

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

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2019



# Content

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## Dear Shareholders, Partners and Clients,

Echo Investment has had another successful year with a great operational and financial results. I am pleased to provide you with this report in which we describe all activities of the company: our business achievements and development plans.

We are proud that the results for 2019 were higher than the market expectations. The obtained net profit of PLN 300 million results from the increase in the value of our office and retail projects, handover of 1,263 apartments, as well as the sale of office buildings Gatehouse Offices in Warsaw and O3 Business Campus III in Kraków. All this allowed for the payment of an advance dividend of PLN 0.50 per share.

In December 2019, Wing, Hungary's leading real estate company, has become Echo Investment's main shareholder. I am glad to share with you that Noah Steinberg, CEO of Wing and Chairman of Supervisory Board of Echo Investment since January, stated that they intend to continue the company's development in line with our 'Strategy of Profitable Growth' announced in 2016.

### Multifunctional 'destination' projects

Today, the ongoing 'destination' projects are Warsaw Brewery and Fuzja in Łódź. In Fuzja we are experiencing great interest from tenants which is reflected in a fact that we have leased almost entire available office space. The same thing applies to Warsaw Brewery - we are in advanced negotiations on the whole remaining office space in the buildings.

On Warsaw Brewery we are finalising construction works and in the end of the year this entire great

urban quarter will be fully available for citizens. In the Apartments near Malthouse project we are selling last units.

Attractive restaurateurs and tenants are being introduced into their premises. This is going to be the place to be in Warsaw for working, living and entertainment.

A year ago we have started construction works at Łódź-based Fuzja - the project that met a very warm reception. Its apartments' offer enjoys big interest from clients. In 2019 we received the building permit for the first office buildings in this complex and attracted Fujitsu Poland Global Delivery Center to move its headquarter here. This proves a great potential and attractiveness of Fuzja in Łódź.

Both projects confirm, that the strategy based on developing integrated part of the cities where the history meets the present in design, is efficient and socially responsible. That is why we are preparing another 'destination' projects, such as Towarowa 22 in Warsaw. I am particularly satisfied of the acquisition of the Tesco shopping mall in Warsaw's Kabaty which is going to be transformed into the new center of the district. Another great deal was concluded in the beginning of 2020 where we secured three standing and working first generation shopping malls belonging to the Tesco Group that enable us to develop around 240,000 sqm mixed use area consisting of residential, office and retail space in Poznań, Łódź and Cracow.

### Residential

We systematically strengthen our position among the biggest residential developers in Poland. As one



of the few developers in 2019, we improved our sale results. Our sales team signed 1,357 preliminary agreements, which translates into 38% of growth compared to 2018. Echo Investment began construction and launched nine projects offering over 1,800 apartments.

To develop our residential business, in 2019 and in the beginning of 2020, lands where over 8,000 apartments can be developed, were bought or secured.

### **Resi4Rent**

Our residential-for-rent platform made a breakthrough in 2019: it started to market and lease its first projects Rychtalska in Wrocław and Wodna in Łódź. In just a dozen weeks from commissioning, the Wrocław-based project is rented in almost 70%, and the building in Łódź in approx. 40%.

The platform successfully grows and in just few weeks it will handover the third project Kępa Mieszcząńska in Wrocław. With another projects being currently under construction Resi4Rent will manage a portfolio with 2,300 completed units already at the end of 2021. The client's huge interest and speed of leasing exceed our expectations and demonstrates huge potential of the institutional rental market in Poland. This is why we are going to develop the platform further and make it the first choice landlord for those, who seek comfortable apartment for rent from an institutional landlord.

### **Office**

Last year, Echo Investment started construction of four office projects with a total leasable area of over 95,000 sqm, and has obtained the occupancy permit for two office buildings - Moje Miejsce I and Face 2 Face I - with a total area of nearly 40,000 sqm. Our leasing team signed lease agreements for a total area of 96,000 sqm. Among the largest tenants secured last year were such companies as Grupa Żywiec in the Warsaw Brewery, Pyszne.pl in Wrocław's MidPoint 71, LuxMed in O3 Business Campus III in Kraków, Just Gym in My Place in Warsaw, Medicover Polska in Katowice Face2Face, CitySpace in React in Łódź and last but not least Fujitsu Poland Global Delivery Center in Łódź-based Fuzja.

### **CitySpace**

Last year our operator of flexible serviced offices increased its managed area by 70 pct. and it launched over 800 additional workstations. Currently it manages almost 17,000 sqm of space with around 1,900 workstations in ten locations. Last year the company launched as many as four offices: in the Aquarius Business House in Wrocław, Galeria Młociny in Warsaw, the Moje Miejsce office building in Warsaw's Mokotów district and the third building of the O3 Business Campus office complex in Kraków. The spaces under operations is having an occupancy rate of over 71% and it's growing.

### **Retail and entertainment**

The opening of Galeria Młociny was one of key events of 2019, not only for Echo Investment, but for the entire retail sector in Poland. This complex is about 85,000 sqm of modern, well-designed space, where over 6,000 sqm is dedicated to food and entertainment. The international retail chain Primark confirmed its presence in Galeria Młociny. Its store in our scheme opens this spring and it will be the first location in Poland. Moreover, 40 new brands extended Galeria Młociny's offer in stores opened in August and September.

Although not yet fully completed, the Warsaw Brewery project is arousing enormous interest now. This is reflected, among others, by tenants who believed in the potential of this place and chose it for their market debut. Among them was Robert Lewandowski, Pjaca restaurant, as well as Craft & Beer Kumpel Atelier.

### **Financial standing and future outlook**

Echo Investment enjoys a very stable financial situation and a low net asset-to-debt ratio, which as at 31 December 2019, was at 34%. The Group maintains a high cash balance: over PLN 490 million at the end of 2019.

The value of our projects under construction increased over the last four quarters by 30%. This is in line with our strategy to achieve dominant position on markets we operate in. This is why we constantly searching and buy land for further development. In 2019, we acquired land properties for over 170,000 sqm of residential and office space. Also another land for 190,000 sqm is already secured with preliminary

**Wing, Hungary's leading real estate company, has become Echo Investment's main shareholder. I am glad to share with you that Noah Steinberg, CEO of Wing and Chairman of Supervisory Board of Echo Investment since January, stated that they intend to continue the company's development in line with our 'Strategy of Profitable Growth' announced in 2016.**

agreements - mainly for residential projects (including projects for Resi4Rent).

Changes in global economy and all lines of business due to coronavirus, caused close analysis of our action plans to be prepared for the changes in the business environment that are ahead of us. We put great emphasis on the health and safety of our employees

and business partners and with that in mind we are continually updating our plans for the next steps to ensure continuity of our business.

I encourage you to study in detail our financial report for 2019.

Yours sincerely



**Nicklas Lindberg**  
CEO of Echo Investment

# CHAPTER 1

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# MANAGEMENT BOARD REPORT



# General information about the Company and its Group

## 1996

Incorporation of Echo Investment



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 20 March, 2020

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

**Nicklas Lindberg**  
President of the Board, CEO



**Maciej Drozd**  
Vice-President of the Board,  
CFO



**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



**Małgorzata Turek**  
Member of the Board



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**Nicklas Lindberg**  
President of the Board, CEO

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 business 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

with Residential Development in the Nordics and for Skanska Russia as both CFO and CEO. Appointed CEO of Echo Investment on 18 April 2016.

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**Maciej Drozd**  
Vice-President of the Board, CFO

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 managing 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

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.

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**Artur Langner**  
Vice-President of the Board

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 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 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.

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**Marcin Materny**  
Member of the Management Board

Responsible for the development of retail business. Marcin Materny has worked in Echo Investment since 1997 and he has climbed all career ladders. He started as a leasing specialist, later he was in charge of a leasing team responsible for 10 shopping centres completed 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 2014 Marcin Materny was the director of the retail department of Echo Investment. On 15 September 2016 he was appointed the Member of the Company's Board.

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**Rafał Mazurczak**  
Member of the Management 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 Warsaw 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 Board.

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**Waldemar Olbryk**

Member of the Management Board

Responsible for 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 devel-

opment, 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 Inter-

national 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.

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**Małgorzata Turek**

Member of the Management Board

Małgorzata Turek has over twenty years of experience in the real estate industry while working for both investment and development companies as well as international law firms. She is a specialist in the field of asset management as well as real estate purchase and sale transactions. Since 2017, she has been the president of the newly formed

company Globalworth Poland Real Estate, where she was responsible for the organisation, development of a sustainable property portfolio generating revenues, as well as the establishment of all key functions of the company. She also gained her experience at Skanska Property Poland, where in 2012-2017 as a board member (Chief Operating Officer),

was responsible for the company's transactions and operations. Previously, Małgorzata worked at the renowned law firm Linklaters, where she specialised in transactions on the commercial real estate market. A graduate of the Faculty of Law and Administration of the Jagiellonian University in Krakow and a member of the Bar Association in Poland.

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# The Supervisory Board of Echo Investment S.A.

as at 20 March, 2020



**Noah M. Steinberg**  
Chairman of the Supervisory Board

**Tibor Veres**  
Deputy Chairman of the Supervisory Board



**Mark Abramson**  
Independent Supervisory Board Member  
Deputy Chairman of the Audit Committee



**Maciej Dyjas**  
Supervisory Board Member



**Stefan Kawalec**  
Independent Supervisory Board Member  
Chairman of the Audit Committee



**Péter Kocsis**  
Supervisory Board Member



**Bence Sass**  
Supervisory Board Member



**Nebil Senman**  
Supervisory Board Member  
Audit Committee Member





**Noah M. Steinberg**  
Chairman  
of the Supervisory Board

Noah Steinberg is WING Group's Chairman & Chief Executive Officer, and also one of its owners. An American citizen, he has worked in Hungary since 1990. In his current position since 1999, he was responsible for establishing WING and oversees the company's investment and development

businesses covering all market segments - office, industrial and logistics, retail, hotel and residential - and its real estate services portfolio. He is also the chairman of Royal Institution of Chartered Surveyors (RICS) in Hungary. Graduated from Princeton University (Woodrow Wilson School of

Public and International Affairs, Princeton University - BA) and the Diplomatic Academy of Vienna - MA). Speaks English, Hungarian, French, German and Spanish.

**Tibor Veres**  
Deputy Chairman  
of the Supervisory Board

Tibor Veres founded together with his father, György Veres the legal predecessor of today's Wallis Group. At present, he is the main owner of the Wallis Group, as well as the Chairman of its Board of Directors, while he is also a member of the Board of Directors at Graboplast and the Wing Group. Wing Group is the most significant enterprise connected to the Wallis Group,

both in terms of asset value, as well as the level of business complexity. In 2016, he acquired the Praktiker home improvement chain, which had possessed a considerable real estate portfolio, so the Wallis Group broadened its spectrum with a new significant element. Three of the companies established by Mr. Tibor Veres are present at the Hungarian stock exchange as issuers of bonds

and shares. In addition to the WING Group, Alteo Energy Services Plc. is involved in renewable energy production, and AutoWallis Plc. incorporates the automotive members of the Wallis Group, a corporation which has been justly famous for decades. Tibor Veres earned his economics MA at the Moscow State Institute of International Relations in 1986.

**Mark Abramson**  
Independent Supervisory  
Board Member  
Deputy Chairman  
of the Audit Committee

Mark is an investment advisor to major international institutional investors, sovereign wealth funds, pension programmes and others. He specializes in publicly traded companies involved in the real estate sector in Europe. In the years 2005 - 2017 he was Executive Director and partner at Heitman LLC, a real estate investment

management firm with US\$40 billion of AUM. From 1994 - 2005 he was Senior Executive Director at Bear Stearns & Co. (now JP Morgan), the investment bank. He began his career in public policy analysis at the Center for Strategic and International Studies in Washington DC. He was awarded a BA in Political Economics from the

Johns Hopkins University and an MA in Economics from the American University in Washington. He 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).

**Maciej Dyjas**  
Supervisory Board Member

Maciej 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 Cornerstone Partners private equity fund which invests in healthcare and pharmaceuticals, retail, industry, manufacturing, and infrastructure sec-

tors. He gained management experience in the Wandel & Goltermann Hewlett Packard Systems consulting company and he continued as a Managing Partner and Chairman at Eastbridge Group and key companies controlled by the fund, including NFI Empik Media & Fashion. In 2014 Eastbridge Group held assets

worth more than USD 3 bln in the retail, consumer goods and real estate sectors. He studied business, management, IT, psychology of management and communication at universities in Warsaw, Stuttgart, Frankfurt and Southampton in Great Britain.

<p><b>Stefan Kawalec</b> Independent Supervisory Board Member Chairman of the Audit Committee</p>	<p>In the 1989 – 1994 period Stefan Kawalec worked for the Ministry of Finance as the Chief Economic Adviser to the Minister of Finance, and from 1991 as a Deputy Minister. While working for the Ministry of Finance, he was involved in preparing and introducing the stabilisation and transformation programme for the Polish economy (the so-called Balcerowicz Plan). He led the negotiations and preparation of successive agreements with the International Monetary Fund (1990, 1991 and 1993) as well as managed the restructuring and privatisa-</p>	<p>tion of state banks. He was responsible for work on the development of new insurance legislation and supervised insurance matters as well as led the work on creation of a separate State Office for Insurance Supervision. In 1994-2002 he was the Head of the Advisory Team to the Management of Bank Handlowy in Warsaw and in the 1998-2002 period – the Head of Strategy at Bank Handlowy (as part of Citigroup from 2000). In the 2002 – 2003 period he worked for the Commercial Union Group/Aviva as a Vice-President of the Management Board of</p>	<p>Commercial Union Polska, and then as a Senior Advisor to the CEO of the Group in Poland. In the 2003 – 2006 period he was the Managing Director for Strategy at the PZU Group. Since December 2006 he has been self-employed and since 2008 – a partner and the CEO of the Capital Strategy consulting firm. He was an adviser to international institutions such as the World Bank and the International Monetary Fund as well as government and commercial institutions in several countries of Central and Eastern Europe.</p>
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<p><b>Péter Kocsis</b> Supervisory Board Member</p>	<p>Péter Kocsis is WING's Deputy Chief Executive Officer responsible for strategy, risk and controlling and has been with Wing since 2006. In his current position since 2009, he is responsible for risk analysis and traditional controlling of a portfolio of some 35 property SPVs with assets worth €800 million and with annual</p>	<p>rental income of €50 million. Board member at and also responsible for controlling of 3 real estate service provider subsidiaries with total annual turnover of €70 million. Generates strategy and business plan for the development portfolio worth €500 million. Chief Risk Officer at 2 real estate fund management companies</p>	<p>of Wing. Alumnus of Corvinus University Budapest with MA and subsequently earned post-graduate degrees from the University of Birmingham (MIS) and from Georgetown University (MSFS). Speaks Hungarian, English and German.</p>
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<p><b>Bence Sass</b> Supervisory Board Member</p>	<p>Bence Sass is a senior real estate professional with 17 years of experience in real estate investment. He holds a bachelor degree (BA) from the Budapest Business School and a master's degree (MBA) from the Budapest University</p>	<p>of Technology and Economics. In his current role, he is heading the international expansion activities at WING Group. He is also responsible for business development and transactions within the company. Before his current workplace, he was</p>	<p>part of the leading real estate financing team of UniCredit Bank. He is a member of the Royal Institution of Chartered Surveyors (RICS). He speaks Hungarian, English and German.</p>
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<p><b>Nebil Senman</b> Supervisory Board Member Audit Committee Member</p>	<p>Managing Partner at Griffin Real Estate. For nine years Nebil Senman held leading positions as a Senior Vice-President and a Supervisory Board Member of Oaktree's German and Polish real estate funds and he was responsible for operations worth several billion</p>	<p>euro. Before joining Oaktree he spent eight years dealing with the real estate and corporate consulting at Ernst &amp; Young Real Estate (former Arthur Andersen), where he held different managerial positions. He is a graduate of universities in Berlin (TU Berlin, EBS), Par-</p>	<p>is (ESCP Europe) 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). Nebil is a member of the Royal Institution of Chartered Surveyors (MRICS).</p>
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On 13 December 2019, Karim Khairallah, Laurent Luccioni and Sebastian A. Zilles submitted their resignations from membership in the Supervisory Board of Echo Investment provide that Wing IHC Zrt acquires all shares in the share capital of Lisala Sp. z o.o. The condition in the declarations was fulfilled on 13 December 2019 and therefore their resignations became effective.

On 9 January 2020, the Extraordinary General Meeting of Shareholders of Echo Investment S.A. decided to appoint Noah Steinberg, Tibor Veres, Péter Kocsis and Bence Sass to the Supervisory Board of the Company of the current term. The position of the Chairman of the Supervisory Board (for the current term of office) was appointed to Noah Steinberg and the position of the Vice-Chairman of the Supervisory Board (for the current term of office) to Tibor Veres.

#### AUDIT COMMITTEE

According to the resolution of the Supervisory Board of the 19 October 2017, the Audit Committee consists of: Stefan Kawalec - President of the Audit Committee, Mark E. Abramson - Vice-President 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'.

# The Strategy of Profitable Growth in action

In 2016, the Management Board of Echo Investment prepared and introduced a new 'strategy of profitable growth' with the approval of the Supervisory Board. Its effects in details are described above.

## THE STRATEGY OF PROFITABLE GROWTH IN ACTION



### FOCUS ON 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.

### Actions

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



### 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 - including new sector of apartments for rent. 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.

### Actions

- Strengthening the position in the residential sector by taking bigger share in the market: from c.a. 600 apartments sold annually until 2015 to c.a. 1,300 units in 2019
- Preparation of residential projects allowing for further advancement in the ranking
- Entering a new market niche of apartment for rent by establishing new company Resi4Rent in cooperation with a reputable financial partner
- 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 development of CitySpace)
- Maintaining the leading position in the retail sector (in terms of space under construction and preparation)
- Strengthening our competitive advantage by preparation and construction of multifunctional projects that enable us to combine different competencies and implement projects faster.



## THE STRATEGY OF PROFITABLE GROWTH IN ACTION



### 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, leasing, sale of apartments, active management to increase the market value and then sale of finished office and retail projects in optimal time for the possible return ratio, capital management, market expectations and trends. 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 minority portion of its total revenue. Commercial and residential properties under construction constitute majority of the group's assets.

### Actions

- Separation of working office and retail assets in 2016 to another company – EPP and sale of all of its shares in 2016-2018.
- Sales of finished office and retail project in optimal time for the possible return ratio, capital management, market expectations and trends – including sales of buildings still remaining 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.

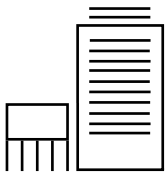


### STRATEGIC COOPERATION WITH RELIABLE PARTNERS

Echo Investment values long-term business relations with reliable partners, that created synergies for both sides. Development activities of Echo Investment are complementary to these entities. Such cooperation facilitates expanding Echo's scale of operation, accelerates speed of projects implementation and limits risks. Echo Investment assumes entering into joint-ventures for projects requiring significant capital expenditures, providing its partners with services such as development, planning, leasing, accounting etc. Partners may also be offered by Echo with priority to acquire ready projects on market conditions. Material agreements between Echo Investment and its partners need to be discussed and approved by the Supervisory Board.

### Actions

- Partnership with EPP on large and capital-intensive commercial as well as multi-functional projects (Galeria Młociny, Towarowa 22 in Warsaw), in which Echo has a minority shareholding and conducts the development and leasing process for remuneration
- Partnership with a global fund manager on the development of Resi4Rent, in which Echo Investment holds 30% stake and for which it provides development services for fee
- Marketing cooperation to achieve economies of scale and optimizing the cost of reaching recipients, customers and business partners.



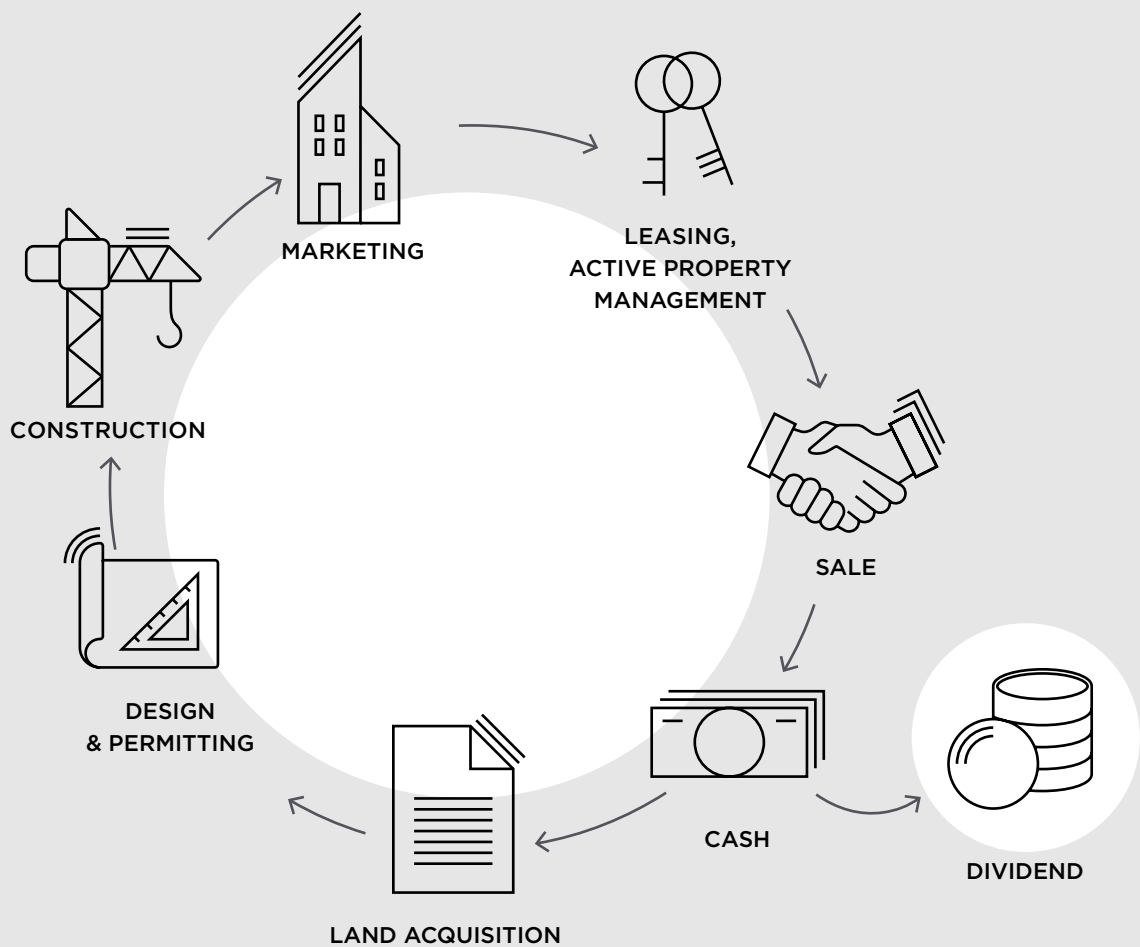
### LARGE DESTINATION PROJECTS

Echo Investment's many years of experience in three real estate sectors gives a competitive advantage consisting in the ability to implement large, multi-functional and city-forming projects. Thanks to this, the Group 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.

### Actions

- The construction of projects combining office, retail, entertainment and residential functions – Warsaw Brewery, Moje Miejsce (Beethovena), Reset in Warsaw and Fuzja in Lodz with very good social reception
- Preparation of another multifunctional projects at ul. Towarowa 22 in Warsaw, Wita Stwosza in Kraków and Powstańców Śląskich in Wrocław
- Acquisition of a new plot in Kabaty, Warsaw (Tesco) and signing preliminary agreement for a plot in Sluzewiec, Warsaw (Empark)
- Search for other large areas for multifunctional purposes.

## Business model



Echo Investment Group runs the entire investment process in-house, starting with acquisition of property, through obtaining administrative permits, financing and oversight of construction, to leasing, completion, active property management to increase its

value, taking decision of sale and execution of this decision in optimal moment from return, cash management, expectation and market trends. These steps are taken in most cases through the special purpose vehicles (SPV). The core business of Echo Investment

Group falls into the following categories:

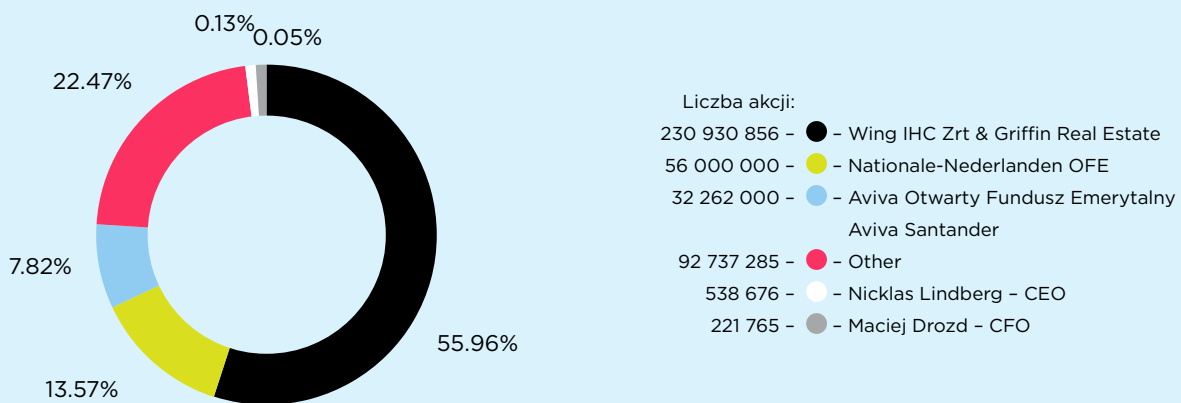
1. construction, lease, active property management to increase its value and sale of office buildings,
2. construction, lease, active property management to

increase its value and sale of retail buildings,

3. construction and sale of residential apartments
4. provision of services (general contractor, managing contractor, leasing, consulting etc.).

# Ownership structure of Echo Investment S.A. and description of shares

## SHAREHOLDERS OF ECHO INVESTMENT S.A. HOLDING MORE THAN 5% OF THE SHARE CAPITAL AS AT 31.12.2019



### 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 the major shareholder of Echo Investment S.A. Wing IHC Zrt and Griffin Real Estate are owners of Lisala.

The shareholding structure information as it was on 31 December 2019 is based on data acquired in 2019 on shareholders who held minimum 5% of the total number of votes at the Ordinary General Meeting of Echo Investment S.A. of 9th January 2020.

### 4.3 Volume of the Company's shares held by managing and supervising persons

To the best of the Company's knowledge, among the persons in charge of Echo Investment S.A. management or supervisory functions, the shareholders of the Company are only Nicklas Lindberg, President of the Management Board and Maciej Drozd Vice-president, CFO.

To the best of the Company's knowledge, none of the other members of the Management Board or the Supervisory Board is a shareholder of the Company directly or indirectly as at the date of publication of the report, none of them was a shareholder on 31 December 2019 and during the entire 2019, and none of them concluded any transactions for shares in the Company.

#### VOLUME OF SHARES OF ECHO INVESTMENT S.A. HELD BY MEMBERS OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD AS AT 31.12.2019.

Surname	Position in the company	Number of shares held	Share in the capital and votes at GMS
<b>Nicklas Lindberg</b>	President of the Board, CEO	538 676	0.13%
<b>Maciej Drozd</b>	Vice-President of the Board, CFO	221 765	0.05%



## Major events in 2019

### 5.1 Starting the multifunctional project Fuzja on Tymienieckiego street in Łódź

At the beginning of 2019, Echo Investment has started construction works of the new multifunctional project Fuzja in Łódź on Tymienieckiego street. It will be carried out at 7.7 hectares of land occupying the former textile factory of Karol Scheibler in Księży Młyn, which the company purchased in 2017. The city adopted a spatial development plan for this area in 2018, whereas a building permit for the first investment phase - two buildings with approx. 270 apartments became effective on January 2019. The first residents will be able to move in at the beginning of 2021. Simultaneously with the completion of the first phase, the first public square in the property and access from Tymienieckiego street will be handed-over. The heart of this area will be the historical building of the former heat and power plant, which will be adapted to new functions. The reconstruction works on this historical building started in the summer 2019.



Fuzja project  
on Tymienieckiego Str.  
in Łódź



Fuzja project on Tymienieckiego Str. in Łódź

In November Echo Investment has received a building permit to start the first two office buildings at Fuzja. The construction works start in the second quarter. In total, both buildings will offer almost 20,000 sqm of lease space and they will be ready to use in 2022. Despite very early stage, Fujitsu has trusted the Fuzja location and potential and in January 2020 the company signed a lease agreement for 16,300 sqm, which is over 80% of total office lease space in both buildings.

The Fuzja project on Tymienieckiego street has the potential to develop around 90,000 sqm of residential, office and service space. The investment will be carried out in several stages. The entire complex will consist of 20 buildings, 14 of which are historical buildings, under conservation protection. The development plan precisely specifies conservation requirements, and at the same time it leaves great flexibility as to the future functions of the buildings. As part of the investment, there will also be city squares, common spaces and green areas, the total area of which will be almost 4 ha. Users of this area will have access to amenities such as parking spaces adapted to car sharing services, bicycle paths, bike service stations, parcel machines or publicly available electric loaders. The architectural design is being created in the Medusa Group studio. Fuzja project on Tymienieckiego street is another multifunctional investment after Warsaw Brewery and Moje Miejsce in Warsaw, in which Echo Investment can use experience in various sectors of the real estate market.

## 5.2 Issuance of PLN 33.8 mln worth of bonds for individual investors

The Company placed 188,315 J-series bonds and 150,000 J2-series bonds, which were issued on the basis of the Prospectus approved by the Polish Financial Supervision Authority on 16 April 2018. The total issue value of the placed bonds was PLN 33,831,500. The subscription for J-series bonds lasted from 18 February to 1 March 2019, while J2-series bonds from 18 February to 25 February 2019. The allocation of the bonds took place on 5 March 2019. The interest rate on J-series and J2-series bonds is based on the WIBOR 6M rate increased by a 3.4% margin. The bonds have a 4.5-year maturity. The offering was organized by Dom Maklerski PKO Banku Polskiego and the consortium of Noble Securities S.A., Michael / Ström Dom Maklerski S.A. and Dom Maklerski Bank Ochrony Środowiska S.A.

## 5.3 Completion of the sale of Gatehouse Offices - the first office building of the Warsaw Brewery complex

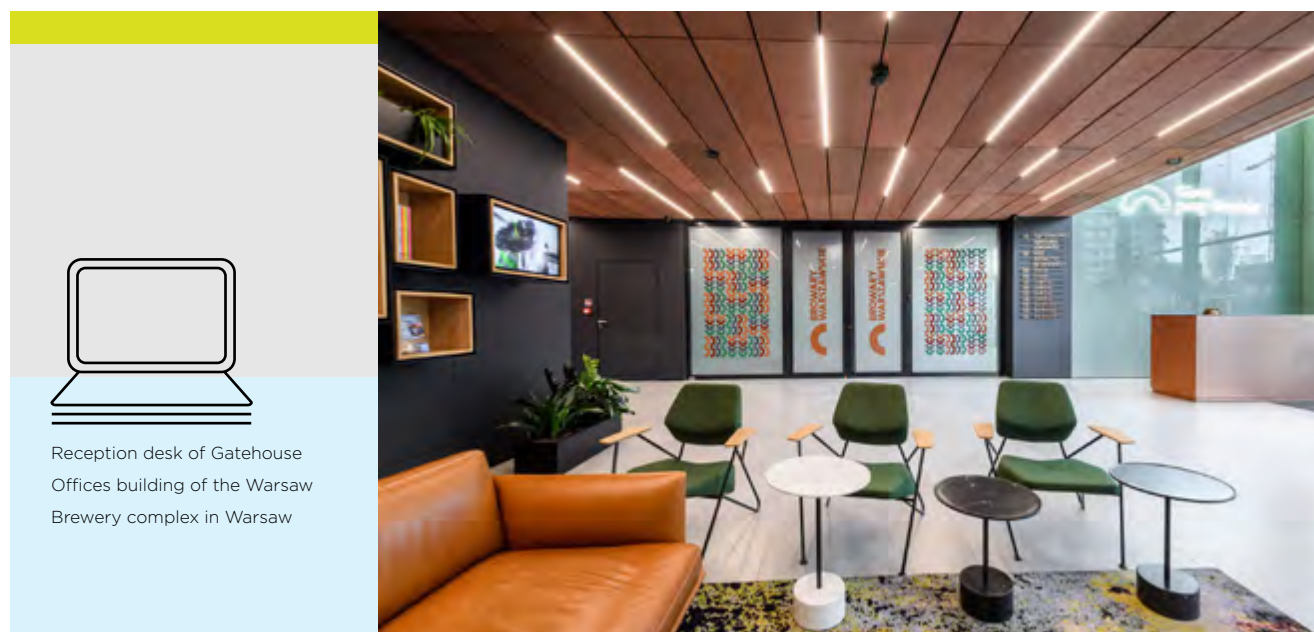
On 29 March 2019, GLL Real Estate Partners signed an agreement with Echo Investment for the purchase of Gatehouse Offices - the first office building of Warsaw Brewery. The final sale price of the office building will amount to EUR 76.8 million, after meeting certain conditions. Along with the sale agreement, the parties entered into agreements for quality guarantee of the building and rent guarantee, according to which the purchaser is compensated for the loss of operating income resulting from incentives for tenants.

The Gatehouse Offices building received the occupancy permit in the fourth quarter of 2018. It offers 15,700 sqm of space, occupied mainly by L'Oréal Polska, EPAM Poland and WeWork.

Warsaw Brewery complex is an area between Grzybowska, Wronia, Chłodna and Krochmalna streets, which Echo Investment will reweave into the urban fabric. It will be a new urban quarter, open to all, formed by a potpourri of residential buildings, office buildings and public squares, rest and recreation places, cafes, restaurants and shops.

EUR **76.8** mln

The target amount of the sale transaction of Gatehouse Offices



PLN **100** mln

**The value of bonds placed for institutional investors in the second quarter of 2019**

#### **5.4 Issuance of bonds for institutional investors**

As part of the Bond Issuance Programme of up to PLN 1 bln of 2011, which was signed with mBank, Echo Investment issued coupon bonds with a total value of PLN 100 mln on 11 April 2019. The nominal value and the issue price of one bond was PLN 10,000. The bonds were issued for the period ending on 11 April 2023. The interest rate on the bonds was determined based on the variable WIBOR 6M rate plus a margin for investors. The redemption of the bonds on the redemption date will be at the nominal value of the bonds. The interest will be paid semi-annually. The issued bonds are not secured. At the same time, the Company acquired 1,000 own bonds marked with the ISIN code PLECHPS00159 for redemption.

#### **5.5 Obtaining the loan of EUR 87 mln for the construction of two office buildings at Warsaw Brewery**

Bank Pekao has granted Echo Investment a loan of EUR 87 mln for the construction of Villa Offices and Malthouse Offices - two office buildings being developed at the Warsaw Brewery complex at Grzybowska street in Warsaw. According to the agreement signed on 25 April 2019, the loan is divided into two tranches. The first one amounts to EUR 54.8 mln of a construction loan and PLN 10 mln of a VAT loan, while the second one - to EUR 32.6 mln of a construction loan and PLN 7 mln of a VAT loan. The loan was granted for a period of 24 months from the date of commissioning, but no longer than until 31 December 2022. The construction loan, after completing the construction of projects, will be transformed into an investment loan of the same amount. It will be granted for 5 years from commissioning, however not longer than until 31 December 2027. Investment and construction loan amounts bear interest at a variable EURIBOR rate, increased by a margin, while a VAT loan - at a variable WIBOR interest rate plus a margin.

