

raport roczny

2009

annual report

**Consolidated Annual Report of
ECHO INVESTMENT Capital Group**

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Letter to Shareholders, Partners and Clients

Dear Sirs,

In 2009, which was one of the most difficult years in the history of property market, Echo Investment S.A. closed the year with a consolidated net profit of PLN 103.7 million and with consolidated earnings of PLN 431.4 million. The company bottom line was slightly lower when compared to 2008, but given the reality of 2009, the result should be considered a success.

In 2009 the main influence on the profit were the revenues gained from the sales of residential buildings in Warsaw, Poznan and Kielce and from letting of office space in new projects executed in Warsaw and Poznan. Revaluation of fair value of new office projects to let also played an important part.

In 2009, in accordance with the adopted strategy of development, the Company focused on its main objective, i.e. ensuring stable and long-term growth of the corporate value through the execution of developer projects for sale (apartments) and regular expansion of the portfolio of investment projects for lease (offices and shopping centres). An unfavourable economic situation and breakdown of the housing market forced us to change the schedules of planned and already commenced projects, part of which had to be stopped. In spite of this, we continued work associated with the optimisation of developer process and preparation of previously commenced projects in Poland and, in order to diversify our portfolio geographically, in Romania and Hungary. In 2009 Echo Capital Group also entered a new market, Ukraine, where it plans to commerce a modern office park.

The main objective set by the Management Board of the Company in 2009 was to maintain as best condition as possible during the period of recession and to ensure a suitable starting point for the Company as soon as the crisis ended. The task was performed on all levels and in all areas of the Company's activity. In spite of pessimistic moods in the financial markets, the Company managed to carry out decisive transactions related to financing of the projects. Firstly, contracts on re-financing of office projects Park Postępu and Malta Office Park (for a total amount of EUR 82 million), and then a credit to finance Galeria Echo in Kielce, amounting to EUR 100 million, which was proclaimed 'a transaction of the year 2009' by the majority of property media. Owing to the execution of the agreement with Bank Eurohypo during EXPO REAL trade fair in Munich, Galeria Echo is still considered to be a symbol of the end of the crisis on the property market in Central Europe. According to the Jury of the Annual Warsaw Business Journal Award, as a justification of the granting of the title of Real Estate Investor of the Year 2009, Echo Investment Capital Group „owing to its constant ability to obtain financing for big projects has attracted the attention of the public to Poland and the good condition of the Polish property market”.

Guidelines for future operations of the Company will remain unchanged - all its decisions are subordinate to the supreme and, at the same time, very simple goal: to achieve the best results, which in turn will guarantee growth of the corporate assets of Echo Investment, anticipated by our Shareholders and Partners.

On behalf of the Management Board, I would like to thank all of those who, with their perseverance, hard work and dedication, have contributed to the achievement of such good results in 2009.

Yours sincerely,

Piotr Gromniak
President of the Management Board

CONSOLIDATED ANNUAL FINANCIAL STATEMENT OF ECHO INVESTMENT CAPITAL GROUP [in thousands PLN]

Balance sheet	Note	31.12.2009	31.12.2008	31.12.2007
ASSETS				
1. Fixed assets				
1.1. Intangible fixed assets	2	1 051	1 002	525
1.2. Goodwill of subsidiaries		-	-	
1.3. Tangible fixed assets	3	18 615	19 899	19 981
1.4. Non-current receivables	4	40	58	54
1.5. Investment property	5	2 781 447	2 481 014	1 956 508
1.6. Investment property under construction	5	705 577	711 555	447 856
1.6. Investments in associated companies	6	337	24 119	10 960
1.7. Loans granted	7	12	13	40
1.8. Derivative instruments		-	1 287	-
1.9. Deferred income tax assets	8	42 545	42 485	24 653
		3 549 624	3 281 432	2 460 577
2. Current assets				
2.1. Inventories	9	420 525	486 655	492 136
2.2. Deferred income tax receivables	10	4 969	3 478	10 948
2.3. Other tax receivables	10	30 005	46 944	35 265
2.4. Trade receivables and other receivables	11	96 420	56 679	16 359
2.5. Loans granted	7	82	638	26 758
2.6. Derivative instruments	12	1 558	357	6 720
2.7. Cash and cash equivalents	13	169 101	321 793	394 046
		722 660	916 544	982 232
ASSETS TOTAL		4 272 284	4 197 976	3 442 809
LIABILITIES				
1. Equity				
1.1. Equity attributed to shareholders of the dominant company	14	1 733 686	1 640 600	1 519 065
1.1.1. Initial capital	15	21 000	21 000	21 000
1.1.2. Supplementary capital		1 597 501	1 493 280	1 174 241
1.1.3. Accumulated earnings (loss)		112 225	112 750	327 568
1.1.4. Foreign exchange gains/losses from conversion of foreign branches		2 960	13 570	(3 744)
	16	(8)	(8)	19
		1 733 678	1 640 592	1 519 084
2. Provisions				
2.1. Provisions for liabilities	20	16 650	18 260	15 814
2.2. Provision for deferred income tax	8	287 760	275 525	232 781
		304 410	293 785	248 595
3. Non-current liabilities				
3.1. Borrowings	17	1 664 098	1 589 154	1 230 619
3.2. Derivative instruments	12	2 705	174 123	-
3.3. Advances received		39 939	37 871	32 180
3.4. Leases	18	39 910	34 235	34 323
		1 746 652	1 835 383	1 297 122

Balance sheet cont.	Note	31.12.2009	31.12.2008	31.12.2007
4. Current liabilities				
4.1. Borrowings	17	176 759	125 010	30 260
4.2. Derivative instruments	12	163 984	65 833	-
4.3. Tax liabilities		5 600	256	2 906
4.4. Other tax liabilities		8 284	13 199	6 068
4.5. Trade liabilities	19	65 870	98 937	116 139
4.6. Other liabilities	19	12 411	13 591	30 559
4.7. Advances received		54 636	111 390	192 076
		487 544	428 216	378 008
LIABILITIES TOTAL		4 272 284	4 197 976	3 442 809

	31.12.2009	31.12.2008	31.12.2007
Book value (in thousands PLN)	1 733 686,00	1 640 600,00	1 519 065,00
Number of shares (in thousands)	420 000	420 000	420 000
Book value per one share	4,13	3,91	3,62

CONSOLIDATED PROFIT AND LOSS STATEMENT [in thousands PLN]

	Note	01.01 - 31.12.2009	01.01 - 31.12.2008
Incomes	21	431 426	438 189
Costs to sell	22	(167 717)	(177 789)
Gross profit (loss) on sales		263 709	260 400
Profit (loss) on sales of property	23	-	(63)
Revaluation of real property		(22 885)	458 138
Costs to sell	22	(18 009)	(21 345)
Overheads	22	(37 225)	(48 291)
Other operating incomes	24	21 608	38 126
Other operating expenses	24	(11 058)	(15 313)
Earnings before tax and financial incomes/expenses		196 140	671 652
Financial incomes	25	86 421	6 504
Financial expenses	26	(173 576)	(365 380)
Foreign exchange gains (losses)	27	20 666	(167 387)
Shares in profits of associated companies		(26)	(24)
Gross profit (loss)		129 625	145 365
Income tax	28	(25 929)	(41 154)
- current		(14 238)	(16 242)
- deferred		(11 691)	(24 912)
Net profit (loss), including:		103 696	104 211
Profit (loss) attributed to shareholders of the dominant company		103 696	104 221
Minority profit (loss)		-	(10)
Profit (loss) attributed to shareholders of the dominant company		103 696	104 221
Weighted average number of ordinary shares (in thousands pes)		420 000	420 000
Profit (loss) per ordinary share (in PLN)		0,25	0,25
Weighted average diluted number of ordinary shares		420 000	420 000
Diluted profit (loss) per ordinary share (in PLN)		0,25	0,25

CONSOLIDATED ANNUAL TOTAL INCOME STATEMENT [in thousands PLN]

	Note	31.12.2009	31.12.2008
Net profit		103 696	104 221
Other incomes:			
- foreign exchange gains (losses)		(10 610)	17 314
Other net incomes		(10 610)	17 314
Total income in 12 months:		93 086	121 535
Total income of the shareholders of the dominant company		93 086	121 545
Total minority income		-	(10)

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY (in thousands PLN)

	Initial capital	Supplementary capital	Accumulated earnings of the current year	Foreign exchange gains/losses arising from conversion	Equity attributed to shareholders of the dominant company	Minority capitals	Total shareholders' equity
For the period from January 1, 2009 to December 31, 2009							
Initial balance after reconciliation to comparable data	21 000	1 493 280	112 750	13 570	1 640 600	(8)	1 640 592
Distribution of profit/loss carried forward	-	104 221	(104 221)	-	-	-	-
Changes in minority shares	-	-	-	-	-	-	-
Net profit (loss) of the current period	-	-	103 696	(10 610)	93 086	-	93 086
Balance as at the end of period	21 000	1 597 501	112 225	2 960	1 733 686	(8)	1 733 678
For the period from January 1, 2008 to December 31, 2008							
Initial balance after reconciliation to comparable data	21 000	1 174 241	327 568	(3 744)	1 519 065	19	1 519 084
Distribution of profit/loss carried forward	-	319 039	(319 039)	-	-	-	-
Changes in minority shares	-	-	-	-	-	-	-
Net profit (loss) of the current period	-	-	104 221	17 314	121 535	(27)	121 508
Balance as at the end of period	21 000	1 493 280	112 750	13 570	1 640 600	(8)	1 640 592

CONSOLIDATED CASH FLOW STATEMENT (in thousands PLN)

	Nota	01.01 31.12.2009	- 01.01 31.12.2008	-
A. Cash flows on operating activities – indirect method				
I. Net profit (loss)		103 696	104 211	
II. Adjustments total				
1. Share of associated companies in net (profit) loss		26	26	
2. Depreciation		4 389	4 846	
3. Adjustment of goodwill		-	-	
4. Foreign exchange gains (losses)		(20 665)	187 995	
5. Interest and shares in profits (dividends)		84 879	37 805	
6. Current income tax		25 929	-	
7. Paid income tax		(9 901)	-	
8. (Profit) loss on investing activities		6 166	(225 130)	
9. Change in provisions		(1 610)	80 318	
10. Change in inventories		67 441	21 484	
11. Change in receivables		(22 785)	16 349	
12. Change in non-current liabilities, except for borrowings		-	(52 539)	
13. Change in pre-payments and accruals		-	-	
14. Other adjustments		-	(493)	
		81 330	(70 515)	
III. Net cash flows on operating activity (I+/-II)		185 026	33 696	
B. Cash flows on investing activities				
I. Incomes				
1. Sales of intangible and tangible fixed assets		605	1 417	
2. Sales of investments in property and in intangible assets		-	27	
3. On financial assets		6 964	64 811	
4. Other incomes from investment		-	-	
		7 569	66 255	
II. Expenditures				
1. Acquisition of intangible and tangible fixed assets		(3 989)	(274 271)	
2. Investments in property and in intangible assets		(358 417)	(53 379)	
3. On financial assets		(38 563)	(56 747)	
4. Other investment expenditures		-	(2 714)	
		(400 969)	(387 111)	
III. Net cash flows on investing activities (I-II)		(393 400)	(320 856)	

CONSOLIDATED CASH FLOW STATEMENT (in thousands PLN) cont.

	01.01 31.12.2009	- 01.01 31.12.2008	-
C. Cash flows on financial activities			
I. Incomes			
1. Net income from issue of stocks (issue of shares) and other equity instruments		-	
2. Borrowings		320 344	
3. Issue of debenture bonds		-	
4. Other financial Incomes		600	
	338 369	320 944	
II. Expenditures			
1. Acquisition of own shares (stocks)	-	-	
2. Dividends and other payments to owners	-	-	
3. Expenses on account of profit distribution, other than payments to owners	-	-	
4. Credit and loan repayments	(79 004)	(39 662)	
5. Redemption of debenture bonds	(105 000)	-	
6. On account of other financial liabilities	-	-	
7. Payments of liabilities under financial lease contracts	-	-	
8. Interest	(91 090)	(89 661)	
9. Other financial expenses	-	(1)	
	(275 094)	(129 324)	
III. Net cash flows on financial activities (I-II)	63 275	191 620	
D. Net cash flows total (A.III+/-B.III+/-C.III)	(145 099)	(95 540)	
E. Cash balance change, including:	(152 692)	(72 253)	
- change in cash balance due to foreign exchange gains/losses	(7 593)	23 287	
F. Cash as at the beginning of period	29 321 793	394 046	
G. Cash as at the end of period (F+/- D), including:	29 169 101	321 793	
- with limited disposability	12 992	8 885	

INTRODUCTION

GENERAL INFORMATION

The main activity of Echo Investment S.A. Capital Group (hereinafter the "Group") includes erection and letting or sale of space in commercial buildings, shopping & entertainment facilities, office buildings, hotels, residential buildings, and property trade.

The dominant company within the Group is Echo Investment S.A. (hereinafter referred to as "Echo" or "the Company"), having its registered seat in Kielce at Al. Solidarności 36. The Company, formerly operating under the name of 'Echo Press' Sp. z o.o., was registered in Kielce on July 23, 1992. Echo is a Joint Stock Company registered at the National Court Register with number 0000007025 by the District Court in Kielce, 10th Economic Department of the National Court Register.

The Company's shares are quoted at the Warsaw Stock Exchange, industry according to regulated market classification: construction.

The duration of the Company is unlimited.

The following persons were members of the Management Board of Echo Investment S.A. as at December 31, 2008 and December 31, 2009: Piotr Gromniak, President of the Management Board; Artur Langner, Vice-President of the Management Board. The following persons were members of the Supervisory Board of Echo Investment S.A. as at December 31, 2008 and December, 2009: Wojciech Ciesielski, Chairman of the Supervisory Board, and Andrzej Majcher, Deputy Chairman of the Supervisory Board and Members: Tomasz Kalwat, Robert Oskard, Mariusz Waniółka and Karol Zbikowski. The following persons were members of the Audit Committee as at December 31, 2009: Mariusz Waniółka, Chairman, and Robert Oskard and Tomasz Kalwat.

INFORMATION ABOUT THE FINANCIAL STATEMENTS

The consolidated statements of Echo Investment S.A. Capital Group present consolidated financial data for the period of 12 months ended December 31, 2009, and comparable data for the period of 12 months ended December 31, 2008. Unless otherwise specified, all financial data in the Group's consolidated financial statements are given in thousands PLN.

The reporting currency of the Group's financial statements is the Polish zloty ("PLN"), which is also the reporting currency and the functional currency of the holding company. The Group comprises companies with other functional currencies than PLN. The reporting data of these companies, incorporated in this statement, have been converted into PLN according to the principles set out in IAS 21. Balance sheet items were recalculated according to the exchange rate as at the balance date and the income statement items were recalculated according to the average rate of exchange for the period. Foreign exchange differences arising from conversion are presented as a separate equity item.

The statements are prepared in accordance with the International Accounting Standards and the International Financial Reporting Standards as approved by the European Commission. Methods of assets and liabilities valuation and determination of the financial result were assumed as at the balance date. The financial statements were prepared according to historical cost methodology, to the exception of investment properties and financial instruments, which are valued at fair value. The statement has been drawn up under the assumption of continued business activity in foreseeable future, considering non-existence of any circumstances that might indicate any risk for the continuation of operations.

The Management Board of the Company used its best knowledge in applying standards, interpretation, methods and principles of evaluating the particular items of the condensed consolidated financial statements for the year 2009.

INFORMATION ON THE ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BY THE IFRS COMMITTEE, ENTERING INTO FORCE AS OF 2009

In preparing the present financial statements, the Group has applied new interpretations issued by the IFRS Committee and applicable to the Group's reporting period starting as at January 1, 2009. The guidelines thus applied have not affected these financial statements to any significant extent.

The Group has implemented the following interpretations:

Revised IAS 1 „Presentation of financial statements”

Revised IAS 1 was published by the International Financial Reporting Interpretations Committee on September 6, 2007 and applies to annual periods beginning on or after January 1, 2009. The revision applies mainly to the disclosure of changes in equity and is aimed at improving users' ability to analyse and compare the information given in financial statements.

Revised IAS 32 „Financial Instruments: Presentation” and IAS 1 „Presentation of financial statements”

Revised IAS 32 and IAS 1 were published by the International Accounting Standards Board on February 14, 2008 and apply to annual periods beginning on or after January 01, 2009. Revisions apply to accountant's approach to some financial instruments which bear resemblance to equity instruments, but are posted under financial liabilities. In accordance with the revised Standard, after fulfilling specific conditions, financial instruments such as puttable financial instruments and instruments requiring payment in net assets only on the Company's liquidation, are disclosed as equity.

Revised IAS 40 „Investment Property” for Annual Improvements to IFRSs 2008

Revised IAS 40 applies to annual periods beginning on or after January 01, 2009. Amendments, among other things, apply to property under construction for future use as an investment property. In accordance with the amendments of IAS 40, such property shall be disclosed as investment property. In accordance with the revised IAS 40, if the entity applies fair value measurement to its investment property, such components shall also be measured at their fair value. If fair value of an investment property cannot be reliably and permanently measured, an investment shall be valued by the historical cost method until the earlier of the following dates: day of the construction completion or day when reliable fair value measurement is possible. The application of this standard shall not affect the financial result of the Capital Group.

Amendments to IFRS in 2008

The International Financial Reporting Interpretations Committee published “*Amendments to IFRS*”, which revise 20 standards. Amendments include modifications of presentation, accounting and valuation and include changes in terminology and editing. The majority of amendments apply to annual periods beginning on January 1, 2009.

Revised IFRS 1 „First-time Adoption of IFRS” and IAS 27 „Consolidated and separate financial statements”

Amendments to IFRS 1 and IAS 27 were published by the International Accounting Standards Board on May 22, 2008 apply to annual periods beginning on or after January 01, 2009. Amendments allow applying „cost as determined” or fair value or balance sheet value determined according to current accounting standards to subsidiaries, affiliated companies and partially-owned subsidiaries in their separate annual financial statement. Furthermore, definition of *cost method* was eliminated and replaced by the principle of revenue recognition on account of dividends obtained in the separate annual financial statement.

Revised IFRS 2 „Share-based payment”

Amendments to IFRS 2 do were published by the International Accounting Standards Board on January 17, 2008 and apply to annual periods beginning on or after January 01, 2009. Amendments clarify that vesting conditions are service conditions and performance conditions only. Other features of share-based payment are not considered to be vesting conditions. The standard clarifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment.

Revised IFRS 7 „Financial Instruments: Disclosures”

Revised IFRS 7 “Financial Instruments: Disclosures” were published by the International Accounting Standards Board on 5 March 2009 and apply as from 1 January 2009. This revision introduces a three-step hierarchy for the purpose of disclosing valuation to fair value, and a requirement to publish additional disclosures regarding relative reliability of valuation to fair value. In addition, these revisions clarify and extend previously existing requirements as to disclosures concerning liquidity risk.

New IFRS 8 „Operating Segments”

IFRS 8 was issued by the International Accounting Standards Board on November 30, 2006 and applies to annual periods beginning on or after January 01, 2009. The IFRS 8 substitutes the IAS 14 - “Segment Reporting”. The new standard sets forth the new requirements regarding posting of business segment data, product and service information, geographical range of activity, and key clients. IFRS 8 requires a “management approach” to reporting financial results of segments of activity.

The Group intends to apply IFRS 8 as from January 01, 2009. Application of these standards shall not affect the Group's financial result- detailed item 5.23.

Revised IFRIC 9 and IFRS 7 "Embedded Derivatives"

Revisions to IFRIC 9 and IFRS 7 "Embedded Derivatives" were published by the International Accounting Standards Board on 12 March 2008 and apply to annual periods ending on or after 30 June 2009. These revisions specify the changes to IFRS 7 and IAS 39 issued in October 2008 regarding embedded derivatives. These revisions clarify that all derivatives must be assessed and separately presented in the financial statements as required in the course of reassessment of a financial asset classified to assets valued to fair value through the income statement.

IFRIC Interpretation 13 „Customer Loyalty Programmes"

IFRIC interpretation 13 was issued by the International Financial Reporting Interpretations Committee on 27 June 2007 and applies to annual periods beginning on or after 1 July 2008. This interpretation contains guidelines as to the accounting recognition of transactions under loyalty programmes implemented by an entity for its customers, such as loyalty cards or loyalty award credits. Specifically, IFRIC 13 indicates a correct method of recognition of liabilities arising when the entity has to deliver certain products or services free of charge or for reduced prices to customers in exchange of their credits.

IFRIC Interpretation 15 "Agreements for the Construction of Real Estate"

IFRIC interpretation 15 was issued by the International Financial Reporting Interpretations Committee on 3 July 2008 and applies to annual periods beginning on or after 1 January 2010. This interpretation provides guidance on how to assess an agreement for construction of real estate in order to determine whether its results should be presented in a financial statement under IAS 11 Construction Contracts, or IAS 18 Revenue. In addition, IFRIC 15 indicates the point of recognition of income from construction service.

IFRIC 16 „Hedges of a Net Investment in a Foreign Operation"

IFRIC interpretation 16 was issued by the International Financial Reporting Interpretations Committee on 3 July 2008 and applies to annual periods beginning on or after 1 October 2008. This interpretation contains guidelines on determining whether risk arises from the foreign currency exposure to the functional currency of the foreign operation and the presentation currency of the parent entity's consolidated financial statements. In addition, IFRIC 16 clarifies which entity within a group can hold a hedging instrument in a hedge of a net investment in a foreign operation and in particular whether the parent entity holding the net investment in a foreign operation must also hold the hedging instrument. IFRIC 16 also clarifies how an entity should determine the amounts to be reclassified from equity to profit or loss for both the hedging instrument and the hedged item when the entity disposes of the investment.

Information on International Accounting Standards and IFRC Interpretations of the International Financial Reporting Interpretations Committee due to be approved

As at the date of preparation of these financial statements, the International Financial Reporting Interpretations Committee published the following standards and interpretations which had not gone into effect yet:

Revised IAS 24 „Disclosure of related party transactions".

Revised IAS 24 *Disclosure of related party transactions* was published by the International Financial Reporting Interpretations Committee on November 4, 2009 and applies to annual periods beginning on or after January 1, 2011. The revised IAS has simplified the previous disclosure requirements regarding the entities related to the government and specifies the definition of 'a related party'.

As at the date of preparation of these financial statements, Revised IAS 24 has not yet been approved by the European Union.

The Group intends to apply the revised IAS 24 as from January 1, 2011. Application of these standards shall not affect the Group's financial result.

Revised IAS 27 „Consolidated and separate financial statements"

Revised IAS 27 was published by the International Financial Reporting Interpretations Committee on January 10, 2008 and applies to annual periods beginning on or after July 1, 2009. According to this interpretation, the amounts in transactions with subsidiaries are posted under the equity if a dominant company retains control over the subsidiary. This interpretation also specifies how the amounts should be disclosed if a dominant company loses control of a subsidiary, which means revaluation of the rest of shares at fair value and disclosing in the profit and loss account.

The Capital group intends to apply the revised IAS 27 from January 1, 2010. Application of these standards shall not affect the Group's financial result.

Revised IAS 32 „Classification of rights issue”

Revised IAS 32 „Classification of rights issue” was published by the International Financial Reporting Interpretations Committee on October 8, 2009 and applies to annual periods beginning on or after February 1, 2010. The amendment applied to the accounting of rights issues (rights, options, warrants) denominated in a currency different from that of the issuer's currency. Rights issue should be classified as equity regardless of the currency in which the exercise price of the right is denominated.

The Group intends to apply the revised IAS 32 as from January 1, 2011. Application of these standards shall not affect the Group's financial result.

Revised IAS 39 „Financial Instruments: Recognition and Measurement - Hedged Item Classification Criteria”

Revisions to IAS 39 Hedged Item Classification Criteria were published by the International Accounting Standards Board on July 31, 2008 and apply to annual periods beginning on or after July 01, 2009. These revisions include explanations on the methods of applying the principles of assessing compliance of hedged risk or cash flow with the criteria for assessment as hedged items in specific circumstances. Inflation is no more allowed to be established as a potentially hedged component of a fixed interest rate instrument. Under these changes, it is not allowed to incorporate a time value to one-sided hedged risk when options are considered as a hedging instrument.

As at the date of preparation of these financial statements, the above specified changes to IAS 39 have not yet been approved by the European Union.

The Group intends to apply the revised IAS 39 as from January 01, 2010. Application of these standards shall not affect the Group's financial result.

IFRS Corrections 2009

The International Accounting Standards Board has published the IFRS Corrections on April 16, 2009, amending 12 standards. These corrections involve changes in presentation, posting and valuation, as well as terminology and editorial changes. Most revisions shall apply for annual periods beginning on 1 January 2010.

The Group intends to apply IFRS Corrections 2009 from January 1, 2010. Application of these standards may affect the disclosure of the right of perpetual usufruct. The effect of the application is not known.

Revised IFRIC 1 „First-time Adoption of International Financial Reporting Standards”

Revised IFRIC 1 „First-time Adoption of International Financial Reporting Standards,” was published by the International Accounting Standards Board on July 23, 2009 and applies to annual periods beginning on or after January 1, 2010. Amendments introduce additional exemption from assets valuation as at a day of application of IFRS for companies operating in oil and gas industry.

The Group intends to apply the revised IFRIC 1 from January 1, 2010. Application of these standards shall not affect the Group's financial result.

Revised IFRS 1 “Limited Exemption from Comparative IFRS 7 Disclosure for First-time Adopters”

Revised IFRS 1 *Limited Exemption from Comparative IFRS 7 Disclosure for First-time Adopters* was published by the International Accounting Standards Board on January 28, 2010 and applies to annual periods beginning on or after July 1, 2010. The amendment relieves first-time adopters of IFRSs from providing the additional disclosures included in amendments to IFRS 7 published in March 2009 and concerning fair value measurements and liquidity risk.

The Group intends to apply the revised IFRS 1 as from January 1, 2011. Application of these standards shall not affect the Group's financial result.

Revised IFRS 2 „Share-based payment”

The revised IFRS 2 was published by the International Accounting Standards Board on January 17, 2008 and applies to annual periods beginning on or after January 01, 2009. The revision of this Standard concerns the following two issues: explaining that the only requirements for effective vesting of rights is the service provision condition and the condition relating to the entity's operating results. Other qualities of share-based payment scheme are not acknowledged as vesting conditions. The standard clarifies that the accounting representation of scheme cancellation by the entity or other party to the transaction should be identical.

The Group intends to apply the revised IFRS 2 as from January 01, 2010. Application of these standards shall not affect the Group's financial result.

Revised IFRS 3 „Business Combinations”

The revised IFRS 3 was published by the International Accounting Standards Board on January 10, 2008 and applies prospectively to business combinations with acquisition dates on or after July 01, 2009. The changes involve an option to

recognize minority shares at fair value or according to proportion in fair value of identified net assets, conversion of shares previously held in the acquired entity to fair value and posting the difference to the income statement, and additional guidelines regarding application of acquisition methods, including recognition of transaction costs as the cost of a period in which it was incurred.

As at the date of preparation of these financial statements, the above specified revision of IFRS 3 has not yet been approved by the European Union.

The Group intends to apply the revised IFRS 3 as from July 01, 2010. Application of these standards shall not have any significant impact on the Group's financial result.

Revised 9 „Financial instruments”

Revised IFRS 9 „Financial instruments” was published by the International Accounting Standards Board on November 12, 2009 and applies to annual periods beginning on or after January 1, 2013. IFRS 9 uses a single approach to determine whether a financial asset is valued at amortised cost or fair value. The approach in IFRS 9 is based on how the entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used.

As at a day of preparation of these financial statements, revised IFRS 9 had not been approved yet by the European Union. The Group intends to apply IFRS 9 as from January 1, 2013. Application of these standards shall not affect the Group's financial result.

IFRIC Interpretation 14 „Prepayments of a minimum funding requirement”

Interpretation IFRIC 14 was published by the International Financial Reporting Interpretations Committee on November 26, 2009 and applies to annual periods beginning on or after January 1, 2011. The amendments apply in limited circumstances when an entity is subject to minimum funding requirements and makes an early payment of contributions to finance those requirements. The amendment permits such an entity to treat the benefit of such an early payment as an asset.

As at a day of preparation of these financial statements, IFRIC 14 had not been approved yet by the European Union. The Group intends to apply IFRIC 14 from January 1, 2011. Application of these interpretations shall not affect the Group's financial result.

IFRIC Interpretation 17 „Distribution of Non-cash Assets to Owners”

IFRIC interpretation 17 was issued by the International Financial Reporting Interpretations Committee on 27 November 2008 and applies to annual periods beginning on or after November 1, 2009. This interpretation contains guidelines as to the point of recognition of dividend, valuation of dividend, and posting of differences between the value of dividend and the balance sheet value of distributed assets.

The Group intends to apply IFRIC 17 from January 1, 2010. Application of these interpretations shall not affect the Group's financial result.

IFRIC Interpretation 18 „Transfers of Assets from Customers”

IFRIC interpretation 18 was issued by the International Financial Reporting Interpretations Committee on 29 January 2009 and applies to annual periods beginning on or after November 1, 2009. This interpretation contains guidelines as to recognition of transfers of assets from customers, namely such situations in which the definition of assets is fulfilled, with identification of separately identifiable services (services provided in exchange for transferred assets), recognition of income and posting of cash obtained from customers.

The Group intends to apply IFRIC Interpretation 18 from January 1, 2010. Application of these interpretations shall not affect the Group's financial result.

IFRIC Interpretation 19 „Extinguishing Financial Liabilities with Equity Instruments”

IFRIC 19 was issued by the International Financial Reporting Interpretations Committee on November 26, 2009 and applies to annual periods beginning on or after July 1, 2010. IFRIC 19 addresses the accounting principles used by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor to extinguish all or part of the financial liability. IFRIC 19 requires that the equity instruments issued are measured at their fair value and any difference between the carrying amount of the financial liability extinguished and the initial measurement amount of the equity instruments issued is disclosed in the entity's profit or loss for the period.

As at the date of preparation of these financial statements, IFRIC interpretation 19 had not yet been approved by the European Union.

The Group intends to apply IFRIC Interpretation 19 as from January 1, 2011. Application of these standards shall not affect the Group's financial result.

KEY ACCOUNTING PRINCIPLES

Intangible fixed assets

Intangible assets are recognized if it is probable that they will bring economic advantages in the future that may be directly related to such assets. Initially, intangible assets are recognized at acquisition prices or production costs. After initial recognition, intangible assets are valued according to acquisition prices or production cost, less amortisation and impairment losses.

Intangible assets are amortised equally during their estimated useful lives, which are subject to quarterly reviews. Estimated useful life of an asset is as follows:

- for concessions, patents, licences, etc. -2 years
- For other assets - 2 years.

Intangible assets are checked for impairment if any events or changes in circumstances indicate that their balance sheet value can be irrecoverable. Impairment losses are disclosed as excess of balance sheet value of an asset over its recoverable value.

Goodwill of subsidiaries

Goodwill resulting from acquisition of shares or stocks in subsidiaries is initially disclosed according to acquisition price, being a surplus of acquisition costs of these units over the Group's share in net fair value of identifiable assets, liabilities and contingent liabilities.

After initial disclosure, goodwill is presented according to acquisition price less all accumulated write-offs due to permanent loss in value.

Goodwill is not amortized but it is checked for impairment. Such impairment testing consists in allocation of goodwill to specific assets of the Group (cash generating centres where synergy effects are expected to arise out of amalgamation) and comparing the values thus obtained to valuation of the same assets at achievable amounts.

Impairment is the excess of such valuation of specific assets of the Group over their balance sheet value increased by the part of goodwill allocated to them. Impairment is recognized irreversibly in the income statement.

Impairment tests are carried out at least once a year, or more frequently in case of occurrence of any events or changes indicating the possibility of impairment.

Tangible fixed assets

Tangible assets include fixed assets owned by the Group and fixed assets under construction.

Fixed assets owned by the Group include:

- property (not leased and not designated for trade) used by the Group,
- machinery and plant,
- means of transport,
- other complete and usable objects with anticipated usable life exceeding one year.

Fixed assets are valued and disclosed in the statements according to acquisition prices or production cost, less depreciation and impairment losses. The costs pertaining to a fixed asset, which were borne after putting such asset in operation, are recognised in the income statement, except where it is possible to evidence that such expenses resulted in an increase of anticipated future economic benefits of owning the given fixed asset. In such case, the yielded costs increase the initial value of the fixed asset.

Land owned by the Group is not depreciated. Other fixed assets are depreciated equally during their estimated usable lives, which are subject to quarterly reviews. Estimated useful life of an asset is as follows:

- for buildings and other civil engineering structures: 22 to 67 years;
- for machinery and plant items: 2 to 5 years;
- for means of transport: 1.5 to 10 years;
- for other equipment: 5 years.

