

Kielce, 20 March 2019

Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k.
Rondo ONZ 1
00-124 Warsaw

Dear Sirs,

This representation letter is provided in connection with your audit of the financial statements of Echo Investment S.A. ('the Company') for the year ended 31 December 2018 ('the financial statements') for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of the Company as of 31 December 2018 and of the results of its operations and its cash flows as well as changes in the equity for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

1. RESPONSIBILITIES

- 1.1. We acknowledge our responsibility for the fair presentation of the financial statements and the preparation of the financial statements in accordance with the required applicable accounting policies of International Financial Reporting Standards as adopted by EU, and we represent that we have approved the financial statements.
- 1.2. We acknowledge our responsibility for the implementation and operation of the accounting and internal control systems that are designed to prevent and detect fraud and error.
- 1.3. Being aware of the growing phenomenon of VAT fraud in domestic and cross-border trading transactions, we confirm that the members of our management and our employees participating in the processes of goods and services acquisition, VAT settlement and in the processes of supplies servicing and execution are aware of a threat to the Company that may result from the lack of due care in verifying Company's clients during the course of executing Company's current business activities. In addition, we confirm that appropriate steps were taken to raise Company's management and employee awareness in this area, and appropriate training was provided to those persons in the field of a risk to the Company that may arise from wilful or involuntary participation in trading in goods included in tax fraud chain, in the field of possible practical defence against corrupted market practice, as well as in the field of personal responsibility of Company's management and employees engaged in the financial and tax reporting activities under the provisions of Polish Penal Fiscal Code.
- 1.4. We have disclosed to you all significant and relevant information on any frauds, potential frauds or allegations of fraud that we have been made aware of that may have affected the Company (regardless of the source or form and including, without limitation, allegations by "whistle-blowers") whenever involving management or employees who have significant roles in internal control. Similarly, we have disclosed to you our knowledge and information relevant to any frauds or potential frauds affecting the Company involving others where the fraud could have a material effect on the financial statements.

1.5. To the best of our knowledge there have been no:

- irregularities involving management or employees who have significant roles in the accounting system;
- irregularities involving other management or employees that could have a material effect on the financial statements.

We are aware that former Member of Board of Directors, Mr. Mikołaj Martynuska and Member of the Supervisory Board, Mr. Przemysław Krych, are detained due to allegations of criminal offences. The criminal proceedings are pending. On 20 December 2017 Mr. Martynuska and Mr. Krych resigned from their roles and delivered statements to the Company assuring the Company of their innocence. According to public releases, both individuals are charged with transferring a donation by Echo Investment to the Foundation of Help for Disabled (*Polish: Fundacja Pomocy Niepełnosprawnym*). The donation is allegedly linked with the Company's efforts in administrative proceedings to strike the building from conservatory protection register to be able to carry the development project on the construction site in Cracow, where Cracovia hotel is located. These efforts were never successful, the scope of conservatory protection has not been changed nor the Company has completed any project on the site. After five years of fruitless efforts in the said proceedings, in December 2016, the Company eventually sold the property to the State Treasury (Ministry of Culture and National Heritage), recording a loss. We confirm we have no other knowledge of any offences. In case the allegations are confirmed, we represent that we never granted our consent for any such actions to be taken by any individuals.

The ongoing proceedings have no impact on the Company's current activities, including any of its other projects and does not affect, in any way, these financial statements. The company runs its usual business. In the opinion of the management board, the situation does not threaten neither stability nor credibility of the Company. We are not aware of any other allegations of criminal activities which could have a negative influence on the Company.

In accordance to our best knowledge we have disclosed to you all information as far as it is legally permissible that we are aware of in connection with legal proceeding of Regional Prosecutor in Katowice toward, among others Mr Mikołaj Martynuska and Mr Przemysław Krych. We confirm that in accordance with our best knowledge from the date of release from arrest of Mr Martynuska and Mr Krych, the Company was not involved in any way in the proceeding and we have not received any inquiries from law enforcement agencies about this matter.