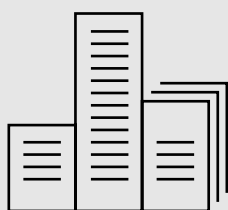
Villa Offices and Malthouse Offices, being financed by Bank Pekao, have a total of 46,000 sqm of leasable space, their construction started in 2018 and their completion is scheduled for H2 2020.



## 5.6 Loan agreement for the construction of West 4 Business Hub in Wrocław

Bank Millennium has concluded an investment loan agreement with Echo Investment in the amount of more than EUR 20 million for the construction of the West 4 Business Hub office building in Wrocław. The building is the continuation of West Gate and West Link office buildings that have already been developed at Na Ostatnim Groszu street and successfully leased and sold. The new project West 4 will be developed in several phases and in total it will offer over 80,000 sqm of office space. The architectural office Maćków Pracownia Projektowa is responsible for the design.

The construction of the first office building of the West 4 complex was launched at the end of 2018. It will have over 15,500 sqm of space. Its completion is planned for the second half of 2020. Currently 22% of its space is leased by such tenant as Pyszne.pl - an online food ordering service with deliveries to your door. The company will start operating here in the fourth quarter of 2021.



West 4 Business Hub, Wrocław

## 5.7 Opening of Galeria Młociny in Warsaw

After almost two years of construction, on 23 May 2019, Echo Investment and EPP opened Galeria Młociny at Zgrupowania AK "Kampinos" street in Warsaw. The project has nearly 85,000 sqm of leasable space, of which 76,000 sqm for retail and gastronomy, and 6,000 sqm of office space that was leased by Inter Cars. The architectural design of Galeria Młociny was developed by two architectural design studios - Kuryłowicz & Associates and Chapman Taylor. The general contractor was Erbud, while the financing was provided by a consortium of banks Santander, PKO Bank Polski, mBank and Bank Gospodarstwa Krajowego. The complex includes 220 stores and nearly 50 restaurants and cafes, a medical centre and the first multiplex cinema in Bielany. Among renowned brands present in Galeria Młociny, it is worth mentioning Inditex group (Zara, Zara Home, Oysha, Massimo Dutti, Bershka, Stradivarius, Pull & Bear), H&M, Van Graff, TK Maxx, C & A, CCC, Media Markt and RTV Euro AGD. Brands such as Gagliardi, Sloggi or Mayoral Premiere stores also will open their stores. The international retail chain Primark also confirmed in July its presence in Galeria Młociny. The store at Galeria Młociny will open in Spring 2020 and it be the first location in Poland. The chain has leased 5,700 sqm (of which 3,700 to be retail space).

Galeria Młociny was developed right next to the Młociny transport interchange - within easy reach of Warsaw, with direct access to the metro station, several tram lines, city, suburban and country bus lines, a bicycle station and a P&R car park. It is the most important transport hub of the northern part of the city and neighbouring towns that is used by over 24 mln passengers every year. Galeria Młociny's investors are EPP (70% of shares) and Echo Investment (30% of shares). EPP manages the newly-opened complex, while Echo Investment was fully responsible for the development and lease process.

Galeria Młociny was the biggest retail scheme opened in 2019 in Poland.



Interior of Galeria Młociny, Warsaw





## 5.8 Ordinary General Meeting of Shareholders

The Ordinary General Meeting of Shareholders (OGMS) of Echo Investment S.A. took place on 25 June 2019 in Warsaw. It was attended by shareholders holding in total 77.9% of shares and votes.

The agenda of the Ordinary General Meeting of Shareholders included the following items:

1. Review and approval of the Management Board Report on Operations of Echo Investment S.A. and its Group in 2018;
2. Review and approval of the financial statements for the financial year 2018;
3. Review and approval of the consolidated financial statements for the financial year 2018;
4. Decision on the allocation of the undistributed financial result (profit) from previous years;
5. Decision on the distribution of the profit for 2018;
6. Granting discharge to members of the Management Board and the Supervisory Board;
7. Determining the number of members of the Supervisory Board of the Company for the new term;
8. Appointment of the Supervisory Board.

In accordance with the proposed resolutions, the shareholders reviewed and approved the Management Report on the Operation of Echo Investment S.A. and its Group in 2018, the financial statements for the financial year 2018 and the consolidated financial statements for the financial year 2018. The undivided financial result (profit) from previous years in the amount of PLN 2,243,582, resulting from the change in the accounting policy applied by the Company, was allocated by the Ordinary General Meeting of Shareholders to the Dividend Fund.

The net profit achieved in the completed financial year 2018 in the amount of PLN 42,431,650.15 was allocated to distribute among all shareholders on the following principles:

1. The profit allocated for distribution increased by PLN 163,913,640.85 from the Dividend Fund (PLN 206,345,291 in total) was allocated for distribution among all shareholders of the Company as the dividend;
2. The amount of PLN 206,345,291 paid by the Company on 19 December 2018 as an advance for dividend for the financial year was included on the dividend basis.

As the dividend corresponded to the amount of the dividend advance payment, the shareholders decided that the Company would not pay any additional funds from the profit for the financial year 2018.

The Ordinary General Meeting of Shareholders granted discharge to all members of the Management Board and Supervisory Board and then determined the number of members of the Supervisory Board of the new term to be seven and appointed all members of the Supervisory Board of the previous term of office for the new term of office.

## 5.9 The loan for the construction of the Face2Face Business Campus office complex in Katowice

On 3 July 2019, Bank Pekao granted Echo Investment nearly EUR 65 million in construction and investment loans and PLN 18 million in VAT loans. Pursuant to the agreement, the total financing period ends on 31 December 2023. Amounts of the investment and construction loans bear interest according to the variable EURIBOR interest rate, while the VAT loan amount bears interest according to the variable WIBOR interest rate.

In December 2019 the construction works on the first stage of the Face2Face Business Campus office complex have been completed and already in January 2020 employees of DAZN, the digital world leader in the sports media, offering live streaming service,

has moved into the building. The seven-storey office building provides nearly 21,000 sqm of space. Its construction started in May 2018.

The second, fifteen-storey building providing 26,000 sqm of space is to be completed in the fourth quarter 2020 together with surrounding public space. The office building is almost 80 percent leased. Ultimately, around 5,000 people will work in both buildings of the complex.

The distinguishing feature of this project is the multifunctional and customised development of outdoor areas, where there will be, among others, a basketball court, a dinner zone or a relaxation zone.

#### **5.10. The loan for the construction of the first React office building in Łódź**

On 31 July 2019, Echo Investment obtained a loan for the construction of the first office building of the React complex, which is being built in Łódź at the corner of Piłsudskiego avenue and Kilińskiego street. The project is financed by BNP Paribas Bank Polska. Pursuant to the loan agreement signed, the bank granted Echo Investment a EUR 19.2 million construction loan as well as a PLN 4 million VAT loan. The total financing period ends 1 December 2022.

The construction of the first phase of the React office complex at the corner of Kilińskiego street and Piłsudskiego avenue in Łódź, with an area of nearly 15,000 sqm, was started in spring 2019. The entire office complex will offer nearly 50,000 sqm, and the first employees will start working in new offices in the second half of 2020. The construction works are on schedule.

#### **5.11. Implementation of Risk Management Policy**

As part of improving corporate governance standards, in July 2019, the Echo Investment Group implemented a Risk Management Policy. The policy describes the objectives of risk management, its place within the management system, and the responsibility and the rights of people involved in the process. The Management Board of Echo Investment S.A. is responsible for the overall risk management, in cooperation with the Supervisory Board and the Audit Committee.

The main goal of the Risk Management Policy is to provide sustainable and stable economic growth of the Group and to promote a proactive approach to reporting, estimating and managing risks related to the Group's operations. The Risk Management Policy formalises and presents in a structured manner the approach to risk management in the Echo Investment Group expected by the Management Board.

Works related to updating the existing risk management procedures in the Echo Investment Group to the guidelines of the Risk Management Policy were started in the second quarter of 2019 and will be continued 2020. Currently, the Group is working on updating IT management systems to expand the functionality of existing systems reporting and assessing risks being identified connected to the implementation of development projects.

## 5.12. Conditional real estate purchase agreement in Warsaw

On 14 August 2019, Echo Investment signed preliminary contracts for the purchase of perpetual usufruct rights to land and ownership of buildings, constituting a separate object of ownership, located in Warsaw near Domaniewska, Wołoska and Postępu streets. The properties are dedicated to residential development. MBP 1 Sp. z o.o. and MBP 2 Sp. z o.o., which are part of the Immofinanz group are the sellers. The total area of land properties that are the subject of the transaction is about 50,000 sqm. The total net price will be at least PLN 208 million. The conclusion of promised agreements should take place no later than in 2020 and 2021, after meeting the conditions reserved in the preliminary contracts.

## 5.13. Sale of O3 Business Campus III office building in Kraków

EPP and Henderson Park on 11 September 2019, have purchased from Echo Investment the third building of O3 Business Campus located in Krakow and are now the owners of the whole complex. The joint venture paid for the building EUR 40,3 mln upon closing. Targeted selling price will amount to EUR 47,2 mln (increased by VAT), and will reflect a reduction by the value of certain fit-out works remaining to be completed within the tenants' areas as stated in the signed lease agreements, the value of technical defects, and the value of transaction costs. Echo Investment may obtain additional payments related to the completion of fit-out works within the tenants' areas and with the removal of technical defects in the total amount of nearly EUR 7 million plus VAT.

O3 Business Campus III occupies an area of 18.9 thousand square meters. Its office space is occupied by the Polish operator of serviced offices City Space, the Lux Med medical centre, EPAM Systems Poland, Danish Crown and Mota Engil.

The sale of the O3 Business Campus III office location is the result of a preliminary agreement signed in 2016 in which EPP purchased 7 office buildings from Echo Investment with a total lease area of 112 thousand square meters. Two of the three buildings in the O3 Business Campus became part of EPP's portfolio in 2016 and 2017. In June 2019 they became part of a portfolio owned by a joint venture between Henderson Park and EPP.

## 5.14. Advanced dividend from the 2019 profit

The Management Board of Echo Investment adopted on 11 September 2019 a resolution on conditional payment of the advance payment for the dividend for the accounting year 2019 to its shareholders. The total amount of the advance dividend amounts to PLN 206.3 million, i.e. PLN 0.5 per share. It did not exceed half of the Company's profit generated after the end of the previous financial year, as published in the financial report dated 30 June 2019, increased by a reserve capital created in order to pay dividend or an advance payment towards the dividend and reduced by uncovered losses and value of own shares. The advance dividend was paid on 21 October 2019 to those shareholders who held shares on 14 October 2019, i.e. 7 days before the payment date.

mln **47.2** EUR

**Targeted value of O3 Business  
Campus III sale transaction**

**0.50** PLN

**Value of advanced dividend paid  
per share from the 2019 profit.**

#### 5.14. Acquisition of the majority stake in Echo Investment by the Hungarian company Wing

The logo for WING, consisting of the word "WING" in a bold, black, sans-serif font.

On 13 December 2019, Echo Investment was notified by Echo Partners B.V. on the indirect sale of 230 930 856 shares of Echo Investment representing 55.96 percent of its share capital (due to the sale of Lisala sp.z o.o. that is the owner of the shares). The transaction is a consequence of the strategic options review on investing in Echo Investment announced by the funds PIMCO and Oaktree Capital Management on 14 March 2019. The new owner of Lisala, and thus the main shareholder of Echo Investment, is the Hungarian company Wing, that signed the preliminary purchase agreement on 16 October 2019.

Wing is leading real estate company, a long-term regional strategic investor that sees great potential in Echo Investment. The new investor intends to continue growing the business consistent with the 'Strategy of Profitable Growth' established in 2016 and in cooperation with the previous management team.

Wing is one of the largest privately owned Hungarian real estate companies and a leading Hungarian developer and investor. Wing has developed over 1 million square meters of buildings in Hungary in the 20 years since it was founded. Currently the company owns a large development and investment portfolio as well as subsidiaries specialising in asset management, property & facility management and architectural design. The company was established in 1999 and today has a development pipeline of approximately 325,000 sqm and owns a standing portfolio of 740,000 sqm. The company is active in all segments of the real estate market including office, retail, industrial, hotel and residential. Wing was the first real estate company which bonds are listed on Budapest stock exchange.

# Material post-balance sheet events

## 6.1 Change in the Supervisory Board

Following the sale of 56 percent of the shares and complete withdrawal from the Echo Investment's shareholding by the funds PIMCO and Oaktree Capital Management, the following persons resigned from the Supervisory Board, effective immediately on 13 December 2019: Karim Khairallah - Chairman of the Supervisory Board, Laurent Luccioni - Vice-Chairman and Sebastian A. Zilles - Member of the Supervisory Board. Therefore, the Extraordinary General Meeting of Shareholders,

held on 9 January 2020, appointed Noah Steinberg to the Supervisory Board, who was assigned to be Chairman of the Supervisory Board, Tibor Veres, who became Vice-Chairman of the Supervisory Board, and Péter Kocsis and Bence Sass, who became Supervisory Board Members of the current term. New members of the Supervisory Board are related to the Hungarian company Wing, which is the new main shareholder of Echo Investment.

## 6.2 Wing's announcement of a tender offer to sell additional 10.04 percent shares of Echo Investment

Due to Wing indirectly exceeded the threshold of 33 percent of the shares and the votes at the General Meeting of Shareholders of Echo Investment, on 3 February 2020 the Hungarian company announced the tender offer for the sale of additional 41,444,928 shares of Echo Investment, entitling to 10.04 percent of the total number of the votes at the General Meeting of

Shareholders, at a price of PLN 4.65 per share. Subscriptions started on 21 February 2020 and ended on 18 March 2020.

The tender offer is conducted through Santander Biuro Maklerskie brokerage house.

### 6.3 Preliminary agreement of three plots with first generation shopping centres in Cracow, Poznań and Łódź

On 28 February 2020, Echo Investment has signed preliminary contracts to acquire the plots situated in Poznań at Opieńskiego Street, Łódź at Widzewska Street and Cracow at Kapelanka Street. The sites belonging to companies of the Tesco Group are perfectly located and consistent with the Echo Investment's strategy to continue growing the residential part of the business. The developer plans to dedicate all the plots to mixed use projects. On the sites the company is to deliver 4,000 apartments, retail space and in Cracow also a building with office purposes. The existing shopping centers will be managed by Echo Investment until construction works begin. The Tesco's office space and store in Cracow will operate undistracted until a new building has been

developed on the plot to relocate the store and offices. The projects in Poznań and Łódź will continue to operate until permits are in place and construction starts. The total area of the acquired plots amounts to 190,000 sqm. The net price will amount to EUR 42.5 million. The transaction will be concluded not later than early 2021, after fulfilment of certain conditions of preliminary agreement.

This is another transaction concluded between Echo Investment and Tesco. At the end of last year, the developer bought Tesco in Kabaty in Warsaw at Komisji Edukacji Narodowej Street from the retail chain. This area located next to the metro station in Kabaty is going to be transformed into a destination project.

# 4,000

Number of apartments that might be built on plots in Łódź, Kraków and Poznań being acquired from Tesco

### 6.4 Impact of the coronavirus SARS-CoV-2 and COVID-19 outbreak on the operations and financial results of the company

Based on preliminary analysis, the Management Board of the company announced to the company shareholders that, according to its current knowledge and assessment, the coronavirus SARS-CoV-2 and COVID-19 outbreak and subsequent Government imposed limitations related to them may, depending on their duration and intensity, significantly and adversely affect the operations and financial results of the Company.

The influence, in particular, may be related to:

- a. income generated by shopping centers due to the limitations imposed on shopping centers' functioning, including cinemas and gastronomic establishments (as Echo Investment owns Libero in Katowice and 30% of Galeria Młociny in Warsaw);
- b. residential apartments' sales volume, in particular in the event of potential tightening of the mortgage loan eligibility

- criteria by banks or other disruptions on the housing or banking market;
- c. timely execution of projects and transactions undertaken by the Company or its related entities within a planned schedule, in particular due to possible delays in construction works, caused by potential shortages of the construction personnel and/or interruptions in supplies of material and components;
- d. timing of the sale of commercial projects and their prices that may be achieved; and
- e. availability and terms of new financing if banks and other lenders are materially affected by the extended economic downturn.

The Management Board is implementing certain actions aimed at mitigating to the extent possible the adverse impact of the factors mentioned above, which, in particular, may be partially offset in the future by the potential decrease in costs of construction works resulting from the reduced demand.



## Residential segment – market outlook and Echo Investment business activities

Perspectives of each market sectors in coming 12 months:

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

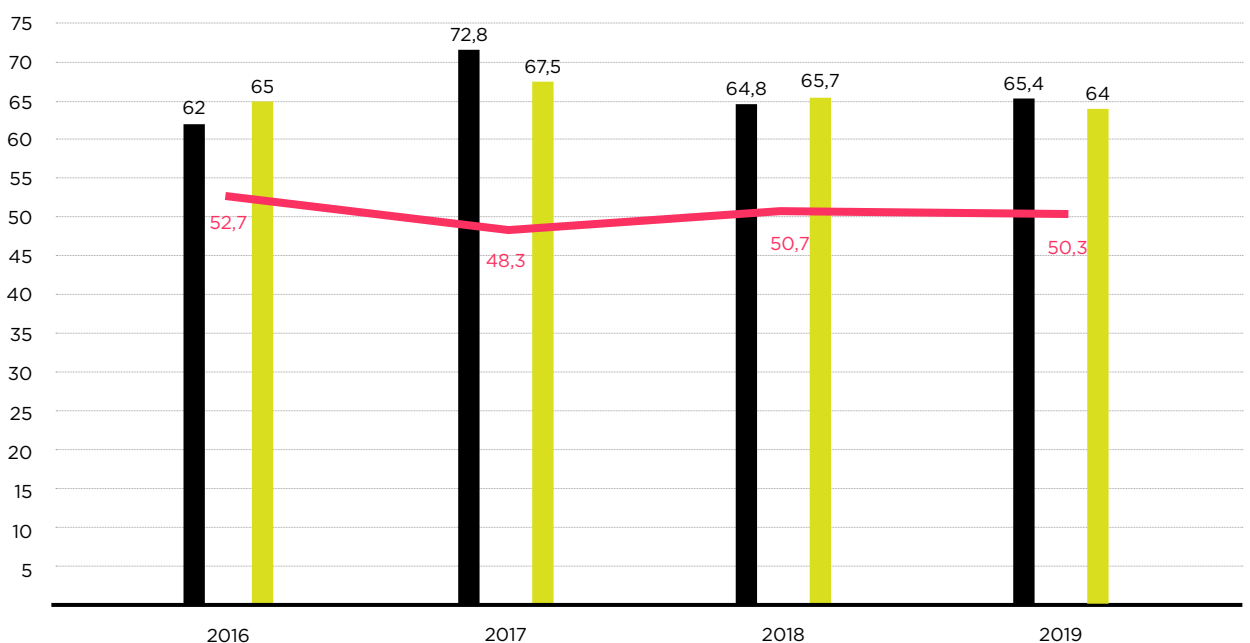
### 7.1 Residential market

#### ↑ Residential market in great shape

According to JLL analysts, 2019 proved to be the second best year in the history of the property developer market in the country. From January to December 2019, the developers launched for sale 64,000 apartments, and sold approximately 65,400 units,

that means excess demand. The sales figures show that clients have accepted higher property prices. One of the main factors strengthening sales results was persistently low interest rates.

APARTMENTS SOLD, LAUNCHED FOR SALE AND OFFER VOLUME [THOUS.]



- - Apartments sold
- - Apartments launched for sale
- - Apartments on offer

Source: JLL Residential Advisory

In connection with rising inflation, low-interest deposits and a relatively weak range of investment opportunities in Poland, it is expected to sustain high demand for apartments in the largest urban agglomerations in the country. This very good situation may last until interest rates increase significantly or the economy weakens. It is also worth noting, that the possibility to buy their first residential unit among young people is decreasing and the risk of outflow of employees from Ukraine is increasing.

### Supply and prices - rising prices with stable supply

From October to December 2019, 17,600 units were marketed, i.e. 21 percent more than in the previous quarter. Thanks to such a good result, a total of 64,000 units appeared in the entire 2019, i.e. by 1,400 less than sold during this period. At the end of the year, you could select from 50,300 units placed on the market. It is worth noting that over 90 percent of this number was under construction. It should also be noted that there were sharp differences in the number of residential units launched for sale in individual markets. In three cities, more units were marketed than last year. The largest increase compared to 2018 was recorded in Wrocław and Łódź, the offer was increased by 39.5 percent and 32.3 percent, respectively. The opposite situation was recorded in the Tri-City, where half the residential units were launched for sale than in 2018. The lower number of units launched was also noted in Warsaw and Łódź, while the scale is definitely smaller and the difference was about 20 percent.

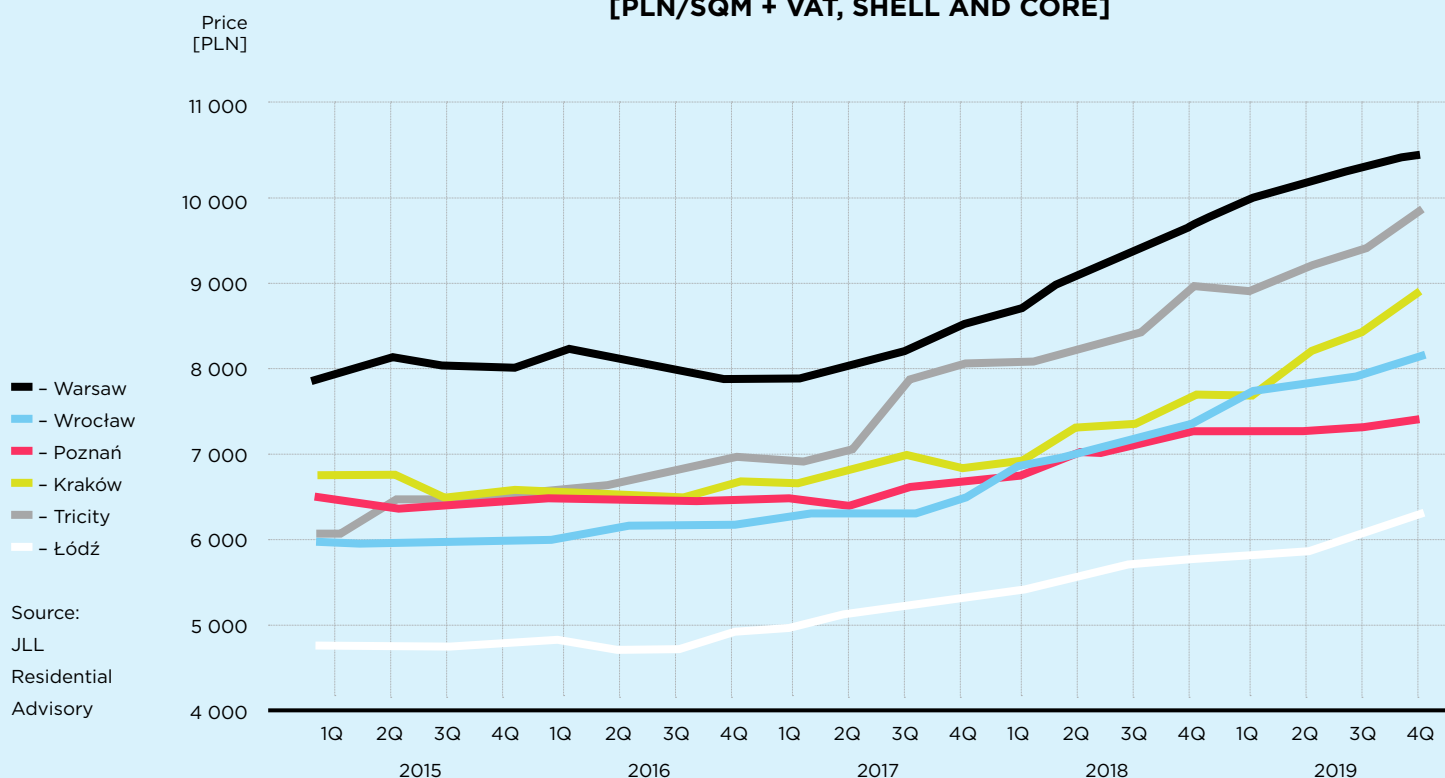
Last year, housing prices increased across all markets. The highest increases year on year were in Kraków (16%), Wrocław (12.3%) Łódź (10.2%) and the Tri-City (9.7%). A similar increase in prices was recorded in Warsaw (approx. 9%). Prices in Poznań did not show comparable dynamics and the increase amounted to less than 2%. The increase in housing prices has been accepted by buyers in almost all markets. The only market in which the transaction price is definitely lower than the offer price was Tri-City. It seems that investment demand, which fueled the price increase in 2018, has largely gone down.

### Demand for apartments higher than in 2018

The last quarter of 2019 turned out to be the best of almost two years in case of the number of transactions. In total, 65,500 units were sold throughout the year, i.e. 0.8 percent more than in 2018. This result may be considered exceptionally good due to the increase in prices and the lack of extra programs such as "Flat for the Young".

The sales dynamics of residential units differed meaningfully in individual markets. Poznań (30 percent) and Łódź (13 percent) were growth leaders in 2019. In case of Warsaw and Wrocław, the sales level slightly differed from the result of 2018 and increased by 0.3 percent and 2 percent. Sales decreases affected the Tri-City and Kraków, where 4 percent and 12 percent less was sold, respectively.

**AVERAGE PRICE OF APARTMENTS INTRODUCED TO OFFER [PLN/SQM + VAT, SHELL AND CORE]**



Source:  
JLL  
Residential  
Advisory

## 7.2 Echo Investment's Group achievements on residential market and outlook

### EMPOWERMENT ON THE LIST OF THE BIGGEST RESIDENTIAL DEVELOPERS

Echo Investment systematically strengthen its position is among the biggest residential developers in Poland. As one of the few developers in 2019, it improved its results. The company has had a successful year with 1,357 apartments sold, which translates into 38% of growth compare to 2019. City-forming

destination projects, such as Warsaw Brewery, Moje Miejsce in Warsaw and Fuzja in Łódź, are the engine driving Echo Investment's apartment sales. Last year, Echo Investment began construction and launched nine projects offering over 1,600 apartments.

### RESIDENTIAL PROJECTS OF ECHO INVESTMENT, CONSTRUCTION OF WHICH BEGAN IN 2019

Project and address	Usable area	Number of apartments	Targeted completion
<b>Osiedle Jarzębinowe VI</b> Łódź, ul. Okopowa	3 300	52	I Q 2020
<b>Nasze Jeżyce I</b> Poznań, ul. Szczepanowskiego	7 500	142	I Q 2021
<b>Nasze Jeżyce II</b> Poznań, ul. Szczepanowskiego	8 200	162	II Q 2021
<b>Stacja Wola I</b> Warsaw, ul. Ordona	20 000	387	III Q 2021
<b>Osiedle Jarzębinowe VII</b> Łódź, ul. Okopowa	6 100	105	IV Q 2020
<b>Fuzja I</b> Łódź, ul. Tymienieckiego	14 300	282	IV Q 2020
<b>Enter I</b> Poznań, ul. Sielawy	12 400	222	IV Q 2021
<b>Esencja</b> Poznań, ul. Garbary	12 500	260	IV Q 2020
<b>Stacja 3.0</b> Wrocław, ul. Mińska	12 000	204	IV Q 2020
<b>Total</b>	<b>96 300</b>	<b>1816</b>	

At the same time, the client service staff handed over keys to 1,263 units. As usually, the fourth quarter was the best in terms of sales and handovers. The company sold 418 apartments and handed over 672. In January and February 2020, the sale of apartments amounted to 314, and the number of handovers was 82.

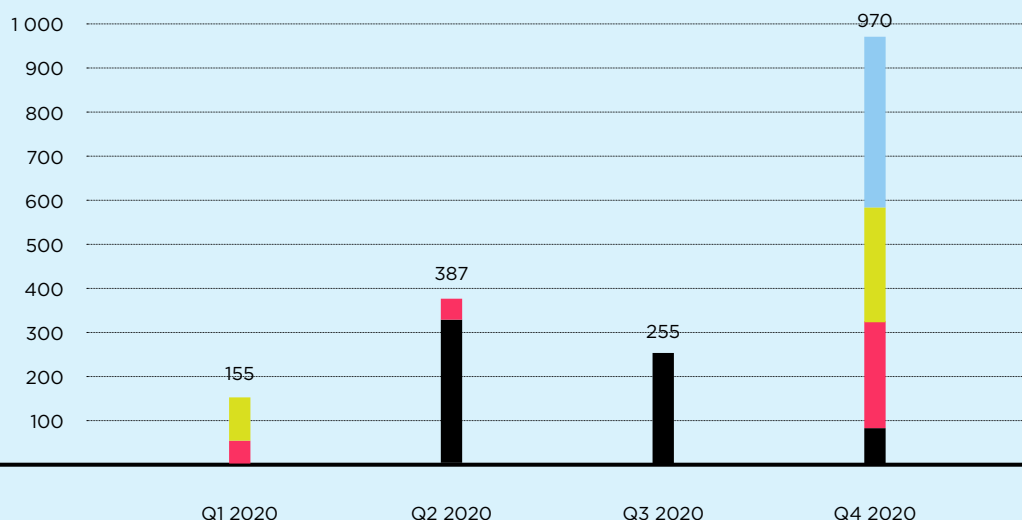
## RESIDENTIAL PROJECTS OF ECHO INVESTMENT, WHICH CONSTRUCTION WAS COMPLETED IN 2019

Project and address	Usable area	Number of apartments	Completion
<b>Dom pod Wilgą III</b> Kraków, ul. Spiska	4 700	63	I Q 2019
<b>Osiedle Perspektywa II</b> Poznań, ul. Sielawy	4 600	94	II Q 2019
<b>Rydla 32</b> Kraków, ul. Rydla	5 700	96	III Q 2019
<b>Nowa Dzielnica</b> Łódź, ul. Wodna	5 300	87	III Q 2019
<b>Osiedle Jarzębinowe V</b> Łódź, ul. Okopowa	8 100	145	III Q 2019
<b>Zebra</b> Wrocław, ul. Zakładowa	11 300	233	III Q 2019
<b>Osiedle Perspektywa III</b> Poznań, ul. Sielawy	5 600	105	IV Q 2019
<b>Warsaw Brewery B</b> Warsaw, ul. Grzybowska	10 500	190	IV Q 2019
<b>Warsaw Brewery C</b> Warsaw, ul. Grzybowska	6 800	114	IV Q 2019
<b>Osiedle Reset I</b> Warsaw, ul. Taśmowa	7 300	159	IV Q 2019
<b>Grota 111 etap III</b> Wrocław, ul. Grota-Roweckiego	2 600	53	IV Q 2019
<b>Total</b>	<b>72 500</b>	<b>1 339</b>	

At the beginning of the year, Echo Investment's offer included 1,400 apartments. In 2020, at least 2,000 premises will be put on offer. This year targets are sale of as many as 2020 apartments and hand over of c.a. 1,600 accommodations our clients.

## NUMBER OF APARTMENTS IN PROJECTS PLANNED TO BE COMPLETED IN GIVEN QUARTERS 2020 [PCS]

- - Warsaw
- - Poznań
- - Wrocław
- - Łódź



Looking ahead, Echo Investment continues buying new plots. Last year lands in Warsaw, Kraków, Wrocław, Łódź and Poznań, where over 4,000 of apartments can be developed, were bought or secured.

In response to current market trends, Echo Investment has started cooperation with suppliers of modern residential management solutions that will improve the standard of premises and the comfort of residents by introducing new functionalities. The company as standard equips apartments of new projects with the heart of the intelligent management system, thanks to which residents will be able to control temperature, lighting or safety using a smartphone. It has been designed especially for Echo Investment. This is an answer to the fact that a growing group of clients are people of the so-called generations of millennials, fascinated by new technologies, in need of freedom and comfort, and those who value city active lifestyle. In addition, the Company developed a

system of so-called life services, which will be implemented especially for multifunctional projects. They include parcel machines, parking spaces dedicated for car-sharing cars, city bikes, space for electrically charged cars, bicycle projects like Ordona in Warsaw, Fuzja on Tymienieckiego street in Łódź, Nasze Jeżyce in Poznań or Wita Stwosza in Krakow. At the beginning of 2019, Echo Investment's offer included over 1,300 apartments. hangers, self-service laundries etc. These services are introduced to each project individually, depending on the demand and existing infrastructure. Life services and apartment management systems are a significant competitive advantage of Echo Investment. The rightness of this strategy is confirmed among others by the JLL Residential (former Reas) and Obido report "Smart home, smart community, smart city", which indicates that a significant part of buyers, taking a decision to buy an apartment, consider additional services and is also able to pay extra for them.



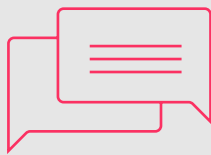
**Waldemar Olbryk**  
Member of the Management  
Board

***How does Echo Investment build its market advantage?***

As a developer with experience and expertise in various sectors of the real estate market, we are able to develop integrated, urban, all-purpose parts of cities that meet the needs of their residents. This strategy works, as shown by the sales of such projects as Warsaw Brewery, Moje Miejsce in Warsaw or Fuzjain Łódź. We apply elements that create the life quality i.e. community services, inspired by trends and lifestyles of today's city residents in purely residential projects. As a standard, we offer our clients smart apartments. All of them are equipped with the heart of the smart management system, some of them also have basic functions such as a smartphone controlled lock, automatic temperature control or movement sensors. The system can be expanded according to your needs. More and more clients want to benefit from smart apartments every day and - importantly - more and more people are ready to pay extra for it.

***What is the biggest challenge for developers?***

Finding well-located plots of land that are not burdened with serious administrative or legal issues, enable to build good apartments and at the same time provide the investment profitability. For this reason, we invest a lot in land searching, market research and analysis before buying each plot.





## 7.3 Echo Investment's Group achievements on apartments for rent market and its outlook

### RESI4RENT LEASES ITS FIRST APARTMENTS

Last year marked a breakthrough in the Resi4Rent apartment rental platform. The company began operating activities, kicking off with the first two buildings full of completed and equipped apartments and starting to lease them. The first residents moved into the Rychtalska project in Wrocław in October 2019, while into the Wodna project in Łódź in November 2019. In total, two projects contain 520 units. By the end of 2021, about 1,800 apartments, that are currently under construction, will be added to the Resi4Rent platform. The strategic goal of the platform is to manage about 7,500 units that are ready or under construction in 2023 and thus to become the largest private apartment rental fund in Poland.

All Resi4Rents' apartments are finished, supplied with kitchen furniture, and they will also be furnished at the tenant's request. Rental prices include the use of a Wi-Fi network, a dedicated service center and the access to a panel that allows, among others contract management.

In the first quarter of 2020, Resi4Rent will put into offer project in Wrocław Kępa Mieszcząńska (270 apartments) while in the third quarter, the project located in Warsaw Brewery (450 apartments). The Resi4Rent portfolio is constantly widened, and one-year contracts allow to change your apartment to bigger, smaller or differently located. This solution may mostly be interested for employees working on shorter projects, who move to a different city every few months.

Resi4Rent currently has seven projects under construction or under advanced planning. Until 2023 the platform is to offer 7,500 apartments in the six largest Polish cities - in Warsaw, Kraków, Łódź, Wrocław, Gdańsk, and Poznań. Echo Investment, one of prime developers in Poland, is responsible for planning, designing and development of projects and it also possesses 30 percent of Resi4Rent's shares. The second shareholder is the recognized world's leading investment managers (70 percent).



**Sławek Imianowski**  
CEO of Resi4Rent

#### ***Who are Resi4Rent clients?***

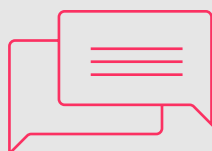
These are ordinary people aged 25-45. They are well thought of professionals in their industries or will soon be. They are active, busy and do not stick their whole life to a specific place. They prefer to use their credit standing to set up their own business or invest in education. A large group of clients are also companies that need apartments for their employees.