Future investments are included in the balance sheet value of the given fixed asset or recognized as a separate fixed asset (if appropriate) only if it is probable that economic benefits will be obtained by the Group in relation to this item, and the cost of the given item can be reliably measured and assessed. All other expenses on repairs and maintenance are posted to the income statement in the financial period when they were incurred. Fixed assets under construction are investments in progress, developed by the Group and valued according to acquisition price or production cost less impairment losses. Fixed assets under construction are not depreciated. Production costs include costs that are directly related to an investment not yet completed. These include expenses incurred on acquisition of land property, expenditures on design

and execution of buildings and other civil engineering structures (mainly foreign services), activated and direct financial costs, and other expenses incurred during development, which are directly related to the investment.

After obtaining an occupancy permit, the completed real estates are reclassified as fixed assets or investments in real property, depending on their designed use.

Tangible assets are checked for impairment if any events or changes in circumstances indicate that their balance sheet value can be unrealizable. Impairment losses are disclosed as excess of balance sheet value of an asset over its recoverable value, and they are recognized in the income statement. Recoverable value is the fair value of assets less costs of sales, or their usable value, whichever is higher.

Gains and losses on sale of fixed assets, constituting differences between sales incomes and balance sheet value of the sold fixed asset, are posted to the income statement under other operating incomes/ expenses.

Investment property

Investment property includes leased real estates, owned by the company, with land pertaining directly to such real estates, acquired and maintained for the purpose of achieving growth of value of land. Investment properties are initially disclosed according to acquisition prices/production costs. Land used by the Group under an operating lease contract is presented and valued in the same way as investment property, under the assumption that the remaining criteria for classifying the given property as investment property are fulfilled. Specifically, perpetual usufruct of land is recognized and valued as operating lease.

Properties erected by the Group are classified as investment property at the time of putting to use.

After initial recognition as at the first balance day, investment properties are presented according to their fair value. Fair value is revaluated at least once every three months. Profits or losses resulting from change in fair value of investment property are disclosed in the income statement in the period of their occurrence.

Fair value of land and buildings valued to fair value is updated to illustrate the market conditions present as at the end of the reporting period. Fair value of investment property is the price that could be quoted at an arm's length transaction. Fair value of properties yielding regular income is determined by the company individually, with the investment method, using simple capitalization method as a result of net operating income (NOI) of the project and yield rate, with due consideration of the terms and conditions of valid lease or hire contracts and other agreements. Yield rate is reviewed by independent property appraisers at least yearly, net operating income (NOI) is updated quarterly on the basis of valid lease contracts, values expressed in EUR and USD are converted quarterly according to valid rates of exchange published by the National Bank of Poland. Fair value of properties maintained for the purpose of value increase is determined by independent property appraisers.

Differences on investment property valuation are applied to income statement under the item of immovable property revaluation.

The expenses pertaining to an investment property, which were borne after putting such property in operation, are recognized in the income statement, except where it is possible to evidence that such expenses resulted in an increase of anticipated future economic benefits of using the given property. In such case, the costs thus incurred add up to the balance sheet value of the investment property.

All repair and maintenance costs of investment properties are carried as expenses in the income statement in the period with which they are concerned.

Result on sales of investment properties is disclosed under a separate item of the income statement.

Investment properties under construction are investments designated for future lease. Investment properties under construction, in which a substantial part of risk associated with the construction has been eliminated and reliable valuation is possible, shall be valued at fair value.

The Group has specified the conditions that must be fulfilled before analysing whether important risk factors related to investment properties under construction have been eliminated. The conditions are as follows:

- obtaining the construction permission,
- contracting the construction works with a value of at least 30% of the investment budget,
- leasing of at least 20% of area of the project under construction.

It is crucial that risk analysis also includes the possibilities and methods of financing the project.

Each investment property under construction is subject to an individual analysis in terms of reliable valuation of fair value. Such an analysis takes into consideration the general economic situation, the availability of data for similar properties and the expectations regarding changes in factors on which the valuation is based. If the above conditions are fulfilled and if, in the Group's opinion, the risk factors have been eliminated, the given property is presented at its fair value. If it is impossible to obtain a reliable fair value valuation, investment properties under construction are presented at their acquisition price or production cost, with impairment deducted, if necessary.

When using a profit method while estimating the fair value of investment properties under construction, the Group takes into consideration the degree of the project implementation at the end of the accounting period and available reliable data

concerning an anticipated state of the investment property on a final day of the construction. While using a cost of production method, the Group takes into consideration the costs directly related to the investment under construction. The costs include expenses related to the purchase of the land, the design and construction of the property (outsourcing), costs turned into assets and direct costs, as well as other costs incurred during the construction which are directly related to the investment.

If the designated use of the given property changes, such property is reclassified accordingly in the financial statements. Such property is transferred and disclosed under tangible fixed assets or inventories at the previously disclosed fair value.

Leases

Leases qualify as financial lease if the terms of contract generally transfer all the potential benefits and risks involved in holding ownership title of an asset to the lessee. Leases where the lessor (financing party) bears a significant part of risks and benefits of possession are classified as operating leases.

Operating lease charges are disclosed as costs (when the Group is the lessee) or incomes (when the Group is the lessor) in the income statement according to straight-line method during the term of lease agreement.

Profits earned by the lessee, due as encouragement to enter into an operating lease agreement, are posted to the income statement according to straight-line method during the term given in the lease agreement.

Where the details of a specific contract indicate that lease fees will be charged progressively during the term of agreement, annual payment instalments are linearised.

Shares and stocks in associated companies

Shares and stocks in associated companies are presented in the financial statements according to ownership rights method, at acquisition prices adjusted by future impairment losses. As at each consecutive balance day, the Group evaluates possible reasons justifying impairment of the Group's shares in associated companies, with due consideration of the associate companies' assets and liabilities at the time being, and reasonably anticipated cash flows generated by these companies.

In case of impairment losses, adjustments are made in the income statement and are presented as expenditure. Otherwise, they are presented as revenue.

Inventories

The following are disclosed under inventories: semi-finished products and work in process, finished products, goods, and advances on deliveries. Due to unique quality of operations, purchased land, or rights of perpetual usufruct of land, or fees paid for perpetual lease are classified as work in process if the land is designated for development, or as merchandise required for the purposes of housing activity if the land is designated for sale. Finished products mainly include housing and service premises sold through final contracts.

Inventories of non-current assets are valued according to values equivalent to the acquisition price of land property and costs of production of development activity products increased by activated financial costs. Advances on deliveries are valued according to cash expenditure.

Inventories are valued not higher than obtainable net value. This value is obtained from information from the active market. Reversal of inventories value allowance is related to the sale of the given inventory or increase of net sales price. The amounts of write-downs on the value of inventories, recognized as expenditure in a given period, and amounts of reversals of write-downs of values decreasing the value of inventories recognized as revenue during the period are disclosed in the income statement as other operating incomes/expenses (incomes/expenses on account of revaluation of non-financial assets).

Financial instruments

The Group classifies its financial assets and liabilities to the following categories:

Financial assets or financial liabilities valued at fair value through the income statement - assets and liabilities acquired or transacted primarily for the purpose of sale or repurchase in a short-term perspective; Investments held to maturity - financial assets other than derivatives, with predetermined or determinable payments and with predetermined maturity dates, which the Group intends strongly to maintain and is capable of maintaining until maturity,

Loans and receivables - financial assets other than derivatives, with predetermined or determinable payments, which are not quoted on an active market,

Financial assets available for sale - non-derivative financial assets not classified as financial assets disclosed in fair value through the income statement, borrowings and receivables, and assets held to maturity.

Financial assets recognized at fair value through the income statement

Financial assets recognized at fair value through the income statement are:

- Financial assets for trade. A financial asset is classified to this category if it was acquired primarily for the purpose of short-term sale,
- Financial assets determined at the time of initial disclosure as recognized at fair value through the income statement.

Assets of this category are classified as current assets if they are designated for trade or their realization is envisaged within 12 months of the balance day. The Group classifies investments in securities to this category.

Assets are booked with the effective date of transaction and they are derecognized in the balance sheet at the time of expiry of contractual rights to cash flows from the given financial asset, or when the given financial asset is transferred together with all risks and benefits derived from possession of such asset.

Both as at the booking date and as at the balance date, financial assets valued at fair value through the income statement are valued at fair value.

Loans granted

Loans granted are non-derivative financial assets with determined or determinable due date, which are not quoted on an active market, other than those recognized as financial assets disclosed at fair value through the income statement or available for sale.

These assets are booked with the effective date of transaction and they are derecognized in the balance sheet at the time of expiry of contractual rights to cash flows from the given financial asset, or when the given financial asset is transferred together with all risks and benefits derived from possession of such an asset.

Granted loans are disclosed as at the date of posting to the books, at fair value plus transaction costs, and afterwards as at the balance day according to depreciated acquisition price determined with the effective rate of interest method.

Financial assets available for sale

Financial assets available for sale are booked with the effective date of transaction and they are derecognized in the balance sheet at the time of expiry of contractual rights to cash flows from the given financial asset, or when the given financial asset is transferred together with all risks and benefits derived from possession of such an asset.

As at the date of posting to the books, these assets are valued at fair value plus transaction costs. As at the balance day, these assets are valued at fair value accounting for impairment losses, posted to revaluation capital.

Gains or losses arising from change in fair value of an asset are posted directly to equity.

Assets available for sale include shares and stocks in non-affiliated and non-associated companies, not quoted on an active market, classified as current or non-current assets.

Where fair value cannot be determined, these assets are valued at acquisition price less impairment losses, and the results of valuation are disclosed in the financial result.

Trade receivables

Trade receivables and other receivables are posted to the balance sheet at fair value and afterwards at adjusted acquisition price, using the effective rate of interest method, less impairment losses. The value of receivables is updated accounting for probability of their repayment through an allowance.

Allowances for trade receivables and other receivables are created as at the end of each quarter where there is objective evidence that the Group will not be able to obtain all amounts receivable according to the original terms of the receivables. The following factors are indicators of receivables impairment: serious financial difficulties of the debtor, or delayed repayments. The amount of impairment loss is the difference between the balance sheet value of the given receivable and the current value of estimated future cash flows generated thereby. *The value of loss is posted to the income statement as "other operating expenses".*

Allowances for irrecoverable receivables are made on the account of provisions for receivables. Future repayments of receivables previously written down are posted to "other operating incomes" in the income statement.

Non-current trade receivables are by principle valued at adjusted acquisition price using the effective rate of interest method. However, if the difference between value given as adjusted acquisition price and value given as amount due and

payable has no significant impact on the Group's financial results, then such receivables are recognized in the balance sheet as amounts due and payable.

Cash and Cash Equivalents

Cash on bank accounts and in hand, short-term investments maintained up to their due dates and other financial assets (interest from granted loans if they fall due within 3 months from the statement date) are valued in nominal values.

Cash in foreign currencies is valued at least on each reporting date according to the buy rate of the bank employed by the Company. Foreign exchange gains/losses pertaining to cash in foreign currencies and operations of sale of foreign currencies are classified as financial expenses or financial incomes, respectively. The same definition of cash applies to the cash flow statement.

Derivatives

Derivatives are recognized in the books at the time when the Companies become parties to a binding contract. The Group uses derivatives to limit foreign exchange or interest rate risk.

The Group does not use hedge accounting.

As at the balance day, derivatives are valued at fair value. Derivatives with fair value above zero are classified as financial instruments while derivatives with negative fair value are financial liabilities.

Gains or losses on derivatives are posted to financial incomes or costs, accordingly, and as cash flows from operating activities in the cash flow statement.

Financial guarantee agreements

Financial guarantee agreements are disclosed as off-balance liabilities and receivables. The Company assesses as at each consecutive balance day whether it is probable that a payment will have to be effected in respect of a financial guarantee agreement and whether a provision should therefore be established. If the amount of provision exceeds the current value of guarantee agreement, then the value of provision is adjusted accordingly and the resulting difference is shown in the income statement. Such guarantees are recognized as financial instruments. Such agreements are initially posted at fair value (equivalent to the amount of premium received or estimated using appropriate valuation techniques), then at one of the following values, whichever is higher:

- the amount of provision determined on the basis of estimated value of probable expenditure required for paying off the debt arising from the guarantee agreement, or
- the initial value less amortization/depreciation write-downs.

Income tax

Income tax on profit or loss for the financial year includes current and deferred income tax. Income tax is posted to the income statement, except for amounts concerning items recognized directly as equity, where income tax is posted under equity.

The current part of income tax is the envisaged amount of income tax charged on taxable base for the given year, calculated on the basis of tax rates agreed as at the balance day, including any tax adjustments carried forward. Deferred tax is calculated with the balance sheet method as tax payable or reimbursable in the future on differences between balance sheet values of assets and liabilities and corresponding tax values used for calculating the taxable base. The tax rate to be applicable in the reporting periods in which the given assets will be realized or liabilities will be released shall apply to calculation of relevant deferred tax.

Deferred income tax assets on account of tax loss are established if settlement of such loss in the following years is certain of occurring.

Deferred income tax is estimated as at each consecutive balance day and the difference is posted to the income statement.

Equity

Share capital and reserve capital is valued in its nominal value. The differences between fair value of received payment and nominal value of shares are disclosed in supplementary capital from sale of shares above their nominal value.

The costs of shares issue, which are borne at the point of establishment of a joint stock company or increase in initial capital reduce the company's supplementary capital to the amount of surplus of issue value over nominal value of shares.

Provisions

Provisions are established if the Company is under an existing liability derived from past events, it is probable that fulfilment of this liability will require expending of funds that form economic benefits and it is possible to reliably estimate the value of such liability.

Provisions are valued at the current value of estimated costs, to the best knowledge of the Company's management, provided that these costs must be incurred in order to settle the existing liability as at the balance day.

According to the adopted principle, provisions for severance payments are not established. Such potential provisions would have no significant impact on the presented financial statements. At the point of occurrence they would be booked on a cash basis.

Financial liabilities and trade liabilities

Financial liabilities include in particular loans, credit facilities, debt bonds, not matured interest on bank credit facilities which are booked according to the accruals method, as well as discount on debt securities to be settled in the following accounting period. Foreign currency loans are valued according to the selling rate of the bank employed by the Company.

Financial liabilities are valued at amortized cost, in accordance with IAS 39. Valuation accounts for the risk and possibility of early repayment of non-current liabilities.

Trade liabilities are initially carried at fair value. Afterwards, non-current liabilities are valued at adjusted acquisition price using the effective interest rate method. When the difference between value given as adjusted acquisition price and value given as amount due and payable has no significant impact on the Group's financial results, then such liabilities are disclosed in the balance sheet as amounts due and payable. The item of advances for deliveries covers both invoiced advances (including advances on apartments) and ones that have not been invoiced.

METHODS OF DETERMINING THE FINANCIAL RESULT

Financial result (profit/loss) is determined using the multiple-step method.

Operating incomes

Incomes from sales of goods and products are carried at fair value of payment received or receivable, less discounts, rebates and taxes associated with sales. These are recognized as at the time of delivery of such goods and services, with assignment on the buyer of risks and benefits arising from ownership of such goods, provided that the amount of such incomes can be fairly valued.

Specifically, incomes earned on sales by the Group of apartments and commercial space are recognized according to IAS 18 at the time of transferring freehold of these premises through a sale agreement upon completion of facility development and obtaining use rights to these premises.

Incomes from lease of residential and commercial space are accounted for equally during the terms of respective contracts.

Revenues from construction on the basis of long-term contracts are posted according to IAS 11 according to advancement of works. Percentage of service performance advancement is determined as the proportion of works completed as at the given day with reference to the entire scope of works.

The remaining incomes from sales of services are carried to the period in which the given services were provided.

Operating expenses

The costs of production of products sold include yielded costs pertaining to the revenues of a given accounting year and costs not yet borne, booked according to the principle of matching revenues and costs.

The cost of goods and products sold is valued at production cost on the basis of exact identification of actual costs of assets sold, or percentages of such items as sold area of land, sold shares, etc. In particular, own cost of sold premises and land is established in proportion to the percentage of such premises or land in the entire land resource constituting the given project.

Financial expenses

Financial expenses concerning the current period are recognized in the income statement, to the exception of costs activated according to the alternative solution presented in IAS 23 'Borrowing Costs'. The company activates such part of financial expenses that are directly related to acquisition and production of assets disclosed as inventories and investments in process. The following amount of costs is activated: interest, discount and commissions, less revenues earned on temporary deposition of cash (i.e. amounts of interest on bank deposits, except for deposits resulting from holds of accounts, t/C contracts).

Cash flow statement

Cash flow statement is prepared according to indirect method. Arranged overdraft obligations are presented as debt on account of credits and not as a cash equivalent.

Consolidation

These financial statements of Echo Investment S.A. Capital Group comprise the separate financial statements of Echo Investment S.A. and its subsidiaries. Subsidiaries are all companies controlled by the Group, which typically occurs if the Company holds more than half the voting rights in the given company, whether directly or via other Group companies. Grounds for control also exist if the Company is capable of influencing the given company's operating and financial activities. Subsidiaries are consolidated as from the time of seizing control until loss of control over them.

As at the date of acquisition of a subsidiary (seizing control), such acquired company's assets and liabilities are valued at fair value. Surplus of acquisition price over fair value of identifiable net acquired assets of the company is carried to the balance sheet assets as goodwill. If acquisition price is lower than fair value of identifiable net acquired assets of the company, then the difference is carried as profit in the income statement of the period of acquisition. Minority shares are disclosed according to fair value of net assets attributed to minority shareholders. During the consecutive periods, losses attributed to minority shareholders beyond the value of their shares reduce the dominant company's equity.

Echo Investment S.A., which is the owner of Group companies, plays the major part in the structure of the Capital Group through supervising, partnering in execution and providing funds for execution of current developer projects. The group companies have been established or acquired for the purpose of performing certain investment tasks. Most of them do not engage in any type of business activity other than one involved in the realization process of a specific project, followed by provisions of lease services of already completed property components or other services.

All internal Group transactions and settlement account balances are eliminated in the consolidation process. The value of shares held by the Company and other consolidated companies in subsidiaries, corresponding to the percentage of the Company and other consolidated Group company in subsidiaries' equity, is also eliminated. As at December 31, 2009, Echo Investment Capital Group consists of 81 subsidiaries that are fully consolidated, 1 partially-owned subsidiary consolidated according to the proportional method and 2 companies valued according to ownership rights method.

Subsidiaries:

Company name	Registered office address	percentage equity held	of	Dominant company
"Athina Park" Sp. z o.o.	Kielce	100%		Echo Investment S.A.
"Centrum Handlowe PHS" SA	Szczecin	100%		Echo Investment S.A.
"Budivelnuy Soyuz Monolit" LLC	Kiev	100%		Yevrobudgarant LLC
"Echo - Arena" Sp. z o.o.	Kielce	100%		Echo Investment S.A.
"Echo - Arena Sp. z o.o." Sp. kom.	Kielce	100%		Echo Investment S.A.
"Echo - Aurus" Sp. z o.o.	Kielce	100%		Echo Investment S.A.
"Echo - Building Ingatlanhasznosito" Kft.	Budapest	100%		Echo Investment S.A.
"Echo - Centrum Bankowości i Finansów Łódź" Sp. z o.o.	Kielce	100%		Echo Investment S.A.

"Echo – Centrum Bełchatów" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
"Echo – Centrum Biznesu Łódź" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
„Echo – Centrum Jelenia Góra” Sp. z o.o.	Jelenia Gora	100%	Echo Investment S.A.
"Echo – Centrum Poznań" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
"Echo – Centrum Przemyśl" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
"Echo – Centrum Rzeszów" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
"Echo – Centrum Tarnów" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
"Echo – Galaxy" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
"Echo – Galaxy Sp. z o.o." Sp. kom.	Kielce	100%	Echo Investment S.A.
"Echo – Galaxy Szczecin" Sp. z o.o.	Szczecin	100%	"Echo – Galaxy Sp. z o.o." Sp. kom.
"Echo – Galeria Kielce" Sp. z o.o.	Kielce	100%	"Echo – Kielce 1" Sp. z o.o.
"Echo – Kielce 1" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
"Echo – Metropolis" Sp. z o.o.	Kielce	100%	"Echo – Centrum Poznań" Sp. z o.o.
"Echo – Oxygen" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
"Echo – Park Postępu" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
"Echo – Pasaż Grunwaldzki" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
"Echo – Pasaż Grunwaldzki Sp. z o.o." Sp. kom.	Kielce	100%	Echo Investment S.A.
"Echo – Project 1" LLC	Kiev	100%	"Echo Investment Ukraine" LLC
"Echo – Project 2" LLC	Kiev	100%	"Echo Investment Ukraine" LLC
"Echo – Project Management Ingatlanhasznosító" Kft.	Budapest	100%	Echo Investment S.A.
"Echo – Property Poznań 1" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
"Echo – SPV 6" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
"Echo – Veneda" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
"Echo ACC" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
"Echo Bau" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
„Echo Investment – Centrum Handlowe Piotrków Trybunalski” Sp. z o.o.	Kielce	100%	Echo Investment S.A.
"Echo Investment Hungary Ingatlanhasznosító" Kft.	Budapest	100%	Echo Investment S.A.
"Echo Investment Project 1" S.R.L.	Bucharest	100%	Echo Investment S.A.
"Echo Investment Project Management" S.R.L.	Bucharest	100%	Echo Investment S.A.
"Echo Investment Ukraine" LLC	Kiev	100%	Echo Investment S.A.
"EI – Project Cyp – 1" Ltd	Nicosia	100%	Echo Investment S.A.
"Est On Property Management" Sp. z o.o.	Kielce	100%	Echo Investment S.A.

"Malta Office Park" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
"MDP" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
"Princess Boryszewska" Sp. z o.o.	Kielce	100%	"Echo - Kielce 1" Sp. z o.o.
"Princess Investment" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
"Projekt Echo - 17" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
"Projekt Echo - 30" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
"Projekt Echo - 37" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
"Projekt Echo - 39" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
"Projekt Echo - 41" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
"Projekt Echo - 41 Sp. z o.o." Sp. kom.	Kielce	100%	Echo Investment S.A.
"Projekt Echo - 42" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
"Projekt Echo - 42 Sp. z o.o." Sp. kom.	Kielce	100%	Echo Investment S.A.
"Projekt Echo - 43" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
"Projekt Echo - 44" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
"Projekt Echo - 45" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
"Projekt Echo - 45 Sp. z o.o." Sp. kom.	Kielce	100%	Echo Investment S.A.
"Projekt Echo - 46" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
"Projekt Echo - 47" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
"Projekt Echo - 53" Sp. z o.o.	Kielce	100%	"Echo - Centrum Biznesu Łódź" Sp. z o.o.
"Projekt Echo - 54" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
"Projekt Echo - 55" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
"Projekt Echo - 56" Sp. z o.o.	Jelenia Góra	100%	„Echo - Centrum Jelenia Góra" Sp. z o.o.
"Projekt Echo - 57" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
"Projekt Echo - 58" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
"Projekt Echo - 59" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
"Projekt Echo - 61" Sp. z o.o.	Kielce	100%	"Echo - Centrum Tarnów" Sp. z o.o.
"Projekt Echo - 62" Sp. z o.o.	Kielce	100%	"Echo - Pasaż Grunwaldzki Sp. z o.o." Sp. kom.
"Projekt Echo - 63" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
"Projekt Echo - 67" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
"Projekt Echo - 68" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
"Projekt Echo - 69" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
"Projekt Echo - 70" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
"Projekt Echo - 77" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
"Projekt Echo - 93" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
"Projekt Naramowice" Sp. z o.o.	Kielce	100%	"Zakłady Ogrodnicze Naramowice" Sp. z o.o.
"Projekt -Naramowice Poznań" Sp. z o.o.	Kielce	100%	Projekt Naramowice Sp. z o.o.
"SPV - 1" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
"Projekt S" Sp. z o.o.	Kielce	95%	Echo Investment S.A.
"Ultra Marina" Sp. z o.o.	Kielce	100%	Echo Investment S.A.

"Yevrobudgarant" LLC	Kiev	100%	EI - Project Cyp - 1 Ltd
"Zakłady Ogrodnicze Naramowice" Sp. z o.o.	Poznan	100%	Echo Investment S.A.

In 2009 the following subsidiaries were liquidated:

- "Projekt Echo - 71" Sp. z o.o. in liquidation with its registered seat in Kielce,
- "Projekt Echo - 72" Sp. z o.o. in liquidation with its registered seat in Kielce,
- "Projekt Echo - 73" Sp. z o.o. in liquidation with its registered seat in Kielce,
- "Projekt Echo - 74" Sp. z o.o. in liquidation with its registered seat in Kielce,
- "Projekt Echo - 75" Sp. z o.o. in liquidation with its registered seat in Kielce,
- "Projekt Echo - 76" Sp. z o.o. in liquidation with its registered seat in Kielce,
- "Projekt Echo - 83" Sp. z o.o. in liquidation with its registered seat in Kielce,
- "Projekt Echo - 84" Sp. z o.o. in liquidation with its registered seat in Kielce,
- "Projekt Echo - 85" Sp. z o.o. in liquidation with its registered seat in Kielce,
- "Projekt Echo - 86" Sp. z o.o. in liquidation with its registered seat in Kielce,
- "Projekt Echo - 87" Sp. z o.o. in liquidation with its registered seat in Kielce,
- "Projekt Echo - 88" Sp. z o.o. in liquidation with its registered seat in Kielce,
- "Projekt Echo - 89" Sp. z o.o. in liquidation with its registered seat in Kielce,
- "Projekt Echo - 90" Sp. z o.o. in liquidation with its registered seat in Kielce,
- "Projekt Echo - 91" Sp. z o.o. in liquidation with its registered seat in Kielce,
- "Projekt Echo - 92" Sp. z o.o. in liquidation with its registered seat in Kielce,

„Wan 11” Spółka z o.o. with its registered seat in Warsaw is a partially-owned subsidiary.

Associated companies are all companies on which the Group has a significant impact but does not exercise control over them, which typically involves a share ranging from 20% to 50% of voting rights. Investments in associated companies are disclosed according to ownership rights method.

Associated companies disclosed according to ownership rights method:

- „W.A. Hotele” Spółka z o.o. with its registered seat in Warsaw,
- „WAN Invest” Spółka z o.o. with its registered seat in Warsaw.

In 2009 associated company "Projekt Echo - 23" Sp. z o.o. in liquidation with its registered seat in Kielce was liquidated.

Segment reporting

Segments of activity of the Group have been defined as areas where goods or groups of related goods are distributed, or services or groups of related services are provided. The aforementioned goods and services are subject to risk and their return on investment is different from that of other segments.

The Management Board of Echo Investment S.A. is the main body responsible for making decisions regarding segments and the analysis of results achieved in a particular segment.

Three field segments have been distinguished in the Capital Group:

- letting and sales of residential and commercial areas,
- letting and sales of shopping and entertainment areas,
- letting and sales of office and hotel areas.

Field segments qualify as distinguishable fields of an economic entity, where goods are distributed, services are provided, or a group of related goods or services is delivered, subject to risk and described by a rate of return from investment expenditure different from ones typical of other field segments.

The accounting principles of a segment are the principles applied to preparation and presentation of the Group's consolidated financial statements, as well as the accounting principles applicable directly to segment reporting.

Segment revenues mean the income earned on sales to third party clients or from transactions with other segments within the Group, which are disclosed in the Group's income statement and can be directly allocated to the given segment, along with the respective part of the Group's revenues, which can be allocated to this segment on reasonable bases. The following are not classified as segment revenues:

- extraordinary profits,
- interest or dividend income, including interest gained from advances paid or loans granted to other segments, unless the operations of a given segment are primarily focused on financial matters,
- earnings on sales of investments or profits arising from debt expiry, unless the operations of the segment are mainly focused on financial matters.

Segment incomes include the Capital Group's shares in profits or losses of associated companies, joint ventures or other consolidated financial investments, using the ownership rights method, provided that the above items are contained in consolidated or general income of an economic entity.

Segment costs mean the expenses composed of costs to sell to third party clients or costs of transactions executed with other segments within the Group, which result from the given segment's operating activity and can be directly allocated to the given segment, along with the respective part of the Group, which can be allocated to this segment on reasonable bases. The following are not classified as segment costs:

- extraordinary losses,
- interest, including interest on advances or loans obtained from other segments, unless the operations of the given segment are primarily focused on financial matters,
- losses from sales of investments or losses incurred as a result debt expiry, unless the operations of the segment are mainly focused on financial matters,
- economic entity's share in losses of associated companies, joint ventures or other financial investments consolidated with the ownership rights method,
- income tax charges,
- overheads and other costs occurring on the Group level, applicable to the Group as a whole.

However, certain costs occurring on the Group level are yielded for the segment. Such costs can be classified as costs of segment if they apply to the segment's operating activity and can be directly allocated or assigned to the segment on reasonable bases.

The result of segment is the difference between the segment income and the segment costs. The result of segment is determined before adjustments for minority shares.

Assets of segment are current assets used by the segment in its operating activity that can be directly allocated to the given segment or assigned to that segment on the basis of reasonable premises.

If the result of segment comprises interest or dividend income, the segment's assets shall comprise relevant receivables, loans, investments or other assets resulting in occurrence of income.

Liabilities of segment are current liabilities occurring as a result of the segment's operating activity that can be directly allocated to the given segment or assigned to that segment on the basis of reasonable premises. If the result of segment comprises costs of interest, the segment's liabilities shall comprise relevant liabilities incurring interest.

Financial data relating to segments are presented in Notes 30A - 30D of the financial statement.

MANAGEMENT BOARD ESTIMATIONS

Preparation of financial statements required making certain estimations and assumptions by the Management Board of the Company, which are reflected in these statements. Actual results may differ from these estimations. Management Board estimations have essential impact on the financial statements in the following key areas:

Investment property

Fair value of investment property generating regular incomes is determined by the company with the investment method, using simple capitalization method as a result of net operating income (NOI) of the project and yield rate. Yield rate is reviewed by independent property appraisers at least yearly, net operating income (NOI) is updated quarterly on the basis of valid lease contracts, values expressed in EUR and USD are converted quarterly according to valid rates of exchange published by the National Bank of Poland.

Whereas most lease agreements executed by the Group are denominated in EUR, appraisals of investment properties are prepared in EUR and converted into PLN according to the average rate of exchange of the National Bank of Poland as at the balance date. According to the Group's valuations, the combined value of investment properties as at December 31, 2009 EUR 677, 047 thousand (EUR 594, 625 as December 31, 2008). Rates of return used for calculating fair value as at December 31, 2009 ranged from 7.1% to 13.1%. Rates of return were calculated by external appraisers for each investment property separately, taking into consideration their location and a kind of property. Future operational earnings were estimated separately for each of investment properties and based on lease agreements, contracted revenue and anticipated expenses related to each property. At the end of financial year, there were 3 projects partially or completely under construction: Park Postępu in Warsaw, Malta Office Park in Poznan and Avatar in Cracow. Their fair value was estimated based on earnings. The aforementioned projects should be completed within 3 and 9 months. At their completion was too high to estimate their fair value reliably. As at December 31, 2008 the Capital Group did not hold any investment property whose fair value in the Management Board's opinion can be estimated reliably.

Fair value of financial instruments

Fair value of financial instruments which are not traded on an active market is determined using appropriate valuation techniques. The Company is guided by its independent judgment in selecting valuation methods and its assumptions are based on the market conditions existing as at each consecutive balance day. Forward agreements in particular are valued as a difference between transaction nominal value multiplied by foreign exchange spot rate and transaction nominal value in PLN at a rate of National Bank of Poland as at a day of valuation. Option agreements are valued on the basis of valuations provided by banks.

Inventories

When calculating inventory write-down as at a balance day, the company analyses active markets for information about anticipated sales prices and current market trends, as well as information about preliminary sale contracts signed by the company. Assumptions used at the calculation apply to property market prices concerning a given market segment. The Management Board claims that changes in those assumptions would not affect the inventory write-down as at a balance day. It is due to the fact that the assumptions and information concerning the inventory write-down were mainly based on signed sale contracts. If property is recorded as inventory, the value of inventory write-down is based on how useful a given property is and will be for the Company in the future.

Deferred income tax

The Company's Management Board must evaluate probability of realization of a deferred income tax asset. In the process of preparing the financial statement, the Company estimates the value of the deferred income tax asset on the basis of factors including the value of future income tax burdens. The process includes analysis of the existing levels of current income tax burdens and the values of transition differences arising from different treatment of a given transaction from the tax and accounting perspectives, resulting in creation of an asset and provision for deferred income tax. The above mentioned evaluation process is based on a number of assumptions concerning determination of the value of deferred income tax asset. The above estimations account for tax forecasts, historical values of tax burdens, currently available strategies for planning the Company's operating activities, and due dates for realization of specific timing differences. Because the aforementioned estimations may vary depending on external factors, the Company may periodically adjust its deferred income tax assets, which in turn may affect the Company's financial situation and results.