- 1.6. We confirm that we have reviewed Company's payments including donations, sponsorship, selected marketing, advertisement or and consulting fees from a perspective whether they may not be related to our ordinary course of business and we confirm that all such payments were proceeded in accordance with Company procedures, applicable laws and existing legislation. Furthermore, we confirm that all transactions were conducted based on formal agreement between parties and we confirm these transactions were rational and justified by business purposes and information presented in financial data / supporting documents present the true and correct nature of those transactions. Moreover, to our best knowledge, we confirm that we have provided EY with all requested information, data and documents related to those transactions that were analysed by EY in course of the audit.
- 1.7. We acknowledge our responsibility for compliance with all laws and regulations that affect the operations of the Company, including our responsibility for the filing the financial statements with the court register.
- 1.8. We are not aware of any violations or possible violations of directly relevant or other laws and regulations or contractual obligations, the effects of which should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
- 1.9. We confirm, to the best of our knowledge and belief, the following representations:

2. ADJUSTED AND UNADJUSTED AUDIT DIFFERENCES

- 2.1. There are no unadjusted audit differences identified by you during the current audit and pertaining to the latest period presented.
- 2.2. We acknowledge our responsibility for and take ownership of all adjustments that we have incorporated in the accounting records which are the basis for the financial statements presented to you for your audit and the financial statements approved by us on which you issue your audit opinion.
- 2.3. For all calculations and information provided by you during the course of the audit that relate to the adjustments recorded by us, we confirm that appropriate personnel in the Company have reviewed and verified the underlying details, assumptions and methodology to ensure that all pertinent factors have been considered; and we acknowledge our responsibility for the accuracy and appropriate treatment of the related adjustments, including their treatment for tax reporting purposes.

3. GENERAL REPRESENTATIONS

- 3.1. The financial statements are prepared in accordance with legal requirements and the Company's Articles of Association, both in terms of presentation and substance, and present fairly and clearly all material information needed for the assessment of the Company's performance and results of its operations for the year ended 31 December 2018 as well as its financial position as of 31 December 2018.
- 3.2. We have considered all information available to us to date and believe the Company to be able to continue as a going concern for the foreseeable future - being a period of at least one year from the balance sheet date. We confirm that the Company is not in breach of any loan covenants and will not be required to repay the loan balance as a result of the bank's actions.
- 3.3. All the transactions undertaken by the Company have been accurately and fairly recorded in the accounting records. We have made available to you all books of account and supporting documentation and all minutes of meetings of shareholders and the Management Board and Supervisory Board for the period, as detailed in Attachment 1.
- 3.4. The financial statements are free of material misstatements, including omissions.
- 3.5. The Company has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance.
- 3.6. Apart from one case described below, there have been no communications from regulatory agencies or lenders concerning non-compliance with or deficiencies in financial reporting practices, non-compliance with any aspects of contractual agreements or violations of the governing law.

On February 26, 2019, President of Supervisory Board received a letter from the Polish Financial Supervision Authority (*Komisja Nadzoru Finansowego*), in which the authority draws attention to the need for the Supervisory Board to monitor the level of indebtedness of the Company and its ability to repay its liabilities. The letter was issued due to the significant level of debt related to the issued bonds and the debt to asset ratio, which were presented in the Company's financial statements for the first half-year of 2018.

Procedures of liquidity risk analysis and excessive level of indebtedness functioning in the Company are appropriate and effective. We confirm that analysis performed by the Company as at 31 December 2018 have not proved loss of ability to continue as a going concern.

The following have been properly recorded and adequately disclosed in the financial statements the identity of, and balances and transactions with, related parties, including Management Board and the Supervisory Board.

There were no losses arising from sale and purchase commitments, agreements and options to buy back assets previously sold, assets pledged as collateral.

All information relating to those transactions have been disclosed to you during the course of your audit.

