exchange. Advised by Kempen & Co N.V., Pekao Investment Banking S.A. as well as the Polish branch of WOOD & Company Financial Services a.s. S.A., the Company and Lisala Sp. z o.o. concluded a Share Offering and Placement Agreement with the above companies on 17 October

2017. Ultimately, on 19 October 2017 the main shareholder informed the Company about its decision to sell 40,800,000 shares of the Company (app. 9.9% of all the shares) at the sales price of PLN 4.6 per share. In connection with the offer it also decided to sell at the same price 460,663 shares of the Company to Nicklas Lindberg at the total price of app. PLN 2.1 mln and 184,265 shares to Maciej Drozd at the price of app. PLN 848,000.



Major events in 2017

05

300_{mIn PLN}

The total value of retail bonds from Echo Investment's Second Public Bond Issue Programme placed in 2017

5.1 Establishing the public bond issue programme

On 27 February, 2017 the Management Board of Echo Investment passed a resolution on establishing the 2nd Bond Issue Programme for individual investors worth up to PLN 300 mln or its equivalent in euro. Financial Supervision Authority (KNF) approved the Prospectus on 26 May 2017.

The Company started a public offer of E-series retail bonds worth up to PLN 100 mln on 8 June 2017 and the value of subscriptions made by investors exceeded the value of the offer already on the first day. Consequently the Company shortened the subscription period and reduced the subscriptions proportionately. Ultimately, the Company allocated 1 mln bonds to 862 investors, with an average reduction rate of 60%. Bonds were registered in the National Depository for Securities (KDPW) on 6 July 2017, on 20 July 2017 they were authorized for trading by the Management Board of the Warsaw Stock Exchange (WSE) and on 28 July 2017 - introduced to the Catalyst market. The bonds issued have four-year maturity, their profitability is based on WIBOR 6M plus a margin of 2.9% and the interest is to be paid semi-annually.

The second tranche of public bonds worth up to PLN 125 mln was offered to investors on the 20th of September 2017, and oversubscribed are unsecured, they have five-year maturity period, the interest based on six-month WIBOR plus a margin of 2.9% and semi-annual interest payment periods. This time the rate of reduction amounted to nearly 70% and the securities were allocated to 574 investors. On the 12th of October the Management Board of WSE admitted F-series bonds to trading on the primary market and the Management Board of the National Depository for Securities registered F-series bonds on the 13th of October 2017. Since the 17th of October 2017 the bonds have been offered on the Catalyst market in the continuous trading system.

The third, last tranche of bonds from the Second Public Bond Issue Programme, which is marked as G-series, was offered to investors on the 4th of October 2017. The value of G-series amounted to PLN 75 mln, the oversubscription took place already on the first day. The parameters of the offer were the same as for the F-series: G-series bonds are unsecured, they have a five-year maturity period, the profitability of six-month WIBOR plus a margin of 2.9% and semi-annual interest payment periods. The reduction rate amounted to 18%, the bonds were allocated to 464 investors. The Management Board of the National Depository for Securities registered F-series bonds on the 24th of October 2017, the bonds were subsequently admitted to trading in the continuous trading system by WSE on the 26th of October 2017. G-series of bonds is quoted from 3 November 2017.

5.2 Acquisition of a stake in Galeria Młociny project

On 31 May 2017, companies from the Echo Investment group and the EPP group signed an agreement concerning a joint purchase of 100% shares in Rosehill Investments, which was the indirect owner of the retail and office project Galeria Młociny that is under construction near Zgrupowania AK „Kampinos” Street in Warsaw. The sellers were: Broomfield Investments, Catfield Investments sp. z o.o., Powell Real Estate International B.V., Taberacle Limited, Taberacle Investments Limited and Elsovia Trading Limited. The two companies paid EUR 104,5 mln for the project (including liabilities of the company being the subject of the transaction). The Echo Investment group will have the share of 30% in the transaction, the part of the price attributable to the group was EUR 12 mln and its part of acquired liabilities amounted to EUR 19 mln.

Together with the conclusion of the preliminary contract an entity from the Echo Investment's group provided the SPV company which builds Galeria Młociny with a loan for the repayment of its liabilities towards the general contractor.

Furthermore, Echo Investment also concluded an agreement with EPP, regulating the corporate governance principles in the acquired companies and a development agreement which provides Echo Investment with the function of the building site manager and project leasing agent.

Galeria Młociny is a retail and office project with a leasable area of 81,000 sqm. The facility is located near the main public transport hub in northern Warsaw, which sees 40 000 daily commuters. Construction of the first phase commenced in October 2016, and is on track for completion in Q2 2019. As at the balance sheet day the development is approximately 66% preleased. Construction works on the site continue according to the schedule.



Galeria Młociny, Warsaw





West Link, Wrocław

5.3 Sale of West Gate office building in Wrocław and ROFO agreement with Griffin Premium RE

Echo Investment and its subsidiaries concluded a preliminary contract concerning the sale of the West Link office building in Wrocław with entities from the Griffin Premium RE group with its seat in Netherlands. The buyer was at that time a company affiliated with Griffin Real Estate.

The deal is to be closed subject to the following conditions:

1. the receipt of the final, unconditional occupancy permit for the building,
2. leasing minimum 60% of the building's area and the signing of a rental guarantee agreement for the period of five years, based on which Echo Investment will guarantee the payment of rent and service charges for vacant premises as well as rent-free periods, costs of finishing the premises and costs related to temporary rent abatements,
3. the first public offering of shares of Griffin Premium on Warsaw Stock Exchange will generate net proceeds of minimum EUR 28 mln for Griffin Premium until June 30th, 2017 (condition fulfilled on 19 April 2017),
4. the Buyer receives the anti-trust consent if it is required by law; and
5. the Supervisory Board of the Company approves the transaction (the approval granted on March 14th, 2017).

The sales price of the shares was established as follows:

- the quotient of NOI (i.e. the difference between the operating income and undeductable operating costs) and 6.873%, which amounted to EUR 36.06 mln on the day of signing of the preliminary contract,
- plus the estimated working capital and cash amount and
- minus the debt amount.

The price will be subject to standard adjustments after the closure of the transaction.

The initial sale price of 100% of the shares in the project companies amounts to EUR 18 mln (taking into account the predetermined price formula) and the difference between the pre-determined value of the building (EUR 36.06 mln) and the value of the shares in project companies will constitute a project debt.

On 12 June 2017, pursuant to the contract, the buyer was offered a purchase of bonds with a total nominal value and an issue price of EUR 18 mln, which were issued under private placement by an entity controlled by Echo Investment. The proposal was accepted by the buyer. The redemption date of West Link bonds is 31 December 2018. Early redemption is possible e.g. in case of early conclusion of a final contract. The West Link bonds are unsecured and they bear a fixed interest rate stipulated in the terms and conditions of the issue. Their redemption will take place by paying an amount equal to the nominal value of the bonds plus accrued interest, with the nominal value being deducted at the purchase price of 100% of the shares in the West Link project companies.

In exchange for the acquisition of the West Link bonds and making a payment of EUR 18 mln by Griffin Premium RE, the Echo Investment companies granted the buyer irrevocable powers of attorney entitling them to enter into the final sale agreement concerning the companies which own the West Link project.

The Buyer will be entitled to use the powers of attorney in the event of:

1. failure to conclude the final contract in spite of a call; and
2. the occurrence of one of the violations contained in the West Link Bonds documentation.

At the same time with the preliminary sale agreement of West Link, the Griffin Premium RE and Echo Investment concluded an investment contract concerning the right of the first offer (ROFO) for office projects developed in Warsaw i.e. the My Place (Moje Miejsce) stages I and II on Beethoven str. and Browary Warszawskie stage J. Following the legal due diligence and provided that its results are considered satisfactory by Griffin Premium RE, Griffin Premium RE will invest 25% of the capital which was already invested and the future capital needed for the completion of the construction process and finalization of the project by the acquisition of bonds. The total estimated value of these bonds is EUR 9.9 mln.

DESCRIPTION OF PROPERTIES INCLUDED IN ROFO AGREEMENT WITH GRIFFIN PREMIUM RE

Project	GLA [mkw.]	NOI [mln EUR]	Start	Completion
Warsaw, Browary Warszawskie J	15 000	3,3	II Q 2017	IV Q 2018
Warsaw, Moje Miejsce I (Beethoven str.)	17 800	3,0	III Q 2017	I Q 2019
Warsaw, Moje Miejsce II (Beethoven str.)	17 400	2,8	IV Q 2018	II Q 2020

The bonds will be issued in certain number of series. The value of the first series amounted to EUR 6,4 mln and the second – EUR 3,5 mln. The maturity date for all the series of the ROFO bonds is 12 June 2032, with the earlier redemption of the series being possible e.g. in the case of early closure of the ROFO transaction. The bonds will be redeemed by paying an amount equal to the nominal value of the bonds plus accrued interest. The ROFO Bonds are unsecured and they have a fixed interest rate which is stipulated in the terms and conditions of issue.

In connection with the investment in bonds, an entity controlled by Griffin Premium RE will be entitled to a 25%-share in the projects' profits. Griffin Premium RE is entitled to submit the first offer to buy 3 office buildings included in the ROFO agreement to Echo Investment.

5.4 Conclusion of final agreements for the sale of two office buildings to EPP

Following the preliminary agreements concerning the sale of seven office buildings to EPP, which were concluded on 30 September 2016, the sale contract concerning A4 Business Park III building in Katowice was closed on 26 April 2017 and the contract concerning O3 Business Campus II office building in Kraków – on 28 December 2017.

The sales price of A4 Business Park III amounted to EUR 27.5 mln plus VAT, however, taking into account additional payments that Echo Investment may receive under a fit-out work contract, the total sales revenue may increase to an estimated amount of EUR 28.5 mln plus VAT.

The sales price of O3 Business Campus II amounted to EUR 43.5 mln plus VAT. Taking into account additional payments that Echo Investment may receive for performing fit-out work the total revenue related to the sale of O3 Business Campus may increase by an estimated amount of EUR 7.3 mln plus VAT. At the same time the seller is obliged to pay the buyer a one-time payment of EUR 1.6 mln as a surety for the rental proceeds.



O3 Business Campus, Kraków



As part of both transactions the seller and the buyer entered into a rental guarantee agreements which obliges the seller to cover rental payments and average operating charges for the parts of the buildings that were not rented or were rented at the date of signing the contract but rent discounts or rent-free periods were applied to them. Furthermore, the seller and the buyer concluded a fit-out work contracts under which Echo Investment will carry out fit-out work for EPP for additional remuneration.

Echo Investment and EPP are also connected by a preliminary contract concerning the sale of two office buildings: O3 Business Campus III in Kraków and Symetris Business Park II in Łódź. The conditions for the conclusion of these contracts include obtaining an occupancy permit for each building and renting at least 60% of its area.

The buildings listed as well as the Sagittarius and Nobilis office buildings in Wrocław and Libero in Katowice are part of the real estate portfolio covered by the right of the first offer (ROFO) of EPP. Furthermore EPP is their co-investor in 25%, which means that the company is entitled to 25% of the profit from their sale.

6,4%

Echo Investment's share in the shareholding structure of EPP

5.5 Sale of part of a block of EPP' shares

On 22 June 2017 the Company and its subsidiary Echo Prime Assets B.V., which is a direct owner of the shares of EPP – a company established as a result of separating Echo Investment group's yielding assets in 2016 – received a notification from the main shareholder of EPP – Redefine Properties Limited – with regard to releasing Echo Investment from the lock-up of EPP's, blocking a sale of EPP's shares until September 2017. On the same day Echo Investment sold 40 mln shares of EPP, which constituted at that time nearly 5.7% of EPP's share capital and 44% of the block held by Echo Investment. The sales price of the shares minus transaction costs was EUR 49 mln. The transaction made it possible for the company to finance the payment of a special dividend to its shareholders, which was additional to its adopted dividend policy.

Echo Investment Group is now the owner of 50.7 mln shares of EPP, which constitute app. 6.4% in the share capital, after recent capital increase. However, starting from H1 2017 the shares are classified as financial assets held for sale.

5.6 Preliminary sale agreement of the Sagittarius Business House office building in Wrocław

73 mln EUR

Target price for Sagittarius Business House

Echo Investment signed a preliminary sale agreement for the office building Sagittarius Business House, which is under construction in Wrocław on 20 July 2017. Its buyer is Warburg-HIH Invest Real Estate (Warburg-HIH Invest), which will buy the building for a fund it administers on behalf of its institutional investors.

Conditions precedent to the conclusion of the contract include: completion of the construction process, receipt of the final occupancy permit, acquisition of a final tax interpretation of the transaction, geodetic division or transfer of minimum 60% of the leasable area to tenants. The parties plan to conclude the final contract upon the fulfilment (or waiving of the conditions precedent) but no later than 30 November 2018. The closing date may be postponed until 31 January 2019. The company's sales price was set as the quotient of NOI (i.e. the difference between the operating income and non-deductible operating costs) of the enterprise and the capitalization rate of 6.175%.

The price to be paid at the closing of the transaction is estimated at app. EUR 65 mln. After tenants acquire the units and parking spaces in the building constituting minimum 80% of the leasable area, the total estimated price will increase to app. EUR 73 mln. It should be noted that both the price paid at the closing of the transaction and the price after the increase will be reduced by the value of rent-free periods, rent-discount periods and the cost of the fit-out work, which means that the estimated closing price and the estimated post-rise price will amount to app. EUR 56 mln and EUR 63 mln, respectively. At the same time, the fit-out contract provides for the remuneration to be paid to Echo Investment by the buyer for the work performed after the conclusion of the final contract in the premises which will not be leased at the date of conclusion of the final contract or will be leased but the finishing work will not be completed at the time. It is estimated that the remuneration will amount to EUR 6,4 mln + VAT, i.e. EUR 450 + VAT per square meter.

On the day of closing the transaction or shortly after the conditions precedent have been met, the parties also undertook to sign: contracts for the fit-out work, a guarantee of the quality of the building, a guarantee of the structure of the building and a contract of rent guarantee (if required).

The Sagittarius Business House is being developed in the future central business district of Wrocław. The building will have a leasable area of about 25,000 sqm. Its anchor tenants are EY and Bank of New York Mellon, which will jointly occupy more than 90% of the area (lease agreements plus extension options). Completion of the construction work on the office building is scheduled for Q2 2018.

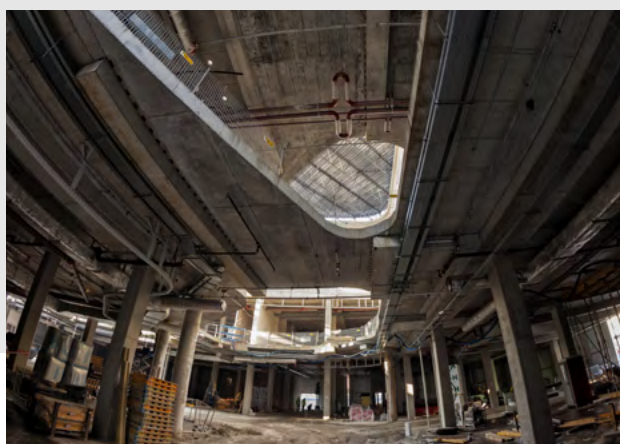
5.7 Diversification of the shareholding structure

On 20 September 2017 Lisala sp. z o.o. – the main shareholder of Echo Investment and the Management Board of the Company undertook actions aimed at the diversification of the shareholding structure, increasing the number of shares in free trade and supporting the liquidity of shares on the stock exchange. Consequently Lisala sp. z o.o. sold 40,8 million of shares of the Company in transactions which took place on the 25 and 27 October 2017 (app. 9.9% of all the issued shares), at the sales price of PLN 4.60 per share, to selected financial investors and 644 928 shares to two members of Echo Investment S.A. Management Board.

5.8 Loans for construction of Libero and Galeria Młociny

On 10 October 2017, Echo Investment concluded a loan agreement worth over EUR 67.5 mln with Bank Zachodni WBK S.A. and Bank BGŻ BNP Paribas S.A. as well as a VAT loan of PLN 12 mln to finance the construction of Libero in Katowice. The shopping centre is under construction on ul. Kościuszki and as at the balance sheet day it is 90% leased. The opening of the scheme is planned for Q3 2018.

Meanwhile on 17 October 2017, the consortium of Echo Investment and EPP signed a loan agreement worth EUR 175 mln with Bank Zachodni WBK, PKO Bank Polski and Bank Gospodarstwa Krajowego as well as a VAT loan of over PLN 34 mln for the construction of Galeria Młociny in Warsaw. The loan was provided for the construction period and a five-year investment period. As at the balance sheet day the project is 66% leased. The construction work started in autumn 2016 and its completion is planned for Q2 2019.



Libero construction, Katowice

5.9 Placement of corporate bonds with a total value of PLN 305 mln

Under the Bond Issue Programme signed with mBank with a value of up to PLN 1 bln the Company issued coupon bonds for institutional investors with a total value of PLN 305 mln. Value of the first tranche issued 31 March 2017 amounted to PLN 155 mln and its redemption date is 31 March 2021. The second tranche was issued on 30 November 2017, its value amounted to PLN 150 mln and it has a four-year maturity period. The nominal value and the issue price of bonds of both tranches amounted to PLN 10,000. The interest rate on the bonds was based on the variable WIBOR 6M rate plus a margin. Interest will be paid in semi-annual periods. The bonds issued are not secured.

Furthermore on 29 November 2017 Echo Investment acquired 32,100 own bonds listed on the Catalyst market under the ECNO418 (ISIN PLECHPS00191) series with a view of redemption. The average purchase price of one bond amounted to PLN 1,004.37. The purchase of bonds is an element of liquidity management in the group.

5.10 Sale of the Nobilis Business House office building in Wrocław

The Catalyst Capital European investment and real estate fund management company bought the Nobilis Business House office building from Echo Investment on 29 December 2017. The building is located on Marii Skłodowskiej-Curie Street in Wrocław and it was put into operation at the end of 2016.

The value of the property was determined as the quotient of NOI (i.e. the difference between operating income and non-deductible operating costs) of the building and the capitalization rate of 6,672%. The value of the transaction on the contract conclusion date is EUR 40.3 mln and it was reduced by the value of rent-free periods, rent discount periods and the costs of fit-out work. Consequently the price payable on the closure for the property amounted to EUR 35.6 mln, however, the total maximum estimated value of the transaction may increase to app. EUR 44 mln after a price increase which is subject to the takeover of new areas and parking spaces by new tenants. The settlement of the remaining amount is expected within 12 months, after the completion of the fit-out work and lease of the remaining 25% of the building's area. The lease of a significant part of the free space is secured by letters of intent and advanced negotiations are conducted with regard to the remaining part.

In connection with the transaction Echo Investment provided a guarantee for the quality of the building, with the liability of up to PLN 40 mln. The company also provided a guarantee for fit-out work and for additional work for the period specified in the quality guarantee contract. A rental agreement was also concluded, ensuring rental proceeds from unrented or unoccupied by tenants space in the building and a contract concerning the fit-out work. The fit-out work contract envisages remuneration which is estimated at app. EUR 3.6 mln plus VAT.

The building was purchased for the Catalyst Core Plus European Property Fund. It has a gross leasable area of 16,900 sqm and as at the balance sheet day it is 75%-leased to reputable companies such as Onet Group, City Space, PPG Deco, Smith & Nephew and the Synexus medical centre.

5.11 Sale of Babka Tower property

According to the strategic assumption of sale of working properties, in Q4 2017 the Company sold Babka Tower office building located in Warsaw for c.a. EUR 8 mln. The property had 6,200 sqm of leasing area and it was 75%-leased.

Major events after the balance sheet date

06

6.1. Third Public Bonds Issue Programme

On 14 February 2018 the Management Board of Echo Investment adopted a resolution on the establishment of the Third Public Bond Issue Programme up to the amount of PLN 400 mln or its equivalent in EUR. The bonds will be offered to retail investors in a public offering, carried out after approval of the prospectus. Detailed terms of the bond issue will be determined prior to the issue of a given series of bonds. The company plans to introduce bonds issued on the basis of the prospectus for trading on the Catalyst regulated market. The company submitted the Prospectus to the Financial Supervision Authority on 28 February 2018.

400 mln PLN

Planned value of bonds for individual investors, which the Company intends to issue based on the prospectus submitted to the Financial Supervision Authority

Description of the markets which the Company and its Group operate on

07

7.1 Office market

↑ WARSAW

Perspectives of each market sectors in coming 12 months:

- ↑ - Very optimistic
- ↗ - Optimistic
- - Neutral
- ↘ - Pesimistic
- ↓ - Very pesimistic

The most important information from Warsaw office market after 2017 is the continuation of constant, high demand for new space and the persistently decreasing vacancy ratio.

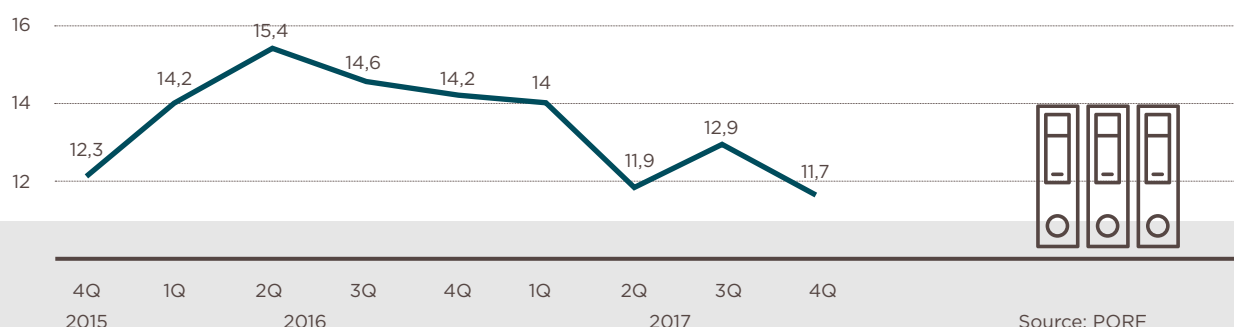
According to the data of the Polish Office Research Forum (PORF), there was nearly 5.3 mln sqm of modern office space in Warsaw at the end of 2017. Developers delivered around 275,000 sqm throughout the whole year, they delivered eight buildings with a total area of over 70,000 sqm in Q4 alone.

In Q4 2017 lease agreements were signed for app. 231,000 sqm, thanks to which the result in the entire last year exceeds 820,000 sqm. The most popular were office buildings in the city centre (208,000 sqm) and Mokotów (205,000 sqm). New contracts had the highest share in the structure of last year's demand - 63%. Renegotiations of existing contracts accounted for 26% of transactions and expansions - for 11%.

The vacancy ratio at the end of 2017 decreased to 11.7% - 1.2 percentage points less than after Q3 2017 and 2.5 percentage points less compared to the end of 2016. There were nearly 616,000 sqm of offices available in the capital city, an area that would be absorbed by the market within a year if last year's pace of leasing (new contracts and expansions) was maintained and there was no new supply. The vacancy ratio in the city centre was 9.1% whereas outside the centre it amounted to 13.2%.

According to the assessment of the Management Board of Echo Investment, Warsaw office market remains very strong. The good economic condition in the country, great interest among tenants and conducted negotiations allow us to be optimistic about 2018.

OFFICE VACANCY RATIO IN WARSAW [%]



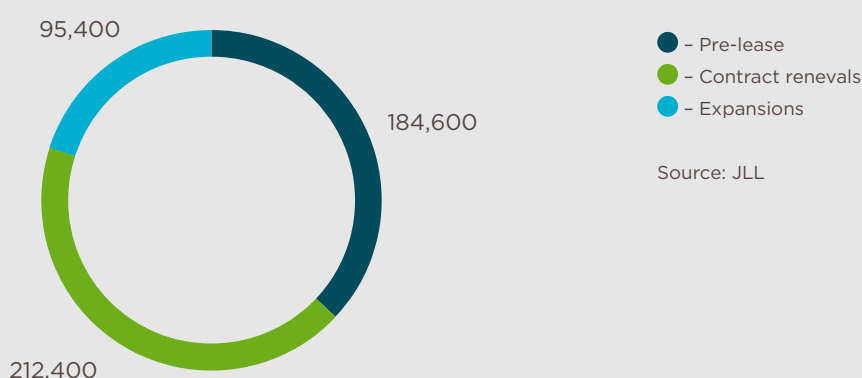
Source: PORF

↑ REGIONAL MARKETS

According to JLL's observations, Poland remains a very attractive location for international investors, which is reflected in the very good results and dynamic development of regional office markets. The steady increase of employment in enterprises translated into an increase in the demand for office space,

which in turn had a direct impact on the dynamics of regional rental markets. In entire 2017 the total demand for offices in the eight largest regional cities in Poland (Kraków, Wrocław, Poznań, Katowice, Łódź, TriCity, Szczecin and Lublin) amounted to 675,000 sqm, which is over 15% above 2016.

LEASE AGREEMENTS SIGNED ON EIGHT REGIONAL OFFICE MARKETS IN 2017 [SQM]



Source: JLL



In 2017 an area of 461,000 sqm was delivered to the market, which is 6% less than in 2016 but also as much as 25% more than in 2015. The last quarter of last year brought a decline of the vacancy ratio to 9.9% for all main regional markets.

1.1 mln sqm of offices are currently under construction outside of Warsaw, of which 71% in Kraków, Wrocław and TriCity. In 2018 developers are planning to deliver 391,000 of offices, 31% of which are already secured by pre-lease contracts.

Rental rates in major cities in Poland remain stable. It is the result of a balance between the supply and the demand in major markets outside the capital city.

Rental pressure can be reflected in packages of incentives (such as rental holidays or contribution to fit-out), especially in the case of older office buildings. The highest transactional rents are currently observed in: Kraków (EUR 13.5 - 14.6/ sqm /month) and Wrocław (EUR 13.9 - 14.5 /sqm /month).

Good condition of regional office markets in Poland is also confirmed by the growing number of large contracts. In 2017 a total of 13 contracts were signed for the area of over 10,000 sqm (six more compared to 2016). Along with the growing demand for flexible offices, JLL analysts are observing an increased activity among operators of such offices also on regional markets.

7.2 Retail market



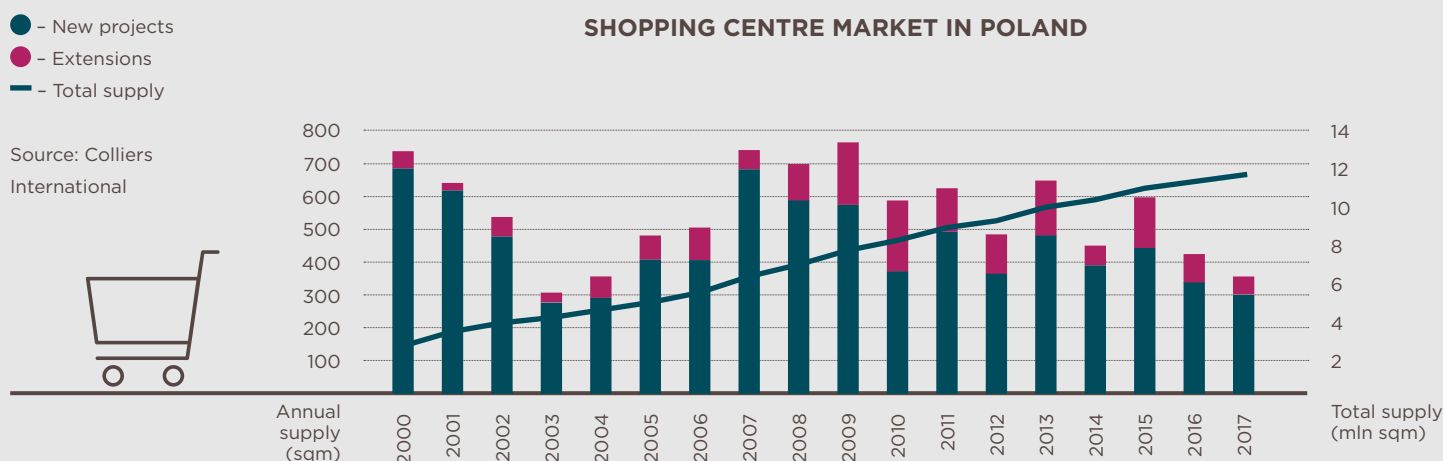
According to a summary of Colliers International, there was 11.5 mln of modern retail space in Poland at the end of 2017 and the saturation level was 301 sqm/1,000 inhabitants. Wrocław had the highest saturation (906 sqm /1,000 inhabitants) out of the eight largest conurbations.

Developers put fewer and fewer shopping centres into operation. Last year 13 shopping centres were opened and almost 360,000 sqm were delivered to the market i.e. about 15% less than in 2016. The expansion of existing retail projects accounted for app. 16% of the newly delivered supply in 2017. The activity of developers is increasingly focused on the largest cities (over 65% of the total completed area, app. 8 percentage points more than in 2016).

The Management Board of Echo Investment believes that the development activity will be transferred to the expansion, reconstruction and modernization of older retail projects, which often have a perfect location but their standard and offer lose against newer projects.

The brands which had their debuts in Poland in 2017 include: Zarina, BeFree, Love Republic, Hamleys, Max Burger, Sfera, Blue Frog, Wrap me, Goldi, Action, Sawren, Alpine Pro, Verle Küchen & Siemens, Fabryka Pizzy, Bio Family, Tefal Home & Cook czy Mole Mole. The e-obuwie brand also opened its first brick and mortar shop in Poland. Meanwhile companies such as: Kipling, Stenders and Matras bookshops decided to withdraw from the Polish market.

SHOPPING CENTRE MARKET IN POLAND



The vacancy ratio in retail facilities in Poland was around 4% at the end of 2017. The highest rental rates for the best areas (prime rents) in the best shopping centres were recorded in Warsaw (EUR 115-120/sqm/month). In other large conurbations rates ranged from EUR 35 to EUR 42/sqm/month.

Warsaw is the largest and most competitive retail market in Poland with 47 retail projects with a total area of over 1.5 mln sqm and a saturation level of 598 sqm/1,000 inhabitants. Last year it saw the opening of one new shopping centre (Galeria Północna), two retail parks (Marywilska 44 and the second stage of Galeria Wołomin) while the Arkadia shopping centre was extended. Consequently the market gained a leasable area of over 81,000 sqm. Retail project with an area of app. 167,000 sqm are under construc-

tion. The vacancy ratio at the end of December 2017 amounted to 2.9%.

Upper Silesia is the second largest retail market after Warsaw with 44 centres with a total area of over 1.1 mln and a saturation index of 525 sqm/1,000 inhabitants. No new retail project was put into operation here last year. There are projects under construction which are planned to be completed in 2018, including three new shopping centres: Galeria Libero in Katowice, Gemini Park Tychy, Vendo Park in Dąbrowa Górnicza as well as the extension of the Platan Zabrze shopping centre. The vacancy ratio is 5.8%.

App. 580,000 sqm of modern retail space was under construction in Poland at the end of December 2017. Colliers analysts predict that the new supply in 2018

will be slightly larger than in the previous year. Provided there are no delays, an area of around 450,000 sqm will be delivered to the market.

Despite this, Colliers does not expect significant changes in the vacancy ratio for the eight largest markets in Poland and it estimates that it should remain at around 5%. The rental rates should also remain stable. Slight declines may occur only in cities with high saturation and in some older facilities with a less attractive offer in worse locations.

Apart from high saturation and changing consumer habits the functioning of the retail market is strongly influenced by e-commerce. The e-commerce market in Poland is one of the fastest growing in Europe. The introduction of regulations gradually limiting retail trade on Sundays until the total ban in 2020 is a particularly significant event of last year, which will have an influence on the functioning of shopping centres.



Open day in Park Avenue Apartments, Kraków

7.3 Residential market



Last year was the best in the history of residential sales. This is the effect of a great economic climate, high savings of Poles, increases of income and salaries. 72,700 apartments were sold i.e. 17.3% more compared to 2016 in the six largest Polish conurbations monitored by the REAS consulting company. The supply of apartments was not able to meet the demand for the first time from 2013, which is an event better piece of information for developers. Consequently the number of apartments on offer decreased from 52,700 at the end of 2016 to 48,200 at the end of last year.