Impact of the financial crisis on the Company's activities

Noticeable lack of stability on financial markets in 2008 and 2009 leads to high variability and uncertainty on global equity markets. The current global liquidity crisis, which began in mid-2008, has led to such circumstances as, among others, decreasing percentages of financing via equity markets, lower level of liquidity in the financial sector, rising interest rates on inter-bank market, and extreme fluctuations on stock markets. In the United States, Western Europe, Russia and other countries, uncertainty on the global financial markets has led to banks' collapse and implementation of emergency rescue programs for banks. It is not possible to foresee all consequences of the global financial crisis or to secure an enterprise against these consequences today. Availability of credit facilities has become significantly limited since the 4th quarter of 2008, financial sector institutions are now much more restrictive in regard of granting credit facilities, and the costs of obtaining and handling external financing have increased largely. These circumstances may affect the Group's capacity of obtaining new credits or refinancing of the existing facilities on terms similar to those applicable to earlier transactions.

Low liquidity can be observed on the real estate market. As a result of reduced volume of transactions and limited transparency as to pricing levels and market controls, there is less certainty as to property appraisals. These appraisals may vary rapidly as a result of changes in current market circumstances. According to the Management Board, fair value of investment property owned by the Company has been correctly estimated, taking due account of all available information and considering the existing situation on the market. The Group anticipates that despite a major impact of the financial crisis on the market of housing properties and decreasing prices on the markets, the Group is still capable of completing its commenced housing projects due to guaranteed financing and advantageous structure of envisaged sales contracts for specific projects. At the same time, the Management Board believes that the value of inventories relating to the Group's housing projects is presented at recoverable value as at the balance day, and the expected sale prices for the particular housing projects correspond at least to their respective balance sheet values.

In the opinion of the Group, events related to the financial crisis do not presently pose a major threat to the Group's operations.

FINANCIAL RISK MANAGEMENT

Pricing risk

Pricing risk is insignificant. The Company does not participate in securities trade on any active market. Information regarding market risk management of derivatives is described in note 12B. Types of applied instruments are mentioned above in 'Key Accounting Principles'.

Risk of changes in cash flows and fair values in relation to interest rates

The Group's exposure to interest rate risk is concerned with financial assets and liabilities, particularly with loans granted, bank credit facilities obtained, and bonds issued. Variable interest rate loans, credits and bonds expose the Group to the risk of interest rate fluctuations while fixed-rate loans and credits expose the Group to fluctuations in fair value of financial instruments. Moreover, the Group is exposed to the risk of interest rate fluctuations in case of taking out a new credit, or refinancing the existing debt to long-term financing.

Based on different scenarios, the Group manages its cash flows variation risk as a result of interest rate fluctuations using interest swaps converting variable rates into fixed rates for selected credit facilities or individual instalments of credit facilities. The economic consequence of using these swaps is the conversion of variable rate debt instruments into fixed rate instruments. On the basis of agreements concerning interest swaps, the Group has agreed, together with other parties, to swap the difference between fixed and variable interest rates determined on the basis of the agreed base original amount in defined intervals (mainly monthly). The Company only applies the above financial instruments to secure itself against the risk and not for speculation purposes.

As at December 31, 2009 53.8 % of liabilities arising from loans and debt securities were fixed-rate debts, while the remaining part consisted of variable-rate obligations.

Sensitivity to change of interest rates - on loans received and debt securities [in thousands PLN]:

Balance of liabilities arising from credit facilities and debt securities as at 31.12.2009	1 840 848
Interest charge	101 228
Estimated variation of interest rates	+/- 1 p.p.
Change of interest charge on account of interest rate fluctuations (on a yearly basis)	18 408
Estimated income tax	3 498
Net impact on the result	14 910
Balance of liabilities arising from credit facilities and debt securities as at 31.12.2008	1 714 053
Interest charge	87 129
Estimated variation of interest rates	+/- 1 p.p.
Change of interest charge on account of interest rate fluctuations (on a yearly basis)	17 141
Estimated income tax	3 257
Net impact on the result	13 884

Sensitivity to change of interest rates - on cash and deposits [in thousands PLN]:

Balance of cash and deposits as at 31.12.2009	225 866
Earnings on deposit interest	6 910
Estimated variation of interest rates	+/- 1 p.p.
Change of earnings on account of interest rate fluctuations (on a yearly basis)	2 259
Estimated (deferred) income tax	429
Net impact on the result	1 830
Balance of cash and deposits as at 31.12.2008	353 804
Earnings on deposit interest	16 304
Estimated variation of interest rates	+/- 1 p.p.
Change of earnings on account of interest rate fluctuations (on a yearly basis)	3 538
Estimated (deferred) income tax	672
Net impact on the result	2 866

Currency risk

Foreign exchange risk refers to investment credit facilities taken in foreign currencies (most commonly in Euro) within the Group. This risk occurs with the following two types of financial events:

- conversion of credit facilities (credit instalments) obtained, from EUR into PLN. In order to limit the risk involved in currency conversion of credit facilities, the Group enters into forward transactions on the forward currency market in values for envisaged cash flows of this type.
- repayment of credit instalments. In this case, the Group uses natural hedging: contracts with lessees are expressed in the currency of the loan taken out for financing the given investment. Thus obtained payments from lessees are assigned to repayment of the above mentioned loans. Such combination of financing with sources of income minimizes or eliminates foreign exchange risk.

As a security against foreign exchange risk on the currency futures market, the Group opened a position in derivatives hedging the EUR/PLN exchange rate in 2008 and 2009. With the open positions, the Group is duly secured for the part of cash flows allocated to 2010 (EUR 265.9 million, including 126.4 million in the 1st half of 2010). The transactions executed on the basis of contracts signed with banks were not speculative in nature and were effected within the scope of the applicable hedging policy to secure future levels of cash flows on operating activity and currency conversion of EUR-denominated credit facility tranches.

The Group pursues a harmonized foreign exchange risk management policy with regular monitoring of risk areas, using available strategies and mechanisms to minimize the adverse impacts of market variability and to secure its cash flows.

Sensitivity to change of EUR exchange rate - on credit facilities received [in thousands PLN]:

Balance of credit liabilities in EUR as at 31.12.2009	1 179 019
Estimated EUR rate fluctuations	+/- 1%
Foreign exchange gains/losses on account of interest rate variations	11 790
Estimated (deferred) income tax	2 240
Net impact on the result	9 550
Balance of credit liabilities in EUR as at 31.12.2008	1 104 676
Estimated EUR rate fluctuations	+/- 1%
Foreign exchange gains/losses on account of interest rate variations	11 047
Estimated (deferred) income tax	2 099
Net impact on the result	8 948

Credit risk

Credit risk occurs in the case of cash, derivatives and deposits in banks and financial institutions, as well as in respect of the Group's clients and lessees in the form of unpaid receivables. The Group has applied certain procedures for assessing the client's creditworthiness, and other security measures in the form of deposits and guarantees are also used with respect to lessees. No major concentration of risk exists in respect of any of the Group's clients. As regards financial institutions and banks, the Group transacts business with well recognized institutions.

Liquidity risk

Liquidity risk is the risk of the Group being unable to repay its financial liabilities in due time. The Company manages liquidity risk through maintaining appropriate reserve capital, taking advantage of the available choice of banking services and reserve overdraft facilities, and monitoring continuous forecasts and actual cash flows. Due to dynamic character of the Company's operations, it is capable of maintaining appropriate flexibility of financing through cash availability and diversification of financing sources.

The Company has sufficient funds to repay all debts in due time. Liquidity risk is minimized in the longer time perspective through availability of bank credit facilities. The Group can use sufficient financing at any time through activating funds from overdraft facilities allowed to it by banks.

Analyses of the Group's financial liabilities and derivatives carried as net amounts, which will be settled in appropriate aging periods based on the time remaining to contractual maturity date as at the balance day, are presented in the following notes accordingly: credits, loans and debt securities - Note 17B, derivatives - Note 12B, trade liabilities and other liabilities - Note 19.

EQUITY RISK MANAGEMENT

The Group's objective in equity risk management is to protect the Group's capability of continuous operation so that to properly realize the return for shareholders, advantages for other parties involved, as well as to maintain optimized structure of equity in order to reduce its cost.

In managing this risk, the Group takes decisions concerning financial leverage, dividend policy, issue of new stocks, or repurchase followed by redemption or resale of previously issued stocks, along with possible sales of assets in order to reduce debt level. Like other companies in the industry, the Group monitors its equity according to debt ratios. Debt ratio is calculated as net debt to total equity value. Net debt is calculated as a total of credit facilities and loans (including current and long-term credit facilities and loans disclosed in the balance sheet) less cash and cash equivalent. Total value of equity is calculated as equity shown in the balance sheet with net debt.

Debt ratios as at December 31, 2008 and December 31, 2009 were as follows:

	31.12.2009	31.12.2008
Credit facilities total (note 17C)	1 840 857	1 714 164
Cash and Cash equivalents (note 13A)	-169 101	-321 793
Net debt	1 671 756	1 392 371
Total equity	1 733 686	1 640 600
Total equity (own and foreign)	3 405 442	3 032 971
Debt ratio	49,09%	45,91%

The values of presented ratios were in accordance with the Group financial assumptions.

Restatement of comparable statements

In 2009 at the beginning of the comparative period, i.e. as at January 1, 2008) the Capital Group implemented retrospective changes in the presentation of deferred income tax assets and deferred income tax provisions in order to present the data in compliance with IAS 12 Item 74 (compensated assets and deferred tax provisions).

With respect to the foregoing changes, as at 31.12.2008 individual items from comparable financial statements were restated as follows:

	After adjustment	Before adjustment	Difference
1.9. Deferred income tax assets	42 485	92 805	(50 320)
ASSETS TOTAL	4 197 976	4 248 296	(50 320)
2.2. Provision for deferred income tax	275 525	325 845	(50 320)
LIABILITIES TOTAL	4 197 976	4 248 296	(50 320)

Similar balance sheet positions as at 01.01.2008 were changed, respectively:

	After adjustment	Before adjustment	Difference
1.9. Deferred income tax assets	24 653	25 136	(483)
ASSETS TOTAL	3 442 809	3 443 292	(483)
2.2. Provision for deferred income tax	232 781	233 264	(483)
LIABILITIES TOTAL	3 442 809	3 443 292	(483)

In accordance with Revised IAS 1, effective from January 1, 2009, when a retrospective change in accounting policy or disclosure in the financial statement was made, it is required to present the financial statement for the earliest of comparable periods.

A requirement to disclose additional data in the financial statement at the beginning of the earliest of comparable periods applies also to additional information and disclosures in the financial statement. In the Management Board's opinion, disclosure of data at the beginning of the earliest of comparable periods only with regard to deferred income tax is sufficient; given how significant were the adjustments of disclosure. Apart from disclosure in Notes 8A and 8B in the balance sheet, which includes adjustments from January 1, 2008, changes in presentation had no effect on disclosures included in the financial statement and, in the Management Board's opinion, no recognition of data as at the beginning of the earliest of comparable periods has no significant effect on the financial statement.

In 2009 the Capital Group did not implement any changes in its accounting policy, which may affect the Group's financial result or financial standing.

Significant events after the balance date

On January 20, 2010 Echo Investment S.A. was notified by the District Court in Krakow-Srodmiemie in Cracow VII Economic Department of Pledge Register on January 12, 2010 a registered pledge on shares of a subsidiary „Projekt Echo – 62” Sp. z o.o. with its registered seat in Kielce was made in the Pledge Register. The pledge was made on shares held by Echo – Pasaż Grunwaldzki Spółka z Ograniczoną Odpowiedzialnością Sp.k. with its registered seat in Kielce, in a total number of 7,731,000 shares, with a total nominal value of PLN 386,550,000, constituting 99.99% of the share capital and carrying 7,731,000 votes in the general meeting of shareholders. Par value of shares under the registered pledge in the accounting books of a subsidiary Echo – Pasaż Grunwaldzki Spółka z Ograniczoną Odpowiedzialnością Sp.k. amounts to PLN 386,550,000. Registered pledge on shares is a guarantee in favour of Bank Eurohypo AG, with its registered seat in Eschborn (Germany), and concerns the repayment of liabilities under the credit agreement signed between subsidiaries Echo – Galeria Kielce Sp. z o.o. with its registered seat in Kielce (the Borrower), Projekt Echo – 62 Sp. z o.o. with its registered seat in Kielce (the Guarantor) and Bank Eurohypo AG with its registered seat in Eschborn (Germany). The liabilities under the registered pledge amount to EUR 150 million.

On March 18, 2010 Echo Investment S.A. and BRE Bank S.A. with its registered seat in Warsaw, Poland signed new annexes to contracts concerning a Bonds Issue Programme (the Bonds) of April 15, 2004, which were communicated by the Issuer in current report. The annexes envisage multiple issues of bonds to be executed by the Issuer through tranche issue order. Under the Annexes, the maximum total nominal value of all issuable bonds was increased to 700 million PLN, and duration of the Contracts was changed into unlimited term. Until the Day of publication of these financial statements the company had not issued any new bonds on the basis of the programme.

On April 8, 2010 a Preliminary sales agreement was concluded between Projekt Echo – 58 Sp. z o.o. with its registered seat in Kielce (a subsidiary where the Capital Group Echo Investment holds 51% of its share capital) and BRJ Invest - Panikowski, Kubiak with its registered seat in Warsaw, Drozd – Sp. J. i BP Inwestycje – Panikowski i Przybylski Sp. J. with its registered seat in Warsaw. The purpose of the Preliminary agreement is the acquisition of the perpetual usufruct right of real property constituting plots of land, located in Warsaw, in the area between Sikorskiego and Witosza Streets, with a total area of 34, 271 sq m. (Property). The acquisition price of the Property was determined at PLN 70 million net. The payment shall be in IV instalments, payable until April 1, 2013. The concluded Preliminary agreement of property purchase is in compliance with the adopted strategy, according to which Echo Investment Capital Group develops its operations in the Polish real estate market. On the aforementioned property, the Group plans an implementation of an office building complex with an office area of ca. 60,000 sq m, including an overground and underground parking lot. The project will be executed in three stages.

Transactions with affiliated companies

As a result of transactions with affiliated companies, a subsidiary of Echo Investment S.A. Capital Group – „Projekt Echo – 53” Sp. z o.o., holds liabilities in a partially-owned subsidiary amounting to PLN 16,669 thousand.

INFORMATION ON MANAGEMENT BOARD'S AND SUPERVISORY BOARD'S REMUNERATION

In 2009 the Management Board of Echo Investment S.A. received the following remuneration at Echo Investment S. A. and for exercising their functions in the bodies of wholly and partially owned subsidiaries and associated companies, respectively:

- During his term of office at the Management Board of Echo Investment S.A. Mr Piotr Gromniak received compensation from Echo Investment S.A. in the total amount of PLN 660 thousand. He did not receive compensation for his functions held in the bodies of wholly and partially owned subsidiaries or associated companies;

- Mr Artur Langner received compensation from Echo Investment S.A. in the total amount of PLN 635 thousand. He did not receive compensation for his functions held in the bodies of wholly and partially owned subsidiaries or associated companies;

In 2009 the Supervisory Board of Echo Investment S.A. received the following remuneration at Echo Investment S.A. respectively:

- Mr Wojciech Ciesielski received compensation from Echo Investment S.A. in the total amount of PLN 84 thousand. He did not receive compensation for his functions held in the bodies of wholly and partially owned subsidiaries or associated companies;
- Mr Andrzej Majcher received compensation from Echo Investment S.A. in the total amount of PLN 60 thousand. He did not receive compensation for his functions held in the bodies of wholly and partially owned subsidiaries or associated companies;
- Mr Mariusz Waniolka received compensation from Echo Investment S.A. in the total amount of PLN 45 thousand. He did not receive compensation for his functions held in the bodies of wholly and partially owned subsidiaries or associated companies;
- Mr Robert Oskard received compensation from Echo Investment S.A. in the total amount of PLN 36 thousand. He did not receive compensation for his functions held in the bodies of wholly and partially owned subsidiaries or associated companies;
- Mr Karol Żbikowski received compensation from Echo Investment S.A. in the total amount of PLN 36 thousand. He did not receive compensation for his functions held in the bodies of wholly and partially owned subsidiaries or associated companies;
- Mr Tomasz Kalwat received compensation from Echo Investment S.A. in the total amount of PLN 36 thousand. He did not receive compensation for his functions held in the bodies of wholly and partially owned subsidiaries or associated companies.

EXPLANATORY NOTES TO THE BALANCE SHEET

Note 1

OFF BALANCE ITEMS (in thousands PLN)	31.12.2009	31.12.2008
1. Contingent liabilities		
1.1 To affiliated companies, on account of:		
a) granted guarantees and sureties	-	-
1.2 To non-affiliated companies, on account of:		
a) granted guarantees and sureties	3 880	4 032
b) court proceedings	31	31
c) purchase of real property in Kalisz	-	18 807
	3 911	22 870
Contingent liabilities, total	3 911	22 870

On July 4, 2007, the Capital Group issued a surety for the obligations of 'Projekt - Echo 49" Sp. z o.o. Concerning repair of damage up to the amount of 1,361 thousand USD, equivalent as at the balance date of PLN 3,880 thousand.

Contingent liabilities are presented at nominal value, not deviating from fair value.

As at December 31, 2009, the Group had certain investment liabilities arising from contracts signed with regard to future execution of commenced and scheduled construction projects, amounting to PLN 234,229 thousand. These liabilities shall be financed by available cash or other external financing under a current financing scheme, and under existing and new sales contracts.

Note 2A

INTANGIBLE ASSETS (thousands PLN)	31.12.2009	31.12.2008
a) cost of completed development work	-	-
b) goodwill	-	-
c) acquired concessions, patents, licences and similar assets, including:	1 043	993
d) other intangible assets	8	9
e) advances for intangible assets	-	-
Intangible assets total	1 051	1 002

Note 2B

CHANGE OF INTANGIBLE ASSETS (BY TYPE GROUPS) (in thousands PLN)			
For the period from 01.01.2009 to 31.12.2009	Obtained patents, concessions, licences, and similar assets	Other intangible assets	Intangible assets total
a) gross value of intangible assets at the beginning of period	3 627	17	3 644
b) increases (on account of)			
- purchase	521		521
c) gross value of intangible assets at the end of period	4 148	17	4 165
d) accumulated amortisation at the beginning of period	2 634	8	2 642
e) amortisation for the period (on account of)			
- depreciation	471	1	472
f) accumulated amortisation (depreciation) at the end of period	3 105	9	3 114
g) net value of intangible assets at the end of period	1 043	8	1 051
For the period from 01.01.2008 to 31.12.2008	Obtained patents, concessions, licences, and similar assets	Other intangible assets	Intangible assets total
a) gross value of intangible assets at the beginning of period	2 711	16	2 727
b) increases (on account of)			
- purchase	916	1	1 678
c) gross value of intangible assets at the end of period	3 627	17	4 405
d) accumulated amortisation at the beginning of period	2 194	7	2 201
e) amortisation for the period (on account of)			
- depreciation	440	1	1 202
f) accumulated amortisation (depreciation) at the end of period	2 634	8	3 403
g) net value of intangible assets at the end of period	993	9	1 002

Note 3A

TANGIBLE FIXED ASSETS (in thousands PLN)	31.12.2009	31.12.2008
a) land (including the right of perpetual usufruct)	5 779	5 586
b) buildings, premises and civil engineering structures	4 957	3 994
c) plant and machinery	795	1 475
d) means of transport	5 560	7 580
e) other fixed assets	1 524	1 264
Total tangible fixed assets	18 615	19 899

Note 3B

CHANGE OF TANGIBLE FIXED ASSETS (BY TYPE GROUPS) (in thousands PLN)						
For the period from 01.01.2009 to 31.12.2009	Own land	Buildings and structures	Plant and machinery	Means of transport	Other	Fixed assets total
a) gross value of fixed assets at the beginning of period	11 941	4 812	6 794	18 363	3 476	45 386
b) increases on account of:						
- purchase	128	276	70	285	808	1 567
c) decreases on account of:	66	930	-	-	-	996
- sale						
- liquidation	-	-	(221)	(510)	(14)	(745)
- consolidation adjustments	-	-	(52)	-	(259)	(311)
d) gross value of fixed assets at the end of period	-	-	-	151	-	151
a) gross value of fixed assets at the beginning of period	12 135	6 018	6 591	18 289	4 011	47 044
e) accumulated depreciation as at the beginning of period	66	818	5 319	10 783	2 212	19 198
f) depreciation for the period (on account of)						
- amortisation	1	243	727	2 453	558	3 982
- liquidation	-	-	(36)	-	(270)	(306)
- sales adjustments	-	-	(214)	(507)	(13)	(734)
g)) accumulated depreciation (amortisation) as at the end of period	67	1 061	5 796	12 729	2 487	22 140
h) impairment losses	6 289	-	-	-	-	6 289
i) net value of fixed assets as at the end of period	5 779	4 957	795	5 560	1 524	18 615

Note 3B cont.

CHANGE OF TANGIBLE FIXED ASSETS (BY TYPE GROUPS) (in thousands PLN)

For the period from 01.01.2008 to 31.12.2008	Own land	Buildings and structures	Plant and machinery	Means of transport	Other	Fixed assets total
a) gross value of fixed assets at the beginning of period	3 458	4 545	6 527	18 417	3 182	36 129
b) increases on account of:						
- purchase	8 383	582	722	911	492	11 090
c) decreases on account of:	100	-	-	-	-	100
- sale						
- liquidation	-	-	(271)	(965)	(190)	(1 426)
- consolidation adjustments	-	(315)	(184)	-	(8)	(507)
d) gross value of fixed assets at the end of period	11 941	4 812	6 794	18 363	3 476	45 386
a) gross value of fixed assets at the beginning of period	4	832	4 368	9 143	1 871	16 218
e) accumulated depreciation as at the beginning of period						
f) depreciation for the period (on account of)	62	201	1 319	2 594	401	4 577
- amortisation	-	(215)	(97)	-	(8)	(320)
- liquidation	-	-	(271)	(954)	(52)	(1 277)
- sales adjustments						
	66	818	5 319	10 783	2 212	19 198
g)) accumulated depreciation (amortisation) as at the end of period	6 289	-	-	-	-	6 289
h) impairment losses	5 586	3 994	1 475	7 580	1 264	19 899

Note 3C

FIXED ASSETS IN THE BALANCE SHEET (OWNERSHIP STRUCTURE) (in thousands PLN)

	31.12.2009	31.12.2008
a) owned	18 615	19 899
b) used under a lease contract, rental agreement or another similar agreement	-	-
Balance sheet fixed assets total	18 615	19 899

The Group has no collaterals established on fixed assets.

Note 4

NON-CURRENT RECEIVABLES (in thousands PLN)

	31.12.2009	31.12.2008
Receivables from non-affiliated companies, on account of:		
- deposits paid	40	58
Non-current receivables gross	40	58
- revaluation of adjustments of receivables	-	-
Non-current receivables net	40	58

Note 5A

CHANGE IN PROPERTY BALANCE (BY TYPE GROUPS) (in thousands PLN)	31.12.2009	31.12.2008
a) balance as at the beginning of period	2 481 014	1 956 508
b) increases (on account of)		
- purchase	-	139
- capital employed in investment	44 649	32 916
- transfer from investment properties under construction	301 735	41 500
- transfer from inventories	-	4 503
- change in real property valuation	79 987	460 420
	426 371	539 478
c) decreases (on account of)		
- sale	-	90
- change in real property valuation	124 915	2 282
- transfer to investment properties under construction	-	12 600
- transfer to inventories	1 023	-
	125 938	14 972
d) balance of real property as at the end of period	2 781 447	2 481 014

The Company values real property at fair value as at the end of each consecutive calendar quarter. Gains/losses from valuation are presented under "Revaluation of immovable property" in the Income Statement.

As at December 31, 2009 the Group was in possession of 19 investment properties located in different Polish cities. Whereas most lease agreements include lease rent rates expressed in EUR (also USD), appraisals are prepared in these currencies and converted into PLN according to the average rate of exchange of the National Bank of Poland as at the balance date. value of property valued as at December 31, 2009 was EUR 677,047 thousand (as at December 31, 2008 – EUR 594, 625 thousand)

In relation to the partial handover of buildings in 2009, the Capital Group transferred Malta Office Park II in Poznan and Park Postępu in Warsaw from investment property under construction.

Land property in Radom, recognized as investment property, is encumbered with capped mortgage up to the amount of EUR 2,720 thousand, established in favour of Pekao S.A., as bank credit collateral.

Land property in Piotrków Trybunalski, recognized as investment property, is encumbered with capped mortgage up to the amount of EUR 2,440 thousand, established in favour of Pekao S.A., as bank credit collateral.

Land property in Pabianice, recognized as investment property, is encumbered with capped mortgage up to the amount of EUR 2,100 thousand, established in favour of Pekao S.A., as bank credit collateral.

Land properties in Radom, Piotrków Trybunalski and Pabianice, recognized as non-current investments, are encumbered with capped mortgage up to the amount of EUR 72,600 thousand, established in favour of Pekao S.A., as bank credit collateral.

Land property in Jelenia Góra, recognized as investment property, is encumbered with capped mortgage up to the amount of EUR 11,831 thousand and PLN 42,750, established in favour of Pekao S.A., with its registered office in Warsaw, as bank credit collateral.

Land property in Bełchatów, recognized as investment property, is encumbered with capped mortgage up to the amount of EUR 6,451 thousand and PLN 23,326 thousand in favour of Pekao S.A., with its registered office in Warsaw, as bank credit collateral.

Land property in Przemyśl, recognized as investment property, is encumbered with capped mortgage up to the amount of EUR 3,420 thousand, established in favour of ING Bank Śląski S.A., with its registered office in Katowice, as bank credit collateral.

Land property in Kielce, recognized as investment property, is encumbered with capped mortgage up to the amount of EUR 27,000 thousand, established in favour of Kredyt Bank S.A., with its registered office in Warsaw, as bank credit collateral.

Land property in Tarnów, recognized as investment property, is encumbered with capped mortgage up to the amount of EUR 15,540 thousand, established in favour of Eurohypo A.G., with its registered office in Eschborn, as bank credit collateral.

Land property in Szczecin, recognized as investment property, is encumbered with capped mortgage up to the amount of EUR 150,000 thousand, established in favour of Eurohypo A.G., with its registered office in Eschborn, as bank credit collateral.

Land property in Warsaw, recognized as investment property, is encumbered with capped mortgage up to the amount of EUR 48,000 thousand, established in favour of Eurohypo A.G., with its registered office in Eschborn, as bank credit collateral.

Land property in Warsaw, recognized as investment property, is encumbered with capped mortgage up to the amount of EUR 30,600 thousand, established in favour of Eurohypo A.G., with its registered office in Eschborn, as bank credit collateral.

Land property in Wroclaw, recognized as investment property, is encumbered with capped mortgage up to the amount of EUR 100,000 thousand, established in favour of Eurohypo A.G., with its registered office in Eschborn, as bank credit collateral.

Land property in Warsaw, recognized as investment property, is encumbered with capped mortgage up to the amount of EUR 75,000 thousand, established in favour of Eurohypo A.G., with its registered office in Eschborn, as bank credit collateral.

Note 5B

AMOUNTS PRESENTED IN THE INCOME STATEMENT (thousands PLN)	31.12.2009	31.12.2008
a) lease rent incomes pertaining to investment property	307 541	241 363
b) direct operating expenses (including costs of repairs and maintenance) pertaining to the investment property that generated lease rent incomes during the given period	90 614	98 008
c) direct operating expenses (including costs of repairs and maintenance) pertaining to the investment property that did not generate lease rent incomes during the given period	-	-

Note 5C

CHANGE IN INVESTMENT PROPERTY UNDER CONSTRUCTION BALANCE (BY TYPE GROUPS) (thousands PLN)	31.12.2009	31.12.2008
Balance as at the beginning of period	711 555	503 410
a) increases (on account of)		
- property under construction valuation	22 043	
- transfer from investment property	-	12 600
- capital employed in investment	273 714	237 045
	295 757	249 645
b) decreases (on account of)		
- transfer to investment property	301 735	41 500
	301 735	41 500
Balance of real property as at the end of period	705 577	711 555

All real property under construction, apart from project Avatar in Cracow, was valued according to the production costs.

Note 6

SHARES IN ASSOCIATED COMPANIES (thousands PLN)	31.12.2009	31.12.2008
Balance as at the beginning of period	24 119	10 960
a) increases/decreases (on account of)		
- revaluation of shares	-	(10 588)
- sale of shares	(12)	-
- advances for acquisition of shares	-	23 744
- settlements of advances for acquisition of shares	(23 744)	-
- share in profits/losses of associated companies	(26)	3
	(23 782)	13 159
Balance of shares in associated companies as at the end of period	337	24 119

As at December 31, 2009, "W.A. Hotele" Sp. z o.o. was the holder of assets worth PLN 20,904 thousand, and liabilities in the amount of PLN 2 thousand, it did not earn any sales incomes and it closed its business activities with a loss of PLN 4,868 thousand.

As at December 31, 2009 "WAN Invest" Sp. z o.o. was the holder of assets worth PLN 681 thousand, and liabilities in the amount of PLN 118 thousand, it did not earn any sales incomes and it closed its business activities with a loss of PLN 53 thousand.

In 2009, as a result of acquisition of shares in a subsidiary Yevrobudgarant LLC, advances for acquisition of those shares were settled.

Note 7

LOANS GRANTED (CURRENCY STRUCTURE) (thousands PLN)	31.12.2009	31.12.2008
a) in the Polish currency	94	651
b) in foreign currencies (by currency, after conversion to zlotys)	-	-
Loans granted, total	94	651
- including long-term part	12	13
- including short-term part	82	638
Interest rates applied to discounting anticipated cash inflows	-	6,36%

The maximum value of credit risk involved with these loans equals their balance sheet value. Fair value of granted loans is the value of future anticipated discounted cash flows, equivalent to the balance sheet value of granted loans.

The loans granted are not secured.

The loans granted are not overdue and no loss of value (impairment) occurred.

Note 8A

CHANGE IN THE BALANCE OF DEFERRED INCOME-TAX ASSETS (+) AND PROVISIONS (-) (thousands PLN)	31.12.2009	31.12.2008	31.12.2007
1. Balance of deferred income tax assets as at the beginning of period:			
- financial instruments	35 446	(1 277)	-
- investment property	(266 935)	(175 085)	(139 415)
- shares in wholly-owned, partially-owned and associated companies*	(7 351)	(7 351)	-
- tax loss	4 895	860	628
- borrowing liabilities	20 521	(11 314)	(10 223)
- other	(19 616)	(13 961)	(9 134)
	(233 040)	(208 128)	(158 144)

Note 8A cont.

CHANGE IN THE BALANCE OF DEFERRED INCOME-TAX ASSETS (+) AND PROVISIONS (-) (thousands PLN)	31.12.2009	31.12.2008	31.12.2007
2. Increases			
- financial instruments	-	35 446	(1 277)
- investment property	10 748	(91 850)	(45 533)
- shares in wholly or partially owned subsidiaries and associated companies*	-	-	(7 351)
- tax loss	8 696	4 897	232
- borrowing liabilities	1 034	21 466	7 146
- other	-	462	(20 477)
	20 478	(29 579)	(67 260)
3. Decreases			
- financial instruments	12 092	(1 277)	-
- investment property	-	-	(9 863)
- shares in wholly or partially owned subsidiaries and associated companies*	1 210	-	-
- tax loss	-	862	-
- borrowing liabilities	-	(10 369)	8 237
- other	19 351	6 117	(15 650)
	32 653	(4 667)	(17 276)
3. Balance of deferred income tax as at the end of period:			
- financial instruments	23 354	35 446	(1 277)
- investment property	(256 187)	(266 935)	(175 085)
- shares in wholly or partially owned subsidiaries and associated companies*	(8 561)	(7 351)	(7 351)
- tax loss	13 591	4 895	860
- borrowing liabilities	21 555	20 521	(11 314)
- other	(38 967)	(19 616)	(13 961)
	(245 215)	(233 040)	(208 128)
- including:			
Deferred income-tax assets	42 545	42 485	24 653
Provision for deferred income tax	287 760	275 525	232 781

* * Estimated value of tax charge concerned with envisaged changes in Group structure as a result of the difference between tax and balance sheet value of subsidiaries' shares.

The Group estimates that it will utilize the tax loss asset during the upcoming years in the following respective amounts: 2010 - PLN 3,443 thousand, 2011 - PLN 3,670 thousand, 2012 - PLN 3,136 thousand, 2013 - PLN 1,722 thousand, 2013 - PLN 1,621 thousand

The Group did not establish a deferred income tax asset in the amount of PLN 1,032 thousand for tax losses incurred as settlement of these losses in the upcoming years is not certain.