- 3.7. We have disclosed to you all derivative transactions and made available to you all associated agreements.
- 3.8. Other than described in additional information and explanations to the financial statements there have been no events subsequent to the period end which require adjustment of or disclosure in the financial statements.
- 3.9. There are no material matters, except for those disclosed to you as described in Attachment 2, including unasserted claims, that may result in litigation against the Company. We confirm that as of 31 December 2018 and as of today through the date of this letter there are no claims in connection with litigation that have been or are expected to be received.
- 3.10. In the financial statements the Company changed its accounting policy with respect to accounting for revenue from sale of residential and commercial units and restated comparative data. In our opinion, new accounting policy results in the financial statements providing reliable and more relevant information about the effects of the transactions on the entity's financial position and financial performance.
- 3.11. We acknowledge and confirm that we have included in the Directors' Report all information and disclosures required by law. Such information and disclosures are in compliance with the financial statements and reflect only factual or documented 'circumstances'.
- 3.12. We confirm that the financial statements that will be electronically forwarded to Polish Financial Supervision Authority (*Komisja Nadzoru Finansowego*) as an element of the annual report will be identical to the financial statements on which you are issuing your audit opinion.
- 3.13. Income and Non-Income Taxes

We acknowledge our responsibility for the tax accounting methods adopted by the Company, which have been consistently applied in the current period, and for the current year income tax provision calculation.

We also acknowledge our responsibility for the plans with respect to future taxable income, which represent our estimates as to the outcome of those plans, based on available evidence, and for the significant assumptions used in our analysis. We would implement such strategies as necessary to prevent a tax operating loss carry forward from expiring.

We have disclosed to you all tax opinions, correspondence with tax authorities, or other appropriate information that served as support for the accounting for potentially material matters.

We have also provided you with all tax opinions with respect to potentially material items that served as support for our tax accruals (including contingency accruals or their absence and determinations of interest and penalty applicability), as well as any tax opinions that contradicted, or provided lower levels of assurance than, the options ultimately used to support our tax positions.

- 3.14. Information on tax arrangements

Considering the introduction of legislation in respect to information on tax arrangements (Mandatory Disclosure Rules – MDR; act of 23 October 2018 regarding amendment of Personal Income Tax Act, Corporate Income Tax Act, Tax Code and some other acts – JL 2018, Item 2193), we confirm that with respect to events concerning the period subject to audit, the Company has fulfilled or is in the process of fulfilment of all obligations in a complete manner and within time limits resulting from these provisions.

4. BALANCE SHEET REPRESENTATIONS

- 4.1. Each element of the financial statements is properly classified, described and disclosed in accordance with International Financial Reporting Standard.
- 4.2. We believe that disclosure regarding future minimum lease payments under non-cancellable operating leases as required by IAS 17.35 (for lessee) and IAS 17.56 (for lessor) that was not included in standalone financial statements does not have a material effect on the financial statements taken as a whole.
- 4.3. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- 4.4. The assets have been valued properly and all necessary write-downs have been made to reduce the value of these assets to net realisable value where appropriate. This includes such assets as fixed assets, intangible assets, investments, trade receivables and inventory. We believe that the significant assumptions underlying the fair value measurements and disclosures used in the preparation of the financial statements are reasonable and appropriate in the circumstances. In particular, we confirm that the assumptions adopted for the valuation of investment properties, investment properties under construction and assets held for sale are in our opinion reasonable and the value of investment properties, investment properties under construction and assets held for sale recorded in the financial statement is in accordance with their market value.
- 4.5. The Company has satisfactory title to all assets and there are no liens or encumbrances on the Company's assets, except for those that are disclosed in the additional information and explanations to the financial statements.
- 4.6. We have recorded in the books of account and disclosed in the financial statements, all liabilities and provisions for future costs or losses, both actual and contingent, and have disclosed in the additional information and explanations to the financial statements all guarantees that we have given to third parties, subsidiaries, associates and other related parties.
- 4.7. We have disclosed to you all significant environmental matters and have made available to you all significant relevant information related to them.
- 4.8. Being aware of the risk of the Company's involvement in VAT settlement-related irregularities (in particular, in the so-called VAT carousel fraud, "missing trader" VAT fraud, participation in the trading in goods under false exports or Intra-Community Supply of Goods) and of the risks arising from the above (being primarily refusal of the right to reduce output VAT by input VAT or to apply 0% VAT rate), I hereby confirm that in the audited period, the Company's management and employees, and thus the Company itself, exercised due care with respect to the assessment of contractor and supplier credibility or proposed price levels (especially with respect to the proposed prices which are "too good to be true" when compared to current market prices), and exclude the possibility that the Company was aware of or should have suspected that the acquired goods or services were the subject of trading transactions involving VAT fraud.
- 4.9. Adequate provision has been made for all current and deferred taxes on income, including amounts applicable to prior years. Recognition has been given to significant adjustments which have been or are expected to be proposed by any taxing authority.
- 4.10. We acknowledge our responsibility for the Company's compliance with all relevant tax regulations (including VAT, CIT, PIT, customs duties, property taxes, stamp duties, as well as all other taxes and payments concerning the Company). We further confirm that we are satisfied that the Company has complied with such regulations and that there are no material unrecorded contingent liabilities in respect of taxes other than those disclosed in the additional information and explanations to the financial statements.
- 4.11. We confirm our understanding that the Company's tax declarations are subject to inspection by the tax authorities and, as the adoption of tax regulations relating to different types of transactions may be interpreted in numerous ways, the amounts shown in the financial statements may change at a later date as a result of the final decision of the tax authorities.
- 4.12. We are aware of the provisions that entered into force from 15th July 2016 and establish so-called General Anti-Avoidance Rule (hereinafter: „GAAR”), which purpose is to prevent of performing by