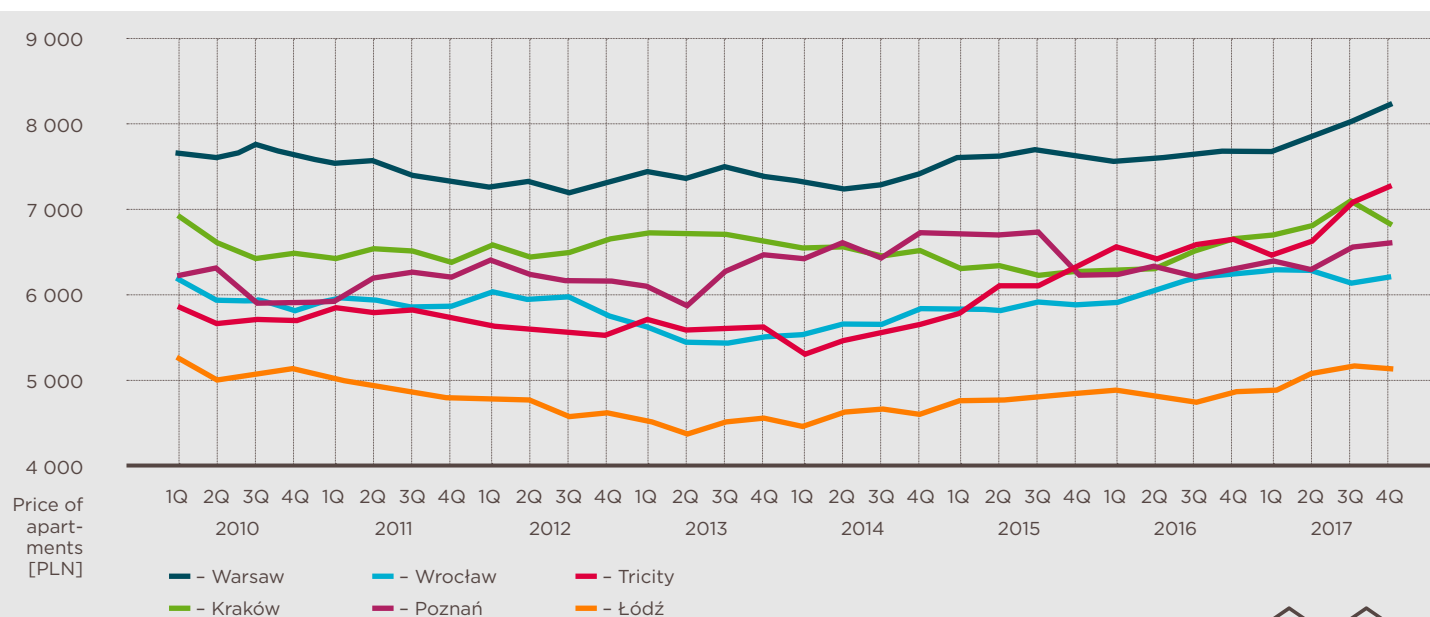
In Q4 2017 the number of apartments on offer dropped in all cities monitored by REAS, the only exception was Wrocław. The greatest declines took place in Kraków (12.9%), Łódź (7.4%) and Warsaw (5.3%). The declines calculated for the whole last year are much greater. The offer decreased by 26% in Kraków between the end of 2016 and 2017, in Poznań – by 14% and in Warsaw – by 12%. According to the expectations of Echo Investment's Management Board, this is a clear signal that residential prices may grow significantly in the next few quarters.

The situation has already caused a price increase. Asking prices increased by 15% in Tri-City last year, in Łódź – by 8.5% (despite an increase in the number of apartments on offer by as much as 42%) and in Warsaw – by 8.4%. The price increase in Kraków was minimal despite the reduction of the offer and the acceleration of the sales. It results from the lack of land in the central parts of the city and the shift of developer activity to cheaper outskirts. It is worth noting, however, that the price increase is also a result of a growth of construction costs and a high demand for slightly larger and higher-quality apartments.

According to REAS' forecasts, 2018 should also be good for the residential market although some factors supporting the demand will weaken. The 'Apartment for the Young' governmental support programme has come to an end, which might make

it difficult to incur loans for the first apartment buyers and weaken sales, but it might strengthen the demand for rent on the other hand. The demand among the investors who invest their savings in apartments for rent may slightly decrease. Rising prices of land and construction, financing and a limited amount of new land may have a negative impact on the supply. The cost of financing the construction of residential projects may be increased because of an amendment to the so-called developers' act, which is pushed through by the Office of Competition and Consumer Protection and would make it impossible to finance construction from clients' deposits. According to Echo Investment's Management Board, although such a solution would be a hindrance for all developers, it would reward large and stable companies that are able to acquire external financing.

AVERAGE PRICES OF APARTMENTS INTRODUCED TO THE OFFER – THE TREND [PLN/1 SQM WITH VAT, SHELL AND CORE STANDARD]



Source: REAS



7.4 Investment market



According to CBRE analyses, contracts for the sale of commercial real estate with a total value of over EUR 5 bln were concluded in 2017, which is the highest value within eleven years and 11% more compared to 2016. Most of the transactions concerned retail and office properties – EUR 2.15 bln and EUR 1.55 bln respectively. The value of transactions in the hotel sector has been systematically increasing – in 2017 it amounted to EUR 350 mln. The increase in the weight of large portfolio transactions is noticeable. Last year their share was the highest in history and it accounted for 55% of the total value of transactions. Further decrease in yields in all market sectors is good news. The investment market in Poland benefits from a very good economic climate, which encourages investors to continue their activity or enter the market. Furthermore, low interest rates throughout Europe make people look for alternative investments, of which real estate is the most popular.

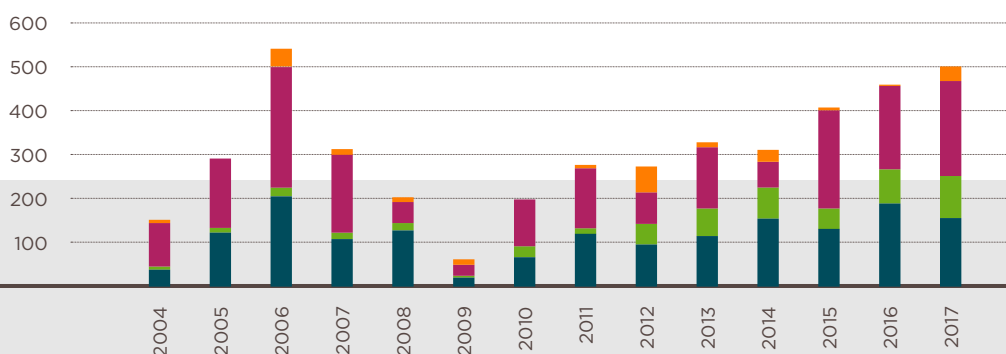
Investors from South Africa had the largest share in transactions in 2017, with a market share of 20% they overtook the Germans (18%), who were traditionally the strongest on the market. Chinese investors who participated in 15% of the transactions, have taken the third position. Furthermore, CBRE notes a surge of investors from the Czech Republic and Israel (8% and 5% respectively).

According to CBRE analyses, 2018 looks promising in terms of transactions. It is encouraged by the stable economic situation in Poland and entire Europe and the high demand for a leasable area. The inflow of capital and low interest rates continue to keep yield rates under pressure, especially in the office and retail sectors. Although they are historically lowest today, CBRE points out that transaction prices per 1 sqm still have a market justification.

**REAL ESTATE TRANSACTION IN POLAND
– SPLIT BY TYPE OF PROPERTY [MLN EUR]**

- - Office
- - Industrial
- - Retail
- - Others

Source: CBRE Research



Group's achievements in individual segments of the real estate market and development prospects

08

8.1. Offices

Last year was very good for Echo Investment's office department. The leasing team signed 75 lease contracts concerning over 86,000 sqm. Agreements with Echo Investment were signed by renowned Polish and foreign companies: EY in Sagittarius Business House in Wrocław (11,000 sqm), Philips Lighting Poland in Symetris Business Park in Łódź (5,000 sqm), Nokia in West Link in Wrocław (6,000 sqm), HCL in O3 Business Campus in Kraków (over 10,000 sqm) and the first tenant of Browary Warszawskie - L'Oréal Polska which will occupy 6,700 sqm in building J. The high interest of potential future tenants as well as awards and distinctions, including the 'New Concept of the Year' at CIJ

Awards 2017 for the best concept on the commercial real estate market, confirm a good response to the project.

The office leasing department was also intensively working on the re-commercialization of buildings belonging to other entities, which is a service provided for a fee. The largest signed contract of this type was the extension of the lease of over 11,000 sqm in Malta Office Park in Poznań by McKinsey EMEA Shared Services. The company continued to rent office buildings already sold, including Q22 in Warsaw. That office building was put into operation in mid-2016 but it still receives proofs of recognition. In the spring of last year it won the main prize in the

'Office Project of the Year' category of the CEE Investment & Green Building Awards.

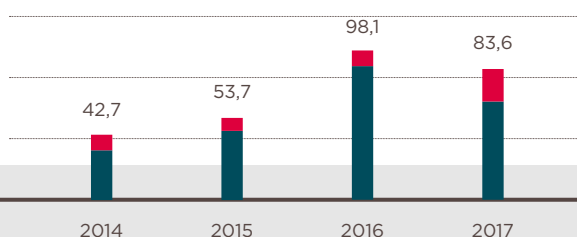
The IT and modern technologies sector was strongly represented among tenants. The project that has accumulated the largest number of companies from the new technologies industry is the Tryton Business House in Gdańsk, which welcomed Ciklum, IT Kontrakt and Networked Energy Services last year. Echo Investment has a reputation as a good partner for companies in the shared services sector (BPO / SSC), which is reflected in the Outsourcing Stars 2016 award for the best developer.



Details of the concluded agreements for the sale of office buildings are presented in item 5 on page 20.

LEASE OF OFFICE SPACE
[THOUSAND SQM]

● - New contracts
● - Recommercialization of projects owned by EPP and Griffin Premium RE



Last year Echo Investment sold the following buildings: A4 Business Park III in Katowice, O3 Business Campus II in Kraków and Nobilis Business House in Wrocław. The first two agreements were a consequence of preliminary agreements signed with EPP on 30 September 2016. The office building in Wrocław was bought by the Catalyst Capital fund. Furthermore, the Company also concluded two preliminary contracts for the sale of Sagittarius Business House office buildings in Wrocław (to the Warburg-HIH Invest fund) and West Link, also in Wrocław (to Griffin Premium RE).

The company started the construction of two office buildings. The first one is building J in the Browary Warszawskie complex, which is already 45% leased to L'Oréal Polska. The construction work on an office building on Beethovena Street in Warsaw started in Q3. This is the beginning of the next mixed-use project, Moje Miejsce, which will also include a residential part and an arranged urban infrastructure apart from office buildings.

In 2017 Echo Investment put two office buildings into operation: O3 Business Campus II in Kraków and Symetris II in Łódź. As at the balance sheet day, the first one is 70% leased and it has already been sold to EPP while the second one, which is 73% leased, meets the conditions necessary in order to close the sales contract.

The Management Board of Echo Investment is convinced of very good prospects for the office market in Poland, which is why last year the Company bought plots of land for app. PLN 238,000 sqm of office space in Kraków, Łódź, Gdańsk and Wrocław.

8.2 Retail segment

One of the most important events in Echo Investment's sales department last year was the completion of the construction and opening of a new part of Galaxy in Szczecin. The project, which Echo Investment carried out for EPP, was opened on 15 November 2017. Echo Investment has rented the entire extended part (15,200 sqm) and the company additionally carried out some changes in the selection of tenants of the older part. The results of these activities turned out to be better than expected.

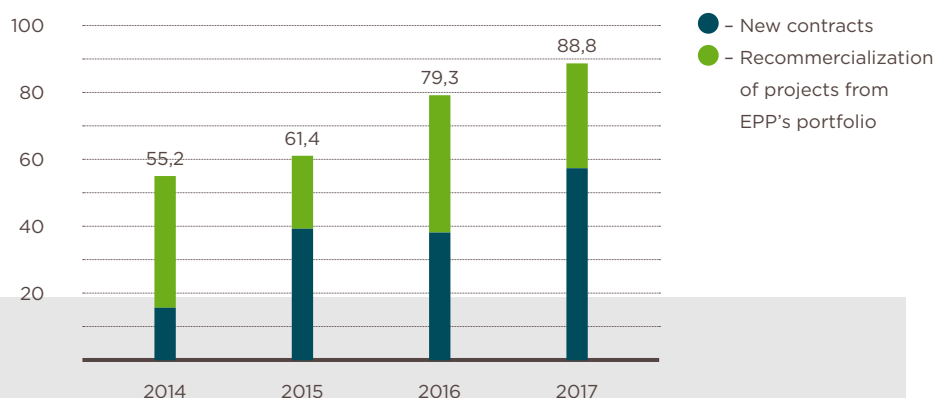
Echo Investment developed and rented Outlet Park in Szczecin for EPP in accordance with a similar model. Two extensions of this project were completed in 2017: 3,300 sqm in Q1 and 3,800 sqm in Q3. These parts have also been fully commercialized. In 2017, Echo Investment recorded PLN 7 mln of remuneration for construction and leasing services on both Szczecin projects, and in addition EUR 16,8 mln – as success fee.

In Q2 2017 Echo Investment took over 30% of the Galeria Młociny project which

is under construction on Zgrupowania AK 'Kampinos' Street. The remaining 70% of the shares were taken over by EPP. After a takeover, Echo Investment introduced improvements to the architectural plan and started negotiations with tenants. Echo Investment leasing team increased lease to 65% of the total area at the end of 2017. Investors also signed a loan agreement worth EUR 175 mln with a consortium of Bank Zachodni WBK, PKO Bank Polski and Bank Gospodarstwa Krajowego and a VAT loan of over PLN 34 mln. The loan was granted for the construction period and a five-year investment period.

The company conducts the construction and commercialization of Libero in Katowice. Due to high competition on the construction market and lack of qualified labour force, the opening of the scheme will take place in Q3 2018, instead of first half of 2018 reported previously. The opening of new retail projects in autumn is considered to be more beneficial. The installation work is in progress in the project and the road system is being redeveloped in the vi-

**LEASE OF RETAIL SPACE
[THOUSAND OF SQM]**



More details concerning the purchase of Galeria Młociny are available in section 5.2 on page 21.

cinityof the project at the request of Echo Investment. Starting from April the first tenants will take over their premises and carry out fit out work.

The leasing results are very advantageous. Libero was 85% leased at the

end of the last year, which currently increased to 90% at the rental level better than expected. Due to this the Company increased targeted net operating income (NOI) of Libero from EUR 8,8 mln to EUR 9 mln.



Urban studium of Towarowa 22 project in Warsaw - model



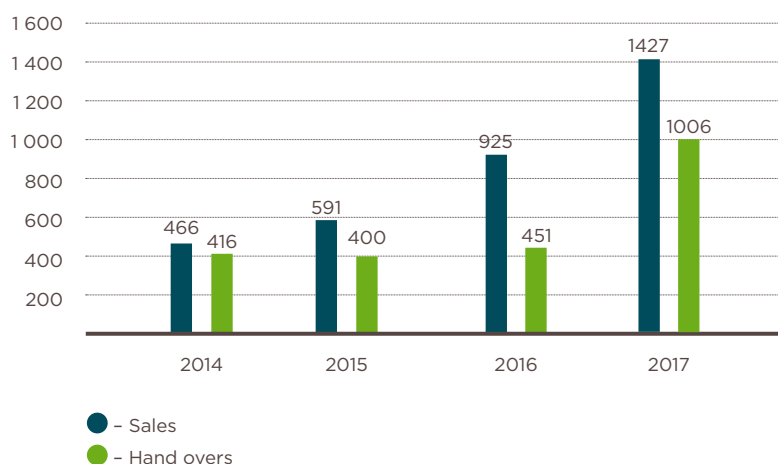
The company is conducting intensive design work on the Towarowa 22 mixed-use project and it is participating in the work on the zoning plan for this area. An area of about 105,000 sqm will be developed on over six hectares of land, it will be earmarked for services and trade, a city square with an area of over a hectare as well as app. 45,000 sqm of office, hotel and residential space. Due to the high expectations of investors

and other stakeholders with regard to this project, Echo Investment intends to invite a renowned architectural studio with international experience in creating city-forming, mixed-use projects to cooperate on the development. Echo Investment and EPP, which will ultimately own 70% of shares in Towarowa 22, observe a great interest in the project from potential tenants.

8.3 Apartments

The strategy of strengthening Echo Investment's activity on the residential market, which has been implemented since 2016, generates measurable results. Last year the company sold a record number of apartments – 1,427, 54% more than a year before. The increase in the number of apartments delivered to clients, the revenues and profits from which posted to the results, is also significant. In 2017 there were 1,006 of them i.e. 123% more than in 2016. In Q4 of last year Echo Investment sold 531 apartments and delivered 610 to clients. The Company's strategy envisages becoming a leader in this sector. Since its adoption the company has increased production and sales of apartments three times and it entered the group of ten largest residential developers in the country. In January and February 2018 the Company sold 253 units (compare to 104 units in January-February 2017) and signed final sale agreements on 85 apartments (72 in corresponding period of 2017).

SALES AND HAND OVERS OF APARTMENTS [UNITS]



RESIDENTIAL PROJECTS STARTED IN 2017

Project	Address	Number of apartments	Planned completion date
Dom pod Wilgą III	Kraków, Spiska Str.	63	I Q 2019
Nowa Dzielnica	Łódź, Wodna Str.	87	I Q 2019
Osiedle Jarzębinowe V	Łódź, Okopowa Str.	145	II Q 2019
Osiedle Perspektywa II	Poznań, Sielawy Str.	94	III Q 2019
Osiedle Perspektywa III	Poznań, Sielawy Str.	104	III Q 2019
Browary Warszawskie B	Warsaw, Grzybowska Str.	190	II Q 2019
Browary Warszawskie C	Warsaw, Grzybowska Str.	114	II Q 2019
Osiedle Reset I	Warsaw, Taśmowa Str.	164	IV Q 2019
Widoki Mokotów	Warsaw, Puławska Str.	87	I Q 2020
Zebra	Wrocław, Zakładowa Str.	233	II Q 2019
Total		1 281	

At the end of 2017 Echo Investment had 17 projects including 2,094 apartments under construction. Its offer included 970 apartments. In 2018 the Company plans to start the construction of 1,667 apartments in 9 projects.

RESIDENTIAL PROJECTS COMPLETED IN 2017

Project	Address	Number of apartments	Sales level at the end of 2017 [% of apartments sold]
Kościuszki Apartments	Kraków, Kościuszki Str.	70	100%
Dom pod Wilgą I	Kraków, Spiska Str.	112	100%
Osiedle Jarzębinowe III	Łódź, Okopowa Str.	109	99%
Jackowskiego 47	Poznań, Jackowskiego Str.	155	94%
Park Sowińskiego II	Poznań, Sowińskiego Str.	42	100%
Park Sowińskiego III	Poznań, Sowińskiego Str.	88	100%
Pod Klonami III	Poznań, Rubież Str.	14	100%
Nowy Mokotów III	Warsaw, Konstruktorska Str.	251	96%
Nowy Mokotów IV	Warsaw, Konstruktorska Str.	45	80%
Grota-Roweckiego II	Wrocław, Grota-Roweckiego Str.	135	77%
Total		1 021	



Open day in Dom pod Wilgą project, Kraków



Galeria Młociny construction site, Warsaw



880 mln pln

Value of construction work and deliveries contracted by Echo Investment in 2017.

8.4 Activity on the construction market

Echo Investment Group is currently conducting and preparing around 40 construction projects, the company is also involved in 80 tender procedures concerning construction and delivery work. In 2017 the construction department signed app. 670 construction contracts with a total value of PLN 880 mln. Echo Investment is a significant client with a very good reputation. Furthermore, its financial stability makes it a good payer and contractor.

The construction market is currently accelerating. The very good economic climate means that there are problems with the availability of the workforce in the construction industry, which in turn translates into an increase in the expected prices of construction services as well as timely execution of orders. In the Company these issues are managed through the following instruments:

- In the vast majority of cases Echo Investment plays the role of general contractor at construction sites. It has ongoing control over budgets, work progress as well as very early knowledge of risks, which enables quick response and undertaking appropriate remedial or corrective actions,

- The Group runs several dozens of construction sites at the same time and it manages deliveries through large, package orders. It allows achieving economies of scale and securing service and delivery prices for several quarters ahead,
- Echo Investment has over 20 years of experience in the development and construction markets as well as the reputation of a good payer. Therefore, it cooperates with a selected group of stable and proven contractors and suppliers,
- The increase in the budget of projects is largely offset by the increase in the expected revenue of individual projects.

The group gradually increases the scale of its operations. At the end of 2017, 27 projects were under construction with a total leasable area and sales of nearly 370,000 sqm, which means a 40% increase in the scale of operations compared to the end of 2016. For this reason, the construction department constantly improves the procedures and methods used to increase efficiency and in 2017 it employed 30 new specialists, which means a 25% increase in employment.

Our responsibility

09

9.1 Responsibility for the safety of employees at the building site

Echo Investment strives to provide maximum security for the company's employees at its building sites as well as for employees hired by subcontractors, suppliers and for all guests. In 2017 the Company

improved its safety and environmental management system and introduced or strengthened the following activities:



HEALTH AND SAFETY OF CONSTRUCTION SITES OF ECHO INVESTMENT

Actions taken

Introduction of safety issues, protection of life and health to the pre-qualification stage of the companies that would like to cooperate with Echo Investment.

It motivates subcontractors to implement and improve their safety management systems and minimizes the risk of an accident.

Providing safety information, good practices and guidelines to all subcontractors

It enables particularly smaller companies to use Echo Investment's extensive know-how and implement ready solutions that protect employees' lives and health

Weekly visits to building sites, aimed at promoting the health and safety culture.

This is a way to disseminate awareness of occupational safety at construction sites among all stakeholders - not only construction workers, but also people who visit the building site less frequently or have contact with it in certain situations (e.g. suppliers).

A monthly report on accidents and incidents at the building site to the Management Board.

It emphasizes the importance that Echo Investment attaches to the safety of employees and makes it possible to monitor the safety status on an ongoing basis as well as quickly and effectively modify procedures and introduce new ones if necessary.

Introduction of uniform standards and procedures regarding safety at building sites as well as accident and incident reporting at all building sites managed by Echo Investment.

It makes it easier to prepare the organization for safety management at all building sites and to compare this issue over time.

All the activities carried out, apart from the obvious objective of protecting the health and life of employees at the building site, also translate into a financial dimension and should be treated as an investment. Every accident at a building site may have consequences such as financial penalties, temporary loss of a qualified employee and the necessity of replacing them with others, partial or total stoppage of work during the examination of the accident circumstances and elimination of possible errors, which may lead to delaying the planned completion of work.

In 2017 Echo Investment ran 40 building sites in eight cities in Poland. 4,977,378 working hours were carried out at them. In that period there was minor accident and eight incidents that altogether cost a loss of only 36 working days of one employee.

Echo Investment's activities in the field of safety at the building site have also been recognized by the National Labour Inspectorate. Four construction projects of Echo Investment were awarded in the 'Build Safely' competition. The construction sites of O3 Business Campus III in Kraków and Symetris II in Łódź came first, the Dom pod Wilgą II residential project in Kraków came second and the West Link office building in Wrocław came third.

The company intends to improve its safety procedures and system at the building site and continue to build awareness of the importance of safety management in 2018 e.g. by undertaking the following activities:

- Compulsory training for the Management Board, senior management and construction supervision.
- Introduction of a risk assessment system at the project stage in cooperation with architects and designers.
- Monthly health and safety meetings with production workers at all projects.

“Safety of employees at building sites is an important element of Echo Investment’s social responsibility. Last year, the accident rate at building sites the investor of which was Echo Investment only amounted to 0.2. For comparison, the national index measured by the Central Statistical Office in the first three quarters of last year amounted to as much as 3.94. Although our indicator is low, our goal for this year is to eliminate accidents altogether. We want to have the maximum confidence that every employee returns safe and sound to their home and family after work. We can make a huge change together and make Poland a safer place to work in.”



Steve Iddon
health and safety director

0,02 

the accident rate at Echo Investment's building sites per 1,000 employees in 2017

1  accident

1 minor accident at 40 building sites

36  days

36 days of work of one employee lost - the cost of the accident

9.2 Social activities of Echo Investment group

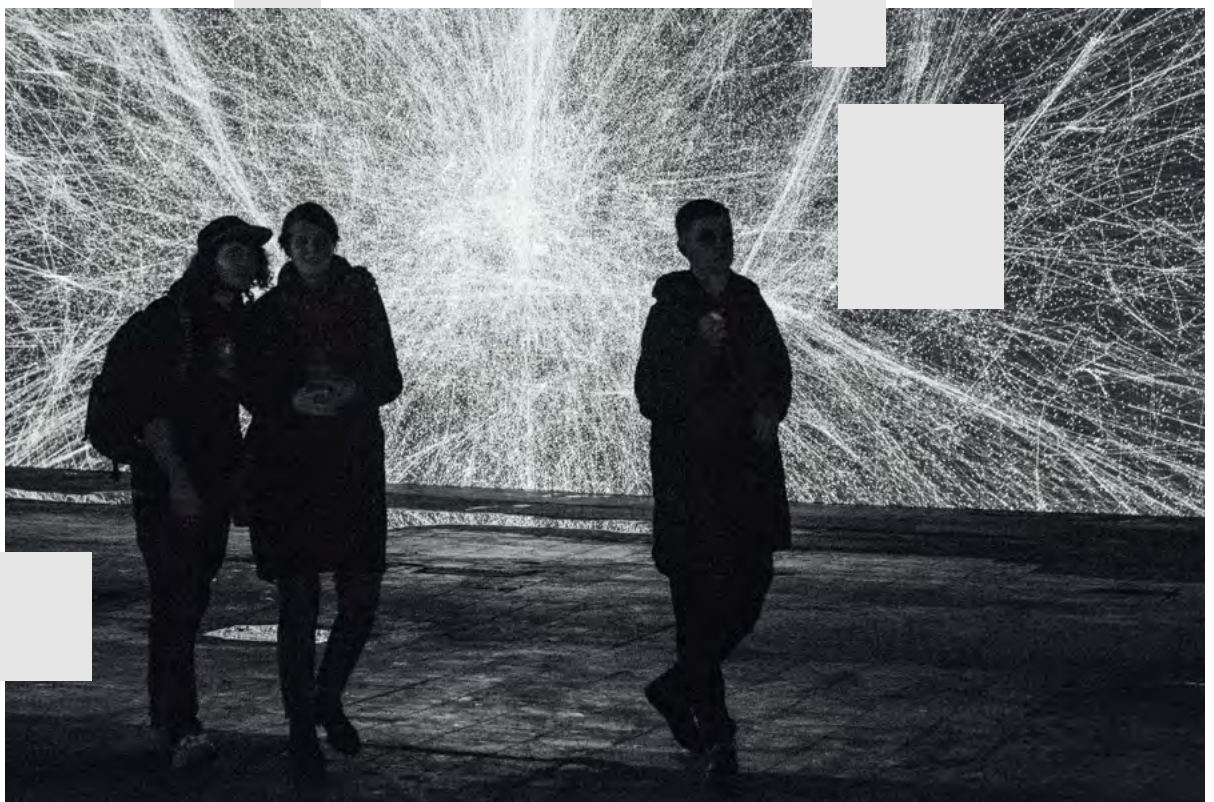
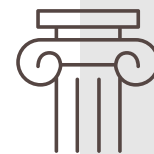
Projects executed by Echo Investment in the largest Polish cities are becoming part of the local environment, redefining certain places, inviting new audiences, creating new expectations and changing the conditions for the functioning of space and communities. As a socially responsible company we cultivate relationships with local communities, clients, business partners, contractors and other stakeholders. We participate in charity campaigns, support

social activities and sponsor events and activities of organizations important for the environments in which we build, employ people and pay taxes.

Echo Investment's support is mainly addressed to the fields of sport, culture and art as well as institutions and initiatives that help the needy.

CULTURE AND ART

We take care of the 'Art and Innovation Space' foundation which runs two parallel programmes: 'Griffin Art Space', which is already recognized in the art world, and a new one - 'Echo Innovation Space', the patron of which is Echo Investment. 'Echo Innovation Space' is aimed at supporting sustainable urban development, activities in the field of the latest technologies as well as science in synergy with art. It engages outstanding institutions which combine new media, it promotes inspiring activities in urban areas and supports educational and social projects.



Beyond the Seven - exhibition organised by Art & Innovation Space Foundation

CHARITY ACTIVITIES

We focus on helping the organizations from the company's home region i.e. Kielce and its immediate area. In a lot of cases it is our permanent support. Since 2009 we have been supporting Aleksander Kamiński 'Kamyk' complex of care and educational facilities through financing the purchase of winter clothing and shoes for its charges, we also cooperate with the 'Wołosatki' scout vocal and instrumental group which has been operating in Kielce for over 40 years. We have been taking part in the local finale of the Great Orchestra of Christmas Charity for eighteen years.

We stopped sending Christmas gifts and cards to clients, business partners and contractors, and saved the money for the 'Share the Joy' [Podziel się radością] campaign. It involves helping Kielce-based institutions and charities which are selected by employees of Echo Investment.

Since 2014 Echo Investment has been supporting the activities of the 'Beyond Horizons' Foundation of Jasioł Mela (through the Poland Business Run Foundation) which helps people who have suffered accidents. Over 21,000 people participated in the Poland Business Run in eight cities last year. We started our cooperation by sponsoring the organization of this event but since 2015 we have also been its active participants. Four teams took part in the charity Poland Business Run 2017 - a total of over 20 employees of Echo Investment.



COOPERATION WITH INDUSTRY AND BUSINESS ORGANIZATIONS

As a participant of business trading and one of the largest companies operating in the real estate sector in Poland, Echo Investment is also an active participant in the industry dialogue on the quality of law, its correct application, cooperation with representatives of authorities and all entities interested in the development of the Polish real estate market. Last year it took place through our cooperation on the forum of ABSL - Association of Business Service Leaders, the Polish Chamber of Commercial Real Estate, ASPIRE - IT and Business Process Services, the Pro Progressio Foundation and the Urban Land Institute, among others.

SELECTED GOALS SUPPORTED BY US IN 2017:

- maintenance of Children's Home No. 2 in Kielce
- holidays for children of the 'Dobra Chata' complex of facilities in Kielce
- holidays for children of the Aleksander Kamiński 'Kamyk' care and educational facility in Kielce
- the activity of the Caritas hospice of Kielce Diocese
- student sports club of the 'Żeromszczyzna' association for the development of the Mąchocice Scholasteria and Ciekoty villages
- purchase of diagnostic equipment for a shelter for homeless animals in Dyminy, which is run by the 'Ark of Hope' association
- construction of a multifunctional integration sports stadium for people suffering from multiple sclerosis associated with the Foundation for Assisting Disabled People
- sponsoring the women's football team at GKS Katowice
- activities of the 'Art and Innovation Space' foundation
- support for the organization of National Conservation Days
- partner of the Soundedit festival in Łódź
- the 'Great Orchestra of Christmas Charity' foundation
- organization of 2nd and 3rd 'Run for Fun' [Bieg po Frajdę] in Poznań.



LIBERO CO-CREATES KATOWICE



Libero, Katowice

Echo Investment's projects create space – not only urban space but also social space. Each of them contributes to building a good relationship with the place where it is developed. The Libero shopping and service centre in Katowice is a great example of this. It has sponsored women's football team at the GKS sports club for two seasons. These 19 footballers, who play in T-shirts featuring Libero's logo, are currently first in the first women's league in Poland. The project funded a holiday training trip for the players of the 'Katowice Development' club, thanks to which 60 young athletes could train at the Central Sport Centre in Zakopane. Libero also works with artists. Thanks to its support, the talented and awarded Silesian rapper and music producer Miuosz – Miłosz

Borycki produced the URB4N music album together with promising Katowice-based bands: Hengelo, Soxso and Jóga.