Note 8B

DEFERRED INCOME TAX ASSETS (+) AND PROVISIONS(-)	31.12.2009	31.12.2008	31.12.2007
a) due for settlement within 12 months	15 188	5 088	5 446
b) due for settlement after 12 months	(260 403)	(238 128)	(213 574)
	(245 215)	(233 040)	(208 128)

Note 9A

Inventories (thousands PLN)	31.12.2009	31.12.2008
a) materials	185	201
b) semi-finished products and work in process	351 949	399 340
c) finished products	60 277	70 365
d) goods	2 056	1 738
e) advances for delivery	6 058	15 011
Inventories, total	420 525	486 655

The item of "Finished products" comprises complete apartments, ready for sale.

The item of "Semi-finished products and work in process" comprises mainly real property owned or held by the Group, as well as expenditures on housing projects in preparation and in progress.

The immovable property in Zabrze, disclosed under semi-finished products and work in progress, is encumbered with capped mortgage in the amount of PLN 3,700 thousand in favour of the Municipal Commune of Zabrze as a security of repayment of any possible claims that could occur due to payment of liquidated damages in case the Company fails to execute the investment project in due time.

Inventories are valued not higher than obtainable net value. This value is obtained from information from the active market.

Reversal of inventories value allowance is related to sale of the given inventory or increase of net sales price. The amounts of write downs on the value of inventories, recognized as cost in a given period, and amounts of reversals of write-downs of values decreasing the value of inventories recognized as income during the period are disclosed in the income statement as other operating incomes/ expenses (incomes / expenses on account of revaluation of non-financial assets).

Note 9B

INVENTORIES - IMPACT ON PROFIT/LOSS (thousands PLN)	31.12.2009	31.12.2008
a) value of inventories recognized as cost in the given period	71 437	86 424
b) amounts of write-offs of inventories value in the given period	4 723	11 268
c) amounts of reversed write-offs of values decreasing the value of inventories in the given period	7 462	12 388

Inventories write-downs and their reversals are concerned with housing projects where a time offset exists between sales of apartments and sales, of garages associated with apartments. The purpose is to realistically present the sales margin realized during the period

The value of inventories write-downs as at the end of 2010 was PLN 7,008 thousand (in 2009: PLN 2,739 thousand) and is shown in the income statement under "Costs to sell."

Nota 10

TAX RECEIVABLES BY TITLE (in thousands)	31.12.2009	31.12.2008
- income tax	4 969	3 478
- VAT	29 890	46 923
- other	115	21
Tax receivables total	34 974	50 422

Note 11A

CURRENT RECEIVABLES (thousands PLN)	31.12.2009	31.12.2008
a) trade receivables, payable within:		
- up to 12 months	31 040	12 261
- over 12 months	575	749
b) bank deposits	56 765	32 011
Financial assets, total	88 380	45 021
c) other receivables	741	1 216
d) accruals	7 299	10 442
Non-financial receivables, total	8 040	11 658
Net current receivables total	96 420	56 679
- revaluation allowances on receivables	4 144	3 171
Gross current receivables total	100 564	59 850

Trade receivables are related to the lease of areas of commercial development and apartments. There is no significant amount of trade receivables in Echo Investment Group.

The company incessantly controls the financial capacity of its lessees. Payments are secured with a deposit or a guarantee. The amount of deposits was, respectively: at the end of 2009 PLN 39,958 thousand, and at the end of 2008 PLN 39,136 thousand.

Note 11B

CHANGE IN THE BALANCE OF REVALUATION ALLOWANCES ON CURRENT RECEIVABLES (thousands PLN)	31.12.2009	31.12.2008
Balance as at the beginning of period	3 171	3 623
a) increases (on account of)		
- creating an allowance	1 674	873
	1 674	873
b) decreases (on account of)		
- repayment	665	1 271
- release of provisions	36	-
- discontinuance of enforcement proceedings	-	54
	701	1 325
Balance of revaluation allowances on current receivables as at the end of period	4 144	3 171

Receivables revaluation allowance was posted under "other operating incomes/expenses" in the Group's consolidated income statement.

Impairment of receivables is the result of their being overdue by more than 6 months (50% impairment) or 12 months (100% impairment).

In case of receivables for regular lease services of areas in commercial developments, debts older than 3 months indicate a risk of impairment of the given amount receivable.

Note 11C

CURRENT RECEIVABLES GROSS (CURRENCY STRUCTURE) (thousands PLN)	31.12.2009	31.12.2008
a) in the Polish currency	100 392	59 850
b) in foreign currencies (by currency, after conversion to zlotys)		
b1. in thousands USD	2	-
b1. after conversion to thousands PLN	6	-
b2. in thousands EURO	17	-
b2. after conversion to thousands PLN	68	-
b3. in thousands RON	90	-
b3. after conversion to thousands PLN	88	-
b4. in thousands HUF	626	-
b4. after conversion to thousands PLN	9	-
b5. in thousands UAH	3	-
b5. after conversion to thousands PLN	1	-
	172	-
Current receivables, total	100 564	59 850

Note 11D

TRADE RECEIVABLES (GROSS) - PAYABLE UNTIL THE BALANCE SHEET DAY WITHIN (thousands PLN)	31.12.2009	31.12.2008
a) up to 1 month	6 450	1 737
b) over 1 month up to 3 months	15 261	3 773
c) over 3 months up to 6 months	64	50
d) over 6 months up to 1 year	185	183
e) over 1 year	567	749
f) receivables overdue	13 232	9 689
Trade receivables, total (gross)	35 759	16 181
g) revaluation adjustments of trade receivables	(4 144)	(3 171)
Trade receivables, total (net)	31 615	13 010

Note 11E

OVERDUE TRADE RECEIVABLES (GROSS) - OVERDUE BY (thousands PLN)	31.12.2009	31.12.2008
a) up to 1 month	7 951	5 104
b) over 1 month up to 3 months	1 241	675
c) over 3 months up to 6 months	608	963
d) over 6 months up to 1 year	688	667
e) over 1 year	2 744	2 280
Overdue trade receivables, total (gross)	13 232	9 689
f) revaluation adjustments of trade receivables, overdue	(4 144)	(3 171)
Overdue trade receivables, total (net)	9 088	6 518

Note 11F

TRADE RECEIVABLES (GROSS) - OVERDUE BY (thousands PLN)	31.12.2009	31.12.2008
a) current receivables without impairment	22 527	6 492
b) overdue receivables without impairment	9 088	6 518
c) overdue receivables with impairment	4 144	3 171
Trade receivables, total (gross)	35 759	16 181

The maximum value of credit risk involved with receivables equals the balance sheet value of each respective balance group of receivables. Estimated fair value of trade receivables is the value of anticipated future discounted cash flows, equivalent to the balance sheet value of these receivables.

Trade receivables are homogeneous and are derived from lease of shopping and office space. The Group regularly controls the financial condition and payment capacity of its lessees. Payments are secured with deposits and bank guarantees.

The Group has securities established on receivables in the form of assignment of receivables under lease agreements in favour of banks financing the particular investments.

Note 12A

DERIVATIVES (ASSETS) (thousands PLN)	31.12.2009	31.12.2008
a) Interest Rate Swap	-	428
b) currency options	-	1 216
c) currency forwards	1 558	-
Derivatives (assets), total	1 558	1 644

Including with maturity dates:

- up to 1 year	1 558	357
- from 1 to 3 years	-	1 043
- from 3 to 5 years	-	122
- over 5 years	-	122

Nota 12B

DERIVATIVES (LIABILITIES) (thousands PLN)	31.12.2009	31.12.2008
a) Interest Rate Swap	3 246	138
b) currency options	13 059	13 538
c) currency forwards	150 384	226 280
Derivatives total	166 689	239 956

Including with maturity dates:

- up to 1 year	163 984	65 833
- from 1 to 3 years	1 082	174 045
- from 3 to 5 years	1 082	39
- over 5 years	541	39

During the reporting period, the Group recognized profit/loss on valuation of derivatives in accordance with Notes 25 and 26.

The sum of nominal values of unsettled currency forwards as at December 31, 2009 was EUR 244, 9 million. These contracts concern sale of EUR in 2010 and their purpose is to secure part of the envisaged future cash flows at the Group against foreign exchange risk.

The sum of nominal values of unsettled currency options as at December 31, 2009 was EUR 21 million. These contracts concern selling and buying of EUR in 2010 and their purpose is to secure part of the envisaged future cash flows at the Group against foreign exchange risk.

Executed IRS transactions secure part of future interest payments at the Group against interest rate risk.

Information on other financial assets are presented in Note 13A (cash) and in Note 11A (receivables).

Note 13A

CASH AND CASH EQUIVALENTS- FINANCIAL ASSETS (thousands PLN)	31.12.2009	31.12.2008
a) cash in hand and on bank accounts	169 101	321 793
b) other cash	-	-
c) other cash assets	-	-
Cash and cash equivalents, total	169 101	321 793
- including with limited disposability	8 759	8 885

The Group deposits its cash surpluses with recognized banks in Poland (mainly Pekao SA and PKO BP SA).
Maximum credit risk for cash is equal to its balance sheet value.

Note 13B

CASH AND CASH EQUIVALENTS (CURRENCY STRUCTURE) (thousands PLN)	31.12.2009	31.12.2008
a) in the Polish currency	165 884	315 737
b) in foreign currencies (by currency, after conversion to zlotys)		
b1. in thousands USD	121	65
b1. converted into thousands PLN	452	191
b2. in thousands EURO	238	459
b2. converted into thousands PLN	966	1 695
b3. in thousands RON	446	1 388
b3. converted into thousands PLN	433	1 444
b4. in thousands HUF	56 467	172 325
b4. converted into thousands PLN	857	2 716
b5. in thousands UAH	1 427	24
b5. converted into thousands PLN	509	10
Cash and cash equivalents total	3 217	6 056
	169 101	321 793

Note 14A

SHARE CAPITAL (STRUCTURE)

Series of share	Class of share	Class of share privilege	Type restriction of rights shares	Number of shares	Value of series / issue by par value (thousands PLN)	Method of equity coverage	Date of registration	Right dividend from	to as
A	bearer shares	ordinary shares	none	1 600 000	80	non-cash contribution	1994-06-30	1995-01-01	
B	bearer shares	ordinary shares	none	38 400 000	1 920	cash	1994-06-30	1995-01-01	
C	bearer shares	ordinary shares	none	20 000 000	1 000	cash	1995-11-13	1995-01-01	
D	bearer shares	ordinary shares	none	60 000 000	3 000	cash	1997-02-18	1996-01-01	
E	bearer shares	ordinary shares	none	20 000 000	1 000	cash	1997-12-30	1997-01-01	
F	bearer shares	ordinary shares	none	280 000 000	14 000	cash	2002-11-26	2002-01-01	
Number of shares total				420 000 000					
Share capital total					21 000				
Par value of one share = 0.05 PLN									

Note 14B

SHAREHOLDERS OF ECHO INVESTMENT S.A. HOLDING MORE THAN 5% OF SHARE CAPITAL AS AT December 31, 2009

Shareholders	Number of shares	votes / % of share capital	% votes at GAM
Michał Sołowow - directly	10 120 850	2.41 %	2.41 %
Michał Sołowow - indirectly in:	159 795 730	38.05 %	38.05 %
- Magellan Pro-Equity Fund I S.A.	141 409 680	33.67 %	33.67 %
- Synthos S.A.	17 884 050	4.26 %	4.26 %
- Barcocalpital Investment Ltd.	502 000	0.12 %	0.12 %
Aviva OFE Aviva BZ WBK*	47 340 18	11.27 %	11.27 %
ING OFE*	37 898 195	9.02 %	9.02 %
OFE PZU Złota Jesień OFE*	37 655 236	8.97 %	8.97 %
Other Shareholders	127 189 971	30.28 %	30.28 %

* As in OFE portfolio as at December 31, 2009

Note 15

SUPPLEMENTARY CAPITAL (in thousands PLN)	31.12.2009	31.12.2008
a) from sale of shares above par value	100 943	100 943
b) established by force of law	80	80
c) established by force of articles above the value required by law	1 552 507	1 457 834
d) other	22	22
e) consolidation adjustments	(56 051)	(65 599)
Supplementary capital total	1 597 501	1 493 280

Net profit earned by "Echo Investment" S. A in 2008, amounting to PLN 39,916 thousand, was allocated to supplementary capital as approved through resolution of Ordinary General Meeting of Shareholders on May 28, 2009.

Note 16

CHANGE IN THE BALANCE OF MINORITY CAPITALS (in thousands PLN)	31.12.2009	31.12.2008
Balance as at the beginning of period	(8)	19
a) increases (on account of)		
- net result Projekt S Sp. z o.o.	-	-
b) decreases (on account of)		
- net result Projekt S Sp. z o.o.	-	27
Balance of minority capitals as at the end of period	(8)	(8)

Note 17A

BORROWINGS (BY TYPE) (thousands PLN)	31.12.2009	31.12.2008
a) credit facilities	1 294 962	1 164 487
b) debt securities	545 886	549 566
c) interest on credits and loans	9	111
Borrowings total	1 840 857	1 714 164
- including long-term part	1 664 098	1 589 154
- including short-term part	176 759	125 010

Note 17B

BORROWINGS WITH DUE DATES REMAINING AS FROM THE BALANCE DAY (thousands PLN)	31.12.2009	31.12.2008
a) up to 12 months	176 759	125 010
b) over 1 year up to 3 years	351 756	279 220
c) over 3 years up to 5 years	452 609	513 632
d) over 5 years	859 733	796 302
Borrowings total	1 840 857	1 714 164

Note 17C

BORROWINGS (CURRENCY STRUCTURE) (thousands PLN)	31.12.2009	31.12.2008
a) in the Polish currency	641 970	587 954
b) in foreign currencies (by currency, after conversion to zlotys)		
b1. in thousands USD	7 040	7 333
b1. converted into thousands PLN	19 868	21 534
b2. in thousands EURO	288 991	268 206
b2. converted into thousands PLN	1 179 019	1 104 676
	1 198 887	1 126 210
Non-current financial liabilities total	1 840 857	1 714 164

Interest rates applied to discounting anticipated cash flows:

a) for bonds in PLN	6,38%	7,66%
b) for credit facilities denominated in EUR	4,54%	5,04%
c) for credit facilities denominated in USD	2,20%	2,34%

To the best knowledge and information of the Group Management, no breaches occurred as to the terms and conditions of credit agreements or agreed levels of security during the financial year and not as at the date of signing the financial statements.

NOTE 17D

NON-CURRENT LIABILITIES BORROWINGS

Name (company name) of the organisation, legal form	Registered office	Amount of loan/ credit under the contract			Amount of loan/ credit remaining due		Interest rate arrangements		Due date	Collaterals
		in thousands PLN	currency		in thousands PLN	currency				
Pekao S.A.	Warsaw	37 389	9 101 thousand EUR	thousand	2 578	627 thousand EUR	EURIBOR margin	1M +	2010-08-31	<ul style="list-style-type: none"> - capped mortgage on property for EUR 11 831 thousand, - assignment of receivables under lease contracts, - assignment of receivables under guarantees or sureties, - assignment of receivables under execution contracts, - assignment of receivables under insurance policies, - statement of "Echo Investment" S.A. on submission to enforcement proceedings - registered pledge on shares of "Projekt Echo - 56" Sp. z o.o., - power of attorney to bank account
Pekao S.A.	Warsaw	20 385	4 962 thousand EUR	thousand	690	168 thousand EUR	EURIBOR margin	1M +	2010-04-30	<ul style="list-style-type: none"> - capped mortgage on property for EUR 6 451 thousand, - assignment of receivables under lease contracts, - assignment of receivables under guarantees or sureties, - assignment of receivables under execution contracts, - assignment of receivables under insurance policies, - statement of "Echo Investment" S.A. on submission to enforcement proceedings - registered pledge on shares of "Echo - Centrum Bełchatów" Sp. z o.o., - power of attorney to bank account
Kredyt Bank S.A.	Warsaw	73 948	18 000 thousand EUR	thousand	39 760	9 thousand EUR	842 EURIBOR margin	1M +	2013-10-31	<ul style="list-style-type: none"> - capped mortgage on property for EUR 27 000 thousand, - assignment of receivables under lease contracts, - assignment of receivables under guarantees or sureties, - assignment of receivables under execution contracts, - assignment of receivables under insurance policies, - registered pledge on shares of "Echo - Galeria Kielce" Sp. z o.o., - power of attorney to bank account "Echo - Galeria Kielce" Sp. z o.o.
Westdeutsche ImmobilienBank AG	Mainz	130 579	31 785 thousand EUR	thousand	41 044	10 thousand EUR	066 EURIBOR margin	+	2014-09-22	<ul style="list-style-type: none"> - capped mortgage on property - assignment of receivables under lease contracts, - assignment of receivables under insurance policies, - registered pledge on shares of "Malta Office Park" Sp. z o.o., - registered pledge on bank accounts of "Malta Office Park" Sp. z o.o.

NOTE 17D

NON-CURRENT LIABILITIES BORROWINGS cont.

Name (company name) of the organisation, legal form	Registered office	Amount of loan/ credit under the contract		Amount of loan/ credit remaining due		Interest rate arrangements	Due date	Collaterals
		in thousands PLN	currency	in thousands PLN	currency			
Eurohypo AG	Eschborn	45 601	11 100 thousands EUR	7 217	1 757 thousands EUR	EURIBOR 3M + margin	2010-07-15	<ul style="list-style-type: none"> - capped mortgage on property for EUR 15 540 thousand, - assignment of receivables under lease and management contracts, - assignment of receivables under guarantees or sureties, - assignment of receivables under execution contracts, - assignment of receivables under insurance policies, - registered pledge on shares of "Echo Projekt - 61" Sp. z o.o., - assignment of receivables under bank account agreement
Eurohypo AG	Eschborn	410 820	100 000 thousands EUR	381 116	92 763 thousands EUR	Fixed interest until 31/12/2015; EURIBOR 1M + margin	2018-03-31	<ul style="list-style-type: none"> - capped mortgage on property for EUR 150 000 thousand, - assignment of receivables under lease and management contracts, - assignment of receivables under guarantees or sureties, - assignment of receivables under execution contracts, - assignment of receivables under insurance policies, - registered pledge on shares of "Echo - Galaxy Szczecin" S. z o.o., - assignment of receivables under bank account agreement - assignment of receivables under CAP transactions, - assignment of receivables under lease of plot of land, - statement of "Echo Investment" S.A. on submission to enforcement proceedings
Eurohypo AG	Eschborn	80 230	13 840 thousands EUR 8 200 thousands USD	68 160	11 830 thousands EUR 7 040 thousands USD	EURIBOR 1M + margin; LIBOR 1M + margin	2014-09-30	<ul style="list-style-type: none"> - capped mortgage on property for EUR 30 600 thousand, - assignment of receivables under lease and management contracts, - assignment of receivables under guarantees or sureties, - assignment of receivables under execution contracts, - assignment of receivables under insurance policies, - assignment of receivables under hedging contracts, - assignment of receivables under income on lease and deposit, - registered pledge on shares of "Athina Park" Sp. z o.o.

NOTE 17D

NON-CURRENT LIABILITIES BORROWINGS cont.

Name (company name) of the organisation, legal form	Registered office	Amount of loan/ credit under the contract		Amount of loan/ credit remaining due		Interest arrangements	rate	Due date	Collaterals
		in thousands PLN	currency	in thousands PLN	currency				
Eurohypo AG	Eschborn	474 497	115 500 thousand EUR	400 058	98 098 thousand EUR	Fixed interest until 31/12/2015; EURIBOR	1M + margin	2022-09-30	- capped mortgage on property for EUR 150 000 thousand, - registered pledge on shares of "Echo Projekt - 62" Sp. z o.o., - registered pledge on partners' receivables under their shares in "Echo Pasaż Grunwaldzki Sp. z o.o." Sp. k., - assignment of receivables under contracts, - statement on submission to enforcement proceedings, - obligation of Echo Investment S.A. to cover the costs of further realizations in the amount exceeding the credit amount
Eurohypo AG	Eschborn	205 410	50 000 thousand EUR	95 931	24 085 thousand EUR	EURIBOR	margin +	2020-01-31	- capped mortgage on property - assignment of receivables under lease contracts, - assignment of receivables under insurance policy, - registered pledge on shares of "Echo - Park Postępu" Sp. z o.o., - registered pledge on bank accounts of "Echo - Park Postępu" Sp. z o.o.
Eurohypo AG	Eschborn	65 937	16 050 thousand EUR	55 860	13 731 thousand EUR	EURIBOR	1M + margin	2016-01-29	- capped mortgage on property for EUR 48 000 thousand, - assignment of receivables under lease contracts, - registered pledge on shares of "WAN 11" Sp. z o.o., - subordination of the borrower's obligations towards partners to the borrower's liabilities towards the bank under the loan granted
Total		1 711 302		1 198 887					

Note 17E

OPEN CREDIT LINES

Name (company name) of the organization, legal form	Registered office	Amount of loan/ credit the contract in thousands PLN	under currency	Amount of loan/ credit remaining due in thousands PLN	currency	Interest arrangements	rate	Due date	Collaterals
PKO BP S.A.	Warsaw	25 000		6 078		WIBOR 1M + margin		2012-08-12	- surety clause from current account at PKO BP S.A., declaration on submission to enforcement proceedings
PKO BP S.A.	Warsaw	40 000		-		WIBOR 1M + margin		2012-08-12	- surety clause from current account at PKO BP S.A., declaration on submission to enforcement proceedings
Pekao S.A.	Warsaw	30 000		-		WIBOR 1M + margin		2010-06-30	- blank promissory note, - power of attorney to bank account, - statement of submission to enforcement proceedings
Pekao S.A.	Warsaw	100 000		90 000		WIBOR 1M + margin		2010-06-30	- power of attorney to bank account
Total		195 000		96 078					

Note 17F

NON-CURRENT LIABILITIES - DEBT INSTRUMENTS ISSUED (thousands PLN)

Debt instruments by type	Nominal value	Interest rate	Redemption	Guarantees/ sureties	Additional rights	Quotation market
Bonds (BRE S.A.)	150 000	WIBOR + margin	2011-05-25	-	-	-
Bonds (BRE S.A.)	100 000	WIBOR + margin	2013-05-25	-	-	-
Bonds (BRE S.A.)	300 000	WIBOR + margin	2014-06-30	-	-	-
Total	550 000					

Note 18

LEASES WITH DUE DATES REMAINING AS FROM THE BALANCE DAY (thousands PLN)	31.12.2009	31.12.2008
a) up to 12 months	91	89
b) over 1 year up to 3 years	183	179
c) over 3 years up to 5 years	184	180
d) over 5 years	39 452	33 787
Borrowings total	39 910	34 235

Note 19

TRADE LIABILITIES AND OTHER LIABILITIES (thousands PLN)	31.12.2009	31.12.2008
a) trade liabilities, payable:		
- up to 12 months	54 516	93 003
- over 12 months	11 354	5 934
	65 870	98 937
b) other liabilities:	19	1 265
- deposits received	69	76
- liabilities on account of wages and salaries	11	163
- company social benefits fund	10 741	10 914
- accrued liabilities	1 571	1 173
- other liabilities		
Trade liabilities and other liabilities total	78 281	112 528

Fair value of trade liabilities and other liabilities does not significantly differ from their balance sheet value.

Note 20

CHANGE IN PROVISIONS - BY TITLE (thousands PLN)	31.12.2009	31.12.2008
a) balance as at the beginning of period	18 260	15 814
- provision for anticipated penalties and losses	12 260	9 373
- provision for anticipated guarantee repairs, renovations, etc.	6 000	6 000
- provision for court proceedings	-	441
b) increases (on account of)		
- provision for anticipated penalties and losses	640	3 461
- provision for court proceedings	820	-
	1 460	3 461
c) utilisation (on account of)		
- incurred penalties and losses	-	215
- incurred costs arising from court proceedings	-	441
	-	656
d) release (on account of)		
- provision for anticipated penalties and losses	3 070	359
	3 070	359
d) balance as at the end of period		
- provision for anticipated penalties and losses	9 830	12 260
- provision for anticipated guarantee repairs, renovations, etc.	6 000	6 000
- provision for court proceedings	820	-
	16 650	18 260

The provision for penalties covers the value of potential penalties that can be imposed on the Company in respect of contracts signed, where the probability of imposing such penalties exceeds 50%. The provision for court proceedings covers court actions against the company, where the probability of succeeding is lower than 50%.

The provision for envisaged costs of guarantee repairs covers the value of such repairs or compensation regarding premises and projects sold, where the probability of charging such costs exceeds 50%. The provisions were estimated to the best knowledge and past experience of the Company. It is impossible to determine when the provisions for penalties and losses, envisaged costs of guarantee repairs and court proceedings are payable. However, it is highly likely that they are payable within 12 months from the balance sheet date.

EXPLANATORY NOTES TO THE CONSOLIDATED INCOME STATEMENT

Note 21A

NET INCOME FROM SALES: (thousand PLN)	01.01 - 31.12.2009	01.01 - 31.12.2008
a) letting of space in shopping centres and shopping-entertainment centres	256 315	215 809
b) sale and lease of residential areas	113 398	174 709
c) development and letting of space in office buildings and hotels	50 215	33 282
d) property trade	167	6 711
e) other incomes	11 331	7 678
Net income from sales total	431 426	438 189

Note 21B

NET INCOME FROM SALES (TERRITORIAL STRUCTURE): (thousand PLN)	01.01 - 31.12.2009	01.01 - 31.12.2008
a) Poland	431 426	438 189
b) export	-	-
Net income from sales total	431 426	438 189

The Group anticipates the following income from the signed lease contracts: in 2010 amounting to EUR 54, 140 thousand, during 2011-2014 amounting to EUR 151, 439 thousand, during 2015-2019 amounting to EUR 66, 025. The amounts will be increased by maintenance costs related to the activity of the lessees.

Note 22A

COSTS BY TYPE (thousand PLN)	01.01 - 31.12.2009	01.01 - 31.12.2008
a) depreciation	(4 389)	(4 992)
b) consumption of materials and energy	(48 459)	(41 576)
c) foreign services	(244 023)	(262 710)
d) taxes and charges	(27 267)	(21 474)
e) salaries and wages	(25 924)	(35 080)
f) social security and other performances	(3 927)	(6 006)
g) other prime costs	(6 237)	(12 392)
h) value of sold goods and materials	(74)	(104)
Costs by type total	(360 300)	(384 334)
Change in the balance of inventories, products and accruals	75 087	27 008
Cost of manufacture of products for the company's own purposes	(212 436)	(163 917)
Costs to sell	(18 009)	(21 345)
Overheads	(37 225)	(48 291)
Production cost of sold products	(167 717)	(177 789)

Note 22B

COST TO SELL: (thousands PLN)	01.01 - 31.12.2009	01.01 - 31.12.2008
a) letting of space in shopping centres and shopping-entertainment centres	(63 303)	(67 440)
b) sale and lease of residential areas	(78 821)	(88 572)
c) development and letting of space in office buildings and hotels	(17 754)	(11 532)
d) property trade	(600)	(7 759)
e) other incomes	(7 239)	(2 486)
Operating costs total	(167 717)	(177 789)

Note 23

NET PROFIT (LOSS) ON SALES OF INVESTMENTS (thousands PLN)	01.01 - 31.12.2009	01.01 - 31.12.2008
Income from sales of immovable property	-	27
Costs of sales of immovable property	-	(90)
Net profit (loss) on sales of investments	-	(63)

Note 24A

OTHER OPERATING INCOMES (thousands PLN)	01.01 - 31.12.2009	01.01 - 31.12.2008
- incomes from sales of non-financial tangible assets	528	145
- revaluation of inventories	2 739	1 119
- revaluation of other non-financial assets	-	3 710
- provisions and allowances created	5 860	8 169
- interest earnings on operating activities	6 910	16 304
- contractual penalties	2 613	5 455
- subsidies	506	360
- write-down of receivables	51	-
- indemnities	1 061	1 724
- other	1 340	1 140
Other operating incomes total	21 608	38 126

Note 24B

OTHER OPERATING COSTS (thousands PLN)	01.01 - 31.12.2009	01.01 - 31.12.2008
- costs of sales of non-financial tangible assets	(623)	(207)
- revaluation of inventories	-	(6 289)
- revaluation of receivables	(935)	(1 167)
- provisions and allowances created	(4 257)	(3 461)
- contractual penalties	(1 507)	(1 110)
- donations	(98)	(397)
- write-down of bad receivables	(195)	(224)
- costs of court proceedings	-	(16)
- costs of tax on civil law transactions	-	(812)
- extraordinary losses	(449)	-
- non-deductible VAT	(42)	-
- indemnities	(25)	-
- revaluation of associated companies	(1 570)	-
- abandoned investments	(163)	-
- vesting	(40)	-

- other	(1 154)	(1 630)
Other operating costs total	(11 058)	(15 313)

Note 25

FINANCIAL INCOMES (thousands PLN)	01.01 - 31.12.2009	01.01 - 31.12.2008
- Interest earnings on investment (loans, etc.)	772	1 739
- profits from sale of investment	1 703	2 651
- incomes from forwards revaluation	77 454	-
- incomes from options revaluation	4 918	921
- incomes from revaluation of other financial instruments (IRS)	-	428
- other financial incomes	1 574	765
Financial incomes total	86 421	6 504

Interest earnings are due to allocation of cash surplus in bank deposits (mainly O/N).

Note 26

FINANCIAL COSTS (thousands PLN)	01.01 - 31.12.2009	01.01 - 31.12.2008
- interest charge	(101 228)	(87 129)
- credits and bonds valuation	7 360	6 168
- financial commissions	(3 548)	(1 411)
-loss on sale of investments	(66 331)	(28 312)
- costs of forward revaluation	-	(226 280)
- costs of options revaluation	(5 654)	(17 406)
- costs of revaluation of shares in associated companies	-	(10 588)
- costs of revaluation of other financial instruments (IRS)	(3 536)	(138)
- other financial costs	(639)	(284)
Financial costs total	(173 576)	(365 380)

In 2009 the activated amount of external financing expenses was 1,312 thousand PLN. Yield rate amounted to 3.02% of the entire interest value.

Note 27

FOREIGN EXCHANGE GAINS (LOSSES) (thousands PLN)	01.01 - 31.12.2009	01.01 - 31.12.2008
- realized foreign exchange gains	-	-
- unrealized foreign exchange gains	28 653	-
- realized foreign exchange losses	(7 987)	(462)
- unrealized foreign exchange losses	-	(166 925)
Foreign exchange gains (losses) total	20 666	(167 387)

Note 28

DEFERRED INCOME TAX (thousands PLN)	01.01 - 31.12.2009	01.01 - 31.12.2008
1. Gross profit	129 623	145 365
2. Tax calculated at national rates	24 628	27 619
3. Differences:		
Non-taxable Income	(1 320)	(70)
Non-deductible expenses	3 604	2 868
Utilisation of tax losses previously not recognised	(2 301)	(817)
Tax losses where deferred income tax was not recognised	1 032	3 158
Partnerships' costs of period, not generating timing differences	-	8 167
Consolidation adjustments where deferred income tax was not recognized	286	229

	1 301	13 535
Total deferred income tax charge of financial result	25 929	41 154

EXPLANATORY NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Note 29

CASH CARRIED TO THE CASH FLOW STATEMENT (in thousands PLN)	01.01 - 31.12.2009	01.01 - 31.12.2008
Balance as at the beginning of period, including		
- cash in hand and on bank accounts	321 793	393 970
- other cash	-	-
- other cash equivalents	-	76
	321 793	394 046
Balance as at the end of period		
- cash in hand and on bank accounts	169 101	321 793
- other cash	-	-
- other cash equivalents	-	-
	169 101	321 793

The Group qualifies incomes earned and costs expended in relation to developer activity, i.e. provision of an extensive range of services related to the real property market, under operating activities.

Investment activity covers payment for acquired and sold components of fixed assets, i.e. tangible assets; intangible assets, financial deposits, granting and repayment of loans, including benefits earned on deposits and granted loans.

Financial activity refers to obtaining own and foreign equity involved as short- and long-term credits and cash loans, their repayment and handling (interest charge).

The differences between specific cash flow items in operating activities and the amounts of changes in respective balance sheet items presented in the financial statements result from static re-qualification between balance sheet items (without cash flow) and adjustment of balance sheet changes by cash flows concerned with investing and financial activities.