#### ***How does the platform attract clients?***

We offer new, well-equipped apartments in excellent locations. Clients do not have to worry about anything. Resi4Rent is both the owner and the lessor. It operates without agents, extra fees and commissions, unnecessary obligations and additional contracts. It provides 24-hour real estate supervision and technical support, facilitates extra services, such as cleaning or collecting parcels. We are flexible when a client need to change an apartment to a larger one or in another location. We do not enter our clients' private life, because our apartment is to be a home for clients. As a large and stable company, we enjoy greater confidence than private landlords, that currently dominate the rental market.

#### ***What challenges do the rental market face?***

Convincing the Poles that renting can be a long-term, target solution resulting from a rational financial analysis. According to Eurostat, in the countries of Western Europe 30-50 percent of the population lives permanently in rented apartments, while in Poland only 5 percent decides to rent in the market. The institutional rental market has just launched in Poland. We are at the beginning of the path to convince the Poles that our own apartment and - most often - a long-term loan may not be the only determinants of maturity.



# Office segment – market outlook and Echo Investment business activities

Perspectives of each market sectors in coming 12 months:

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

## 8.1. Office market in Poland

Last year, the Polish office market developed very dynamically - at the end of December, the total stock of modern offices throught the country amounted to nearly 11.9 million sqm - based on CBRE data. 709,000 sqm of office space was completed, including nearly 162,000 sqm in Warsaw. However, this was 30.3% less than last year and only partially satisfied the growing demand. The year was record-breaking in terms of space leased: lease contracts of over 1.5 million sqm were signed. New contracts dominated, accounting for over 55% of the demand. Among the regional cities, the highest increase in stock was recorded in the Kraków market, where over 159,000 sqm was delivered.

Over 1.5 million sqm of modern office space is currently under construction. Almost 46% i.e. nearly 700 thousand sqm is located in Warsaw. Among the regional cities, the largest number of projects is still being developed in Kraków (237 thousand sqm), Tricity (164 thousand sqm) and Katowice (121 thousand sqm).

The vacancy rate for office projects in the nine largest Polish markets stabilized at 8.7% compared to 8.6% at the end of 2018.

The year 2019 was featured by a very dynamic growth of activity and interest in the market of flexible, serviced or coworking offices. At the end of 2019, office space occupied nearly 230 thousand sqm of which 57 thousand sqm was opened last year.

### ↑ Warsaw

In 2019, several historical records were set in the Warsaw office market: the total demand and lease volumes.

During the four quarters of 2019, the cumulative demand amounted to 878 thousand sqm (2.3% y/y). The largest lease contracts include the lease of 45.6 thousand sqm by mBank and renegotiations of lease contracts with Orange (about 45 thousand sqm). The lease structure was dominated by new contracts (60%), renewals represented 34% and expansions 6%. The total supply in 2019 amounted to 162 thousand sqm, 30.3% less than in 2018. Among the largest buildings completed in the last year are the following: Wola Retro and Moje Miejsce I. In total, 5.59 million sqm is available on the Warsaw market.

Thanks to the record-breaking demand and the low supply, the vacancy rate in Warsaw fell to 7.8% (-0.9 pp y/y). The free space level in the city centre remained at a very similar level, i.e. 5.3%. The Warsaw market noticed small increases in prime rents and a reduction in incentives for tenants. In the central zone, rents oscillate between EUR 24-25 per sqm and in non-central districts they do not exceed EUR 16.

Currently, 798,000 sqm of office space is under construction.

## ↑ Regional markets

The year 2019 was also a record-breaking year for regional markets in many respects, both in terms of office space provided and the demand.

The total demand for office space in regional cities amounted to nearly 693 thousand sqm, i.e. 6.8% more than last year. The highest activity was registered in Kraków, where 267 thousand sqm was leased, Wrocław (123.5 thousand sqm) and Tricity (101 thousand sqm). The largest lease contract was concluded in Kraków between UBS and Fabryczna Office Park (19,300 sqm). The lease structure was dominated by new contracts (55%), renewals 33% and expansions 12%.

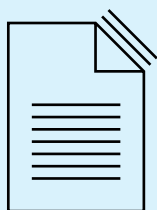
In 2019, the supply of modern office space amounted to 547 thousand sqm (+9.1% y/y), that brings the total supply in the regional markets to 5.6 million sqm. The largest facilities completed were Alchemia IV in Tricity (33,700 sqm) and Tischnera Office (32,800 sqm) in Kraków. The larger space under construction can be found in Warsaw, i.e. 819 thousand sqm.

Among regional cities, the lowest vacancy rate was recorded similarly in the Tricity (4.9%) and the highest in Wrocław (12.5%). The average vacancy rate in the largest cities in Poland amounted to 9.56% (+ 1.24 pp. y/y). Slight increases in rental rates were noticed, that vary from EUR 9 to 15.5 per sqm per month depending on cities and locations.

### MAIN OFFICE MARKETS IN POLAND - KEY INDICATORS IN 2019

City	Existing space [sqm]	Space of new buildings [sqm]	Space not leased [%]	Space under construction [sqm]	Demand [sqm]	Monthly rental rates [EUR/sqm]
Warsaw	5 587 900	162 200	7,8%	798 600	878 000	14-26
Kraków	1 416 700	159 100	10,7%	237 200	266 700	13,2-15,5
Wrocław	1 054 200	147 300	12,5%	84 800	123 500	13,5-15,5
Tri-City	838 600	61 100	4,9%	164 700	101 000	12,5-15,5
Katowice	697 200	9 900	6,6%	121 000	85 100	12,2-15,5
Poznań	564 800	85 700	10,8%	64 000	40 700	13,25-15,75
Łódź	528 300	60 700	11,2%	84 100	53 500	12-14,5

Source: Colliers International



## 8.2 Office market

### Echo Investment takes advantage of the good economic situation on the office market

In 2019, the Echo Investment's office department signed lease agreements for buildings finished and being under construction for 96 thousand sqm in total. Last year's biggest clients included such companies as Grupa Żywiec in Browary Warszawskie, Pyszne.pl in MidPoint 71 in Wrocław, LuxMed in O3 Business Campus III in Kraków, Just Gym in Moje Miejsce in Warsaw, Medicover Polska in Face2Face in Katowice, CitySpace in React in Łódź and many others. The most impressive is the agreement with Fujitsu Poland Global Delivery Centre that will occupy

16.3 thousand sqm in the project Fuzja in Łódź. The construction of office buildings for Fujitsu will start in mid-2020. It is historically the third largest lease agreement in Łódź.

Last year, Echo Investment started construction of four office projects with a total leasable area amounting over 95 thousand sqm as well as obtained occupancy permits for two office buildings with a total area of nearly 40 thousand sqm.

#### ECHO INVESTMENT OFFICE BUILDINGS, CONSTRUCTION STARTED IN 2019

Project	Address	Lease area	Planned completion date
Moje Miejsce II	Warsaw, ul. Beethovena	16 900	Q4 2020
React I	Łódź, ul. Piłsudskiego	15 000	Q3 2020
Midpoint 71	Wrocław, ul. Powstańców Śląskich	36 100	Q3 2021
Solidarności	Gdańsk, ul. Nowomiejska	27 400	Q4 2021
<b>Total</b>		<b>95 400</b>	

#### ECHO INVESTMENT OFFICE BUILDINGS, CONSTRUCTION WAS COMPLETED IN 2019

Project	Address	Lease area	Completion date
Moje Miejsce I	Warsaw, ul. Beethovena	18 700	Q2 2019
Face 2 Face I	Katowice, ul. Grundmanna	20 500	Q4 2019
<b>Total</b>		<b>39 200</b>	

The excellent office market condition makes investors' interest for finished, well-leased and well-located office buildings remains at a high level. Last year Echo Investment sold the office building Gatehouse Offices in the Warsaw Brewery complex (GLL Real Estate Partners paid EUR 76.8 million) and the third phase of the O3

Business Campus complex in Kraków (the value of transaction with EPP and Henderson Park amounted to EUR 47.2 million). The market is also believed in by banks, that are willing to finance projects developed by Echo Investment.

## BANK LOAN AGREEMENTS ON ECHO INVESTMENT OFFICE PROJECTS SIGNED IN 2019

Loan Bank	Project	Funding amount
<b>Bank Pekao</b>	Villahouse Offices and Malthouse Offices (the Warsaw Brewery complex) in Warsaw	EUR 87 million
<b>Bank Millennium</b>	West 4 Business Hub in Wrocław	EUR 20 million
<b>Bank Pekao</b>	Face2Face Business Campus in Katowice	EUR 65 million
<b>BNP Paribas Bank Polska</b>	React in Łódź	EUR 19.2 million



**Rafał Mazurczak**  
Management Board Member

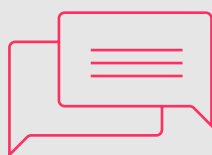
### ***How does Echo Investment find the office market potential in 2020?***

Consulting agencies research indicate that demand exceeds supply, what causes the vacancy rate to decrease. Investment funds are eager to buy well-leased and well-located office buildings developed by renowned developers, banks are also willing to finance such projects. The Polish economy, although is slowing down a bit, is still very well. New companies appear, existing companies want to increase their working space and move to better, new office buildings. This makes the forecasts for 2020 still very promising.

### ***What are the expectations of potential tenants?***

In 2020 we will start construction of office buildings in the multi-function project Fuzja in Łódź, where Fujitsu is going to move in. This lease transaction shows that reputable companies also from regional cities require exceptional locations and a very rich range of services over and above standard office spaces. Fujitsu leaders have decided that a perfectly designed part of Łódź such as Fuzja, full of cafes, restaurants, greenery and shared space, is an advantage that will allow to attract and retain the best employees in the market.

For many years we have believed in regional markets, so our newly planned projects are located in Wrocław, Kraków, Gdańsk and Łódź. Each one will have modern solutions and facilities, that will encourage potential tenants to move there their office.



### 8.3 CitySpace

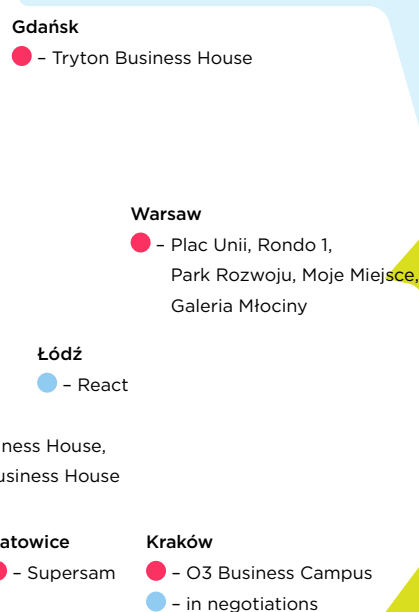
#### 70% increase of flexible office space managed by CitySpace

CitySpace, a Polish operator of flexible serviced offices that is a part of Echo Investment Group, increased its managed area by 70 pct and it launched over 800 additional workstations in 2019. Currently it manages almost 17,000 sqm of flexible office space with around 1,900 workstations in ten locations in Poland – in

Warsaw, Wrocław, Gdańsk, Katowice and Kraków. Last year the company launched as many as four offices: in the Aquarius Business House in Wrocław, Galeria Młociny in Warsaw, the Moje Miejsce office building in Warsaw's Mokotów district and the third building of the O3 Business Campus office complex in Kraków.

#### CITY SPACE LOCATIONS IN POLAND

- – Current CitySpace offices
- – Future CitySpace offices



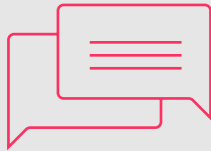
In 2020 CitySpace intends to focus on searching for new locations in major Polish cities – in central or very well-linked places. The operator plans to launch or expand 4 more offices, in Łódź and Gdańsk, among others, which will jointly provide more than 800 workstations.

The development of the CitySpace chain is accompanied by its care for tenant comfort, quality of finishing and standard. The company is working on this with e.g. a renowned Medusa Group architectural studio or the E1 Collective creative agency. It is the Medusa Group studio that developed the design of CitySpace Club Beethovena in Moje Miejsce and Galeria Młociny as well as the new office at the O3 Business Campus.





**Jarosław Bator**  
Managing Director  
of CitySpace



***What characterizes the last year on the roar of serviced offices?***

It was a year of major lease transactions and a robustly booming market of coworking and serviced offices. I also believe that we persuaded large corporations to use flexible serviced offices and now they consider such solutions.

***What standard and what services does CitySpace offers its clients?***






Our clients can choose from modern coworking offices with a unique meeting area in industrial containers at Galeria Młociny, private, well-equipped offices in the Moje Miejsce building in Warsaw, a modern workspace in the O3 Business Campus in Kraków and other places with optimal locations, standards and conditions. In all offices, CitySpace provides the best air parameters, perfect silencing and lighting of rooms, advanced IT systems, the safest servers and full customer service.

***Who are CitySpace's clients?***

Our clients are currently several dozen companies from the financial, real estate and pharmaceutical sectors, among others, medium-sized companies and large corporations. The boom on this market, which started in Poland in 2017-2018, means that the group of our tenants has been constantly growing.

# Retail segment - market outlook and Echo Investment business activities

Perspectives of each market sectors in coming 12 months:

-  - Very optimistic
-  - Optimistic
-  - Neutral
-  - Pesimistic
-  - Very pesimistic

## 9.1 Retail market



In 2019, 391,000 sqm of modern retail space were put into service, i.e. about 10 percent less than in 2018. Shopping centers, offering 169,000 sqm, are a considerable part of this space. Galeria Młociny, a joint project of EPP and Echo Investment located in Warsaw, was the biggest facility completed in 2019. As a result of openings, the total retail space in Poland reached 14,600 sqm, where shopping centres represented about 70 percent. Retail space saturation amounted to 266 sqm / 1,000 residents, what places Poland only slightly below the average for Western European countries (279 sqm). Market saturation of shopping centers results in the growing interest of the developers in smaller formats such as shopping parks, free-standing shopping warehouses and convenience centers.

Due to maturing retail space market, shopping centers have to fulfill completely new functions nowadays. According to JLL analysts, these types of facilities are expected to improve shopping experience of customers and to integrate local communities. Com-

mon areas, food court and all possible entertainment become increasingly important. Currently, amphitheaters, ice rinks, roof gardens or sports facilities such as a climbing wall are often found in such places.

Commercial networks continue to create the largest demand for retail space. However, they are more selective when choosing another locations. Smaller entities are currently focusing to optimize existing networks rather than to develop. Due to this approach, negotiations and renegotiations with tenants are prolonging. However, as a result of very good economic conditions and growing retail sales, 20 foreign brands debuted in Poland in 2019. The most important openings were connected with the Hermes boutique, Monki, Weekday and Under Armor stores.

Rents in retail facilities remain at a very similar level to 2018. Depending on the size of cities and the popularity of shopping centres, rents range from 40 euros in regional cities to even 130 euros in the best shopping centres in Warsaw.



Galeria Młociny, Warsaw

## 9.2 Echo Investment's activities in the retail sector



### GALERIA MŁOCINY GRAND OPENING AND CREATION OF THE LIFESTYLE DISTRICT IN THE WARSAW BREWERY

In 2019, the most important event – not only for Echo Investment, but also for the entire market – was the great opening of Galeria Młociny in Warsaw, that took place on 23rd May. The facility has gathered more than 240 stores and service outlets, comfortable offices, a medical centre, children's play areas, a fitness club and nearly 50 restaurants, cafes and dining spots, as well as the first multi-screen cinema in Bielany. In line with trends in the retail space sector, approximately 20% of space of the centre has been dedicated to a non-commercial offer – services, entertainment and food court. The restaurant and entertainment space – occupying the entire +2 level and connected to the green roof garden – was designed by architects from the renowned Broadway Malyan studio.

The centre was developed just next to the Młociny transport hub – in one of the best transit locations in Warsaw, with easy access to the metro station, numerous tram lines and city, suburban and country bus lines, a bicycle station and a P&R car park. It is the most important transport interchange of the northern part of the city and neighbouring towns, that is used by over 24 million passengers every year. Galeria Młociny's investors are EPP (70% of shares)

and Echo Investment (30% of shares). While the former manages the newly opened complex, the latter was fully responsible for the development process and leasing. Among renowned brands present in Galeria Młociny, it is worth mentioning Inditex group (Zara, Zara Home, Oysha, Massimo Dutti, Bershka, Stradivarius, Pull & Bear), H&M, Van Graff, TK Maxx, C & A, CCC, Media Markt and RTV Euro AGD. Brands such as Gagliardi, Sloggi or Mayoral also opened its premier stores here. In August and September the offer was extended by 40 new brands, that opened its stores in Galeria Młociny. The international retail chain Primark also confirmed in July its presence in Galeria Młociny. The store at Galeria Młociny will be the first location in Poland. The chain has leased 5,700 sqm (of which 3,700 to be retail space). Primark has also confirmed that it will open its store in spring.

In the second half of the year Echo Investment's retail team focused on finalising the lease agreements in the Warsaw Brewery. The most renowned success was to sign a lease contract for the historic Malthouse building. A restaurant of Robert Lewandowski, the head of the Polish national team and his business partners: Jerzy Krzanowski, a businessman connected with the furniture business and Jacek Trybuchowski, one of the most respected and experienced managers of the catering industry, will soon be opened here. The

restaurant will occupy about 1,300 sqm. The contract proves that Warsaw Brewery are attractive for another tenants connected with catering and services, including vaulted cellars of the former storage room. Another tenants in the quarter originating from the catering business include Dessert Patisserie & Chocolaterie, the Pjaca restaurant, Tapas Bar Sobremesa, Craft & Beer Kumpel Atelier and French Bistro. The construction of all projects in Warsaw Brewery, as well as all shared spaces, will be completed in the fourth quarter of 2020.

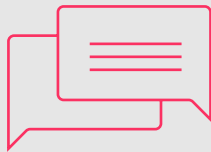
In the spring, the first cut of the spade took place on the site of the former Karol Scheibler factory at

ul. Tymienieckiego in Łódź, and thus construction of Fuzja was started - another city-forming project carried out by Echo Investment. The retail department is working on the concept of commercialisation of service and restaurant spaces of this project.

Another undertaking, where the retail real estate department will have a major contribution is an all-purpose project, which will be developed at the Kabaty underground station in Warsaw. This plot of land was purchased in October last year and will be transformed into a city-forming, destination project.



**Marcin Materny**  
Management Board Member



***What changes and trends were present on the retail market in 2019?***

Retail properties is evolving and taking over more and more purposes. Their offer is complemented by extensive catering zones, which no longer recall standard food courts, full of fast food outlets. The emphasis on a purely retail purpose is moved to meeting other consumer needs, such as entertainment, work or experience. We have followed the line of Libero in Katowice or Galeria Młociny and this approach brings good results. A step further there are projects such as Warsaw Brewery, Fuzja in Łódź or a project at the Kabaty underground station in Warsaw in the future.

***What is the future of this market?***

I am confident of its future. Consumer optimism is still high, people want to buy and spend money on entertainment. They are obviously more and more demanding and developers have to face this challenge. I believe that the future of this setor is closely related to all-purpose, city-forming projects, that complement cities and provide them with with all necessary purposes. The coming years are also aimed at rebuilding and changing a new manner of functioning of the oldest retail facilities. These are mostly perfectly-located areas that require a fresh look at retail and other services.

## Investment segment – market outlook and Echo Investment business activities

Perspectives of each market sectors in coming 12 months:

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

### 10.1 Investment market set a new record



The value of transactions concluded in 2019 on the commercial real estate market in Poland broke a new record, exceeding EUR 7.7 billion, a 7% increase compared to the previous year. Another record-breaking result suggests that investors' interest in our region is not diminishing, and the threshold amounting EUR 7 million is a new standard on the Polish market according to CBRE analysts.

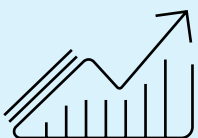
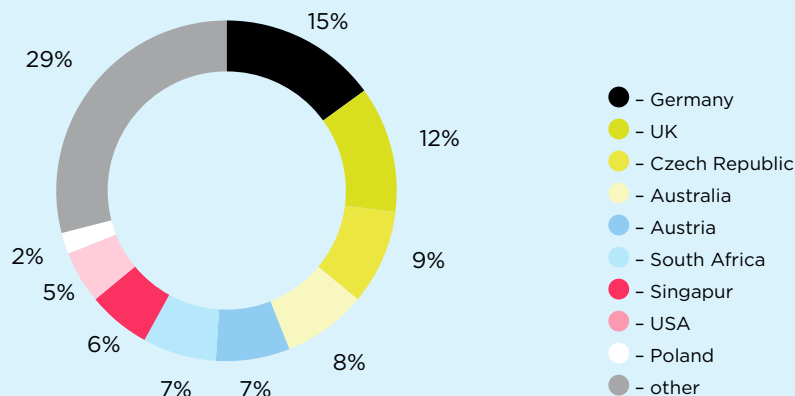
The office sector was the most dynamic, where the total value of projects amounted to EUR 3.8 billion - 39% more than the year before. The largest transaction was the sale of the building A of the Warsaw Spire complex for EUR 386 million. The second largest transaction was the retail sector that dropped by 22.5% to EUR 1.92 billion. The largest transaction in this sector was the sale of a portfolio of shopping

centres between subsidiaries of the Cromwell Group, worth approximately EUR 600 million.

Prime yields in almost all sectors reached record lows at the end of 2018. It is estimated that for Warsaw office real estate it amounted 4.25%, while in regional cities - 5.75%. For shopping centres, yields remained stable at 5.00%.

According to analysts from CBRE Research, in the coming years the investment market can be expected to stabilize at the level observed in the last two years. It is worth noting, however, that despite depreciation of yields, rents remain stable, that makes the Polish commercial real estate market seem much more interesting for many investors so far absent in Poland.

### ORIGIN OF CAPITAL FOR PURCHASE TRANSACTIONS OF COMMERCIAL REAL ESTATE IN POLAND IN 2019



## 10.2 Echo Investment's Group achievements on investment market and outlook

### TIME TO SELL AND ACQUIRE PLOTS

The excellent condition of the investment market, the high demand for modern space - especially office space, falling yields and the vacancy rate are the factors best describing the investment market in Poland and Europe in 2019. The investors' appetite for finished, well-leased and perfectly-located office buildings remains high. Last year Echo Investment sold the office building of Gatehouse Offices in the Warsaw Brewery complex (GLL Real Estate Partners bought it for EUR 76.8 million) and the third phase of the O3 Business Campus complex in Kraków (value of transaction with EPP and Henderson Park amounted to EUR 47.2 million).

To guarantee future development, Echo Investment is active on the land market. The Company relies on its internal purchasing department, its own analyzes and experience in this field, as well as cooperates with the best brokers and advisors of this market. In 2019, the Echo Investment Group acquired properties for development with a potential of nearly 170.6 thousand sqm of office and residential space. The total value of transactions concluded amounted nearly PLN 293.3 million. It includes, among others, a very attractive land at al. Komisji Edukacji Narodowej in Warsaw, where the Tesco shopping centre is located. What is more, the Company has secured further properties, including three plots of land with Tesco hypermarkets in Kraków, Łódź and Poznań, or a plot of land for residential development in Warsaw located near ul. Domaniewska.

# 170.6

 thousand sqm

The potential of plots of land purchased by Echo Investment in 2019



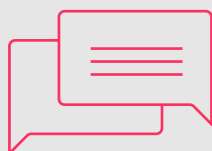
**Małgorzata Turek**  
Management Board Member

### ***How does Echo Investment assess the project sales potential in 2020?***

Being in line with the Profitable Growth Strategy, we sell finished office buildings and shopping centres at an optimal time in terms of achievable rates of return, expectations and market trends. In such favourable macroeconomic conditions, we focus on efficient construction and lease of finished buildings to offer them to investors. We currently own eight office buildings completed and under advanced construction, that are at various phases of preparation for sale. We believe that 2020 will be a very good time to make such transactions.

### ***What is the strategy and the conditions for purchasing plots of land for new projects?***

In 2019, the market calmed down in terms of price expectations and willingness to sell. We were able to purchase plots of land with a development potential of 60% higher than in 2018. In addition, among new and secured projects there are very attractive, large plots for all-purpose projects. Such undertakings are strategic for us and guarantee future development over the next few years.





# Echo Investment's Group achievements on construction market and outlook

Perspectives of each market sectors in coming 12 months:

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

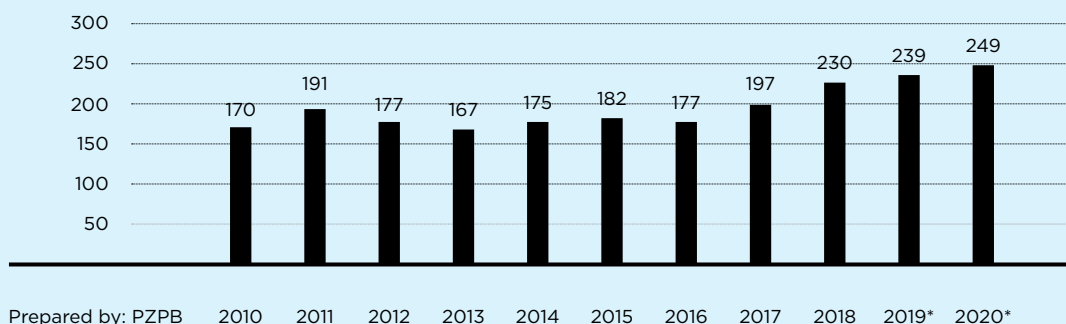
## 11.1 Construction market



Last year, the construction market was marked by slowing down demand with a weaker but keeping pace increase in prices of construction materials and workers' salaries. Contrary to last year's situation, private investments increased and public investments growth slowed down. Road construction turned out

to be the most memorable disappointment, with even a single-digit decrease. It is estimated that the value of the Polish construction market amounted to PLN 240 billion in 2019.

VALUE OF CONSTRUCTION AND ASSEMBLY PRODUCTION IN THE COUNTRY [IN PLN BILION]



Since January 2019, prices of construction materials have been rising steadily, but much slower than in 2018. According to the PSB Group's analyses, in 2019 average increases in the prices of construction materials amounted 3.6% (compared to 6.8% in 2018). Price increases of construction materials may accelerate in early spring, when a standard construction season begins. However, experts expect that spectacular price increases ended, especially when it comes to materials used in road and railway construction. They indicate that price competition between contractors is building up, as there are still a lot of tenders for road and railway works supported by EU funding to be won and more projects connected with energy and hydrotechnics will be launched. It is certain that the number of local government investments will decrease, so local construction companies will face fierce competition. In case of residential and commercial projects in 2020, a high demand for construction services will be still observed.

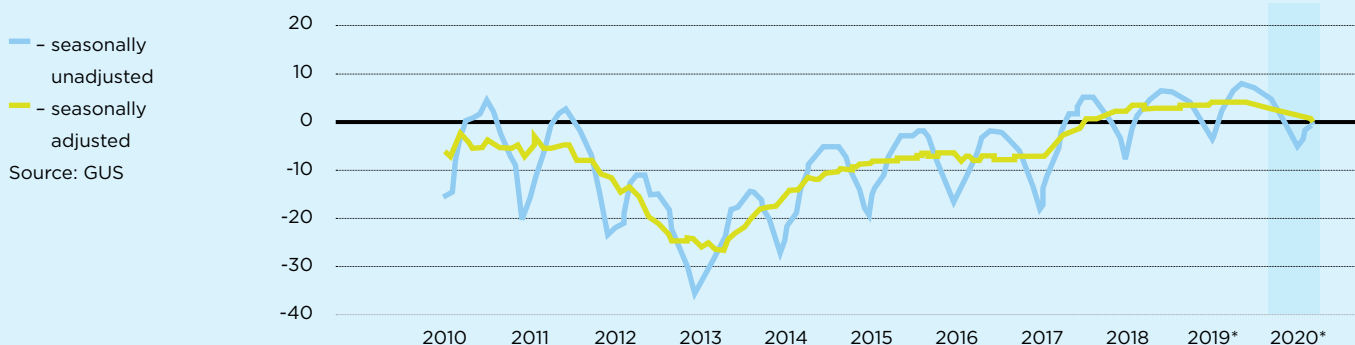
Since the beginning of 2019, according to analyses of wielkbudowanie.pl, there were fewer and fewer people willing to work, and only in February and March companies limited their activities, what resulted in temporary problems with finding employment. Since April, unemployment was almost zero, and only in August some fluctuations of the labor market were observed. The situation became more difficult in October, when companies started to limit employment and the number of people looking for a

job was growing. Naturally, such low unemployment (4.5% in 2019 in this industry), the labor market is still very large in case of the construction industry, but the growing number of people returning from abroad and losing their jobs in companies that got into trouble is already greater than last year. It was only in December that it was noticeable that fewer workers entered the market.

In 2020, staffing problems in companies will probably be reduced. The previous year was a peak period in terms of employment, because the economic situation was still very good. In the following years, fewer projects are expected (urban and municipal projects are coming to an end), EU funds will also be limited. Analysts expect that business stagnation in Western European markets will reduce the profitability of working abroad. At least for the next 2 years, the labor market in the construction industry will aim to keep demand and supply for workers in balance.

The economic forecasts formulated by contractors are no longer as optimistic as they were a year ago. In 2019, the construction industry's economic situation indicator calculated by the Central Statistical Office (GUS) increased only until April (+8.7), and then began to decrease. In February 2020, the general business climate index (NSA) was at the level of plus 0.1, i.e. higher than in the last 3 months, but lower than in February of the last two years.

### CONSTRUCTION - GENERAL BUSINESS CLIMATE INDICATOR



PLN **239** billion

estimated value of the construction market in Poland in 2019.

## 11.2 General contracting replaced by packaging of orders

In 2019, due to the decline in the number of construction projects in the economy, contractors and suppliers were strongly interested in participating projects developed by Echo Investment. The price increase slowed down, resulted in a settled time for the industry and the group. The priority for the construction department was to provide contractors on time and within budget for all construction sites. The Group completely replaced the general contracting system with the packaging system. The value of the average package was also decreased, what will translate into greater control over construction costs.

Echo Investment manages the issue of construction management with the following instruments:

- in the vast majority of cases, Echo Investment plays the role of general contractor on construction sites. Internal services have ongoing control over budgets, work progress, as well as very early knowledge of risks, which enables quick response and undertaking appropriate remedial or corrective measures;

- the Group runs several dozens of construction sites at the same time and manages deliveries through large, packet orders, and also goes deeper and deeper into the supplier chain. It allows to achieve savings through economies of scale and to secure prices of services and supplies for several quarters in advance;
- Echo Investment has over 20 years of experience in the development and construction market 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 project budgets is largely offset by the increase in the expected revenues of individual projects.

The Group gradually increases the scale of operations. By the end of 2019, 37 projects were under construction, with a total leasable and sales area of over 353,000 sqm. As many as 990 agreements and annexes worth PLN 988 million in total were signed during 2019.



**Artur Langner**

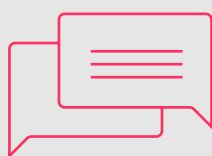
Vice-President of Echo Investment

### ***What trends are currently affecting the construction market?***

The slowdown in the procurement market resulted in more companies willing to cooperate. This factor stabilized the situation in 2019. I expect further stabilization this year: although some decrease in construction material prices can be expected, on the other hand there is an increase in a minimum wage and energy prices.

### ***Does Echo Investment have a problem with a shortage of manpower?***

We do not employ construction workers directly, but our subcontractors have to deal with this issue. We are a good payer and a stable principal and we value long-term business relationships. We are aware of the situation of our subcontractors and support them as far as possible and appropriate. Therefore, the problem of manpower shortage on our construction sites is not acute.



# Our responsibility

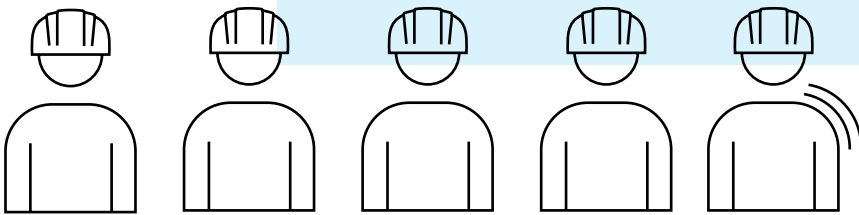
## 12.1 Safety at construction sites

In 2019, 30 construction sites managed by Echo Investment recorded 15 accidents and 19 incidents which resulted in 283 working days lost at construction sites per more than 8.2 million working hours in total. Last year's record was better than in 2018 by one accident less. This decreased the accident rate per million worked hours from 1.92 to 1.83.

Echo Investment's efforts on safety and environmental protection are focused primarily on prevention activities. Such as trainings, regular HS&E inspections and peer reviews conducted by construction site supervisors together with contractors. A total of 765 peer reviews and 228 inspections was carried out by the Management Board, senior management and the HS&E team on Echo

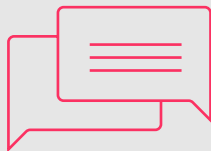
Investment's construction sites last year. To raise and build a positive safety culture, a system of rewards for employees for safe attitudes was introduced at Echo Investment projects.

The EHS management system is subject to internal audits on an ongoing basis - in total 18 audits took place last year, they all checked compliance with ISO 14001 and OHSAS 18001. In 2020, Echo plans to move to the new ISO 45001 standard. Echo Investment's actions to maintain high OHS standards have been recognized by the National Labour Inspectorate by awarding a commendation to the company as a demanding client in terms of health and safety.





**Dariusz Nowak**  
Environmental and Health Safety  
Director



### ***What's the basis of Echo Investment's efforts to prevent accidents on construction sites?***

On education and convincing employees and contractors that safety on construction sites is profitable. The most important for us is that construction sites are not afraid to report accidents at work and we are able to analyze all of them and draw conclusions. It is essential to report serious incidents, i.e. near miss, so we can analyze them, recognize causes and bring in a recovery plan before another accident occurs at work.

### ***On what trainings did you focus in 2019?***

We regularly carry out awareness trainings as well as specialised trainings on, among others work at height, vertical transport or fire-hazardous work. As a EHS team, we have internally trained all Echo Investment employees and the majority of our contractors' supervision personnel.

### ***What's the plan for 2020?***

The target is always the same: maximal level of safety for people on our construction sites, as well as limiting the number of accidents and incidents. In 2020 we will carry on and develop EHS actions at construction sites at the design phase in cooperation with architects and designers, as well as trainings with employees.

We will still focus on our efforts on the three biggest risks connected with construction sites: work at height, vertical transport, road traffic. In addition, we will place more and more importance on environmental issues through better waste management during the construction phase.



### **WHAT ARE ISO 14001 AND OSHAS 18001 STANDARDS?**

ISO 14001 standard is a certification system for environmental protection, operating on the basis of international standards. Its goal is to constantly refine and improve environmental performance and prepare for reacting in the event of an ecological threat in the company. The implementation of this system allows monitoring and improving indicators concerning the impact of the company's activities on the environment: the volume of waste, energy consumption, and efficiency.

OHSAS 18001 is a standard describing the occupational safety management system. It is based on the rule: Plan-Do-Check-Act (Plan-Do-Check-Act). This standard puts a lot of emphasis on familiarising the company management with the plan implementing the OHS system, increasing the number of trainings, continuous improvement of the system, and including all employees in the health and safety processes.

## 12.2 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 par-

ticipate 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.