Last year Libero also funded prizes for hundreds of preschoolers participating in an inter-school competition organized by Primary School No. 56 in Katowice for the second time, it co-financed the purchase of ultrasound equipment for the 'Shelter Stop' [Przystanek Schronisko] foundation and cooperated with the Korez theatre in Katowice. All these activities are in line with the policy of operating responsible business and they build a positive brand of Echo Investment and its projects on the local market.

9.3 Environmental responsibility

The execution of real estate projects interferes with the shape and functioning of the city, the natural and social environment. Echo Investment strives to neutralize the impact of its projects by using superior standard instruments and technological solutions, from the design stage, to construction, to the building utilization stage which is planned for many years.

Echo Investment's strategy envisages locating residential, office and commercial projects in urbanized parts of large cities, which allows their residents to use municipal infrastructure (system heating, connection to the water and sewage network, road infrastructure and public transport). Projects are developed with respect for the aesthetics and functionality of cities. It is supervised by Echo Investment's own teams of architects and planners as well as renowned and experienced external architectural studios which the Company cooperates with. The aspect of environmental responsibility is particularly important during construction. Echo Investment strives to rationally manage water and electricity, prevent dusting and provide the ecological first-aid kit so as to absorb any leakages of oil or fuels. It is

also important to properly organize the construction site, keep order, aesthetics, safety of employees, comfort of the local community as well as reduce and segregate waste.

The buildings are made of high quality materials and with the application of optimal technologies that allow saving energy and water as well as minimizing the so-called ecological footprint. The use of these technologies and solutions translates directly into the value of the project, it accelerates its rental and sales and also affects the rental and sale price possible to obtain. The surroundings of the vast majority of projects are well-arranged, equipped with their own infrastructure, urban furniture and plants, which increases urban space and improves its quality.

All office buildings built by Echo Investment are certified in accordance with the Building Research Establishment Environmental Assessment Method (BREEAM), which is the oldest and one of the most popular systems for assessing the degree of sustainability and projects' impact on the environment.



Katarzyna Murdoch
BREEAM Assessor at Echo Investment

“The database operated by BRE, an industry organization specializing in BREEAM certification, indicates that Echo Investment is the undisputable leader of this system in Poland. As many as 14 of our office projects had a BREEAM certificate on 31 January 2018. This constitutes 10% of all certificates granted in Poland. These are 7 BREEAM Final certificates for completed buildings and 7 ‘temporary’ BREEAM Interim certificates for office buildings under construction. We are the first developer in terms of the number of certificates in each of these statistics.”

Echo Investment currently has four office projects which are under construction or have just been completed and hold a BREEAM Interim certificate with the 'excellent' rating (Symetris Business Park II in Łódź, O3 Business Campus II and III in Kraków, Nobilis Business House and Sagittarius Business House in Wrocław) as well as Moje Miejsce I on Beethoveena Street in Warsaw with a 'very good' rating. Echo Investment specialists are also working on the certification of each office building under preparation.

O3 BUSINESS CAMPUS - CASE STUDY

The three-stage project is located on Opolska Street in Kraków and it was awarded with the BREEAM Interim certificate at the design stage. The final assessment of the first stage of the project after the completion of the construction process brought a higher sustainability level than assumed at the design stage. What practical benefits will users of this office complex have?



O3 Business Campus, Kraków

Well-being of users:

- the optimal amount of daylight and energy savings thanks to the use of indoor light zoning
- high indoor air quality
- analytical control of the thermal comfort of users and adjustment of ventilation and air conditioning,
- appropriate acoustic parameters of interiors that improve the well-being of users and their performance,
- finishing materials with a low content of volatile organic compounds that do not adversely affect health.

Energy saving

- energy efficiency of the building which is over 30% better than the performance of a standard building with the parameters required in the building permit,
- new generation lifts including energy-efficient lighting, drive and a stand-by system that saves power when stationary,
- applying energy-efficient lighting in the area around the project.

Transport

- location of the project enabling its users to utilize public transport, which will reduce the number of people travelling by car
- analysis of how to reach the building (including the possibility of getting there by bike or on foot) and recommendations for improving the situation,
- providing at least 30 double bike racks for each project stage, a bicycle repair station, changing rooms, showers and wet clothes dryers.

Water saving

- water-saving bathroom fittings and equipment limiting water consumption,
- constant monitoring of water consumption, encouraging users to limit consumption,
- water leak detection systems,
- an appropriate, economical system of plants watering.

Waste management

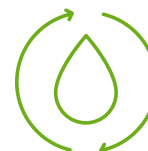
- defining methods of waste reduction and the recycling of waste during construction,
- designing rooms for recyclable waste collection.

Land use and ecology

- the use of land that has already been developed and has a low natural value,
- a five-year biodiversity development plan at the project site, defining proper plants maintenance, minimizing the long-term impact of the construction process on the project and the surrounding area,
- a full ecological report for the project area, defining natural values, guidelines on how to protect flora and fauna during the construction process, assessment of the improvement of the situation after project completion, a biodiversity plan and recommendations on e.g. attracting birds and insects.

Pollution

- the use of petroleum derivative separators pre-treating water before sending it into the rain-water drainage system,
- automatic directional lighting which reduces light pollution of the night sky, the consumption of electricity and the nuisance of night lighting for neighbours.



9.4 Our employees and diversity policy

9.4.1 Our people

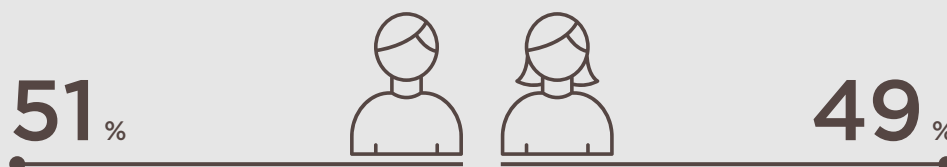
The driving force of Echo Investment are its employees, their diverse experience, competences, formal qualifications, work methods and individual approaches to performed tasks. The stability of the team, systematic improvement of competences, planned supplementation of market know-how and good employment conditions limit the risks which the company is exposed to.

The Management Board is aware of the importance of diversity in the selection of employees, including those holding key management positions. In its personnel decisions the Management Board strives to take into account the elements of diversity including: gender, qualifications, age and work experience. The knowledge, competences and experience of candidates are of decisive importance when selecting people for managerial and supervisory functions.

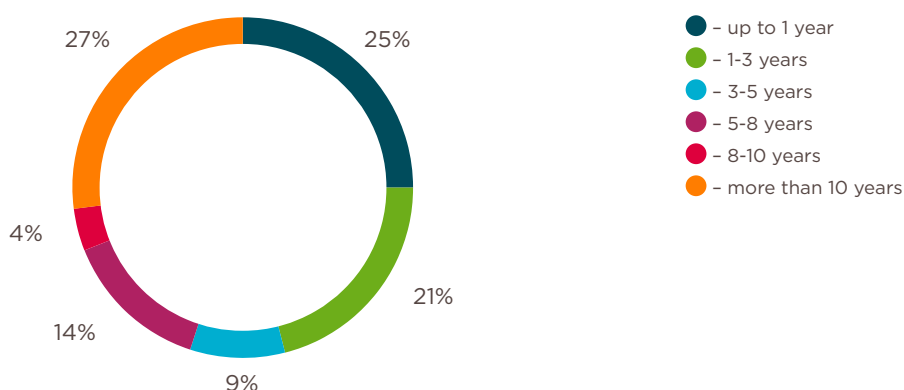
As at 31 December 2017 Echo Investment employed 428 people. Employment increased by 19% compared to 31 December 2016 due to the growing number of investment projects. The average seniority currently amounts to 6.4 years and it is lower than the average seniority at the end of 2016, which exceeded 7 years. The decrease results from employment of 111 people last year. 46 people left the group during this time.

Echo Investment enjoys the long average seniority, a balance between the number of long-term, experienced employees and the number of short-term employees, the diversity of related qualifications and the level of qualifications as well as the gender balance. Three people with citizenship other than Polish worked in the Echo Investment group at the end of 2017. The group employs 5 people with disability certificates.

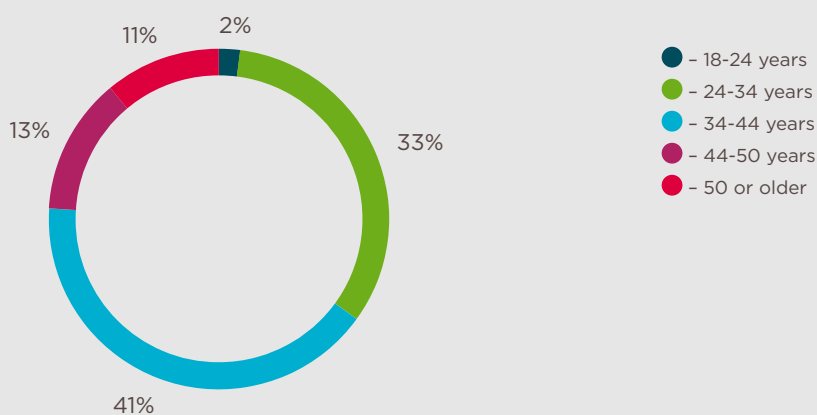
EMPLOYEES SPLIT BY GENDER AS AT 31.12.2017



DIVERSIFICATION OF EMPLOYEES BY SENIORITY AS AT 31.12.2017



DIVERSIFICATION OF EMPLOYEES BY AGE AS AT 31.12.2017

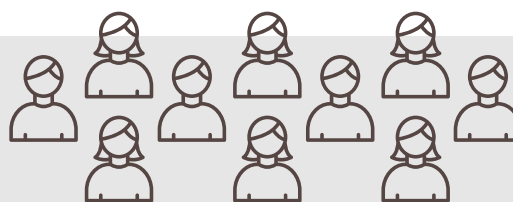


“Echo Investment’s HR is focused on constant improvement of employees’ qualifications and care for their satisfaction. Thanks to this the Company can undertake demanding tasks, it builds the experience of the organization, ensures continuity of work in key managerial positions and undisturbed functioning of processes necessary in order to maintain regular operations. It is also an element of its resistance to resignations of key employees. Because we have a lot of employees with diverse experience and aspirations, we start searching for people for new positions from internal recruitment. Consequently as many as 50 of our employees were promoted and received greater responsibility in 2017, half of whom in our office in Kielce.”



Sylwia Jaworska
director of the HR department

HR POLICY AT ECHO INVESTMENT IN 2017



428

the number of employees of the Echo Investment group

6,4 years

the average seniority

39

the average age of our employees

96 %

the number of employees with a university degree

111

the number of people who were employed last year

50

the number of people who were promoted



Diversity policy

We operate on one of the most demanding job markets in Poland, which is why we manage the organization focusing on diversity and openness.

Our employees constantly share their skills and knowledge in order to achieve the best results, no matter what they do and where they do it. We build a culture of cooperation because it gives us strength and allows us to achieve successes. We develop an open, inviting work culture, respecting the contribution of all employees. We believe that everyone shares their unique way of looking at the world, their talents and experience, their own approach and passion at work with us.

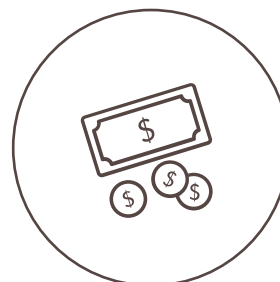
Conducting complex projects throughout Poland requires a team with diverse experience, knowl-

edge and skills. That is why we employ people from different backgrounds, regardless of their race, gender, age, social status, religion, sexual orientation, political views, disabilities or marital status. We predict changes in the society that also affect our employees. That is why we care about increasing the participation of women in positions affecting the direction of our organization's development. Our employees include people of several nationalities, also in senior positions. We strive for greater diversity and openness of the organization but we make the final decisions about employing a given person based on their skills because our priority is to hire and retain the best. The rules for appointing the Company's governing bodies are regulated by the Statute and the Code of Commercial Companies.

9.4.2 Report on remuneration policy

Echo Investment builds its remuneration policy based on the principles of the Code of Conduct:

- § 1.1 All companies from the Echo Investment group are responsible for developing and operating economically justified and socially responsible business.
- § 2.2 Echo Investment makes every effort in order to ensure that the conditions of employment are fair and meet all the requirements of the national law and relevant conventions of the International Labour Organization.
- § 2.6 We do not allow any cases of discrimination. We provide everyone with equal rights and opportunities regardless of race, colour, gender, nationality, religion, ethnicity or other characteristics.



SALARIES OF EMPLOYEES

In 2017 we reviewed the previous remuneration policy and introduced new solutions in line with the best market standards. The remuneration system of Echo Investment is based on honest and transparent principles. The salary of each employee results from their role in the organization and assessment of their individual results. Each employee is informed about their position and assessment. This ensures transparency of the assessment criteria which are the basis for the remuneration system in a diversified organization.

Assumptions of Echo Investment's remuneration policy:

- Striving to provide competitive i.e. similar rates of remuneration for employees of Echo Investment compared to offers in other companies,
- Striving to provide a competitive level of costs related to the remuneration budget at Echo Investment compared to other companies,
- Rewarding employees of Echo Investment in a way that takes into account:
 - the value of the position held (measured by the valuation result), its significance and impact,
 - skills and competences of the employee,
 - work results.

DETERMINING THE AMOUNT OF REMUNERATION

- Job evaluation is the basis for fair remuneration in the company
- Positions with greater responsibility are remunerated better
- Salaries are determined individually for each employee within fixed salary brackets
- Salary brackets are specified in the remuneration scale (80-120% of the median salary on the market)
- Salaries of employees vary depending on the responsibilities of the positions they hold, performance at work and the competences used at work.

In addition to the remuneration policy, the 'Remuneration Regulations of Echo Investment Employees' of 16 January 2013, as amended, 'Bonus Rules at the Echo Investment Capital Group for Employees of Support Departments' of 26 May 2011 and 'Bonus System of Development Departments in the Echo Investment Capital Group' of 1 June 2017 are the main documents regulating the remuneration policy in Echo Investment.

Remuneration in Echo Investment consists of a fixed part and a bonus. The purpose of the bonus part is to promote efficiency. The employee employed in each position, including a support department, has a chance to receive a bonus.

We carried out a project of valuing all positions and compared it with the market wage standards in 2017. On this basis we introduced a structured remuneration growth mechanism. According to its assumptions, we carry out a pay rise process each year. Such a solution ensures high motivation, talent retention and long-term development of the organization.

In order to ensure a competitive remuneration policy on the market, we introduced a benefit system for all employees at the beginning of 2018. It makes it possible to support the health and well-being of employees, who are our most valuable asset. We provide them with a medical package, access to sports facilities and a flexible budget for culture and entertainment. We have launched the training platform and we make sure that the principles of bonuses and promotions are transparent and motivating. We have also implemented a benefit programme and the next step will be the implementation of solutions which facilitate the work/life balance.

The activities undertaken in 2017 prove the Management's high commitment to ensuring a cost-effective, transparent and motivating remuneration policy in the Company. In 2018 we intend to continue work on supporting employee development and building an optimal working environment through development programmes and a remuneration policy adequate to the needs of the organization as well as related to the company's values.

REMUNERATION OF THE SUPERVISORY BOARD

The remuneration of the Supervisory Board is determined in the form of resolutions of the General Meeting of the Company's Shareholders. The resolution which is currently in force is resolution no. 6 of the General Meeting of Shareholders of 27 October 2015, which determines the amount of remuneration for Supervisory Board members as follows:

- monthly remuneration of the Chairman of the Supervisory Board - PLN 10,000 gross,
- monthly remuneration of the Deputy Chairman of the Supervisory Board - PLN 7,000 gross,
- monthly remuneration of a Member of the Supervisory Board - PLN 5,000 gross,
- additional monthly remuneration for the chairmen of the Supervisory Board committees - PLN 10,000 gross.

Members of the Supervisory Board shall also be entitled to reimbursement of costs incurred in connection with the exercise of the function, in particular - travel costs to the place of Supervisory Board meetings and back, costs of individual supervision as well as costs of accommodation and meals.

REMUNERATION OF MEMBERS OF THE MANAGEMENT BOARD

Members of the Management Board receive remuneration and bonuses in accordance with the remuneration model described in the 'Work Rules of the Management Board' adopted by the Supervisory Board in a resolution of 21 March 2013. The bonus system is based on an agreement in accordance with the MBO methodology (Management by Objectives) and it is related to the company's results. Each Member of the Management Board may receive an annual bonus expressed in a multiple of monthly basic salary, depending on the key business objectives which he/she has an influence on in the scope of their responsibility. At the same time, all Members of the Management Board have common goals, the execution of which below the expected level will result in a reduction of the bonus. The amount of remuneration and bonuses of Management Board Members is confirmed by a resolution of the Supervisory Board every time.

In 2017, in addition to the specific objectives set for each Member of the Management Board in accordance with their scope of responsibility, the Supervisory Board established four joint objectives for the Management Board, the implementation of which will determine the amount of the bonus:

- development of a system of finishing and equipment standards for development projects,
- implementation of superior standards and safety procedures at construction sites,
- implementation of the project finishing standard and post-sales support,
- development strategy for selected multifunctional projects.

9.5 Care for good relations with investors

Echo Investment is one of the oldest companies listed on Warsaw Stock Exchange. As the largest Polish developer, real estate leader and a company with a far-reaching vision of development, it cultivates good relations with investors and potential investors. The company cares for better communication, improved transparency of operations and usefulness of the published information.

The Management regularly meets with the capital market and journalists at result conferences following the publication of reports. Since last year these meetings have been broadcast via the Echo Investment

website with the option of asking questions remotely and listening to the answers. The Company reports all significant events via the ESPI/EBI electronic information transfer system (a statutory obligation), a newsletter addressed to investors as well as press information addressed to the media and posted on the website. The company also responds to all questions of analysts, shareholders, journalists and other stakeholders. According to market expectations, the Company significantly increased the scope of disclosures in the quarterly reports of the management board, which particularly involves describing its real estate portfolio and ongoing projects.



Days of dividend payments:
26.06.2017 – PLN 0.16 per share
21.07.2017 – PLN 0.50 per share

RECOMMENDATIONS FOR ECHO INVESTMENT S.A. ISSUED IN 2017

Analyst / Institution	Date	Recommendation and price target [PLN]	Previous recommendation and price target [PLN]	Market price at the end of the day preceding the recommendation [PLN]
Piotr Zybala mBank Dom Maklerski	25.01.2017	Buy 6,64	Hold 2,73	5,69
	02.10.2017	Buy 6,42	Buy 6,64	5,19
Cezary Bernatek Haitong Bank	25.01.2017	Sell 4,85	Neutral 7,71	5,69
Stanisław Ozga PKO Securities	10.02.2017	Sell 5,91	Hold 4,70	6,13
	12.05.2017	Buy 6,11	Sell 5,91	5,41
Maria Mickiewicz Pekao Investment Banking	22.06.2017	Buy 7,10	-	5,42
	13.12.2017	Buy 6,50	Buy 7,10	4,60
Krzysztof Kubiszewski Trigon DM	24.04.2017	Hold 5,10	Hold 5,10	5,75
	20.07.2017	Hold 5,70	Hold 5,10	5,64
	27.11.2017	Buy 5,70	Hold 5,70	5,06
	01.12.2017	Buy 6,11	Hold 5,70	4,62
Maciej Wewiórski DM BOŚ Bank	04.07.2017	Hold 5,06	-	6,12
	10.12.2017	Hold 5,00	Hold 5,06	4,64

RECOMMENDATIONS FOR ECHO INVESTMENT S.A. ISSUED IN 2018

Analyst / Institution	Date	Recommendation and price target [PLN]	Previous recommendation and price target [PLN]	Market price at the end of the day preceding the recommendation [PLN]
Jakub Caithaml Wood & Co.	11.01.2018	Buy 6,80	-	4,90
Maciej Wewiórski DM BOŚ Bank	25.01.2018	Hold 4,95	Hold 5,00	5,12
Stanisław Ozga PKO Securities	29.01.2018	Hold 5,61	Buy 6,11	5,15
Piotr Zybala mBank Dom Maklerski	02.02.2018	Buy 6,31	Buy 6,42	5,05
Cezary Bernatek Haitong Bank	22.02.2018	Neutral 5,21	Sell 4,85	4,96

In 2017 the Management Board of Echo Investment held 172 meetings with investors, potential investors and stock market analysts. They were individual meetings or teleconferences, conferences with

investors organized by financial institutions such as Wood & Co., Pekao Investment Banking, PKO BP and Haitong Bank as well as international roadshows.

NUMBER OF MEETINGS OF ECHO INVESTMENT'S MANAGEMENT BOARD WITH REPRESENTATIVES OF THE CAPITAL MARKET

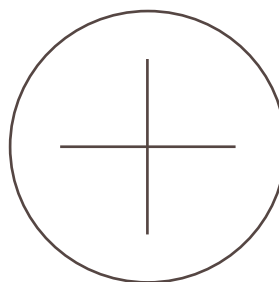


9.6 Compliance actions undertaken

LIMITING THE NUMBER OF EXCEPTIONS APPLIED TO THE 'BEST PRACTICE OF WSE LISTED COMPANIES 2016'

Best practice principles applied at Echo Investment from 20 October 2017:

- Making a record of the course of the General Meeting of Shareholders available on the Company's website in the audio or video form
- Introduction of a second independent member to the Supervisory Board
- Introduction of the second independent member of the Supervisory Board to the Audit Committee, as a result of which the Audit Committee consists mostly of independent members of the Supervisory Board.
- Best practice principles applied at Echo Investment from 22 March 2018:
- The company publishes on its website information containing a description of the diversity policy,
- Publication of justifications for draft resolutions of the general meeting of shareholders,
- Persons responsible for risk management, internal audit and compliance are directly subordinate to the president or another member of the management board and are also given the opportunity to report directly to the supervisory board or audit committee,
- Person heading the internal audit function and other persons responsible for the implementation of its tasks, meet the principles of independence set out in universally recognized international standards for the professional practice of internal audit apply,
- At least once a year, the person responsible for internal audit and the management board will submit to the supervisory board their own assessment of the effectiveness of the systems and functions of internal audit and compliance together with the relevant report,
- Representatives of the media are allowed to attend general meetings,
- The dividend day and dividend payment dates will be set so that the period between them is not longer than 15 business days. Setting a longer period between these dates will have justification,
- The Company undertakes not to recommend the general meeting to set a new nominal value of shares at a level lower than 0.50 PLN, which could result in a very low unit market value of shares,
- Before the company concludes a significant contract with a shareholder holding at least 5% of the total number of votes in the company or a related entity, the management board asks the supervisory board to agree to such a transaction,
- In its activity report the company presents a report on the remuneration policy.

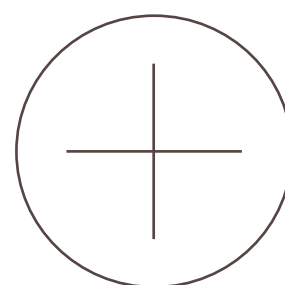


INTRODUCTION AND POPULARIZATION OF THE CODE OF CONDUCT

As part of risk management and in order to strengthen its corporate culture, on December 14th, 2016, Echo Investment made a decision to introduce the Code of Conduct – a document which defines the company's values and ethical norms required in its relations with employees, shareholders, local administration and communities. In 2017 and 2018, the Management Board conducted several meetings and trainings of Code of Conduct for employees, and in coming weeks all employees will need to have another training, which will be completed by an obligatory exam.

WHISTLEBLOWING POLICY

The company has implemented procedures of irregularity reporting and their examination, which promote ethics in everyday work and provides the reporting persons with a sense of security. They make it possible for employees to report unethical or illegal activities observed, which infringe the law, internal regulations or principles of social co-existence. The system operates with the support of an external company Linia Etyki.

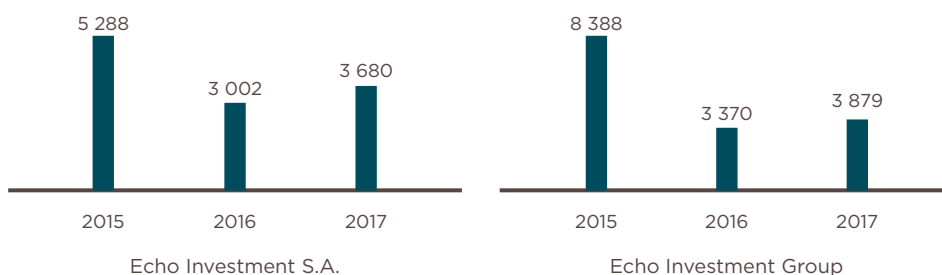


The main figures disclosed in the annual financial statements of Echo Investment S.A. and its Group

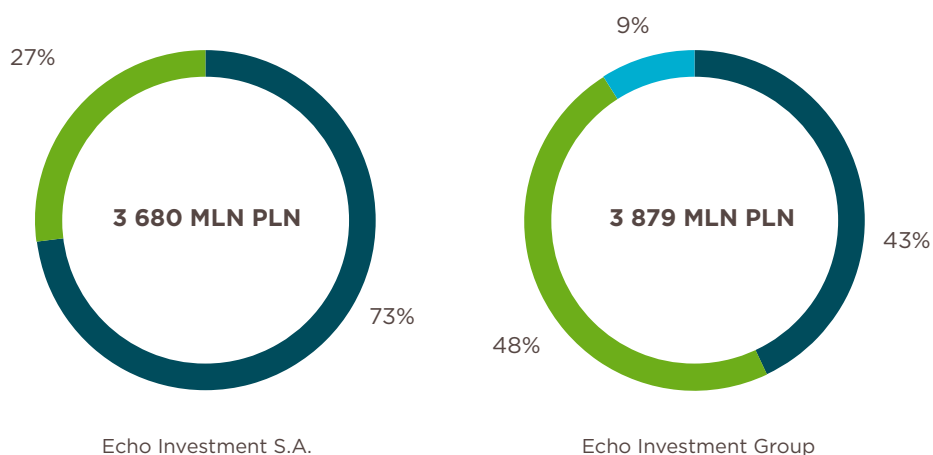
10

ASSETS AND LIABILITIES

ASSETS' VALUE [PLN MLN]

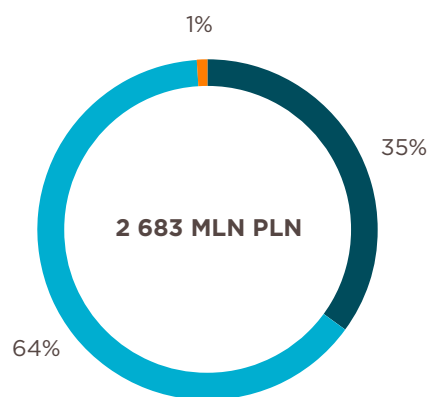


- - Non-current assets
- - Current assets
- - Assets held for sale

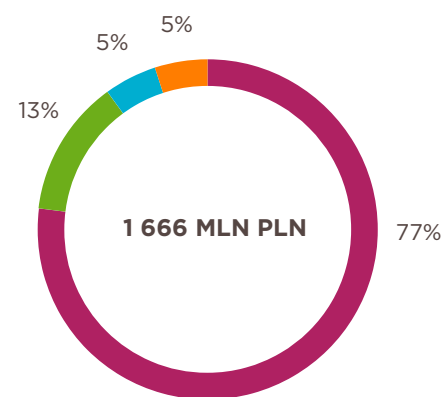


ASSETS' STRUCTURE

- - Interests in subsidiaries, jointly controlled entities and associates
- - interests in subsidiaries, jointly controlled entities and associates
- - Long-term financial assets
- - Investment properties under construction
- - Other



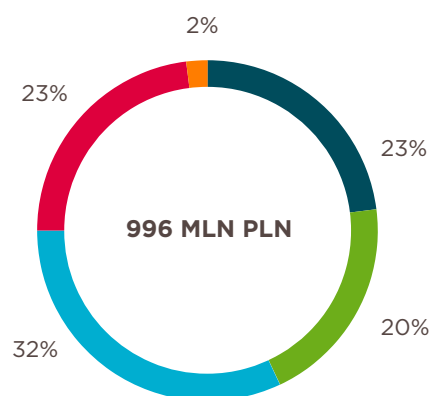
Echo Investment S.A.



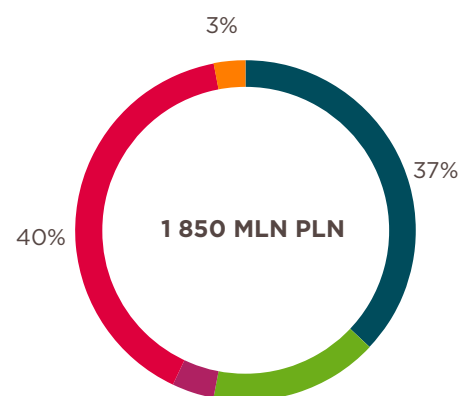
Echo Investment Group

NON-CURRENT ASSETS' STRUCTURE

- - Inventories
- - Trade and other receivables
- - Borrowings granted
- - Short-term financial assets
- - Cash and other cash equivalents
- - Other



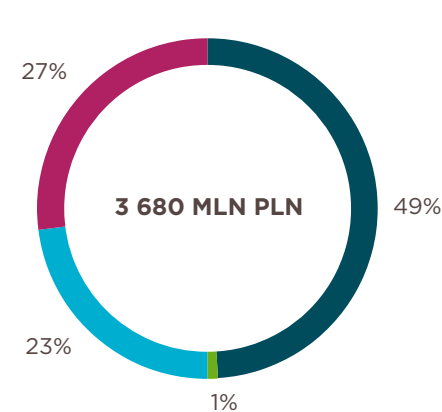
Echo Investment S.A.



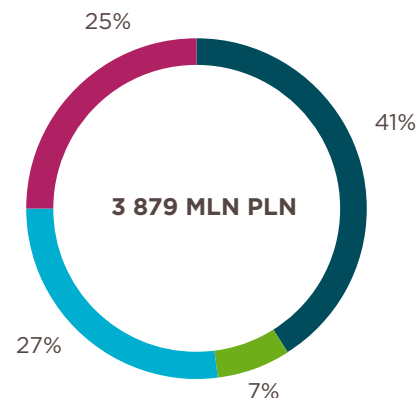
Echo Investment Group

CURRENT ASSETS' STRUCTURE

- - Equity
- - Provisions
- - Long-term liabilities
- - Short-term liabilities



Echo Investment S.A.