SEGMENT REPORTING - INDUSTRY SEGMENT

Note 30A

ASSET TO SEGMENT ALLOCATION (thousands PLN)	31.12.2009	31.12.2008
- shopping centres	2 654 480	2 823 983
- office buildings	901 837	607 776
- residential areas	378 386	447 672
- non-allocated assets	337 581	318 545
Assets total	4 272 284	4 197 976

Note 30B

LIABILITY TO SEGMENT ALLOCATION (thousands PLN)	31.12.2009	31.12.2008
- shopping centres	1 105 925	1 181 140
- office buildings	353 609	301 179
- residential areas	57 866	118 763

- non-allocated liabilities	1 021 206	956 302
Liabilities total	2 538 606	2 557 384

Note 30C

OPERATING INCOME TO SEGMENT ALLOCATION (in thousands PLN)	31.12.2009	31.12.2008
- shopping centres	256 315	215 809
- office buildings	50 215	33 282
- residential areas	113 398	174 709
- non-allocated income	11 498	14 389
Operating income total	431 426	438 189

Nota 30D

OPERATING EXPENSES TO SEGMENT ALLOCATION (in thousands PLN)	31.12.2009	31.12.2008
- shopping centres	(63 303)	(67 440)
- office buildings	(17 754)	(11 532)
- residential areas	(78 821)	(88 572)
- non-allocated income	(7 839)	(10 245)
Operating expenses total	(167 717)	(177 789)

Date: April 30, 2010

The Management Board of Echo Investment S.A.

Piotr Gromniak

Artur Langner

President of the Management Board

Vice-President of the Management Board

Person in charge of keeping book of accounts:

Tomasz Sulek

Chief Accountant

raport roczny

2009

annual report

echo

I N V E S T M E N T

**MANAGEMENT BOARD REPORT
ON THE OPERATIONS OF
ECHO INVESTMENT CAPITAL GROUP
IN 2009**

Report on the operations of Echo Investment Capital Group in 2009

Echo Investment Capital Group (the Capital Group) has been operating on the real estate market since 1996. The dominant company in the Capital Group is Echo Investment S.A. (the Issuer, the Company), which has been quoted on the Warsaw Stock Exchange since March 1996. Echo Investment S.A. organizes the entire investment process for a given project, starting from purchasing real property, through obtaining administrative decisions, financing, supervision over execution, until handover of the completed facility. Echo Investment S.A. either acts on its own behalf or provides general contracting services for a subsidiary established for that particular purpose. Execution of developer projects by subsidiaries considerably facilitates implementation of the process and ensures transparent structure of the Group. These companies are mainly involved in leasing commercial areas (shopping and entertainment centres, offices), and, to a lesser extent, in realization and sales of apartments, and property management services. The Company also provides general contracting and project management services for third party investors.

Echo Investment Capital Group's operations can be divided into four major segments:

- (a) construction and letting of space in shopping centres and shopping-entertainment centres;
- (b) building and selling apartments;
- (c) building and letting office space;
- (d) building and selling hotels.

The Capital Group runs its business activities in the territory of Poland, Hungary, Romania and Ukraine.

Employment at Echo Investment Capital Group is as follows:

Balance as at	December 31, 2009	December 31, 2008
Headcount	304	345

1. Structure of Echo Investment Capital Group

Echo Investment S.A., which is the owner of Group companies, plays the major part in the structure of the Capital Group through supervising, partnering in execution and providing funds for execution of current developer projects. The group companies have been established or acquired for the purpose of performing certain investment tasks. They do not engage in any type of business activity other than that involved with development of a specific project, followed by provision of lease services of already completed property components or other services.

The Capital Group also provides accounting services (subsidiary Echo - ACC Sp. z o.o.) and property management services (subsidiary Est-On Sp. z o.o.) for entities comprising the Group and, to a smaller extent, to third party companies.

As at December 31, 2009, Echo Investment Capital Group consists of 81 subsidiaries that are fully consolidated, 1 partially owned subsidiary consolidated according to the proportional method, and 2 companies valued according to ownership rights method.

Fully consolidated companies:

- „Athina Park” Spółka z o.o. with its registered seat in Kielce
- „Centrum Handlowe PHS” Spółka Akcyjna with its registered seat in Szczecin
- „Budivelnuy Soyuz Monolit” LLC with its registered seat in Kiev
- „Echo – Arena” Spółka z o.o. with its registered seat in Kielce
- „Echo – Arena Sp. z o.o.” Spółka komandytowa with its registered seat in Kielce
- „Echo – Aurus” Sp. z o.o. with its registered seat in Kielce
- „Echo – Building Ingatlanhasznosito” Kft. with its registered seat in Budapest
- „Echo – Centrum Bankowości i Finansów Łódź” Spółka z o.o. with its registered seat in Kielce
- „Echo – Centrum Bełchatów” Spółka z o.o. with its registered seat in Kielce
- „Echo – Centrum Biznesu Łódź” Spółka z o.o. with its registered seat in Kielce
- „Echo – Centrum Jelenia Góra” Spółka z o.o. with its registered seat in Jelenia Góra
- „Echo – Centrum Poznań” Spółka z o.o. with its registered seat in Kielce
- „Echo – Centrum Przemysł” Spółka z o.o. with its registered seat in Kielce
- „Echo – Centrum Rzeszów” Spółka z o.o. with its registered seat in Kielce
- „Echo – Centrum Tarnów” Spółka z o.o. with its registered seat in Kielce
- „Echo – Galaxy” Spółka z o.o. with its registered seat in Kielce
- „Echo – Galaxy spółka z ograniczoną odpowiedzialnością” Spółka Komandytowa with its registered seat in Kielce
- „Echo – Galaxy Szczecin” Sp. z o. o. with its registered seat in Szczecin
- „Echo – Galeria Kielce” Sp. z o.o. with its registered seat in Kielce
- „Echo – Kielce 1” Sp. z o.o. with its registered seat in Kielce
- „Echo – Metropolis” Spółka z o.o. with its registered seat in Kielce
- „Echo – Oxygen” Sp. z o.o. with its registered seat in Kielce (previously „Projekt Echo - 65” Spółka z o.o. with its registered seat in Kielce)
- „Echo – Park Postępu” Spółka z o.o. with its registered seat in Kielce
- „Echo – Pasaż Grunwaldzki” Spółka z o.o. with its registered seat in Kielce
- „Echo – Pasaż Grunwaldzki spółka z ograniczoną odpowiedzialnością” Spółka komandytowa with its registered seat in Kielce
- „Echo – Project – Management Ingatlanhasznosito” Kft. with its registered seat in Budapest
- „Echo – Project 1” LLC with its registered seat in Kiev
- „Echo – Project 2” LLC with its registered seat in Kiev
- „Echo – Property Poznań 1” Sp. z o.o. with its registered seat in Kielce
- „Echo – SPV 6” Sp. z o.o. with its registered seat in Kielce
- „Echo – Veneda” Sp. z o.o. with its registered seat in Kielce
- „Echo ACC” Spółka z o.o. with its registered seat in Kielce
- „Echo Bau” Spółka z o.o. with its registered seat in Kielce
- „Echo Investment – Centrum Handlowe Piotrków Trybunalski” Spółka z o.o. with its registered seat in Kielce
- „Echo Investment Hungary Ingatlanhasznosito Kft.” with its registered seat in Budapest
- „Echo Investment Project 1” S.R.L. with its registered seat in Bucharest
- „Echo Investment Project Management” S.R.L. with its registered seat in Bucharest
- „Echo Investment Ukraine” LLC with its registered seat in Kiev
- „EI Project Cyp – 1” Limited with its registered seat in Nicosia
- „Est On Property Management” Spółka z o.o. with its registered seat in Kielce
- „Malta Office Park” Spółka z o.o. with its registered seat in Kielce
- „MDP” Spółka z o.o. with its registered seat in Kielce
- „Princess Boryszewska” Spółka z o.o. with its registered seat in Kielce
- „Princess Investment” Spółka z o.o. with its registered seat in Kielce
- „Projekt Echo - 17” Spółka z o.o. with its registered seat in Kielce
- „Projekt Echo - 30” Spółka z o.o. with its registered seat in Kielce
- „Projekt Echo - 37” Spółka z o.o. with its registered seat in Kielce
- „Projekt Echo - 39” Spółka z o.o. with its registered seat in Kielce

- „Projekt Echo - 41” Spółka z o.o. with its registered seat in Kielce
- „Projekt Echo - 41 spółka z ograniczoną odpowiedzialnością” Spółka Komandytowa with its registered seat in Kielce
- „Projekt Echo - 42” Spółka z o.o. with its registered seat in Kielce
- „Projekt Echo - 42 spółka z ograniczoną odpowiedzialnością” Spółka Komandytowa with its registered seat in Kielce
- „Projekt Echo - 43” Spółka z o.o. with its registered seat in Kielce
- „Projekt Echo - 44” Spółka z o.o. with its registered seat in Kielce
- „Projekt Echo - 45” Spółka z o.o. with its registered seat in Kielce
- „Projekt Echo - 45 spółka z ograniczoną odpowiedzialnością” Spółka Komandytowa with its registered seat in Kielce
- „Projekt Echo - 46” Spółka z o.o. with its registered seat in Kielce
- „Projekt Echo - 47” Spółka z o.o. with its registered seat in Kielce
- „Projekt Echo - 53” Spółka z o.o. with its registered seat in Kielce
- „Projekt Echo - 54” Spółka z o.o. with its registered seat in Kielce
- „Projekt Echo - 55” Spółka z o.o. with its registered seat in Kielce
- „Projekt Echo - 56” Spółka z o.o. with its registered seat in Jelenia Góra
- „Projekt Echo - 57” Spółka z o.o. with its registered seat in Kielce
- „Projekt Echo - 58” Spółka z o.o. with its registered seat in Kielce
- „Projekt Echo - 59” Spółka z o.o. with its registered seat in Kielce
- „Projekt Echo - 61” Spółka z o.o. with its registered seat in Kielce
- „Projekt Echo - 62” Spółka z o.o. with its registered seat in Kielce
- „Projekt Echo - 63” Spółka z o.o. with its registered seat in Kielce
- „Projekt Echo - 67” Spółka z o.o. with its registered seat in Kielce
- „Projekt Echo - 68” Spółka z o.o. with its registered seat in Kielce
- „Projekt Echo - 69” Spółka z o.o. with its registered seat in Kielce
- „Projekt Echo - 70” Spółka z o.o. with its registered seat in Kielce
- „Projekt Echo - 77” Spółka z o.o. with its registered seat in Kielce
- „Projekt Echo - 93” Spółka z o.o. with its registered seat in Kielce
- „Projekt Naramowice” Spółka z o.o. with its registered seat in Kielce
- „Projekt Naramowice Poznań” Spółka z o.o. with its registered seat in Kielce
- „SPV - 1” Sp. z o.o.
- „Projekt S” Spółka z o.o. with its registered seat in Kielce
- „Ultra Marina” Sp. z o.o. with its registered seat in Kielce
- „Yevrobudgarant” LLC with its registered seat in Kiev
- „Zakłady Ogrodnicze Naramowice” Spółka z o.o. with its registered seat in Poznań

„Wan 11” Spółka z o.o. with its registered seat in Warsaw is partially-owned subsidiary.

Companies valued according to ownership rights method:

- „W.A. Hotele” Spółka z o.o. with its registered seat in Warsaw
- „WAN Invest” Spółka z o.o. with its registered seat in Warsaw

All wholly and partially owned subsidiaries and affiliated companies are consolidated. The dominant company holds 100% of basic capital, directly or indirectly, in all fully consolidated subsidiaries.

In subsidiaries partially-owned by minority shareholders, Echo Investment is the holder of the following respective shares:

- „WAN 11” Sp. z o.o. – 50% of basic capital and 50% of voting rights at the general meeting of shareholders;
- „Projekt S” Sp. z o.o. – 95% of basic capital and 95% of voting rights at the general meeting of shareholders.

Equity relationships within the Capital Group concern the following:

- „MDP” Sp. z o.o., holding 1.84% of basic capital of „Echo Investment – Centrum Handlowe Piotrków Trybunalski” Sp. z o.o.;

- „Zakłady Ogrodnicze Naramowice” Sp. z o.o., holding 99.8% of basic capital of „Projekt Naramowice” Sp. z o.o.;
- „Echo – Kielce 1” Sp. z o.o., holding:
- 99.97% of basic capital of „Echo – Galeria Kielce” Sp. z o.o.;
- 100% of basic capital of „Princess Boryszewska” Sp. z o.o.
- „Projekt Echo - 37” Sp. z o.o., holding 0.001% of basic capital of „Echo - SPV 6” Sp. z o.o.;
- „Echo – Pasaż Grunwaldzki” Sp. z o.o., holding 1% of basic capital of „Echo – Pasaż Grunwaldzki Sp. z o.o.” Spółka komandytowa;
- „Echo - Arena” Sp. z o.o., holding 1% of basic capital of „Echo - Arena Sp. z o.o.” Spółka komandytowa;
- „Echo – Galaxy” Sp. z o.o., holding 1% of basic capital of „Echo – Galaxy Sp. z o.o.” Spółka komandytowa;
- „Echo – Galaxy Szczecin” Sp. z o.o., holding 1% of basic capital of „Echo – Galaxy Sp. z o.o.” Spółka komandytowa;
- „Projekt Echo - 93” Sp. z o.o., holding 0.01% of basic capital of
- „Echo – Galeria Kielce” Sp. z o.o.;
- „Projekt Echo - 41” Sp. z o.o., holding 1% of basic capital of „Projekt Echo - 41 Sp. z o.o.” Spółka komandytowa;
- „Projekt Echo - 42” Sp. z o.o., holding 1% of basic capital of „Projekt Echo - 42 Sp. z o.o.” Spółka komandytowa;
- „Projekt Echo – 43” Sp. z o.o., holding 0.01% of basic capital of „Echo – Galaxy Sp. z o.o.” Spółka komandytowa;
- „Projekt Echo - 45” Sp. z o.o., holding 1% of basic capital of „Projekt Echo - 45 Sp. z o.o.” Spółka komandytowa;
- „Echo – Centrum Bankowości i Finansów Łódź” Spółka z o.o., holding 47.98% of basic capital of „Projekt Echo - 53” Sp. z o.o.;
- „Echo – Centrum Biznesu Łódź” Spółka z o.o., holding 51.96% of basic capital of „Projekt Echo - 53” Sp. z o.o.;
- „Echo – Centrum Tarnów” Sp. z o.o., holding 99.93% of basic capital of „Projekt Echo - 61” Sp. z o.o.;
- „Echo – Centrum Jelenia Góra” Sp. z o.o., holding 99.93% of basic capital of „Projekt Echo – 56” Sp. z o.o.;
- „Echo – Galaxy Sp. z o.o.” Sp. k., which holds 99.99% of basic capital of „Echo – Galaxy Szczecin” Sp. z o.o.;
- „Echo – Pasaż Grunwaldzki Sp. z o.o.” Sp. k., holding 99.99% of basic capital of „Projekt Echo – 62” Sp. z o.o.;
- „Echo – Centrum Poznań” Sp. z o.o., holding 39.64% of basic capital of „Echo – Metropolis” Spółka z o.o. with its registered seat in Kielce;
- „Echo Investment Ukraine” LLC, holding:
- 100% of basic capital of „Echo – Projekt 1” LLC
- 99.99% of basic capital of „Echo – Projekt 2” LLC
- 1.00% of basic capital of „Budivelnuy Soyuz Monolit” LLC
- „Echo – Projekt 1” LLC, holding 0.01% of basic capital of „Echo – Projekt 2” LLC;
- „EI Project Cyp – 1” Limited, holding 100% of basic capital of „Yevrobudgarant” LLC;
- „Yevrobudgarant” LLC, holding 99% of basic capital of „Budivelnuy Soyuz Monolit” LLC;
- „Echo Investment Project 1” SRL, holding 0.007% of basic capital of „Echo Investment Project Management” SRL;
- „Projekt Naramowice” Sp. z o.o., holding 99.97% of basic capital of „Projekt Naramowice Poznań” Sp. z o.o.
- „Projekt Echo - 17” Sp. z o.o., holding respectively :
- 1.00% of capital of „Echo Aurus” Sp. z o.o.;
- 1.00% of capital of „Projekt Echo - 37” Sp. z o.o.;
- 1.00% of capital of „Projekt Echo - 39” Sp. z o.o.;
- 1.00% of capital of „Echo ACC” Sp. z o.o.;
- 1.00% of capital of „Projekt Echo - 30” Sp. z o.o.;

- 1.00% of capital of „Echo – Galaxy” Sp. z o.o.;
- 1.00% of capital of „Echo – Pasaż Grunwaldzki” Sp. z o.o.;
- 1.00% of capital of „Est On Property Management” Sp. z o.o.;
- 1.00% of capital of „Projekt Echo - 41” Sp. z o.o.;
- 1.00% of capital of „Projekt Echo - 42” Sp. z o.o.;
- 1.00% of capital of „Projekt Echo - 43” Sp. z o.o.;
- 1.00% of capital of „Projekt Echo - 44” Sp. z o.o.;
- 1.00% of capital of „Projekt Echo - 45” Sp. z o.o.;
- 1.00% of capital of „Projekt Echo - 93” Sp. z o.o.;
- 0.1% of capital of „Projekt Echo - 46” Sp. z o.o.;
- 0.1% of capital of „Projekt Echo - 55” Sp. z o.o.;
- 0.1% of capital of „Projekt Echo - 57” Sp. z o.o.;
- 0.1% of capital of „Projekt Echo - 58” Sp. z o.o.;
- 0.1% of capital of „Projekt Echo - 59” Sp. z o.o.;
- 0.1% of capital of „Projekt Echo - 67” Sp. z o.o.;
- 0.1% of capital of „Projekt Echo - 68” Sp. z o.o.;
- 0.1% of capital of „Projekt Echo - 69” Sp. z o.o.;
- 0.1% of capital of „Projekt Echo - 70” Sp. z o.o.;
- 0.1% of capital of „Projekt Echo - 77” Sp. z o.o.;
- 0.05% of capital of „Echo – Arena” Sp. z o.o.;
- 0.05% of capital of „EI Project Cyp - 1” Limited;
- 0.03% of capital of „Malta Office Park” Sp. z o.o.;
- 0.03% of capital of „Echo - SPV 6” Sp. z o.o.;
- 0.02% of capital of „Echo – Centrum Biznesu Łódź” Sp. z o.o.;
- 0.02% of capital of „Projekt Naramowice” Sp. z o.o.;
- 0.008% of capital of „Athina Park” Sp. z o.o.;
- 0.007% of capital of „Echo – Centrum Veneda” Sp. z o.o.;
- 0.006% of capital of „Echo – Centrum Bełchatów” Sp. z o.o.;
- 0.006% of capital of „Echo – Centrum Rzeszów” Sp. z o.o.;
- 0.005% of capital of „Echo - Property Poznań 1” Sp. z o.o.;
- 0.004% of capital of „Echo – Centrum Tarnów” Sp. z o.o.;
- 0.002% of capital of „MDP” Sp. z o.o.;
- 0.002% of capital of „Echo Investment – Centrum Handlowe Piotrków Trybunalski” Sp. z o.o.;
- 0.002% of capital of „Echo – Kielce 1” Sp. z o.o.;
- 0.001% of capital of „Echo – Galaxy Szczecin” Sp. z o.o.;
- 0.001% of capital of „Echo – Oxygen” Sp. z o.o. (previously: „Projekt Echo - 65” Spółka z o.o.)
- 0.001% of capital of „Echo Park Postępu” Spółka z o.o.;
- 0.001% capital of „Echo – Metropolis” Spółka z o.o.;
- 0.001% of capital „Projekt Echo - 47” Sp. z o.o.;
- 0.001% capital of „Projekt Echo - 53” Sp. z o.o.;
- 0.001% capital of „Projekt Echo - 54” Sp. z o.o.;
- 0.001% capital of „Projekt Echo - 56” Sp. z o.o.;
- 0.001% capital of „Projekt Echo - 61” Sp. z o.o.;
- 0.001% capital of „Projekt Echo - 62” Sp. z o.o.;
- 0.001% capital of „Projekt Echo - 63” Sp. z o.o.;

The remaining shares in the above mentioned companies are held by Echo Investment S.A

2. Description of basic economic and financial values presented the financial statements of Echo Investment Capital Group for 2009

Consolidated balance sheet

Balance total of the Capital Group as at the end of 2009 amounted to **PLN 4 237 964 thousand**, showing an increase in value by **2.0%** in comparison with the balance as at the end of 2008.

Assets

The structure of assets as at the end of 2009 was the following:

- fixed assets constitute **82.8%** of all assets, with investment property as the dominant item corresponding to **79.3%** of fixed assets, investment property under construction corresponding to **20.1%** of total fixed assets,
- current assets constitute **17.2%** of all assets, including inventories – **57.5%** of total current assets, receivables – **18.0%** of current assets, and cash – **23.1%** of total current assets.

Liabilities

- share capital of Echo Investment S.A., the dominant company, as at December 31, 2009, was worth **PLN 21.0 million** and was divided into **420,000,000** ordinary bearer shares series A, B, C, D, E and F, with par value of **PLN 0.05** each,
- the value of consolidated equity as on December 31, 2009 amounted to **PLN 1 733 678 thousand**, showing an increase by **5.7%** in comparison with the balance as at the end of December 2009.
- Consolidated net book value per share is **PLN 4.13** liabilities constituted **52.9%** of balance total and amounted to **PLN 2 242 421 thousand**.

Consolidated income statement

- consolidated net sales incomes reached the value of **PLN 431 426 thousand** in 2009,
- consolidated earnings before tax and financial incomes / expenses as at the end of December 2009 amounted to **PLN 196 140 thousand**, corresponding to **70.8%** growth as compared to earnings for 2008,
- consolidated gross profit amounted to **PLN 129 525 thousand**, i.e. **10.8%**, less than the value for 2008.
- consolidated net profit amounted to **PLN 103 696 thousand**, which is a **0.5%** decrease in comparison to the **PLN 104 221 thousand** profit in 2008,
- consolidated net profit per share for the last 12 months was **PLN 0.25**.

Consolidated cash flow statement

- the reporting period began with cash balance of **PLN 321 793 thousand**, on operating activities, the Capital Group recorded income of cash in the amount of **PLN 185 026 thousand** in 2009,
- on investment activities, the Capital Group recorded expenditure of cash in the amount of **PLN 393 400 thousand** as at the end of December 2009,
- on financial activities, the Group recorded income of cash in the amount of **PLN 63 275 thousand**,
- during the period from January 01, 2008 to December 31, 2009, cash balance decreased by **PLN 152 692 thousand**, including **PLN 7 593 thousand** increase on account of foreign exchange rate fluctuations,
- cash as at the end of December 2009 amounted to **PLN 169 101 thousand**.

1. Description of major risk factors and threats, specifying the extent of the Issuer's Capital Group exposure

The following should be classified among major risk factors and threats for the operations of Echo Investment S.A. and Echo Capital Group:

- **competition risk** - the real estate market in Poland has become very attractive for foreign investors in the recent years due to achievable rates of return. The advantages of foreign companies include their capital resources, which constitute competitive advantage over domestic developer companies. The advantage of Echo Investment S.A. is its extensive experience in execution of developer projects in various market segments and its recognized position in the real estate market in Poland. The Capital Group's rapid growth during the recent years and its portfolio of assets show that Echo Investment S.A. is capable of efficient functioning in competitive market conditions.
- **risk of operations on foreign markets** - related to the economic and political situation in the country where the Company operates. The Company's policy relies on diversification of geographic locations (Central and Eastern Europe) and sector-based diversification of its portfolio.
- **interest rate risk** - the activities of Echo Investment S.A. and its subsidiaries are based on external financing. The risk related to changes in interest rates is limited through diversification of interest on loans taken and hedging instruments (fixed rates, IRS). Echo Investment S.A. as the dominant company focuses the operations in the financial market, whose range covers the finance of the entire capital group.
- **foreign exchange risk** - this refers to loans expressed in foreign currencies (most commonly in Euro) within the Capital Group. Fluctuations in exchange rates of currencies used for settlements result in the Group's higher exposure to currency risk. Contracts with lessees are expressed in the currency of the credit taken for its refinancing. Thus obtained payments from lessees are allocated to repayment of the above mentioned credit facilities. Such combination of financing with sources of income significantly minimizes foreign exchange risk (natural hedging); in addition, considering the significant impact of foreign exchange rates fluctuations on the value of future cash flows, Echo Group takes advantage of other available financial instruments for minimizing currency risk, including forward transactions or currency options. These instruments are used mainly for securing future cash flows involved in newly obtained credits in foreign currencies.
- **risk of lessees' financial condition** - most of incomes are earned within the range of the capital group's operations from lease of commercial and office space. The key aspect is selection of lessees with stable economic and financial condition. In shopping centre, tenants include chain operators (Tesco, Carrefour, NOMI, brand clothing shops, multi-screen cinemas, etc.). Cooperation with tenants enables undertaking such activities that would continuously improve the attractiveness of leased areas and emphasize the prestige of a given building, thus attracting new clients. The following companies can be mentioned among clients in office buildings: Polkomtel S.A., Deutsche Leasing, and others.
- **risk related to external contractors** - when acting as an investor in a given project, Echo Investment S.A. or its subsidiary contracts its execution from third party companies. Execution of these facilities, timely completion and quality would largely depend on these companies. This factor is eliminated to a significant extent through various types of protective measures included in construction contracts.
- **risk of administrative procedures** - associated with legal changes and time-consuming administrative procedures. Time-consuming procedures of administrative authorities, both home and abroad, determine the date of commencement of the Company's planned investments and may lead to delays in their completion. At the same time, extensive third party authority to interfere with the advancement of administrative procedures would

frequently extend the duration of investment process, affecting its completion date and profitability.

- **liquidity risk** - the Group manages its liquidity risk through constantly maintaining a sufficient amount of available funds in the form of cash on bank accounts and/or funds assigned through available lines of credit, as well as through monitoring continuously forecast and actual cash flows. Factors of special importance for Echo Investment Group to maintain its liquidity include a stable portfolio of long-term projects for lease (shopping centres, shopping/entertainment centres, and offices), which tend to generate higher profits year by year from lease of space.
- **risk of adverse changes on the real estate market** - relating to adverse variation of market factors influencing Echo Capital Group's activities on the property market. Echo Investment S.A. and the subsidiaries try to minimize the risk of adverse changes on the real estate market through executing investment projects in stages and adapting investment realization rate to expectations, trends, demand and prices on local markets.
- **social and economic risks** - risks related to impacts of macro-economic factors beyond Echo Investment Capital Group's control, affecting achievement of the Group's strategic goals and financial results. Such factors include mainly: inflation, overall condition of the Polish economy, change of economic situation, GNP, variations of realistic incomes of the community, and tax policies. Changes of macroeconomic factors may contribute to a decrease of envisaged incomes or to an increase of operating costs. This is particularly important considering lower GNP growth, deepening State budget deficit, and growing unemployment, which should ultimately lead to a decrease in actual incomes of the population. Social and economic reality may have an impact on Echo Group's revenues and financial result as operating the developed facilities, both in the housing sector and the office, shopping & entertainment sectors, depends on consumers and funds they are able to assign to expenditures.

4. Information about key products, specification of their values, quantities and percentages of specific product groups in overall sales volume of Echo Investment Capital Group. Information about changes in the above fields during the financial year.

4.1. Operating segments

During 2009, Echo Investment S.A. and Capital Group companies were developing projects initiated in the previous years, and became involved in new investments in the segments described below.

To minimise the risk of adverse changes in the real estate market, Echo Capital Group may execute investment projects in stages and adapt the pace of investment realisation to expectations, trends, demand and prices in local markets. The Group is carefully monitoring the developments in the real estate market and therefore, decisions concerning implementation of specific projects are taken on an individual basis, according to the assessment of current market conditions. All project completion dates are flexibly and reasonably adapted to actual circumstances.

The Polish market

Segment of shopping centres and shopping and entertainment centres

The stability of the market of shop floor areas results from high market demand, adaptability to specific clients' requirements, and high diversification of sectors and industries.

Tenants of commercial areas in these buildings are domestic and international shopping chains, as well as local companies. Key tenants in shopping centres include: Carrefour, Tesco, Real, Nomi, RTV Euro AGD, Empik, Douglas, Rossmann and other chain brands.

In its property portfolio the Capital Group has 10 shopping and shopping and entertainment centres. The centres owned by the group as at December 31, 2009 are shown in the table below:

Project Location and Name	Leasable space [square m GLA]
Bełchatów – Galeria Echo	9 300
Jelenia Góra – Galeria Echo	19 000
Pabianice – Galeria Echo	13 500
Piotrków – Galeria Echo	17 400
Przemyśl – Galeria Echo	4 900
Radom – Galeria Echo	19 500
Tarnów – Galeria Echo	20 200
Warszawa – Alma	1 500
Total shopping centres	105 300
Kielce – Galeria Echo	26 000
Szczecin – Galaxy	41 700
Wrocław – Pasaż Grunwaldzki	48 700
Total shopping and entertainment centres	116 400
Total commercial projects	221 700

Moreover, the Capital Group also owns land for the development of future projects. Projects in progress and under preparation, in alphabetical order:

Bełchatów, shopping-entertainment centre (extension of Echo shopping centre)

An extension of the existing Echo shopping centre is planned in Bełchatów, at Kolejowa Street. The existing facility will be modernized and a new building with extra commercial space will be erected on the neighbouring plot of land. Following the extension the Centre will operate under the name Galeria Olimpia. Its total floor area will be about 26,000 square metres (leasable area). More than 750 parking places will be made available to customers. The anticipated date of delivery of this project is 2012.

Kalisz, shopping-entertainment centre

Echo Capital Group intends to develop a modern regional shopping and entertainment centre on its immovable property located in Kalisz. The facility will be built at Górnośląska Street and the Amber Route. A leasable area is about 32,000 square metres. The development is scheduled for completion for the first half of 2013.

Kielce, Galeria Echo shopping-entertainment centre (extension)

During 2009, extension works were carried out for the Galeria Echo shopping & entertainment centre in Kielce, including the construction of the seven-storey parking lot with an area of 45,000 square metres. The parking lot was designed by Pracownia Architektoniczna Detan (Architectonic Design Office) from Kielce, and the construction of the building was designed by JORDAHL & PFEIFER Technika Budowlana Sp. z o.o. The general contractor is EIFFAGE BUDOWNICTWO MITEX S.A. The development of the multi-storey parking lot was completed in August 2009. A shopping-

entertainment centre with an area three times bigger than the parking lot (ca. 65,000 square metres of a leasable area) will be opened in 2011.

Koszalin, shopping-entertainment centre

It is planned to develop a modern shopping & entertainment centre in Koszalin, at Krakusa i Wandy Street. The total leasable area will amount to ca. 22,500 square metres. The development is scheduled for completion in the first half of 2013.

Lublin, shopping-entertainment centre

The Company's investment plans include the development of Park Echo in Górki Czechowskie, Lublin. The Company plans to develop the following projects on the aforementioned property:

- a shopping-entertainment centre (Centre), with a total selling area up to 80,000 sq m, execution of which will be accompanied by the re-construction of the roads network around the planned Centre as an indispensable part of the service of the Centre,
- service and office complex as a supplement to the functional portfolio of the Centre,
- amusement and landscape park with an urban character.

The Management Board of the Company is trying to reach an agreement with the Lublin Municipality on the details concerning the investment project scheduled by Echo Investment Group.

Łomża, VENEDA shopping-entertainment centre

Erection of the shopping centre in Łomża is going to supplement the Company's portfolio of retail space. The centre will be built at the crossing of Zawadzka and Sikorskiego Streets. The shopping centre will have approximately 14,000 square metres of floor space. In mid-2009, the City Council adopted a Local Spatial Development Plan for the centre, which enabled the Company to take further steps in project execution. The Galeria Veneda development is scheduled for completion in the first half of 2012.

Poznań, METROPOLIS shopping-entertainment centre

Echo Capital Group is planning to build a modern shopping and entertainment centre called METROPOLIS on its property situated in Poznań, at Hetmańska Street, offering about 80,000 sq m of space for rent. The Group is currently determining the architectural concept of the design. The development is scheduled for completion in the second half of 2013.

Słupsk, ARENA shopping-entertainment centre

The Company is planning to build a shopping and entertainment centre called Arena on its immovable property situated in Słupsk, at Grottgera Street. The facility will offer about 38,000 sq. m of leasable area. 94% of the area has already been let. The Capital Group obtained a building permit for the erection of the aforementioned centre. Implementation works are going to start as soon as financing is obtained.

Szczecin, ASTRA shopping Centre

Astra shopping centre will be developed in the place of the facility operating at A. Struga Street in Szczecin. Total leasable area of the shopping centre will be about 25,000 square metres. The next stage of the project, which is to be commenced in the future, includes also a development of an entertainment centre. Astra shopping Centre will be delivered in the second half of 2011.