### CHARITY ACTIVITIES

We try to help in particular organisations from the home region of the company – the Kielce region. In many cases it is a permanent support. We abandoned sending Christmas gifts and cards to clients, business partners and contractors, and money saved we spend on our corporate charity campaign “Let’s share the joy”. In 2019, we have financed a modernization of a bathroom and a corridor in the building of Centrum Administracyjne Placówek dla Dzieci i Młodzieży im. Ireny Mroźewskiej

(Irena Mroźewska’s Institution for Children and Youth Administrative Centre) in Nagłowice. The Company is also a sponsor of a number of events for terminally ill children organised by Fundacja Dziecięca Fantazja (Kid’s Fantasy Foundation).

As every year, Echo Investment co-organised the Christmas campaign “Deweloperzy Dzieciom” in Poznań, whose beneficiaries were children from orphanages.



One of the events organised by 'Dziecięca Fantazja' Foundation supported by Echo Investment





As part of strengthening the compliance system, in 2018 Echo Investment implemented the new system for evaluating applications for support and undertaking sponsoring and charitable cooperation. The strict procedure was introduced for applications of this nature, and at the same time the Ethics Committee was established, which is the advisory body of the management board, which verifies submitted documentation and its compliance with the company's requirements and policies. All application for sponsoring and charitable support are proceed strictly according the regulation applied. The Audit Committee constantly monitors functioning of the system.



## SPORTS ACTIVITIES

Echo Investment engaging also in sport activities. Since 2014, the company has supported the Poland Business Run Foundation, helping people with mobility disabilities. Last year, nearly 27 thousand runners took part in the Poland Business Run in nine cities, thanks that 94 beneficiary will be supported. We have started our cooperation by founding the organisation of this event, but since 2015 we have also been active participants in it. In the charity Poland Business Run 2019, as many as seven Echo Investment teams took part in cities where we carry out projects.

Echo Investment also took part in Charity Real Estate Beach Volleyball Tournament, that supports Rescue for Children with Cancer Foundation (Na Ratunek Dzieciom z Chorobą Nowotworową).

## 12.3 Our employees and diversity policy

### Our people

The driving force of Echo Investment are its employees, their diverse experience, competences, received education, work methods and individual approaches to performed tasks. The stability of the team, systematic improvement of competences, current updates 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: professional experience, function competences, leadership competences, as well as difference of opinion, background, gender, qualifications or age.

As at 31 December 2019 Echo Investment employed 423 people on regular employment contracts. Number of our employees increased by 6% compared to 31 December 2018 due to the growing number of investment projects. The average seniority currently amounts to ca. 6.5 years. In 2019, we employed 74 people, and 51 people finished working in the Group. Since we have a lot of employees with diverse experience and aspirations, we always start searching for people for new positions internally. Consequently as many as 55 of our employees were promoted and received greater responsibility in 2019.

Echo Investment enjoys the long average seniority, a balance between the number of long-term, experienced employees and the number of short-term employees, as well as the diversity of related qualifications, the gender balance and the top level of qualifications. Two people with citizenship other than Polish worked in the Echo Investment group at the end of 2019. The group employs nine people with disability certificates.

As part of the skills development program, in 2019 the training workshops on communication and cooperation both inside and between departments were started in Echo Investment. The trainings were based on Insights Discovery model that describes each employee individual style of acting. Knowledge of each other and understanding of our behaviours constitute the main idea of the programme which gives employees the possibility to extend advantage of cooperation. In 2019 we also conducted trainings on safe driving for employees using the company cars. Over 1,000 employees had an opportunity to improve their driving skills with professional trainers. In addition, all employees had the opportunity to improve their qualifications directly applicable at work, by participating in workshops and trainings for professionals. We practiced i.e. in risk management, to plan our projects even better and carry them in more efficient way.

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### Diversity policy

We operate on one of the most demanding job markets in Poland, which is why we manage the organization focusing on using diversity, openness and including our employees in building the value of the company. 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 success. We develop an open, inviting work culture, respecting the contribution of all employees. We believe that in our organization everyone shares their unique way of looking at the world, their talents and experience, their own approach and passion.

Conducting complex projects throughout Poland requires a team with diverse experience, knowledge and skills. That is why we hire people from different backgrounds, regardless of their race, gender, age,

social status, religion, sexual orientation, political views, disabilities or marital status. 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.

In 2019, we carried out an internal review of all areas of diversity management. The employees were involved into activities, such as internal survey on understanding of diversity idea or appointment of a special working group from different departments and business functions, that will coordinate further

actions in this area. As a result of its meetings, internal communication campaign promoting different aspects of diversity was launched. Next year, we plan further activities in this area, with a special attention to inclusivity and cooperation inside our company both inside and outside.

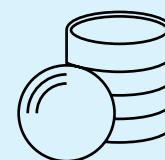
## Report on remuneration policy

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 Organisation.

- § 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 2019, we continued our activities in the area of conscious management of remuneration efficiency. We carried out the process of raising remuneration for employees in accordance with the best market standards. The remuneration system of Echo Investment is based on 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 assessment and comparing their remuneration to market standards (so-called compa ratio). This ensures transparency of the assessment criteria which are the basis for the remuneration system in a diversified organisation.

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

Assumed role within the organization and its 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 competences used at work, but they do not depend

on gender, age, nationality or seniority of a person employed. 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 of the company. The employee employed in each position, including a support department, has a chance to receive a bonus.

In 2019, we operated according to previously developed standards: we kept updated our professional position's matrix and current valuation of new and changed positions, as well as its cohesion with market standards in real estate industry. For such a mapped organisation, we have prepared an analysis of market wage standards for a comparable group of companies and locations (real estate and construction industry, the largest cities in Poland). On this basis, we carried out the pay rise process. At the same time our employees career progression path were developed, by setting clear goals and milestones that, along with increasing accountability in the organization, enabled employees to earn higher wages. Such a solution ensures high motivation, talent retention and long-term development of the organisation. In addition, we offer an attractive benefit system for all employees, what was confirmed by internal survey for managers at the end of 2019. A medical package,

benefit cafeteria and access to sports facilities were appreciated in particular.

In 2019 we continued development of our bonus system to make the rules of remuneration transparent and based on clear targets for everyone. At the same time the system provide management of the company with possibility to cascade the targets to lower level managers and execute its implementation.

The activities undertaken in 2019 prove the Management Boards' high commitment to ensuring a cost-effective, transparent and motivating remuneration policy in the Company. In 2020 we intend to continue work on supporting employee development and building an optimal working environment by emphasis on the innovative use of acquired skills at the workplace, involvement in developing leadership skills of managers and building modern and effective tools for setting goals and management through feedback provided on an ongoing basis.

## 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 2019, in addition to the specific objectives set out for each Member of the Management Board in accordance with their scope of responsibility, the Supervisory Board established four common objectives for the Management Board, which concerned the sale of real estate, security on construction sites, strengthening internal systems and strengthening employee competencies.

In 2019 and as at the date of this report, there were no agreements concluded between the Company and the managing persons, providing for compensation in the event of their resignation or dismissal without a valid reason or if their dismissal is due to a merger of Echo Investment S.A. or due to acquisition.



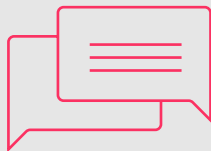
**Sylwia Jaworska**  
HR Director

***What is the main target of HR activity in Echo Investment?***

Echo Investment's HR is focused on constant improvement of employees' qualifications and care for their professional satisfaction. Thanks to personal development we all can undertake demanding tasks, build our own experience, as well as an experience of the organization, ensure continuity of work in key managerial positions and undisturbed functioning of processes necessary in order to maintain regular operations of our company. It is an element of the company's stability, what directly influence on loyalty of our employees.

***What particular skills are valued and developed in Echo Investment the most? What is the main assumption of the training plan?***

We are the only Polish development company that has resources and experience in different functions of real estate and combining them into mix-used urban 'destinations' projects. This require from us special attention to cooperation between different business divisions. At the end of 2019 we have launched preparations for trainings strengthening cross-function cooperation. We care about taking responsibility for overall project by each employee, inclusivity and strengthening of cooperation. Our main target is to build effective cross-function teams, that together can reach better results, using diversity of our organisation.



# 423

The number of people employed by Echo Investment as at 31 December 2019 on regular employment contracts

# 95 %

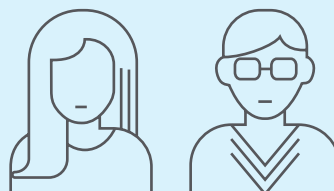
The percentage of employees of the Echo Investment Group who held at least higher education

# 6,5 roku

The average seniority in the Echo Investment Group

## EMPLOYEES OF ECHO INVESTMENT GROUP SPLIT BY GENDER

# 52 %



# 48 %

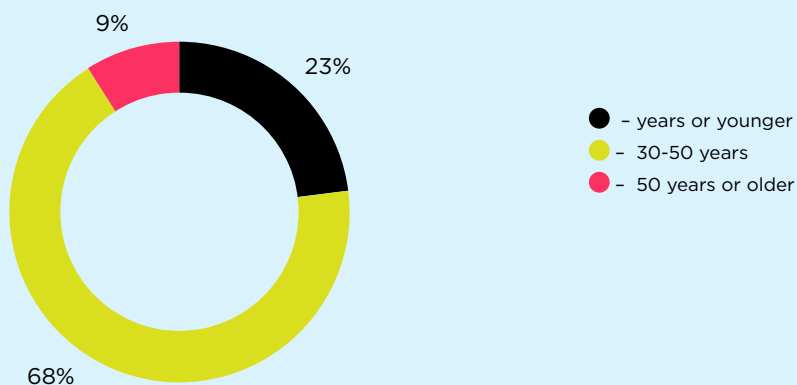
# 74

The number of people employed in 2019

# 35

The number of employees promoted in 2019

## EMPLOYEES OF ECHO INVESTMENT GROUP SPLIT BY AGE





## 12.4 Care for good relations with investors

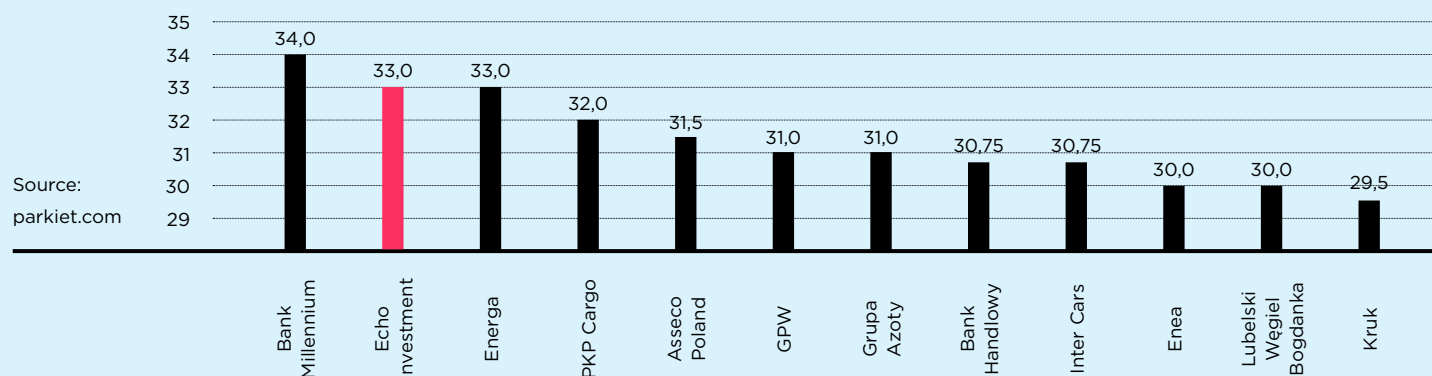
Echo Investment is one of the oldest companies listed on Warsaw Stock Exchange. As the largest Polish developer, real estate leader and a company with a far-reaching vision of development, it cultivates good relations with investors and potential investors. The company cares for better communication,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

The Management has regular quarterly meetings with the capital market and journalists at result conferences following the publication of reports. Since 2016 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.

In 2019, the management board of Echo Investment was particularly focused on direct contact with analysts, fund managers and company representatives. The Management Board of Echo Investment held many meetings and teleconferences in Poland as well as in London, Stockholm, Tallinn, Prague and Budapest. After each quarter, the company also responds to all questions of analysts, shareholders, journalists and other stakeholders. According to market expectations, the Company has significantly increased the scope of disclosures in the quarterly reports of the management board, which particularly involves describing its real estate portfolio, ongoing projects and operational segments.

In May 2019, the company obtained the second place among mWIG40 companies in the competition of the most transparent companies, receiving a score of 33 points. (only 1 point less than the leader of the statement).

**THE NUMBER OF POINTS OBTAINED IN THE RANKING “TRANSPARENT COMPANY OF THE YEAR” BY COMPANIES FROM THE M WIG40 INDEX**



Source:  
parkiet.com

## RECOMMENDATIONS FOR ECHO INVESTMENT S.A. ISSUED SINCE THE BEGINNING OF 2019

Recommendation	Price target [PLN]	Market price at the end of the day preceding the recommendation [PLN]	Institution	Analyst	Date
● Hold	3,95	3,40	DM BOŚ Bank	Maciej Wewiórski	05.02.2019
● Buy	4,89	4,10	Erste Securities	Cezary Bernatek	21.06.2019
● Buy	4,94	4,48	Erste Securities	Cezary Bernatek	30.10.2019
● Buy	5,32	4,48	Ipopema	Marek Szymański	11.10.2019
● Buy	4,30	3,83	Kempen	Albert Pranger	14.03.2019
● Buy	4,59	3,44	PKO Securities	Piotr Zybala	12.02.2019
● Buy	5,45	4,76	PKO Securities	Piotr Zybala	02.10.2019
● Buy	4,07	3,63	Santander Biuro Maklerskie	Adrian Kyrzcz	25.02.2019
● Buy	4,82	4,27	Santander Biuro Maklerskie	Adrian Kyrzcz	23.09.2019
● Hold	4,61	4,60	Santander Biuro Maklerskie	Adrian Kyrzcz	12.11.2019
● Hold	4,80	4,30	Wood & Co.	Jakub Caithaml	08.04.2019
● Buy	4,90	3,60	Wood & Co.	Jakub Caithaml	12.06.2019
● Hold	4,70	4,59	Wood & Co.	Jakub Caithaml	03.12.2019

# How we manage risk

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

Significant risk factors and threats to the operations of Echo Investment S.A. and its Group Risk management is an integral part of operating the Strategy of Profitable Growth 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 S.A, in cooperation with the Supervisory Board and the Audit Committee, is responsible for the overall risk management. The Management Board, in cooperation with the Internal Audit Department, 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
<b>Risks related to strategic goals and assumptions</b> <ul style="list-style-type: none"> <li>• Risk of not achieving strategic goals</li> <li>• Change of strategic assumptions and goals</li> <li>• Non-uniform, unrealistic assumptions and strategic goals</li> </ul>	<ul style="list-style-type: none"> <li>• Experienced Management focused on achieving goals. Incentive systems based on cascading of strategic goals to operational goals.</li> <li>• Periodical verification of key strategic goals for validity and their on-going monitoring through developed procedures at project, portfolio and Group levels.</li> <li>• Monitoring of the markets in which the company operates based on industry reports and its own research and analysis, in particular covering the average level of apartment sales prices and rental rates and transaction prices on commercial markets.</li> </ul>
<b>Risk of not securing assumed land bank</b> <ul style="list-style-type: none"> <li>• Strong competition</li> <li>• High price expectations</li> <li>• Limited supply of well-prepared real estate</li> </ul>	<ul style="list-style-type: none"> <li>• Own land purchase department</li> <li>• Close cooperation with renowned brokers and agents</li> <li>• A significant financial potential enabling acquisition of large, multifunctional plots, which attract less competition</li> <li>• Maintaining a land bank that ensures operations for app. 3-5 years</li> </ul>

## STRATEGIC AND BUSINESS RISKS

RISK	Method of risk management and competitive advantages of Echo Investment
<p><b>Risk of not achieving assumed level of residential sales</b></p> <ul style="list-style-type: none"> <li>• Strong competition on local markets</li> <li>• The offer of apartments not matched to demand</li> </ul>	<ul style="list-style-type: none"> <li>• Constant, thorough analysis of local residential markets from the stage before the purchase of a given plot until the end of the sale process</li> <li>• Constant analysis of the latest trends in the housing market based on industry reports and own analyses of customer preferences</li> <li>• Ability to flexibly respond to changing customer preferences even during construction (own design department)</li> <li>• Conducting sales of apartments based on own sales teams</li> <li>• Project implementation in stages</li> <li>• Many years of experience from several local residential markets</li> </ul>
<p><b>Risk of not securing assumed level of office and retail space lease</b></p> <ul style="list-style-type: none"> <li>• Strong competition on local retail markets</li> <li>• Limited expansion of retailers</li> <li>• A poorly structured office or retail offer</li> <li>• Increasing tenant expectations in respect to fit-out standard</li> </ul>	<ul style="list-style-type: none"> <li>• Constant analysis of market trends and quick response to changes</li> <li>• Constant cooperation and maintaining contacts with about 600 tenants or potential retail and office tenants (including in particular retail chains or the BPO/SSC sector)</li> <li>• Many years of experience in the implementation and rental of commercial projects on several local markets in Poland</li> <li>• Own large leasing teams</li> <li>• Cooperation with all significant brokers and rental agents</li> <li>• 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</li> <li>• 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)</li> </ul>
<p><b>Risks related to sales of office and retail projects</b></p> <ul style="list-style-type: none"> <li>• Strong competition on the market of finished &amp; operating commercial projects</li> <li>• High requirements of potential investors regarding the product and the seller</li> </ul>	<ul style="list-style-type: none"> <li>• Own sales team (consisting of industry, legal, tax and financial specialists)</li> <li>• Extensive market experience</li> <li>• Extensive contacts on global real estate markets</li> <li>• High quality projects that meet all the criteria required by international institutions investing in real estate assets</li> <li>• Flexible and innovative approach to contracts with potential buyers</li> <li>• 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</li> <li>• 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</li> </ul>

## STRATEGIC AND BUSINESS RISKS

RISK	Method of risk management and competitive advantages of Echo Investment
<p><b>Risks related to cooperation with contractors and subcontractors</b></p> <ul style="list-style-type: none"> <li>• Risk of the contractor's bankruptcy</li> <li>• Risk of delays in the work</li> <li>• Risk of improper quality of the work provided</li> <li>• Risk of increased prices of materials and workmanship</li> <li>• Risk of claims and legal disputes with subcontractors</li> </ul>	<ul style="list-style-type: none"> <li>• Stable financial situation that makes Echo Investment an attractive and desirable client on the market</li> <li>• Cooperation with a selected group of renowned contractors subcontractors and suppliers</li> <li>• 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</li> <li>• Legal protection applied in concluded contracts for contractor services</li> <li>• Permanent supervision over construction projects by project managers and directors of Echo Investment construction as well as inspectors or specialist external companies</li> <li>• Echo Investment's many years of experience and low employee turnover (average seniority of over 6 years)</li> <li>• Own team responsible for cost estimates and constant monitoring of prices and supply of materials and services on the market</li> <li>• Packaging of orders making it possible to reduce offer prices using the so-called effect of the scale</li> </ul>
<p><b>Risk of changes in estimates regarding development projects</b></p> <ul style="list-style-type: none"> <li>• The scale and long time horizon of development projects and the related volatility of material prices and workmanship</li> <li>• The cyclical nature of the real estate market and macroeconomic conditions affecting both the revenue and cost side of budget assumptions</li> <li>• Limited project repeatability</li> </ul>	<ul style="list-style-type: none"> <li>• Internal teams of specialists for all key stages of the development process, enabling the achievement of an internal synergy effect</li> <li>• Own department responsible for estimating development costs and monitoring the situation on the construction market on an ongoing basis</li> <li>• Regular process of reviewing project budgets including risk analysis</li> <li>• Designing based on functioning precise implementation standards for apartments and offices, allowing maximization of economies of scale and limiting the risks associated with low repeatability of implemented projects</li> <li>• Mass orders, combined for several investments to ensure access to materials and equipment used massively on multiple investments</li> <li>• Concluding flat-rate contracts with a fixed price guarantee</li> </ul>
<p><b>Risk of accidents at work and other hazards</b></p> <ul style="list-style-type: none"> <li>• Threats to the safety of Echo employees, subcontractors' employees and bystanders</li> <li>• Insufficient level of knowledge and competence of subcontractors in the field of HSE</li> </ul>	<ul style="list-style-type: none"> <li>• Own team of specialists in the field of HSE, carrying out, among others periodic inspections, audits and trainings in the field of HSE</li> <li>• Applying high HS standards in accordance with ISO 14001, OH-SAS 18001 confirmed by periodic external audits</li> <li>• Obligation of contractors to comply with the provisions and standards of Echo in the field of HSE</li> </ul>

## FINANCIAL RISKS

RISK	Method of risk management and competitive advantages of Echo Investment
<b>The risk of changes in interest rates</b>	<ul style="list-style-type: none"> <li>• Use of hedging instruments (fixed rates, for some loans – IRS) for selected liabilities</li> </ul>
<b>Currency risk</b>	<ul style="list-style-type: none"> <li>• 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</li> <li>• Selective use of derivatives (forward, currency options)</li> </ul>
<b>The risk of loss of liquidity by the Company or its Group</b> <ul style="list-style-type: none"> <li>• Lack of access to external financing</li> <li>• Disturbance of balance between receivables and liabilities</li> </ul>	<ul style="list-style-type: none"> <li>• Constant monitoring of forecast and actual short- and long-term cash flows</li> <li>• Keeping cash in order to ensure proper liquidity management</li> <li>• Keeping free credit limits on current accounts</li> <li>• Fixed income from the sale of apartments</li> <li>• Financing the implementation of projects with special-purpose credits</li> <li>• Implementation of the most capital-intensive projects in partnership or cooperation with companies outside Echo Investment group</li> <li>• Constant monitoring of receivables and liabilities</li> <li>• Diversification of business into residential, office and retail segments that might go through different phases of the business cycle at different times</li> <li>• Conducting liquidity stress tests based on various market change scenarios</li> </ul>

## LEGAL AND REGULATORY RISKS

RISK	Method of risk management and competitive advantages of Echo Investment
<b>The risk related to administrative procedures</b> <ul style="list-style-type: none"> <li>• The risk of legal changes</li> <li>• Risk related to interpretations of local and country-level regulations</li> <li>• Risk of delays of authorities and prolonged administrative process</li> <li>• Risk of delays in administrative processes due to poor project preparation</li> <li>• Risk of delays in administrative processes due to the participation of third parties</li> </ul>	<ul style="list-style-type: none"> <li>• Constant monitoring of legal changes in planning and administrative procedures</li> <li>• Experience in obtaining permits from several dozen cities in Poland</li> <li>• Hiring experienced specialists in the field of planning and administrative procedures</li> <li>• Detailed legal and administrative analysis before purchasing the plot</li> <li>• Precise project preparation in cooperation with experienced external architectural and urban planning studios</li> <li>• Conducting informational and promotional activities regarding planned projects in order to obtain public acceptance</li> <li>• Running many projects at the same time spreading the risk</li> </ul>
<b>The risk of introduction of new legal regulations or changes to current regulations</b> <ul style="list-style-type: none"> <li>• Risk of not complying with new regulations in a timely manner</li> <li>• Change in interpretation of current regulations</li> <li>• Public nature of the Company and the associated increased legal restrictions</li> <li>• Increased expenditure related to legal compliance</li> </ul>	<ul style="list-style-type: none"> <li>• Constant monitoring of legislative work regarding the real estate, construction and related industries affecting the Group's operations</li> <li>• Continuous analysis of the potential impact of new solutions on the company's operations at the level of the Management Board</li> <li>• Participation in a social dialogue on ongoing legislative work through advisory, business and industry organizations</li> <li>• Support of external law firms when specialized knowledge is needed</li> <li>• Employment of capital markets specialist within the legal team</li> <li>• Periodic legal compliance assessment audits</li> <li>• Monitoring of legal solutions applied in developed countries (primarily the European Union and the USA)"</li> </ul>



## LEGAL AND REGULATORY RISKS

### Complicated and variable tax system

- Risk of not complying with new tax regulations & changes in tax regulations
- Not consistent interpretative practice of tax authorities and case-law,
- Increased tax burden and cost of ensuring tax compliance.

- 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

## IT RISKS

### RISK

### Method of risk management and competitive advantages of Echo Investment

#### Cybersecurity

- Risk related to unauthorized access to data from inside and outside the organization that may result in leakage of confidential data.

- Functioning internal IT security standards
- Requirement of IT solution providers to meet ECHO security standards
- A functioning security system that includes continuous monitoring and detection of threats to IT systems and infrastructure
- Conducting periodic internal information campaigns in the field of cybersecurity and cyclical testing in the field of IT infrastructure and application security

## MACROECONOMIC RISKS

### RISK

### Method of risk management and competitive advantages of Echo Investment

#### 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% 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

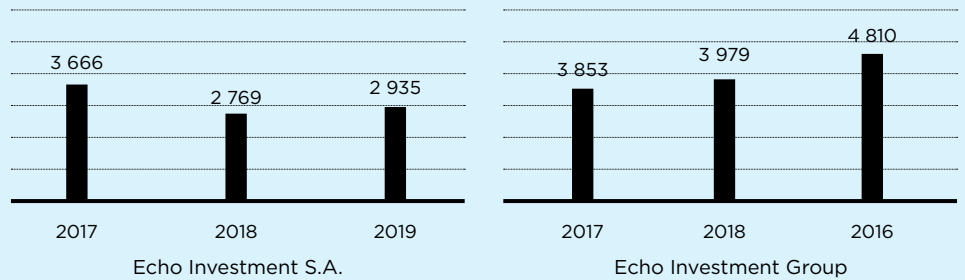
## RISKS ASSOCIATED WITH THE DEVELOPMENT OF THE SARS-COV-2 CORONAVIRUS EPIDEMIC

RISK	Method of risk management and competitive advantages of Echo Investment
<p><b>Risk of limitations of conducting business activities of the Group due to taking extra precautions</b></p>	<ul style="list-style-type: none"> <li>• Establishing the emergency management team, in line with the previously implemented crisis management procedure</li> <li>• Strengthening IT systems and constant analysis on systems effectiveness allowing for remote business operation</li> <li>• Speeding up planned processes of changing traditional documentation workflow to electronic workflow</li> <li>• Implementation of a system of remote meetings with clients and contractors, as well as internal meetings</li> <li>• Daily monitoring of the progress of work at construction sites, analyzing risks and ways to prevent or reduce them</li> <li>• Constant analysis of the probable development of the situation and possibilities of securing against expected risks</li> </ul>
<p><b>Risk of economic downturn due to the epidemic</b></p> <ul style="list-style-type: none"> <li>• Risk of delays at construction sites due to limitations in the operations of construction companies or problems with the supply of materials</li> <li>• Risk of deterioration of financing conditions of project or significant reduction of financing possibilities</li> <li>• Risk of decrease in demand for apartments, among others, due to limitations in granting mortgage loans</li> <li>• Risk of delays in investment decisions by funds buying finished office buildings and shopping centres as well as decreases in achievable transaction prices</li> <li>• Risk of reducing the profitability of projects</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthened monitoring of the progress at all construction sites, increased scope of risk analysis and possibilities of preventing or reducing risks</li> <li>• Diversification of supplies: ongoing cooperation with around 350 subcontractors and suppliers</li> <li>• Constant maintaining high liquidity, e.g. due to high level of cash and current credit lines</li> <li>• Possibility to respond flexibly to market conditions in terms of launching new projects or changing functions of buildings that may be developed on purchased plots of land</li> <li>• Preparation to take advantage of the possible weaker economic conditions to seek opportunities in the land market or take over smaller companies</li> <li>• Holding a significant land bank to maintain high development activity over the next 3-5 years</li> <li>• Preparation for reduction of supply and construction costs as a consequence of a drop in procurement on the market, what in the case of procurement packing (system applied in the Echo Investment Group) is possible to be implemented faster than in the case of general contracting</li> <li>• Possibility of keeping finished office buildings and shopping centres in the balance sheet and possibility of profit from current rental income</li> </ul>

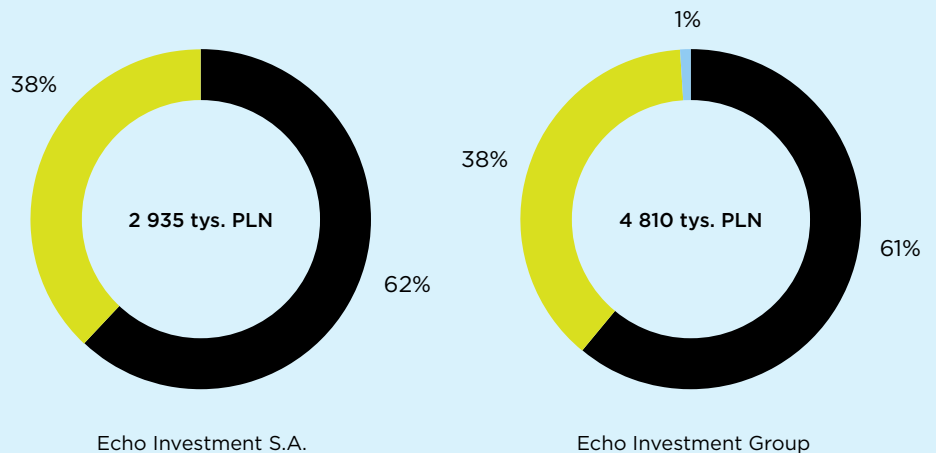
## The main figures disclosed in the annual financial statements of Echo Investment S.A. and its Group

### ASSETS AND LIABILITIES

#### ASSETS' VALUE [PLN MLN]

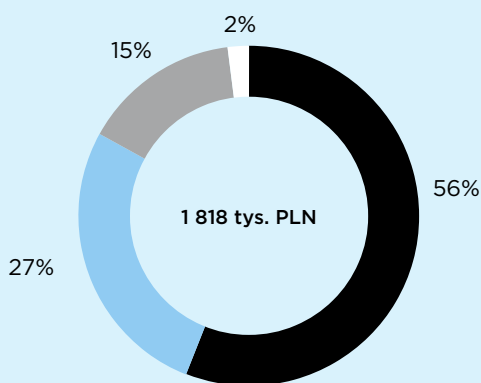


- - Non-current assets
- - Current assets
- - Assets held for sale

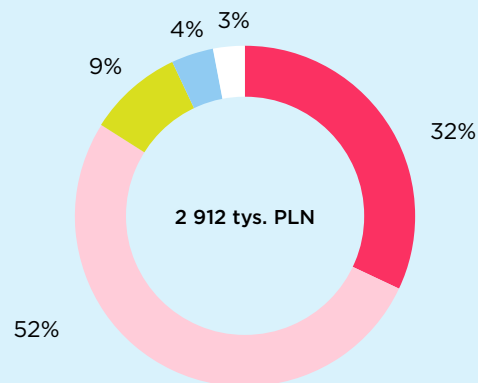


#### ASSETS' STRUCTURE

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



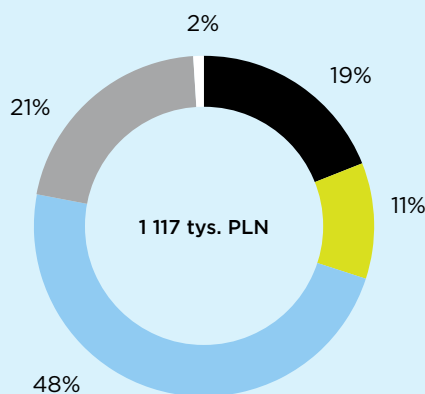
Echo Investment S.A.



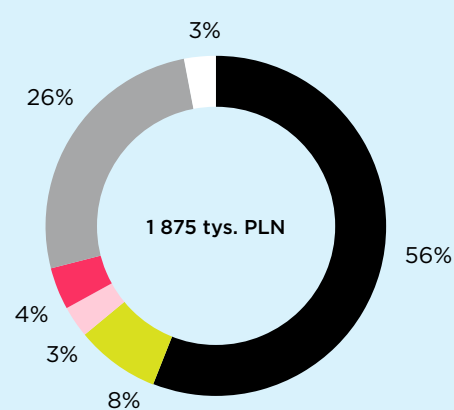
Echo Investment Group

## NON-CURRENT ASSETS' STRUCTURE

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



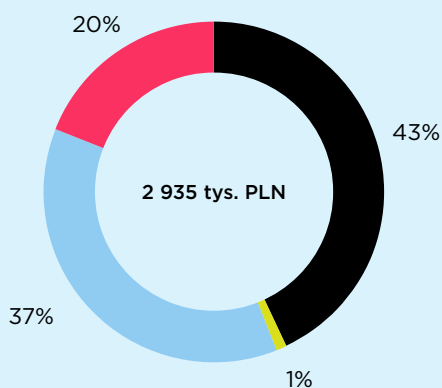
Echo Investment S.A.



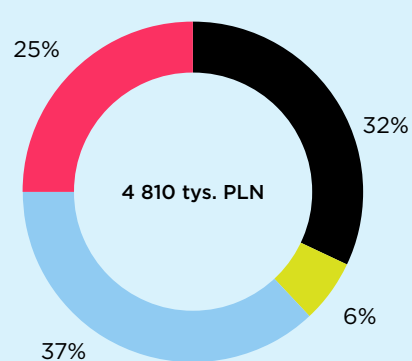
Echo Investment Group

## CURRENT ASSETS' STRUCTURE

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



Echo Investment S.A.