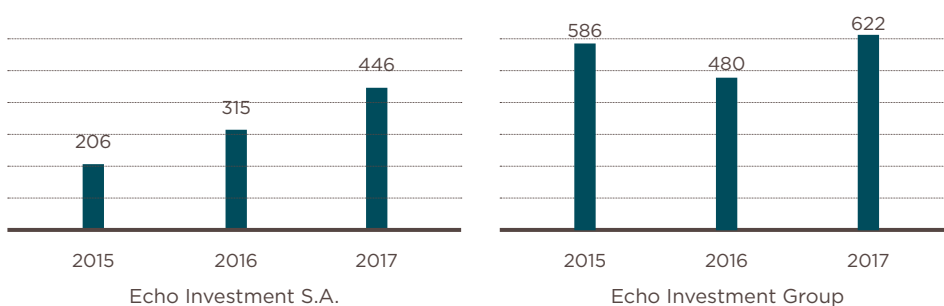


Echo Investment Group

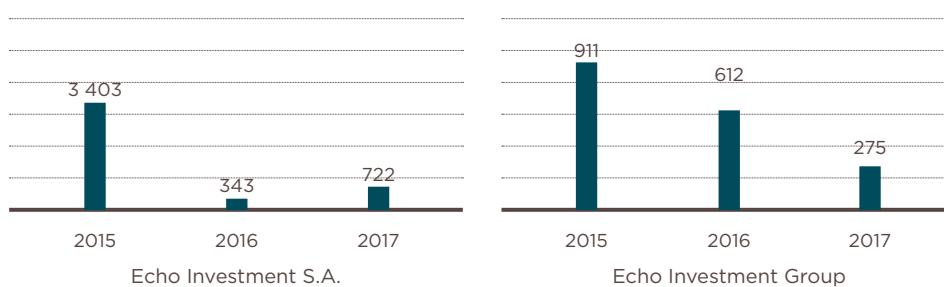
LIABILITIES' STRUCTURE

PROFIT AND LOSS ACCOUNT

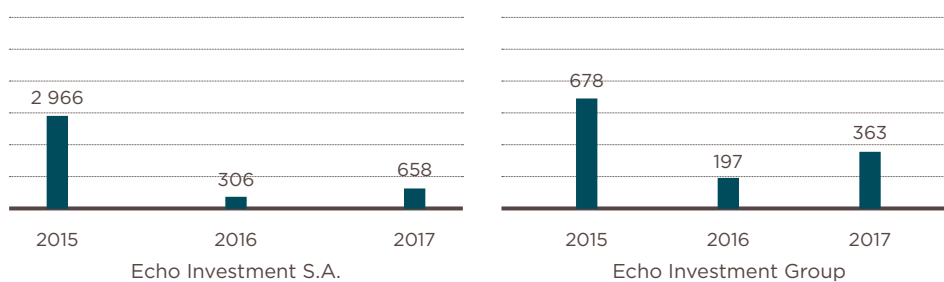
REVENUE [PLN MLN]



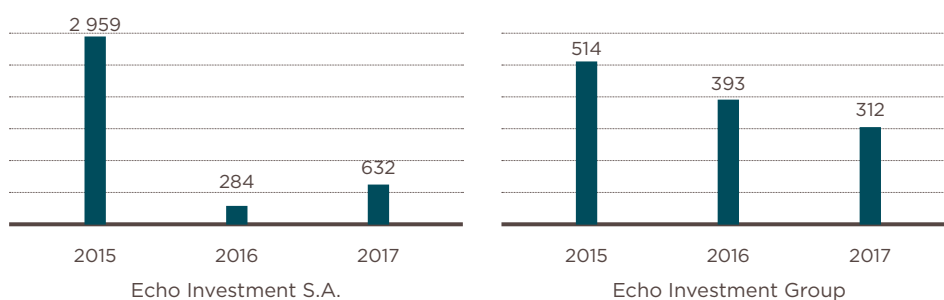
OPERATING PROFIT [PLN MLN]



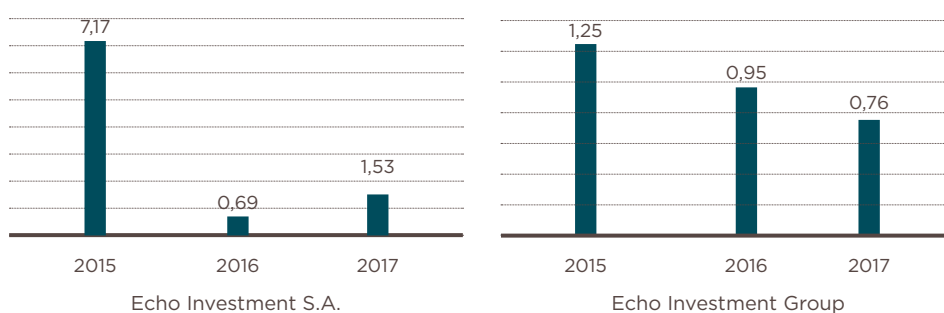
GROSS PROFIT [PLN MLN]



NET PROFIT [PLN MLN]



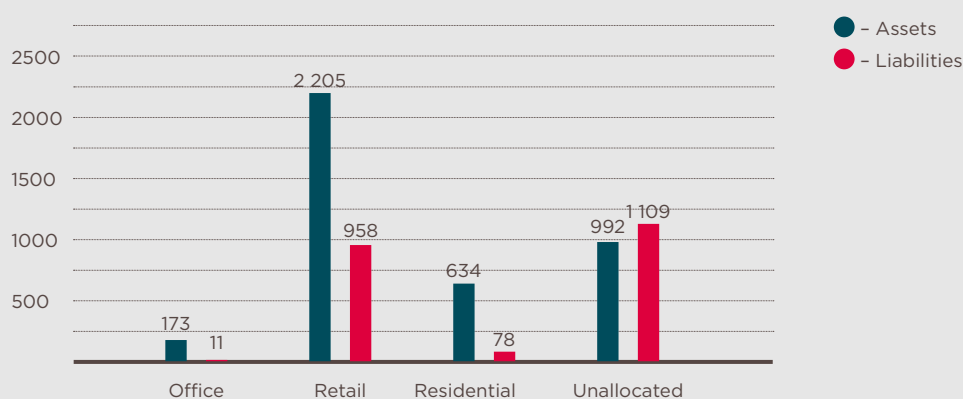
NET PROFIT PER SHARE [PLN]



Operating segments of Echo Investment Group

11

ASSIGNMENT OF ASSETS AND LIABILITIES TO SEGMENTS AS AT 31.12.2017 [PLN MLN]



ASSIGNMENT OF ASSETS TO SEGMENTS [PLN '000]

	31.12.2017	31.12.2016 - restated
Office	1 169 160	1 340 220
Retail	645 014	183 280
Residential	803 936	703 788
Unallocated	1 261 280	1 142 504
Total	3 879 391	3 369 792

3 879 mln PLN

Total value of assets as at
31.12.2017

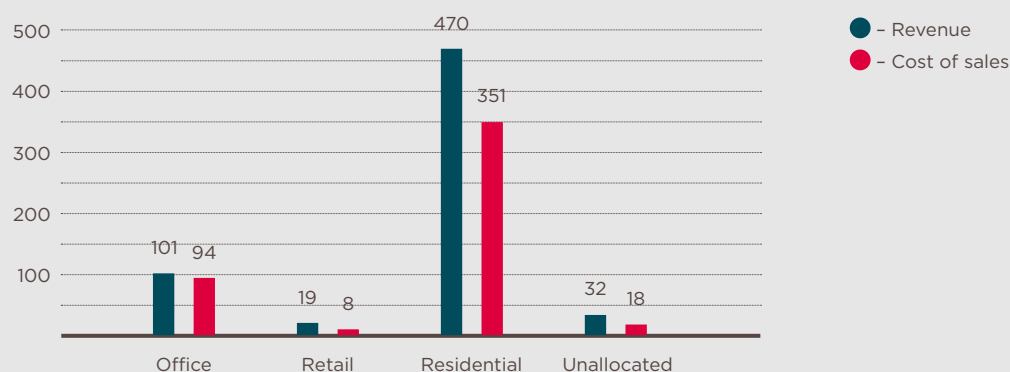
2 292 mln PLN

Total value of liabilities as at
31.12.2017

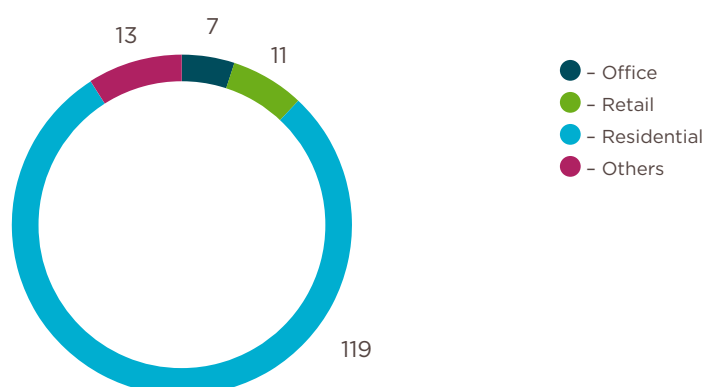
ASSIGNMENT OF LIABILITIES TO SEGMENTS [PLN '000]

	31.12.2017	31.12.2016 - restated
Office	547 432	305 605
Retail	83 692	17 496
Residential	165 788	100 826
Unallocated	1 494 836	1 412 071
Total	2 291 748	1 835 998

ASSIGNMENT OF REVENUE AND COST OF SALES TO SEGMENTS [PLN MLN]



ASSIGNMENT OF GROSS PROFIT TO SEGMENTS [MLN PLN]



150 mln pln
Gross profit

REVENUE AND COST OF SALES OF OFFICE SEGMENT - BY TYPE

	Revenue	Cost of sales	Gross profit
Lease	23 978 253	16 169 498	7 808 755
Services (fit-out works)	74 410 266	73 725 609	684 657
Maintenance of projects in preparation and under construction	2 941 627	4 125 231	-1 183 604
Total	101 330 145	94 020 338	7 309 807

REVENUE AND COST OF SALES OF RETAIL SEGMENT - BY TYPE

	Revenue	Cost of sales	Gross profit
Lease	500 535	358 793	141 742
Services (fit-out works)	17 885 463	7 031 847	10 853 616
Maintenance of projects in preparation and under construction	399 513	749 053	-349 540
Total	18 785 512	8 139 693	10 645 819

REVENUE AND COST OF SALES OF RESIDENTIAL SEGMENT - BY TYPE

	Revenue	Cost of sales	Gross profit
Sale	465 588 201	348 216 083	117 372 118
Lease	4 096 001	992 751	3 103 250
Services	80 582	2 673 248	(2 592 666)
Total	469 764 784	351 882 082	117 882 702

UNALLOCATED REVENUE AND COST OF SALES - BY TYPE

	Revenue	Cost of sales	Gross profit
Sale	4 294 618	5 694 640	(1 400 022)
Lease	3 140 706	3 944 590	(803 884)
Services	24 546 340	8 753 686	15 792 654
Total	31 981 664	18 392 916	13 588 748

Unallocated assets and liabilities covers positions that can not be clearly allocated to any of segments.

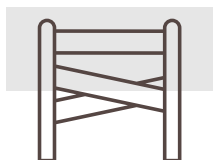
There was no revenues between segments.

How we manage risk

12

Significant risk factors and threats to the operations of Echo Investment S.A. and its Group

Risk management is an integral part of operating a profitable growth strategy and it ensures achievement of the assumed strategic goals of the Echo Investment group. The risk management procedures applied include the identification of risks, their assessment, management and monitoring. The management of Echo Investment SA, in cooperation with the Supervisory Board and the Audit Committee, is responsible for the overall risk management. The Management Board oversees risk management by creating, implementing and analyzing control systems, employees responsible for internal audit as well as directors and managers of individual departments.



STRATEGIC AND BUSINESS RISKS

Risk	Method of risk management and competitive advantages of Echo Investment
Purchases of land <ul style="list-style-type: none"> • Strong competition • High price expectations • Lack of well-prepared real estate 	<ul style="list-style-type: none"> • Own land purchase department • Close cooperation with renowned brokers and agents • A significant financial potential enabling acquisition of large, multifunctional plots, which attract less competition • Maintaining a land bank that ensures operations for app. 3-5 years
Sales of apartments <ul style="list-style-type: none"> • Strong competition on local markets • The offer of apartments is not suitable 	<ul style="list-style-type: none"> • Constant, thorough analysis of local residential markets from the stage before the purchase of a given plot until the end of the sale process • Constant analysis of the latest trends in the housing market based on industry reports (e.g. REAS) and own analyses of customer preferences • Ability to flexibly respond to changing customer preferences even during construction (own design department) • Conducting sales of apartments based on own sales teams • Project implementation in stages • Many years of experience from several local residential markets

STRATEGIC AND BUSINESS RISKS

Rental of office and retail space

- Strong competition on local retail markets
- Limiting the expansion of new companies
- A poorly structured office or retail offer

- Constant analysis of market trends and quick response to emerging information about changes
- Constant cooperation and maintaining contacts with about 600 tenants or potential retail and office tenants (including in particular the BPO/SSC sector)
- Many years of experience in the implementation and rental of commercial projects on several local markets in Poland
- Own large leasing teams
- Cooperation with all significant brokers and rental agents
- Having the CitySpace company in the group which provides serviced offices and is a tenant in some buildings completed by Echo Investment, and introduces smaller companies, start-ups or companies from the shared services sector that are just starting their operations in Poland to the buildings
- Furthermore, the serviced offices allow the Company to be more flexible when providing the tenant with the target office space (the option of temporary placement of the tenant in CitySpace offices)

Sales of office and retail projects

- Strong competition on the market of ready-made commercial projects
- High requirements of potential investors regarding the product and the seller

- Own sales team (consisting of industry, legal, tax and financial specialists)
- Extensive market experience
- Extensive contacts on global real estate markets
- High quality projects that meet all the criteria required by international institutions investing in real estate assets
- Flexible and innovative approach to contracts with potential buyers
- Good reputation of the company, allowing for the early introduction of projects into the sales phase and securing sales through preliminary agreements, contracts for the right to submit the first offer ('right of first offer', ROFO), or provisions of cooperation agreements for joint venture projects
- Financial resources making it possible to maintain rented and revenue-generating assets on the balance sheet of the Echo Investment group in difficult market conditions

Risk related to cooperation with contractors and subcontractors

- Risk of the contractor's bankruptcy
- Risk of delays in the work
- Risk of improper quality of the work provided
- Risk of increased prices of materials and workmanship

- Stable financial situation that makes Echo Investment an attractive and desirable client on the market
- Cooperation with a selected group of renowned contractors subcontractors and suppliers
- Examination of the financial condition and technical capabilities of the contractor or supplier before the final selection of the offer and signing of the contract
- Legal protection applied in concluded contracts for contractor services
- Permanent supervision over construction projects by project managers and directors of Echo Investment construction as well as inspectors or specialist external companies
- Echo Investment's many years of experience and low employee turnover (average seniority of over 6 years)
- Own team responsible for cost estimates and constant monitoring of prices and supply of materials and services on the market
- Order packages making it possible to reduce offer prices using the so-called effect of the scale





FINANCIAL RISKS

Risk	Method of risk management and competitive advantages of Echo Investment
The risk of changes in interest rates	<ul style="list-style-type: none"> Use of hedging instruments (fixed rates, for some loans – IRS) for selected liabilities
Currency risk	<ul style="list-style-type: none"> Natural hedging – contracting loans to finance projects in EUR, which is also the main currency for rental and sale of retail real estate in Poland, financing of housing and construction activities in Polish zlotys, which are the main currency of concluded construction contracts and sale of apartments Selective use of derivatives (forward, currency options)
The risk of loss of liquidity by the Company or Group companies <ul style="list-style-type: none"> Lack of access to external financing Disturbance of balance between receivables and liabilities 	<ul style="list-style-type: none"> Constant monitoring of forecast and actual short- and long-term cash flows Keeping cash in order to ensure proper liquidity management Keeping free credit limits on current accounts Fixed income from the sale of apartments Financing the implementation of projects with special-purpose credits Implementation of the most capital-intensive projects in partnership or cooperation with companies outside Echo Investment group Constant monitoring of receivables and liabilities Diversification of business into residential, office and retail segments that might go through different phases of the business cycle at different times



LEGAL AND REGULATORY RISKS

Risk	Method of risk management and competitive advantages of Echo Investment
The risk of administrative procedures <ul style="list-style-type: none"> The risk of legal changes Risk of delays of authorities Risk of delays in administrative processes due to poor project preparation Risk of delays in administrative processes due to the participation of third parties 	<ul style="list-style-type: none"> Constant monitoring of legal changes in planning and administrative procedures Experience in obtaining permits from several dozen cities in Poland Hiring experienced specialists in the field of planning and administrative procedures Detailed legal and administrative analysis before purchasing the plot Precise project preparation in cooperation with experienced external architectural and urban planning studios Conducting informational and promotional activities regarding planned projects in order to obtain public acceptance Running many projects at the same time spreading the risk



LEGAL AND REGULATORY RISKS

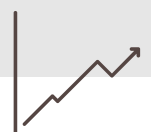
Risk	Method of risk management and competitive advantages of Echo Investment
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The risk of introduction of unfavourable legal regulations

- Constant monitoring of legislative work regarding the real estate, construction and related industries affecting the Group's operations
- Continuous analysis of the potential impact of new solutions on the company's operations at the level of the Management Board
- Participation in a social dialogue on ongoing legislative work through advisory, business and industry organizations
- Monitoring of legal solutions applied in developed countries (primarily the European Union and the USA)

Risk of tax changes

- Internal tax control - own tax team
- Constant monitoring of the tax conditions of the Capital Group's operations
- Constant cooperation with renowned legal and tax advisors



MACROECONOMIC RISKS

Risk	Method of risk management and competitive advantages of Echo Investment
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The risk of adverse changes in the real estate market

- Cyclical nature of the real estate market
- Risk of withholding external financing

- Early leasing of the commercial projects and its fast sale after completion
- A financial potential that makes it possible to keep completed retail properties on your own balance sheet if they cannot be sold
- Sales of around 80 pct of flats in a given project at the construction stage, which provides information about the demand on the market early and allows us to respond appropriately to less advanced projects (accelerate, delay, change the size and quality of apartments)
- Constant maintenance of a high level of cash and available credit limits
- Implementation of residential projects from payments made by clients, without external financing.
- Adjusting the pace and schedule of project implementation to market conditions
- Projects are carried out in stages

The risk of adverse changes in business climate indicators

- Poorer economic growth
- Increase of unemployment
- Decrease of consumption
- Increase of inflation

- Designing projects tailored to financial capabilities and the demand on local markets
- Flexible response to changes in demand by e.g. changing the size or quality of apartments under construction, delay or slowing down of the construction pace
- Constant analysis of the behaviour and needs of consumers and clients

Portfolio of properties

13

13.1 Office

Definitions

GLA – global leasing area

NOI – net operating income with the assumption of full rental and the average market rent rates

ROFO – right of first offer

Estimated budget includes the value of land, cost of design, construction and external supervision. It does not include the personnel costs related to the project, cost of marketing, leasing and financing, which are estimated by the Company to equal on average 7% the targeted budget. In addition, it does not include costs reducing sales revenue (price), such as master lease, profit share and costs of projects sale.



OFFICE BUILDING 1 IN OPERATION

Project / address	GLA [mkw.]	Leasing [%]	NOI [EUR mln]	Targeted budget [PLN mln]	Expenditure incurred [%]	Targeted completion	Comments
Symetris Business Park II Łódź, ul. Piłsudskiego	9 700	73%	1,6	70,5	64%	IV Q 2017	ROFO agreement and preliminary sale agreement with EPP.

OFFICE BUILDINGS UNDER CONSTRUCTION

Project / address	GLA [mkw.]	Leasing [%]	NOI [EUR mln]	Targeted budget [PLN mln]	Expenditure incurred [%]	Start	Targeted- completion	Comments
Sagittarius Business House Wrocław, ul. Sucha	24 900	79%	4,5	177,8	63%	II Q 2016	II Q 2018	ROFO agreement with EPP, preliminary agreement with Warburg HHI
O3 Business Campus III Kraków, ul. Opolska	19 000		3,3	120,3	50%	IV Q 2016	I Q 2018	ROFO agreement and preliminary sale agreement with EPP
West Link Wrocław, ul. Na Ostatnim Groszu	14 200	98%	2,5	91,0	70%	III Q 2016	I Q 2018	Preliminary sale agreement with Griffin Premium RE
Browary Warszawskie J Warsaw, ul. Grzybowska	15 000	45%	3,3	143,8	29%	II Q 2017	IV Q 2018	ROFO agreement with Griffin Premium RE
Moje Miejsce I Warsaw, ul. Beethovena	17 800		3,0	132,3	29%	III Q 2017	I Q 2019	ROFO agreement with Griffin Premium RE
Total	90 900		16,6	665,1				

OFFICE BUILDINGS IN PREPARATION

Project / address	GLA [mkw.]	NOI [EUR mln]	Targeted budget [PLN mln]	Expenditure incurred [%]	Targeted start	Targeted completion	Comments
Face 2 Face I Katowice, ul. Grundmanna	20 100	3,4	142,0	14%	II Q 2018	IV Q 2019	
Browary Warszawskie K Warsaw, ul. Grzybowska	15 100	3,2	137,6	22%	II Q 2018	I Q 2020	
Browary Warszawskie G i H Warsaw, ul. Grzybowska	23 100	5,0	229,0	20%	II Q 2018	I Q 2020	
Moje Miejsce II Warsaw, ul. Beethovena	17 400	2,8	117,0	22%	IV Q 2018	II Q 2020	ROFO agreement with Griffin Premium RE
Łódź, ul. Piłsudskiego	14 100	2,4	91,0	12%	II Q 2018	IV Q 2019	
Solidarności I Gdańsk, ul. Solidarności	13 900	2,3	95,0	11%	III Q 2018	I Q 2020	
Wrocław, ul. Powstańców Śląskich	37 400	6,6	274,3	17%	I Q 2019	I Q 2021	
Face 2 Face II Katowice, ul. Grundmanna	26 100	4,5	185,8	12%	II Q 2019	I Q 2021	
Solidarności II Gdańsk, ul. Solidarności	15 800	2,6	101,1	12%	I Q 2019	III Q 2020	
Wita Stwosza Kraków, ul. Wita Stwosza	25 900	4,5	195,5	18%	I Q 2019	IV Q 2020	project extended due to acquisition of the plot in the neighbourhood
Na Ostatnim Groszu I Wrocław, ul. Na Ostatnim Groszu	21 200	3,6	140,6	13%	I Q 2019	IV Q 2020	
Total	230 100	40,9	1 708,9				

13.2 Retail projects

Definitions

GLA – global leasing area

NOI – net operating income with the assumption of full rental and the average market rent rates

ROFO – right of first offer

Estimated budget includes the value of land, cost of design, construction and external supervision. It does not include the personnel costs related to the project, cost of marketing, leasing and financing, which are estimated by the Company to equal on average 7% the targeted budget. In addition, it does not include costs reducing sales revenue (price), such as master lease, profit share and costs of projects sale.

RETAIL PROJECTS UNDER CONSTRUCTION

Project / address	GLA [sqm]	Leasing [%]	NOI [EUR mln]	Targeted budget [PLN mln]	Expenditure incurred [%]	Start	Targeted completion	Comments
Libero Katowice, ul. Kościuszki	45 000	85%	9,0	349,3	33%	I Q 2018	III Q 2018	ROFO agreement with EPP
Galeria Młociny Warsaw, ul. Zgrupowania AK "Kampinos"	81 900	65%	21	1 167,70	53%	II Q 2019	I Q 2019	Echo's joint-venture with EPP: 30%:70%
Total	126 900		30	1 517,00				

PRETAIL PROJECT IN PREPERATION

Project / address	GLA [sqm]	NOI [EUR mln]	Targeted budget [PLN mln]	Expenditure incurred [%]	Targeted start	Targeted completion	Comments
Towarowa 22 Warsaw, ul. Towarowa	105 000	34	1 720,3	22%	2020	2021+	Echo's joint-venture with EPP: targeted split 30%:70%



13.3 Residential

Definitions

Sales level – the item exclusively concerns preliminary contracts

Estimated budget includes the value of land, cost of design, construction and external supervision. It does not include the cost of supply maintenance, interest costs or activated financial costs, marketing and total personnel costs related to the project. The Company estimates additional costs to equal on average 6% of the targeted budget.

RESIDENTIAL PROJECTS UNDER CONSTRUCTION

Project / address	Sales area [sqm]	Number of units	Sales level [% of units]	Targeted revenues [PLN mln]	Targeted budget [PLN mln]	Expenditure incurred [%]	Start	Targeted completion
Apartamenty GO Kraków, ul. Rakowicka	6 600	174	96%	59,9	40,6	77%	IV Q 2016	III Q 2018
Dom pod Wilgą II Kraków, ul. Spiska	8 800	131	92%	72,9	45,8	84%	III Q 2016	II Q 2018
Dom pod Wilgą III Kraków, ul. Spiska	4 600	63	83%	41,1	27,1	38%	II Q 2017	I Q 2019
Osiedle Jarzębinowe IV Łódź, ul. Okopowa	4 400	75	36%	21,0	16,0	76%	IV Q 2016	II Q 2018
Osiedle Jarzębinowe V Łódź, ul. Okopowa	8 100	145	6%	41,7	33,8	24%	IV Q 2017	II Q 2019
Nowa Dzielnica Łódź, ul. Wodna	5 300	87	10%	28,9	22,1	28%	III Q 2017	I Q 2019
Osiedle Jaśminowe III Poznań, ul. Sielawy	3 800	77	96%	20,9	15,7	50%	IV Q 2016	II Q 2018
Osiedle Perspektywa I Poznań, ul. Sielawy	8 200	169	79%	43,9	35,2	21%	IV Q 2016	IV Q 2018
Osiedle Perspektywa II Poznań, ul. Sielawy	4 600	94	64%	25,4	20,5	6%	IV Q 2017	III Q 2019
Osiedle Perspektywa III Poznań, ul. Sielawy	5 600	104	19%	31,4	25,1	5%	IV Q 2017	III Q 2019
Park Sowińskiego IV Poznań, ul. Sowińskiego	5 100	89	91%	38,2	26,3	58%	IV Q 2016	II Q 2018
Browary Warszawskie A Warsaw, ul. Grzybowska	5 200	98	100%	55,4	37,5	56%	IV Q 2016	I Q 2019
Browary Warszawskie B Warsaw, ul. Grzybowska	10 500	190	78%	120,0	77,1	28%	IV Q 2017	II Q 2019
Browary Warszawskie C Warsaw, ul. Grzybowska	6 900	114	35%	83,3	50,9	26%	IV Q 2017	II Q 2019
Osiedle Reset I Warsaw, ul. Taśmowa	7 300	164	4%	61,7	49,6	31%	IV Q 2017	IV Q 2019
Widoki Mokotów Warsaw, ul. Puławska	4 800	87	20%	66,3	46,4	24%	IV Q 2017	I Q 2020
Zebra Wrocław, ul. Zakładowa	11 300	233	57%	74,6	55,6	30%	III Q 2017	II Q 2019
Total	111 100	2 094		886,5	625,3			

RESIDENTIAL PROJECTS IN PREPARATION

Project / address	Sales area [sqm]	Number of units	Targeted revenues [PLN mln]	Targeted budget [PLN mln]	Expenditure incurred [%]	Targeted start	Targeted completion
Rydla 32 Kraków, ul. Rydla	5 700	95	46,4	34,8	26%	I Q 2018	III Q 2019
Wita Stwosza I Kraków, ul. Wita Stwosza	11 700	284	101,6	75,1	22%	IV Q 2018	IV Q 2020
Wita Stwosza II Kraków, ul. Wita Stwosza	10 800	240	93,4	68,3	22%	III Q 2019	III Q 2021
Garbary Poznań, ul. Garbary	12 600	257	104,8	75,7	19%	III Q 2018	II Q 2020
Osiedle Jaśminowe IV Poznań, ul. Sielawy	5 200	103	28,7	21,8	12%	I Q 2018	IV Q 2019
Moje Miejsce Warsaw, ul. Beethovena	13 400	252	114,6	83,9	24%	II Q 2018	I Q 2020
Browary Warszawskie E Warsaw, ul. Grzybowska	6 100	82	93,8	62,6	18%	IV Q 2018	II Q 2020
Osiedle Reset II Warsaw, ul. Taśmowa	11 900	247	101,0	79,5	27%	III Q 2018	III Q 2020
Grota-Roweckiego III Wrocław, ul. Grota-Roweckiego	2 200	48	11,6	10,1	11%	III Q 2018	I Q 2020
Ogrody Graua Wrocław, ul. Gdańska	4 200	59	38,3	28,4	20%	II Q 2018	I Q 2020
Total	83 800	1 667	734,2	540,3			

RESIDENTIAL PROJECTS FOR RENTAL PLATFORM

Project / address	Sales area [sqm]	Number of units	Start	Targeted completion
Wrocław, Rychtalska	11 400	303	IV Q 2017	III Q 2019
Warsaw, Browary Warszawskie	19 000	451	IV Q 2017	I Q 2020
Łódź, Wodna	7 800	211	IV Q 2017	IV Q 2019
Wrocław, Kępa Mieszczańska	9 300	270	II Q 2018	III Q 2019
Warsaw, Taśmowa	13 300	363	III Q 2018	III Q 2020
Warsaw, Woronicza	8 000	229	III Q 2018	II Q 2020
Kraków, Wita Stwosza I	7 100	198	IV Q 2018	IV Q 2020
Kraków, Wita Stwosza II	7 000	190	IV Q 2018	IV Q 2020
Warsaw, Ordona	9 600	265	I Q 2019	II Q 2021
Total	92 500	2 480		



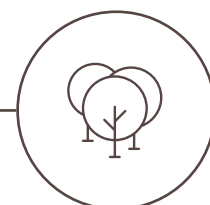
13.4 Land bank

EARLY STAGE PROJECTS

Project / address	Plot area [sqm]	Potential of leasing/sales area [sqm]	Comments
Łódź, ul. Tymienieckiego	77 200	80 000	Plot for residential and office functions
Wrocław, ul. Na Ostatnim Groszu stages II -IV	32 300	58 800	Plot for office function
Warsaw, ul. Ordona	18 100	38 400	Plot for residential function
Warsaw, ul. Chłodna/Wronia	600	1 100	Plot for residential function
Łódź, ul. Kilińskiego	9 500	35 000	Plot for office function
Warsaw, Towarowa 22		45 000	Plot for office, hotel and residential functions
	Total	128 700	258 300

INVESTMENT PROPERTIES

City	Address	Plot area [sqm]	Comments
Budapest (Hungary)	pl. Bosnyák	67 700	
Katowice	ul. Jankego	26 200	
Koszalin	ul. Krakusa i Wandy	39 300	
Lublin	ul. Nałkowskich	4 700	
Łódź	ul. Okopowa	12 500	
Poznań	ul. Hetmańska	65 300	
Poznań	ul. Naramowice	305 800	
Poznań	ul. Pamiętkowo	874 200	
Radom	ul. Beliny	6 300	
Słupsk	ul. Krzywoustego	65 700	preliminary conditional sale agreement
Szczecin	ul. Struga	11 000	
Warsaw	ul. Taśmowa	6 700	preliminary conditional sale agreement
Zabrze	ul. Miarki	8 100	
	Total	1 493 500	



Main investments in 2017 – real estate purchases

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In 2017 Echo Investment Group purchased land properties which may generate around 360,000 sqm of office space for rent or useable residential area. The Group spent a total net amount of app. PLN 335 mln on land purchases. The following assets were purchased:

- plots with a total area of 5,100 sqm in Łódź, Piłsudskiego Avenue, where it is possible to build an office complex with a leasable area of app. 14,000 sqm;
- the perpetual usufruct right of a plot of land with an area of 8,600 sqm in Gdańsk, near Nowomiejska Street, where it is possible to build an office complex with a leasable area of app. 30,000 sqm;
- plots with a total area of 7,900 sqm in Wrocław, Powstańców Śląskich Street, where a leasable office area of 38,000 sqm may be created;
- plots with a total area of 32,800 sqm on Rakowicka and Wita Stwosza streets in Kraków, where a leasable area of 44,000 sqm may be developed;
- a company which owns the right of perpetual usufruct of real estate with a total area of 77,200 sqm located on Tymienieckiego Street in Łódź, where an office and residential area of about 80,000 sqm may be developed;
- plots with a total area of 44,000 sqm in Wrocław, Na Ostatnim Groszu and Horbaczewskiego streets, where an office area of app. 70,000 sqm could be developed;
- the perpetual usufruct right of real estate with an area of 24,900 sqm in

Warsaw, Ordona Street, where a useable residential area of app. 48,000 sqm could be developed

- a plot of land with an area of 600 sqm in Warsaw, Chłodna Street, where a residential area of about 1,100 sqm could be developed;
- a plot of land with an area of 9,500 in Łódź, Kilińskiego Street, where an office area of about 35,000 sqm could be developed;

Furthermore, in Q2 2017 Echo Investment acquired 30% of shares in companies building the Galeria Młociny shopping centre in Warsaw, Zgrupowania AK 'Kampinos' Street. The project which is under construction will have a leasable area of 82,000 sqm.