Wrocław, PASAŻ GRUNWALDZKI shopping-entertainment centre (extension)

Pasaż Grunwaldzki is a shopping-entertainment centre located at Plac Grunwaldzki in Wrocław. Currently, nearly 200 shops and service outlets operate on the approximate area of 52,000 square metres. Echo Capital Group intends to expand this project. When completed the centre will have over 68,000 square metres of leasable area. Almost 50 new shops will be opened in the shopping section, and nearly 1,600 parking places will be made available to customers. The extended centre will be delivered in 2012.

Other shopping centres and shopping-entertainment centres

Echo Capital Group also intends to extend some of its existing shopping and shopping-entertainment centres. These projects are currently in the phase of obtaining additional land and administrative decisions.

Future operations of Capital Group companies will focus on the execution of new projects, also including projects in smaller Polish towns, as well as the increasing of the portfolio of commercial areas for lease, including the extension of existing projects.

SEGMENT OF OFFICE SPACE

In the office space segment Echo Investment Capital Group has facilities to let in Warsaw, Poznan, and Szczecin. In the office space segment Echo Investment Capital Group has facilities to let in Warsaw, Poznan, and Szczecin.

Although this market segment is highly competitive, due to their proper location and appropriate standards, the projects in Echo Capital Group's portfolio ensure stable income from long-term lease contracts. Office space is rented to recognized companies such as: Polkomtel SA, Deutsche Leasing, Impel SA, Colgate-Palmolive, Porr Polska, Modzelewski & Rodek, Roche Diagnostic Polska and others.

In its property portfolio the Capital Group has 6 office projects. The office projects owned by the Group as at December 31, 2009 are shown in the table below:

Project location and name	Leasable space [square m. GLA]
Warszawa – Babka Tower	6 200
Warszawa – Athina Park	12 800
Warszawa – Postępu 3*	10 200*
Warszawa – Park Postępu**	26 200**
Poznań – Malta Office Park, stage I	6 800
Poznań – Malta Office Park, stage II***	6 800
Office projects total	69 000

* The Capital Group holds 50% of the project's shares (the figure indicated in the above table includes the 50% share)

** the total area GLA of the complex of buildings in Park Postępu amounts to 33,700 sq m.

*** the total area GLA of Malta Office Park project, stage II amounts to 15,200 sq m.

Projects in progress and under preparation, in alphabetical order:

Gdansk, project at Jana z Kolna Street

The Company intends to develop office space on the immovable property in Gdańsk, at Jana z Kolna Street. The class A building designed by Arch-Deco design studio of Gdynia shall comprise over

23,000 sq m of leasable area. Administrative procedures are currently advancing in regard of obtaining the required permits and design works. The anticipated start date of development is the first half of 2011, and the date of delivery of the building to lessees is the second half of 2012.

Katowice, project at Francuska Street

A business park with a leasable area of ca. 50,000 square metres is planned on the Company's land in Katowice at the crossing of al. Górnośląska and Francuska Street. This facility, designed by DDJM Biuro Architektoniczne design office, will be executed in three stages. Administrative procedures are now in progress for obtaining a building permit for the planned office complex. The commencement of the first stage of this development is scheduled for the first half of 2011. The whole facility will be ready for opening in the second half of 2012.

Cracow, AVATAR project

In 2009 a modern class A office building with an overground and underground parking lot was being developed at Lea Street in Cracow. The architectonic concept was designed by DDJM Biuro Architektoniczne Sp. z o.o. design office in Cracow. The contractor of the raw state will be the company Modzelewski & Rodek Sp. z o.o. from Warsaw. 100% of space in the building was rented by Fortis Bank Polska SA with its registered seat in Cracow. The rented area amounts to ca. 11,000 sq m. In January 2010 about one-third of the building area was delivered. The completion of the whole project is scheduled in the second quarter of 2010.

Cracow, project at Opolska Street

A modern class A office project is scheduled for development on the land property in Krakow, at Opolska and 29 Listopada Streets, with a leasable area in excess of 60,000 sq m. Administrative procedures are now in progress for obtaining a building permit for the planned office complex. The project will be executed in three stages, with commencement expected in the first half of 2011 and the first stage is planned to be finished in the second half of 2012.

Łódź, AURUS project

In order to optimise the investment project, the design of two class A office buildings located on the property in Łódź, at Piłsudskiego Street is undergoing changes at the moment. The redesigning will allow for a more flexible adaptation to the situation on the property market and will let the Group execute and sell the project in stages. A total leasable area of the project is ca. 20,000 square metres. According to the plans, the execution of the first stage will finish in the first half of 2012.

Poznań, Malta Office Park

During 2009, development works were carried out on the consecutive second stage of that complex, incorporating about 15,000 square meters of leasable area. The first part was handed over to operators in December 2009, the next one will be ready in the second half of 2010. In June 2009 a legally-binding building permit was obtained for the 3rd stage of investment, with start date scheduled for the second half of 2010 and date of delivery to users before the end of 2011. The envisaged leasable area of the entire complex shall be about 31,000 square metres.

Szczecin, Oxygen project

In July 2009 execution of a modern office building Oxygen project was re-commenced on the property located in Szczecin at Malczewskiego Street. Around 14,000 square metres of the building area are scheduled for lease to companies specialising in advanced information and

telecommunications technologies. The building was designed by Arch-Deco design office in Gdansk. The completion of the whole project is scheduled in the second half of 2010.

Warsaw, Park Postępu

Development of an office complex with a multi-storey underground parking lot located in Warsaw at Postępu 21 Street was continued in 2009. The project with a leasable area of nearly 34,000 square metres consists of four office buildings and was designed by APA Wojciechowski design office in Warsaw. The raw state contractor and the general contractor of the investment is the company Modzelewski & Rodek Sp. z o.o. based in Warsaw. This year in September a legally-binding permit for the use of 3 of 4 office park buildings was obtained. The completion of the II stage of the project is scheduled in the second half of 2010.

The hotel segment

The Group's long experience and recognised partners provide good grounds for the Company's operations in the hotel market. During the previous years Echo Investment S.A. provided complex development services related to hotels as key clients, acting as a project manager and general contractor of such investments. The Capital Group's projects in the hotel segment were executed in cooperation with the operators of international hotel chains: Accor and Envergue groups of France, and the Qubus group of Norway. Its complete hotels operate in Warsaw, Kielce, Krakow, Szczecin, Łódź, Poznan, Czestochowa, Zabrze, Gliwice. In the future, the Company is going to build hotels in cooperation with international hotel operators.

Łódź, Novotel hotel

In the third quarter of 2009 the Capital Group finished the negotiations with Orbis SA and decided on the final schedule of the investment. In line with the General Contracting Agreement signed in 2009 a Novotel-class hotel will be built on the property in Łódź at Piłsudskiego Street, with an area ca. 7,200 square metres. The conditions of the property sale had been established in a separate preliminary sale agreement. The completion of the development is scheduled for the 1st half of 2012.

Housing segment

In the housing segment, Echo Capital Group carries out investment projects ranging from luxury apartment complexes, through high and medium standard residential buildings, to estates of single-family houses.

In relation to adverse market conditions on the housing market, the Capital Group does not exclude the execution of planned investments in stages, stopping of the development of housing projects and adaptation of the investment schedules to the actual situation on the market.

Projects in progress and under preparation, in alphabetical order:

Vicinity of Kielce, estate of detached houses in Bilcza

In 2009 the sale of land plots, located in Bilcza near Kielce, was continued within an estate of single-family houses (Bilcza II) designed by Konsorcjum Pisarczyk & Tracz Architekci design studio of Kielce. The offering concerns the sale of land plots with utility connections and finished house designs, with an initial area of ca. 125,000 square metres.

Vicinity of Kielce, estate of detached houses in Dyminy

In 2009 preparation for the development of another housing estate on the immovable property situated in Dyminy near Kielce took place. The housing estate designed by StoMM Architektura Maciej Stoczkiewicz design office of Kielce will comprise land plots with an area of ca. 160,000 square metres. The Company intends to sell these land plots with house designs. At present, administrative procedures are in progress for obtaining a building permit, and the commencement of the project is scheduled for the second half of 2010. The completion of the project is planned for the end of 2013.

Cracow, project at Kilińskiego Street

The Company owns a plot of land (1,000 square metres) in Cracow, at Kilinskiego Street. The development concept assumes the construction of a small 2,5-storey residential building. Due to a low scale of the project, the Company has resigned from its execution and decided to sell the property after obtaining relevant administrative decisions.

Cracow, project at Korzeniowskiego Street

The Company is going to commence the development of a housing project in Cracow, at Korzeniowskiego Street. This building, designed by The Blok design office, will have an area of about 3,000 square metres (40 apartments). The project is in the phase of obtaining administrative permits. The permits are expected to be obtained in the second half of 2010. The launch of the project is expected in the end of 2010 and its completion is planned for the mid 2012.

Cracow, project at Krasickiego Street

In 2009 preparation for the development of a housing and commercial facility to be erected in Krakow, at Krasickiego Street (area for sale around 4,700 square metres) took place. The building, designed by Studio S - Biuro Architektoniczne Szymanowski design office of Krakow, will contain ca. 80 apartments. The investment is planned to commence at the beginning of the second half of 2010. Its completion is scheduled no later than the beginning of 2012.

Cracow, project at Tyniecka Street

The Company intends to develop residential buildings on its land situated in Krakow, at Tyniecka Street. Area for sale will be about 4,300 square metres (43 apartments). The Company intends to obtain administrative decisions in the second half of 2010. The commencement is planned for the beginning of 2010 and the completion for the beginning of 2012.

Cracow, project at Bronowicka Street

The Company intends to develop a residential building on its land situated in Krakow, Bronowicka Street, for an approximate sale area of 3,300 square metres. Due to a low scale of the project, the Company is considering the sale of the property after obtaining relevant administrative decisions.

Łódź, project at Okopowa and Górnicza Street

Preparatory work continued in relation to the construction of residential buildings in Łódź, at Okopowa and Gornicza Streets. According to two current development concepts the estimated area for sale will be about 40,000 square metres (ca. 650 apartments). The Company is at the stage of obtaining administrative decisions relating to the development of the project. The project will be executed in stages. The duration of the project is scheduled for five years, starting from the second half of 2010.

Łódź, project at Wodna Street

The Company is also going to develop residential buildings on its real estate in Łódź, at Wodna Street. The new development concept provides for the construction of about 300 apartments, with a total area for sale exceeding 20,000 sq. m. The Company has already obtained the zoning decision allowing for the development of the project. The project is in the phase of concept agreement and the obtaining of a construction permit, which should take place in the first half of 2010. The project will be executed in stages. It is scheduled to commence in the 1st half of 2011 and to finish in 2014.

Poznań, Osiedle Naramowice

The preparatory work in relation to Stage IV was completed and the preparatory work in relation to Stage V was continued. Both stages relate to the Naramowice Housing Estate development, designed by Archikwadrat Sp. z o.o. of Poznań. Area to sell in stage IV will amount to ca. 18,000 sq m. Stage IV will be commenced in the end of the first half of 2010 and completed in the second half of 2012. Stage V will last approximately 2 years, starting from the end of 2010.

Echo Investment Capital Group's reserve of land in Poznań enables the Company to carry on with subsequent stages of the Naramowice Housing Estate project.

Poznań, project at Wojskowa Street, Kasztanowa Aleja (Chestnut Alley)

The decision was made to re-commence the project Kasztanowa Aleja (Chestnut Alley) in Poznań, at Wojskowa Street (over 17,000 square metres, two stages). The project development starts in early 2010. The completion of the first stage is planned for mid 2011. The second stage of the project will be probably completed by the end of 2012.

Poznań, project at Litewska and Grudzieniec Street

Preparatory works connected with the sale of land plots within the property situated in Poznań at Litewska Street and Grudzieniec Street took place. The total area of plots of land for sale is 11,000 sq m. The Company plans to sell the plots of land with house designs. The sale is scheduled to commence in the first half of 2011 and will last for 12 months.

Warszawa, Project at Kazimierzowska Street, Klimt House

In relation to the changes on the market, a decision to change the schedule of development and sale of the Klimt House project, situated in Warsaw at Kazimierzowska Street, was made (net area is about 5,200 square metres). The design of this residential building, developed by Mąka Sojka Architekci Sp. J. Design Company from Warsaw, assumes the development of ca. 60 apartments with several service outlets. The re-commencement took place at the beginning of 2010 and is going to last until the end of 2010.

Warsaw, Bielany housing estate

A development project of a housing estate in Warsaw, Bielany district (Młociński Forest) is under preparation. 31 plots of land have been detached from the property 6.3 hectares in size. The anticipated area of plots of land for sale is nearly 53,000 square metres. The project was designed by W.M. Musiał Architekci Sp. z o.o. architectural design studio from Warsaw, and StoMM Architektura Maciej Stoczkiewicz from Kielce. The Company assumes that the building permit will be obtained until the end of 2010. The development will be completed in about one year.

Wrocław, project at Jedności Narodowej Street

The Company plans to develop a residential project comprising about 200 apartments with a living area of ca. 14, 000 sq m on the property situated in Wrocław at Jedności Narodowej Street, with a total area of 7.4 thousand sq m. The Company obtained a planning permission allowing the development of the investment. Design works have been started. The project will be carried out in stages. The first stage of the project will commence at the end of 2010 and the completion of the project is planned for the first half of 2012.

Wrocław, project at Grota – Roweckiego Street

The Company plans to develop a residential project comprising almost 280 apartments with a living area of ca. 20.000 sq. m. on the property situated in Wrocław, at Grota Roweckiego Street, with a total area of ca. 3 ha. The project will be carried out in stages. The first stage of the project will commence in the first half of 2011 and the completion of the project is planned for the first half of 2015.

Foreign market

Hungary

Segment of shopping centres and shopping-entertainment centres

Budapest, MUNDO shopping-entertainment centre

A modern, multifunctional shopping and entertainment centre called MUNDO will be erected on the Company's property, about 6.84 hectares in size, situated in Zuglo, 14th District of Budapest. The building was designed by Mofo Architekci Sp. z o.o. design office of Cracow. A preliminary building permit has been obtained. The project has a leasable area of ca. 35,000 sq m. The commercialisation of the project is currently in progress and the commencement will take place as soon as the appropriate lease ratio is achieved and relevant external financing is secured.

Segment of office building projects

Budapest, MUNDO project

The development of an office park belonging to MUNDO project in Budapest is under preparation. The leasable space will amount to ca. 37,000 sq m. The office park was designed by Mofo Architekci Sp. z o.o. design office of Cracow. A preliminary building permit for the office complex has been obtained.

Romania

Segment of shopping centres and shopping-entertainment centres

Brasov, KORONA shopping-entertainment centre

Echo Capital Group intends to develop a modern shopping and entertainment centre, with a leasable area of ca. 40,000 sq. m., on its property in Brasov, at Stadionului Street. The centre was designed by IMB Asymetria design office of Poland in cooperation with a Romanian design office Dico si Tiganas. A building permit has already been obtained. The commercialisation process of the project has been started by the experts of Echo Investment S.A. in close cooperation with a Romanian branch of Jones Lang LaSalle agency. The development is scheduled to commence as soon as the appropriate lease ratio is achieved and relevant external financing is secured.

Ukraine

Segment of office building projects

Kiev, project at Dehtiarivska Street

In October 2009 the subsidiary of Echo Investment S.A. acquired the right to administer the property located in Kiev, at Dehtiarivska Street. In the first quarter of the current year the subsidiary obtained the ownership title to the aforementioned property. The Company plans to develop an office park, with a leasable area of about 100,000 sq m on the property. The design works connected with the office park will start in the current year. The project will be executed in stages. The commencement of Stage I is scheduled for mid 2011 and its completion for the second half of 2012.

4.2. Structure of net sales revenues

Structure of net sales revenues (in millions PLN) earned by Echo Investment S.A. Capital Group during the years 2009-2008:

Specification	01.01.2009 31.12.2009	- %	01.01.2008 31.12.2008	- %
Letting of space in shopping centres and shopping-entertainment centres	256.3	59.4%	215.8	49.2%
Sale and lease of residential areas	113.4	26.3%	174.7	39.9%
Development and letting of areas in office and hotel facilities	50.2	11.6%	33.3	7.6%
Property trade	0.2	0.04%	6.7	1.5%
Other Incomes	11.3	2.6%	7.7	1.8%
Net income front sales of products total	431.4	100%	438.2	100%

5. Information on the sales markets, divided into domestic and foreign, and changes in sources of supply of materials for production, specifying dependency on one or several clients or suppliers and if the share of a single client or supplier reaches at least 10% of income from sales total - specifying the name of such supplier or client, his share in sales or purchases and his formal relationships with Echo Investment Capital Group.

Sales markets

All projects executed by Echo Investment Capital Group in 2009 were located in the Polish market only (Warsaw, Cracow, Poznan, Lodz, Szczecin and Kielce).

Changes in sources of supply

With regard to purchase of services provided by Echo Investment Capital Group companies, the dominant share measured as the proportion between purchases and income from sales total is held by companies partnering Echo Investment Capital Group in the range of execution of specific developer projects. In 2009, the value of trade with one party exceeded the 10% threshold of the value of the Capital Group's income. This party is not related to Echo Investment Capital Group.

Largest vendors of Echo Investment Capital Group in 2009:

Contract party	Value of turnover [in million PLN]	% in net sales income
Modzelewski & Rodek Sp. z o.o.	252.7	58.6%
Eiffage Budownictwo MITEX S.A.	28.7	6.7%
MTM – Consulting Tadeusz Mazek	18.9	4.4%

Changes among buyers

The clients of Echo Investment S.A. and of the subsidiaries include lessees of commercial space and buyers of investment development services.

In 2009 trade with none of the contract parties exceeded 10% of consolidated net income from sales.

Largest buyers of Echo Investment Capital Group in 2009:

Buyer	Value of turnover [in million PLN]	% in net sales income
Carrefour Polska Sp. z o.o.	36.3	8.4%
Polkomtel S.A.	20.6	4.8%
NOMI S.A.	18.5	4.3%
Real Spółka z Ograniczoną Odpowiedzialnością i Spółka Sp.k.	17.5	4.0%

6. Significant contracts for Echo Investment Capital Group's business operations, including contracts made between shareholders, known to Echo Investment Capital Group companies, and insurance contracts, partnering agreements or cooperation agreements made during the year 2009.

6.1. Contracts significant for the economic activity of Echo Investment Capital Group

Credit agreements

On June 15, 2009 the Issuer received the Credit Agreement (the Agreement) executed by correspondence on June 10, 2009 between the Issuer's subsidiary „Echo – Park Postępu” Sp. z o.o. with its registered seat in Kielce (the Subsidiary, the Borrower) and Bank Eurohypo AG with its registered seat in Eschborn (Germany) (the Bank, the Lender). Under the aforementioned Agreement, the Lender grants the Borrower a credit facility amounting to EUR 50 million (which according to the average exchange rate of the National Bank of Poland as at the date of conclusion of the Agreement amounts to PLN 223,645,000). The credit facility will be in five tranches until September 30, 2010 included. Interest rate will be determined on the basis of variable EURIBOR 3M plus the Bank's profit margin. The ultimate debt repayment date is January 31, 2020. The cash obtained under the Agreement will be used to re-finance the completion of buildings of Postępu Office Park in Warsaw, consisting of four seven-storey office buildings with a total lease area amounting to ca. 33,400 sq m including 811 parking lots, situated on a plot of land with an area of over 11,800 sq m. (the Property). The Subsidiary owns the aforementioned complex of office buildings, and in relation to the Property, the Subsidiary holds the right of perpetual usufruct.

The credit is secured by the following:

- capped mortgage on the Borrower's Property;
- a registered pledge on the shares of share capital of the Subsidiary, belonging to the Issuer and the Issuer's Subsidiary „Projekt Echo – 17” Sp. z o.o.
- an assignment of receivables under the Borrower's lease contracts, sureties and guarantees and insurance policies, as well as GRI Contracts and Management Contracts
- a registered and financial pledge on the Borrower's bank accounts;
- a statement of the Borrower on voluntary submission to enforcement proceedings.

At the same time, the parties to the Agreement shall sign a security agreement against exchange rate risk, which will serve as a basis for swap and forward swap transactions or derivatives transactions for the whole credit or for the part of the remaining tranches.

On June 22, 2009 a credit agreement (the Agreement) was executed between the Issuer's subsidiary, Malta Office Park Sp. z o.o. with its registered seat in Kielce (the Subsidiary, the Borrower) and Bank Westdeutsche ImmobilienBank AG with its registered seat in Mainz (Germany), (the Bank, the Lender). Under the aforementioned Agreement, the Lender grants the Borrower with a credit facility amounting to EUR 31.785 million (which according to the average exchange rate of the National Bank of Poland as at the date of conclusion of the Agreement amounts to PLN 143,150,104.50). Interest rate will be determined on the basis of annual fixed or variable EURIBOR 3M rate plus the Bank's profit margin. The credit facility will be in two tranches. Part of the Credit will be used to refinance expenses related to the development of Stage I of Malta Office Park in Poznan (the Project); the remaining cash will finance the development of Stage II of the Project and to finance the Borrower's current operations. The complex Malta Office Park in Poznan (stage I and II) consists of five office buildings with a total lease area amounting to ca. 22,640 sq m including 458 parking lots, situated on a plot of land with an area of 30,800 sq m. (the Property). At the same time, in accordance with the aforementioned Agreement, the Bank grants the Borrower with a credit facility amounting up to PLN

20 million to finance VAT tax related to the development of the aforementioned investment. Interest rate of the credit facility in PLN will be determined on the basis of WIBOR 1M plus the Bank's profit margin. The ultimate debt repayment date is 63 months from the day of signing of this Agreement.

The credit is secured by the following:

- capped mortgage on the Borrower's Property;
- a registered pledge on the shares of share capital of the Subsidiary, belonging to the Issuer and the Issuer's Subsidiary „Projekt Echo – 17” Sp. z o.o.
- an assignment of receivables under the Borrower's lease contracts, sureties and guarantees, insurance policies and execution contracts;
- a registered and financial pledge on the Borrower's bank accounts;
- a statement of the Borrower on voluntary submission to enforcement proceedings.

At the same time the Borrower shall sign a hedging agreement with the Bank or other banks, under which hedging transactions against the interest rate risk shall be carried out.

On August 20, 2009 an Annex to an agreement of August 21, 2006 (the Agreement) was signed between Echo Investment SA with its registered seat in Kielce (the Borrower) and Powszechna Kasa Oszczędności Bank Polski SA with its registered seat in Warsaw (the Lender, PKO BP SA) for a multi-purpose credit limit up to a total amount of PLN 80 million. Under the aforementioned Annex the credit period was extended until August 19, 2012. Under the credit agreement the Lender grants the Borrower with the following:

- a credit facility in the current account in PLN;
- a revolving credit facility in PLN;
- bank guarantee limit.

Interest rate of funds acquired under the Agreement will be determined on the basis of variable 3M WIBOR rate plus the PKO BP SA profit margin. The debt repayment will be secured by the Borrower's blank promissory note including a declaration, a power of attorney to the Borrower's bank accounts in PKO BP SA and the Borrower's statement of submission to enforcement proceedings.

On September 14, 2009 an annex was signed to the credit agreement in current account from March 25, 2003, amendments included, between Echo Investment SA (the Borrower) and Bank BPH PBK SA (the Lender, currently Bank PeKaO SA as the legal successor). Under the aforementioned annex, the amount of the revolving credit facility in current account was decreased to PLN 30 million. The credit was granted to finance the current operations of the Borrower, excluding the financing of the subsidiaries. Other provisions of the agreement remain unchanged.

According to an annex from September 14, 2009 to a revolving credit agreement from March 07, 2002 amendments included, signed between Echo Investment SA (the Borrower) and Bank PeKaO SA (the Lender), the amount of credit was increased to PLN 100 million. The date of credit availability was also amended and was extended until June 30, 2010. The credit was granted to finance the acquisition of property and plots of land associated with new investment projects. Other provisions of the agreement remain unchanged.

On October 6, 2009 a credit agreement (the Agreement) was signed between the subsidiaries of Echo Investment SA, „Echo – Galeria Kielce” Sp. z o.o. with its registered seat in Kielce (the Borrower), „Projekt Echo – 62” Sp. z o.o. with its registered seat in Kielce (the Guarantor) and Bank Eurohypo AG with its registered seat in Eschborn (Germany), (the Bank, the Lender). Under the aforementioned

Agreement, the Lender grants the Borrower with a credit facility amounting to EUR 100 million (which according to the average exchange rate of the National Bank of Poland as at the date of conclusion of the Agreement amounts to PLN 417.8 million). The credit facility will be in two tranches until March 31, 2012 included. Interest rate will be determined on the basis of EURIBOR 3M rate plus the Bank's margin. The ultimate debt repayment date is March 31, 2020. The funds obtained under the Agreement shall finance the extension of Galeria Echo shopping-entertainment in Kielce at the crossing of Al. Solidarności and Świętokrzyska Street (the Centre). The total lease area of the Centre after the extension shall amount to ca. 67,000 sq m including around 2,200 parking lots.

The credit is secured by the following:

- capped mortgage on the Borrower's Property located in Kielce at Świętokrzyska Street, with a total area of ca. 5.7951 hectares;
- registered and financial pledge on the shares in the share capital of the Borrower held by the subsidiaries of Echo Investment SA, „Echo Kielce 1” Sp. z o.o. and „Projekt Echo – 93” Sp. z o.o.,
- assignment of receivables due to the Borrower under the lease contracts, guarantees, General Execution Contract, insurance policies and Management Contracts;
- registered and financial pledge on the Borrower's bank accounts;
- capped mortgage established by the Guarantor on the Property located in Wrocław at Plac Grunwaldzki with a total area of ca. 3.4758 ha, which shall be valid until no later than March 31, 2012;
- registered pledge on shares in the share capital of the Guarantor, held by the subsidiaries of Echo Investment SA, „Echo – Pasaż Grunwaldzki Spółka z Ograniczoną Odpowiedzialnością” Sp.k. and „Projekt Echo – 17” Sp. z o.o., which shall be valid until no later than March 31, 2012;
- pledge on the Borrower's and Guarantor's bank accounts, which shall be valid until no later than March 31, 2012;
- surety of Echo Investment SA, which shall be valid from the day of using of the first tranche of the credit facility until the validation of the entry of the registered pledge;
- the Borrower's statement of submission to enforcement proceedings.

At the same time the Borrower is obliged to sign surety agreements with the Bank as collateral against the exchange rate risk and interest rate risk, on the basis of which swap transactions, forward swap transactions or derivatives transactions shall be carried out, either for the whole credit or the outstanding tranches.

On November 26, 2009 an annex to the credit agreement from March 10, 2006, amendments included was signed between the Issuer's subsidiary Projekt Echo – 62 Sp. z o.o. with its registered seat in Kielce (the Subsidiary, the Borrower) and Bank Eurohypo AG with its registered seat in Eschborn (Germany) (the Lender, the Bank).

Under the aforementioned Annex the Lender grants the Borrower with an additional credit amounting to EUR 15.5 million (which according to the average exchange rate of the National Bank of Poland as at the date of conclusion of the Agreement amounts to PLN 64,078,550.00). The credit shall finance the Subsidiary's current operations. The ultimate debt repayment date is September 30, 2022.

Interest rate will be determined on the basis of variable EURIBOR rate, plus the Bank's profit margin.

The credit is secured by the following:

- capped mortgage on the Borrower's ownership right to the property located in Wrocław at the confluence of Piastowska, Grunwaldzka, M. Reja, M. Curie-Skłodowskiej Streets and Pl. Grunwaldzki;

- registered and financial pledge on the shares in the share capital of the Subsidiary.

At the same time the Borrower shall sign a hedging agreement with the Bank or other banks under which hedging transactions against the interest rate risk shall be carried out.

Property trade

On January 21, 2009 a final purchase agreement was concluded between Echo Investment S.A. (the Buyer) and TBS Nash Dom Sp. z o.o. with its registered seat in Poznan (the Seller). Under the aforementioned agreement, the Buyer acquired the ownership title to an undeveloped property located in Poznan at Katowicka Street, for the amount of PLN 3.16 million.

On February 21, 2009 a sale agreement was signed between Echo Investment S.A. (the Seller) and Echo-Property Poznań 1 Sp. z o.o. (the Buyer). Under the aforementioned agreement, the Seller sells the ownership title to a property located in Cracow at Tyniecka Street, with an area of ca. 10,060 sq m. The value of the agreement amounts to PLN 4.3 million.

On February 21, 2009 a sale agreement was signed between subsidiaries Echo - Property Poznań 1 Sp. z o.o. (the Seller) and Echo - Metropolis Sp. z o.o. (the Buyer). Under the aforementioned agreement, the Seller sells a property with an area of ca. 2,016 sq m located at Duszna Street in Poznan. The value of the agreement amounts to PLN 4.29 million.

On April 29, 2009 an agreement of sale of the perpetual usufruct of land right was signed between Echo Investment S.A. (the Seller) and Eiffage Budownictwo Mitex S.A. (the Buyer). Under the aforementioned agreement, the Seller sells the perpetual usufruct of land right of an area of over 800 sq m located at Lodzka Street in Kielce. The value of the agreement amounts to PLN 167 thousand net.

On June 8, 2009 a final purchase agreement was concluded between Echo Investment S.A. (the Seller) and Malta Office Park Sp. z o.o. (the Buyer). Under the aforementioned agreement, the Buyer acquired the ownership title to a plot of land with an area of 1,379 sq m, located in Poznan at Katowicka Street for an amount of PLN 3.27 million net.

Shopping centres and shopping-entertainment centres

On February 3, 2009 the subsidiary Echo - Veneda Sp. z o.o. acquired land property located in Lomza at Sikorskiego Street with a total area of ca. 3,500 sq m. The acquisition price is PLN 0.5 million.

On March 4, 2009 the subsidiary Echo – Veneda Sp. z o.o. and the City of Lomza signed an agreement concerning the rebuilding of the roads network, associated with the scheduled development of Veneda shopping centre in Lomza.

On May 14, 2009 Echo Investment S.A. and Studio A4 Sp. z o.o. with its registered seat in Szczecin signed a design work agreement related to Astra Shopping Centre in Szczecin. The value of the agreement amounts to PLN 750 thousand.

In June 2009 the building works of a sports hall developed as part of stage II of the extension of Galeria Echo shopping-entertainment centre in Kielce started. On June 1, 2009 the Company Echo Investment signed an agreement of the development of a sports hall, which general contractor shall be Fakt Budownictwo Sp. z o.o. of Kielce. The net value of the agreement amounts to PLN 9.9 million. The investment will be completed on December 31, 2009. Currently ground works are in progress. The area of the sports hall shall be ca. 3500 sq m.

On June 24, 2009 the City Council of Lomza adopted a Local Zoning Plan. The adoption allows the development of Galeria Veneda shopping centre planned by Echo Investment. The centre shall be located at the confluence of Zawadzka and Sikorskiego Streets in Lomza. Around 90 shops and a hypermarket will be built on the area of ca. 39,000 sq m. The architectural concept was developed by Mąka Sojka Architekci design office of Warsaw in co-operation with the architects of Echo Investment.

A final remuneration of PLN 240.3 million was agreed in relation to the agreement of General Realisation of Investment of December 30, 2005. Under the concluded agreement, the Issuer's subsidiary Echo – Pasaż Grunwaldzki Sp. z o.o. sp. k. with its registered seat in Kielce (the Investor), commissioned Echo Investment S.A., (the General Contractor of Investment) to develop the investment of a modern shopping, commercial and entertainment centre Pasaz Grunwaldzki, including the parking lot located on the property in Wrocław in the area of Marii Curie-Skłodowskiej, Plac Grunwaldzki, Piastowska and Grunwaldzka Streets.

On July 29, 2009 Echo Investment S.A. and its subsidiary Projekt Echo – 56 Sp. z o.o. signed an agreement of the preparation of investment. Under the concluded agreement, Echo Investment SA shall perform all activities related to the preparation of the extension of the shopping centre in Jelenia Góra at Jana Pawła II Street. The value of agreement shall amount to no more than PLN 2 million.

On October 8, 2009 Echo Investment SA and Eiffage Budownictwo Mitex SA with its registered seat in Warsaw (the General Contractor of Investment) signed the General Realisation of Investment Agreement (the Agreement). Under the General Realisation of Investment Agreement, the General Contractor of Investment shall perform all work related to the extension of Galeria Echo shopping-entertainment Centre (the Centre) including the external infrastructure and zoning, on a property located in Kielce at the confluence of Świętokrzyska Street and Aleja Solidarności (the Facility). The works include among others:

- the demolition and modernisation of the part of existing Centre;
- the general realisation of extension of the Facility;
- all necessary site acceptance testing by relevant services;
- obtaining a legally-binding permit of use of the Facility;

After the extension the total lease area of the Centre shall amount to ca. 67,000 sq m. The building shall be completed until May 2011. The Contractor's remuneration for the realisation of the Facility is a lump sum of PLN 161.3 million net. The Agreement envisages contractual penalties, which total value may exceed the equivalent of EUR 200,000 in PLN, but no higher than 10% of net remuneration on the realization of the Building. The grounds for calculation of contractual penalties will be failure to carry out or inadequate execution of work connected with construction of the Facility, including the delays or termination of the Agreement by Echo Investment SA or the Contractor for reasons for which the other party to the Agreement is responsible. Payment of contractual penalties does not exclude claims for indemnity, which may exceed the value of contractual penalties.