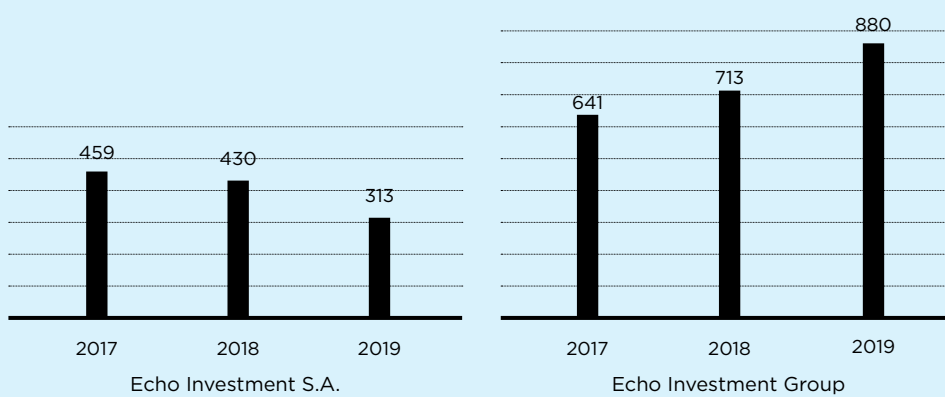


Echo Investment Group

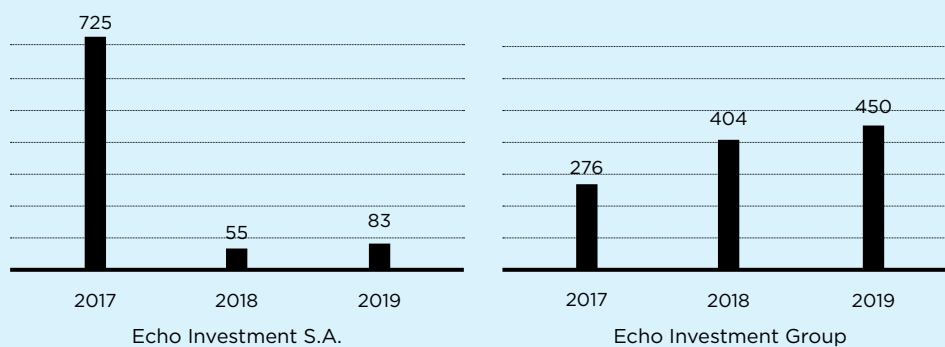
## LIABILITIES' STRUCTURE

## PROFIT AND LOSS ACCOUNT

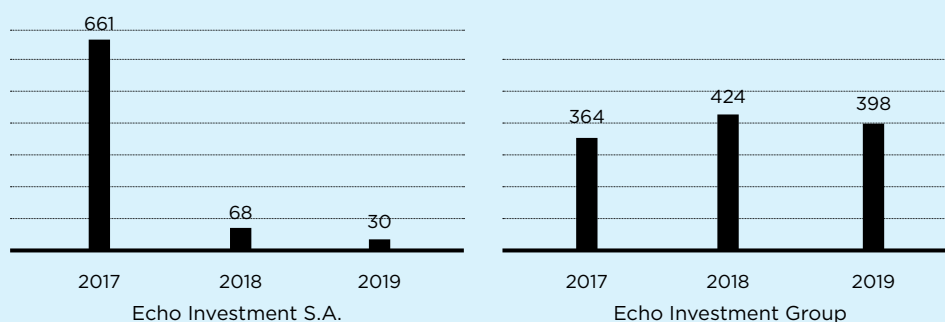
### REVENUE [PLN MLN]



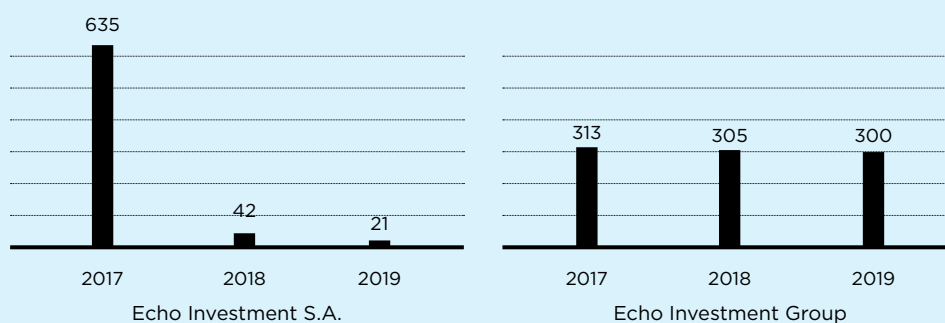
### OPERATING PROFIT [PLN MLN]



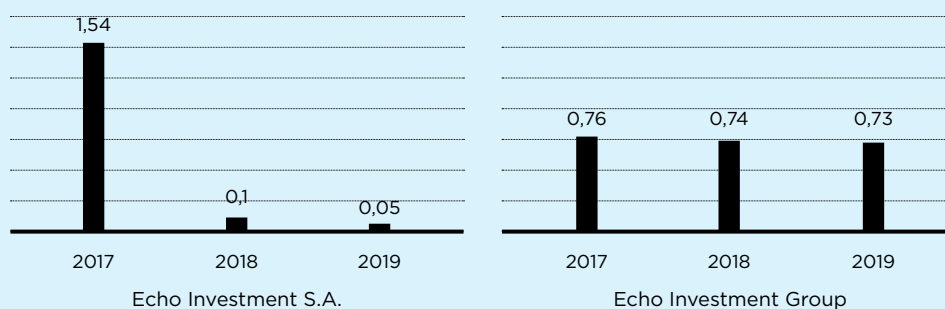
### GROSS PROFIT [PLN MLN]



### NET PROFIT [PLN MLN]



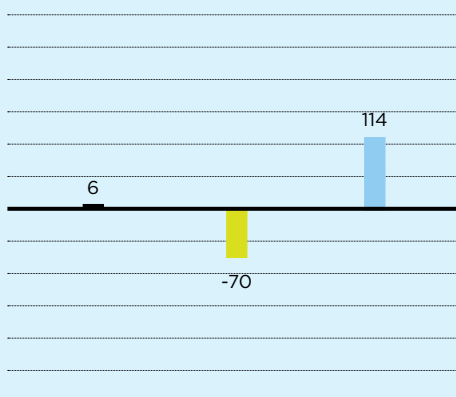
### NET PROFIT PER SHARE [PLN]



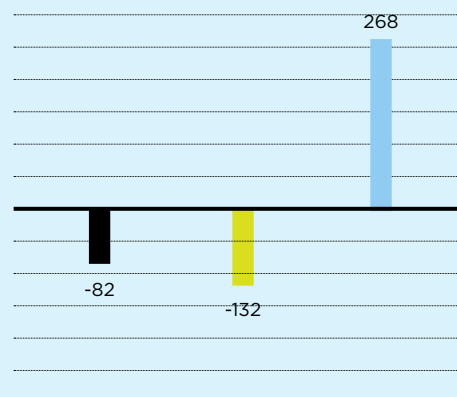
## CASH FLOW

### CASH FLOW [MLN PLN]

- - Cash flow on investing activity
- - Cash flow on investing activity
- - Cash flow on financing activity



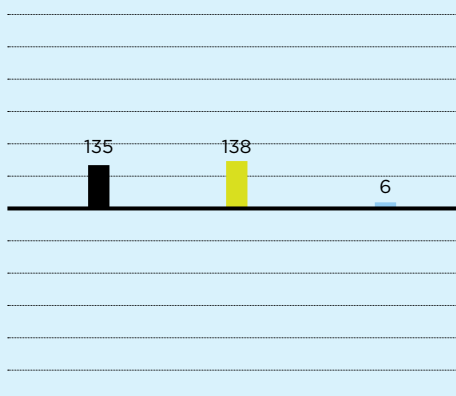
Echo Investment S.A.



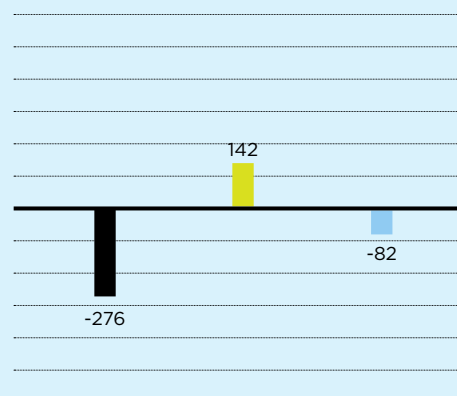
Echo Investment Group

### OPERATING CASH FLOW [MLN PLN]

- - 2016
- - 2017
- - 2018



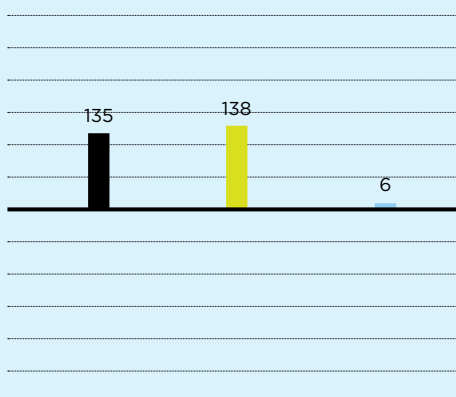
Echo Investment S.A.



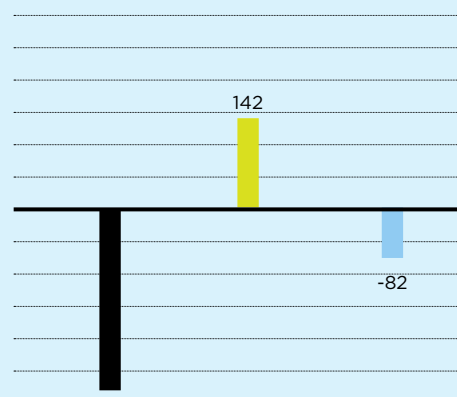
Echo Investment Group

### CASH FLOW ON INVESTING ACTIVITY [MLN PLN]

- - 2016
- - 2017
- - 2018



Echo Investment S.A.

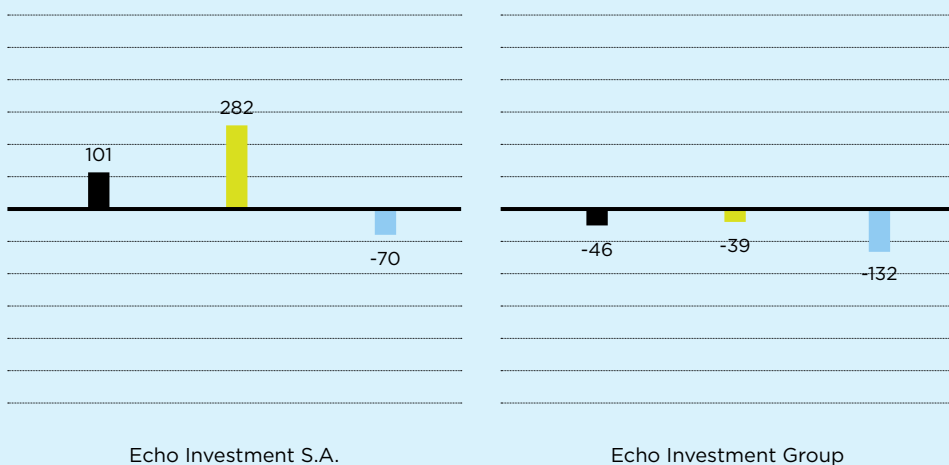


Echo Investment Group

## CASH FLOW

### CASH FLOW ON FINANCING ACTIVITY [MLN PLN]

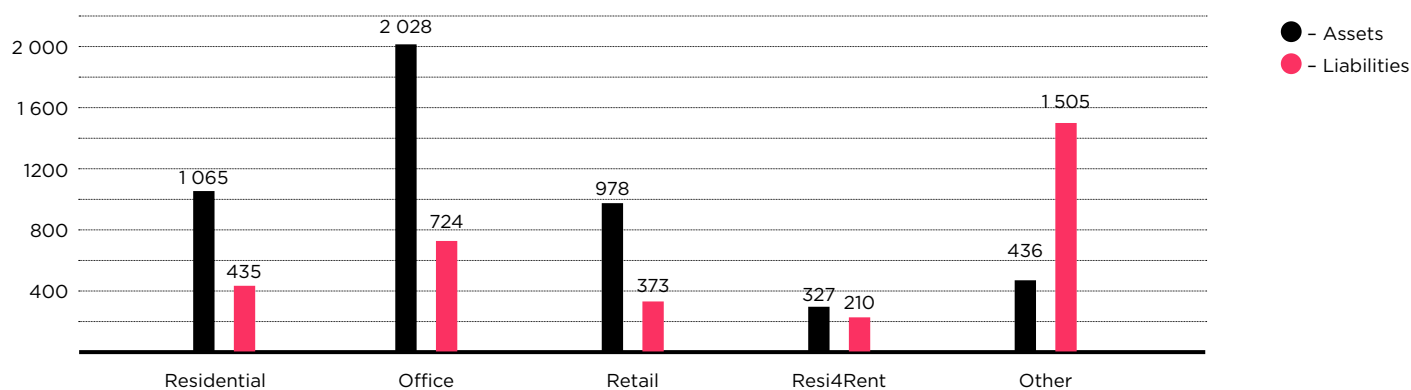
- - 2016
- - 2017
- - 2018





# Operating segments of Echo Investment Group

## ASSIGNMENT OF ASSETS AND LIABILITIES TO SEGMENTS AS AT 31.12.2019 [PLN MLN]



## ASSIGNMENT OF ASSETS TO SEGMENTS [PLN '000]

	31.12.2019	31.12.2018
Residential	1 065 493	1 058 980
Office	2 027 505	1 368 502
Retail	954 277	978 421
Resi4Rent	326 788	
Other	436 366	572 737
<b>Total</b>	<b>4 810 429</b>	<b>3 978 640</b>

## ASSIGNMENT OF LIABILITIES TO SEGMENTS [PLN '000]

	31.12.2019	31.12.2018
Residential	435 065	83 692
Office	724 347	547 432
Retail	373 026	165 788
Resi4Rent	210 265	
Other	1 505 484	1 494 836
<b>Total</b>	<b>3 248 186</b>	<b>2 291 748</b>

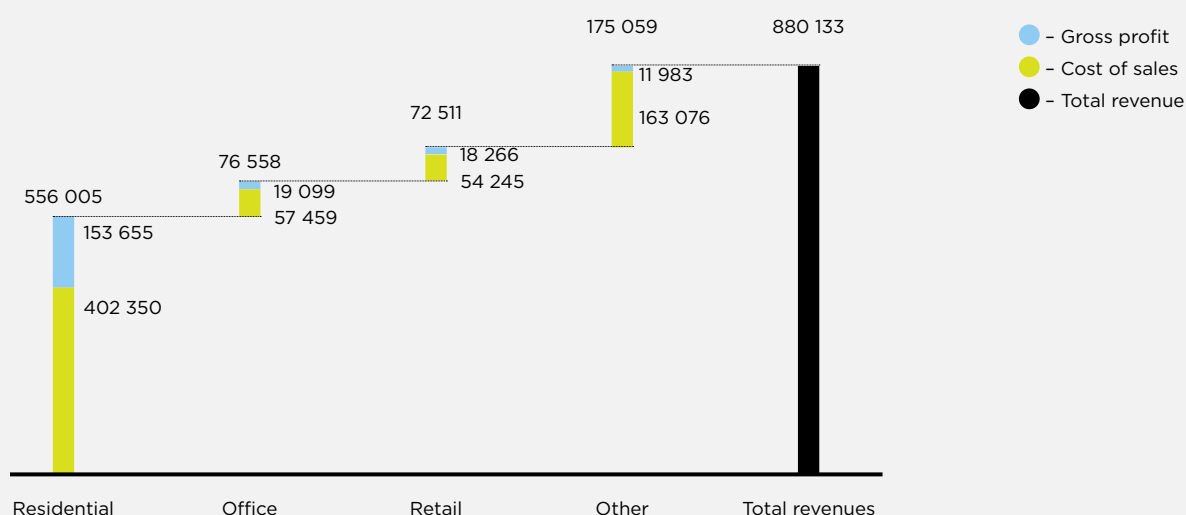
# 4 810 mln pln

Total value of assets as at  
31.12.2019

# 3 248 mln pln

Total value of liabilities as at  
31.12.2019

## ASSIGNMENT OF REVENUE, COST OF SALES AND GROSS PROFIT TO SEGMENTS FOR 2019 [PLN '000]



### ALLOCATION OF REVENUE TO SEGMENTS [PLN '000]

	01.01.2019 - 31.12.2019	01.01.2018 - 31.12.2018
Residential	556 005	397 044
Office	76 558	133 888
Retail	72 511	29 946
Other	175 059	152 157
<b>Total</b>	<b>880 133</b>	<b>713 035</b>

### ALLOCATION OF COST OF SALES TO SEGMENTS [PLN '000]

	01.01.2019 - 31.12.2019	01.01.2018 - 31.12.2018
Residential	(402 350)	(284 138)
Office	(57 459)	(133 660)
Retail	(54 245)	(16 549)
Other	(163 076)	(143 755)
<b>Total</b>	<b>(677 130)</b>	<b>(578 102)</b>

### ALLOCATION OF GROSS PROFIT (LOSS) TO SEGMENTS [PLN '000]

	01.01.2019 - 31.12.2019	01.01.2018 - 31.12.2018
Residential	153 655	112 906
Office	19 099	228
Retail	18 266	13 397
Other	11 983	8 402
<b>Total</b>	<b>203 003</b>	<b>134 933</b>

# Portfolio of properties

The following data on the projects – particularly in preparation – are based on Echo Investment's plans and resources and the Management Board's expectations towards market trends and economic conditions. The data presented below do not take into account the influence of the current epidemiological situation on the economy, as the Management Board is not able to assess the effects at this point.

## 16.1 Residential

### Definitions

**Sales level** – the item exclusively concerns preliminary contracts

**An 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
<b>Fuzja I</b> Łódź, ul. Tymienieckiego	14 200	282	45%	104,7	80,9	31%	I Q 2019	IV Q 2020
<b>Osiedle Jarzębinowe VI</b> Łódź, ul. Okopowa	3 300	52	81%	20,1	15,7	85%	IV Q 2018	I Q 2020
<b>Osiedle Jarzębinowe VII</b> Łódź, ul. Okopowa	6 100	105	53%	35,9	28,4	34%	II Q 2019	IV Q 2020
<b>Apartamenty Esencja</b> Poznań, ul. Grabary	12 500	260	58%	115,4	86,6	37%	I Q 2019	IV Q 2020
<b>Nasze Jeżyce I</b> Poznań, ul. Szczepanowskiego	7 500	142	67%	57,8	44,4	38%	II Q 2019	I Q 2021
<b>Nasze Jeżyce II</b> Poznań, ul. Szczepanowskiego	8 200	162	14%	63,7	48,9	18%	III Q 2019	II Q 2021
<b>Osiedle Jaśminowe IV</b> Poznań, ul. Sielawy	5 300	103	100%	32,5	24,6	87%	II Q 2018	I Q 2020

## 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
<b>Osiedle Perspektywa III</b> Poznań, ul. Sielawy	5 600	105	100%	30,9	25,4	90%	IV Q 2017	IV Q 2019
<b>Widoki Mokotów</b> Warsaw, ul. Puławska	4 800	79	56%	69,3	50,3	84%	IV Q 2017	II Q 2020
<b>Warsaw Brewery B</b> Warsaw, ul. Grzybowska	10 400	190	100%	125,6	78,2	95%	IV Q 2017	IV Q 2019
<b>Warsaw Brewery C</b> Warsaw, ul. Grzybowska	6 800	114	100%	91,9	51,61	99%	IV Q 2017	IV Q 2019
<b>Warsaw Brewery E</b> Warsaw, ul. Grzybowska	5 700	81	59%	113,5	72,14	48%	IV Q 2018	IV Q 2020
<b>Moje Miejsce</b> Warsaw, ul. Beethovena	13 300	251	79%	131,3	96,54	72%	III Q 2018	II Q 2020
<b>Osiedle Reset I</b> Warsaw, ul. Taśmowa	7 300	159	96%	67,2	55,27	88%	IV Q 2017	IV Q 2019
<b>Osiedle Reset II</b> Warsaw, ul. Taśmowa	12 200	255	87%	118,3	95,92	67%	IV Q 2018	III Q 2020
<b>Stacja Wola I</b> Warsaw, ul. Ordona	20 000	387	31%	196,5	140,40	28%	IV Q 2019	III Q 2021
<b>Stacja 3.0</b> Wrocław, ul. Mińska	12 000	204	7%	96,6	70,65	32%	III Q 2019	IV Q 2020
<b>Grota – Roweckiego III</b> Wrocław, ul. Grota Roweckiego	2 600	53	100%	16,3	12,66	98%	IV Q 2018	IV Q 2019
<b>Ogrody Graua</b> Wrocław, ul. Gdańska	4 000	57	70%	44,8	32,92	76%	IV Q 2018	II Q 2020
<b>Total</b>	<b>161 800</b>	<b>3 041</b>		<b>1 532</b>	<b>1 112</b>			

## 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
<b>Rydlówka ZAM I</b> Kraków, ul. Rydlówka	6 300	115	60,9	47,3	24%	I Q 2020	III Q 2021
<b>Rydlówka ZAM II</b> Kraków, ul. Rydlówka	6 100	102	56,5	42,1	26%	II Q 2021	IV Q 2022
<b>Osiedle Krk I</b> Kraków, ul. Zapolskiej	9 800	218	89,5	66,7	41%	I Q 2020	III Q 2021
<b>Osiedle Krk II</b> Kraków, ul. Zapolskiej	9 700	211	89,4	68,0	29%	II Q 2020	I Q 2022
<b>Osiedle Jarzębinowe VIII</b> Łódź, ul. Okopowa	6 100	101	36,5	28,9	13%	II Q 2020	IV Q 2021
<b>Fuzja II</b> Łódź, ul. Tymienieckiego	12 400	240	95,3	69,8	9%	III Q 2020	I Q 2022
<b>Fuzja III</b> Łódź, ul. Tymienieckiego	8 600	149	70,4	48,9	9%	I Q 2021	III Q 2022
<b>Wodna 17-19</b> Łódź, ul. Wodna	12 000	210	79,7	58,4	11%	III Q 2020	I Q 2022

## 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
<b>Apartamenty Esencja II</b> Poznań, ul. Garbary	6 300	136	60,7	46,9	18%	III Q 2020	I Q 2022
<b>Osiedle Enter I</b> Poznań, ul. Sielawy	12 400	222	79,4	59,3	6%	I Q 2020	IV Q 2021
<b>Osiedle Enter II</b> Poznań, ul. Sielawy	8 500	153	55,0	40,3	4%	III Q 2020	I Q 2022
<b>Osiedle Enter III</b> Poznań, ul. Sielawy	9 600	159	62,2	45,3	4%	III Q 2021	II Q 2023
<b>16 MW I</b> Poznań, ul. Sielawy	10 500	191	67,8	50,4	2%	IV Q 2020	III Q 2022
<b>16 MW II</b> Poznań, ul. Sielawy	10 800	200	69,6	51,8	2%	II Q 2021	I Q 2023
<b>16 MW III</b> Poznań, ul. Sielawy	10 000	185	64,6	47,2	2%	IV Q 2021	III Q 2023
<b>20 MW I</b> Poznań, ul. Sielawy	7 500	136	48,4	36,0	2%	II Q 2022	I Q 2024
<b>20 MW II</b> Poznań, ul. Sielawy	7 500	139	48,4	36,0	2%	IV Q 2022	III Q 2024
<b>20 MW III</b> Poznań, ul. Sielawy	7 500	136	48,4	36,0	2%	II Q 2023	I Q 2025
<b>Stacja Wola II</b> Warsaw, ul. Ordona	13 700	255	134,9	94,8	26%	II Q 2020	II Q 2022
<b>Stacja Wola III</b> Warsaw, ul. Ordona	14 700	274	142,5	101,7	26%	IV Q 2020	IV Q 2022
<b>Kabaty</b> Warsaw, al. KEN	17 200	278	220,3	158,9	23%	IV Q 2021	II Q 2023
<b>Rzepakowa I</b> Katowice, ul. Rzepakowa	5 000	94	33,0	25,3	13%	III Q 2020	I Q 2022
<b>Rzepakowa I</b> Katowice, ul. Rzepakowa	18 200	321	120,6	91,4	13%	II Q 2021	I Q 2023
<b>Total</b>	<b>230 400</b>	<b>4 225</b>	<b>1 834,0</b>	<b>1 351,3</b>			

## 16.2 Residential projects for rental platform Resi4Rent

### Definitions:

An estimated budget of Resi4Rent projects includes the value of land, cost of design, construction and external supervision, development

services and financial costs. It does not include the cost of the platform operation, such as marketing.

### COMPLETED PROJECTS FOR RESI 4 RENT PLATFORM

Project / address	Leasing area [sqm]	Number of units	Targeted annual rental revenues [PLN mln]	Targeted budget [PLN mln]	Completion	Comments
<b>Rychtalska</b> Wrocław, ul. Zakładowa	11 400	302	8,4	76,8	III Q 2019	Final sale agreement from Echo Investment to Resi4Rent concluded in Q4 2019
<b>Wodna</b> Łódź, ul. Wodna	7 900	219	4,9	52,4	IV Q 2019	Final sale agreement from Echo Investment to Resi4Rent concluded in Q1 2020
<b>Total</b>	<b>19 300</b>	<b>521</b>	<b>13,3</b>	<b>129,2</b>		

### RESIDENTIAL PROJECTS FOR RENTAL PLATFORM RESI4RENT UNDER CONSTRUCTION

Project / address	Leasing area [sqm]	Number of units	Targeted annual rental revenues [PLN mln]	Targeted budget [PLN mln]	Start	Targeted completion	Comments
<b>Warsaw Brewery</b> Warsaw, ul. Grzybowska	19 000	450	16,6	187,6	IV Q 2017	III Q 2020	Preliminary sale agreement from Echo Investment to Resi4Rent
<b>Kępa Mieszczańska</b> Wrocław, ul. Dmowskiego	9 300	269	6,8	76,3	II Q 2018	I Q 2020	Preliminary sale agreement from Echo Investment to Resi4Rent
<b>Taśmowa</b> Warsaw, ul. Taśmowa	13 000	372	10,9	113,4	I Q 2019	IV Q 2020	Plot owned by Resi4Rent
<b>Woronicza</b> Warsaw, ul. Woronicza	7 900	229	6,3	61,8	II Q 2019	I Q 2021	Plot owned by Resi4Rent
<b>Szczepanowskiego</b> Poznań, ul. Szczepanowskiego	5 000	160	3,8	42,9	III Q 2019	III Q 2021	Plot owned by Resi4Rent
<b>Kołoברzeska</b> Gdańsk, ul. Kołoברzeska	10 200	302	8,8	90,3	III Q 2019	III Q 2021	Plot owned by Resi4Rent
<b>Total</b>	<b>64 400</b>	<b>1 782</b>	<b>53,2</b>	<b>572,3</b>			

### PROJECTS FOR RESI 4 RENT PLATFORM UNDER PREPARATION

Project / address	Leasing area [sqm]	Number of units	Targeted annual rental revenues [PLN mln]	Targeted budget [PLN mln]	Targeted start	Targeted completion	Comments
<b>3- Maja</b> Kraków, ul. 3- Maja	12 192	387	9,5	108,5	III Q 2020	I Q 2022	Plot owned by Resi4Rent
<b>Wilanowska</b> Warsaw, al. Wilanowska	12 500	366	10,2	117,7	VI Q 2020	VI Q 2022	Plot owned by Resi4Rent
<b>Total</b>	<b>24 692</b>	<b>753</b>	<b>19,7</b>	<b>226,2</b>			

## 16.3 Office

### Definitions:

**GLA** – gross leasable area

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

**ROFO** – (right of first offer)

Due to 25% of capital participation in the project, ROFO partner is entitled to 25% of profit after sale of project.

**Completion** – date of commissioning permit.

Significant part of fit-out works to be done after this date.

**An 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. Fair value includes currency differences on investment loans

**The recognised fair value gain** is reduced by the profit share obligation and the provision to secure rent-free periods (master lease).

### OFFICE BUILDING IN OPERATION

Project / address	GLA [sqm]	Leasing [%]	NOI [EUR mln]	Targeted budget [PLN mln]	Expenditure incurred [%]	Completion	Comments
Moje Miejsce I Warsaw, ul. Beethovena	18 900	74%	3,4	157,3	88%	II Q 2019	ROFO agreement with Globalworth Poland
Face 2 Face I Katowice, ul. Grundmanna	20 400	88%	3,7	153,3	82%	IV Q 2019	
<b>Total</b>	<b>39 300</b>		<b>7,1</b>	<b>310,6</b>			

### OFFICE BUILDINGS UNDER CONSTRUCTION

Project / address	GLA [sqm]	Leasing [%]	NOI [EUR mln]	Targeted budget [PLN mln]	Expenditure incurred [%]	Start	Targeted completion	Comments
<b>Villa Offices and Malthouse Offices</b> Warsaw, ul. Grzybowska	45 900	70%	11,3	500,5	41%	III Q 2018	III Q 2020	
<b>West 4 Business Hub I</b> Wrocław, ul. Na Ostatnim Groszu	15 600	22%	2,7	115,3	40%	IV Q 2018	III Q 2020	
<b>Face 2 Face II</b> Katowice, ul. Grundmanna	26 200	68%	4,6	199,1	22%	IV Q 2018	IV Q 2020	
<b>Moje Miejsce II</b> Warsaw, ul. Beethovena	16 900	4%	3,1	140,1	35%	II Q 2019	IV Q 2020	ROFO agreement with Globalworth Poland
<b>React I</b> Łódź, ul. Piłsudskiego	15 000	20%	2,6	102,4	27%	II Q 2019	IV Q 2020	
<b>Wrocław, Midpoint 71</b> Wrocław, ul. Powstańców Śląskich	36 100	20%	6,7	292,8	18%	IV Q 2019	IV Q 2021	
<b>Solidarności</b> Gdańsk, ul. Nowomiejska	27 400	0%	4,7	187,8	12%	IV Q 2019	IV Q 2021	
<b>Total</b>	<b>183 100</b>		<b>35,7</b>	<b>1 538,0</b>				



## OFFICE BUILDINGS IN PREPARATION

Project / address	GLA [sqm]	NOI [EUR mln]	Targeted budget [PLN mln]	Expenditure incurred [%]	Targeted start	Targeted completion
<b>Wita Stwosza</b> Kraków, ul. Wita Stwosza	29 600	5,2	234,8	13%	I Q 2021	IV Q 2022
<b>Al. Pokoju (etap I i II)</b> Kraków, ul. Fabryczna / Al. Pokoju	45 600	8,1	390,8	20%	II Q 2020	IV Q 2021
<b>Swobodna</b> Wrocław, ul. Swobodna	46 000	8,5	382,7	11%	II kw 2022	II Q 2024
<b>React II (etap I)</b> Łódź, ul. Kilińskiego/Piłsudskiego	26 600	4,5	177,4	6%	II Q 2020	IV kw 2021
<b>React II (etap II)</b> Łódź, ul. Kilińskiego/Piłsudskiego	12 700	2,2	90,0	6%	IV Q 2021	I Q 2023
<b>Fuzja C i D</b> Łódź, ul. Tymienieckiego	19 900	3,4	153,2	8%	II Q 2020	IV Q 2021
<b>Fuzja I, J</b> Łódź, ul. Tymienieckiego	13 727	2,3	78,2	8%	IV Q 2020	II Q 2022
<b>Skargi</b> Katowice, ul. P. Skargi/Sokolska	26 600	4,6	189,7	6%	III Q 2020	II Q 2022
<b>West 4 Business Hub II</b> Wrocław, ul. Na Ostatnim Groszu	23 100	4,0	164,0	12%	III Q 2020	I Q 2022
<b>West 4 Business Hub III</b> Wrocław, ul. Na Ostatnim Groszu	33 100	5,7	229,9	12%	III Q 2021	I Q 2023
<b>West 4 Business Hub IV</b> Wrocław, ul. Na Ostatnim Groszu	11 500	2,0	85,2	11%	II Q 2023	III Q 2024
<b>Total</b>	<b>288 427</b>	<b>50,5</b>	<b>2 175,9</b>			

## 16.4 Retail

### Definitions:

**GLA** – gross leaseable area

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

**ROFO** – right of first offer

Due to 25% of capital participation in the project, ROFO partner is entitled to 25% of profit after sale of project.

**Completion** – date of commissioning permit.

Significant part of fit-out works to be done after this date.

**An 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. Fair value includes currency differences on investment loans

**The recognised fair value gain** is reduced by the profit share obligation and the provision to secure rent-free periods (master lease).

### RETAIL PROJECT IN OPERATION

Project / address	GLA [sqm]	Leasing [%]	NOI [EUR mln]	Targeted budget [PLN mln]	Expenditure incurred [%]	Completion	Comments
<b>Libero</b> Katowice, ul. Kościuszki	44 900	99%	9,3	387,2	100%	IV Q 2018	ROFO agreement with EPP
<b>Galeria Młociny</b> Warsaw, ul. Zgrupowania AK „Kampinos”	84 300	97%	22,4	1 291,0	97%	II Q 2019	30% JV with EPP holding 70%
<b>Total</b>	<b>129 200</b>		<b>31,7</b>	<b>1 678,2</b>			

## 16.5 Towarowa 22

### Definitions:

**GLA** – gross leaseable area

Joint-venture with EPP. Echo Investment Group will own 30% shares in the project. Start of construction is expected in 2021/2022.

### TOWAROWA 22, WARSAW

Function	Usable space [sqm]	NOI [EUR mln]	Targeted budget [PLN mln]	Expenditure incurred [%]
Retail, services and entertainment	116 500	39,1	1 933,1	16%
Office	60 700	14,7	780,7	14%
Hotel	18 900	5,1	288,6	12%
<b>Total</b>	<b>196 100</b>	<b>58,9</b>	<b>3 002,4</b>	

### TOWAROWA 22, WARSAW

Function	Usable space [sqm]	Number of apartments	Targeted revenues [PLN mln]	Targeted annual rental revenues [PLN mln]	Targeted budget [PLN mln]	Expenditure incurred [%]
Apartments for sale	18 400	261	324,5	-	216,5	13%
Apartments for lease	16 300	444	-	14,7	144,5	18%
<b>Total</b>	<b>34 700</b>	<b>705</b>	<b>324,5</b>	<b>14,7</b>	<b>361,0</b>	

## 16.6 Land Bank

### EARLY STAGE PROJECTS

Project / address	Plot area [sqm]	Potential of leasing/sales area [sqm]	Comments
Łódź, ul. Tymienieckiego	59 800	19 200	plot for office and service functions
Warsaw, ul. Chłodna/Wronia	600	1 100	plot for residential function
Poznań, ul. Hetmańska	65 300	80 000	plot for office and residential functions
Kraków, Al. Pokoju	4 000	18 500	plot for hotel function
Warsaw, ul. Antoniewska	14 100	10 000	plot for residential function
Warsaw, al. KEN	29 700	32 000	plot for retail, service and entertainment functions
<b>Total</b>	<b>173 500</b>	<b>160 800</b>	

### INVESTMENT PROPERTIES

Property	Plot area [sqm]	Comments
Poznań, Naramowice	77 500	
Poznań, Pamiątkowo	874 200	property sold in Q1 2020
Poznań, Sołacz	17 300	
Zabrze, Miarki	8 100	
Warsaw, ul. Konstruktorska	7 200	
Radom, Beliny	6 300	
<b>Total</b>	<b>990 600</b>	

# Main investments in 2019 - acquisition of properties

## PROPERTIES ACQUIRED BY ECHO INVESTMENT GROUP IN 2019

Date of transaction	Address	Legal form	Area	Capacity
Q1 2019	Wrocław, ul. Swobodna	perpetual usufruct and ownership	7,900 sqm	33,100 sqm of office and services space
Q1 2019	Wrocław, ul. Mińska	ownership	8,900 sqm	11,000 sqm of residential space
Q1 2019	Kraków, ul. Rydlówka	ownership	9,100 sqm	12,000 sqm of residential space
Q1 2019	Kraków, Al. Pokoju 2	perpetual usufruct	4,000 sqm	18,500 sqm of residential space
Q2 2019	Poznań, ul. Garbary	perpetual usufruct	2,900 sqm	5,000 sqm of residential space
Q2 2019	Kraków, Krowodrza	perpetual usufruct	7,800 sqm	19,300 sqm of residential space
Q2 2019	Warsaw, ul. Antoniewska	ownership	14,400 sqm	10,200 sqm of residential space
Q4 2019	Warsaw, al. KEN	ownership	40,000 sqm	47,200 sqm of residential space
Q4 2019	Łódź, ul. Wodna	ownership	5,900 sqm	12,000 sqm of residential space

## PROPERTIES ACQUIRED BY RESI4RENT IN 2019

Date of transaction	Address	Legal form	Area	Capacity
Q3 2019	Krakow, 3 maja	ownership	8,700 sqm	12,200 sqm of residential space
Q3 2019	Gdańsk, Kołobrzaska	ownership	7,200 sqm	10,300 sqm of residential space
Q4 2019	Warsaw, Wilanowska	ownership	4,900 sqm	12,300 sqm of residential space

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**Average land price in 1 sqm of leasable or sellable space possible to build on plots acquired in 2019 (excl. Resi4Rent).**

In 2019 and Echo Investment has acquired land properties for approximately 170,600 sqm of residential and office space. The total value of this transactions amounted to PLN 293,3 mln. Within the same period Resi4Rent has acquired three plots for ca. 34,800 sqm of residential area for rent.

In addition, plots for 148,300 sqm of residential, residential for rent, office and retail space has been secured by preliminary agreements.

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 concept.

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

## Output markets

All projects implemented in 2019 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.