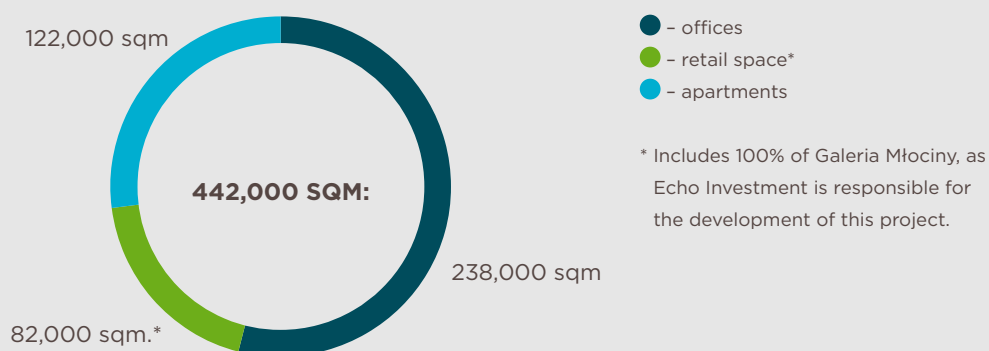
In Q1 2018 the Company acquired perpetual usufruct right and ownership of plots with a total area of 7,200 sqm in Kraków, Żelazna Street. The properties are earmarked for office and residential purposes.

The potential of purchased real properties is estimated based on planning documents and guidelines valid at the date of purchase. Ultimately, the use of each property is determined at a later stage of project preparation, taking into account current planning documents, arrangements, market potential and finally accepted project concepts.



More details about the purchase of Galeria Młociny are available in section 5.2. on page 21.

PROJECTS AND PLOTS PURCHASED BY ECHO INVESTMENT IN 2017



PLN **1,171**

The cost of land per 1 sqm of usable area of apartments possible to be built on plots purchased in 2017.

PLN **807**

The average cost of land per 1 sqm of office space possible to be built on plots purchased in 2017.

Output markets and sources of supplies of materials, goods and services

15

Output markets

All projects implemented in 2017 by Echo Investment and companies from the Group were located in Poland. In accordance with its strategy, Echo Investment is withdrawing from projects outside the country.

Contracting parties

The main contracting parties of Echo Investment S.A. and companies from its Capital Group are the entities which the Company and the Group cooperate with on the implementation of development projects (contractors and suppliers).

The share of contracting parties is measured by the value of transactions (purchases or orders) to the revenue of the Group.

MAJOR CONTRACTORS OF ECHO INVESTMENT GROUP IN 2017

Business partner	Value of transaction [PLN '000]	% of the Group's revenue
Erbud S.A.	122 150	19,7%
IREEF - Q22 Propco Sp. z o.o.	46 695	7,5%
Porr S.A.	39 346	6,3%
Mostostal Warszawa S.A.	33 010	5,3%
M&J Bud Sp. z o.o. Invest Eu Sp.K.	32 805	5,3%
Przedsiębiorstwo Instalacyjne Unimax Sp. z o.o.	25 809	4,1%
Polonez Plus Sp. z o.o.	25 358	0,4%
Fabet-Konstrukcje Sp. z o.o.	17 254	2,8%
Zio-Max Marcin Ziopaja	17 205	2,8%
Re-Bau Sp. z o.o.	15 760	2,5%

Clients

The clients of Echo Investment or the Group companies are the entities which the project management services are provided for and the entities which the Company or Group companies sell real estate to

(usually completed office or retail projects). Clients (usually individual) who buy apartments are a separate group of contracting parties.

MAJOR CUSTOMERS OF ECHO INVESTMENT GROUP IN 2017

Client	Value of transaction [PLN '000]	% of the Group's revenue
Ventry Investments Sp. z o.o. Sp.K.	238,3	38,3%
A4 Business Park - Iris Capital Sp. z o.o. Sp.K.	144,7	23,3%
IREEF - Q22 Propco Sp. z o.o.	84,6	13,6%
Rometta Capital Sp. z o.o.	41,5	6,7%
Matinovo Holdings Ltd.	39,3	6,3%
Emfold Investments Sp. z o.o. Sp.K.	15	2,4%
Echo Polska Properties Sp. z o.o.	10,4	1,7%

Agreements significant for the Company and the Group concluded in 2017

16

16.1 Agreements significant for the operations of Echo Investment S.A.

9 March 2017 – preliminary agreement for the sale of the West Link office project in Wrocław to Griffin Premium RE and an agreement providing Griffin Premium RE with the right to submit the first offer (Right of First Offer, ROFO) for the purchase of office projects in Warsaw i.e. the Moje Miejsce project stages I and II on Beethovena Street and Browary Warszawskie J on Grzybowska Street;

26 April 2017 – final agreement for sale of the A4 Business Park III building in Katowice to EPP;

22 June 2017 – agreement for the sale of 40 mln shares of EPP, which accounted for nearly 5.7% of the share capital of EPP and at the same time 44% of the portfolio held by Echo Investment, to the group of institutional investors;

20 July 2017 – preliminary sale agreement for the Sagittarius Business House office building which is being developed in Wrocław for the Warburg-HIH Invest Real Estate fund;

10 October 2017 – loan agreement worth over EUR 67.5 mln and a VAT loan of PLN 12 mln with Bank Zachodni WBK S.A. and Bank BGŻ BNP Paribas S.A. It is targeted financing, intended for the construction of Libero in Katowice;

17 October 2017 – loan agreement worth EUR 175 mln and a VAT loan of PLN 34 mln for the construction of Galeria Młociny in Warsaw with Bank Zachodni WBK, PKO Bank Polski and Bank Gospodarstwa Krajowego. The borrower was a consortium of Echo Investment and EPP;

28 December 2017 – final agreement for the sale of the O3 Business Campus II office building in Kraków to EPP;

29 December 2017 – agreement for the sale of a company which owns the Nobilis Business House office building with an investment and fund management company in the Catalyst Capital real estate sector.



The significant agreements concluded in 2017 are described in section 5 on page 20.

16.2 Agreements concluded between shareholders

The company does not have any information on the agreements concluded between shareholders in 2017, which would be significant for its operations.

16.3 Insurance agreements

INSURANCE AGREEMENT OF ECHO INVESTMENT S.A. [PLN '000]

Insured object	Insurer	Insured amount
Property insurance policies	TU Compensa S.A.	160 012
Third-party liability insurance	TU Compensa S.A., PZU S.A.	213 649
Construction/all-risks insurance policies	TU Compensa S.A.	95 765
	Total	469 426

INSURANCE AGREEMENT OF ECHO INVESTMENT GROUP [PLN '000]

Insured object	Insurer	Insured amount
Property insurance policies	TU Compensa S.A.	192 270
Third-party liability insurance	TU Compensa S.A., Generali, Ergo Hestia	234 991
Construction/all-risks insurance policies	TU Compensa S.A., Generali	815 128
	Total	1 242 389

16.4 Cooperation agreements

31 May 2017 – a joint purchase agreement concerning 100% shares in Rosehill Investments Sp. z o.o. that is the indirect owner of a retail and office project Galeria Młociny in Warsaw, which is under construction on Zgrupowania AK 'Kampinos' Street. The buyers were companies from the Echo Investment group, which took over 30% of the project. The remaining 70% of shares were taken over by the EPP group.

Under the transaction, Echo Investment concluded with companies from the EPP group e.g. a partnership agreement, which regulates the corporate government principles of Rosehill and Berea (a daughter company of Rosehill), and an agreement on the management of the property construction concluded by Echo Investment and Berea, based on which the Company was entrusted with the function of the construction manager and leasing agent of the mall.



A detailed description of the transaction is available in section 5.2 on page 21.

Composition of the Group

17

Echo Investment S.A. plays the most important role in the structure of the Group, which it supervises, co-executes and provides financial resources for the implementation of development projects. The vast majority of companies being part of

the Group were established or purchased in order to execute specific investment tasks, including those resulting from the construction process of a concrete development project. As at 31 December 2017 the Capital Group included 139 subsidi-

aries consolidated according to the full method and 4 jointly controlled companies consolidated according to the equity method.

SUBSIDIARIES

No	Subsidiary	Registered office	% of capital held	Parent entity
1	53 - Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	60 FIZ Forum
2	Avatar - Projekt Echo - 119 Sp. z o.o. S.k.a.	Kielce	100%	60 FIZ Forum
3	Babka Tower - Projekt Echo - 93 Sp. z o.o. Sp.k.	Kielce	100%	Perth Sp. z o.o.
4	Barconsel Holdings Ltd	Nicosia	100%	Echo - SPV 7 Sp. z o.o.
5	Bełchatów - Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	60 FIZ Forum
6	City Space - GP Sp. z o.o.	Warsaw	100%	Echo Investment S.A.
7	City Space - SPV 1 Sp. z o.o.	Warsaw	100%	City Space Management Sp. z o.o.
8	City Space - SPV 2 Sp. z o.o.	Warsaw	100%	City Space Management Sp. z o.o.
9	City Space - SPV 3 Sp. z o.o.	Warsaw	100%	City Space Management Sp. z o.o.
10	City Space Management Sp. z o.o.	Warsaw	100%	Echo Investment S.A.
11	Cornwall Investments Sp. z o.o.	Warsaw	100%	Echo Investment S.A.
12	Cornwall Investments Sp. z o.o. Sp. k.	Warsaw	100%	Echo Investment S.A.
13	Dagnall Sp. z o.o.	Warsaw	100%	Echo Prime Assets BV
14	Dellia Investments - Projekt Echo - 115 sp. z o.o. Sp.k.	Kielce	100%	Pudsey Sp z o.o.
15	Doxent Investments Sp. z o.o.	Warsaw	100%	Echo Investment S.A.
16	Duże Naramowice - Projekt Echo - 111 Sp. z o.o. S.k.a.	Kielce	100%	60 FIZ Forum
17	Echo - Advisory Services Sp. z o.o.	Kielce	100%	Echo Investment S.A.
18	Echo - Arena Sp. z o.o.	Kielce	100%	Echo Investment S.A.
19	Echo - Aurus Sp. z o.o.	Kielce	100%	Echo Investment S.A.

SUBSIDIARIES

No	Subsidiary	Registered office	% of capital held	Parent entity
20	Echo - Babka Tower Sp. z o.o.	Kielce	100%	Echo Investment S.A.
21	Echo - Babka Tower Sp. z o.o. - Sp. k.	Kielce	100%	Gelann Sp. z o.o.
22	Echo - Browary Warszawskie Sp. z o.o.	Kielce	100%	Echo Investment S.A.
23	Echo - Browary Warszawskie Sp. z o.o. Sp. k.	Kielce	100%	Echo Investment S.A.
24	Echo - Galaxy Sp. z o.o.	Kielce	100%	Echo Investment S.A.
25	Echo - Galaxy Sp. z o.o. S.k.a.	Kielce	100%	60 FIZ Forum
26	Echo - Klimt House Sp. z o.o. w likwidacji	Kielce	100%	Echo Investment S.A.
27	Echo - Nowy Mokotów Sp. z o.o.	Kielce	100%	Echo Investment S.A.
28	Echo - Nowy Mokotów Sp. z o.o. - Sp. k.	Kielce	100%	Echo Investment S.A.
29	Echo - Opolska Business Park Sp. z o.o.	Kielce	100%	Echo Investment S.A.
30	Echo - Opolska Business Park Sp. z o.o. - Sp. k.	Warsaw	100%	Perth Sp. z o.o.
31	Echo - Pod Klonami Sp. z o.o. w likwidacji	Kielce	100%	Echo Investment S.A.
32	Echo - Project - Management Ingatlanhasznosito Kft.	Budapest	100%	Echo Investment S.A.
33	Echo - Property Poznań 1 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
34	Echo - SPV 7 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
35	Echo Innovations - City Space GP Sp. z o.o. Sp. K.	Warsaw	100%	City Space Management Sp. z o.o.
36	Echo Investment ACC - Grupa Echo Sp. z o.o. Sp. k.	Kielce	100%	Echo Investment S.A.
37	Echo Investment Hungary Ingatlanhasznosito Kft.	Budapest	100%	Echo Investment S.A.
38	Echo Investment Project 1 S.R.L.	Brasov	100%	"Echo - Aurus" Sp. z o.o.
39	Echo Investment Project Management S.R.L.	Brasov	100%	Echo Investment S.A.
40	Echo Prime Assets BV	Amsterdam	100%	Echo Investment S.A.
41	Elektrownia RE Sp. z o.o.	Warsaw	100%	Echo Investment S.A.
42	Elissea Investments Sp. z o.o.	Warsaw	100%	Echo Investment S.A.
43	Fianar Investments Sp. z o.o.	Warsaw	100%	Echo Investment S.A.
44	Galeria Libero - Projekt Echo 120 Sp. z o.o. S.k.a.	Kielce	100%	Fianar Investments Sp. z o.o.
45	Galeria Nova - Grupa Echo Sp. z o.o. - S.k.a.	Kielce	100%	Echo Investment S.A.
46	Galeria Tarnów - Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	60 FIZ Forum
47	Gleann Sp. z o.o.	Warsaw	100%	60 FIZ Forum
48	Gosford Investments Sp. z o.o.	Warsaw	100%	Echo Investment S.A.
49	GRO Nieruchomości Sp. z o.o.	Kraków	100%	Echo Investment S.A.
50	Grupa Echo Sp. z o.o.	Kielce	100%	Echo Investment S.A.
51	Kasztanowa Aleja - Grupa Echo Sp. z o.o. Sp. k.	Kielce	100%	Echo Investment S.A.
52	Kielce - Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	60 FIZ Forum
53	Klimt House - Grupa Echo Sp. z o.o. Sp. k.	Kielce	100%	Echo Investment S.A.
54	Malta Office Park - Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	60 FIZ Forum
55	Mena Investments Sp. z o. o. w likwidacji	Kielce	100%	Echo Investment S.A.
56	Metropolis - Projekt Echo 121 Sp. z o.o. S.k.a.	Kielce	100%	60 FIZ Forum
57	Oxygen - Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	60 FIZ Forum
58	Park Postępu - Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	60 FIZ Forum

SUBSIDIARIES

No	Subsidiary	Registered office	% of capital held	Parent entity
59	Park Rozwoju III - Projekt Echo - 112 Sp. z o.o. - Sp. k.	Kielce	100%	Perth Sp. z o.o.
60	Perth Sp. z o.o.	Warsaw	100%	60 FIZ Forum
61	PHS - Projekt CS Sp. z o.o. - Sp.k.	Warsaw	100%	Perth Sp. z o.o.
62	Pod Klonami - Grupa Echo Sp. z o.o. Sp. k.	Kielce	100%	Echo Investment S.A.
63	Potton Sp. z o.o.	Warsaw	100%	60 FIZ Forum
64	PPR - Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	60 FIZ Forum
65	Princess Investment Sp. z o.o.	Kielce	100%	Echo Investment S.A.
66	Projekt - Pamiątkowo Sp. z o.o.	Kielce	100%	Echo - SPV 7 Sp. z o.o.
67	Projekt 1 - Grupa Echo Sp. z o.o. - S.k.a.	Kielce	100%	60 FIZ Forum
68	Projekt 12 - Grupa Echo Sp. z o.o. - S.k.a.	Kielce	100%	60 FIZ Forum
69	Projekt 13 - Grupa Echo Sp. z o.o. - S.k.a.	Kielce	100%	60 FIZ Forum
70	Projekt 132 - City Space - GP Sp. z o.o. Sp. k.	Warsaw	100%	City Space Management Sp. z o.o.
71	Projekt 133 - City Space - GP Sp. z o.o. Sp. k.	Warsaw	100%	City Space Management Sp. z o.o.
72	Projekt 137 - City Space - GP Sp. z o.o. Sp. k.	Warsaw	100%	City Space Management Sp. z o.o.
73	Projekt 14 - Grupa Echo Sp. z o.o. - S.k.a.	Kielce	100%	60 FIZ Forum
74	Projekt 15 - Grupa Echo Sp. z o.o. - S.k.a.	Kielce	100%	Echo Investment S.A.
75	Projekt 16 - Grupa Echo Sp. z o.o. - S.k.a.	Kielce	100%	Echo Investment S.A.
76	Projekt 17 - Grupa Echo Sp. z o.o. - S.k.a.	Kielce	100%	Echo Investment S.A.
77	Projekt 18 - Grupa Echo Sp. z o.o. - S.k.a.	Kielce	100%	Echo Investment S.A.
78	Projekt 19 - Grupa Echo Sp. z o.o. - S.k.a.	Kielce	100%	Echo Investment S.A.
79	Projekt 20 - Grupa Echo Sp. z o.o. - S.k.a.	Kielce	100%	Echo Investment S.A.
80	Projekt 21 - Grupa Echo Sp. z o.o. - S.k.a.	Kielce	100%	Echo Investment S.A.
81	Projekt 22 - Grupa Echo Sp. z o.o. - S.k.a.	Kielce	100%	Echo Investment S.A.
82	Projekt 5 - Grupa Echo Sp. z o.o. - S.k.a.	Szczecin	100%	60 FIZ Forum
83	Projekt Beethovena - Projekt Echo - 122 Sp. z o.o. S.k.a.	Kielce	100%	60 FIZ Forum
84	Projekt CS Sp. z o.o.	Kielce	100%	Echo Investment S.A.
85	Projekt Echo - 100 Sp z o.o. w likwidacji	Kielce	100%	Echo Investment S.A.
86	Projekt Echo - 104 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
87	Projekt Echo - 108 Sp. z o.o.	Kielce	100%	60 FIZ Forum
88	Projekt Echo - 111 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
89	Projekt Echo - 112 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
90	Projekt Echo - 113 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
91	Projekt Echo - 114 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
92	Projekt Echo - 115 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
93	Projekt Echo - 116 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
94	Projekt Echo - 119 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
95	Projekt Echo - 120 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
96	Projekt Echo - 121 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
97	Projekt Echo - 122 Sp. z o.o.	Kielce	100%	Echo Investment S.A.

SUBSIDIARIES

No	Subsidiary	Registered office	% of capital held	Parent entity
98	Projekt Echo – 123 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
99	Projekt Echo – 127 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
100	Projekt Echo – 128 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
101	Projekt Echo – 129 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
102	Projekt Echo – 130 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
103	Projekt Echo – 131 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
104	Projekt Echo – 132 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
105	Projekt Echo – 135 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
106	Projekt Echo – 135 Sp. z o.o. – Sp. k.	Kielce	100%	Perth Sp. z o.o.
107	Projekt Echo – 136 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
108	Projekt Echo – 136 Sp. z o.o. – Sp. k.	Kielce	100%	Echo Investment S.A.
109	Projekt Echo – 137 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
110	Projekt Echo – 139 Sp. z o.o. – Sp. k.	Kielce	100%	Echo Investment S.A.
111	Projekt Echo – 140 Sp. z o.o. – Sp. k.	Kielce	100%	Echo Investment S.A.
112	Projekt Echo – 141 Sp. z o.o. – Sp. k.	Kielce	100%	Echo Investment S.A.
113	Projekt Echo – 142 Sp. z o.o. – Sp. k.	Kielce	100%	Echo Investment S.A.
114	Projekt Echo – 143 Sp. z o.o. – Sp. k.	Kielce	100%	Echo Investment S.A.
115	Projekt Echo – 77 Sp. z o.o. w likwidacji	Kielce	100%	Echo Investment S.A.
116	Projekt Echo – 93 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
117	Projekt Echo – 95 Sp. z o.o. w likwidacji	Kielce	100%	Echo Investment S.A.
118	Projekt Echo – 96 Sp. z o.o. w likwidacji	Kielce	100%	Echo Investment S.A.
119	Projekt Echo – 99 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
120	Projekt K-6 – Grupa Echo Sp. z o.o. – S.k.a.	Kielce	100%	Echo Investment S.A.
121	Projekt Naramowice – Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	Echo Investment S.A.
122	Projekt Saska Sp. z o.o.	Kielce	95%	Echo Investment S.A.
123	Pudsey Sp. z o.o.	Warsaw	100%	60 FIZ Forum
124	Pure Systems Sp. z o.o.	Kraków	100%	Echo Investment S.A.
125	Q22 – Projekt Echo – 128 Sp. z o.o. – Sp. k.	Kielce	100%	Potton Sp z o.o.
126	Sagittarius – Projekt Echo – 113 sp. z o.o. Sp. k.	Kielce	100%	Doxent Investments Sp. z o.o.
127	Seaford Sp. z o.o.	Warsaw	100%	60 FIZ Forum
128	Selmer Investments Sp. z o.o.	Warsaw	100%	Echo Investment S.A.
129	Selmer Investments Sp. z o.o. Sp. k.	Warsaw	100%	Echo Investment S.A.
130	Senja 2 Sp. z o.o.	Warsaw	100%	Echo – Browary Warszawskie Sp. z o.o.
131	Shanklin Sp. z o.o.	Warsaw	100%	Echo Prime Assets BV
132	Stranraer Sp. z o.o.	Warsaw	100%	Echo Prime Assets BV
133	Strood Sp. z o.o.	Warsaw	100%	Echo Prime Assets BV
134	Swanage Sp. z o.o.	Warsaw	100%	Echo Prime Assets BV
135	Symetris – Projekt Echo – 131 Sp. z o.o. Sp. k.	Warsaw	100%	Gosford Investments Sp. z o.o.
136	Taśmowa – Projekt Echo – 116 Sp. z o.o. S.k.a.	Kielce	100%	Echo Investment S.A.

SUBSIDIARIES

No	Subsidiary	Registered office	% of capital held	Parent entity
137	Tryton – Projekt Echo – 127 Sp. z o.o. – Sp. k.	Warsaw	100%	Perth Sp. z o.o.
138	Villea Investments Sp. z o.o.	Warsaw	100%	60 FIZ Forum
139	West Gate II – Projekt Echo – 114 Sp. z o.o. Sp.k.	Kielce	100%	Elissea Investments Sp. z o.o.

All certificates issued by 60 FIZ Forum are in possession of the Echo Investment S.A.

JOINT-VENTURES

No	Subsidiary	Registered office	% of capital held	Parent entity
1	Rosehill Investments Sp. z o.o. (Galeria Młociny)	Warsaw	30%	Echo Prime Assets BV
2	Berea Sp. z o.o. (Galeria Młociny)	Warsaw	30%	Rosehill Investments Sp. z o.o.
3	Projekt Echo – 138 Sp. z o.o. s.k. (Towarowa 22)	Warsaw	46,26%	Strood Sp. z o.o.
4	Projekt Echo – 138 Sp. z o.o. (Towarowa 22)	Warsaw	30%	Echo Prime Assets BV

Financial obligations

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18.1 Bonds

COMPANY'S LIABILITIES DUE TO BONDS ISSUED AS AT 31.12.2017 [PLN '000]

Series	ISIN code	Bank	Nominal value	Maturity	Interest rate	Guarantees / securities
1/2015	PLECHPS00191	mBank S.A.	197 900	23.04.2018	WIBOR 6M + margin 2,5%	-
3/2013	PLECHPS00126	mBank S.A.	80 000	19.06.2018	WIBOR 6M + margin 3,5%	-
1/2014	PLECHPS00134	mBank S.A.	100 000	19.02.2019	WIBOR 6M + margin 3,6%	-
2/2014	PLECHPS00159	mBank S.A.	70 500	15.05.2019	WIBOR 6M + margin 3,6%	-
1/2016	PLECHPS00209	mBank S.A.	100 000	18.11.2020	WIBOR 6M + margin 3%	-
1/2017	PLECHPS00225	mBank S.A.	155 000	31.03.2021	WIBOR 6M + margin 2,9%	-
2/2017	PLECHPS258	mBank S.A.	150 000	30.11.2021	WIBOR 6M + margin 2,9%	-
Non-public bonds total			853 400			
Retail bonds						
C*	PLECHPS00175	DM PKO BP	75 000	04.03.2018	WIBOR 6M + margin 3,15%	-
D	PLECHPS00183	DM PKO BP	50 000	20.04.2018	WIBOR 6M + margin 3,15%	-
E	PLECHPS00217	DM PKO BP	100 000	06.07.2021	WIBOR 6M + margin 2,9%	-
F	PLECHPS00233	DM PKO BP	125 000	11.10.2022	WIBOR 6M + margin 2,9%	-
G	PLECHPS00241	DM PKO BP	75 000	27.10.2022	WIBOR 6M + margin 2,9%	-
Retail bonds total			425 000			
Total			1 278 400			

* The bonds were redeemed on their redemption date.

The value of the bond corresponds to undiscounted cash flows, without taking into account the value of interest.

The change in business and economic conditions did not have a significant impact on the fair value of financial liabilities.

As part of the 2nd Bond Issue Programme of up to PLN 300 mln, issued on the basis of a prospectus which was approved by the Financial Supervision Authority on 26 May 2017, the Company organized the following subscriptions:

- 8-9 June 2017 - series E bonds in the amount of PLN 100 mln
- 20-22 September 2017 - series F bonds in the amount of PLN 125 mln
- 4-5 October 2017 - G series bonds in the amount of PLN 75 mln.

Under the Bond Issue Programme signed with mBank with a value of up to PLN 1 bln the Company issued coupon bonds for institutional investors with a total value of PLN 305 mln. Value of the first tranche issued 31 March 2017 amounted to PLN 155 mln and its redemption date is 31 March 2021. The second tranche was issued on 30 November 2017, its value amounted to PLN 150 mln and it has a four-year maturity period. The nominal value and the issue price of both tranches of bonds amounted to PLN 10,000. The interest rate on the bonds was based on the variable WIBOR 6M rate plus a margin. Interest will be paid in semi-annual periods. The bonds issued are not secured.

The company acquired bonds for redemption:

- for PLN 175 mln - 28 April 2017
- for PLN 32 mln - 29 November 2017.

ALLOCATION OF BONDS PROCEEDS

The funds from the Echo Investment S.A. 2017 bond issue, according to the Prospectus and other documents on bond issue, were used for current liquidity management and the Company's further develop-

ment. In particular, it was used for acquisition of properties and projects development - both by the Company, as well as by the companies of its Group.

18.2 Credit facilities

CREDIT FACILITIES OF ECHO INVESTMENT S.A. AS AT 31.12.2017 ['000]

Bank	Registered office	Contractual amount of loan	Outstanding loan amount	Interest rate	Repayment deadline	Security
PKO BP S.A.	Warsaw	75 000	0	WIBOR 1M + margin	31.10.18	Authorisation to bank account, statement on submission to enforcement proceedings
Alior Bank S.A.*	Warsaw	50 000	50 000	WIBOR 3M + margin	30.01.18	Authorisation to bank account, statement on submission to enforcement proceedings
BZ WBK S.A.**	Wrocław	75 000	0	WIBOR 1M + margin	30.07.18	Authorisation to bank account, statement on submission to enforcement proceedings
Raiffeisen Bank Polska S.A.***	Wrocław	62 000	0	WIBOR 1M + margin	14.12.18	Authorisation to bank account, statement on submission to enforcement proceedings
	Total	262 000	50 000			

* On 25 January 2018 the Company concluded an annex to the loan agreement in which the loan value was increased to PLN 75 mln and the repayment date was extended to 15 December 2018.

** As at 31 December 2017 the available credit line amounts to PLN 43 mln. The remaining amount is blocked as collateral for the guarantee granted by BZ WBK in connection with the sale of the Q22 project and a guarantee related to the construction of the road system at Galeria Libero in Katowice.

*** As at 30.09.2017 the available credit line is PLN 59,9 mln. The remaining amount of the credit line is blocked as collateral of the guarantee provided by Bank Raiffeisen for one of the companies of Echo Group.

CREDIT FACILITIES OF ECHO INVESTMENT GROUP AS AT 31 DECEMBER 2017 [‘000]

Borrower	Bank	Registered office	Contractual amount of loan ***	Outstanding loan amount ***	Interest rate	Repayment deadline	Security
Symetris - Projekt Echo - 131 Sp. z o.o. Sp. K.	BGŻ BNP Paribas S.A.	Warsaw	10 450 000 EUR	4 713 582 EUR	Margin + EURIBOR 3M	30.06.2019	Mortgages, registered and financial pledges, subordination agreement, submission to enforcement proceedings, transfer of rights and claims of selected agreements
			3 000 000 PLN	0 PLN	Margin + WIBOR 3M	30.06.2019	
West Gate II - Projekt Echo - 114 Sp. z o.o. Sp. K.	Bank Millen- nium S.A.	Warsaw	16 500 000 EUR	6 029 517 EUR	Margin + EURIBOR 3M	30.06.2019	Mortgages, registered and financial pledges, subordination agreement, submission to enforcement proceedings, transfer of rights and claims of selected agreements
			2 000 000 PLN	1 607 323 PLN	Margin + WIBOR 1M	30.06.2019	
Sagittarius - Projekt Echo - 113 Sp. z o.o. Sp. K.	PKO BP S.A.	Warsaw	31 718 636 EUR	9 056 591 EUR	Margin + EURIBOR 3M	30.09.2020	Mortgages, registered and financial pledges, authorisation to bank account, subordination agreement, submission to enforcement proceedings, transfer of rights and claims of selected agreements
			6 000 000 PLN	718 104 PLN	Margin + WIBOR 1M	30.09.2019	
Galeria Libero - Projekt Echo - 120 Sp. z o.o. Sp.K.	BZ WBK S.A.	Warsaw	67 566 000 EUR	0	Margin + EURIBOR 3M	10.04.2026	Mortgages, registered and financial pledges, authorisation to bank account, subordination agreement, submission to enforcement proceedings, transfer of rights and claims of selected agreements
	Bank BGŻ BNP Paribas S.A.		12 000 000 PLN	0	Margin + WIBOR 1M	10.07.2021	
Berea Sp. z o.o.*	BZ WBK S.A.	Warsaw	52 500 000 / 53 100 000 EUR**	8 711 530 EUR	Margin + EURIBOR 3M	30.04.2025	Mortgages, registered and financial pledges, authorisation to bank account, subordination agreement, submission to enforcement proceedings, transfer of rights and claims of selected agreements
	PKO BP S.A.		10 350 000 PLN	4 806 600 PLN	Margin + WIBOR 1M		
	Bank Gosp- odarstwa Krajowego						
Total			178 734 636/179 334 636 EUR 33 350 000 PLN	28 511 220 EUR 7 132 027 PLN			

* Echo Investment owns 30% of shares in Berea Sp. z o.o. and presents 30% of credit value.

** According to the loan agreement, after fulfilment of certain conditions, the construction loan will be converted to investment loan with a higher value.