Due to the signing of an annex to a preliminary lease agreement of November 27, 2005, amendments included (the Agreement) between the Issuer's subsidiary company Echo - Arena Spółka z ograniczoną odpowiedzialnością Spółka komandytowa, with its registered seat in Kielce (the Landlord, the Subsidiary) and Tesco Polska Sp. z o.o., with its registered seat in Krakow (the Tenant) on November 4, 2009, the date of conclusion of the lease agreement is amended and at present is no later than on February 15, 2012. Under the Agreement, the Landlord shall let the area of ca. 8,900 square metres of commercial space in Arena shopping-entertainment centre, located in Slupsk at Grottgera Street (the Centre), which is under the preparation to be developed. The Tenant shall conduct in the Centre its trade and commercial activity as a grocery and general merchandise hypermarket with an unlimited range of products, as in other Tesco chain shops in Poland. The period of lease shall be 30 years.

Offices and Hotels

On January 6, 2009 the Issuer's subsidiary „Projekt Echo - 63” Spółką z ograniczoną odpowiedzialnością with its registered seat in Kielce (the Investor) and Echo Investment S.A. with its registered seat in Kielce (the General Contractor) signed an annex 1 (the Annex) to the agreement of general realisation of the facility of October 8, 2008 (GRI Agreement), in which the parties agreed on the remuneration under the aforementioned GRI Agreement. Under the Annex, the General Contractor shall receive remuneration based on the investment budget, which estimated value amounts to about PLN 78.4 million net. On the basis of the concluded Agreement the Contractor undertakes to carry out construction work consisting of general construction of the Office building including the underground car park and necessary infrastructure on the property located in Cracow at Lea Street (the Office building, the Investment) until its completion, i.e. the handover of the Office building to the Investor and other users of space in the Office building and acquiring all necessary technical acceptance from relevant services necessary for the Building's handover.

On January 22, 2009 the company Orbis S.A., with its registered seat in Warsaw (the Buyer) accepted an offer of extension (the Offer) of the preliminary provisional agreement (the Agreement) made by the Issuer's subsidiary „Echo - Kielce 1” Sp. z o.o. with its registered seat in Kielce (the Seller). Under the declaration, the parties to the Agreement decide that the Buyer and the Seller shall conclude a Promised Agreement until March 13, 2009 provided the conditions enumerated in the current report no. 44/2008 of September 5, 2008 are fulfilled until February 16, 2009. The conditions include, among others:

- conducting due diligence study and technical study with a positive result;
 - concluding by the Seller or by the GCI relevant agreements with the proprietors of neighbouring properties, indispensable in the investment development;
 - presenting a statement of no tax arrears.
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On February 16, 2009 the company Orbis S.A., with its registered seat in Warsaw (the Buyer) accepted an offer of extension of February 12, 2009 (the Offer) of the preliminary provisional agreement (the Agreement) made by the Issuer's subsidiary „Echo – Kielce 1” Sp. z o.o. with its registered seat in Kielce (the Seller).

Under the declaration, the parties to the Agreement decide that the Buyer and the Seller shall conclude a Promised agreement until March 31, 2009 provided the conditions enumerated above are fulfilled until March 20, 2009.

On February 16, 2009 Echo Investment S.A. with its registered seat in Kielce (the Investor) and Modzelewski & Rodek Sp. z o.o. with its registered seat in Warsaw (the Contractor) signed an annex no. 2 of February 12, 2009 (Annex) to the agreement for the contraction of raw state of the facility of September 8, 2008 (the Agreement).

Under the concluded Agreement, the Contractor shall carry out all works related to the development of the raw state of an office and commercial complex (the Facility) located on a property in Lodz at Piłsudskiego Street (the Subject of the Agreement). The Contractor shall also obtain a decision on all relevant amendments to the building permit, in the event of amendments introduced by the Contractor which make the obtaining of such a decision necessary. The Subject of the Agreement shall be completed until July 24, 2009.

Under the concluded Annex, the parties to the Agreement decide that on the day of signing of the Annex, the Agreement shall be terminated by the agreement of the parties. The reason of termination of the Agreement is the suspension of the development of the Facility due to the necessity to redesign the Facility in order to optimize the investment process. The scheduled amendments will allow for more flexible adaptation to the current situation on the property market and will enable to develop and sell the project in stages.

As a result of termination of the Agreement, the Contractor's remuneration for the execution of the Subject of the Agreement shall amount to PLN 10,839,703.00 net. The amount includes the remuneration for the execution of the Subject of the Agreement until the day of its termination and the cost of securing the works already carried out and other activities indispensable to complete the project and leave the building site by the Contractor. The parties to the Annex decide that the aforementioned remuneration is sufficient to cover all mutual claims related to the settlement of basic works and works and activities performed in relation to the necessity to finish the works and the termination of this Agreement. At the same time, the Issuer's Management Board informs that due to the aforementioned amendments, the scheduled completion of stage I of the Facility is the second half of 2010.

On March 20, 2009 the company Orbis S.A., with its registered seat in Warsaw (the Buyer) accepted an offer of extension as of March 19, 2009 (the Offer) of the preliminary provisional agreement (the Agreement) made by the Issuer's subsidiary „Echo – Kielce 1” Sp. z o.o. with its registered seat in Kielce (the Seller). Under the declaration the parties to the Agreement decide that the Buyer and the Seller shall conclude a Promised agreement until June 30, 2009 provided the conditions enumerated in the current report no. 44/2008 of September 5, 2008 are fulfilled until June 19, 2009.

On April 17, 2009 the Issuer received an annex no. 1 of April 15, 2009 (the Annex) to the agreement for the construction of zero state of the facility of December 18, 2008 (the Agreement), signed by way of circulation by Echo Investment S.A. with its registered seat in Kielce (the Company) and Modzelewski & Rodek Sp. z o.o. with its registered seat in Warsaw (the Contractor). Under the concluded Agreement, the Contractor shall carry out all works related to the development of zero state of an office complex located on a property in Cracow at Lea Street (the Subject of the Agreement, the Facility), including, among others, ground works, construction of zero state including all necessary installations. The Contractor shall also obtain all necessary amendments to decisions in the building permit, in the event of amendments introduced by the Contractor which make obtaining of such a decision necessary.

Under the signed Annex, the scope of works was expanded by the execution of SRC overground structure of the Facility. Due to the amendments of the scope of the Agreement, the Contractor's remuneration is increased by the amount of PLN 3.92 million net to the amount of PLN 11.47 million net. Currently the deadline of the completion of the Subject of the Agreement is August 17, 2009.

On April 22, 2009 „Echo – Park Postępu” Sp. z o.o. and Abbott Laboratories Poland Sp. z o.o., with its registered seat in Warsaw, concluded a lease agreement of office space in Park Postępu in Warsaw (ca. 3,600 sq m). The period of lease is 5 years.

On June 3, 2009 Echo Investment S.A. and Metalplast Stolarka Sp. z o.o. of Bielsko-Biala concluded an agreement for the execution of the elevation of the facility (an office building in Cracow at Lea Street). The value of agreement is PLN 6.215 million. The execution shall be completed on November 27, 2009.

On June 17, 2009 the company Orbis S.A., with its registered seat in Warsaw (the Buyer) accepted an offer of extension of June 16, 2009 (the Offer) of the preliminary provisional agreement (the Agreement) made by the Issuer's subsidiary „Echo – Kielce 1” Sp. z o.o. with its registered seat in Kielce (the Seller).

Under the declaration, the parties to the Agreement decide that the Buyer and the Seller shall conclude a Promised agreement until October 30, 2009 provided the conditions enumerated in the current report no. 44/2008 of September 5, 2008 are fulfilled until October 16, 2009.

On October 16, 2009 the Management Board of Echo Investment SA, within the meaning of Article 57 Part 3 of the Act on Public Quotations and Conditions of Introducing Financial Instruments to Organized Trade and on Public Companies as of July 29, 2005 (Journal of Laws no. 184 item 1539 amendments included), published confidential information, which was communicated to the public with delay under the Minister of Finance Regulation of April 13, 2006 on the kind of information that may undermine the legitimate interest of the issuer and on the issuer's conduct in relation to the delay in the publishing of the confidential information (Journal of Laws of 2006, No. 67 item 476).

On July 28, 2008 a subsidiary of Echo Investment SA, Wlementor Holdings Limited with its registered seat in Nicosia (Cyprus) – currently known as EI Project Cyp-1 Limited (the Subsidiary or the Buyer) and Janisola Investments Limited with its registered seat in Limassol (Cyprus) (the Seller) concluded a preliminary agreement with suspending conditions (the Preliminary agreement).

The Subject of the Preliminary agreement was the acquisition of 100% shares in the share capital of Budivelnuy Soyuz „Monolit” LLC with its registered seat in Kiev (Ukraine) (the Company Monolit) by the Buyer, with a total nominal value of UAH 52,000 (which according to the average exchange rate of the National Bank of Poland as at the date of conclusion of the Preliminary agreement amounted to PLN 25,261.60), constituting 100% votes at the general meeting of shareholders. The provision to conclude a final agreement for acquisition of shares in the Company Monolit was, among others:

- the acquisition by the Company Monolit the ownership right to a property located in Kiev with an area of ca. 43,000 sq m. (the Property);
- obtaining by the Buyer positive results of legal, financial and technical due diligence process of the Company Monolit and the Property. The parties to the Preliminary agreement decide that the conclusion of the final agreement for shares acquisition shall be after fulfilling the aforementioned conditions until March 31, 2009.

The above conditions are suspending conditions.

The acquisition price of 100% shares in the share capital of the Company Monolit was an equivalent of USD 1,000 per sq m of the Property (which according to the average exchange rate of the National Bank of Poland as at the date of conclusion of the Preliminary agreement is an equivalent of PLN 2,268.80 PLN per sq m.), decreased by USD 1 million (which according to the average exchange rate of the National Bank of Poland as at the date of conclusion of the Preliminary agreement is an equivalent of PLN 2,268,800 PLN). The Seller was entitled to additional remuneration in the event of the acquisition by the Company Monolit of the ownership right to the Property at a price lower than UAH 2 000 per sq m of the Property (which according to the average exchange rate of the National Bank of Poland as at the date of conclusion of the Preliminary agreement is an equivalent of PLN 971.60 per sq m). Under the Preliminary agreement, the Buyer paid an advance to the Seller amounting to USD 8 million (which according to the average exchange rate of the National Bank of Poland as at the date of conclusion of the Preliminary agreement is an equivalent of PLN 18,150,400).

The Preliminary agreement envisages contractual penalties, which total value may exceed the equivalent of EUR 200,000 as expressed in PLN (which according to the average exchange rate of the National Bank of Poland as at the date of conclusion of the Preliminary agreement is an equivalent of PLN 641,60) and 10% of the value of the Preliminary agreement. Failure to conclude the Final agreement entitles the Buyer to demand a contractual penalty amounting to USD 10 million (which according to the average exchange rate of the National Bank of Poland as at the date of conclusion of the Preliminary agreement is an equivalent of PLN 22,688,000). Failure to conclude the Final agreement due to the Buyer's fault entitles the Seller to keep the advance payment and demand a contractual penalty amounting to USD 2 million (which according to the average exchange rate of the National Bank of Poland as at the date of conclusion of the Preliminary agreement is an equivalent of PLN 4,537,600).

On October 28, 2008 in relation to unsatisfactory results of financial calculations of the planned investment caused by an economic decline in the world, the Buyer terminated the Preliminary agreement, which was terminated as a result of the Buyer's statement. The termination of the Preliminary agreement did not have any negative financial effects for the Subsidiary.

In relation to the termination of the Preliminary agreement the parties started a negotiation process aimed at concluding a sale agreement of shares in the Company Monolit under new provisions. Due to the circumstances and confidentiality of the negotiations carried out between the parties to the Preliminary agreement, the Management Board of Echo Investment SA decides that publishing information on the conclusion and termination of the Preliminary agreement could have an negative

effect on the further course and result of the negotiations, and in the end undermine the legitimate interest of the Issuer.

On October 15, 2009 the subsidiary of Echo Investment SA, EI Project Cyp-1 Limited with its registered seat in Nicosia (Cyprus) (the Subsidiary or the Buyer) and Janisola Investments Limited with its registered seat in Limassol (Cyprus) (the Seller) concluded an agreement of acquisition of shares in "YEVROBUDGARANT" LLC with its registered seat in Kiev (Ukraine) (the Company YBG) (the Agreement).

The Subject of the aforementioned Agreement is the acquisition of 99% shares in the share capital of the Company YBG, with a nominal value of UAH 62,370 (which according to the average exchange rate of the National Bank of Poland as at the date of conclusion of the Agreement is an equivalent of PLN 21,810.79 PLN), carrying 99% of votes at the general meeting of shareholders.

The remaining 1% of shares of the Company YBG, with a nominal value of UAH 630 (which according to the average exchange rate of the National Bank of Poland as at the date of conclusion of the Agreement is an equivalent of PLN 220.31), carrying 1% of votes at the general meeting of shareholders was acquired by a subsidiary of Echo Investment SA – Echo Investment Ukraine LLC with its registered seat in Kiev (Ukraine).

The Company YBG holds 100% of shares in the Company Monolit. As at the date of conclusion of the Agreement, the Company Monolit obtained from the City of Kiev a guarantee of the right to acquire the ownership right to the Property and the right to sign a lease agreement of the Property to the Company Monolit. The ownership right to the Property shall give the Company Monolit the right to build an Office park on the Property.

The acquisition price of shares in the Company YBG is USD 26 million (which according to the average exchange rate of the National Bank of Poland as at the date of conclusion of the Agreement is an equivalent of PLN 72,995,000), but it will be decreased by the price of acquisition of the ownership right to the Property by the Company Monolit expressed in USD and the equivalent of any outstanding liabilities of the Company YBG and the Company Monolit. An advance for the price of shares in the Company YBG, amounting to USD 8 million (which according to the average exchange rate of the National Bank of Poland as at the date of conclusion of the Agreement is an equivalent of PLN 22.46 million), which the Buyer made under the Preliminary agreement, shall be calculated.

Echo Investment SA issued a corporate surety for the payment of price for the shares in the Company YBG up to the amount of USD 13 million (which according to the average exchange rate of the National Bank of Poland as at the date of conclusion of the Agreement is an equivalent of PLN 36,497,500). At the same time, the Company YBG made a pledge on the shares of the Company Monolit in favour of the Seller until the Buyer pays the whole price for the shares in the Company YBG.

The acquired assets shall be financed with the Buyer's and Echo Investment Ukraine LLC's own funds. The Companies intend to treat the acquired assets as a long-term financial investment.

The Agreement does not envisage contractual penalties, which total value may exceed the equivalent of EUR 200,000 in PLN (which according to the average exchange rate of the National Bank of Poland as at the date of conclusion of the Agreement is an equivalent of PLN 839,160) or 10% of the value of the Agreement.

The acquisition of shares in the share capital of the Company YBG, which holds 100% of shares in the Company Monolit owning the Property in Kiev is associated with the strategy adopted by Echo Investment SA to develop its activities in the countries of Central and Eastern Europe. A development of a complex of office buildings with a leasable area of ca. 100,000 sq m is planned on the purchased property.

On October 16, 2009 an annex 1 (the Annex) to the conditional agreement on general realisation of investment of September 4, 2008 (the General Realisation of Investment Agreement) was signed between Orbis S.A. with its registered seat in Warsaw (the Investor) and Echo Investment S.A. with its registered seat in Kielce (the General Contractor of Investment).

Under the Annex, the General Realisation of Investment Agreement enters into force on October 16, 2009. Under the General Realisation of Investment Agreement, the General Contractor of Investment shall build a Novotel-class hotel to ACCOR standards, with a net area of approximately 7,200 sq m, and deliver the same to the Investor in turnkey condition (the Investment). The Investment shall be executed on the real property owned by the Issuer's subsidiary 'Echo - Kielce 1' Sp. z o.o. with its registered seat in Kielce. The property is located in Łódź, at Piłsudskiego Street. The General Contractor of Investment shall take all legal, administrative and financial action aimed at the completion of the investment, among others:

- obtaining a building permit and perpetual usufruct of land permit for the developed hotel;
- obtaining a decision issued by a relevant administrative organ regarding the transfer of the decision on land development conditions to the Investor;
- conclusion of a promised agreement of sale of the right of perpetual usufruct of the property (the Promised Agreement) between the Investor (the Buyer) and a subsidiary of Echo Investment SA, „Echo - Kielce 1” Sp. z o.o. with its registered seat in Kielce (the Seller).

The Investment shall be completed no later than on December 12, 2012. In the event of not obtaining by GRI a final building permit for the Investment until April 14, 2011, this Agreement shall be terminated. Moreover, the Investor has the right to terminate the GRI Agreement in the event of not delivering the Investment until the aforementioned date or its improper development. The net price of the Investment development is PLN 40.32 million. GRI Agreement envisages contractual penalties, which total value may exceed the equivalent of EUR 200,000 in PLN (which according to the average exchange rate of the National Bank of Poland as at the date of conclusion of the Annex is an equivalent of PLN 841,560) or may exceed 10% of the net remuneration under the Agreement. Payment of contractual penalties does not exclude the right to indemnity claims, which may exceed the value of the aforementioned penalties. The penalties shall be calculated in the event of, among others: not obtaining the building permit, delays in the completion of the Investment or termination of the GRI Agreement.

On October 16, 2009 an annex to a preliminary conditional agreement of property sale (The Preliminary Conditional Agreement of Sale) was signed between a subsidiary of Echo Investment SA, „Echo - Kielce 1” Sp. z o.o. with its registered seat in Kielce (the Seller) and Orbis Spółka Akcyjna with its registered seat in Warsaw (the Buyer). Under the declaration the parties decide that the Seller and the Buyer shall conclude a Promised agreement after fulfilling, apart from the conditions enumerated in the current report no. 44/2008 of September 5, 2008, until December 15, 2010 an additional condition, i.e. submitting to the Buyer by the Seller a final decision on the building permit for the Investment and all administrative decisions concerning the technical infrastructure, transport network and indispensable fire escape route required for the development of the Investment. The subject of the Preliminary Conditional Agreement of Sale is the right of perpetual usufruct of the property - plots of land located in Lodz at Piłsudskiego Street, with a total area of ca. 1,450 sq m. (the Property). The value of Agreement is PLN 5 million net. Moreover, the parties to the annexed Preliminary Conditional Agreement of Sale decide that if the development of the Investment under the GRI Agreement will prove to be impossible, the Buyer may not sign the Promised Agreement, and if the Buyer obtains information that the development of the Investment is impossible after the conclusion of the Promised Agreement, the Buyer has the right to terminate the Promised Agreement and/or demand to buy back the Property until May 31, 2011.

On November 25, 2009 an agreement of the implementation of the sanitary installations in Oxygen office complex in Szczecin was signed between Echo Investment SA and Imptech Polska Sp. z o.o., with its registered seat in Warsaw. The value of the agreement is PLN 9.05 million.

Apartments

On March 2, 2009 an agreement of the execution of design works concerning a planned residential building in Cracow at Tyniecka Street was signed between Echo Investment SA and XY Studio S.C. Filip Domaszyński, Marta Nowosielska, Dorota Sibińska, with its registered seat in Warsaw. The value of the agreement is PLN 715.5 thousand net.

On December 23, 2009 an agreement of the general construction of the facility, a housing complex in Warsaw at Kazimierzowska Street, was signed by Echo Investment SA and Modzelewski & Rodek Sp. z o.o., with its registered seat in Warsaw. The value of the agreement is PLN 19.8 million. The delivery day is December 31, 2010.

Other agreements

On July 30, 2009 the District Court in Cracow Srodmiescie 7th Division of Pledge Register in Cracow, registered pledges on 14,999 shares of a subsidiary of Echo Investment - Malta Office Park Sp. z o.o. A nominal value of shares is PLN 500 per share. Registered pledges are collateral against liabilities under the credit agreement signed on June 22, 2009 between Malta Office Park Sp. z o.o. and bank Westdeutsche ImmobilienBank AG with its registered seat in Mainz (Germany) the highest amount up to EUR 47,677,500 and PLN 30 million.

On July 31, 2009 the District Court in Cracow Srodmiescie 7th Division of Pledge Register in Cracow, registered a pledge on 1 share of a subsidiary Malta Office Park Sp. z o.o., held by a subsidiary Projekt Echo - 17 Sp. z o.o. A nominal value of one share is PLN 500. Registered pledges are collateral against liabilities under the credit agreement signed on June 22, 2009 between Malta Office Park Sp. z o.o. and bank Westdeutsche ImmobilienBank AG with its registered seat in Mainz (Germany) the highest amount up to EUR 47,677,500 and PLN 30 million.

On August 10, 2009 the District Court in Cracow Srodmiescie 7th Division of Pledge Register in Cracow, registered a pledge on 1 share of a subsidiary Echo - Park Postępu Sp. z o.o., held by a subsidiary Projekt Echo - 17 Sp. z o.o. A nominal value of one share is PLN 50. The registered pledge is collateral against liabilities under the credit agreement signed on June 10, 2009 between Echo Park Postępu Sp. z o.o. and bank Eurohypo AG with its registered seat in Eschborn (Germany) the highest amount up to EUR 75 million.

On September 9, 2009 the Management Board of Echo Investment SA received a notification of a court's decision for the District Court in Warsaw- Mokotow in Warsaw 7th Division of Land and Mortgage Register of August 25, 2009 about an entry in the Land and Mortgage Register of a

contractual capped mortgage on a property whose perpetual lessee is a subsidiary of Echo Investment SA, Echo – Park Postępu Sp. z o.o. with its registered seat in Kielce (the Subsidiary).

The assets under the capped mortgage comprise a land property with an area of 1.1823 hectares, located in Warsaw at Postępu 21 Street, on which a complex of office buildings Park Postępu is situated, constituting a separate property from the land.

The capped mortgage is a collateral in favour of bank Eurohypo AG, with its registered seat in Eschborn (Germany) against liabilities under the credit agreement signed on June 10, 2009 up to the amount of EUR 75 million (which according to the average exchange rate of the National Bank of Poland as at the date of entry in the register is an equivalent of PLN 307.47 million). The bookkeeping value of assets under the capped mortgage in the books of the Subsidiary is PLN 53,203,922.86 (as of June 30, 2009)

On September 23, 2009 an entry in the Land and Mortgage Register was made of contractual capped mortgages on land properties, whose perpetual lessee and proprietor is a subsidiary of Echo Investment SA, Malta Office Park Sp. z o.o with its registered seat in Kielce (the Subsidiary).

The assets under the capped mortgage comprise:

- land property with an area of 29,503 sq m, whose perpetual lessee is the Subsidiary, located in Poznan at Arc. A. Baraniaka Street, on which a complex of office buildings is situated, constituting a separate property from the land;
- land property with an area of 1,379 sq m, owned by the Subsidiary, located in Poznan at Katowicka Street;

The capped mortgages are a collateral in favour of Westdeutsche Immobilien Bank AG, with its registered seat in Mainz (Germany), against liabilities under the credit agreement signed on June 22, 2009, up to the amount of EUR 54,427,500 (which according to the average exchange rate of the National Bank of Poland as at the date of entry in the register is an equivalent of PLN 227,191,270.50) and up to the amount of PLN 30 million.

The bookkeeping value of assets under the capped mortgage as in the Subsidiary's books is PLN 6,744,373.72 (as of June 30, 2009).

On September 21, 2009 the Management Board of Echo Investment SA received a notification of a court's decision for the District Court in Cracow – Srodmiescie in Cracow 7th Division of Pledge Register in Cracow about an entry of a registered pledge on shares of the subsidiary of Echo Investment SA, „Echo – Park Postępu” Sp. z o.o., with its registered seat in Kielce (the Subsidiary) in the Pledge Register. The pledge is on the shares of the Subsidiary, held by Echo Investment S.A., with its registered seat in Kielce, amounting to 1,065,656 shares, with a nominal value of PLN 53,282,800, constituting 99.99% of the share capital carrying 1,065,656 of votes at the general meeting of shareholders. The bookkeeping value of the shares under the registered pledge in the books of Echo Investment S.A., is PLN 53,282,800. Echo Investment S.A. treats the shares as a long-term capital investment. The registered pledge is collateral in favour of Bank Eurohypo AG, with its registered seat in Eschborn (Germany) against liabilities under the credit agreement reported by Echo Investment SA in the current report no. 24/2009 of June 15, 2009. The pledge on shares was made on the basis of an agreement for a registered pledge on shares signed on June 24, 2009 between Echo Investment S.A. (the Pledger) and Bank Eurohypo AG (the Pledgee). The amount of liabilities under the registered pledge is EUR 75 million, which according to the average exchange rate of the National Bank of Poland as at the date of entry in the register is an equivalent of PLN 311.24 million.

On December 17, 2009 the District Court for Cracow – Srodmiescie in Cracow 7th Division of Pledge Register in Cracow made an entry in the Pledge Register of a registered pledge on 999 shares of Projekt Echo - 62 Sp. z o.o., held by Echo Investment SA, with a nominal value of PLN 50 each, with a

total nominal value of PLN 49,950, constituting 0.013% of the share capital carrying 999 votes at the general meeting of shareholders. The bookkeeping value of the shares under the registered pledge in the books of Echo Investment S.A., is PLN 49,950. Echo Investment S.A. treats the shares as a long-term capital investment. The registered pledge is a collateral in favour of Bank Eurohypo AG, with its registered seat in Eschborn (Germany) against liabilities under the credit agreement signed between a subsidiary Projekt Echo - 62 Sp. z o.o., with its registered seat in Kielce (the Borrower) and Bank Eurohypo AG, with its registered seat in Eschborn (Germany) (the Bank, the Lender), reported by Echo Investment SA in the current report no. 41/2009 of November 26, 2009. The amount of liabilities under the registered pledge is EUR 23.25 million.

On December 17, 2009 the District Court for Cracow - Srodmiestcie in Cracow 7th Division of Pledge Register in Cracow made an entry in the Pledge Register of a registered pledge on 1 share of a subsidiary Projekt Echo - 62 Sp. z o.o., held by Projekt Echo -17 Sp. z o.o., with a nominal value of PLN 50 each, with a total nominal value of PLN 50, constituting 0.0001% constituting 1 vote at the general meeting of shareholders. The bookkeeping value of the share under the registered pledge in the books of a subsidiary Projekt Echo -17 Sp. z o.o. is PLN 50. Projekt Echo -17 Sp. z o.o. treats the share as a long-term capital investment. The registered pledge is a collateral in favour of Bank Eurohypo AG, with its registered seat in Eschborn (Germany) against liabilities under the credit agreement signed between a subsidiary Projekt Echo - 62 Sp. z o.o., with its registered seat in Kielce (the Borrower) and Bank Eurohypo AG, with its registered seat in Eschborn (Germany) (the Bank, the Lender), reported by Echo Investment SA in the current report no. 41/2009 of November 26, 2009. The amount of liabilities under the registered pledge is EUR 23.25 million.

On December 18, 2009 the District Court in Kielce 6th Division of Land and Mortgage Register made an entry in the Land and Mortgage Register of contractual joint capped mortgage on land properties, whose perpetual lessee and proprietor is a subsidiary „Echo - Galeria Kielce” Sp. z o.o., with its registered seat in Kielce (the Subsidiary).

The assets under the capped mortgage comprise a land property with an area of 5.7951 hectares, located in Kielce at Świętokrzyska Street, on which Galeria Echo shopping-entertainment centre is situated, constituting a separate property from the land. The capped mortgage is a collateral in favour of Bank Eurohypo AG, with its registered seat in Eschborn (Germany) against liabilities under the credit agreement signed on October 6, 2009, up to the amount of EUR 150 million (which according to the average exchange rate of the National Bank of Poland as at the date of entry in the register is an equivalent of PLN 627.09 million). The bookkeeping value of the assets under the registered pledge in the books of the Subsidiary is PLN 40,245,299.63 (as of September 30, 2009).

See also 4.1. Operational segments.

6.2. Contracts made between shareholders

Echo Investment S.A. does not know about any contracts made between shareholders during the year 2009.

6.3. Insurance contracts of the Capital Group

Range of coverage	Underwriter	Insurance amount [in thousands PLN]
property insurance - buildings	PTU S.A., TU Compensa S.A., STU Ergo Hestia S.A., Generali TU S.A., TU Allianz Polska S.A.	1 474 824
property insurance - equipment	PTU S.A., TU Compensa S.A., STU Ergo Hestia S.A., Generali TU S.A., TU Allianz Polska S.A.	12 202

third-party liability insurance	TU Compensa S.A., PTU S.A., STU Ergo Hestia S.A., PZU S.A.	50 708
construction and assembly risk insurance policies	Tu Compensa S.A., Generali TU S.A., PTU S.A.	1 086 200
insurance against loss of profit	TU Allianz Polska S.A., PTU S.A., Generali TU S.A, TU Compensa S.A.	226 760
other insurance policies	PZU S.A.	5 006
TOTAL		2 855 700

6.4. Partnering or cooperation agreements

Echo Investment Capital Group did not conclude any significant partnering or cooperation agreements during 2009.

7. Information about changes in organizational or capital relationships of Echo Investment S.A. with other companies, indicating its key domestic and foreign investments (securities, financial instruments and real estate), including capital investments made outside its capital group and a description of methods of their financing

7.1. Changes in organisational or capital relationships

I. The Capital Group was expanded with 3 subsidiaries:

On August 31, 2009 the company Echo Investment SA acquired 100% of shares in the share capital of a subsidiary "SPV - 1" Sp. z o.o. The share capital amounts to PLN 50,000 and is divided into 1,000 shares with a nominal value PLN 50 per share. The acquisition price is PLN 50,000.

On October 15, 2009 as a consequence of acquiring the shares in the company „YEYROBYDGARANT” LLC with its registered seat in Kiev (Ukraine) by a subsidiary EI Project Cyp-1 Limited with its registered seat in Nicosia (Cyprus) (99% of shares in the share capital) and a subsidiary of Echo Investment Ukraine LLC, with its registered seat in Kiev (Ukraine), 100% of shares in the share capital of a company BUDIVELNUY SOYUZ MONOLIT LLC with its registered seat in Kiev (Ukraine) were acquired. See description item 6.1. Significant agreements for Echo Investment Capital Group.

II. The Capital Group was decreased by 23 subsidiaries:

The following subsidiaries were liquidated:

- „Projekt Echo - 23” Spółka z o.o. in liquidation, with its registered seat in Kielce,
- „Projekt Echo - 71” Spółka z o.o. in liquidation, with its registered seat in Kielce,
- „Projekt Echo - 72” Spółka z o.o. in liquidation, with its registered seat in Kielce,
- „Projekt Echo - 73” Spółka z o.o. in liquidation, with its registered seat in Kielce,
- „Projekt Echo - 74” Spółka z o.o. in liquidation, with its registered seat in Kielce,
- „Projekt Echo - 75” Spółka z o.o. in liquidation, with its registered seat in Kielce,
- „Projekt Echo - 76” Spółka z o.o. in liquidation, with its registered seat in Kielce,
- „Projekt Echo - 83” Spółka z o.o. in liquidation, with its registered seat in Kielce,
- „Projekt Echo - 84” Spółka z o.o. in liquidation, with its registered seat in Kielce,
- „Projekt Echo - 85” Spółka z o.o. in liquidation, with its registered seat in Kielce,
- „Projekt Echo - 86” Spółka z o.o. in liquidation, with its registered seat in Kielce,
- „Projekt Echo - 87” Spółka z o.o. in liquidation, with its registered seat in Kielce,
- „Projekt Echo - 88” Spółka z o.o. in liquidation, with its registered seat in Kielce,
- „Projekt Echo - 89” Spółka z o.o. in liquidation, with its registered seat in Kielce,
- „Projekt Echo - 90” Spółka z o.o. in liquidation, with its registered seat in Kielce,
- „Projekt Echo - 91” Spółka z o.o. in liquidation, with its registered seat in Kielce,
- „Projekt Echo - 92” Spółka z o.o. in liquidation, with its registered seat in Kielce.

The Structure of the Capital Group was decreased as a result of a merger of a company MDP Sp. z o.o. (the Acquiring company) and subsidiaries (the Acquired companies):

- „Piomot Auto” Spółka z o.o. , with its registered seat in Kielce,
- „Projekt Echo - 28” Spółka z o.o. , with its registered seat in Kielce,

- „Projekt Echo – 34” Sp. z o.o. , with its registered seat in Kielce,
- „Projekt Echo – 48” Spółka z o.o. , with its registered seat in Kielce,
- „Projekt Echo – 80” Spółka z o.o. , with its registered seat in Kielce,
- „Echo – Property Poznań 2” Sp. z o.o. , with its registered seat in Kielce.