## 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 CONTRACTORS OF ECHO INVESTMENT GROUP IN 2019

Business partner	Value of transaction [PLN '000]
Eiffage Polska Serwis Sp. z o.o.	157,4
Kabaty Investments Tesco (Polska) Sp. z o.o. Sp.K.	144,1
Perth Sp. z o.o.	101,5
Fabet-Konstrukcje Sp. z o.o.	91,5
M&J Bud Invest Sp. z o.o. Sp.K.	85,4
Porr S.A.	70,5
Orbis S.A.	54,4
Mota-Engil Central Europe S.A.	54,0
Active Bronowice Sp. z o.o. Sp.K.	51,7
Student Depot Foxtrot Sp. z o.o.	46,1
Modzelewski & Rodek Sp. z o.o.	42,1

## MAJOR CUSTOMERS OF ECHO INVESTMENT GROUP IN 2019

Client	Value of transaction [PLN '000]
Lux Europa III S.A.R.L.	393,6
EPP Development 6 Sp. z o.o.	220,7
R4R Warszawa Browary Sp. z o.o.	61,7
Student Depot Foxtrot Sp. z o.o.	49,5
R4R Wrocław Rychtalska Sp. z o.o.	43,5
R4R Re Sp. z o.o.	43,0
R4R Wrocław Kępa Sp. z o.o.	37,1
Berea Sp. z o.o.	29,2
R4R Łódź Wodna Sp. z o.o.	24,9
Novaform Polska Sp. z o.o.	23,7



# Agreements significant for the Company and the Group concluded in 2019

## 19.1 Agreements significant for the operations of Echo Investment Group

### AGREEMENTS SIGNIFICANT FOR THE OPERATIONS OF ECHO INVESTMENT GROUP

Date	Parties to the agreement	Subject of the agreement
29.03.2019	Echo Investment S.A. and a company from the Echo Investment group (Dellia Investments - Projekt Echo - 115 Sp. z o.o Sp.k.) as the seller and a company operating under the laws of Luxembourg, Lux Europa III S.a r.l. (an entity managed by GLL Real Estate Partners), as the buyer	The final agreement on the sale of Gatehouse Offices (Warsaw Brewery J) in Warsaw
14.08.2019	Echo Investment S.A. as the buyer and companies of Immofinanz group as the seller	The preliminary agreement for the purchase of the right of perpetual usufruct to the land and the right of ownership of the buildings being property separate from the above mentioned land, located in Warsaw at Domaniewska, Wołoska and Postępu Streets
11.09.2019	Echo Investment S.A. and its subsidiaries as the seller and a subsidiary of EPP N.V. as the buyer	The final agreement on the sale of O3 Business Campus III in Cracow



Details on the significant agreements concluded in 2019 are available in section 5 on page 21

## 19.2 Agreements concluded between shareholders

The company does not have any information on the agreements concluded between shareholders in 2019, which would be significant for its operations.

## 19.3 Insurance agreements

### INSURANCE AGREEMENTS OF ECHO INVESTMENT S.A. AS OF 31.12.2019 [PLN '000]

Insure object	Insurer	Insured amount
Property insurance policies	Compensa TU S.A. VIG	129 452
Third- party liability insurance	Compensa TU S.A. VIG, Colonnade Insurance SA, Chubb European Group Limited Sp. z o.o., TUiR Warta S.A., PZU TU S.A.	219 031
Construction/all-risks insurance policies	Compensa TU S.A. VIG	227 397
<b>Total</b>		<b>575 880</b>

### INSURANCE AGREEMENTS OF ECHO INVESTMENT S.A. GROUP AS OF 31.12.2019 [PLN '000]

Insure object	Insurer	Insured amount
Property insurance policies	Compensa TU S.A. VIG	891 590
Third- party liability insurance	Compensa TU S.A. VIG, STU ERGO Hestia S.A., Generali TU S.A.	65 543
Construction/all-risks insurance policies	Compensa TU S.A. VIG, Generali TU S.A.	1 714 559
<b>Total</b>		<b>2 671 692</b>

## 19.4 Partnering or cooperation agreements

In 2019, Echo Investment did not conclude any other significant cooperation or cooperation agreements.

# Echo Investment Group

## 20.1 Composition of the Group

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 specific development project.

As at 31 December 2019 the Capital Group included 144 subsidiaries consolidated according to the full method and 20 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%	Echo Investment S.A.
2	Avatar - Projekt Echo - 119 Sp. z o.o. S.k.a.	Kielce	100%	Echo Investment S.A.
3	Babka Tower - Projekt Echo - 93 Sp. z o.o. Sp. k.	Kielce	100%	Perth Sp. z o.o.
4	Bełchatów - Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	Echo Investment S.A.
5	City Space - GP Sp. z o.o.	Warsaw	100%	Echo Investment S.A.
6	Supersam City Space - GP Sp. z o.o. Sp. k.	Warsaw	100%	City Space Management Sp. z o.o.
7	Rondo 1 City Space - GP Sp. z o.o. Sp. k.	Warsaw	100%	City Space Management Sp. z o.o.
8	Plac Unii City Space - GP Sp. z o.o. Sp. k.	Warsaw	100%	City Space Management Sp. z o.o.
9	City Space Management Sp. z o.o.	Warsaw	100%	Echo Investment S.A.
10	Cornwall Investments Sp. z o.o.	Warsaw	100%	Echo Investment S.A.
11	React - City Space - GP Sp. z o.o. Sp. k.	Warsaw	100%	City Space Management Sp. z o.o.
12	Dagnall Sp. z o.o.	Warsaw	100%	Echo Investment S.A.
13	Dellia Investments - Projekt Echo - 115 Sp. z o.o. Sp. k.	Kielce	100%	Pudsey Sp. z o.o.
14	Doxent Investments Sp. z o.o.	Warsaw	100%	Echo Investment S.A.
15	Duże Naramowice - Projekt Echo - 111 Sp. z o.o. S.k.a.	Kielce	100%	Echo Investment S.A.
16	Echo - Advisory Services Sp. z o.o.	Kielce	100%	Echo Investment S.A.
17	Echo - Arena Sp. z o.o.	Kielce	100%	Echo Investment S.A.
18	Echo - Aurus Sp. z o.o.	Kielce	100%	Echo Investment S.A.
19	Echo - Babka Tower 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. Sp. k.	Kielce	100%	Gleann Sp. z o.o.
21	Echo - Browary Warszawskie Sp. z o.o.	Kielce	100%	Echo Investment S.A.
22	Echo - Browary Warszawskie Sp. z o.o. Sp. k.	Kielce	100%	Echo Investment S.A.
23	Echo - Galaxy Sp. z o.o.	Kielce	100%	Echo Investment S.A.
24	Echo - Galaxy Sp. z o.o. S.k.a.	Kielce	100%	Echo Investment S.A.
25	Echo - Nowy Mokotów Sp. z o.o.	Kielce	100%	Echo Investment S.A.
26	Echo - Nowy Mokotów Sp. z o.o. Sp. k.	Kielce	100%	Echo Investment S.A.
27	Echo - Opolska Business Park Sp. z o.o.	Kielce	100%	Echo Investment S.A.
28	Echo - Opolska Business Park Sp. z o.o. Sp. k.	Warsaw	100%	Perth Sp. z o.o.
29	Echo - Property Poznań 1 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
30	Echo - SPV 7 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
31	Tryton - City Space GP Sp. z o.o. Sp. k.	Warsaw	100%	City Space Management Sp. z o.o.
32	Echo Investment ACC - Grupa Echo Sp. z o.o. Sp. k.	Kielce	100%	Echo Investment S.A.
33	Echo Investment Project 1 S.R.L.	Brasov	100%	Echo - Aurus Sp. z o.o.
34	Echo Investment Project Management S.R.L.	Brasov	100%	Echo Investment S.A.
35	Elektrownia RE Sp. z o.o.	Kielce	100%	Echo Investment S.A.
36	Fianar Investments Sp. z o.o.	Warsaw	100%	Echo Investment S.A.
37	Galeria Libero - Projekt Echo 120 Sp. z o.o. Sp. k.	Kielce	100%	Fianar Investments Sp. z o.o.
38	Galeria Nova - Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	Echo Investment S.A.
39	Galeria Tarnów - Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	Echo Investment S.A.
40	Gleann Sp. z o.o.	Warsaw	100%	Echo Investment S.A.
41	Gosford Investments Sp. z o.o.	Warsaw	100%	Echo Investment S.A.
42	GRO Nieruchomości Sp. z o.o.	Kraków	100%	Echo Investment S.A.
43	Grupa Echo Sp. z o.o.	Kielce	100%	Echo Investment S.A.
44	Kasztanowa Aleja - Grupa Echo Sp. z o.o. Sp. k.	Kielce	100%	Echo Investment S.A.
45	Kielce - Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	Echo Investment S.A.
46	Klimt House - Grupa Echo Sp. z o.o. Sp. k.	Kielce	100%	Echo Investment S.A.
47	Malta Office Park - Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	Echo Investment S.A.
48	Metropolis - Projekt Echo 121 Sp. z o.o. S.k.a.	Kielce	100%	Echo Investment S.A.
49	Oxygen - Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	Echo Investment S.A.
50	Park Postępu - Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	Echo Investment S.A.
51	Park Rozwoju III - Projekt Echo - 112 Sp. z o.o. Sp. k.	Kielce	100%	Perth Sp. z o.o.
52	Perth Sp. z o.o.	Warsaw	100%	Echo Investment S.A.
53	PHS - Projekt CS Sp. z o.o. Sp.k.	Warsaw	100%	Perth Sp. z o.o.
54	Pod Klonami - Grupa Echo Sp. z o.o. Sp. k.	Kielce	100%	Echo Investment S.A.
55	Potton Sp. z o.o.	Warsaw	100%	Echo Investment S.A.
56	PPR - Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	Echo Investment S.A.
57	Princess Investment Sp. z o.o.	Kielce	100%	Echo Investment S.A.
58	Projekt - Pamiątkowo Sp. z o.o.	Kielce	100%	Echo - SPV 7 Sp. z o.o.
59	Projekt 1 - Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	Echo Investment S.A.
60	Projekt 12 - Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	Echo Investment S.A.

## SUBSIDIARIES

No	Subsidiary	Registered office	% of capital held	Parent entity
61	Projekt 13 – Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	Echo Investment S.A.
62	Projekt 132 – City Space – GP Sp. z o.o. Sp. k.	Warsaw	100%	City Space Management Sp. z o.o.
63	Projekt 133 – City Space – GP Sp. z o.o. Sp. k.	Warsaw	100%	City Space Management Sp. z o.o.
64	Nobilis – City Space GP Sp. z o.o. Sp. k.	Warsaw	100%	City Space Management Sp. z o.o.
65	Projekt 14 – Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	Echo Investment S.A.
66	React – Dagnall Sp. z o.o. S.k.a.	Kielce	100%	Potton Sp z o.o.
67	Projekt 16 – Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	Echo Investment S.A.
68	Projekt 17 – Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	Echo Investment S.A.
69	Projekt 18 – Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	Echo Investment S.A.
70	Cinema Asset Manager – Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	Echo Investment S.A.
71	Face2Face – Stranraer Sp. z o.o. S.k.a.	Kielce	100%	Echo Investment S.A.
72	Projekt 21 – Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	Echo Investment S.A.
73	Midpoint 71 – Cornwall Investments Sp. z o.o. S.K.A.	Kielce	100%	Echo Investment S.A.
74	Projekt 5 – Grupa Echo Sp. z o.o. S.k.a.	Szczecin	100%	Echo Investment S.A.
75	Projekt Beethovena – Projekt Echo – 122 Sp. z o.o. S.k.a.	Kielce	100%	Echo Investment S.A.
76	Projekt CS Sp. z o.o.	Kielce	100%	Echo Investment S.A.
77	Projekt Echo – 104 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
78	Projekt Echo – 108 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
79	Projekt Echo – 111 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
80	Projekt Echo – 112 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
81	Projekt Echo – 113 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
82	Projekt Echo – 115 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
83	Projekt Echo – 116 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
84	Projekt Echo – 119 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
85	Projekt Echo – 120 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
86	Projekt Echo – 121 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
87	Projekt Echo – 122 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
88	Projekt Echo – 123 Sp. z o.o.	Kielce	100%	Galeria Nova – Grupa Echo Sp. z o.o. S.k.a.
89	Projekt Echo – 127 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
90	Projekt Echo – 128 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
91	Projekt Echo – 129 Sp. z o.o.	Kielce	100%	Selmer Investments Sp. z o.o. Sp. k.
92	Projekt Echo – 130 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
93	Projekt Echo – 131 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
94	Projekt Echo – 132 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
95	Projekt Echo – 135 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
96	Projekt Echo – 135 Sp. z o.o. Sp. k.	Kielce	100%	Perth Sp. z o.o.
97	Projekt Echo – 136 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
98	Projekt Echo – 136 Sp. z o.o. Sp. k.	Kielce	100%	Echo Investment S.A.
99	Projekt Echo – 137 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
100	Projekt 139 – Grupa Echo Sp. z o.o. Sp. k.	Kielce	100%	Perth Sp. z o.o.
101	Projekt 140 – Grupa Echo Sp. z o.o. Sp. k.	Kielce	100%	Echo Investment S.A.

## SUBSIDIARIES

No	Subsidiary	Registered office	% of capital held	Parent entity
102	Aquarius – City Space – GP Sp. z o.o. Sp. k.	Warsaw	100%	City Space Management Sp. z o.o.
103	142 – City Space – GP Sp. z o.o. Sp. k.	Warsaw	100%	City Space Management Sp. z o.o.
104	Beethovena – City Space – GP Sp. z o.o. Sp. k.	Warsaw	100%	City Space Management Sp. z o.o.
105	Projekt 144 – Grupa Echo Sp. z o.o. Sp. k.	Kielce	100%	Echo – Arena Sp. z o.o.
106	Projekt 145 – City Space – GP Sp. z o.o. Sp. k.	Kielce	100%	City Space Management Sp. z o.o.
107	Projekt 146 – City Space – GP Sp. z o.o. Sp. k.	Kielce	100%	City Space Management Sp. z o.o.
108	Projekt 147 – Grupa Echo Sp. z o.o. Sp. k.	Kielce	100%	Echo Investment S.A.
109	Projekt 148 – Grupa Echo Sp. z o.o. Sp. k.	Kielce	100%	Echo Investment S.A.
110	Projekt Echo – 93 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
111	Projekt Echo – 99 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
112	Projekt K-6 – Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	Echo Investment S.A.
113	Projekt Naramowice – Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	Echo Investment S.A.
114	Projekt Saska Sp. z o.o.	Kielce	95%	Echo Investment S.A.
115	Pudsey Sp. z o.o.	Warsaw	100%	Echo Investment S.A.
116	Pure Systems Sp. z o.o.	Kraków	100%	Echo Investment S.A.
117	Q22 – Projekt Echo – 128 Sp. z o.o. Sp. k.	Kielce	100%	Potton Sp z o.o.
118	Sagittarius – Projekt Echo – 113 Sp. z o.o. Sp. k.	Kielce	100%	Doxent Investments Sp. z o.o.
119	Seaford Sp. z o.o.	Warsaw	100%	Echo Investment S.A.
120	Selmer Investments Sp. z o.o.	Warsaw	100%	Echo Investment S.A.
121	Selmer Investments Sp. z o.o. Sp. k.	Warsaw	100%	Echo Investment S.A.
122	Senja 2 Sp. z o.o.	Warsaw	100%	Echo – Browary Warszawskie Sp. z o.o. Sp. k
123	Shanklin Sp. z o.o.	Warsaw	100%	Echo Investment S.A.
124	Stranraer Sp. z o.o.	Warsaw	100%	Echo Investment S.A.
125	Strood Sp. z o.o.	Warsaw	100%	Echo Investment S.A.
126	Swanage Sp. z o.o.	Warsaw	100%	Echo Investment S.A.
127	Symetris – Projekt Echo – 131 Sp. z o.o. Sp. k.	Warsaw	100%	Gosford Investments Sp. z o.o.
128	Taśmowa – Projekt Echo – 116 Sp. z o.o. S.k.a.	Kielce	100%	Echo Investment S.A.
129	ZAM – Projekt Echo – 127 Sp. z o.o. Sp. k.	Warsaw	100%	Perth Sp. z o.o.
130	Villea Investments Sp. z o.o.	Warsaw	100%	Echo Investment S.A.
131	Bowen Sp. z o.o.	Warsaw	100%	Echo – Browary Warszawskie Sp. z o.o. S.K.
132	RPGZ IX Sp. z o.o.	Kraków	100%	Echo Investment S.A.
133	Projekt 150 – Shanklin Sp. z o.o. Sp. k.	Kielce	100%	Echo Investment S.A.
134	Projekt 151 – Projekt 13 – Grupa Echo Sp. z o.o SKA SK	Kielce	100%	Echo Investment S.A.
135	Projekt 152 – Projekt 14 – Grupa Echo Sp. z o.o SKA SK	Kielce	100%	Echo Investment S.A.
136	Projekt 153 – Projekt 21 – Grupa Echo Sp. z o.o SKA SK	Kielce	100%	Echo Investment S.A.
137	Projekt 154 – Projekt K-6 – Grupa Echo Sp. z o.o SKA SK	Kielce	100%	Echo Investment S.A.
138	Projekt Echo – 139 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
139	Projekt Echo – 140 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
140	Projekt Echo – 141 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
141	Projekt Echo – 142 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
142	Projekt Echo – 143 Sp. z o.o.	Kielce	100%	Echo Investment S.A.

## SUBSIDIARIES

No	Subsidiary	Registered office	% of capital held	Parent entity
143	Projekt Echo – 144 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
144	Projekt Echo – 145 Sp. z o.o.	Kielce	100%	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 Investment S.A.
2	Berea Sp. z o.o. (Galeria Młociny)	Warsaw	30%	Rosehill Investments Sp. z o.o.
3	Projekt Echo – 138 Sp. z o.o. Sp. k. (Towarowa 22)	Warsaw	45,26%	Strood Sp. z o.o.
4	Projekt Echo – 138 Sp. z o.o. (Towarowa 22)	Warsaw	30%	Echo Investment S.A.
5	R4R Poland Sp. z o.o.	Warsaw	30%	Echo Investment S.A.
6	R4R Łódź Wodna Sp. z o.o.	Warsaw	30%	R4R Poland Sp. z o.o.
7	R4R Wrocław Kępa Sp. z o.o.	Warsaw	30%	R4R Poland Sp. z o.o.
8	R4R Wrocław Rychtalska Sp. z o.o.	Warsaw	30%	R4R Poland Sp. z o.o.
9	R4R Warszawa Browary Sp. z o.o.	Warsaw	30%	R4R Poland Sp. z o.o.
10	R4R Leasing Sp. z o.o.	Warsaw	30%	R4R Poland Sp. z o.o.
11	R4R Poznań Szczepanowskiego Sp. z o.o.	Warsaw	30%	R4R Poland Sp. z o.o.
12	R4R Warszawa Taśmowa Sp. z o.o.	Warsaw	30%	R4R Poland Sp. z o.o.
13	R4R Warszawa Woronicza Sp. z o.o.	Warsaw	30%	R4R Poland Sp. z o.o.
14	R4R Gdańsk Kołobrzeska Sp. z o.o.	Warsaw	30%	R4R Poland Sp. z o.o.
15	R4R RE Sp. z o.o.	Warsaw	30%	R4R Poland Sp. z o.o.
16	R4R Kraków 3 Maja Sp. z o.o.	Warsaw	30%	R4R Poland Sp. z o.o.
17	R4R Warszawa Wilanowska Sp. z o.o.	Warsaw	30%	R4R Poland Sp. z o.o.
18	R4R RE Wave 3 Sp. z o.o.	Warsaw	30%	R4R Poland Sp. z o.o.
19	R4R Warszawa Pohorskiego Sp. z o.o.	Warsaw	30%	R4R Poland Sp. z o.o.
20	R4R Warszawa Żwirki Sp. z o.o.	Warsaw	30%	R4R Poland Sp. z o.o.

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



## 20.2 Changes in the structure of the group in Q4 2019

### INCREASE OF THE CAPITAL GROUP

No	Entity	Action	Date	Share capital
1	Bowen Sp. z o.o. with its registered seat in Warsaw	Share purchase agreement	14.03.2019	5 000 PLN
2	RPGZ IX Sp. z o.o. with its registered seat in Kraków	Share purchase agreement	24.04.2019	5 000 PLN
3	Projekt 150 – Projekt 12 – Grupa Echo SP. z o.o. SKA SK	Registration by the District Court in Kielce	14.08.2019	5 000 PLN
4	Projekt 151 – Projekt 13 – Grupa Echo Sp. z o.o. SKA SK	Registration by the District Court in Kielce	23.08.2019	5 000 PLN
5	Projekt 152 – Projekt 14 – Grupa Echo Sp. z o.o. SKA SK	Registration by the District Court in Kielce	23.08.2019	5 000 PLN
6	Projekt 153 – Projekt 21 – Grupa Echo Sp. z o.o. SKA SK	Registration by the District Court in Kielce	14.08.2019	5 000 PLN
7	Projekt 154 – Projekt K-6 – Grupa Echo Sp. z o.o. SKA SK	Registration by the District Court in Kielce	14.08.2019	5 000 PLN
8	Projekt Echo – 139 Sp. z o.o.	Registration by the District Court in Kielce	22.10.2019	5 000 PLN
9	Projekt Echo – 140 Sp. z o.o.	Registration by the District Court in Kielce	04.11.2019	5 000 PLN
10	Projekt Echo – 141 Sp. z o.o.	Registration by the District Court in Kielce	27.01.2020	5 000 PLN
11	Projekt Echo – 142 Sp. z o.o.	Registration by the District Court in Kielce	28.01.2020	5 000 PLN
12	Projekt Echo – 143 Sp. z o.o.	Registration by the District Court in Kielce	24.01.2020	5 000 PLN
13	Projekt Echo – 144 Sp. z o.o.	Registration by the District Court in Kielce	28.01.2020	5 000 PLN
14	Projekt Echo – 145 Sp. z o.o.	Registration by the District Court in Kielce	23.01.2020	5 000 PLN

### DECREASE OF THE CAPITAL GROUP

No	Entity	Action	Date	Share capital
1	Echo Prime Assets BV with its registered office in Amsterdam	Removal from the Register of Entrepreneurs	24.06.2019	24 141 141 EUR

## OTHER CHANGES

No	Entity	Action	Date
1	Projekt 17 – Grupa Echo Sp. z o.o.-S.K.A.	Capital increase in the company was registered by Echo Investment S.A.	01.02.2019
2	Projekt 139 – Grupa Echo Sp. z o.o. Sp.k.	Change of limited partner – disposal of rights and obligations in the company from Echo Investment S.A. to Perth Sp. z o.o. with its registered office in Warsaw	01.03.2019
3	Projekt 144 – Grupa Echo Sp. z o.o. Sp.k.	Change of limited partner – disposal of rights and obligations in the company from Echo Investment S.A. to Echo - Arena Sp. z o.o. with its registered office in Kielce	01.03.2019
4	City Space – GP Sp. z o.o.	Capital increase in the company was registered by Echo Investment S.A.	20.03.2019
5	City Space Management Sp. z o.o.	Capital increase in the company was registered by Echo Investment S.A.	26.03.2019
6	Projekt 145 – Grupa Echo Sp. z o.o. Sp.k.	Change of limited partner – disposal of rights and obligations in the company from Echo Investment S.A. to City Space Management Sp. z o.o. with its registered office in Warsaw	30.04.2019
7	Projekt 146 – Grupa Echo Sp. z o.o. Sp.k.	Change of limited partner – disposal of rights and obligations in the company from Echo Investment S.A. to City Space Management Sp. z o.o. with its registered office in Warsaw	30.04.2019
8	Cornwall Investments Sp. z o.o. Sp.k.	Change of limited partner – disposal of rights and obligations in the company from Echo Investment S.A. to City Space Management Sp. z o.o. with its registered office in Warsaw	30.04.2019
9	Projekt 145 – Grupa Echo Sp. z o.o. Sp.k.	Change of limited partner – disposal of rights and obligations in the company from Grupa Echo Sp. z o.o. to City Space GP Sp. z o.o. with its registered office in Warsaw	30.04.2019
10	Projekt 146 – Grupa Echo Sp. z o.o. Sp.k.	Change of limited partner – disposal of rights and obligations in the company from Grupa Echo Sp. z o.o. to City Space GP Sp. z o.o. with its registered office in Warsaw	30.04.2019
11	Cornwall Investments Sp. z o.o. Sp.k.	Change of limited partner – disposal of rights and obligations in the company from Cornwall Investments Sp. z o.o. to City Space GP Sp. z o.o. with its registered office in Warsaw	30.04.2019
12	Projekt 20 – Grupa Echo Sp. z o.o. S.K.A.	Change of limited partner – disposal of rights and obligations in the company from Grupa Echo Sp. z o.o. to Stranraer Sp. z o.o. with its registered office in Warsaw	31.05.2019
13	Projekt 15 – Grupa Echo Sp. z o.o. S.K.A.	Change of limited partner – disposal of rights and obligations in the company from Grupa Echo Sp. z o.o. to Dagnall Sp. z o.o. with its registered office in Warsaw	25.06.2019
14	Projekt 15 – Grupa Echo Sp. z o.o. S.K.A.	Contract for sale of shares in Echo Investment S.A. to Potton Sp. z o.o. with its registered seat in Warsaw	25.06.2019
15	Projekt 12 – Grupa Echo Sp. z o.o. S.K.A.	Change of limited partner – disposal of rights and obligations in the company from Projekt 150 – Projekt 12 - Grupa Echo Sp. z o.o. Sp. K.A Sp. Komandytowa to Shanklin Sp. z o.o. with its registered office in Warsaw	20.08.2019
16	Projekt Echo 129 Sp. z o.o.	Contract for sale of shares in Echo Investment S.A. to Selmer Investments Sp. z o.o. SP. K. with its registered office in Warsaw	20.08.2019
17	Projekt 22 – Grupa Echo Sp. z o.o. Sp.K.A.	Change of limited partner – disposal of rights and obligations in the company from Grupa Echo Sp. z o.o. to Cornwall Investments Sp. z o.o. with its registered office in Warsaw	31.07.2019
18	Projekt 20 – Grupa Echo Sp. z o.o. Sp.K.A.	Change of the company's name to Face2Face - Stranraer Sp. z o.o. Sp.k.	31.07.2019
19	Cornwall Investments Sp. z o.o. SK	Change of the company's name to React - City Space - GP Sp. z o.o. Sp.k.	06.08.2019
20	Projekt 15 - Grupa Echo Sp. z o.o. S.k.a.	Change of the company's name to React - Dagnall Sp. z o.o. Sp.k.	30.07.2019
21	Projekt 146 – Grupa Echo Sp. z o.o Sp. K	Change of the company's name to Projekt 146 - City Space - GP Sp. z o. o. Sp. k	04.07.2019
22	Projekt 145 – Grupa Echo Sp. z o.o. Sp. K	Change of the company's name to Projekt 145 – City Space – GP Sp. z o.o. Sp.k.	02.07.2019
23	Tryton - Projekt Echo - 127 Sp. z o.o. SK	Change of the company's name to ZAM - Projekt Echo - 127 Sp. z o.o. Sp.k.	26.09.2019

## OTHER CHANGES

No	Entity	Action	Date
24	Projekt 22 - Grupa Echo Sp. z o.o. S.K.A.	Change of the company's name to Midpoint 71 - Cornwall Investments Sp. z o.o. S.K.A.	07.10.2019
25	Villea Investments Sp. z o.o.	Sale of shares in the company by Projekt Echo 129 Sp. z o.o. to Echo Investment S.A.	24.10.2019
26	Projekt Echo - 129 Sp. z o.o.	Sale of shares in the company by Grupa Echo Sp. z o.o. to Selmer Investments Sp. z o.o. S.K.	24.10.2019
27	R4R Poland Sp. z o.o.	Capital increase in the company was registered by Echo Investment S.A.	04.11.2019
28	Projekt Echo - 123 Sp. z o.o.	Sale of shares in the company by Echo Investment S.A. to Galeria Nova - Grupa Echo Sp. z o.o. S.K.A.	18.12.2019
29	Duże Naramowice - Projekt Echo - 111 Sp. z o.o. S.K.A.	Sale of shares in the company by Forum 60 Fundusz Inwestycyjny Zamknięty to Echo Investment S.A.	23.12.2019
30	Metropolis - Projekt Echo 121 Sp. z o.o. S.K.A.	Sale of shares in the company by Forum 60 Fundusz Inwestycyjny Zamknięty to Echo Investment S.A.	23.12.2019
31	Projekt 150 - Projekt 12 - Grupa Echo Sp. z o.o. S.K.A. S.K	Change of the company's name to Projekt 150 - Shanklin Sp. z o.o. Sp.k.	31.12.2019

# Financial liabilities

## 21.1 Bonds

### COMPANY'S LIABILITIES DUE TO BONDS ISSUED AS AT 31.12.2019 [PLN '000]

Series	ISIN code	Bank / brokerage house	Nominal value	Maturity	Interest rate	Guarantees / securities	Quotation market
<b>Bonds for institutional investors</b>							
1/2016	PLECHPS00209	mBank S.A.	100 000	18.11.2020	WIBOR 6M + margin 3,0%	-	ASO CATALYST
1/2017	PLECHPS00225	mBank S.A.	155 000	31.03.2021	WIBOR 6M + margin 2,9%	-	ASO CATALYST
2/2017	PLECHPS00258	mBank S.A.	150 000	30.11.2021	WIBOR 6M + margin 2,9%	-	ASO CATALYST
1/2018	PLECHPS00282	mBank S.A.	140 000	25.04.2022	WIBOR 6M + margin 2,9%	-	ASO CATALYST
1/2019	PLECHPS00308	mBank S.A.	100 000	11.04.2023	WIBOR 6M + margin 4,25%	-	ASO CATALYST
<b>Total</b>			<b>645 000</b>				
<b>Bonds for individual investors</b>							
<b>E-series</b>	PLECHPS00217	DM PKO BP S.A.	100 000	06.07.2021	WIBOR 6M + margin 2,9%	-	regulated market CATALYST
<b>F-series</b>	PLECHPS00233	DM PKO BP S.A.	125 000	11.10.2022	WIBOR 6M + margin 2,9%	-	regulated market CATALYST
<b>G-series</b>	PLECHPS00241	DM PKO BP S.A.	75 000	27.10.2022	WIBOR 6M + margin 2,9%	-	regulated market CATALYST
<b>H-series</b>	PLECHPS00266	DM PKO BP S.A.	50 000	22.05.2022	WIBOR 6M + margin 2,8%	-	regulated market CATALYST
<b>I-series</b>	PLECHPS00274	Consortium of DM PKO Bank Polski S.A., Noble Securities S.A. and Centralny Dom Maklerski Pekao S.A.	50 000	08.11.2023	WIBOR 6M + margin 3,4%	-	regulated market CATALYST
<b>J and J2-series</b>	PLECHPS00290	J-series: consortium of Noble Securities S.A., Michael / Ström Dom Maklerski S.A., Dom Maklerski Banku Ochrony Środowiska S.A. J2-series: DM PKO Banku Polskiego S.A.	33 832	21.09.2023	WIBOR 6M + margin 3,4%	-	regulated market CATALYST
<b>Total</b>			<b>433 832</b>				
<b>Total bonds</b>			<b>1 078 832</b>				

## 21.2 Credit facilities

### CREDIT FACILITIES OF ECHO INVESTMENT S.A. AS AT 31.12.2019 [‘000]

Project	Borrower - subsidiary	Bank	Contractual amount of loan [‘000]	Outstanding loan amount [‘000]	Interest rate	Repayment deadline
<b>Libero</b>	<b>Galeria Libero – Projekt Echo 120 Sp. z o.o. Sp. K.</b>	Santander Bank Polska S.A., BNP Paribas Bank Polska S.A.	67 566 EUR	67 228 EUR	Margin + EURIBOR 3M	22.11.2022
<b>Galeria Młociny</b>	<b>Berea Sp. z o.o.*</b>	Santander Bank Polska S.A., PKO BP S.A., Bank Gospodarstwa Krajowego	**56 100 EUR	54 233 EUR	Margin + EURIBOR 3M	30.04.2025
			10 350 PLN	3 548 PLN	Margin + WIBOR 1M	30.04.2020
<b>Moje Miejsce I i II</b>	<b>Projekt Beethovena - Projekt Echo – 122 Sp. z o.o. S.K.A.</b>	PKO BP S.A.	50 280 EUR	23 910 EUR	Margin + EURIBOR 3M	30.09.2023
			16 000 PLN	0 PLN	Margin + WIBOR 1M	31.03.2021
<b>Villa Offices and Malthouse Offices</b>	<b>Dellia Investments - Projekt Echo 115 Sp. z o.o. Sp.K.</b>	Bank Polska Kasa Opieki S.A.	87 386 EUR	8 207 EUR	Margin + EURIBOR 3M	31.12.2027
			17 000 PLN	0 PLN	Margin + WIBOR 1M	31.12.2022
<b>West 4 Business Hub I</b>	<b>Projekt 17 – Grupa Echo Sp. z o.o. S.K.A.</b>	Bank Millennium S.A.	20 630 EUR	0 EUR	Margin + EURIBOR 3M	30.06.2023
			4 000 PLN	0 PLN	Margin + WIBOR 1M	30.06.2021
<b>Face 2 Face I i II</b>	<b>Face2Face – Stranraer Sp. z o.o. S.K.A.</b>	Bank Polska Kasa Opieki S.A.	64 997 EUR	12 003 EUR	Margin + EURIBOR 3M	31.12.2023
			18 000 PLN	0 PLN	Margin + WIBOR 1M	31.12.2021
<b>React I</b>	<b>React – Dagnall Sp. z o.o. S.K.A.</b>	BNP Paribas Bank Polska S.A.	19 200 EUR	0 EUR	Margin + EURIBOR 3M	01.12.2022
			4 000 PLN	0 PLN	Margin + WIBOR 1M	01.12.2022
<b>Projekt Echo 129</b>	<b>Projekt Echo 129 Sp. z o.o.</b>	Bank Polska Kasa Opieki S.A.	50 000 EUR	29 794 EUR	Margin + EURIBOR 3M	30.09.2021
<b>Resi4Rent* - I tranche of projects</b>	<b>SO SPV 101 Sp. z o.o./ SO SPV 103 Sp. z o.o./ R4R Warszawa Browary Sp. z o.o./ R4R Wrocław Kępa Sp. z o.o.</b>	consorcjum with PeKaO S.A. as a financial agent	77 600 PLN	40 817 PLN	Margin + WIBOR 1M	30.06.2026
<b>Resi4Rent* - II tranche of projects</b>	<b>R4R Poznań Szczepanowskiego Sp. z o.o./ R4R Warszawa Taśmowa Sp. z o.o./ R4R Warszawa Woronicza Sp. z o.o./ R4R Gdańsk Kołobrzaska Sp. z o.o.</b>	Santander S.A. / Helaba AG	62 715 PLN	-	Margin + WIBOR 1M	27.06.2027
<b>Total</b>			<b>416 159 EUR</b>	<b>195 375 EUR</b>		
			<b>209 665 PLN</b>	<b>44 365 PLN</b>		

\* Echo Investment owns 30% of shares in SPV - borrowers. and presents 30% of credit value.

\*\* After fulfilment of certain conditions the construction loan will be converted into investment loan with its amount of EUR 56,7 million.

Investment loans are secured by standard securities such as mortgages, registered and financial pledge agreements, powers of powers of attorney to bank accounts, subordination agreements, statements on submission to enforcement proceedings, agreements to secure the transfer of claims and rights and claims of a borrower under selected agreements, guaran-

tees on overrun of cost / own contribution, interest coverage. In particular situations, a security package includes sureties for specific obligations concerning potential claims related to additional projects performed in the borrowers' company, or other specific obligations resulting from the specific nature of a projects.