*** Amount stated in EUR concerns the construction loan while amount in PLN concerns the loan for VAT liabilities.

18.3 Guarantee agreements

GUARANTEE AGREEMENTS ISSUED BY ECHO INVESTMENT GROUP AS AT 31.12.2017

Guarantor	For	Value [PLN '000]	Validity	Description
Echo Investment S.A.	Horta Sp. z o.o.	20 855	to 02.07.2020	Performance bond concerning execution of the final sales agreement concerning the Acquarius Business House I office building in Wrocław. Issued in EUR.
Echo Investment S.A.	Skua Sp. z o.o.	25 025	to 30.07.2021	Performance bond concerning execution of the final sales agreement concerning the Acquarius Business House I office building in Wrocław. Issued in EUR.
Echo Investment S.A. / BZ WBK S.A.	State Treasury	43 045	to 22.05.2018	Surety bond concerning liabilities of Outlet Park - Projekt Echo - 126 Sp. z o.o. Sp. K.
Echo Investment S.A.*	mBank S.A.	14 777	until fulfilment of suitable financial indexes, no longer than 31.03.2021	Surety bond for liabilities of Nobilis - Projekt Echo - 117 Sp. z o.o. Sp. K. resulting from loan agreement of 16.06.2016. Issued in EUR.
Echo Investment S.A.*	mBank S.A.	5 489	Until the day of confirmation of meeting all financial indicators, not later than to 31.03.2018	Surety bond for cost overrun on Nobilis office building in Wrocław
Echo Investment S.A.	BGŻ BNP Paribas S.A.	5 101	until project completion date	Surety bond for cost overrun and liabilities resulting from debt service in the period of construction of the Symetris I and II office building in Łódź. Issued in EUR.
Q22 - Projekt Echo - 128 Sp. z o.o. Sp.K. / Echo Investment S.A.	IREEF - Stryków Propco Sp. z o.o.	420 000	to 15.12.2019	Construction work quality guarantee related to Q22 in Warsaw.
Echo Investment S.A.	IREEF - Stryków Propco Sp. z o.o.	144 066	to 15.12.2018	Surety bond concerning failure to execute liabilities of Q22 - Projekt Echo - 128 Sp. z o.o. Sp.K. resulting from the sales contract concerning Q22 in Warsaw of 16.12.2016. Issued in EUR.
Echo Investment S.A.	Bank Millenium S.A.	7 300	until project completion date, no later than to 30.06.2019	Surety bond for cost overrun of West Link office building in Wrocław and liabilities of West Gate II - Projekt Echo - 114 Sp.z o.o. Sp. K., resulting from loan agreement of 23.03.2017
Echo Investment S.A.	PKO BP S.A.	25 700	to 30.09.2020	Surety bond for cost overrun of Sagittarius Business House in Wrocław,
BZ WBK S.A.	City of Katowice	36 548	to 15.02.2018	Performance bond concerning execution of the liabilities of Galeria Libero - Projekt Echo - 120 Sp. z o.o. Sp.K. resulting from road construction agreement of 16.06.2016
PKO BP S.A. / Echo Investment S.A.	IREEF - Stryków Propco Sp. z o.o.	482	to 01.08.2018	Surety bond for liabilities of Echo Investment S.A. resulting from rental agreement of 24.10.2016
Echo - Aurus Sp. z o.o.	Echo - Park Rozwoju Sp. z o.o. Sp.K.	738	to 28.02.2027	Surety bond for liabilities of Projekt 133 - City Space - GP Sp. z o.o. Sp.K. resulting from rental agreement of 4.11.2016
Echo - Aurus Sp. z o.o.	Nobilis - Projekt Echo - 117 Sp. z o.o. Sp.K.	738	to 31.07.2027	Surety bond for liabilities of Projekt 133 - City Space - GP Sp. z o.o. Sp.K. resulting from rental agreement of 28.02.2017
Echo - Aurus Sp. z o.o.	Ventry Investments Sp. z o.o. Sp.K.	1 160	to 9.04.2027	Surety bond for liabilities of Projekt 133 - City Space - GP Sp. z o.o. Sp.K. resulting from rental agreement of 12.10.2016
Raiffeisen Bank S.A.	Agentia Nationala de Administrare Fiscala	2 099	31.08.2018	Surety bond for liabilities of S.C. Echo Investment Project 1 S.R.L.

GUARANTEE AGREEMENTS ISSUED BY ECHO INVESTMENT GROUP AS AT 31.12.2017

Guarantor	For	Value [PLN'000]	Validity	Description
Echo Prime Assets B.V.	IB 6 FIZAN and GPF 3 FIZAN	90 788	31.10.2021	Performance bond concerning execution of the liabilities of Rosehill Investments Sp. z o.o. resulting from framework agreement of 31.08.2017
Echo Investment S.A.	BZ WBK S.A. and Bank BGŻ BNP Paribas S.A.	55 244	to the date of construction loan conversion into investment loan	Surety bond for cost overrun on Galeria Libero in Katowice.
Echo Investment S.A.	BZ WBK S.A., PKO BP S.A. and Bank Gospodarstwa Krajowego S.A.	42 668	to the date of construction loan conversion into investment loan	Surety bond of cost overrun on Galeria Młociny in Warsaw and liabilities of Berea Sp. z o.o. resulting from agreement on 17.10.2017. Issued in EUR.
Echo Investment S.A.*	Nobilis – Projekt Echo – 117 Sp. z o.o. Sp.K.	40 000	to 31.10.2026	Construction work quality guarantee related to Nibilis office building in Wrocław.
Total		981 823		

*Due to sale of Nobilis building, the guarantees expired on 6.03.2018.

Due to the fact, that provisions for liabilities on rent free period are already presented in the consolidated balance sheet, they are not included above.

AMENDMENTS TO GUARANTEE AGREEMENTS ISSUED BY ECHO INVESTMENT GROUP IN 2017

Change	Guarantor	For	Date of change	Value ['000]	Description
Reduction of the collateral amount from EUR 9 mln to EUR 6 mln, according to guarantee agreement	Echo Investment S.A.	Skua Sp. z o.o.	31.01.2017	6 000 EUR	Performance bond concerning the execution of the final sales agreement concerning the Acquarius Business House II office building in Wrocław. Issued in EUR.
Reduction of the collateral amount from EUR 2,95 mln to EUR 1,22 mln EUR, according to annex no 1 to the guarantee agreement	Echo Investment S.A.	BGŻ BNP Paribas S.A.	16.01.2017	1 223 EUR	Surety bond for construction cost overrun at the Symetris I and II office complex and the coverage of liabilities resulting from the service of debt of Symetris - Projekt Echo - 131 Sp. z o.o. Sp.K.
Expiry	Echo Investment S.A.	Nokia Solutions and Networks Sp. z o.o.	18.01.2017	1 986 EUR	Surety bond for liabilities resulting from the lease concluded on 29.08.2016.
Expiry	Echo Investment S.A. / PZU S.A.	FTF Columbus S.A.	19.01.2017	24 600 PLN	Surety bond concerning agreement concluded on 22.06.2015
Issue	Echo Investment S.A.	Bank Millenium S.A.	23.03.2017	7 300 PLN	Surety bond for cost overrun of West Link office building in Wrocław and liabilities of West Gate II - Projekt Echo - 114 Sp. z o.o. Sp. K., resulting from loan agreement of 23.03.2017
Extension of the expiry date to 22.05.2018, according to annex 1 to guarantee agreement	Echo Investment S.A.	State Treasury	16.05.2017	40 163 PLN	Surety bond concerning liabilities of Outlet Park - Projekt Echo - 126 Sp. z o.o. Sp. K.
Extension of the collateral amount from PLN 40,2 mln to PLN 43 mln, according to annex 2 to guarantee agreement	Echo Investment S.A.	State Treasury	14.06.2017	43 045 PLN	Surety bond concerning liabilities of Outlet Park - Projekt Echo - 126 Sp. z o.o. Sp. K.
Issue	Echo Investment S.A.	PKO BP S.A.	01.06.2017	25 700 PLN	Surety bond for cost overrun of Sagittarius Business House in Wrocław, expiry - to 30.09.2020
Issue	BZ WBK S.A.	Miasto Katowice	14.07.2017	36 548 PLN	Performance bond concerning execution of the liabilities of Galeria Libero - Projekt Echo - 120 Sp. z o.o. Sp.K. resulting from road construction agreement of 16.06.2016
Issue	Echo - Aurus Sp. z o.o.	Nobilis - Projekt Echo - 117 Sp. z o.o. Sp.K.	14.08.2017	177 EUR	Surety bond for liabilities of Projekt 133 - City Space - GP Sp. z o.o. Sp.K. resulting from rental agreement of 28.02.2017
Issue	Echo Prime Assets B.V.	IB 6 FIZAN and GPF 3 FIZAN	31.08.2017	21 767 EUR	Performance bond concerning execution of the liabilities of Rosehill Investments Sp. z o.o. resulting from framework agreement of 31.08.2017
Issue	Raiffeisen Bank S.A.	Agentia Nationala de Administrare Fiscala	31.08.2018	2 344 RON	Surety bond for liabilities of S.C. Echo Investment Project 1 S.R.L.

Issue	Echo – Aurus Sp. z o.o.	Echo – Park Rozwoju Sp. z o.o. Sp.K.	15.09.2017	177 EUR	Surety bond for liabilities of Projekt 133 – City Space – GP Sp. z o.o. Sp.K. resulting from rental agreement of 4.11.2016
Issue	Echo – Aurus Sp. z o.o.	Ventry Investments Sp. z o.o. Sp.K.	15.09.2017	278 EUR	Surety bond for liabilities of Projekt 133 – City Space – GP Sp. z o.o. Sp.K. resulting from rental agreement of 12.10.2016
Issue	PKO BP S.A.	IREEF – Stryków Propco Sp. z o.o.	20.09.2017	115 EUR	Surety bond for liabilities of Echo Investment S.A. resulting from rental agreement of 24.10.2016
Extension of the expiry date from 30.09.2021 to 31.10.2021, according to annex 1 to guarantee agreement	Echo Prime Assets B.V.	IB 6 FIZAN and GPF 3 FIZAN	03.10.2017	21 767 EUR	Performance bond concerning execution of the liabilities of Rosehill Investments Sp. z o.o. resulting from framework agreement of 31.08.2017
Issue	Echo Investment S.A.	BZ WBK S.A. and BGŻ BNP Paribas S.A.	10.10.2017	13 245 EUR	Surety bond for cost overrun on Galeria Libero in Katowice.
Issue	Echo Investment S.A.	BZ WBK S.A., PKO BP S.A. and Bank Gospodarstwa Krajowego S.A.	17.10.2017	10 230 EUR	Surety bond of cost overrun on Galeria Młociny in Warsaw and liabilities of Berea Sp. z o.o. resulting from agreement on 17.10.2017. Issued in EUR.
Extension of the expiry date to 15.02.2018, according to annex 2 to guarantee agreement	BZ WBK S.A.	City of Katowice	10.11.2017	36 548 PLN	Performance bond concerning execution of the liabilities of Galeria Libero – Projekt Echo – 120 Sp. z o.o. Sp.K. resulting from road construction agreement of 16.06.2016
Issue	Echo Investment S.A.	Nobilis – Projekt Echo – 117 Sp. z o.o. Sp.K.	29.12.2017	40 000 PLN	Construction work quality guarantee related to Nobilis office building in Wrocław.

The total value of current guarantee agreements in force received by the Group as at 31 December 2017 is as follows:

- under lease agreements concluded: PLN 91,400 and EUR 867,100,
- on account of project implementation: PLN 55,400,000, EUR 716,700 and USD 48,600.

18.4 Surety agreements

SURETY AGREEMENTS ISSUED BY ECHO INVESTMENT S.A. AS AT 31.12.2017

For	Value [PLN '000]	Maturity	Description
Bletwood Investments Sp. z o.o.	1 403	Entire validity period of the lease and three months following its termination date	Surety bond for liabilities of CogI II Poland Limited Sp. z o.o. as a collateral of the liabilities resulting from the lease concluded on 06.11.2015. Issued in EUR.
HPO AEP Sp. z o.o. Sp.J.	10 427	Until acquisition of an occupancy permit for the projects but no later than 07.12.2031.	Surety bond for liabilities of Echo - Browary Warszawskie Sp. z o.o. Sp.K. and Dellia Investments - Projekt Echo - 115 Sp. z o.o. Sp. K. j as a collateral of liabilities resulting from the lease concluded on 07.12.2016. Mutual surety issued in EUR.
Total	11 830		

No changes in surety agreements in 2017.

No valid sureties received by Echo Investment S.A and its Group as at 31 December 2017.

SURETY AGREEMENTS ISSUED BY ECHO INVESTMENT GROUP AS AT 31.12.2017 [PLN '000]

Issuer	For	Value [EUR '000]	Maturity	Description
Echo Prime Assets B.V.	Warburg-HiH Invest Real Estate GmbH	20 855	until 31.05.2019	Surety bond for liabilities of Sagittarius - Projekt Echo - 113 Sp. z o.o. Sp.K. resulting from the agreement concluded on 20.07.2017.

CHANGES IN SURETY AGREEMENTS ISSUED BY ECHO INVESTMENT GROUP IN 2017

Change	Issuer	For	Date of change	Value [PLN '000]	Description
Issue	Echo Prime Assets B.V.	Warburg-HiH Invest Real Estate GmbH	20.07.2017	5 000 EUR	Surety bond for liabilities of Sagittarius - Projekt Echo - 113 Sp. z o.o. Sp.K. resulting from the agreement concluded on 20.07.2017.

As at 31 December 2017, the value of valid sureties received by the Company and the Group is as follows:

- under the lease agreements: EUR 3,8 mln,
- under the construction agreements: PLN 610,000.

Information about the dividend

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19.1 The dividend policy

On 26 April, 2017 the Management Board of Echo Investment adopted the resolution on the Company's dividend policy. The main principles of the adopted dividend policy:

- from 2016 profit the Management Board will recommend to the General Meeting of Shareholders the payment of dividend amounting to the dividend advance declared on 23 November 2016 i.e. PLN 0.85 per share..
- from 2017 profit the Management Board will recommend the payment of PLN 0.5 per share.
- from the profit in 2018 and subsequent years the Management will be recommending the payment of the dividend up to amount of 70% of the consolidated net profit of the Capital Group attributable to shareholders of the parent company.

When recommending the dividend payment the Management Board will take into consideration the current and expected condition of the Company and the Capital Group as well as their development strategy, in particular:

- safe and the most effective management of debt and liquidity in the Group;
- investment plans resulting from the development strategy, the purchase of land in particular.

Assumptions of the dividend policy were based on predictions concerning future profits from the Group's property development operations.

19.2 Dividends paid or declared

According to the adopted dividend policy, the Management Board of Echo Investment S.A. proposed to earmark a portion of the Company's 2016 profit for distribution to the shareholders. Based on the Management Board resolution from 23 November, 2016 on the payment of interim dividend from 2016 financial year profit, the amount of PLN 350 mln (PLN 0,85 per share) was paid to the shareholders having the shares on accounts on 22 December, 2016. The first instalment of the dividend amounting to PLN 285 mln (PLN 0,69 per share) was paid on 29 December, 2016. Remaining part of the advance dividend amounting to PLN 66 mln (PLN 0,16 per share) was paid on 26 June 2017.

The Ordinary General Meeting of Shareholders which took place on 29 June 2017 decided to earmark PLN 556 mln for dividend. The amount came from 2017 profit (PLN 270 mln), the Reserve Fund (PLN 80 mln) as well as the supplementary capital (PLN 206 mln). The previously paid dividend advance amounting to PLN 351 mln (PLN 0.85 per share) was credited towards the dividend - according to the Management's recommendation. The remaining part of the amount established by the Ordinary General Meeting of Shareholders i.e. PLN 206 mln (PLN 0.5 per share) was paid on 21 July 2017 and 5 July 2017 was the day of establishing the entitlement to the dividend.

The additional amount of the dividend exceeding the recommendation of the Management was financed from the sale of part of a block of EPP' shares, which took place on 22 June 2017.

Assessment of financial resources management and investment plan feasibility

20

Financial resources management of the Parent entity and the Group was mainly focused on acquiring financing for ongoing projects and on maintaining safe liquidity ratios and planned financing structure.

As per the Management Board, financial situation of the Parent entity and the Group at the end of December 2017 reflects their stable financial condition, which is confirmed by the below ratios.

20.1 For Echo Investment S.A.

PROFITABILITY INDEXES

An increase in profitability indexes compared to the previous year is a result of a dynamic increase in net profit (123%), which was largely influenced by dividends received from subsidiaries. Other volumes such as sales revenue, capitals or balance sheet total also recorded increases in comparison to the previous year.

Operating profit margin
(operating profit/revenue)

Net balance sheet profit margin
(net profit/revenue)

Return on assets ROA
(net profit/total assets)

Return on equity ROE
(net profit/equity)

VALUES OF PROFITABILITY INDEXES

	31.12.2017	31.12.2016 - restated	31.12.2016
Operating profit margin	162%	109%	106,0%
Net balance sheet profit margin	142%	90%	87,4%
Return on assets ROA	17%	9%	9,2%
Return on equity ROE	35%	20%	19,9%

TURNOVER INDEXES

The turnover is conditioned by the specificity of the conducted activity. Due to the fact that inventories in the Group include purchased ownership rights as well as construction expenditures and costs related to development projects implemented for sale, the cycle will always be long compared to other industries, such as production of fast moving goods.

Inventory turnover in days

(inventory*360/revenue)

An increase in this ratio results from an increase in the value of short-term receivables (mainly loans in the Group) with a simultaneous increase in net sales.

Short-term receivables collection period in days
(short-term receivables*360/revenue)

A decrease in the ratio mainly results from a decrease in short-term liabilities with simultaneous increase in sales revenue.

VALUES OF TURNOVER INDEXES

	31.12.2017	31.12.2016 - restated	31.12.2016
Inventory turnover in days	185	401	398
Short-term receivables collection period in days	418	251	251
Creditor days in short-term liabilities on account of deliveries and services	29	85	85

LIQUIDITY RATIO

Liquidity ratios recorded a significant increase compared to the previous year. This means that the Company's condition is stable and has no problems meeting its obligations.

Current ratio

(current assets/short-term liabilities)

An increase in the ratio results from a greater growth in the value of assets in relation to the growth rate of short-term liabilities.

Quick ratio

(current assets/short-term liabilities)

An increase in this ratio was influenced by a decrease in the value of inventories and a 63% increase in the value of current assets.

Cash ratio

(cash/short-term liabilities)

An increase in this ratio is caused by a nearly fivefold increase in cash between the analyzed periods.

VALUES OF LIQUIDITY RATIOS

	31.12.2017	31.12.2016 - restated	31.12.2016
Current ratio	1,90	1,90	1,89
Quick ratio	1,20	1,13	1,13
Cash ratio	0,75	0,77	0,77

DEBT RATIOS**Equity coverage ratio**

(equity/total assets)

Debt ratios in 2017 remained at safe levels, close to those of the previous year.

Fixed asset coverage ratio

(equity/fixed assets (fixed assets allocated for sale have been added))

A slight increase in the ratio results from a faster growth rate of equity compared to the increase in fixed assets.

Total debt ratio

(total liabilities/total assets)

A decrease in the ratio is a derivative of a 23% increase in total assets combined with a 15% increase in the value of liabilities. The fact that the indicator is maintained at safe (even textbook) levels indicates the very good financial condition of the Company.

Debt to equity ratio

(total liabilities/equity)

A decrease in this ratio compared to the previous year results from the dynamic growth of equity.

VALUES OF DEBT RATIOS

	31.12.2017	31.12.2016 - restated	31.12.2016
Equity coverage ratio	49%	46%	46%
Fixed asset coverage ratio	68%	58%	58%
Total debt ratio	49%	53%	53%
Debt to equity ratio	100%	114%	115%

20.2 For the Echo Investment Group

PROFITABILITY INDEXES

The decrease in profitability indexes compared to the previous year results from the change of the business profile to the exclusively development one. In 2016 Echo Investment Group transferred its office and retail assets to a separate company Echo Polska Properties (EPP) and then sold the majority of its shares, which positively affected its 2016 results and financial indexes. It was a one-time operation. 2017 was the first year in which the Group operated as a developer only and the lack of such a large one-time factor affecting the result caused a decrease in profitability indexes compared to the previous year. Nevertheless, these indicators remain at high levels, not lower than those for 2016 without taking into account the impact of the above-described one-time factor related to the change of the strategy.

Operating profit margin

(operating profit/revenue)

The decrease in the index results mainly from the decline in operating profit, which was influenced by lower than last year profit from investment properties (large profits from portfolio valuation and sale of EPP shares registered last year) and lower gross

profit on sales with simultaneous increase in sales revenue.

Net balance sheet profit margin

(net profit/revenue)

It decreased by 39% compared to the previous year, mainly due to the increase in sales revenue while the net profit decreased. The result in 2016 was caused by a one-time factor consisting in the sale of the real estate portfolio. The margin is still high.

Return on assets ROA

(net profit/total assets)

A slight decrease in this index is the effect of an increase in the total assets with a simultaneous slight decrease in net profit.

Return on equity ROE

(net profit/equity)

The decrease in the index is the result of a decrease in net profit with a simultaneous increase in the value of equity.

VALUES OF PROFITABILITY INDEXES

	31.12.2017	31.12.2016 - transformed	31.12.2016
Operating profit margin	44%	127%	126%
Net balance sheet profit margin	50%	82%	81%
Return on assets ROA	8%	12%	12%
Return on equity ROE	20%	26%	25%

TURNOVER INDEXES

Turnover indexes in the Group are conditioned by the specificity of the conducted activity, which is associated with a longer cycle of project implementation in relation to other industries. Due to the fact that inventories in the Group include purchased ownership rights, perpetual usufruct rights as well as construction expenditures and costs related to development projects implemented for sale, it should be remembered that this cycle will always be long compared with other industries, such as production of fast moving goods.

Inventory turnover in days

(inventory*360/revenue)

The drop in the index results from the higher dynamics of the increase in sales revenue in relation to the increase in inventories.

Short-term receivables collection period in days

(short-term receivables*360/revenue)

A slight decrease in the index is caused by higher dynamics of revenue growth compared to receivables.

Creditor days in short-term liabilities on account of deliveries and services

(current liabilities on account of deliveries and services*360/revenue)

The index remained at a similar level compared to the previous year.

VALUES OF TURNOVER INDEXES

	31.12.2017	31.12.2016 - transformed	31.12.2016
Inventory turnover in days	395	495	492
Short-term receivables collection period in days	205	219	219
Creditor days in short-term liabilities on account of deliveries and services	184	183	183

LIQUIDITY RATIO

Liquidity ratios remain at similar levels compared to the previous year, which indicates a stable liquidity position of the Group.

Current ratio

(current assets/short-term liabilities)

The indicator is maintained at levels considered as standard.

Quick ratio

(current assets – inventories]/short-term liabilities)

The increase in this ratio is caused by a 19% increase in the value of current assets less inventories with a small increase in the value of short-term liabilities.

Cash ratio

(cash/short-term liabilities)

The minimal decrease in this ratio compared to the previous year is caused by a faster increase in the value of liabilities than cash. Liquidity ratios at the benchmark levels indicate the good condition of the Group and no risk of losing liquidity.

VALUES OF LIQUIDITY RATIOS

	31.12.2017	31.12.2016 - transformed	31.12.2016
Current ratio	1,90	1,90	1,89
Quick ratio	1,20	1,13	1,13
Cash ratio	0,75	0,77	0,77

DEBT RATIOS**Equity coverage ratio**

(equity/total assets)

The ratio remains at a similar, safe level, which proves that the rate of change in equity is almost the same as the rate of change in assets.

Fixed asset coverage ratio

(equity/fixed assets (fixed assets allocated for sale have been added)

– a decline in this ratio is due to a greater dynamics of the decline in the value of fixed assets (sales of real estate) versus the dynamics of equity decline (dividend payment).

Total debt ratio

(total liabilities/total assets)

The indicator is slightly higher than last year. It results from the lower growth dynamics of assets in relation to the increase in liabilities. The increase in the ratio

results from financing projects with external capital and is an element of the efficiency policy. This level is still lower than the market and theoretical values.

Debt to equity ratio

(total liabilities/equity)

The increase in the ratio results from a larger increase in the value of liabilities (bond issue) in relation to capital growth. This debt remains at safe levels and covenants arising from loan agreements are met. The comparison of these two groups of ratios proves the Group's financial security.

VALUES OF DEBT RATIOS

	31.12.2017	31.12.2016 - transformed	31.12.2016
Equity coverage ratio	41%	46%	45%
Fixed asset coverage ratio	78%	89%	100%
Total debt ratio	52%	49%	49%
Debt to equity ratio	127%	108%	108%

20.3. Assessment of the feasibility of investment plans

The company and its capital group have full ability to finance ongoing investment projects. They use funds from equity, bank loans and bond issues.

The construction of projects for rent (shopping centres, shopping and entertainment centres and offices) is usually financed by building loans obtained by the companies established for their implementation. Residential projects are financed from own resources

of the Company or Group companies - and indirectly also through bonds.

The purchase of real estate for future projects is financed from own resources of the Company or Group companies, or from unused loans (lines of credit, working capital loans and bonds).

Factors and extraordinary events affecting the results in 2017

21

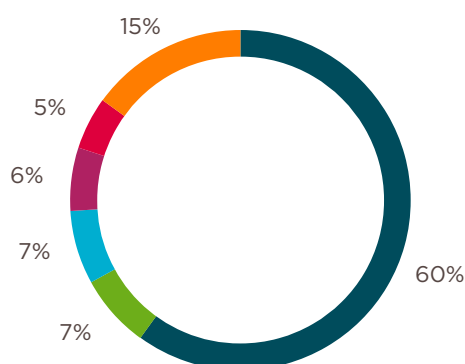
Factors which influenced the Group's financial results in Q1-Q4 2017:

Q1 2017:

a. Revenue resulting from 95 final contracts concerning the sale of housing units and housing plots.

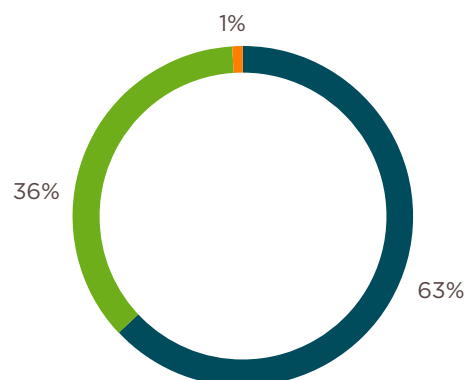
b. Profit on investment property amounting to PLN 100 mln.

RESIDENTIAL PROJECTS SHARES IN THE TOTAL NUMBER OF FINAL CONTRACTS



- - Poznań, Osiedle Jaśminowe II
- - Kraków, Park Avenue Apartments
- - Wrocław, Grota-Roweckiego I
- - Poznań, Pod Klonami III
- - Warsaw, Rezydencje Leśne
- - Other

PROFIT ON INVESTMENT PROPERTY BY ASSETS



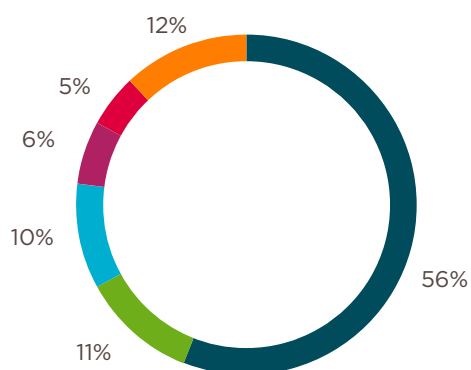
- - Libero, Katowice (first valuation)
- - Sagittarius, Wrocław
- - Other

c. Revenues resulting from sale of subsidiaries EI Project Cypr 1 LTD and Echo Investment Ukraine LLC - being owners of investment properties in Kiev, Ukraine.

Q2 2017:

a. Revenue resulting from 63 final contracts concerning the sale of housing units and housing plots.

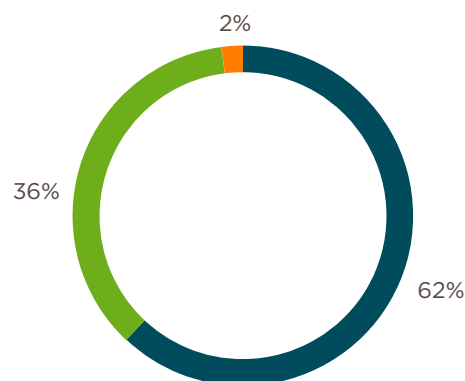
RESIDENTIAL PROJECTS SHARES IN THE TOTAL NUMBER OF FINAL CONTRACTS



- - Poznań, Park Sowińskiego II
- - Warsaw, Rezydencje Leśne
- - Poznań, Osiedle Jaśminowe II
- - Kraków, Park Avenue Apartments
- - Poznań, Park Sowińskiego I
- - Other

b. Profit on investment property amounting to PLN 66 mln.

PROFIT ON INVESTMENT PROPERTY BY ASSETS



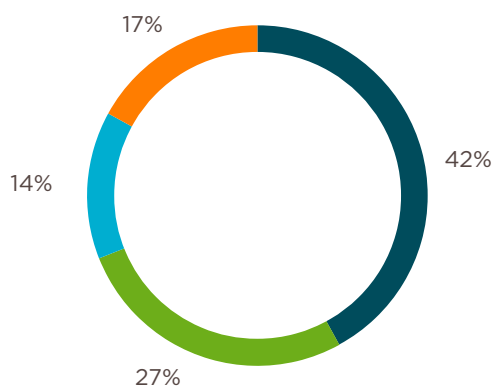
- - O3 Business Campus II, Kraków (first valuation)
- - Libero, Katowice
- - Other

c. Revaluation of EPP's shares to market value.

Q3 2017:

a. Revenue resulting from 238 final contracts concerning the sale of housing units and housing plots.

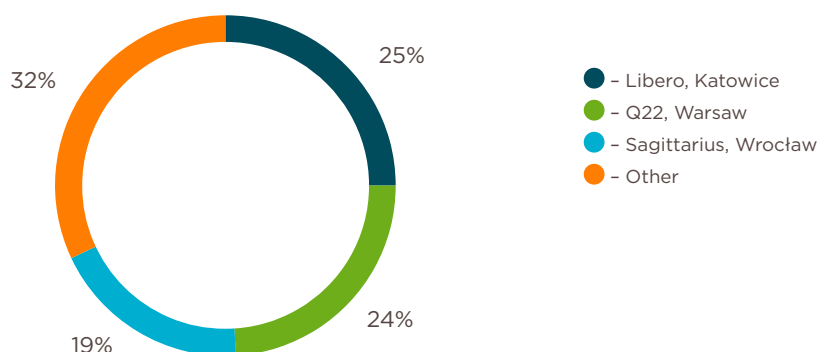
RESIDENTIAL PROJECTS SHARES IN THE TOTAL NUMBER OF FINAL CONTRACTS



- - Kraków, Dom pod Wilgą I
- - Łódź, Osiedle Jarzębinowe III
- - Poznań, Park Sowińskiego III
- - Other

- b. Profit on investment property amounting to PLN 59 mln.

PROFIT ON INVESTMENT PROPERTY BY ASSETS

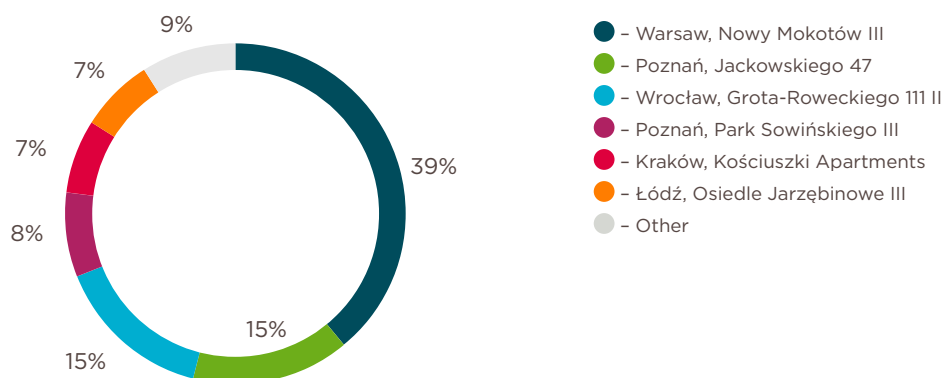


- c. Booking a special dividend from the EPP Group for Outlet Park III completion.
- d. Dividend from EPP.
- e. The revenue on account of investment project management for the EPP Group.
- f. Booking future revenue on account of an increase of the price of the Q22 office building resulting from the lease of an area.

Q4 2017:

- a. Revenue resulting from 610 final contracts concerning the sale of housing units and housing plots.
- b. Profit on investment property amounting to PLN 8 mln.
- c. Booking a special dividend from the EPP Group for Galaxy extension.

RESIDENTIAL PROJECTS SHARES IN THE TOTAL NUMBER OF FINAL CONTRACTS



Factors listed below influenced the financial results in each quarter:

- a. Costs of sales and overheads.
 - b. Valuation of liabilities related to bonds and loans in accordance with amortised cost principle.
 - c. Cash and loans valuation resulting from of currency exchange fluctuations.
 - d. Measurement and settlement of FX hedging instruments.
 - e. Interest on deposits and borrowings granted.
 - f. Revenues from framework services of Echo Polska Properties group.
-

External and internal factors significant for the development of Echo Investment S.A. and its group

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EXTERNAL FACTORS:

POSITIVE:

- strong investment activity of entities purchasing commercial real estate,
- high pace of development and expansion plans of Polish and foreign companies (with particular emphasis on the shared services sector) and the resulting demand for office space,
- strong dynamics of retail sales and consumer optimism, which affects the development of the market of shopping and shopping and entertainment centres,
- the ratio of office space per 1,000 inhabitants is lower compared to Western Europe,
- structural housing deficit,
- sustained dynamic economic growth in Poland,
- good condition of the Polish financial sector.