taxpayers transactions of artificial nature, which main goal is to achieve tax benefits. We confirm all transactions, especially those undertaken by the Company in 2018 – transactions of investment certificates redemption in closed-end investment fund (FORUM 60 FIZ - "FIZ") and transaction of shares redemption in Company's subsidiary Echo Prime Assets B.V. have enough economic or business grounds, and relevant documentation with justification is prepared in timely manner by us to support that statement. We confirm that the values of assets (shares, bonds, receivables) that the Company received in redemption transactions are determined at market values.

- 4.13. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts. Except as disclosed in the additional information and explanations to the financial statements, we have no other line of credit arrangements.
- 4.14. We have properly recorded in the books of account and disclosed in the financial statements the share capital repurchase options and agreements, and share capital reserved for options, warrants, conversions and other requirements.
- 4.15. We confirm that during the audit, we have made available to you all documentation concerning asset management and consulting services provided by Lisala sp. z o.o. in relation to the Company's portfolio of investment properties, investment properties under construction, inventory, investments recognized with the use of equity method and non-current assets held for sale.
- 4.16. We confirm that the Company is not engaged in any other agreements with related parties concerning services, especially management and advisory services, other than agreements made available during the audit.
- 4.17. We confirm that during the audit we have made available to you all the documentation concerning transactions with Griffin Real Estate sp. z o.o. and entities within the Griffin Group, especially:
 - donation granted by the Company to foundation Art & Innovation Space
 - recharge of business trip costs
 - asset management.
- 4.18. In accordance with IFRS 9 we have performed an assessment of Expected Credit Losses ('ECL'). Assumptions used in our model, especially PD (Probability of Default), LGD (Loss Given Default) were determined in accordance with our best knowledge. The amount of expected credit losses for expositions (including financial guarantees) in consolidated financial statements of the Gorup was determined at the level of PLN 1.2 million. This amount represents our best judgement.

5. INCOME STATEMENT

- 5.1. We have disclosed to you all sales terms, including all rights of return or price adjustments and all warranty provisions.
- 5.2. At the (period) end, the Company had no unusual commitments or contractual obligations of any sort which were not in the ordinary course of business and which might have an adverse effect upon the company (e.g., contracts or purchase agreements above market price; repurchase or other agreements not in the ordinary course of business; material commitments for the purchase of property, plant and equipment; significant foreign exchange commitments; open balances on letters of credit; purchase commitments for inventory quantities in excess of normal requirements or at prices in excess of the prevailing market prices; losses from fulfilment of, or inability to fulfil, sales commitments, etc.).
- 5.3. We have performed full and thorough analysis confirming that sales transactions of apartments recognised in financial statements for 2018 meet the criteria for revenue recognition specified in accounting policy, especially the Company received 100% of payments in relation to these apartments.