## CREDIT FACILITIES OF ECHO INVESTMENT S.A. AS AT 31.12.2019 [‘000 PLN]

Bank	Contractual amount of loan	Outstanding loan amount	Interest rate	Repayment deadline	Security
<b>PKO BP S.A.*</b>	75 000	65 452	WIBOR 1M + margin	30.10.2020	Authorisation to bank account, statement on submission to enforcement proceedings
<b>Alior Bank S.A.</b>	75 000	75 000	WIBOR 3M + margin	26.03.2020	Authorisation to bank account, statement on submission to enforcement proceedings
<b>Santander Bank Polska S.A.**</b>	100 000	73 422	WIBOR 1M + margin	30.11.2020	Authorisation to bank account, statement on submission to enforcement proceedings
<b>Total</b>	<b>250 000</b>	<b>213 874</b>			

\* The available loan amount as at 31 December 2019 is decreased by the guarantees issued and amounts to PLN 200,000.

\*\* Under the credit limit of PLN 100 million, the Company has been granted a sublimit for current loan up to PLN 75 million and a sublimit up to PLN 25 million for guarantees. As at 31 December 2019, the limit for guarantees was used in the amount of PLN 24.2 million.

# Off-balance sheet liabilities

## 22.1 Guarantee agreements

### GUARANTEE AGREEMENTS ISSUED BY ECHO INVESTMENT GROUP AS AT 31.12.2019 [PLN '000]

Guarantor	Issuer	Beneficiary	Value [PLN '000]	Validity	Description
<b>Echo Investment S.A.</b>	Projekt 1 - Grupa Echo Sp. z o.o. S.K.A	Horta Sp. z o.o.	21 293	until 02.07.2020	Security for the improper performance of the final sale contract of the Aquarius Business House I office building in Wrocław. Issued in EUR.
<b>Echo Investment S.A.</b>	Projekt 104 Sp. z o.o.	Skua Sp. z o.o.	25 551	until 31.07.2021	Security for the improper performance of the final sale contract and the master lease contract for the Aquarius Business House II office building in Wrocław. Issued in EUR.
<b>PKO BP S.A.</b>	Echo Investment S.A.	IREEF - Stryków Propco Sp. z o.o.	997	until 31.07.2020	Guarantee for the obligations of Echo Investment S.A. resulting from the lease contract concluded on 24.10.2016. Issued in EUR.
<b>Echo Investment S.A.</b>	Echo - Opolska Business Park Sp. z o.o. Sp. k.	issued for Ventry Investments Sp. z o.o. Sp. k. (currently entitled EPP Office O3 Business Campus Sp. z o.o.)	38 857	until 21.12.2026	Construction guarantee related to the sale of the O3 Business Campus I office building in Kraków. The construction guarantee is secured by a corporate guarantee issued by Echo Investment S.A. The guarantee issued in EUR. The maximum amount of the liability will be successively reduced as the amount of the liability that is secured by the guarantee decreases.
<b>Echo Investment S.A.</b>	ZAM - Projekt Echo - 127 Sp. z o.o. Sp. k.	issued for Emfold Investments Sp. z o.o. (currently entitled Tryton Business Park Sp. z o.o.)	40 533	until 21.12.2026	Construction guarantee related to the sale of the Tryton office building in Gdańsk. The construction guarantee is secured by a corporate guarantee issued by Echo Investment S.A. Guarantee issued in EUR.
<b>Echo Investment S.A.</b>	Symetris - Projekt Echo - 131 Sp. z o.o. Sp. k.	issued for Flaxton Investments Sp. z o.o. (currently entitled EPP Office - Symetris Business Park Sp. z o.o.)	17 339	until 21.12.2026	Construction guarantee related to the sale of the Symetris I office building in Łódź. The construction guarantee is secured by a corporate guarantee issued by Echo Investment S.A. Guarantee issued in EUR.

## GUARANTEE AGREEMENTS ISSUED BY ECHO INVESTMENT GROUP AS AT 31.12.2019 [PLN '000]

Guarantor	Issuer	Beneficiary	Value [PLN '000]	Validity	Description
<b>Echo Investment S.A.</b>	Projekt Echo 135 Sp. z o.o. Sp.k.	A4 Business Park Sp. z o.o.	23 422	until 26.04.2027	Construction guarantee related to the sale of the A4 Business Park office building stage III in Katowice. The guarantee is secured by a corporate guarantee issued by Echo Investment S.A. Guarantee issued in EUR.
<b>Echo Investment S.A.</b>	Echo - Opolska Business Park Sp. z o.o. Sp. k.	EPP Office O3 Business Campus Sp. z o.o.	37 048	until 21.12.2027	Construction guarantee related to the sale of the O3 Business Campus II office building in Kraków. The guarantee is secured by a corporate guarantee issued by Echo Investment S.A. Guarantee issued in EUR.
<b>Echo Investment S.A.</b>	Berea Sp. z o.o.	Santander Bank Polska, PKO BP S.A., Bank Gospodarstwa Krajowego and mBank S.A.	39 604	until the date of conversion of the construction loan into an investment loan	Security for exceeding the costs of the Galeria Młociny project in Warsaw and the obligations of Berea Sp. z o.o. arising from the loan agreement concluded on 17.10.2017. Issued in EUR.
<b>Echo Investment S.A.</b>	gwarancja bezpieczeństwa Echo Investment S.A.	Nobilis - Projekt Echo - 117 Sp. z o.o. Sp. K.	40 000	until 31.10.2026	Quality guarantee for construction work related to the Nobilis office building in Wrocław.
<b>Echo Investment S.A.</b>	Grupa Echo Sp. z o.o. / Forum 60 FIZ	IB 14 FIZAN	76 126	until 24.05.2024	Security for the proper performance of the obligations arising from the contract for the sale of the West Link office building in Wrocław. Issued in EUR. After 24.05.2021 the maximum amount of the liability will be reduced by 80 percent.
<b>Echo Investment S.A.</b>	Midpoint 71-Cornwall Investments Sp. z o.o. S.K.A	A 19 Sp. z o.o.	25 551	until 4.07.2038	Guarantee for the obligations of Projekt 22 - Grupa Echo Sp. z o.o. SKA (Midpoint 71 project) arising from the good neighborly agreement concluded on 4.07.2018. Issued in EUR.
<b>Echo Investment S.A.</b>	Symetris - Projekt Echo - 131 Sp. z o.o. Sp. k.	issued for Flaxton Investments Sp. z o.o. (currently entitled EPP Office - Symetris Business Park Sp. z o.o.)	16 258	until 15.11.2020	Construction guarantee related to the sale of the Symetris project stage II in Łódź. Issued in EUR. The maximum amount of the liability will be successively reduced as the amount of the liability that is secured by the guarantee decreases.
<b>Echo Investment S.A.</b>	Echo Investment S.A.	PeKaO S.A.	14 147	until 30.06.2029	Guarantee of exceeding the costs of performing Resi4REnt projects: Łódź Wodna, Wrocław Rychtalska, Warsaw Brewery, Wrocław Kępa.
<b>Echo Investment S.A.</b>	Echo Property Poznań 1 Sp. z o.o. / Dellia Investments - Projekt Echo - 115 Sp. z o.o. Sp. k. / Echo SPV 7 Sp. z o.o.	R4R Wrocław Kępa Sp. z o.o./R4R Warszawa Browary Sp. z o.o.	84 809	until 31.07.2021	Guarantee for advance payments paid by R4R companies in accordance with the preliminary contracts for the sale of real estate: Wrocław, Kępa Mieszkańska and Warsaw, Brewery E. Echo SPV 7 sp.z o.o. joined to preliminary contracts as a joint and several debtor responsible for the obligations of the sellers.
<b>Echo Investment S.A.</b>	Rosehill Investments Sp. z o.o.	IB 6 FIZAN / GPF 3 FIZAN	132 733	until 31.10.2021	Security for the proper performance of the obligations of Rosehill Investments Sp. z o.o. resulting from the program contract concluded on August 31, 2017. Issued in EUR.
<b>Echo Investment S.A.</b>	Tryton City Space - GP Sp. z o.o. Sp. k.	Tryton Business Park Sp. z o.o.	540	until 31.01.2020	Security for the liabilities of Tryton City Space - GP Sp.z o.o. Sp.K. arising from the lease contract concluded on June 12, 2018. Issued in EUR.



## GUARANTEE AGREEMENTS ISSUED BY ECHO INVESTMENT GROUP AS AT 31.12.2019 [PLN '000]

Guarantor	Issuer	Beneficiary	Value [PLN '000]	Validity	Description
<b>Echo Investment S.A.</b>	Supersam City Space – GP Sp. z o.o. Sp. k.	DH Supersam Katowice Sp. z o.o. Sp.k.	359	until 31.01.2020	Security for the liabilities of Supersam City Space - GP Sp.z o.o. Sp.K. arising from the lease contract concluded on 28.02.2017. Issued in EUR.
<b>Santander Bank Polska S.A.</b>	Echo Investment S.A.	City of Katowice	758	until 16.01.2020	Security under the warranty and the quality guarantee for the obligations of Galeria Libero - Projekt Echo 120 Sp. z o.o. Sp.K. resulting from the agreement on performing the road project concluded on June 16, 2016.
<b>Echo Investment S.A.</b>	Echo Investment S.A.	PKO BP S.A.	36 000	until 30.06.2023	Security for exceeding the costs of performing the Moje Miejsce office project in Warsaw.
<b>PKO BP S.A.</b>	Echo Investment S.A.	LUX Europa III S.a.r.l.	6 450	until 25.03.2020	Security for the liabilities of Dellia Investments - Projekt Echo - 115 Sp. z o.o. Sp.K. arising from the contract of quality guarantee concluded on 27.03.2019.
<b>Echo Investment S.A.</b>	Dellia Investments – Projekt Echo – 115 Sp. z o.o. Sp. k.	LUX Europa III S.a.r.l.	93 432	until 31.12.2024	Security for the proper performance of Dellia Investments - Projekt Echo - 115 Sp. z o.o. Sp.K. arising from the sale contract of the Gatehouse Offices building being part of the Browary Warszawskie complex. Issued in EUR.
<b>Echo Investment S.A.</b>	Dellia Investments – Projekt Echo – 115 Sp. z o.o. Sp. k.	LUX Europa III S.a.r.l.	163 550	until 30.06.2030	Security for the proper performance of Dellia Investments - Projekt Echo - 115 Sp. z o.o. Sp.K. arising from the sale agreement of the Gatehouse Office building in the Warsaw Brewery complex. Issued in PLN.
<b>Echo Investment S.A.</b>	Dellia Investments – Projekt Echo – 115 Sp. z o.o. Sp. k.	LUX Europa III S.a.r.l.	46 844	until 03.03.2027	Security for the proper performance of the liabilities of Dellia Investments - Projekt Echo - 115 Sp. z o.o. Sp.k. arising from the sale contract of the Gatehouse Offices building being part of the Warsaw Brewery complex. Issued in EUR.
<b>Echo – Aurus Sp. z o.o.</b>	Projekt 133 – City Space GP Sp. z o.o. Sp. k.	Echo – Park Rozwoju Sp. z o.o. Sp. k.	753	until 28.02.2027	Guarantee securing the liabilities of Projekt 133 - City Space GP Sp. z o.o. Sp.K. arising from the lease agreement concluded on 4.11.2016. Issued in EUR.
<b>Echo – Aurus Sp. z o.o.</b>	Nobilis – City Space GP Sp. z o.o. Sp. k.	Nobilis – Projekt Echo 117 Sp. z o.o. Sp. k.	753	until 31.07.2027	Guarantee securing the liabilities of Nobilis - City Space GP Sp. z o.o. Sp.K. arising from the lease agreement concluded on 28.02.2017. Issued in EUR.
<b>Echo – Aurus Sp. z o.o.</b>	Projekt 132 – City Space – GP Sp. z o.o. Sp. k.	issued for Ventry Investments Sp. z o.o. Sp. k. (currently entitled EPP Office O3 Business Campus Sp. z o.o.)	1 184	until 9.04.2027	Guarantee securing the liabilities of Projekt 132 - City Space - GP sp.z o.o. sp.k arising from the lease agreement concluded on 12.10.2016. Issued in EUR.
<b>Echo – Aurus Sp. z o.o.</b>	Echo Investment S.A.	Sagittarius – Projekt Echo-113 Sp. z o.o. Sp. k.	50	until 31.01.2024	Guarantee for the liabilities of Echo Investment S.A. arising from the lease agreement concluded on 22.06.2018. Issued in EUR.

## GUARANTEE AGREEMENTS ISSUED BY ECHO INVESTMENT GROUP AS AT 31.12.2019 [PLN '000]

Guarantor	Issuer	Beneficiary	Value [PLN '000]	Validity	Description
<b>Echo-SPV 7 Sp. z o.o.</b>	Echo Investment S.A.	issued for Ventry Investments Sp. z o.o. Sp. k. (currently entitled EPP Office O3 Business Campus Sp. z o.o.)	42	until 28.02.2021	Guarantee for the liabilities of Echo Investment S.A. arising from the lease agreement concluded on 24.11.2017. Issued in EUR.
<b>Echo Investment S.A.</b>	Echo Investment S.A.	PeKaO S.A.	68 045	until the date of conversion of the construction loan into an investment loan	Guarantee of exceeding the costs of performing the office project of the Warsaw Brewery complex in Warsaw. Issued in EUR.
<b>Echo Investment S.A.</b>	Echo Investment S.A.	Bank Millenium S.A.	8 045	until the date of conversion of the construction loan into an investment loan	Guarantee of exceeding the costs of performing the West 4 Business Hub office project in Wrocław.
<b>Echo Investment S.A.</b>	Echo Investment S.A.	Bank Millenium S.A.	4 557	until the date of conversion of the construction loan into an investment loan	Guarantee securing rent proceeds during the performance of the West 4 Business Hub office project in Wrocław. Issued in EUR.
<b>Echo Investment S.A.</b>	Projekt 132 – City Space – GP Sp. z o.o. Sp. k.	issued for Echo-Opolska Business Park Sp. z o.o. Sp.k. (currently entitled EPP Development 6 Sp. z o.o.)	1 008	until 30.06.2020	Security for the liabilities of Projekt 132 - City space - GP sp.z o.o. sp.k. arising from the lease agreement concluded on 4.06.2019. Issued in EUR.
<b>Echo Investment S.A.</b>	Echo Investment S.A.	PeKaO S.A.	70 000	until 29.12.2023	Guarantee securing cost overrun, covering interests on minimal level and securing own contribution on Face2Face office project in Katowice. Issued in PLN.
<b>Echo Investment S.A.</b>	Echo Investment S.A.	BNP Paribas Bank Polska S.A.	10 499	until 1.12.2022	Security for exceeding the costs of performing the React office project in Łódź.
<b>Echo Investment S.A.</b>	Echo-Opolska Business Park Sp. z o.o. Sp. k.	EPP Development 6 Sp. z o.o.	34 352	until 9.08.2028	Construction guarantee related to the sale of the O3 Business Campus III office building in Kraków. The guarantee is secured by a corporate guarantee issued by Echo Investment S.A. Guarantee issued in EUR.
<b>PKO BP S.A. commissioned by Echo Investment S.A.</b>	Galeria Libero – Projekt Echo – 120 Sp. z o.o. Sp. k.	Tax Administration Office Director in Kielce	873	until 10.02.2021	Lottery guarantee for Galeria Libero - Projekt Echo - 120 Sp. z o.o. SK.
<b>Echo Investment S.A.</b>	Berea Sp. z o.o.	142 – City Space – GP Sp. z o.o. Sp. k.	20	until 22.06.2024	Security for the liabilities of Projekt 142 - City space - GP sp.z o.o. sp.k. arising from the lease agreement concluded on 21.05.2019. Issued in EUR.
<b>Echo Investment S.A.</b>	Berea Sp. z o.o.	142 – City Space – GP Sp. z o.o. Sp. k.	103	until 29.09.2024	Security for the liabilities of Projekt 142 - City space - GP sp.z o.o. sp.k. arising from the lease agreement concluded on 21.05.2019. Issued in EUR.
<b>PKO BP S.A. commissioned by Echo Investment S.A.</b>	Aquarius – City Space – GP Sp. z o.o. Sp. k.	Skua Sp. z o.o.	24	until 17.12.2020	Bank guarantee issued by Powszechna Kasa Oszczędności Bank Polski S.A at the request of Echo Investment securing the liabilities of Aquarius - City Space - GP Sp. z o.o. Sp.K. under the lease agreement of 5.09.2018.

## GUARANTEE AGREEMENTS ISSUED BY ECHO INVESTMENT GROUP AS AT 31.12.2019 [PLN '000]

Guarantor	Issuer	Beneficiary	Value [PLN '000]	Validity	Description
<b>PKO BP S.A. commissioned by Echo Investment S.A.</b>	Aquarius - City Space - GP Sp. z o.o. Sp. k.	Horta Sp. z o.o.	594	until 17.12.2020	Bank guarantee issued by Powszechna Kasa Oszczędności Bank Polski S.A at the request of Echo Investment securing the liabilities of Aquarius - City Space - GP Sp. z o.o. Sp.K. under the lease agreement of 5.09.2018.
<b>Echo Investment S.A.</b>	Projekt 12 - Grupa Echo sp. z o.o. S.K.A.	Tesco (Polska) Sp. z o.o.	n/a	until 30.06.2025	Echo Investment corporate guarantee securing performance of obligations of Project 12 - Grupa Echo Sp. z o.o. S.K.A. regarding priority to lease space in the new shopping center, resulting from the preliminary sales contract of real estate concluded on 30.07.2019 between Project 12 - Grupa Echo Sp. z o.o. S.K.A. and Tesco (Polska) Sp. z o.o. Due to business and legal arrangements the warranty has no upper limit potential liability.
<b>Total</b>			<b>1 183 103</b>		

Due to the fact, that provisions for liabilities on rent free period are already presented in the consolidated balance

sheet, liabilities for that item are not presented above.

## AMENDMENTS TO GUARANTEE AGREEMENTS ISSUED BY ECHO INVESTMENT GROUP IN 2019

Change	Issuer	For	Date of change	Value [‘000]	Description
<b>Expiry</b>	Echo Investment S.A.	IREEF – Stryków Propco Sp. z o.o.	15.12.2019	420 000	Construction work quality guarantee related to the sale of Q22 office building in Warsaw.
<b>Expiry</b>	PKO BP S.A. commissioned by Echo Investment S.A.	Novaform Polska Sp. z o.o.	20.12.2019	4 616	Guarantee securing the execution of liabilities of Duże Naramowice – Projekt Echo – 111 Sp. z o.o. S.K.A. resulting from the agreement of 8.01.2018.
<b>Expiry</b>	Echo Investment S.A.	SO SPV 103 Sp. z o.o.	18.12.2019	67 086	Deposit return guarantee for SO SPV 103 Sp. z o.o., according to preliminary sale agreement of Wrocław, Rychtalska property
<b>Expiry</b>	Echo Investment S.A.	Santander Bank Polska S.A. and Bank BNP Paribas S.A.	22.11.2019	57 928	Guarantee for costs overrun of Galeria Libero project in Katowice.
<b>Expiry</b>	Raiffeisen Bank S.A. commissioned by Echo Investment S.A.	Agentia Nationala de Administrare Fiscala	12.2019	2 158	Guarantee securing the execution of liabilities of S.C. Echo Investment Project 1 S.R.L. Issued in RON.
<b>Granting</b>	Echo Investment S.A.	142 – City Space – GP Sp. z o.o. Sp. k.	22.10.2019	20	Security for the liabilities of Projekt 142 – City space – GP sp.z o.o. sp.k. arising from the lease agreement concluded on 21.05.2019. Issued in EUR.
<b>Granting</b>	Echo Investment S.A.	142 – City Space – GP Sp. z o.o. Sp. k.	21.10.2019	103	Security for the liabilities of Projekt 142 – City space – GP sp.z o.o. sp.k. arising from the lease agreement concluded on 21.05.2019. Issued in EUR.
<b>Granting</b>	Echo Investment S.A.	Skua Sp. z o.o.	17.12.2019	24	Bank guarantee issued by Powszechna Kasa Oszczędności Bank Polski S.A at the request of Echo Investment securing the liabilities of Aquarius – City Space – GP Sp. z o.o. Sp.K. under the lease agreement of 5.09.2018.
<b>Granting</b>	Echo Investment S.A.	Horta Sp. z o.o.	17.12.2019	594	Bank guarantee issued by Powszechna Kasa Oszczędności Bank Polski S.A at the request of Echo Investment securing the liabilities of Aquarius – City Space – GP Sp. z o.o. Sp.K. under the lease agreement of 5.09.2018.
<b>Granting</b>	Projekt 12 – Grupa Echo sp. z o.o. SKA	Tesco (Polska) Sp. z o.o.	31.10.2019	n/d	Echo Investment corporate guarantee securing performance of obligations of Project 12 – Grupa Echo Sp. z o.o. S.K.A. regarding priority to lease space in the new shopping center, resulting from the preliminary sales contract of real estate concluded on 30.07.2019 between Project 12 – Grupa Echo Sp. z o.o. S.K.A. and Tesco (Polska) Sp. z o.o. Due to business and legal arrangements the warranty has no upper limit potential liability.

## 22.2 Surety agreements

### SURETY AGREEMENTS ISSUED BY ECHO INVESTMENT GROUP AS AT 31.12.2019 [PLN '000]

Guarantor	For	Beneficiary	Value ['000]	Expiry date	Description
Echo Investment S.A.	Plac Unii City Space - GP Sp. z o.o. Sp. k.	Bletwood Investments Sp. z o.o.	1 432	until 04.07.2026	Surety for the liabilities of Cogl II Poland Limited Sp. z o.o. as security for the liabilities arising from the lease contract concluded on 6.11.2015. Issued in EUR.
Echo Investment S.A.	Echo - Browary Warszawskie Sp. z o.o. Sp. k. and Dellia Investments - Projekt Echo - 115 Sp. z o.o. Sp. k.	HPO AEP Sp. z o.o. Sp. J.	10 646	until the date of obtaining a permit for use for the projects being carried out, but not later than 7.12.2031.	Surety for the liabilities of Echo - Browary Warszawskie Sp. z o.o. Sp.K. and Dellia Investments - Projekt Echo - 115 Sp. z o.o. Sp. K. as security for the liabilities arising from the contract concluded on 7.12.2016. Mutual warranty issued in EUR.
Echo Investment S.A.	Sagittarius - Projekt Echo-113 Sp. z o.o. Sp. k.	Human Office Polska Sp. z o.o.	100	until 01.08.2022	Surety for the liabilities of Sagittarius - Projekt Echo -113 Sp z o.o. Sp.k. resulting from the lease contract on 2.08.2018
Echo-Aurus Sp. z o.o.	Nobilis - City Space GP Sp. z o.o. Sp. k.	Human Office Polska Sp. z o.o.	340	until 27.09.2021	Surety for the liabilities of Nobilis - City Space GP Sp. z o.o. Sp.K. resulting from the lease contact concluded on 27.09.2017.
Echo-Aurus Sp. z o.o.	Supersam City Space - GP Sp. z o.o. Sp. k.	PKO Leasing S.A.	312	until 06.12.2020	Surety for the liabilities of Supersam City Space - GP Sp. z o.o. Sp.K. arising from the lease contract concluded on 6.12.2017.
Echo-Aurus Sp. z o.o.	Tryton - City Space GP Sp. z o.o. Sp. k.	Grenkeleasing Sp. z o.o.	297	until 22.11.2022	Surety for the liabilities of Tryton - City Space GP Sp. z o.o. arising from the lease contract concluded on 22.11.2018.
Echo-Aurus Sp. z o.o.	Aquarius - City Space - GP Sp. z o.o. Sp. k.	PEAC (Poland) Sp. z o.o.	513	until 05.02.2024	Surety for the liabilities of Aquarius - City Space - GP Sp. z o.o. Sp.k. resulting from the lease contract concluded on 5.02.2019.
Echo - SPV 7 Sp. z o.o./Echo - Aurus Sp. z o.o.	Sagittarius-Projekt Echo - 113 Sp.z o.o. Sp. k.	Warburg-HiH Invest Real Estate GmbH	30 027	until 21.01.2022	Surety bond for liabilities of Sagittarius - Projekt Echo - 113 Sp. z o.o. Sp.k. resulting from sale agreement.
Echo - SPV 7 Sp. z o.o./Echo - Aurus Sp. z o.o.	Sagittarius-Projekt Echo - 113 Sp.z o.o. Sp. k.	Warburg-HiH Invest Real Estate GmbH	152 000	until 31.10.2028	Surety for the liabilities of Sagittarius - Projekt Echo -113 Sp. z o.o. Sp.K. resulting from the building quality guarantee contract and the fit-out works contract.
<b>Total</b>			<b>195 667</b>		

No changes in sureties in 2019.

# Information on dividend

## 23.1 The dividend policy

On 26 April, 2017 the Management Board of Echo Investment adopted a resolution on the Company's dividend policy. The adopted dividend policy states that from the profit in 2018 and subsequent years the Management Board 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 Cap-

ital 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, purchase of land in particular

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

**“The dividend policy states that from the profit in 2018 and subsequent years the Management Board recommends the payment of the dividend up to amount of 70% of the consolidated net profit”**

## 23.2 Advance dividend from the 2018 profit

The Management Board of Echo Investment adopted on November 8, 2018 a resolution on conditional payment of the advance payment for the dividend for the accounting year 2018 to its shareholders. The total amount for the payment of the advance dividend amounted to PLN 206.3 mln, i.e. PLN 0.5 per share. The amount of the dividend payment did not exceed half of the Company's net profit from the end of the previous accounting year, increased by the reserve capital created for the purpose of further payment of dividend or advances for dividend and reduced by uncovered losses and own shares. The advance dividend was to be paid on December 19, 2018 to those shareholders who hold shares on December

12, 2018, i.e. 7 days before the payment date. The advance dividend was paid subject to the approval of the Supervisory Board (obtained on November 15, 2018) and confirmation by the audit of the financial statements of Echo Investment S.A. for the period from January 1, 2018 to June 30, 2018, by an expert auditor of Ernst & Young Audyt Polska, in which the assumed net profit of the Company achieved from the end of the previous accounting year (the condition fulfilled on November 16, 2018).

Pursuant to the resolution of the Ordinary General Meeting of Shareholders of Echo Investment S.A. of 25 June 2019, the net profit achieved by the company

# 0,50<sub>pln</sub>

**Amount of advanced dividend paid for one share from 2018 profit**

in the completed financial year 2018 in the amount of PLN 42,431,650.15 was allocated for distribution to all shareholders on the following principles:

1. The profit increased by the amount of PLN 163,913,640.85 from the Dividend Fund (in total PLN 206,345,291) was allocated for distribution to all shareholders of the company as the dividend.
2. The amount of PLN 206,345,291 paid on 19 December 2018 as an advance for dividend for the financial year was credited to the dividend.

Because the dividend corresponded to the amount of dividend advance paid, the shareholders decided that the company would not pay additional funds from the profit for the financial year 2018.

The shareholders also decided that the undistributed financial result (profit) from previous years in the amount of PLN 2,243,582, created in connection with the change of the accounting policy applied by the company, the Ordinary General Meeting of Shareholders allocated to the Dividend Fund.

### 23.3 Advanced dividend from the 2019 profit

The Management Board of Echo Investment adopted on 11 September 2019 a resolution on conditional payment of the advance payment for the dividend for the accounting year 2019 to its shareholders. The total amount of the advance dividend amounts to PLN 206.3 million, i.e. PLN 0.5 per share. It did not exceed half of the Company's profit generated after the end of the previous financial year, as published

in the financial report dated 30 June 2019, increased by a reserve capital created in order to pay dividend or an advance payment towards the dividend and reduced by uncovered losses and value of own shares. The advance dividend was paid on 21 October 2019 to those shareholders who held shares on 14 October 2019, i.e. 7 days before the payment date.

**0,50** PLN

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**Amount of advanced dividend  
paid from 2019 profit**

# Assessment of financial resources management and investment plan feasibility

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 2018 reflects their stable financial condition, which is confirmed by the below ratios.

## 24.1 For Echo Investment S.A.

### PROFITABILITY RATIO

Increase of operating profit margin ratios results mainly from lower write-down on loans and bonds from subsidiaries. The decrease in the balance sheet profit margin ratio, ROA and ROE rates results from the fact that in 2018 the company reported a significant profit on the redemption of FIZ certificates.

**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)

### PROFITABILITY RATIOS

	31.12.2019	31.12.2018
Operating profit margin	26%	13%
Net balance sheet profit margin	7%	10%
Return on assets ROA	1%	2%
Return on equity ROE	2%	3%



## TURNOVER RATIO

Turnover depends on the specifics of the business. Due to the fact that inventory includes acquired ownership rights, construction expenditures and costs relating to development projects for sale, this cycle will always be long compared to other industries, such as production of fast moving consumer goods. The ratios will be affected by lower revenues from sales (lower revenues from project execution services from related entities). In addition, the receivables turnover ratio will be affected by an increase in loans granted to related companies. Trade receivables have not changed significantly. Apart from a decrease in revenue, the liabilities turnover ratio was influenced by an increase in trade liabilities.

### Inventory turnover in days

(inventory \*360/revenues)

### Current receivables turnover in days

(short-term receivables \*360/revenues)

### Current liabilities cycle in days

(current trade liabilities\*360/revenues)

## VALUES OF TURNOVER RATIO

	31.12.2019	31.12.2018
Inventory turnover in days	244	169
Current receivables turnover in days	754	314
Current trade liabilities turnover in days	61	27

## LIQUIDITY RATIO

Liquidity ratios are at similar levels to the previous year and remain at safe levels. Lack of significant differences is a result of an increase in current liabilities with simultaneous increase in cash.

### Current ratio

(current assets / current liabilities)

### Quick ratio

(current assets - inventories / current liabilities)

### Cash ratio

(cash / short-term liabilities)

## VALUES OF LIQUIDITY RATIOS

	31.12.2019	31.12.2018
Current ratio	1,94	1,91
Quick ratio	1,57	1,41
Cash ratio	0,43	0,47

## DEBT RATIOS

Debt ratios remain safe, which proves the Company's good standing.

### Equity to assets ratio

(equity / total assets)

Decrease of the ratio results from decrease of equity (payment of dividend) with simultaneous increase of assets value (value increase of shares in joint-venture Resi4Rent Wrocław, Rychtalska and cash).

### Equity to fixed assets ratio

(equity / fixed assets)

Slight decrease in the ratio results from decrease of fixed assets (reclassification of loan portion from long-term to short-term) with simultaneous decrease of equity value (payment of dividend).

### General debt ratio

(total liabilities / total assets)

Increase in the ratio results from faster increase of liabilities (increase of loans, advance payments and deposits) than increase of total assets (value increase of joint-venture Resi4Rent: Wrocław, Rychtalska) and cash.

### Equity debt ratio

(total liabilities / equity)

Increase of ratio results from increase of total liabilities while equity value decrease due to dividend payment at the same time.

## VALUES OF DEBT RATIOS

	31.12.2019	31.12.2018
Equity coverage ratio	43%	52%
Fixed asset coverage ratio	69%	72%
Total debt ratio	57%	47%
Debt to equity ratio	132%	90%

## 24.2 For the Echo Investment Group

### PROFITABILITY RATIO

Decrease of operating profit margin and net balance sheet profit margin result from faster growth of revenues (higher number of handed over apartments) than growth of operating margin (lower profit on property valuation) and net profit (profit/loss from JVs). Decrease of return of assets results from high growth of asset value (investment property under construction and inventory – acquisitions, capex).

**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)

### PROFITABILITY RATIOS

	31.12.2019	31.12.2018	31.12.2018
Operating profit margin	51%	57%	
Net balance sheet profit margin	34%	43%	
Return on assets ROA	6%	8%	
Return on equity ROE	19%	20%	

### TURNOVER RATIO

The turnover in the Group is conditioned by the specificity of the conducted activity, related to long cycle of projects implementation compared to other sectors. Due to the fact that inventories in the Group include purchased ownership rights, perpetual usufruct 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)

The increase of the ratio results from higher dynamics of inventory compared to revenues.

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

Decrease of this ratio results from decrease of liabilities when increase of revenues. This is result of i.e. growing number of handed over apartments.

**Creditor days in short-term liabilities on account of deliveries and services**  
(current liabilities on account of deliveries and services\*360/revenue)

Decrease of the ratio results from higher dynamics of revenue than liabilities.

### VALUES OF TURNOVER INDEXES

	31.12.2019	31.12.2018
Inventory turnover in days	430	390
Short-term receivables turnover in days	84	152
Creditor days in short-term liabilities on account of deliveries and services	133	158

## LIQUIDITY RATIO

Liquidity ratios, despite slight decrease, remain at model levels, what proves stable liquidity of the Group. Decrease of ratios results from faster growth of liabilities. This results from new approach to leasing and its valuation, according to standards, as well as increase of advance payments on account of apartments and growth of financial liabilities.

### Current ratio

(current assets/short-term liabilities)

### Quick ratio

(current assets - inventories/short-term liabilities)

### Cash ratio

(cash/short-term liabilities)

## VALUES OF LIQUIDITY RATIOS

	31.12.2019	31.12.2018	31.12.2018
Current ratio	1,58	1,84	
Quick ratio	0,69	0,96	
Cash ratio	0,46	0,57	

## DEBT RATIOS

### Equity coverage ratio

(equity/total assets)

The ratio remains at safe level. Its slight decrease results from faster asset's value growth in relation to equity.

### Fixed asset coverage ratio

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

Decrease of this indicator results from higher dynamics of non-current assets growth (acquisitions, valuation of properties, capex) in relation to equity growth dynamics (dividend payment).

### Total debt ratio

(total liabilities/total assets)

growth of this ratio results from faster growth of liabilities, what was influenced by leasing liabilities valuation and growth of financial debt.

### Debt to equity ratio

(total liabilities/equity)

Growth of this indicator also results from growth of debt in relation to lower growth of equity (due to dividend payment).

## VALUES OF DEBT RATIOS

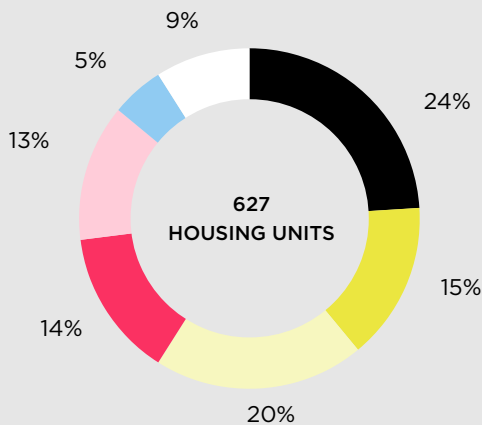
	31.12.2019	31.12.2018
Equity coverage ratio	32%	38%
Fixed asset coverage ratio	53%	63%
Total debt ratio	62%	53%
Debt to equity ratio	190%	141%

# Factors and one-off events influencing the financial result in Q4 2019 and 2019

## Factors which influenced the Group's financial results in Q4 2019

a. Revenue resulting from hand overs of 672 housing units.

### RESIDENTIAL PROJECTS SHARES IN THE TOTAL NUMBER OF FINAL CONTRACTS [UNITS]



- - Warsaw Brewery B, Warsaw
- - Warsaw Brewery C, Warsaw
- - Reset I, Warsaw
- - Osiedle Perspektywa III, Poznań
- - Rydla 32, Kraków
- - Osiedle Jarzębinowe V, Poznań
- - other

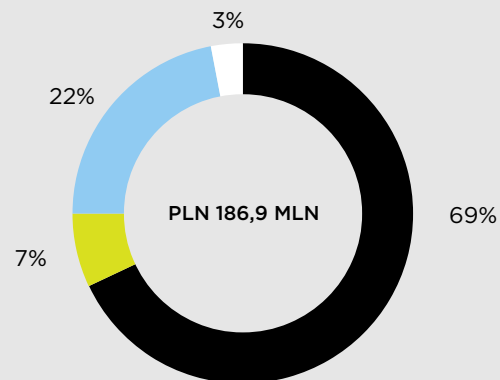
c. Costs of sales and overheads.

d. Valuation of liabilities related to of bonds and loans in accordance with amortised cost principle.

e. Cash and loans valuation on resulting from of currency exchange fluctuations.

b. Profit on investment property amounting to PLN 186,9 mln.