NEGATIVE:

- unclear legal status of many properties resulting from e.g. the lack of precise zoning plans in many cities and administrative districts,
- long-lasting court and administrative procedures,
- volatility of foreign exchange rates (EUR and USD),
- uncertainty about the level of interest rates,
- uncertainty about the key assumptions of the fiscal policy (amendments to tax laws) and the monetary policy in Poland.



More information about operating conditions on the retail, office and residential markets is available in section 7 on page 29.

INTERNAL FACTORS:

POSITIVE:

- a clearly defined development strategy,
- the Group's established position on the development market and its high credibility confirmed by its presence on Warsaw Stock Exchange and the Developer's Certificate,
- cooperation with banks with stable financial standing in the area of lending, placement of surpluses and cooperation on the derivative transactions market, foreign exchange transactions and interest rates,
- good cooperation with stable and reputable partners – tenants, contractors, suppliers and real estate buyers,
- organizational structure, with separate departments corresponding to operating segments that are responsible for generating profits from the operations of their segment and conduct projects as a whole i.e. from purchasing a plot to rental or sale,
- regulated legal sphere (no material court proceedings),
- experienced staff,
- a large land bank for investment project development.

NEGATIVE:

- the specificity of the business activity expressed in significant dependence on complicated and lengthy administrative procedures (including obtaining building or occupancy permits, waiting for amendments to local zoning plans, etc.),
- strong demand for working capital – particularly related to the large number of projects implemented.

Remuneration of the Management Board and Supervisory Board

23

REMUNERATION OF THE MANAGEMENT BOARD [PLN IF NOT INDICATED]

	From Echo Investment S.A.		2017	Z Echo Investment S.A.		2016
	Basic remuneration	Bonus	for holding functions or providing services to other companies of the Group	Basic remuneration	Bonus	for holding functions or providing services to other companies of the Group
Nicklas Lindberg (appointed on 18.04.2016)	1 012 390	4 079 945	1 080 768 PLN 522 054 EUR	768 742	658 890	369 714 EUR
Maciej Drozd	979 511	2 127 660	120 000	1 097 595	440 780	401 338
Piotr Gromniak	240 000	97 000	769 000	618 000	829 000	135 000
Artur Langner	240 000	120 000	756 000	546 000	766 000	120 000
Marcin Materny (appointed on 15.09.2016)	240 000	83 000	629 000	60 000	-	115 500
Mikołaj Martynuska (appointed on 10.10.2017, resigned on 21.12.2017)	54 194	-	58 726	-	-	-
Rafał Mazurczak (appointed on 15.09.2016)	233 619	-	499 032	60 000	-	365 500
Waldemar Lesiak (resigned on 30.05.2016)	-	-	-	314 491	382 000	969 244
Waldemar Olbryk (appointed on 10.10.2017)	158 516	-	-	-	-	-
Total	3 158 230	6 507 605	3 912 526 PLN 522 054 EUR	3 464 828	3 076 670	2 106 582 PLN 369 714 EUR
Total annual remuneration			13 578 361 PLN 522 054 EUR			8 648 080 PLN 369 714 EUR



THE CEO' BONUS SYSTEM

Nicklas Lindberg's management contract of 18 April 2016 provides for performance-based bonuses:

- annual performance-based bonus, paid for 2017 in the amount specified above,
- additional performance-based bonus described below.

The amount of the additional performance-based bonus depends on the increase of the share price of Echo Investment S.A. above the base value that is determined at the level of PLN 7.5 minus the cumulated amount of the dividend per share. The contract provides for bonus amount depending on the increase of the share price above the base level.

The contract was signed for 5 years and the remuneration is payable at the end of the term of the contract. According to the amendment for the agreement, in 2017 Nicklas Lindberg received and advanced payment for additional bonus remuneration amounted to PLN 3,392 thousand gross (payment was reduced by an advanced tax liability). This payment will decrease the final amount of total additional bonus payment. In addition, should the contract be terminated earlier by mutual agreement of the parties, Mr Lindberg is entitled to receive a partial bonus of 1/5 of the entire amount due to him per each year of his work. Estimation of Nicklas Lindberg's incentive program value for accounting purposes on 31 December 2017 amounts to PLN 3,684,457 and on 31 December 2016 - to PLN 3,888,193.



REMUNERATION OF MEMBERS OF THE MANAGEMENT BOARD

Members of the Management Board receive remuneration and bonuses in accordance with the remuneration model described in the 'Work Rules of the Management Board' adopted by the Supervisory Board in a resolution of 21 March 2013. The bonus system is based on an agreement in accordance with the MBO methodology (Management by Objectives) and it is related to the company's results. Each Member of the Management Board may receive an annual bonus expressed in a multiple of the basic salary, depending on the key business objectives which he/she has an influence on in the scope of their responsibility. At the same time, all Members of the Management Board have common goals, the execution of which below the expected level will result in a reduction of the bonus. The amount of remuneration and bonuses of Management Board Members is confirmed by a resolution of the Supervisory Board every time.

In 2017, in addition to the specific objectives set for each Member of the Management Board in accordance with their scope of responsibility, the Supervisory Board established four joint objectives for the Management Board, the implementation of which will determine the amount of the bonus:

- development of a system of finishing and equipment standards for development projects,
- implementation of superior standards and safety procedures at construction sites,
- implementation of the project finishing standard and post-sales support,
- development strategy for selected multifunctional projects.

In 2017 and as at 31 December 2017, there were no agreements between the Company and its managerial staff providing for a compensation if such persons resign or are dismissed from their position without a valid reason or if they are recalled or dismissed as a result of a merger of the Company by acquisition.

REMUNERATION OF THE SUPERVISORY BOARD [PLN]

	2017		2016	
	From Echo Investment S.A.	For holding functions or providing services to other companies of the Group	From Echo Investment S.A.	For holding functions or providing services to other companies of the Group
Karim Khairallah	-	-	-	-
Laurent Luccioni	-	-	-	-
Mark E. Abramson (appointed on 16.10.2017)	12 581	-	-	-
Maciej Dyjas	60 000	-	60 000	-
Stefan Kawalec	180 000	-	180 000	-
Przemysław Krych	58 226	-	60 000	-
Nebil Senman	60 000	-	60 000	-
Sebastian Zilles	-	-	-	-
Total	370 807	-	360 000	-



REMUNERATION OF THE SUPERVISORY BOARD

The remuneration of the Supervisory Board is determined in the form of resolutions of the General Meeting of the Company's Shareholders. The resolution which is currently in force is resolution no. 6 of the General Meeting of Shareholders of 27 October 2015, which determines the amount of remuneration for Supervisory Board members as follows:

- monthly remuneration of the Chairman of the Supervisory Board - PLN 10,000 gross,
- monthly remuneration of the Deputy Chairman of the Supervisory Board - PLN 7,000 gross,
- monthly remuneration of a Member of the Supervisory Board - PLN 5,000 gross,

- additional monthly remuneration for the chairmen of the Supervisory Board committees - PLN 10,000 gross.

Members of the Supervisory Board shall also be entitled to reimbursement of costs incurred in connection with the exercise of the function, in particular - travel costs to the place of Supervisory Board meetings and back, costs of individual supervision as well as costs of accommodation and meals.

Company's shares held by the managing and supervising staff

24

Nicklas Lindberg, president of Echo Investment, and Maciej Drozd, vice-president for financial affairs, informed the company on 30 October 2017 about the purchase of shares in Echo Investment as part of the sale of a portion of a block of shares by the main shareholder Lisala sp. o.o. to selected investors. Both Management Board members purchased shares at a unit price of PLN 4.60. Previously they were not shareholders of the Company, either directly or indirectly.

To the best of the Company's knowledge, none of the other members of the Management Board or Supervisory Board is a shareholder of the Company directly or indirectly as at the date of publication of the report, they were not shareholders on 31 December 2017 and throughout 2017 did not conclude any transactions involving the Company's shares.

Therefore, as at the date of publication of the report, the ownership of shares by members of the Management Board and the Supervisory Board was as follows:

Surname	Position in the company	Number of shares held	Share in the capital and votes at GMS
Nicklas Lindberg	President of the Board	460 663	0,11%
Maciej Drozd	Vice-President of the Board	184 265	0,04%



Significant transactions concluded by the Company or its subsidiaries with entities affiliated on conditions other than market ones

25

In 2017, no material transactions were concluded between Echo Investment S.A. and its subsidiaries, and related parties on terms other than market terms.

Seasonal or cyclical nature of operations

26

The Group's activity covers several segments of the real estate market. Accounting revenues from sale of housing developments depends on the commissioned residential buildings and revenue on these operations is generated in every quarter but it varies in terms of stability. Revenue and results from general in-

vestment contractor services, sales of commercial investments and trade in property may be irregular. The Management Board cannot exclude other one-off events which may influence results generated in a given period.

Differences between the results and published forecasts

27

Echo Investment S.A. did not publish any forecasts of financial results for 2017.

Changes in the basic principles of management

28

In 2017, there were no material changes in the basic management principles of the Company and the Group.

Contracts which may result in changes in the ownership structure of shares

29

The Company is not aware of any agreements potentially resulting in changes in the proportion of shares held by existing shareholders.

Significant court, arbitration or public administration proceedings

30

From 1 January to 31 December 2017 no proceedings regarding liabilities or receivables of Echo Investment S.A. or a subsidiary the value of which amounts to at least 10% of the Company's equity were pending before the court, arbitration body or public administration body.

As at 31 December 2017 the Company acted as a defendant in three significant

court proceedings for payment brought by: Connie Investments Sp. z o.o. Sp.K. with its seat in Warsaw, Syncerus Investments Sp. z o.o. Sp.K. with its seat in Warsaw and LCP Xantira Investments sp. o.o. sp.k. with its seat in Warsaw. These proceedings concern damages related to the sale of shopping centres. The total value of the dispute in these cases is PLN 18.7 mln. Sentences of the first instance court

were passed in all three proceedings, dismissing the action. The plaintiff's appeal was dismissed in the case brought by LCP Xantira Investments Sp. z o.o. Sp.K. Appeals have not been heard yet in the two other proceedings.

Agreements concluded with an entity authorised to audit financial statements

31

Pursuant to §13 section 1 letter b) of the Company's Statute, the Supervisory Board of the Company chose the company entitled to audit its financial reports on July 13th, 2016 in accordance with the professional norms and regulations. It will

be Ernst & Young Audyt Polska Sp. z o. o. Sp. K. with its registered office at Rondo ONZ Street in Warsaw, entered in the list of certifying accountants under no. 130. The Supervisory Board empowered the Management Board to conclude a con-

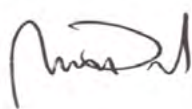
tract with EY Audyt Polska with regard to the audit of the Company's separate financial reports and consolidated financial reports of the Company's Group in the years 2016-2017.

ERNST & YOUNG AUDYT POLSKA SP. Z O.O. SP. K. NET REMUNERATION PAID OR DUE

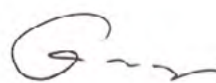
Subject	Amount [PLN]
Audit and review of the separate and consolidated financial statements for 2016	355 000
Additional review of the financial statements for the dividend purpose in 2016	60 000
Audit and review of the separate and consolidated financial statements for 2017	330 000
Additional review of the financial statements and letter of attestation in 2017	288 800



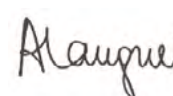
Nicklas Lindberg
President of the Board,
CEO



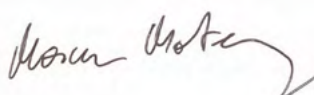
Maciej Drozd
Vice-President of the Board,
CFO



Piotr Gromniak
Vice-President of the Board



Artur Langner
Vice-President of the Board



Marcin Materny
Member of the Board



Rafał Mazurczak
Member of the Board



Waldemar Olbryk
Member of the Board

Kielce, 23 March, 2018

CHAPTER 2

CORPORATE GOVERNANCE



Statement on the application of corporate governance principles in 2017

32

Best Practices of WSE Listed Companies

In 2017 Echo Investment S.A. was subject to the corporate governance principles contained in the document 'Best Practices of WSE Listed Companies', adopted by Resolution no. 17/1249/2010 of the Council of WSE [Giełda Papierów Wartościowych S.A.] on 19 May 2010 (as amended). On 13 October 2015, the Council of WSE adopted a resolution regarding the adoption of a new set of corporate governance principles under the name 'Best Practices of WSE Listed Companies 2016'. The new principles came into force on 1 January 2016 and they are still in effect. The text of the set of the above principles is publicly available on the website of the Warsaw Stock Exchange at www.corp-gov.gpw.pl.

In 2017 and 2018 the Company carried out a review of 'Best Practices' and it limited the number of exceptions from its application.

Best practice principles applied at Echo Investment from 20 October 2017:

- Providing a record of the course of the General Meeting of Shareholders in the form of audio or video on the Company's website,
- Conducting the procedure of confirming the independence of members of the Supervisory Board,
- Introduction of the second independent member to the Supervisory Board.

Best practice principles applied at Echo Investment from 22 March 2018:

- The company publishes a description of the diversity policy being applied on its website,
- the Management Board declares that it will publish the justification for draft resolutions at the General Meeting each time and it will make every effort to receive such justification from Shareholders proposing resolutions and 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 president or vice-president for finance, and they have the opportunity to 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 set out in the generally recognized international standards of the professional audit practice,
- The topic of risk management and internal controls is 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 Supervisory Board during the General Meeting of Shareholders,
- Ensuring appropriate dates between the dividend day and the dividend payment date,
- The attention of the Company's Management Board to the appropriate level of the nominal value of the shares,
- Supervisory Board 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.

The Company does not fully apply the following rules:

'IV.Z.2. If it is justified due to the shareholding structure of the company, a company provides a universally available broadcast of the general meeting in real time.'

The company does not provide a universally available broadcast of the general meeting in real time, but following completion of the general meeting, the company makes an audiovisual recording of the general meeting available on its website.

‘V.Z.6 The company defines in its internal regulations the criteria and circumstances in which a conflict of interest may arise in the company as well as the rules of conduct in the event of a conflict of interest or the possibility of its occurrence. The company’s internal regulations include ways of preventing, identifying and resolving conflicts of interest as well as the rules of excluding a member of the management board or supervisory board from participation in considering a matter covered or threatened by a conflict of interest.’

In its Code of Conduct the Company has defined the criteria and circumstances in which a conflict of interest or possibility of its occurrence may arise. In the event of a conflict of interest or the possibility of its occurrence, the Management Board and the Supervisory Board have determined the practice of excluding a person whose conflict of interest may be involved in decision making. The Company undertakes to specify detailed methods of preventing, identifying and resolving a conflict of interest as well as the principle of excluding a member of the management board or supervisory board from par-

ticipation in the consideration of a matter covered or threatened by a conflict of interest in appropriate procedures.

‘IV.Z.11. The members of the management board and the supervisory board participate in the general meeting in a composition providing for substantive answers to questions asked during the general meeting.’

Representatives of the Board are present at the General Meeting or are available to participants of the General Meeting to answer questions. Although the Management Board also invites members of the Supervisory Board to be present at or available to the Shareholders so that the Supervisory Board members are present and may answer the Shareholders’ questions, no assurance may be given that the Supervisory Board representatives will be present during the general meeting. Notwithstanding the above, the Company is of the opinion that the Company’s Management Board is the only corporate body authorised to respond to questions pursuant to Article 428 of the Commercial Companies Code, while members of the Supervisory Board have no such power. If the representatives of the Management Board are not able to answer the Shareholder’s questions during the General Meeting, the Company undertakes to respond to the Shareholder’s questions in the shortest possible time, subject to the restrictions set forth in applicable binding laws.

Code of conduct

As part of risk management and in order to strengthen its corporate culture, on 14 December 2016, Echo Investment made a decision to introduce the Code of Conduct – a document which defines the company’s values and ethical norms required in its relations with employees, shareholders, local administration and communities. The Code of Conducts organizes issues such as relations among employees and superiors or relations with business parties and other interested parties. It also defines the code of conduct in difficult situations such as a conflict of interest, a suspicion of irregularities, a corruption proposal or working with co-operators of bad reputation.

Systems of internal control and risk management

33

The Company's Management Board is responsible for the internal control system and its effectiveness in the process of preparing financial statements and periodic reports published according to the Regulation of the Minister of Finance of 19 February 2009 on current and periodic information to be submitted by issuers of securities and conditions for considering as equivalent information required under the law of a non-member state (J.L. No. 33, item 259).

The effectiveness and correct operation of the internal control system and of the risk management system is ensured by:

- defined and transparent organisational structure
- skills, know-how and experience of people involved in the internal control process
- supervision by the management over the system and regular evaluation of the Company's business
- verification of financial statements by an independent statutory auditor.

Mutual connections and interdependence of internal control elements in several areas, such as:

- operating activity
- financial activity
- reporting process (including the preparation of financial statements)
- analysis of costs and expenditures related to projects, costs and general administrative expenses and sale, and costs and expenditures related to the use of leasable area
- risk management, ensuring an effective internal control system and supporting the management of the whole Group.

To make this process optimal and effective, the Company has introduced a certain degree of automation in the internal control process:

- decision limits (approval of costs, expenditures, payments, selection of counterparties, posting of costs)

- supervision over employee quotas, independent of people assigning quotas
- configuration of accounts (enabling manual postings on automatic accounts, transparent and easy process of transferring information for reporting)
- automation of payments (generating a payment plan from the accounting system for electronic banking systems)
- eKOD system (electronic Document Circulation Sheet) facilitating the circulation of cost invoices, approval of expenditures and costs and initial posting.

Main characteristics of the internal control and of the risk management system in relation to the process of preparing separate and consolidated financial statements

Main characteristics of the internal control and of the risk management system in relation to the process of preparing separate and consolidated financial statements:

- transparent organisational structure
- qualified staff
- direct supervision by the management
- expert verification of statements.

The people responsible for preparing financial statements, as part of the Company's financial and management reporting, are a highly qualified team of specialists of the Finance Department, which is managed directly by the Finance Director and, indirectly, by the Company's Management Board. In the Finance Department, this process involves mainly staff from the Accounting Division, assisted by employees from the Budgeting and Analysis Division and Funding Division, and the whole process is supervised by mid-level management staff of the Finance Department.

Economic events in the course of the year are recorded by the Records Team of the Accounting Di-

vision. As part of internal control, the correctness of economic records is monitored by the Reporting Team from the Accounting Division, who have certificates of the Minister of Finance to provide services involving the keeping of accounting books (so called independent accountants). After completing all pre-defined processes of closing the books, the Team prepares financial statements. The process of monitoring the correctness of posting costs also involves employees from the Department of Budgeting and Analysis.

Measurements recognised in the statements are prepared and submitted to the Reporting Division by the employees of the Department of Budgeting and Analysis. This Department has knowledge in the area of financial accounting (some of the staff are independent accountants), management accounting and financial analyses (some of the staff are adequately trained in audit and internal control). They also monitor the correct posting of these measurements.

The whole process of preparing statements is supervised by managers from the Accounting Division and the Department of Budgeting and Analysis. The reconciliation of settlements with banks is the responsibility of the Payments and Insurance Team. Thanks to a broad internal control system, which involves staff from individual teams, and supervision by managers from the Finance Department, any errors are adjusted on an ongoing basis in the Company's accounting books according to the adopted accounting policy.

Before presented to an independent auditor, the prepared financial statements are checked by the Company's Chief Accountant. According to the applicable laws, the Company reviews or audits its financial statements using a renowned and highly qualified independent statutory auditor. During the audit by an independent statutory auditor, employees from the Divisions of the Finance Department participating in the process of preparing the statements provide explanations.

Other use of internal control system and of risk management system in the company, taking account of significance of the financial and accounting system

The controlling process in the Company, whose basic and key element is the internal control, is based on a system of budgets. On an annual basis, the Company updates short-term, mid-term and long-term plans, and prepares very detailed budgets for the following year with regard to:

- construction projects,
- expenditures,
- general administrative and sales expenses.

Based on the budgets, cash flow forecasts, which are necessary in the risk management process, are

updated. The budgeting process is based on the Company's existing formalised rules and is closely supervised by the Finance Director. The process involves the Company's mid-level and senior management staff responsible for specific budget areas. Responsibility for the preparation and presentation rests with the Finance Branch, which is also responsible for monitoring the incurred expenditures and reporting on the performance of budgets. The budget of construction projects is the responsibility of Project Managers, who are assisted by the Budgeting and Analysis Division staff. The budget of costs and general administrative and sale expenses is the responsibility of the Budgeting and Analysis Division. This division is also responsible for preparing financial and cash flow forecasts and for verifying them. The budget prepared for the following year on an annual basis is approved by the Company's Management Board.

The Company's financial and accounting system is the source of data for the whole reporting system of the Company, i.e.:

- for the process of preparing financial statements
- periodic reports
- management reporting system.

The whole reporting system uses the Company's financial and management accounting based on the accounting policy adopted in the Company (International Financial Reporting Standards). Thanks to this, management reporting is not detached from the prepared financial statements and takes account of the format and the level of detail of data presented in these statements. The process of preparing financial statements is described in the section before. The periodic and management reporting process is a continuation of the budgeting process described before. Once the accounting books have been closed, reports are prepared on the actual performance compared to budgets and forecasts. In relation to closed reporting periods, the Group's financial results are analysed in detail and compared to the budget assumptions and forecasts made in the month preceding the analysed reporting period.

The key element in this process is the monitoring of the deviation of actual performance from the plan, and explaining the reasons for such a deviation. Monitoring deviations and learning their reasons helps optimise the Group's operations and minimise potential risks. Initially, monthly performance reports are analysed in detail by mid-level and senior management staff from individual organisational units of the Accounting Division and the Budgeting and Forecasts Team. Given the specific nature of the industry, the analyses are multi-faceted: not only individual groups of costs are analysed but also specific investment projects, segments or result items are reviewed separately. Based on these reports, the Company's Management Board analyses current fi-

nancial results and compares them with the adopted budgets in the course of the year.

Risk management in the company

Effective internal control (along with the existing reporting system) is the basic step in identifying risks and managing changes. In addition to the reporting system, effective risk management also involves a risk analysis. Therefore, the Company's key measure aimed at reducing its risk exposure is the correct assessment of prospective investments (Budgeting and Analysis Division) and the monitoring of current investments (project managers). To this end, investment models and decision-making procedures are employed, whose observance is closely monitored by the Company's Finance Director and the Man-

agement Board. In addition, all requests and potential changes in the budgets of investment projects are entered by the Budgeting and Analysis Division into result forecast models and a cash flow forecast so that an issue can be examined globally, and to eliminate risks related to projects, liquidity, foreign exchange rates, etc. Global management and risk monitoring as well as internal control in all areas that are important for the organisation largely limits most risks to which the Company is exposed.

In 2017 Echo Investment started to establish new Internal Audit Department, members of which reports directly to the Management Board and Audit Committee. In 2018 the Company intends to complete the unit and put it to full operation.

Changes of Echo Investment's Statute in 2017

34

Extraordinary General Meeting of Shareholders on 16 October 2017 approved amendments to the Company's Statute, which were mostly ordinal in their character and clarified the previous provisions.

THE LIST OF THE ADMENDEMENTS INTRODUCED:

1.	<p>Previous § 3 of the Statute which reads:</p> <p>The term of the Company shall be unspecified.</p>	<p>Shall read:</p> <p>The Company is established for an indeterminate period of time.</p>
2.	<p>Previous § 6 of the Statute which reads:</p> <p>The shares may be delivered for contributions in cash or in-kind or for contributions in both of these forms at the same time. The shares may be disposed of and pledged without any limitations, subject to Art. 336 § 1 of the Code of Commercial Companies with respect to the shares delivered in exchange for contributions in-kind. Each share shall carry one vote at the General Meeting and it shall entitle its holder to a share in the distributable profit (the dividend) proportionally to the respective shareholding. The shares in the Company may be redeemed. The terms, conditions and method of redeeming shares shall be specified in a resolution of the General Meeting.</p>	<p>Shall read:</p> <ol style="list-style-type: none"> 1. The shares may be delivered for contributions in cash or in-kind or for contributions in both of these forms at the same time. 2. The shares may be disposed of and pledged without any limitations, subject to Art. 336 § 1 of the Code of Commercial Companies with respect to the shares delivered in exchange for contributions in-kind. 3. Each share shall carry one vote at the General Meeting. 4. Shareholders are entitled to a share in the profit disclosed in the financial statements audited by a statutory auditor and earmarked by the General Meeting to be paid to shareholders (the dividend) proportionally to the respective shareholding. 5. The shares in the Company may be redeemed. The terms, conditions and method of redeeming shares shall be specified in a resolution of the General Meeting.
3.	<p>Previous § 9 of the Statute which reads:</p> <p>The General Meeting may be ordinary or extraordinary. The General Meeting shall be convened in the cases and on the terms specified in the Code of Commercial Companies. The General Meeting shall be held at the registered office of the Company or in any other place in the territory of the Republic of Poland – as specified in the notice of the general meeting.</p>	<p>Shall read:</p> <ol style="list-style-type: none"> 1. The General Meeting may be ordinary or extraordinary. The General Meeting shall be convened in the cases and on the terms specified in the Code of Commercial Companies. 2. The General Meeting shall be held at the registered office of the Company or in any other place in the territory of the Republic of Poland – as specified in the notice of the General Meeting.
4.	<p>Previous § 91 section 2 of the Statute which reads:</p> <p>The Management Board shall convene an Extraordinary General Meeting within 2 (two) weeks from the date of the respective request, referred to in section 1 above.</p>	<p>Shall read:</p> <p>The Management Board shall convene an Extraordinary General Meeting within 2 (two) weeks from the submission date of the respective request, referred to in section 1.</p>

THE LIST OF THE ADMENDEMENTS INTRODUCED:

5.	Previous § 92 section 2 of the Statute which reads:	Shall read:
	The demand referred to in section 1 should be submitted to the Company not later than 21 (twenty-one) days in advance of the scheduled date of the General Meeting. Any demand made after the lapse of this term shall be treated as a request for the convocation of an Extraordinary General Meeting.	The demand referred to in § 11 section 1 should be submitted to the Company not later than 21 (twenty-one) days in advance of the scheduled date of the General Meeting. Any demand made after the lapse of this term shall be treated as a request for the convocation of an Extraordinary General Meeting.
6.	Previous § 93 of the Statute which reads:	Shall read:
	The General Meeting may adopt resolutions irrespective of the number of shareholders present or shares represented, subject to mandatory legal provisions and this Statute.	The General Meeting may adopt resolutions irrespective of the number of shareholders present or shares represented, subject to current legal provisions and this Statute.
7.	Previous § 10 of the Statute which reads:	Shall read:
	A session of the General Meeting shall be opened by the Chairman or by the Deputy Chairman of the Supervisory Board and, subsequently, out of the individuals entitled to participate in the general meeting a Chairman of such meeting shall be elected. If the Chairman or the Deputy Chairman of the Supervisory Board is absent, the General Meeting shall be opened by the President of the Management Board or by an individual appointed by the management board.	A session of the General Meeting shall be opened by the Chairman or by the Deputy Chairman of the Supervisory Board and, subsequently, out of the individuals entitled to participate in the General Meeting a Chairman of such meeting shall be elected. If the Chairman and the Deputy Chairman of the Supervisory Board are absent, the General Meeting shall be opened by the President of the Management Board or by an individual appointed by the Management Board.
8.	Previous § 11 of the Statute which reads:	Shall read:
	<ol style="list-style-type: none"> 1. The scope of powers and authority of the General Meeting shall be specified in the provisions of this Statute, the Code of Commercial Companies and other applicable laws. In particular, the scope of powers and authority of the General Meeting shall comprise the appointment, dismissal and suspension in capacity of the members of the Supervisory Board and the adoption of resolutions on determining the entitlement to and the receipt of the dividend; the manner of the receipt thereof shall be specified by the Management Board. No resolution of the General Meeting shall be required for the acquisition and disposal by the Company of real property or of an interest in real property. A decision in this regard shall be taken by the Management Board of the Company, subject to § 13 section 1 letter d) thereof. 2. The General Meeting may decide, under a resolution, to exclude the annual profit of the Company from distribution among the shareholders and to retain it for the needs of the Company's operations. 2. The Ordinary General Meeting shall determine, under a resolution, the dividend record date. The dividend record date must be scheduled for a date falling not later than within three months from the date on which the General Meeting adopted a resolution on the allocation of profit for distribution among shareholders. 3. Resolutions at the General Meeting shall be adopted by an absolute majority of votes, unless the provisions of the Code of Commercial Companies or this Statute provide for other majority requirements for the effective adoption of specific resolutions. The procedure for holding the General Meeting and the adoption of resolutions is specified in the regulations of the General Meeting. 4. The General Meeting may resolve to amend the objects of the business activity of the Company without the need to repurchase the shares of the shareholders who do not consent to an amendment. The resolution must be adopted by a two-thirds majority of votes in the presence of individuals representing at least half of the share capital. 	<ol style="list-style-type: none"> 1. The scope of powers and authority of the General Meeting shall be specified in the provisions of this Statute, the Code of Commercial Companies and other applicable laws. 2. In particular, the scope of powers and authority of the General Meeting shall comprise the appointment, dismissal and suspension in capacity of the members of the Supervisory Board and the adoption of resolutions on determining the entitlement to and the receipt of the dividend; the manner of the receipt thereof shall be specified by the Management Board. 3. No resolution of the General Meeting shall be required for the acquisition and disposal by the Company of real property or of an interest in real property. 4. The General Meeting may decide, under a resolution, to exclude the annual profit of the Company from distribution among the shareholders and to retain it for the needs of the Company's operations. 5. The Ordinary General Meeting shall determine the dividend record date under a resolution. The dividend record date must be scheduled for a date falling not earlier than 5 days and not later than three months from the date on which the General Meeting adopted a resolution on the allocation of profit for distribution among shareholders. The General Meeting can determine the dividend payment date within the following three months from the dividend record date. 6. Resolutions at the General Meeting shall be adopted by an absolute majority of votes, unless the provisions of the Code of Commercial Companies or this Statute provide for other majority requirements for the effective adoption of specific resolutions. The procedure for holding the General Meeting and the adoption of resolutions is specified in the regulations of the General Meeting. 7. The General Meeting may resolve to significantly amend the objects of the business activity of the Company without the need to repurchase the shares of the shareholders who do not consent to an amendment. The resolution must be adopted by a two-thirds majority of votes in the presence of individuals representing at least half of the share capital.

THE LIST OF THE ADMEDEMENTS INTRODUCED:

9. Previous § 12 of the Statute acquires section 2 after § 12 section 1, which reads as follows:

In the case of an intention to appoint a member of the Supervisory Board who is to meet the independence criteria specified by law, the Shareholder submitting a candidate for a member of the Supervisory Board who is to meet the criteria, is obliged to present the Company with the candidacy at least eight (8) business days before the date of the General Meeting which is to appoint such a candidate to the Supervisory Board, together with all necessary information concerning the candidate (and confirmed by the candidate in writing) and at the request of the President of the Supervisory Board ensure the appearance of the candidate (or their participation in a tele- or videoconference) before or after the General Meeting at the time and place specified by the President of the Supervisory Board in order to enable the assessment of the fulfilment of the independence criteria by the candidate.