6. OFF BALANCE SHEET ITEMS

The following information about financial instruments with off-balance-sheet risk and financial instruments with concentrations of credit risk has been properly disclosed in the additional information and explanations to the financial statements:

- The extent, nature, and terms of financial instruments with off-balance-sheet risk.
- The amount of credit risk of financial instruments with off-balance-sheet risk and information about the collateral supporting such financial instruments.
- Significant concentrations of credit risk arising from all financial instruments and information about the collateral supporting such financial instruments.

Yours faithfully,

Nicklas Lindberg, President of the Board

Artur Langner, Vice-President of the Board

Maciej Drozd, Vice-President of the Board

Rafał Mazurczak, Member of the Board

Marcin Materny, Member of the Board

Waldemar Olbryk, Member of the Board

Małgorzata Turek, Member of the Board

ATTACHMENT 1

MINUTES AND PROTOCOLS

In connection with your audit of our financial statements for the year ended 31 December 2018, we have submitted to your representative minutes covering meetings of Management Board, Stockholders Supervisory Board, Audit Committee as well as resolution of Supervisory Board and Audit Committee adopted by way of circulation held on the dates stated below. These minutes constitute a full and complete record of all meetings, decisions of Management Board, Stockholders, Supervisory Board, Audit Committee of the Company held during the period from 1 January 2018 to 20 March 2019.

<u>Date of Meeting</u>	<u>Meeting of</u>	<u>Ordinary/Extraordinary</u>
25-04-2018	General Meeting of Shareholders	Ordinary
06-02-2018	Management Board	N/A
09-02-2018	Management Board	N/A
14-02-2018	Management Board	N/A
28-02-2018	Management Board	N/A
20-03-2018	Management Board	N/A
09-04-2018	Management Board	N/A
16-04-2018	Management Board	N/A
23-04-2018	Management Board	N/A
21-05-2018	Management Board	N/A
22-05-2018	Management Board	N/A
23-05-2018	Management Board	N/A
30-06-2018	Management Board	N/A
06-07-2018	Management Board	N/A
17-07-2018	Management Board	N/A
20-07-2018	Management Board	N/A
11-09-2018	Management Board	N/A
17-09-2018	Management Board	N/A
02-10-2018	Management Board	N/A
04-10-2018	Management Board	N/A
08-11-2018	Management Board	N/A
26-11-2018	Management Board	N/A
28-11-2018	Management Board	N/A
01-12-2018	Management Board	N/A
02-01-2019	Management Board	N/A
30-01-2019	Management Board	N/A
04-02-2019	Management Board	N/A
09-02-2018	Supervisory Board	N/A
16-04-2018	Supervisory Board	N/A
19-04-2018	Supervisory Board	N/A
30-04-2018	Supervisory Board	N/A
16-05-2018	Supervisory Board	N/A
31-05-2018	Supervisory Board	N/A
25-06-2018	Supervisory Board	N/A
19-07-2018	Supervisory Board	N/A
23-07-2018	Supervisory Board	N/A
03-08-2018	Supervisory Board	N/A
26-10-2018	Supervisory Board	N/A
15-11-2018	Supervisory Board	N/A
22-11-2018	Supervisory Board	N/A

24-11-2018	Supervisory Board	N/A
11-12-2018	Supervisory Board	N/A
21-12-2018	Supervisory Board	N/A
16-01-2019	Supervisory Board	N/A
31-01-2019	Supervisory Board	N/A
07-03-2019	Supervisory Board	N/A
25-01-2018	Audit Committee	N/A
09-02-2018	Audit Committee	N/A
20-03-2018	Audit Committee	N/A
23-03-2018	Audit Committee	N/A
28-05-2018	Audit Committee	N/A
03-08-2018	Audit Committee	N/A
27-08-2018	Audit Committee	N/A
10-09-2018	Audit Committee	N/A
25-09-2018	Audit Committee	N/A