### PROFIT ON INVESTMENT PROPERTY BY ASSETS [MLN PLN]



- - Villa Offices and Malthouse Offices (Warsaw Brewery K, GH), Warsaw
- - Face2Face I, Katowice
- - Midpoint 71, Wrocław
- - other (including React I in Łódź, West IV Business Hub in Wrocław, Face2Face II in Katowice, Libero in Katowice and Moje Miejsce I in Warsaw)

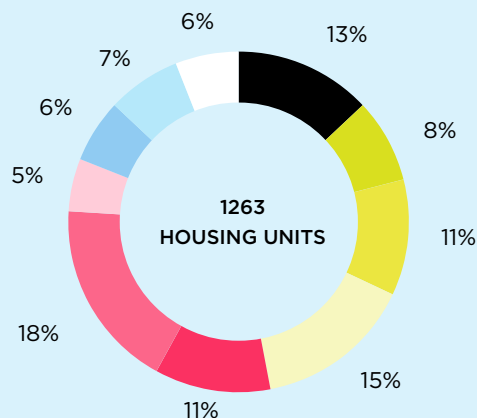
f. Measurement and settlement of FX hedging instruments.

h. Interest on deposits and borrowings granted.

## Factors which influenced the Group's financial results in 2019:

a. Revenue resulting from hand overs of 1263 housing units.

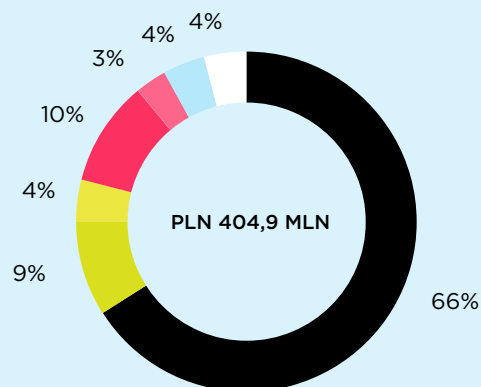
### RESIDENTIAL PROJECTS SHARES IN THE TOTAL NUMBER OF FINAL CONTRACTS [UNITS]



- - Warsaw Brewery B, Warsaw
- - Warsaw Brewery C, Warsaw
- - Reset I, Warsaw
- - Osiedle Perspektywa II & III, Poznań
- - Osiedle Jarzębinowe V, Poznań
- - Zebra, Wrocław
- - Dom pod Wilga III, Kraków
- - Nowa Dzielnica, Łódź
- - Rydla 32, Kraków
- - other

b. Profit on investment property amounting to PLN 404,9 mln.

### PROFIT ON INVESTMENT PROPERTY BY ASSETS [MLN PLN]



- - Browary KGH
- - Face 2 Face I
- - Face 2 Face II
- - MidPoint71
- - React I
- - Moje Misjece I
- - other (includes i.a.: West IV Hub I, Libero)

c. Costs of sales and overheads.

d. Valuation of liabilities related to of bonds and loans in accordance with amortised cost principle.

e. Cash and loans valuation on resulting from of currency exchange fluctuations.

f. Measurement and settlement of FX hedging instruments.

g. Interest on deposits and borrowings granted.

h. Revenue from framework services to EPP group companies.

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

## 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 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.

## 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, the Developer's Certificate, the membership in sector and business organisations,
- 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.

- 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.

### NEGATIVE:

# Remuneration of the Management Board and Supervisory Board

## REMUNERATION OF THE MANAGEMENT BOARD [PLN]

	2019					2018					
	From Echo Investment S.A.	Basic remuneration	Bonuses	For holding functions or providing services to other companies of the Group	Other benefits	Total	From Echo Investment S.A.	Basic remuneration	Bonuses	For holding functions or providing services to other companies of the Group	Other benefits
<b>Nicklas Lindberg</b>	1 076 227	20 861 365	2 192 026	843 250	<b>24 972 867</b>	1 642 625	636 083	1 992 623	-	<b>4 271 331</b>	
<b>Maciej Drozd</b>	753 413	359 100	721 999	1 080	<b>1 835 592</b>	845 162	420 000	572 579	-	<b>1 837 741</b>	
<b>Piotr Gromniak</b> (resigned on 31.12.2018)	-	-	-	-	-	244 200	120 000	856 000	-	<b>1 220 200</b>	
<b>Artur Langner</b>	233 973	167 400	850 800	4 002	<b>1 256 175</b>	243 600	210 045	986 090	-	<b>1 439 735</b>	
<b>Marcin Materny</b>	240 000	125 280	702 842	8 676	<b>1 076 798</b>	247 350	216 000	890 000	-	<b>1 353 350</b>	
<b>Rafał Mazurczak</b>	200 000	180 000	814 032	8 676	<b>1 202 708</b>	246 539	216 000	877 032	-	<b>1 339 571</b>	
<b>Waldemar Olbryk</b>	702 000	386 100	-	6 704	<b>1 094 804</b>	707 280	150 645	-	-	<b>857 925</b>	
<b>Małgorzata Turek</b> (appointed on 7.03.2019)	217 857	-	467 500	3 702	<b>689 059</b>	-	-	-	-	-	
<b>Total</b>	<b>3 423 470</b>	<b>22 079 245</b>	<b>5 749 199</b>	<b>876 090</b>		<b>4 176 756</b>	<b>1 968 773</b>	<b>6 174 324</b>	<b>-</b>		
<b>Total annual remuneration</b>					<b>32 128 003</b>					<b>12 319 853</b>	



## THE CEO' BONUS SYSTEM

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

- annual performance-based bonus, paid for 2018 in the amount specified above,
- additional performance-based bonus.

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 bonus 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). Due to the sale of majority stake of Echo Investment's shares, in December 2019 performance bonus was paid in the amount of PLN 19,579,000.

In January 2020, Nicklas Lindberg and Maciej Drozd - the company CFO, have signed the new management contracts for the period of 5 years. The employment conditions will remain similar to the previous and the conditions of bonus payment will be precise until June 2020.



## 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 2019, in addition to the specific objectives set out for each Member of the Management Board in accordance with their scope of responsibility, the Supervisory Board established four common objectives for the Management Board, which concerned the sale of real estate, security on construction sites, strengthening internal systems and strengthening employee competencies.

In 2019 and as at the date of this report, there were no agreements concluded between the Company and the managing persons, providing for compensation in the event of their resignation or dismissal without a valid reason or if their dismissal is due to a merger of Echo Investment S.A. or due to acquisition.

## REMUNERATION OF THE SUPERVISORY BOARD [PLN]

	2019		2018	
	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
<b>Karim Khairallah</b>	-	-	-	-
<b>Laurent Luccioni</b>	-	-	-	-
<b>Mark E. Abramson</b>	180 000	-	130 333	-
<b>Maciej Dyjas</b>	60 000	-	60 000	-
<b>Stefan Kawalec</b>	180 000	-	180 000	-
<b>Nebil Senman</b>	60 000	-	60 000	-
<b>Sebastian Zilles</b>	-	-	-	-
<b>Total</b>	<b>480 000</b>	-	<b>430 333</b>	-

### REMUNERATION OF THE SUPERVISORY BOARD

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. 23 of the General Meeting of Shareholders of 25 April 2018, 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.

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

In 2019, 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

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. Historically majority of apartments was handed over by the Group in the second half of the year, in particular in the fourth quarter. Revenue and results from general investment contractor services, sales of com-

mercial 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.

## **Influence of 2019 result achieved on the published financial forecasts**

Echo Investment S.A. did not publish any forecasts of financial results for 2019.

## **Changes in the basic principles of management**

In 2019, 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

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

From 1 January to 31 December 2019, there were no proceedings pending before court, a competent arbitration authority or a public administration authority concerning liabilities or claims of Echo Investment S.A. or its subsidiary, the value of which constitutes at least 10% of the equity of the Company.

In 2019, the Company appeared in two significant court proceedings on the claim for payment: Connie Investments Sp. z o.o. Sp.K. with its registered office in Warszawa, Syncerus Investments Sp. z o.o. Sp.K. with its registered office in Warsaw. These proceedings concerned compensation related to the sale of shopping centres. The total

amount of contention in the proceedings amounts to PLN 16.3 million. In both proceedings, the court of first instance dismissed the claim. In the case of Syncerus Investments Sp. z o.o. Sp.K. the appeal of the claimant was dismissed. In the second proceedings, the appeal has not yet been identified.

# Information on borrowings granted in 2019, including to related entities

## BASIC DATA ON MAJOR BORROWINGS WITHOUT INTERESTS AND REVALUATION WRITE-OFFS AS AT 31.12.2019 [PLN '000]

Lender	Borrower	Amount [mln PLN]	Interest	Maturity
Projekt Echo - 129 Sp. z o.o.	Echo Investment S.A.	126,9	EURIBOR 3M + margin	30.09.2021
Echo Investment S.A.	Projekt 12 - Grupa Echo Sp. z o.o. Sp.K.	121,1	WIBOR 3M + margin	30.09.2020
Echo Investment S.A.	Fianar Investments Sp. z o.o.	71,4	WIBOR 3M + margin	31.12.2020
Echo Investment S.A.	Villea Investments Sp. z o.o.	63,4	WIBOR 3M + margin	31.03.2020
Echo Investment S.A.	Berea Sp. z o.o.	47,4	EURIBOR 3M + margin	30.06.2020
Echo Investment S.A.	Projekt 144 - Grupa Echo Sp. z o.o. Sp.K.	43,8	WIBOR 3M + margin	31.03.2020
Echo Investment S.A.	Echo Aurus Sp. z o.o.	43,6	WIBOR 3M + margin	31.12.2022
Echo Investment S.A.	Zam - Projekt Echo - 127 Sp. z o.o. Sp.K.	27,7	WIBOR 3M + margin	31.12.2025
Echo Investment S.A.	Perth Sp.z o.o.	26,0	WIBOR 3M + margin	31.12.2026
Swanage Sp. z o.o.	Projekt 17 - Grupa Echo Sp. z o.o. SKA	24,3	EURIBOR 3M + margin	31.03.2020
Echo - Browary Warszawskie Sp. z o.o. SKA	Elektrownia Re Sp. z o.o.	23,1	WIBOR 3M + margin	30.06.2020
Echo Investment S.A.	Dellia Investments - Projekt Echo - 115 Sp. z o.o. Sp.K.*	19,4	WIBOR 3M + margin	31.12.2023
Echo Investment S.A.	Echo - Spv 7 Sp. z o.o.	18,4	WIBOR 3M + margin	31.12.2021
Echo - Aurus Sp. z o.o.	Projekt 147 - Grupa Echo Sp. z o.o. SKA	17,5	WIBOR 3M + margin	31.03.2020
Echo Investment S.A.	Gosford Investments Sp. z o.o.	15,7	WIBOR 3M + margin	31.12.2024
Echo - SPV 7 Sp.z o.o.	Echo - Arena Sp. z o.o.	13,4	WIBOR 3M + margin	30.09.2020
Echo - Browary Warszawskie Sp. z o.o. SKA	Projekt Echo - 123 Sp. z o.o.	11,5	WIBOR 3M + margin	30.09.2020
Echo - Aurus Sp. z o.o.	Pudsey Sp. z o.o.	10,7	WIBOR 3M + margin	31.03.2020
Duże Naramowice - Projekt Echo - 111 Sp. z o.o. SKA	Projekt 18 Grupa Echo Sp. z o.o. S.K.A	10,0	WIBOR 3M + margin	31.12.2020

# Agreements concluded with an audit company

The Supervisory Board of Echo Investment S.A., upon the recommendation of the Audit Committee, has selected Ernst & Young Audyt Polska sp. o.o. sp.k. based in Warsaw, Rondo ONZ 1, registered as

number 130 in the list of expert auditors to audit separate financial reports of Echo Investment and consolidated financial reports of the Echo Investment Capital Group for the years 2018-2019. The Man-

agement Board, authorised by the Supervisory Board, concluded an agreement with the selected auditor on 1 August 2018.

## THE NET REMUNERATION DUE TO THE AUDITOR ENTITLED TO AUDIT FINANCIAL REPORTS OF THE COMPANY AND THE GROUP

Due	Contractual amount [PLN]
Review and audit of the standalone and consolidated financial statements for 2019	377 000
Review and audit of the interim standalone and consolidated financial statements for H1 2019	117 000
Additional audit of the interim standalone financial statements for H1 2019	89 000
<b>Total</b>	<b>583 000</b>

The document is signed with qualified electronic signature

**Nicklas Lindberg**

President of the Board, CEO

**Maciej Drozd**

Vice-President of the Board, CFO

**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

**Małgorzata Turek**

Member of the Board

Kielce, 20 March, 2020

# CHAPTER 2

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## CORPORATE GOVERNANCE





# Statement on the application of corporate governance principles in 2019

## The Articles of Association of the Company and the most important documents in the field of corporate governance

The main document governing the issues of corporate governance is the Articles of Association of Echo Investment S.A. determined based on the Resolutions of the General Meeting of the Shareholders held on: 30 June 1994, 19 October 1995, 18 December 1995, 27 June 1996, 28 May 1997, 8 September 1998, 29 June 1999, 29 June 2000, 12 February 2001, 27 March 2001, 26 June 2001, 5 September 2001, 12 August 2002, 6 April 2004, 16 June 2004, 23 December 2004, 30 May 2006, 18 October 2007, 28 May 2009, 6 June 2012, 6 June 2013, 27 October 2015, 28 June 2016, 29 June 2017 and 16 October 2017. The binding Articles of Association of the Company is available on the website [www.echo.com.pl](http://www.echo.com.pl) in the tab "Strategy and corporate governance".

Other issues in the field of corporate governance are regulated in the following documents:

- By-laws of the General Meeting of the Shareholders
- By-laws of the Supervisory Board
- By-laws of the Management Board
- By-laws of the Audit Committee.

All the above documents are available on the website [www.echo.com.pl](http://www.echo.com.pl) in the tab "Investor relations - Strategy and corporate governance".

There was no changes in the Company's Articles of Association during 2019.

## Best Practices of WSE Listed Companies

In 2019 Echo Investment S.A. was subject to the corporate governance principles contained in the document 'Best Practices of WSE Listed Companies 2016' adopted by the resolution of the Council of WSE on 13 October 2015. The principles came into force on 1 January 2016 and they are still in effect. The text of the set of the above principles is available on the website of the Warsaw Stock Exchange at [www.corp-gov.gpw.pl](http://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. Currently the Company applies all recommended best practice principles except for listed above.

### **'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 audio-visual 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 participation 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.

## **Standards recommended by the WSE for the compliance management system on counteracting corruption and the whistle-blower protection system**

On 8 October 2018 the Warsaw Stock Exchange published “Standards recommended for the compliance management system on counteracting corruption and the whistle-blower protection system in companies listed on markets organized by the Warsaw Stock Exchange S.A.”. At present the document is a non-binding recommendation for listed companies. The recommendations include:

- a. development and application of the Anti-Corruption Code;
- b. staff training in the field of counteracting corruption;
- c. introduction of anti-corruption clauses in contracts;
- d. development and application of the policy for granting and accepting gifts;
- e. development and application the policy for sponsoring and donations;
- f. implementation of the procedure to facilitate reporting about irregularities by so-called whistle-blowers;
- g. establishment of the compliance management function.

At the end of 2019, Echo Investment completed all of the above recommendations, except for the last one regarding the establishment of the compliance management function. In Echo Investment, compliance management falls within duties of several employees of the legal department, and among others, the Ethics Committee.

In 2018, the Management Board of Echo Investment set up the Ethics Committee with responsibility for supervising the proper implementation of procedures and the application of adopted codes, regulations and other internal regulations, in particular the Anti-Corruption Code and procedures for concluding and performing donation, sponsorship and similar agreements. The Committee includes:

- a Management Board Member appointed by resolution of the Management Board or by decision of the Management Board President;
- a Director or some other member (legal counsel or advocate) of Echo’s legal department, appointed by the department’s director;
- a member of the Marketing Department appointed by resolution of the Management Board or by decision of the Management Board President.

The current members of the Committee:

- Maciej Drozd, Vice-President for finance,
- Rafał Zboch, the Director of the legal department,
- Emil Górecki, communication manager.

## Anti-Corruption Code

On 17 September 2018, the Management Board of Echo Investment introduced the Anti-Corruption Code which states who is considered a public person or his/her closest person, on what basis Echo Investment's employees can contact public persons, and what precautions are required when undertaking such issues with public persons as donations and sponsorship, invitations, covering accommodation costs, catering, informal and private meetings, presents and occasional gifts, agency agreements in contact with public administration officials or other contracts with public persons.

### ENGAGEMENT OF PUBLIC PERSONS

The Anti-Corruption Code also states the principles of the engagement of public persons or their closest persons. According to the Code, the engagement is always carried out in the standard mode, in accordance with recruitment procedures and on conditions adopted in the company, but in addition, the risk assessment of the engagement of a person performing - now or in the past - a public function is a part of any recruitment process. If the HR department recognises a potential risk, HR employees inform the Ethics Committee about this fact. The Ethics Committee, after examining the case, makes recommendations on continuing the recruitment process. Employees of Echo Investment are also obliged to inform the Committee if their closest person becomes a public person.

### COOPERATION WITH INTERMEDIARIES IN CONTACT WITH ADMINISTRATION OFFICIALS

As to contact with public administration officials, Echo Investment often engages intermediaries e.g. architects. In order to cooperate with a new entity - an intermediary whose task will be to obtain decisions, approvals and other official orders, Echo Investment employees are obligated to apply the following procedure:

1. The analysis of opinions on a given partner who would be engaged in contact with administration officials;
2. The question whether a potential intermediary is connected with public persons or their closest persons;
3. The collection from an intermediary a statement of getting acquainted with the Code of Conduct and the Anti-Corruption Code of Echo Investment;
4. The collection from an intermediary a statement that that no part of the remuneration paid by Echo will be used to pay the cost of any economic or personal benefits for any public officials.

A consent of the Ethics Committee is required to conclude an agreement with a new entity that will act as intermediary in contact with public administration officials he administration and offices. In case of suspected irregularities in cooperation with an intermediary, the Committee may also undertake explanatory actions. Also, any circumstances suggesting an unethical or non-compliant with standards behaviour of business partners should be reported to the Ethics Committee.

### DEALING WITH BUSINESS PARTNERS

Employees of Echo Investment involved in transactions with third parties must loyally represent the Company's interests, while business partners are guaranteed fair treatment on terms that are based exclusively on transparent considerations of a business nature. All conflicts of interests on the part of any Employees must be reported according to the Code of Conduct. In addition, the Committee must be notified of any attempt to obtain business for or from Echo Group companies in any unethical manner. Echo Employees shall pay attention to and inform the Committee on any circumstances suggesting an unethical or non-compliant with Echo's standards behaviour of an intermediary. The Committee shall then immediately undertake actions aimed at verifying the reported circumstances and deciding on further cooperation with a given business partner. Echo expects that rules arising from generally applicable anti-corruption laws will be complied with also by all of Echo's business partners. To this end, the Legal Department makes sure that any Echo contracts which it drafts or opines for Echo Group companies contain anti-corruption clauses which are appropriate for the nature of the particular contractual obligations, including at the minimum the following provisions, adjusted as needed to the object of a given agreement.

### AUDITING

Compliance with the provisions of this Code, as well as the performance of duties presented therein by Echo employees and the Ethics Committee is subject to periodic examination by the internal audit department.

The full content of the Anti-Corruption Code is available on the website [www.echo.com.pl](http://www.echo.com.pl) in the tab "Strategy and corporate governance".

## **The procedure of concluding and performing donation, sponsorship and similar agreements**

On 17 September 201 Echo Investment implemented the procedure of concluding and performing donation, sponsoring and similar agreements in order to ensure that Echo's funds in the area of social responsibility in business are spent transparently and effectively, and in compliance with applicable laws as well as Echo's internal policies and standards of ethics. This Policy is binding upon all Echo group companies and applies to all donation, sponsorship and similar agreements, whereby these companies undertake to provide resources, financial or in-kind, to any third party in order to support charitable, social, cultural, sport or business ventures, projects or events. The procedure is under the strict supervision of the Ethics Committee. It implemented a detailed path of proceedings with applications and matters related to charity, sponsorship, etc., in which a potential donor is Echo Investment or a company from the group. It includes a request for support, screening of a potential beneficiary, proceedings in case when a public person is connected with an applicant, and later performance monitoring of the granted support.

## **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. In 2018, Echo Investment conducted a series of mandatory training sessions in ethics, mainly based on the Code of Conduct. Each employee took part in a workshop training run by members of the Management Board of the Company and lawyers specialising in compliance management as well as on-line training which ended with 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.

## **Other procedures and policies**

Echo Investment has also introduced other procedures and specific policies concerning, inter alia, auditor selection policy, policy non-audit services, environmental policy or security policy. They streamline and automates the management process for specific areas of Echo Investment's operations and facilitates performance monitoring.

The content of these procedures and policies is available on the website [www.echo.com.pl](http://www.echo.com.pl) in the tab "Strategy and corporate governance".

# Systems of internal control and risk management

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 the 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)
- MoneyFlow system (previously eKOD) facilitating the circulation of cost invoices, approval of expenditures and costs and initial posting
- implementation of new systems for control of projects and contracts: ProjectFlow and ContractFlow.

## **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
- internal audit department
- 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, in-directly, 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 Divi-

sion, 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 Division. 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.

### **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 Business Controlling Department 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.

### **Risk management**

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 Management 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.

### **Implementation of Risk Management Policy**

As part of improving corporate governance standards, in July 2019, the Echo Investment Group implemented a Risk Management Policy. The policy describes the objectives of risk management, its place within the management system, and the responsibility and the rights of people involved in the process. The Management Board of Echo Investment S.A. is responsible for the overall risk management, in cooperation with the Supervisory Board and the Audit Committee. The main goal of the Risk Management Policy is to provide sustainable and stable economic growth of the Group and to promote a proactive approach to reporting, estimating and managing risks related to the Group's operations. The Risk Management Policy formalises and presents in a structured manner the approach to risk management in the Echo Investment Group expected by the Management Board. Works related to updating the existing risk management procedures in the Echo Investment Group to the guidelines of the

Risk Management Policy were started in the second quarter of 2019 and will be continued in 2020.

### **Internal Audit Activity**

Since 2018, the Internal Audit Department that performs independent assessment of risk management and internal control systems, has been functioning in Echo Investment. Audit tasks engagements are carried out based on annual audit plans, approved and adopted by the Company's Management Board and the Audit Committee, respectively. Ad-hoc audits recommended requested by the Audit Committee or the Management Board of the Company are also conducted. The results of the internal audit work are reported directly to the Audit Committee and the Company's Management Board.

The internal audit department has free and unrestricted access to the Management Board and Audit Committee of the Supervisory Board. The Internal Audit Director reports functionally to the Audit Committee and administratively to vice-president for financial affairs who performs oversight role over internal audit function in the Company.

Audit Department meets the criteria and principles of independence set out in the widely used international standards for the professional practice of internal auditing.

## Rules for amending the Company's articles of association

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 can authorise 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

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 Investor relations / Strategy and corporate governance tab on the Company's website [www.echo.com.pl](http://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

## COMPANY'S MANAGEMENT BOARD AS AT 1 JANUARY 2019

Nicklas Lindberg – President of the Board  
Maciej Drozd – 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.

Echo Investment's Supervisory Board appointed Małgorzata Turek as Member of the Board on 7th March, 2019. She is responsible for investment, divestment and planning department.

**Małgorzata Turek** has over twenty years of experience in the real estate industry while working for both investment and development companies as well as international law firms. She is a specialist in the field of asset management as well as real estate purchase and sale transactions. Since 2017, she has been the president of the newly formed company Globalworth Poland Real Estate, where she was responsible for the organisation, development of a sustainable property portfolio generating revenues, as well as the establishment of all key functions of the company. She also gained her experience at Skanska Property Poland, where in 2012-2017 as a board member (Chief Operating Officer), was responsible for the company's transactions and operations. Previously, Małgorzata worked at the renowned law firm Linklaters, where she specialised in transactions on the commercial real estate market. A graduate of the Faculty of Law and Administration of the Jagiellonian University in Krakow and a member of the Bar Association in Poland.

## COMPANY'S MANAGEMENT BOARD AS AT 31 DECEMBER 2019

Nicklas Lindberg – President of the Board  
Maciej Drozd – 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  
Małgorzata Turek – Member of the Board.

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

The Management Board of Echo Investment S.A. operates based on the Commercial Companies Code Act (J.L. of 2017, item 1577), the Company's Statute, the Rules and Regulations of the Management Board of Echo Investment S.A. adopted by the Management Board and approved by way of Resolutions of the Company's Supervisory Board of 14 May 2005 and 21 March 2013, 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-Presidents of the Management Board.

The term of office of the Management Board 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 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, commitments and signing

contracts and other documents on behalf of the Company must be made jointly by: the President and the Vice-President of the Management Board; or two Vice-Presidents of the Management Board; or the President or the Vice-President together with Member of the Management Board; or the President or the Vice-President of the Management Board together with the Proxy. Management Board Members may only fulfil their duties in person.

The Management Board runs all current affairs of the Company, subject to restrictions specified by the Commercial Companies Code and the Article of Association. 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 § 16, 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 § 16, 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 opinion 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, subject 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 2018, 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

## SUPERVISORY BOARD AS AT 1 JANUARY 2019

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.

On 13th December 2019 Karim Khairallah, Laurent Luccioni and Sebastian A. Zilles submitted resignations from membership in the Company's Supervisory Board conditional upon the acquisition by WING IHC Zrt of all the shares in the share capital of Lisala sp. z o.o.. Condition included in the resignation letters was fulfilled as of 13 December 2019 and the resignations have been effective.

On January 9, 2020, the Extraordinary General Meeting of Shareholders of Echo Investment S.A. resolved to appoint: Noah Steinberg, Tibor Veres, Peter Kocsis and Bence Sass as a member of the Company's Supervisory Board during the term of office.

In addition, the Extraordinary General Meeting of Shareholders of Echo Investment S.A. decided to entrust the function of the Chairman of the Supervisory Board (ongoing term) to Mr. Noah Steinberg and the function of Vice Chairman of the Supervisory Board (ongoing term) to Mr. Tibor Veres.

**Noah Steinberg** is WING Group's Chairman & Chief Executive Officer, and also one of its owners. An American citizen, he has worked in Hungary since 1990. In his current position since 1999, he was responsible for establishing WING and oversees the company's investment and development businesses covering all market segments - office, industrial and logistics, retail, hotel and residential - and its real estate services portfolio. He is also the chairman of Royal Institution of Chartered Surveyors (RICS) in Hungary. Graduated from Princeton University (Woodrow Wilson

School of Public and International Affairs, Princeton University - BA) and the Diplomatic Academy of Vienna - MA). Speaks English, Hungarian, French, German and Spanish.

**Tibor Veres** founded together with his father, György Veres the legal predecessor of today's Wallis Group. At present, he is the main owner of the Wallis Group, as well as the Chairman of its Board of Directors, while he is also a member of the Board of Directors at Graboplast and the Wing Group. Wing Group is the most significant enterprise connected to the Wallis Group, both in terms of asset value, as well as the level of business complexity. In 2016, he acquired the Praktiker home improvement chain, which had possessed a considerable real estate portfolio, so the Wallis Group broadened its spectrum with a new significant element. Three of the companies established by Mr. Tibor Veres are present at the Hungarian stock exchange as issuers of bonds and shares. In addition to the WING Group, Alteo Energy Services Plc. is involved in renewable energy production, and AutoWallis Plc. incorporates the automotive members of the Wallis Group, a corporation which has been justly famous for decades. Tibor Veres earned his economics MA at the Moscow State Institute of International Relations in 1986.

**Peter Kocsis** is WING's Deputy Chief Executive Officer responsible for strategy, risk and controlling and has been with Wing since 2006. In his current position since 2009, he is responsible for risk analysis and traditional controlling of a portfolio of some 35 property SPVs with assets worth €800 million and with annual

rental income of €50 million. Board member at and also responsible for controlling of 3 real estate service provider subsidiaries with total annual turnover of €70 million. Generates strategy and business plan for the development portfolio worth €500 million. Chief Risk Officer at 2 real estate fund management companies of Wing. Alumnus of Corvinus University Budapest with MA and subsequently earned post-graduate degrees from the University of Birmingham (MIS) and from Georgetown University (MSFS). Speaks Hungarian, English and German.

**Bence Sass** is a senior real estate professional with 17 years of experience in real estate investment. He holds a bachelor degree (BA) from the Budapest Business School and a master's degree (MBA) from the Budapest University of Technology and Economics. In his current role, he is heading the international expansion activities at WING Group. He is also responsible for business development and transactions within the company. Before his current workplace, he was part of the leading real estate financing team of UniCredit Bank. He is a member of the Royal Institution of Chartered Surveyors (RICS). He speaks Hungarian, English and German.

# Company's supervisory board – rules of operation

The Supervisory Board of Echo Investment S.A. operates based on the Commercial Companies Code Act (J.L. of 2017, item 1577), the Company's Statute, the Rules and Regulations of the Supervisory Board of Echo Investment SA of 26 June 2003, 12 May 2008 and 10 October 2017, and according to the adopted "Code of Best Practice for WSE Listed Companies".

The Supervisory Board is composed of at least 5 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. At least two Members of the Supervisory Board should fulfil criteria of independency of the Company and entities materially related to the Company. The independent Member of the Supervisory Board makes a written statement to the Company and to the Chairman of the Supervisory Board or the Deputy-Chairman of the Supervisory Board on fulfilment of the independency criteria. 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 the Chairman of the Supervisory Board. If the Chairman of the Supervisory Board resigns his/ her post, the statement 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 5 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 or a person appointed by him/her.

The responsibilities of the Supervisory Board include supervision over the Company's business and other actions, as stipulated by the Commercial Companies 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 or change of an auditor Company to audit the Company's financial statement 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,
- 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,
- assessment of the criteria of independency of each Supervisory Board Member.

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.

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, but no earlier than on the third day after receiving such request by the Chairman of the Supervisory Board. 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 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 with the right to advise.

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.

The Supervisory Board resolutions may be passed in writing under the condition of signing the resolution by each Supervisory Board Member under the same copy of the resolution draft or on separate copies, and informing all Supervisory Board Members about the content of the draft resolution by sending it via post, including post courier, fax or e-mail on the address indicated by the Supervisory Board Member. 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 closed to the minutes.

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 jointly; 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, including Audit Committee, adopting its rules and appointing the Chairman of the Audit Committee.

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.



# Composition of the Audit Committee and its changes

In 2018 there were no changes in composition of Echo Investment's Audit Committee

## **AUDIT COMMITTEE AS AT 1 JANUARY 2018 AND 31 DECEMBER 2018**

**Stefan Kawalec** - Chairman of the Audit Committee, Independent Member of the Supervisory Board,

**Mark E. Abramson** - Vice-President of the Audit Committee, Independent Member of the Supervisory Board,

**Nebil Senman** - Member of the Audit Committee, Member of the Supervisory Board.

# The responsibilities of the Audit Committee

The responsibilities of the Audit Committee include in particular:

1. monitoring:
  - a. the financial reporting process;
  - b. the efficiency of the internal control systems and risk management systems as well as internal audits, including with respect to financial reporting;
  - c. the execution of financial review proceedings, including specifically the audits performed by the auditing firm;
2. inspecting and monitoring the independence of the certified auditor and the auditing firm, specifically in the event that the audit firm renders any non-audit services to the Company, including with regard to any change of the certified auditor or the auditing firm and the level of received remuneration;
3. informing the Supervisory Board about the results of the audit and providing explanations as to how the audit contributed to the accuracy of financing reporting in the Company, and what was the role of the Audit Committee in the audit procedure;
4. assessment of the independence of the certified auditor and consenting to that auditor conducting any non-audit permitted services in favour of the Company;
5. development of the policy of the selection of an auditing firm for the conduct of an audit
6. development of the policy applicable with respect to any non-audit permitted services rendered by the auditing firm which conducts the audit and by any entities related to that auditing firm and by any member of the auditing firm's group;
7. determining the procedure for the selection of an auditing firm by the Company;
8. providing the Supervisory Board with recommendations concerning the appointment of certified auditors or auditing firms in accordance with the policies referred to in sections 3.5 and 3.6 of By-laws of the Audit Committee;
9. presentation of recommendations with the objective of ensuring the accuracy of the financial reporting process in the Company;
10. assessment of the work of the certified auditor and the auditing firm;
11. supervising the manner in which the Company's Management Board performs duties related to preparation of tax documentation of transactions with related entities;
12. preparation of the opinions within the scope of the Audit Committee's competence, on the initiative of the Supervisory Board or on its own initiative;
13. informing the Supervisory Board in due time about the Audit Committee's method of utilising its entitlements and about significant events regarding its operations, in particular providing any and all information about the results of the Audit Committee's work;
14. participation in Supervisory Board meetings, Management Board meetings and General Meetings of the Company in order to provide a detailed account of the Audit Committee's operations;

The Audit Committee may demand that the key certified auditor discuss with an audit committee, management board or any other managing body, supervisory board or other supervisory or controlling body in a public interest entity or a key certified auditor may demand discussing with the Audit Committee, management board or any other managing body, supervisory board or other supervisory or controlling body in a public interest entity of any issues discovered in the course of the audit which were mentioned in the additional report referred to in Article 11 of the Regulation No. 537/2014;

The Audit Committee, without the intermediation of the Supervisory Board, is entitled to:

- a. demand the Company to provide specific information, explanations and documents necessary

for the performance of the duties referred to in sections 3.1 – 3.15 of By-laws of the Audit Committee, including with regard to bookkeeping, finance, internal and external audit, in particular members of the Audit Committee are entitled to examine any and all books and documents and to obtain information and clarifications from members of the Management Board, directors and employees of the Company in the scope that is necessary for the appropriate performance of duties by the Audit Committee;

- b. demand from the Company to submit the work schedules of internal auditors and certified auditors or auditing firms,
- c. examining annual and semi-annual reports of the Company in due time;
- d. putting forward recommendations and assessments to the Supervisory Board within the scope of the Audit Committee's responsibilities, the President of the Management Board shall be informed about the recommendations and assessments put forward to the Supervisory Board;

While fulfilling its responsibilities the Audit Committee can acquire help or information from an expert or experts chosen by the Audit Committee for a fee agreed by both the expert and the Audit Committee, which needs to be approved by the President of the Supervisory Board. On obtaining the aforementioned approval of the President of the Supervisory Board, the Audit Committee Chairman shall inform the Management Board about the agreed fee and other actions required in order to employ the expert or experts. The Audit Committee will select the expert in consideration of the financial position of the Company.

In terms of meeting the conditions of independence of members of the Audit Committee, the provisions referred to in Article 129 par. 3 of the Act of 11 May 2017 on statutory auditors, audit firms and public supervision, as well as independence criteria of supervisory board members in line with Best Practices of GPW Listed Companies 2016 (principle II.Z.4. section II: Management Board and Supervisory Board) are applied accordingly.

# CHAPTER 3

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## 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 2019 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 2019, 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.

**The document is signed with qualified electronic signature**

**Nicklas Lindberg**

President of the Board, CEO

**Maciej Drozd**

Vice-President of the Board, CFO

**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

**Małgorzata Turek**

Member of the Board

Kielce, 20 March, 2020



# Contact

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**ECHO**  
investment

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