10. Previous § 13 section 1 of the Statute which reads:

1. The scope of powers and authority of the Supervisory Board shall include the exercise of regular supervision over the operations of the Company as well as the performance of other activities in accordance with the Code of Commercial Companies and other applicable laws. The Supervisory Board shall also be authorised to:

- a) appoint, dismiss and suspend in their capacity the Management Board of the Company or any individual members thereof;
- b) appoint a statutory auditor to audit the financial statements of the Company, with which the Management Board will conclude an agreement;
- c) consent to the Management Board concluding an agreement with an underwriter, as referred to in Art. 433 § 3 of the Code of Commercial Companies;
- d) consent to contracting liabilities and disposing of rights in relation to matters falling within the scope of ordinary business activity of the Company - if the value thereof exceeds 20% of the Company's equity. If any doubt arises as to whether a given matter falls within the scope of ordinary business activity of the Company, the Supervisory Board shall be entitled to issue an interpretation in this regard at the request of the Management Board. Such interpretation shall be binding upon the Management Board. Any matters connected with trading in real property shall fall within the scope of ordinary business activity of the Company;
- e) consent to contracting liabilities and disposing of rights in relation to matters exceeding the scope of ordinary business activity of the Company - if the value thereof exceeds 10% of the Company's equity;
- f) consent to paying to the shareholders an advance towards the dividend proposed in a resolution of the Management Board.

Shall read:

1. The scope of powers and authority of the Supervisory Board shall include the exercise of regular supervision over the operations of the Company as well as the performance of other activities in accordance with the Code of Commercial Companies and other applicable laws. The Supervisory Board shall also be authorised to:

- a) appoint, dismiss and suspend in their capacity the Management Board of the Company or any individual members thereof;
- b) appoint a statutory auditor to audit the financial statements of the Company, with which the Management Board will conclude an agreement;
- c) consent to the Management Board concluding an agreement with an underwriter, as referred to in Art. 433 § 3 of the Code of Commercial Companies;
- d) consent to contracting liabilities and disposing of rights in relation to matters falling within the scope of ordinary business activity of the Company - if the value thereof exceeds 20% of the Company's equity. If any doubt arises as to whether a given matter falls within the scope of ordinary business activity of the Company, the Supervisory Board shall be entitled to issue an interpretation in this regard at the request of the Management Board. Such interpretation shall be binding upon the Management Board. Any matters connected with trading in real property shall fall within the scope of ordinary business activity of the Company;
- e) consent to contracting liabilities and disposing of rights in relation to matters exceeding the scope of ordinary business activity of the Company - if the value thereof exceeds 10% of the Company's equity;
- f) consent to paying to the shareholders an advance towards the dividend proposed in a resolution of the Management Board.
- g) determine the regulations of the Supervisory Board and approve the regulations of the Management Board;
- h) assess the fulfilment of the independence criteria specified by applicable laws by individual members of the Supervisory Board; the evaluation can take place before and after the General Meeting appointing a given member or members of the Supervisory Board.

11. Previous § 131 of the Statute gains section 2 after § 131 section 1, which reads as follows:

In particular the Supervisory board appoints an audit committee the composition of which should comply with current laws.

THE LIST OF THE ADMENDEMENTS INTRODUCED:

12.	<p>Previous § 14 section 2 of the Statute which reads:</p> <p>The term of office of the first Management Board shall be two years, and the term of office of the following Management Boards shall be three years, provided that members of the Management Board shall be appointed for a joint term of office, which does not exclude the right to dismiss each member of the Management Board at an earlier date. Mandates of members of the Management Board shall expire on the date of holding the General Meeting approving the financial statements for the last year of the term of office of the Management Board. The Management Board or individual members thereof may be dismissed by the Supervisory Board before the end of the term of office, including, in particular, at the written request submitted by the shareholders representing at least one-third of the share capital or as a result of an Ordinary General Meeting having adopted a resolution refusing to grant approval to the members of the Management Board for the performance of their duties in the preceding financial year (in Polish: rok obrachunkowy)</p>	<p>Shall read:</p> <p>The term of office of the first Management Board shall be two years, and the term of office of the following Management Boards shall be three years, members of the Management Board shall be appointed for a joint term of office, which does not exclude the right to dismiss each member of the Management Board at an earlier date. Mandates of members of the Management Board shall expire on the date of holding the General Meeting approving the financial statements for the last year of the term of office of the Management Board. The Management Board or individual members thereof may be dismissed by the Supervisory Board before the end of the term of office, including, in particular, at the written request submitted by the shareholders representing at least one-third of the share capital or as a result of an Ordinary General Meeting having adopted a resolution refusing to grant approval to the members of the Management Board for the performance of their duties in the preceding financial year.</p>
13.	<p>Previous § 14 sections 4, 5, 6 and 7 of the Statute which read:</p> <p>4. In the case of a collective Management Board, making representations on behalf of the Company, including incurring liabilities, signing contracts and other documents on behalf of the Company, requires cooperation of:</p> <p>a) the President of the Board together with the Vice President of the Board, or</p> <p>b) two Vice-Presidents acting jointly, or</p> <p>c) the President or the Vice President of the Management Board acting jointly with a Member of the Board, or</p> <p>d) the President or the Vice President of the Management Board acting jointly with a Proxy.</p> <p>The Management Board shall manage all of the day-to-day business of the Company, subject to the limitations arising under the Code of Commercial Companies and this Statute. The acquisition and disposal by the Company of real property, perpetual usufruct or an interest in real property or in perpetual usufruct shall fall within the scope of the Management Board, subject to § 13 section 1 letters (d) and (e) of the Statute. While exercising their powers and authority at General Meetings of Shareholders in subsidiaries, the Management Board of the Company shall be required to obtain prior approval from the Supervisory Board of the Company also in the case where the contracting of a liability or disposing of a right by a subsidiary will exceed the limits specified in § 13 section 1 letters (d) or (e) of the Statute.</p> <p>5. Contracts of employment or any agreements of another type concluded with members of the Management Board shall be signed by the Chairman of the Supervisory Board or by any other member of the Supervisory Board authorised thereto under a resolution of the Supervisory Board. The contents of the contract or agreement and the amount of the remuneration of a member of the Management Board must be pre-approved under a resolution of the Supervisory Board.</p> <p>6. The detailed operating procedure of the Management Board is specified in the rules of operation of the Management Board, which are adopted by the Management Board and approved by the Supervisory Board.</p> <p>7. In the event that an equal number of votes is cast in respect of the resolutions of the Management Board, the President of the Management Board shall have the casting vote.</p>	<p>Shall read:</p> <p>4. In the case of a collective Management Board, making representations on behalf of the Company, including incurring liabilities, signing contracts and other documents on behalf of the Company, requires cooperation of:</p> <p>a) the President of the Board together with the Vice President of the Board, or</p> <p>b) two Vice-Presidents acting jointly, or</p> <p>c) the President or the Vice President of the Management Board acting jointly with a Member of the Board, or</p> <p>d) the President or the Vice President of the Management Board acting jointly with a Proxy.</p> <p>5. The Management Board shall manage all of the day-to-day business of the Company, subject to the limitations arising under the Code of Commercial Companies and this Statute. The acquisition and disposal by the Company of real property, perpetual usufruct or an interest in real property or in perpetual usufruct shall fall within the scope of the Management Board and it does not require adoption of a resolution by the Management Board but acting in accordance with section 4, subject to § 16 section 1 letters (d) and (e) of the Statute. While exercising their powers and authority at General Meetings of Shareholders in subsidiaries, the Management Board of the Company shall be required to obtain prior approval from the Supervisory Board of the Company also in the case where the contracting of a liability or disposing of a right by a subsidiary will exceed the limits specified in § 16 section 1 letters (d) or (e) of the Statute.</p> <p>6. Contracts of employment or any agreements of another type concluded with members of the Management Board shall be signed by the Chairman of the Supervisory Board or by any other member of the Supervisory Board authorised thereto under a resolution of the Supervisory Board. The contents of the contract or agreement and the amount of the remuneration of a member of the Management Board must be pre-approved under a resolution of the Supervisory Board.</p> <p>7. The detailed operating procedure of the Management Board is specified in the rules of operation of the Management Board, which are adopted by the Management Board and approved by the Supervisory Board.</p> <p>8. In the event that an equal number of votes is cast in respect of the resolutions of the Management Board, the President of the Management Board shall have the casting vote.</p>

THE LIST OF THE ADMEDEMENTS INTRODUCED:

14.	<p>Previous § 15 of the Statute which reads:</p> <p>Individuals who are not shareholders of the Company may also be appointed to serve on the management board of the Company.</p>	<p>Shall read:</p> <p>Individuals who are not shareholders of the Company may also be appointed to serve on the Management Board of the Company.</p>
15.	<p>Previous § 16 section 1 of the Statute which reads:</p> <p>The Company may issue bonds, including convertible bonds or bonds with a priority right attached thereto. In respect of the issuance of convertible bonds or bonds with a priority right attached thereto, a resolution of the General Meeting must be adopted. The resolution referred in the second sentence shall be adopted by a three-quarters majority (3/4) of votes.</p>	<p>Shall read:</p> <p>The Company may issue bonds, including convertible bonds or bonds with a priority right attached thereto. In respect of the issuance of convertible bonds or bonds with a priority right attached thereto, a resolution of the General Meeting must be adopted. The resolution referred in the second sentence shall be adopted by a three-quarters majority (3/4) of votes.</p>
16.	<p>Previous § 16 section 2 of the Statute which reads:</p> <p>The General Meeting may also adopt a resolution on the provision by the Company of dividend in physical form, by way of delivering specific objects, designated in terms of type, or by way of transferring other property rights, thereby specifying the terms, method and other conditions of providing dividend in such form. A resolution in this respect must be adopted by a simple majority of votes cast.</p>	<p>Shall read:</p> <p>The General Meeting may also adopt a resolution on the provision by the Company of dividend in physical form, by way of delivering specific objects, designated in terms of type, or by way of transferring other property rights, thereby specifying the terms, method and other conditions of providing dividend in such form. A resolution in this respect must be adopted by a simple majority of votes cast.</p>
17.	<p>Previous § 19 section 1 of the Statute which reads:</p> <p>1. The Company may create other funds, including:</p> <ol style="list-style-type: none"> 1) a reserve capital for covering extraordinary losses suffered by the Company; 2) a social fund; 3) a housing fund; and 4) a reserve fund for the acquisition of the Company's own shares, as well as other funds obligatorily created in accordance with the applicable provisions of law. 	<p>Shall read:</p> <p>1. The Company may create other funds, including:</p> <ol style="list-style-type: none"> a) a reserve capital for covering extraordinary losses suffered by the Company; b) a social fund; c) a housing fund; d) a dividend fund; e) a reserve fund for the acquisition of the Company's own shares, as well as other funds obligatorily created in accordance with the applicable provisions of law or decisions of the General Meeting.

Rules for amending the Company's articles of association

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The rules for amending the Company's Statute or Articles of Association are governed by the Commercial Companies Code.

Amendments to the Statute require a resolution of the General Shareholders' Meeting of Echo Investment S.A. and an entry into the National Court Register (KRS). The Management Board reports the amendment to the Statute to the respective register court within three months of the date of the resolution of the General Meeting.

Together with the entry of an amendment to the Statute, the amendment to the Company's corporate data reported to the register court is entered into the National Court Register. The General Shareholders' Meeting authorises the Supervisory Board of Echo Investment S.A. to specify a complete text of the amended Statute or to introduce other editorial amendments, as specified by the resolution of the Meeting.

The procedure of the general meeting, a description of shareholders' rights and the manner of exercising them

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The procedure of the General Meeting of the Company, its powers and the rights of shareholders as well as the manner of exercising them are governed by the Company's Statute and the Code of Commercial Companies. The Company's Statute is available in the Investors Relations/Company /Basic Corporate Documents tab on the Company's website www.echo.com.pl.

The schedule of work related to the organization of the General Meetings of the Company, including the preparation of materials presented at the General Meeting, is planned so as to duly fulfil the obligations towards shareholders and enable them to exercise their rights.

Composition and changes in the management board

37

COMPANY'S MANAGEMENT BOARD

AS AT 1 JANUARY 2017

- Nicklas Lindberg - President of the Board
- Maciej Drozd - Vice-President of the Board
- Piotr Gromniak - Vice-President of the Board
- Artur Langner - Vice-President of the Board
- Marcin Materny - Member of the Board
- Rafał Mazurczak - Member of the Board.

CHANGES IN COMPOSITION OF MANAGEMENT BOARD IN 2017

On 10th of October 2017 Waldemar Olbryk and Mikołaj Martynuska were appointed by the Supervisory Board as members of the management board for a joint term of management board.

As a member of the management board Waldemar Olbryk is responsible for the development of the residential sector. He joined Echo Investment in August 2017 and he earlier worked for companies from the Skanska group, including positions such as: managing director of business development, manager of teams responsible for new business such as public private partnerships or shared services. Until 2008 he worked for Philips Poland, Apsys Poland and BP.

He is a graduate of International Economic Relations at the University of Łódź, he also completed MBA studies at the University of Łódź/the University of Maryland.

Mikołaj Martynuska worked in Echo Investment since 2016. As a managing director he was responsible for the purchase of plots, planning procedures, work

COMPANY'S MANAGEMENT BOARD

AS AT 31 DECEMBER 2017

- Nicklas Lindberg - President of the Board
- Maciej Drozd - Vice-President of the Board
- Piotr Gromniak - Vice-President of the Board
- Artur Langner - Vice-President of the Board
- Marcin Materny - Member of the Board
- Rafał Mazurczak - Member of the Board
- Waldemar Olbryk - Member of the Board.

with cities on the land zoning plans, administrative procedures as well as the sale of non-core business projects and assets. Earlier, for over 10 years, Mikołaj Martynuska worked in CBRE Polska in management positions while supervising company's consulting strategy for developers. Until 2006 he worked for CBRE Spain, Dragados and Buma System, among others.

He is a graduate of the University of Reading and Kraków University of Economics, he is also a member of the Royal Institution of Chartered Surveyors (RICS) with specialization in planning and development.

On 21 December 2017, following his detention by the Regional Prosecutor's Office in Katowice, in connection with conducted anticorruption proceedings, Mikołaj Martynuska resigned from his seat on the Management Board in the interest of the Company. He also stated that he did not commit any crime and intends to prove his innocence pursuant to the provisions of the law.

Description of principles regulating the appointment and dismissal of managerial staff and their rights

38

The Management Board of Echo Investment S.A. operates based on the Commercial Companies Code Act (J.L. of 2000, No. 94, item 1037, as amended), the Company's Statute, the Rules and Regulations of the Management Board of Echo Investment SA approved by way of Resolution of the Company's Supervisory Board of 14 May 2005, and according to the adopted "Code of Best Practice for WSE Listed Companies".

The Management Board or its Members are appointed, dismissed and suspended by the Supervisory Board, which also appoints the President and the Vice-President of the Management Board.

The term of office of the first Management Board is two years, the term of office of subsequent Management Boards is three years, and Management Board members are appointed for a joint term of office, which does not preclude the right to dismiss a member of the Management Board earlier. Mandates of Members of the Management Board expire on the day of the GSM's approval of the financial statements for the last year of the Management Board's term of office. The Management Board or its individual Members may be dismissed by the Supervisory Board before the expiry of their term of office, especially following a justified written motion of shareholders who represent at least 1/3 of the share capital, or if the Management Board's fulfilment of duties for the last closed financial year is not acknowledged by the Ordinary General Shareholders' Meeting.

The Management Board may consist of one or more persons. The Management Board or its Members are appointed, dismissed and suspended by the Supervisory Board, which also appoints the President and the Vice-President of the Management Board.

Only those individuals who are not the Company's shareholders may be appointed to the Management Board.

The Management Board represents the Company before officials, institutions, third parties, courts as well as public authorities. An appointed Proxy may act on behalf of the Company to the same effect. Declarations of intention on behalf of the Company must be made jointly by two members of the Management Board or one member of the Management Board acting jointly with an appointed proxy. Management Board Members may only fulfil their duties in person.

The operation of the Management Board is described in detail in the Work Regulations of the Management Board, which is adopted by the Management Board and approved by the Supervisory Board. In the event of a tied vote when adopting resolutions by the Management Board, the President of the Management Board shall have the casting vote.

The Management Board runs all current affairs of the Company, subject to restrictions specified by the Commercial Companies Code and this Statute. The purchase and sale of real property, perpetual usufruct title or a share in real property or a share in perpetual usufruct title by the Company lies within the responsibilities of the Management Board, subject to § 13, section 1, letters d) and e) of the Statute. When exercising the rights of the General Meeting in subsidiaries, the Company's Management Board is obliged to obtain a prior consent from the Company's Supervisory Board, even if the incurred liability or the exercise of a right by a subsidiary exceeds the limits specified in § 13, section 1, letters d) and e) of the Statute, under which a consent from the Supervisory Board is required for the Company to incur liabilities exceeding 20% of its equity.

When deciding on the Company's issues, the Management Board is particularly obliged to act within the limits of reasonable economic risks, following an in-depth analysis and consideration of all available information, studies and opinions which, in the opin-

ion of the Management Board, should be taken into consideration in the Company's interest.

In addition, the Management Board submits motions regarding issues to be discussed by the General Meeting to the Company's Supervisory Board for approval. Information on the produced opinions is announced to the public by the Company immediately after such information is received from the Company's Supervisory Board.

When contacting the media, members of the Management Board may only provide generally available information about the Company. All statements for the media regarding financial forecasts and the strategy of the Company or of the Management Board may only be made by the President or the Vice-President of the Management Board. With regard to other issues, all members of the Management Board or other authorised persons are allowed to contact the media.

The Management Board meets at least once a month, the meetings are presided over by the President of the Management Board and, in his/her absence, by the Vice-President of the Management Board and, in the absence of the President and the Vice-President of the Management Board, the meetings are presided over by the longest-serving Management Board member of Echo Investment S.A. The meetings of the Management Board are held at the Company's office, unless all members of the Management Board agree to hold a meeting in a different location. A meeting of the Management Board may be held, if all members of the Management Board have been informed about the meeting, and at least two members of the Management Board are present.

The meetings of the Management Board are convened by the President of the Management Board or by any other member of the Management Board who sees fit to do so.

Every member of the Management Board must be informed about the date and agenda of the meeting at least 2 days prior to the planned meeting. The notification may be delivered by phone, through the Office of the Company's Management Board, by e-mail, by fax or in writing.

The meetings of the Management Board may be held even when they have not been formally convened, if all members of the Management Board are present and no present member objects to the meeting being held or to specific items on the agenda.

The Management Board may pass its resolutions in writing or using means of telecommunication, sub-

ject that, in such a case, the Management Board is presided over by the member requesting the adoption of a given resolution. This procedure is not allowed when at least one member of the Company's Management Board objects.

The Management Board makes decisions by way of resolutions. Resolutions of the Management Board are adopted by an absolute majority of votes. In the event of a tied vote when adopting resolutions by the Management Board, the President of the Management Board shall have the casting vote and, in the absence of the President of the Management Board, the Vice-President of the Management Board shall have the casting vote. In the absence of the President and the Vice-President of the Management Board, the longest-serving member of the Company's Management Board shall have the casting vote.

When required, minutes are taken from the meetings of the Management Board. Resolutions of the Management Board are recorded in the minutes in such a way so that they form attachments to the minutes, or are included in the text of the minutes. In addition, the minutes must include the date and place of the meeting of the Management Board, names of the present Management Board members and the number of votes cast on individual resolutions. The minutes must be signed by all Management Board members attending the meeting. Any dissenting opinions of the attendees must be enclosed to the minutes. The minutes are kept at the Office of the Company's Management Board.

In 2017, the Company's Management Board, when defining strategic objectives and current tasks, considered the best interest of the Company, its shareholders, partners, customers, employees and creditors, and observed the law.

To ensure transparency and effectiveness of the management system, the Management Board followed the rule of professional conduct within the limits of reasonable economic risk, taking account of the wide range of the available information, analyses and opinions.

The remunerations of the Management Board Members were defined by the Supervisory Board, based on the responsibilities and skills of individual Management Board Members, and taking account into the Company's financial results, and a reasonable relation was maintained to remunerations of Management Boards in similar companies on Polish real property market.

Composition of the Supervisory Board and its changes

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SUPERVISORY BOARD AS AT 1 JANUARY 2017

- Karim Khairallah - Chairman
- Laurent Luccioni - Vice-Chairman
- Maciej Dyjas - Member of the Board
- Stefan Kawalec - Member of the Board meeting the criteria of independency
- Przemysław Krych - Member of the Board
- Nebil Senman - Member of the Board
- Sebastian Zilles - Member of the Board.

SUPERVISORY BOARD AS AT 31 DECEMBER 2017

- Karim Khairallah - Chairman
- Laurent Luccioni - Vice-Chairman
- Mark E. Abramson - Independent Member of the Board
- Maciej Dyjas - Member of the Board
- Stefan Kawalec - Independent Member of the Board
- Nebil Senman - Member of the Board
- Sebastian Zilles - Member of the Board.

CHANGES IN THE SUPERVISORY BOARD IN 2017

The Extraordinary Meeting of Echo Investment S.A. of the 16th of October 2017 appointed Mark E. Abramson as a member of the supervisory board.

Mark Abramson fulfils independence criteria stipulated in the Act of the 11th of May 2017 on statutory auditors, audit companies and public supervision.

Since 2005 Mark Abramson has been the executive director at HIRES GmbH, a subsidiary of Heitman LLC. He manages and supervises the company's investment activity on the securities market in Europe. In the years 1994-1995 he was the senior executive director at Bear Stearns & Co. in New York and Sao Paulo. He worked on the public equity market and was involved in the analysis of companies representing a lot of business lines in various geographic regions, including the United States, Europe, Latin America, Asia and the Pacific and other parts of the world.

He is a graduate of the Johns Hopkins University where he earned a B.A. degree in Political Economics (1990) as well as the American University in Washington, where he earned an M.A. degree in Theory of Monetary Economics (1991). In 1994 he was awarded a PhD degree (ABD) in International Public Policy at the University of Maryland, College Park.

On 20 December 2017, following his detention by the Regional Prosecutor's Office in Katowice, in connection with conducted anticorruption proceedings, Przemysław Krych resigned from his seat on the Supervisory Board in the interest of the Company. He also stated that he did not commit any crime and intends to prove his innocence pursuant to the provisions of the law.

Company's supervisory board - rules of operation in 2017

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The Supervisory Board of Echo Investment SA operates based on the Commercial Companies Code Act (J.L. of 2000, No. 94, item 1037, as amended), the Company's Statute, the Rules and Regulations of the Supervisory Board of Echo Investment SA of 26 June 2003, and according to the adopted "Code of Best Practice for WSE Listed Companies".

The Supervisory Board is composed of at least 5 (five) members who are appointed (and dismissed) by the General Meeting for a period of three years; members of the Supervisory Board are appointed for a joint term of office, which does not preclude an earlier dismissal of every member of the Supervisory Board. Supervisory Board Members may be re-appointed. A resolution of the General Meeting each time specifies the number and the members of the Supervisory Board. If the General Meeting does not specify the function of a given member of the Supervisory Board when appoint such a member, the Supervisory Board appoints the Chairman of the Supervisory Board from among its members and the Vice-Chairman in a secret ballot. Members of the Supervisory Board fulfil their duties only in person.

Members of the Supervisory Board delegated to constant and individual supervision may not, without the Company's consent, be involved in competitive business or participate in a competitive company as a partner in a civil law partnership, a partnership or as a member in a body of a capital company, or participate in another competitive legal person as a member of its bodies. This prohibition also includes participation in a competitive capital company in which a Supervisory Board member holds at least 10% of interests or shares, or has the right to appoint at least one management board member.

Members of the Supervisory Board may be dismissed at any time by the General Shareholders' Meeting.

A Supervisory Board member may resign his/her post before the expiry of the term of office for which

he/she was appointed by submitting a statement to that effect to the Chairman of the Supervisory Board. If the Chairman of the Supervisory Board resigns his/her post, the statement to that effect is submitted to the Vice-Chairman. A Member of the Supervisory Board should not resign during the term of office, if such a resignation could prevent the Supervisory Board from operating, and especially if it could prevent the adoption of an important resolution.

The mandate of a Supervisory Board member expires, at the latest, on the day of the General Meeting which approves the Company's financial statements for the last full financial year in which the Supervisory Board member held his/her post (final year of the member's term of office). The mandate also expires upon death or dismissal of a Supervisory Board member. If, as a result of expiry of mandates of Supervisory Board members, the Supervisory Board is composed of fewer than 3 members, the Supervisory Board is unable to pass legally binding resolutions, and the Chairman of the Supervisory Board, or, in the absence of the Chairman, the Vice-Chairman, requests the Company's Management Board to promptly convene an Extraordinary General Meeting and to include the appointment of Supervisory Board members in the agenda of the General Meeting.

A member of the Supervisory Board should be primarily concerned about the Company's interest.

When contacting the media, members of the Supervisory Board may only provide generally available information about the Company. Any statements for the media regarding the Company or the Supervisory Board may only be made by the Chairman of the Supervisory Board and, in his/her absence, by the Vice-Chairman of the Supervisory Board.

The responsibilities of the Supervisory Board include supervision over the Company's business and other actions, as stipulated by the Commercial Compa-

nies Code and other acts. The Supervisory Board adopts resolutions or gives opinions on issues within its scope of responsibilities, according to the Company's Statute and under the procedure stipulated by the provisions of the Statute or other laws.

In particular, the Supervisory Board is authorised to:

- examine the Company's financial statements for the last financial year
- examine the Company's Management Report and suggestions of the Management Board regarding the distribution of profit and the coverage of loss
- submit a written report on the above actions to the General Meeting
- express opinions on motions submitted by the Management Board directed to the General Meeting, and express opinion and pass resolutions on other issues submitted by the Company's Management Board
- appoint, dismiss and suspend the Company's Management Board or its individual members
- appoint a statutory auditor to audit the Company's financial statements with whom the Management Board concludes an agreement
- approve the Management Board's conclusion of the agreement with a sub-issuer referred to in Article 433 § 3 of the Commercial Companies Code
- approve the contracting of liabilities and disposing of the rights to the extent within the current business of the Company - if their value exceeds 20 % of the Company's equity. If it is uncertain whether a given issue has been included in the current business of the Company, the Supervisory Board is entitled to make a relevant interpretation in this respect, at the request of the Management Board. The interpretation shall be binding for the Management Board. Issues related to trade in real estate are within the scope of the Company's current business.
- approve the contracting of liabilities and disposing of the rights that go beyond the current business of the Company - if their value exceeds 10% of the Company's equity.

The meetings of the Supervisory Board are held as necessary but at least three times per financial year. The meetings of the Supervisory Board are convened by the Chairman or the Vice-Chairman and are held in the Company's office or in a location indicated by the Chairman or the Vice-Chairman. The meetings of the Supervisory Board are convened upon the initiative of the Chairman of the Board or at a written request of the Management Board or a member of the Supervisory Board.

The meetings of the Supervisory Board convened at the request of the Management Board or a member of the Supervisory Board must be held within two weeks from the date of submitting the request.

The meetings are presided over by the Chairman and, in his/her absence, by the Vice-Chairman of the Supervisory Board. If neither the Chairman nor the Vice-Chairman of the Supervisory Board is present at the meeting, the meeting is presided over by the Board member appointed by the present attendees. The Chairman or the Vice-Chairman of the Supervisory Board notifies the remaining Members about the meetings and invites them by phone, by fax or in writing in due advance so that the invitation reaches the members 7 (seven) days before the planned date of the meeting at the latest. In emergencies, this period may be shorter.

The Supervisory Board may hold a meeting without being formally convened, if all of its members are present, and no member objects to the meeting being held and to including specific items in the agenda. The meetings of the Supervisory Board may be attended by other persons invited by the Chairman of the Supervisory Board, including Members of the Management Board, but they do not have the right to vote.

The members of the Supervisory Board make decisions related to the exercise of supervisory and control rights by way of resolutions. All Members of the Supervisory Board must be invited to the meeting and at least 50% of the Members must be present at the meeting or otherwise the resolutions of the Supervisory Board are null and void. The Supervisory Board may pass resolutions in writing or using telecommunication, subject that resolutions passed in such a way may not involve the appointment of the Chairman and the Vice-Chairman of the Supervisory Board, the appointment of a Member of the Management Board as well as the dismissal and suspension of these individuals. In such a case, for the resolutions to be valid, the Supervisory Board members must be notified in advance about the draft resolutions.

Resolutions of the Supervisory Board are adopted by an absolute majority of votes. In case of a tied vote when adopting resolutions by the Supervisory Board, the Chairman of the Supervisory Board shall have the casting vote.

The meetings of the Supervisory Board are minuted. Resolutions of the Supervisory Board are recorded in the minutes in such a way so that they form attachments to the minutes, or are included in the text of the minutes. In addition, the minutes must include the date and place of the meeting of the Supervisory Board, names of the present Supervisory Board members and the number of votes cast on individual resolutions. The minutes must be signed by all Supervisory Board members attending the meeting. Any dissenting opinions of the attendees must be

enclosed to the minutes. The minutes are kept at the Office of the Company's Management Board.

To fulfil their duties, the Supervisory Board has the right to control the full scale of the Company's operations, in particular:

- request the Management Board to provide documents and other materials on the Company's operations
- verify the Company's files and documentation demand explanations and reports from the Management Board and from the employees
- revise the status of the company's assets.

The Supervisory Board has the right to submit motions to the General Meeting regarding all issues within its scope of tasks and responsibilities. The Supervisory Board fulfils its duties by acting joint-

ly; it may, however, delegate individual members to independent and specific supervisory functions by way of a resolution. The Supervisory Board may appoint committees for specific matters.

The secretarial services to the Supervisory Board are provided by the office of Company's the Management Board. The secretarial services include: preparing invitations to the meetings of the Supervisory Board and sending them to the members of the Supervisory Board according to these rules and regulations, organising the premises where the meeting of the Supervisory Board is to be held, preparing minutes from the meeting, providing services during the meeting and archiving the Supervisory Board's documentation.

Audit Committee – composition in 2017

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AUDIT COMMITTEE AS AT 1 JANUARY 2017

- Stefan Kawalec – Chairman of the Audit Committee, Member of the Board meeting the criteria of independency
- Maciej Dyjas – Member of the Audit Committee
- Nebil Senman – Member of the Audit Committee.

In 2017 the Supervisory Board confirmed after the inquiry that Mark. E. Abramson and Stefan Kawalec are independent members of the supervisory board.

AUDIT COMMITTEE AS AT 31 DECEMBER 2017

- Stefan Kawalec – Chairman of the Audit Committee, Independent Member of the Supervisory Board,
- Mark E. Abramson – Member of the Audit Committee, Independent Member of the Supervisory Board,
- Nebil Senman – Member of the Audit Committee.

CHAPTER 3

STATEMENT OF THE MANAGEMENT BOARD

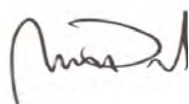


The Management Board of Echo Investment S.A. declares that, to the best of its knowledge, the Management Board Report on operations of Echo Investment S.A. and its Group for 2017 and comparative data have been presented in compliance with the applicable accounting principles, and that they reflect in a true, reliable and transparent manner the economic and financial situation of Echo Investment S.A. and its financial result. The management report of Echo Investment S.A. presents a true view of development, accomplishments and situation of Echo Investment S.A., including a description of fundamental risks and threats.

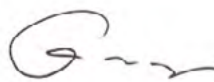
The Management Board of Echo Investment S.A. declares that the entity authorised to audit financial statements, auditing the annual financial statements for 2016 and 2017, was selected in accordance with the laws. This entity and the statutory auditors conducting the audit fulfilled the conditions required to express an unbiased and independent opinion on the audited annual financial statements, pursuant to the applicable laws and professional standards.



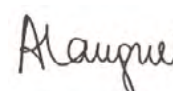
Nicklas Lindberg
President of the Board,
CEO



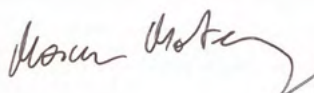
Maciej Drozd
Vice-President of the Board,
CFO



Piotr Gromniak
Vice-President of the Board



Artur Langner
Vice-President of the Board



Marcin Materny
Member of the Board



Rafał Mazurczak
Member of the Board



Waldemar Olbryk
Member of the Board

Kielce, 23 March, 2018.

ECHO

investment



CONTACT

Echo Investment S.A.
Warsaw office
Q22 building
al. Jana Pawła II 22
00-133 Warsaw

Emil Górecki, Echo Investment's Communication and Investor Relations manager is happy to answer your questions regarding this financial statements and the Company's activity.

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