ATTACHMENT 2 LEGAL MATTERS

Lp.	przedmiot sporu	powód	pozwany	wartość przedmiotu sporu w zł	status na dzień 31/12/2018	status na dzień 20/03/2019 r	data rozpoczęcia	osoba prowadząca
1	o zapłatę czynszu	Connie Investment Sp. z o.o.	Echo Investment S.A.	5 535 020,00 zł	w toku - II instancja	w toku - II instancja	28-04-2014	r.pr. Piotr Dudzic/ kancelaria prawna SKS
2	o zapłatę	Syndyk Masy Upadłości Fakt Budownictwo Sp. z o.o. w upadłości	Echo -Pod Klonami Spółka z ograniczoną odpowiedzialnością S.k.	1 218 848,00 zł		prawomocnym wyrokiem z dnia 20 grudnia 2018 r. Sąd Apelacyjny w Krakowie zasądził od Pod Klonami 50.971,75 zł w pozostałym zakresie powództwo oddalił	14-08-2014	r. pr. Anna Mirońska
3	o zapłatę	Krak-Chem Sp. z o.o.	"Projekt Naramowice - EBR Global Services Spółka z ograniczoną odpowiedzialnością" SKA	522 369,18 zł		w dniu 4 lutego 2019 r. Sąd Apelacyjny w Krakowie uchylił wyrok do ponownego rozpoznania w części dotyczącej kwoty 281.320,15 zł w pozostałym zakresie powództwo jest prawomocnie oddalone	20-05-2016	r. pr. Anna Mirońska
4	o zwrot kaucji	Krzysztof Jabłoński	Duże Naramowice – Projekt Echo – 111 spółka z ograniczoną odpowiedzialnością S.K.A.	721 789,92 zł	II instancja – brak terminu rozprawy apelacyjnej. Apelacja została wniesiona przez obie strony.	II instancja – brak terminu rozprawy apelacyjnej. Apelacja została wniesiona przez obie strony.	10-08-2016	r.pr. P. Karbownik
5	o zapłatę	Skarb Państwa reprezentowany przez prezydenta miasta Poznania	Echo (dotyczy Malty)	730.000 zł	Nie znamy daty kolejnej rozprawy.	Nie znamy daty kolejnej rozprawy.	10-04-2014	r. pr. Bartosz Chróścielewski

6	pozew o zapłatę i ustalenie	Aldesa Construcciones Polska sp. z o.o.	Duże Naramowice – Projekt Echo – 111 spółka z ograniczoną odpowiedzialnością S.K.A.	3.168.877,00	w toku - I instancja	W toku - I instancja, złożona została odpowiedź na pozew. Postępowanie dowodowe jest w toku - w sprawie odbyły się dwa terminy rozprawy, na których przesłuchanych zostało 3 świadków. Kolejny termin rozprawy zaplanowano na dzień 26.03.2019 r.	17-04-2018	r.pr. P. Karbownik
7	o zobowiązanie do złożenia oświadczenia woli	Projekt 18 – „Grupa ECHO” Spółka z ograniczoną odpowiedzialnością spółka komandytowo-akcyjna	Lobos Nieruchomości Spółka cywilna - Adam Łobos, Marcin Łobos, Iwona Łobos, Irena Łobos, Przedsiębiorstwo Handlowo – Usługowe Lobos Sp. z o.o. z siedzibą w Krakowi	17.000.000 zł ale jak zapłacimy to dostaniemy działkę o tej samej wartości	Nie znamy daty kolejnej rozprawy.	1 marca zostało złożone cofnięcie powództwa ze zrzeczeniem się roszczenia. Oczekujemy na postanowienie o umorzeniu postępowania.	18.12.2018	r.pr. Piotr Kośla
8	o zapłatę odszkodowania	Projekt Saska sp. z o.o.	Miroslaw Bieniek i Andrzej Muszyński	1.050.000,00 zł	II instancja - rozprawa apelacyjna wyznaczona była na 30 stycznia 2019 roku.	Sąd oddalił apelację Powoda.	03-01-2017	adw. Maciej Budzyński
9	o zapłatę odszkodowania	Echo Investment S.A.	Miroslaw Bieniek i Dariusz Kościkiewicz	20.187.639,00 zł		4 marca 2019 roku miała odbyć się kolejna rozprawa w tej sprawie, ale ze względu na chorobę sędziego termin został zniesiony. Czekamy na nowy termin rozprawy.	26-01-2017	adw. Maciej Budzyński