III. The structure of share capital of the following subsidiaries was changed:

On February 26, 2009 the Issuer obtained information that on February 24, 2008 the District Court in Kielce 10th Commercial Division of National Court Register, registered amendments in the amount and structure of the share capital of a subsidiary „Projekt Naramowice Poznań” Sp. z o.o., with its registered seat in Kielce (the Subsidiary).

The share capital of the Subsidiary was increased by PLN 156,930,000 and amounts to PLN 156,980,000 and is divided into 3,139,600 shares with a nominal value of PLN 50 each, carrying a total number of 3,139,600 votes at the general meeting. As at the day of registry, the ownership structure of „Projekt Naramowice Poznań” Sp. z o.o. changed and is as follows:

- the Issuer’s subsidiary „Projekt Naramowice” Sp. z o.o., with its registered seat in Kielce holds 3,138,600 shares with a total nominal value of PLN 156,930,000, carrying 3,138,600 votes at the general meeting, constituting 99.97% of the share capital.
- Echo Investment SA, with its registered seat in Kielce holds 1.000 shares in the Subsidiary with a nominal value of PLN 50.000, carrying 1.000 votes at the general meeting, constituting 0.03% of the share capital.

The amendments in the share capital „Projekt Naramowice Poznań” Sp. z o.o. were registered as a consequence of making a non-cash contribution by “Projekt Naramowice” Sp. z o.o., including tangible and intangible components destined for conducting the business activity, in particular:

- the workplace in view of the regulations of Article 231 of the Polish Labour Code;
- the ownership right to property located in Poznan, the area of Naramowice, including:
 - a) developed plot of land with an area of 12,971 sq m, with multi-use buildings;
 - b) non-developed plots of land with a total area of 428,527 sq m;
 - c) 3/18 of share in commercial premises – multi-lot garage, located in a building in Poznan at Rubież Street,
- all rights and obligations under the concluded agreements.

The value of the company specified in the agreement of transfer of ownership amounts to PLN 156.93 million, and the bookkeeping value of the transferred company disclosed in the accounting books of the Issuer’s subsidiary „Projekt Naramowice” Sp. z o.o., calculated at a cost of acquisition and production, amounts to PLN 10.74 million (as of June 30, 2008).

The acquired assets, before the sale, were used in the developer’s operations. The subsidiary „Projekt Naramowice Poznań” Spółka z ograniczoną odpowiedzialnością intends to continue their previous use.

The aforementioned non-cash contribution was made on the basis of an agreement of transfer of the company ownership concluded on October 31, 2008 between the Issuer’s subsidiaries, „Projekt Naramowice” Sp. z o.o. (the Seller), and „Projekt Naramowice Poznań” Sp. z o.o., with its registered seat in Kielce (the Buyer).

The company „Projekt Naramowice” Sp. z o.o., with its registered seat in Kielce, intends to treat the acquired shares in the Subsidiary as a long-term capital investment.

The acquired shares in the Subsidiary were considered to be significant on the basis of significant financial assets criteria.

On March 26, 2009 the District Court in Kielce 10th Commercial Division of National Court Register, registered amendments in the amount and structure of the share capital of a subsidiary, „Malta Office Park” Sp. z o.o. with its registered seat in Kielce. The amount of share capital in the Subsidiary was increased by PLN 5,500,000 and currently amounts to PLN 7,500,000 PLN and is divided into 15,000 shares with a nominal value of PLN 500 per share. The increase in the capital was made by creating

11,000 shares with a nominal value of PLN 500. One share carries 1 vote at the general meeting of shareholders of the Subsidiary. As at a day of the registration, the company Echo Investment S.A. took up the whole increased share capital of the Subsidiary, constituting 73.34% of the present share capital. The newly created shares were financed by way of cash contribution. The source of financing of taken up shares are the own funds of Echo Investment S.A. Echo Investment SA intends to treat the taken up shares as a long-term capital investment. The ownership structure after the registration of the amendments in the Subsidiary's share capital is as follows:

- Echo Investment S.A. currently holds 13,999 shares, constituting 99.99% of the share capital, carrying 99.99% of votes at the general meeting of shareholders;
- the Issuer's subsidiary „Projekt Echo – 17” Sp. z o.o. holds 1 share, constituting 0.01% of the share capital, carrying 0.01% of votes at the general meeting of shareholders.

On July 30, 2009 the following sale agreements were concluded:

- Echo Investment SA (the Buyer) and a subsidiary „Projekt Echo – 17” Sp. z o.o. (the Seller) concluded a sale agreement of 1 share in the share capital of „Echo Property Poznań 2” Sp. z o.o. at a price of PLN 500;
- Echo Investment SA (the Buyer) and a subsidiary „Projekt Echo – 17” Sp. z o.o. (the Seller) concluded a sale agreement of 1 share in the share capital of „Projekt Echo – 34” Sp. z o.o. at a price of PLN 500;
- Echo Investment SA (the Buyer) and a subsidiary „Projekt Echo – 17” Sp. z o.o. (the Seller) concluded a sale agreement of 1 share in the share capital of „Projekt Echo – 48” Sp. z o.o. PLN 50;
- Echo Investment SA (the Buyer) and a subsidiary „Projekt Echo – 17” Sp. z o.o. (the Seller) concluded a sale agreement of 1 share in the share capital of „Projekt Echo – 80” Sp. z o.o. at a price of PLN 50;
- Echo Investment SA (the Buyer) and a subsidiary „Projekt Echo – 17” Sp. z o.o. (the Seller) concluded a sale agreement of 1 share in the share capital of „Projekt Echo – 28” Sp. z o.o. at a price of PLN 630.

On August 25, 2009 the company Echo Investment SA took up 1,000 newly created shares in the share capital of EI Project Cyp – 1 Limited, with its registered seat in Nicosia. The nominal value of 1 share is USD 1. The acquisition price of the aforementioned shares was USD 3.999 per 1 share. As a consequence of the increase in the share capital of the subsidiary EI Project Cyp – 1 Limited, the share capital currently amounts to USD 4,000 and is divided into 4,000 shares with a nominal value of USD 1 per share. After taking up the aforementioned shares Echo Investment SA currently holds 3,999 shares and the subsidiary Projekt Echo – 17 Sp. z o.o. holds 1 share.

On November 18, 2009 the company Echo Investment SA took up 1,000 newly created shares in the share capital of EI Project Cyp – 1 Limited, with its registered seat in Nicosia. The nominal value of 1 share is USD 1. The acquisition price of the aforementioned shares was USD 4.500 per share. As a consequence of the increase in the share capital of the subsidiary EI Project Cyp – 1 Limited, the share capital currently amounts to USD 5,000 USD and is divided into 5,000 shares with a nominal value of USD 1 per share. After taking up the aforementioned shares, Echo Investment SA currently holds 4,999 shares and the subsidiary Projekt Echo – 17 Sp. z o.o. holds 1 share.

On December 10, 2009 the District Court in Kielce 10th Commercial Division of National Court Register, registered amendments in the amount of the share capital of the Issuer's subsidiary, „Echo - Metropolis” Sp. z o.o., with its registered seat in Kielce (the Subsidiary). The amount of share capital in the Subsidiary was increased by PLN 60,612,000 and currently amounts to PLN 100,500,000 and is

divided into 2,010,000 shares with a nominal value of PLN 50 per share. The increase in the capital was made by creating 1,212,240 new shares with a nominal value of PLN 50. One share carries 1 vote at the general meeting of shareholders of the Subsidiary. As at a day of the registration, the company Echo Investment S.A. took up the whole increased share capital of the Subsidiary, constituting 60.31% of the present share capital. The newly created shares were financed by way of a cash contribution. The source of financing of taken up shares are the own funds of Echo Investment S.A. Echo Investment SA intends to treat the taken up shares as a long-term capital investment.

The ownership structure after the registration of the amendments in the Subsidiary's share capital is as follows:

- Echo Investment S.A. currently holds 1,213,239 shares, constituting 60.36% of the share capital, carrying 60.36% of votes at the general meeting of the Subsidiary's shareholders;
- the Issuer's subsidiary „Echo – Centrum Poznań” Sp. z o.o., holds 796,760 shares constituting 39.64% of the share capital, carrying 39.64% at the general meeting of the Subsidiary's shareholders;
- the Issuer's subsidiary „Projekt Echo – 17” Sp. z o.o. holds 1 share, constituting 0.00005% of the share capital, carrying 0.00005% of votes at the general meeting of the Subsidiary's shareholders.

On December 10, 2009 the District Court in Kielce 10th Commercial Division of National Court Register, registered amendments in the amount of the share capital of the Issuer's subsidiary „Echo Projekt - 47” Sp. z o.o., with its registered seat in Kielce (the Subsidiary). The amount of share capital in the Subsidiary was increased by PLN 49,950,000 and currently amounts to PLN 50,000,000 and is divided into 1,000,000 shares with a nominal value of PLN 50 per share. The increase in the capital was made by creating 999,999 new shares with a nominal value of PLN 50. One share carries 1 vote at the general meeting of shareholders of the Subsidiary. As at a day of the registration, the company Echo Investment S.A. took up the whole increased share capital of the Subsidiary, constituting 99.9% of the present share capital. The newly created shares were financed by way of a cash contribution. The source of financing of taken up shares are the own funds of Echo Investment S.A. Echo Investment SA intends to treat the taken up shares as a long-term capital investment.

The ownership structure after the registration of the amendments in the Subsidiary's share capital is as follows:

- Echo Investment S.A. currently holds 999,999 shares, constituting 99.99% of the share capital, carrying 99.99% of votes at the general meeting of the Subsidiary's shareholders;
- the Issuer's subsidiary „Projekt Echo – 17” Sp. z o.o. holds 1 share, constituting 0.00001% of the share capital, carrying 0.00001% of votes at the general meeting of the Subsidiary's shareholders..

On December 10, 2009 the District Court in Kielce 10th Commercial Division of National Court Register, registered amendments in the amount of the share capital of the Issuer's subsidiary „Echo Projekt – 81” Sp. z o.o., with its registered seat in Kielce (the Subsidiary). The amount of share capital in the Subsidiary was increased by PLN 39,838,000 and currently amounts to PLN 39,838,000 and is divided into 797,760 shares with a nominal value of PLN 50 per share. The increase in the capital was made by creating 999,999 new shares with a nominal value of PLN 50. One share carries 1 vote at the general meeting of shareholders of the Subsidiary. As at a day of the registration, the company „Echo – Centrum Poznań” Sp. z o.o. took up the whole increased share capital of the Subsidiary, constituting 99.87% of the present share capital. The newly created shares were financed by way of a non-cash contribution of an enterprise of „Echo – Centrum Poznań” Sp. z o.o. in view of Article 55.1 of the Polish Civil Code, which includes a set of tangible and intangible components, at the same time constituting an enterprise in view of Article 23.1 of the Polish Labour Code, amounting to PLN 39,838,000 PLN, which in particular includes the ownership rights to undeveloped plots of land located in Poznan at Krauthofera Street, with an area of 90,655 sq m and at Dmowskiego Street with an area of 9,832 sq m. „Echo – Centrum Poznań” Sp. z o.o. intends to treat the taken-up shares as a long-term capital investment.

The ownership structure after the registration of the amendments in the Subsidiary's share capital is as follows:

- the subsidiary „Echo - Centrum Poznań” Sp. z o.o. holds 796,760 shares, constituting 99.87% of the share capital, carrying 99.87% of votes at the general meeting of the Subsidiary's shareholders;
- Echo Investment SA currently holds 999 shares, constituting 0.12% of the share capital, carrying 0.12% of votes at the general meeting of the Subsidiary's shareholders;
- the Issuer's subsidiary „Projekt Echo - 17” Sp. z o.o. holds 1 share, constituting 0.00002% of the share capital, carrying 0.00002% of votes at the general meeting of the Subsidiary's shareholders.

On December 10, 2009 the District Court in Kielce 10th Commercial Division of National Court Register, registered amendments in the amount and structure of the share capital of the Issuer's subsidiary MDP Sp. z o.o., with its registered seat in Kielce.

As at a day of registration, the subsidiary MDP Sp. z o.o. (the Acquiring company) Merced with the subsidiaries: Piomot Auto Sp. z o.o., Projekt Echo - 28 Sp. z o.o., Projekt Echo - 34 Sp. z o.o., Projekt Echo - 48 Sp. z o.o., Projekt Echo - 80 Sp. z o.o. and Echo - Property Poznań 2 Sp. z o.o. (the Acquired companies).

The merger took place by way of transfer of the property of the Acquired companies to the Acquiring company, accompanied by an increase in the share capital of the Acquiring company, by way of creating shares, which were awarded to the current shareholders of the Acquired companies in return of their previous shares in the Acquired companies.

As at a day of the aforementioned registration, newly created shares in MDP Sp. z o.o. were handed over to Echo Investment SA, in the amount of 14,465 shares with a total nominal value of PLN 7,232,500, carrying 14,464 votes at the general meeting of shareholders, constituting 31.13% of the share capital after the registration of the aforementioned merger.

Newly created shares will be a long-term capital investment.

The property of the Acquired companies was used in developer and financial activities. The Acquiring company shall continue the activities of the Acquired companies and previous use of the transferred assets. As at a day of the registration of the aforementioned amendments, the share capital of MDP Sp. z o.o. amounts to PLN 23,236,500 and is divided into 46,473 shares with a nominal value of PLN 500 per share. The shares carry 46,473 votes at the general meeting of shareholders.

The ownership structure of the company MDP Sp. z o.o. was changed and is as follows:

- Echo Investment SA holds 46,472 shares, with a total value of PLN 23,236,000, carrying 46,472 votes at the general meeting of shareholders, constituting 99.99% of the share capital after the registration of the aforementioned merger;
- A subsidiary „Projekt Echo - 17” Sp. z o.o. , with its registered seat in Kielce, holds 1 share in the Acquiring company with a total value of PLN 500, carrying 1 vote at the general meeting of shareholders, constituting 0.0022% of the share capital.

On December 30, 2009 a subsidiary MDP Sp. z o.o. (the Seller) and Echo Investment SA (the Buyer) concluded a sale agreement of 24,227 shares in the share capital of a subsidiary of Echo Investment - Centrum Handlowe Piotrków Trybunalski Sp. z o.o., with a nominal value PLN 50 per share. The sale price is PLN 9.55 million.

IV. The names of the following subsidiaries were changed:

- "Echo Investment - Centrum Handlowo-Usługowo - Rozrywkowe Gliwice" Spółka z ograniczoną odpowiedzialnością [Echo Investment Shopping-Commercial-Entertainment Centre Limited Liability Company], with its registered seat in Kielce was changed into „Echo - Property Poznań 2" Spółka z ograniczoną odpowiedzialnością [Echo - Property Poznań 2 Limited Liability Company], with its registered seat in Kielce,

- "Projekt Echo - 65" Spółka z ograniczoną odpowiedzialnością [Projekt Echo - 65 Limited Liability Company], with its registered seat in Kielce was changed into „Echo - Oxygen” Spółka z ograniczoną odpowiedzialnością [Echo - Oxygen Limited Liability Company], with its registered seat in Kielce.

7.2. Investments in stocks and shares of listed companies

Companies constituting the Capital Group did not make any investments in stocks and shares of listed companies in 2009 in the account of securities.

7.3. Capital investment made outsider the Capital Group

See item 7.1. of this Report.

8. Information on significant transactions executed by the issuer or the issuer's subsidiary with affiliated companies on different terms than arm's length transactions, specifying the amount and character of such transactions

Neither Echo Investment SA nor its subsidiaries entered into any transactions with affiliated companies on different terms than arm's length transactions in 2009.

9. Information about credits taken and contracts of loan, specifying their amount, kind and interest rates, currency and due dates, and surety and guarantee contracts

9.1. Credit agreements of the dominant company

Echo Investment S.A.'s liabilities on account of credits taken as at the end of 2009 are presented in the table below:

Bank name	Type of obligation	Credit currency	Credit amount according to contract [in thousands PLN]	Credit used as at 31.12.2009 [in thousands PLN]	Interest rate type %	Final repayment date
PeKaO SA	Working capital facility	PLN	100 000	90 000	1M WIBOR + margin	30.06.2010
PeKaO S.A.	Advance on current account	PLN	30 000	0	1M WIBOR + margin	30.06.2010
PKO BP SA	Working capital facility	PLN	25 000	6 078	3M WIBOR + margin	19.08.2012
PKO BP SA	Advance on current account	PLN	40 000	0	3M WIBOR + margin	19.08.2012
TOTAL			195 000	96 078		

The following credit agreements have expired:

1. Agreement concerning credit advance in current account, executed between Echo Investment S.A. and Bank Handlowy in Warsaw S.A. in the amount of PLN 20 million. The final repayment date was March 6, 2009.
2. Agreement concerning credit advance in current account, executed between Echo Investment S.A. and Bank Zachodni WBK S.A. in the amount of PLN 20 million. The final repayment date was October 31, 2009.
3. Agreement concerning a credit line executed between Echo Investment S.A. and Bank BPH SA (currently Bank PeKaO S.A. as a legal successor of Bank BPH SA) in the amount of PLN 30 million. The final repayment date was May 30, 2009.

9.2. Credit agreements of subsidiaries

Echo Investment Capital Group's obligations on account of credits taken as at the end of 2009 are presented in the table below:

Company raising a loan	Bank name	Type of obligation	Credit currency	Credit amount according to contract [in thousands PLN]	Credit used as at 31.12.2009 [in thousands PLN]	Interest rate type %	Final repayment date
Echo - Centrum Belchatów Sp. z o.o.	Pekao S.A.	Long-term credit	EUR	4 962	167	1M LIBOR + margin	2010-04-30
Projekt Echo - 61 Sp. z o.o.	EUROHYPO AG	Long-term credit	EUR	11 100	1 754	3M EURIBOR + margin	2010-07-15
Projekt Echo - 56 Sp. z o.o.	Pekao S.A.	Long-term credit	EUR	9 101	627	1M EURIBOR + margin	2010-08-31
Echo - Centrum Przemysł Sp. z o.o.	ING Bank Śląski SA	Long-term credit	EUR	4 230	811	1M EURIBOR + margin	2012-06-30
Echo - Galeria Kielce Sp. z o.o.	Kredyt Bank SA	Long-term credit	EUR	18 000	9 842	1M EURIBOR + margin	2013-10-31
Company raising a loan	Bank name	Type of obligation	Credit currency	Credit amount according to contract [in thousands PLN]	Credit used as at 31.12.2009 [in thousands PLN]	Interest rate type %	Final repayment date
Echo Investment - Centrum Handlowe Piotrków Trybunalski Sp. z o.o.	Pekao S.A.	Long-term credit	EUR	36 300	25 213	1M EURIBOR + margin	2014-02-15
Athina Park Sp. z o.o.	EUROHYPO AG	Long-term credit	EUR USD	13 840 8 200	11 830 7 039	1M EURIBOR 1M LIBOR + margin	2014-09-30
Malta Office Park Sp. z o.o.	Westdeutsche Immobilien Bank AG	Long-term credit	EUR PLN	31 785 20 000	10 066 0	1M/3M EURIBOR 1M WIBOR + margin	2015-09-30

Wan 11 Sp. z o.o.	EUROHYPO AG	Long-term credit	EUR	32 100**	27 462**	1M EURIBOR+ margin	2016-01-29
Echo-Park Postępu Sp. z o.o.	EUROHYPO AG	Long-term credit	EUR	50 000	24 084	3M EURIBOR+ margin	2020-01-31
Echo - Galeria Kielce Sp. z o.o.	EUROHYPO AG	Long-term credit	EUR	100 000	0	1M/3M EURIBOR	2020-03-31
Echo - Galaxy Szczecin Sp. z o.o.	EUROHYPO AG	Long-term credit	EUR	100 000	93 380	1M/3M EURIBOR+ margin	2022-09-30
Projekt Echo 62 Sp. z o.o.	EUROHYPO AG	Long-term credit	EUR	115 500	98 097	1M/3M EURIBOR+ margin	2022-09-30

*Credit used given in nominal value; ** 100% of debt arising from credit agreement.

9.3. Loan agreements

9.3.1. Loans taken

Echo Investment Capital Group did not take out any loans in 2009.

9.3.2. Loans granted

Echo Investment S.A.'s receivables on account of loans granted as at the end of 2009 are presented in the table below:

Person/Organization	Outstanding loan amount [in thousands PLN]	Final repayment date
WAN Invest Sp. z o.o.	55	31.12.2010
Individuals	12	-

9.4. Debt instruments contracts

Apart from own funds, loans and credit facilities, current operations of the Capital Group are also financed through issuance of debt instruments. The dominant company - Echo Investment S.A. - is currently implementing active programs of issuance of long-term and short-term financial instruments (bonds).

Pursuant to contracts made in respect of the Bonds Issuance Program with BRE Bank in 2004 Echo Investment S.A. has certain liabilities under issued debenture bonds. Maximum total par value of all bonds thus issued by Echo Investment SA shall not exceed PLN 600 million.

Pursuant to Sale Guarantee Contract and Contract of Guarantee Rate Valuation made in respect of the Bonds Issuance Program with BRE Bank, the bank is obliged to acquire bonds issued by the Company, and not taken-up by other investors, up to the amount of PLN 35 million.

The balance of these liabilities as at the end of 2009 is presented in the table below:

Bank name	Type of instrument	Amount utilized [in thousands PEN]	Bonds redemption date
BRE Bank S.A.	Bonds	150,000	25.05.2011
BRE Bank S.A.	Bonds	100,000	25.05.2013

BRE Bank S.A.	Bonds	300,000	30.06.2014
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On February 13, 2009, in respect of the Bonds Issuance Program with BRE Bank S.A. with its registered seat in Warsaw, the Company Echo Investment SA issued discount bonds with a total value of PLN 35 million. The nominal value of one bond is PLN 100 thousand. On May 14, 2009 the Company redeemed and discontinued the bonds. The redemption was at the nominal value. The issue price and interest were determined on the basis of a variable WIBOR 3M rate, plus investors' profit margin. The issued bonds were not secured.

On May 14, 2009, in respect of the Bonds Issuance Program with BRE Bank S.A. with its registered seat in Warsaw, the Company Echo Investment SA issued discount bonds with a total value of PLN 35 million. The nominal value of one bond is PLN 100 thousand. On June 17, 2009, the issuance of bonds was rolled. On July 20, 2009 the Company redeemed and discontinued the bonds. The redemption was at the nominal value. The issue price and interest were determined on the basis of a variable WIBOR 1M rate, plus investors' profit margin. The issued bonds were not secured.

On May 30, 2009 an agreement of the Bonds Issuance Program (the Agreement), signed on April 03, 2003 between Echo Investment S.A. and Bank BPH SA (currently Bank PeKaO S.A. as a legal successor of Bank BPH SA), expired. Under the Agreement the Bank organized and provided the services of the issuance of coupon bonds Echo Investment S.A. on the private market. The maximum total value of all bonds did not exceed the amount of PLN 250. The maturity date programme was not used.

9.5. Surety agreements

I. Sureties granted as at December 31, 2009 are presented in the table below:

Surety in favour of	Value (in thousands)	Expiry date	On account of
Bank PeKaO SA	PLN 740	Valid until the conclusion of an agreement of transfer of the rights of bank performance bond in favour of Bank PeKaO SA	surety for the obligations of Echo Investment – Centrum Bełchatów Sp. z o.o. as a collateral for credit granted by Bank PeKaO SA
Projekt – Echo 49 Sp. z o.o.	PLN 3,880	July 4, 2010	Surety for liabilities concerning remediation of damage regarding Projekt – Echo 49 Sp. z o.o.
EUROHYPO AG	PLN 821,640	Valid until a legally-binding entry of a capped mortgage and registered pledges on a property in the pledge register (with regard to the amount of EUR 100 million) and obtaining a legally-binding perpetual usufruct permit of an extended shopping-entertainment centre Galeria Echo in Kielce (with regard to the amount of EUR 100 million).	surety for the obligations of Echo – Galeria Kielce Sp. z o.o. under the credit agreement signed on October 6, 2009 with Bank Eurohypo AG, with its registered seat in Eschborn (Germany)

On November 25, 2009 the Company Echo Investment SA granted a surety for the obligations of its subsidiary „Echo – Galeria Kielce” Sp. z o.o., with its registered seat in Kielce (the Borrower) under the credit agreement signed on October 6, 2009 with Bank Eurohypo AG, with its registered seat in Eschborn (Germany) (the Lender). The Mount of credit granted is EUR 100 million (which according to the average exchange rate of the National Bank of Poland as at the date of credit granting is an equivalent of PLN 411.43 million). The surety was granted up to the amount of EUR 200 million (which according to the average exchange rate of the National Bank of Poland as at the date of credit granting is an equivalent of PLN 822.86 million, and as at 31.12.2009 is PLN 821.64 million) and shall be valid until a legally-binding entry of a capped mortgage on a property and registered pledges in the pledge register (with regard to the amount of EUR 100 million) and until obtaining a legally-binding perpetual usufruct of land permit for an extended shopping-entertainment centre Galeria Echo in Kielce (with regard to the amount of EUR 100 million). Under the surety granted, the Company shall receive remuneration from the Borrower, which shall be determined on the basis of a percentage rate calculated from the amount of surety granted. The Issuer is directly and indirectly tied with the Borrower through its subsidiaries „Echo – Kielce 1” Sp. z o.o. and „Projekt Echo – 93” Sp. z o.o.

On December 15, 2009 an individual surety for the obligations of a subsidiary for the amount of PLN 18,807 thousand expired.

- II. The value of sureties obtained on account of lease contracts, valid as at December 31, 2009 was PLN 1.20 million, EUR 976.3 thousand and USD 33.95 thousand and on account of the projects' development was PLN 52.47 million.

9.6. Guarantee agreements

- I. As at December 31, 2009 the Company Echo Investment SA granted three bank guarantees.

On January 13, 2009 PKO BP SA Bank granted a bank guarantee to PKP SA with its registered seat in Warsaw as a security of payment of consulting costs, up to the amount of PLN 1.8 million. The guarantee expired on November 09, 2009.

On June 22, 2009 Echo Investment S.A. granted a guarantee to Westdeutsche ImmobilienBank AG as a security in the event of overspending during the execution of stage II of Malta Office Park in Poznan. The guarantee shall be valid until the repayment of all obligations on account of the credit agreement signed on June 22, 2009 between Malta Office Park Sp. z o.o. and Bank Westdeutsche ImmobilienBank AG (Germany). The value of the guarantee was PLN 7.3 million.

On October 22, 2009 Bank PKO BP SA granted a bank guarantee to J&P Sp. z o.o. as a security in the event of not fulfilling by Centrum Handlowe PHS SA (a subsidiary) obligations due under the Lease contract of premises of September 24, 2009. The value of the guarantee was EUR 38.19 thousand (which according to the average exchange rate of the National Bank of Poland as at 31.12.2009 is an equivalent of PLN 157 thousand).

On November 03, 2009 Bank PKO BP SA granted a bank guarantee to Master Serwis Opon Sp. z o.o. as a security of payment of the amount awarded in favour of the Beneficiary. The value of the guarantee was PLN 1.1 million.

Guarantee agreements valid as at December 31, 2009 are presented in the table below:

Guarantor	Value (in thousands)	Expiry date	On account of
Echo Investment SA	PLN 7,300	Until the repayment of obligations under a credit agreement signed on June 22, 2009	Security of payment in the event of overspending during the execution of stage II of Malta Office Park
PKO BP SA	PLN 157	until 30.09.2010	Security in the event of not fulfilling obligations towards J&P Sp. z o.o. due under the Lease contract of premises of September 24, 2009. Guarantee issued in EUR.
PKO BP SA	PLN 1,100	until 31.12.2011	Security of payment of the amount awarded in favour of Master Serwis Opon Sp. z o.o.

- II. Value of guarantees obtained, valid as at December 31, 2009:

- guarantees received under lease contracts: PLN 12.56 million, EUR 35.47 million and USD 64.62 thousand,
- guarantees received under project development contracts: PLN 55.93 million and EUR 125.18 thousand.

10. In case of issue of securities during the reporting period – description of the use of revenues from the issue by echo investment s.a.

In 2009 the dominant company - Echo Investment S.A. did not issue any securities (shares).

11. Clarification of differences between financial results disclosed in the annual report and previously published forecasts for 2009

Neither Echo Investment S.A. Capital Group nor the dominant company - Echo Investment S.A. published any forecasts of financial results for the year 2009.

12. Evaluation of financial resources management at echo investment capital group, with special consideration of debt repayment capacity and description of possible threats and actions the issuer has taken or intends to take in order to counteract them

Management of financial resources of Echo Investment Capital Group in 2009, in relation to the investment process in progress of erection of commercial facilities and apartments was mainly focused on obtaining sources of financing for realized projects, bridge financing (until the point of obtaining financing by subsidiaries) and maintaining safe liquidity ratios and assumed financing structure.

During the recent years, Echo Investment S.A. Capital Group has been increasingly emphasizing the increase of portfolio of commercial surfaces, which according to the Management Board should ensure stable revenues and cash flows and Echo Investment Capital Group's independency on cyclical phases in the economy and construction industry.

According to the Management Board, Echo Investment Capital Group's property and financial condition at the end of 2009 indicates the Capital Group's stable financial standing.

YIELD RATIOS

1. **Operating profit margin ratio** (operating profit/net sales income) – the ratio was lower than in a corresponding period last year. This was related to a decrease in operating profit (currency exchange losses in 2009 in relation to its growth in 2008 resulted in the negative value of fair value valuation of real property in comparison with 2008, when big currency exchange gains resulted in a significant growth of operating profit in 2008); in case of elimination of currency exchange gains/losses, the ratio of 2008 and 2009 should not differ in their value.
2. **Net balance profit margin ratio** (net profit/net sales income) – maintaining this ratio on the same level proves that currency gains/losses are neutral in relation to the Capital Group result. The currency losses in 2009, which have a negative effect on operating profit through fair value valuation of real property (a decline in operating profit margin) were alleviated owing to currency gains through the valuation of foreign currency credits and the valuation of open positions for forward transactions.
3. **Return on assets ROA** (net profit/assets total) – maintaining this ratio on the same level proves that the rate of assets growth in the Capital Group is similar to the rate of net profit growth.
4. **Return on equity ROE** (net profit /equity) – maintaining this ratio on the same level proves that the rate of equity growth in the Capital Group is similar to the rate of net profit growth. A positive and stable level of this ratio proves that the Capital Group is constantly and steadily increasing its value.

Yield ratios are presented in the table below:

Yield ratios	2009	2008
Operating profit margin ratio	45.5%	153.3%
Net balance profit margin ratio	24.0%	23.8%
Return on assets (ROA)	2.4%	2.5%
Return on equity (ROE)	6.0%	6.4%

CYCLE RATIOS

Before analysing the changes in these ratios, a few characteristic features should be mentioned, which are independent of the period the ratios apply to. The rotation of key items of assets and liabilities is associated with the unique qualities of performed operations. They are related to a relatively long cycle of execution of specific investment projects and the value and volume increase of the 'portfolio' of executed investments. Due to the fact that the Capital Group inventories include acquired ownership rights and perpetual usufruct of land, together with all building expenses and costs pertaining to executed developer projects designated for sale, the cycle of execution will be long as compared to other businesses, e.g. the producers of FMCG.

- Inventories cycle in days** (average balance of inventories *365 / net sales revenues) – a decrease in this ratio, as compared to last year, is caused by a decline in the value of inventories. This means that, in spite of the crisis, the Capital Group is still doing well in the sales of its products.
- Current receivables cycles in days** (balance of current receivables* 365 / net sales income) – an increase of this ratio is caused by a faster growth of receivables, accompanied by net sales income maintained at a similar level as compared to a corresponding period last year.
- Current trade liabilities cycle in days** (balance of current trade liabilities *365 / net sales income) – a decrease in this ratio, is caused by a decline in current trade liabilities, accompanied by net sales income maintained at a similar level as compared to a corresponding period last year.

Cycle ratios are presented in the table below:

Activity indicators	2009	2008
Inventories cycle in days	356	405
Current receivables cycle in days	111	89
Current trade liabilities cycle in days	66	94

LIQUIDITY RATIOS

Current liabilities are the denominator in liquidity ratios. In the current year, the decrease in these ratios was determined by the current liabilities growth, caused by re-booking of the part of the valuation of forward transactions from non-current into current liabilities. However, these liabilities are of a purely accounting character because their maturity dates are mainly in 2010, and the actual liabilities on account of these transactions will be based on exchange rates as at the settlement day (in accordance with transactions partially closed after the balance sheet date, closing rates are lower than those at the balance sheet date), and according to all studies, forecasts and observations of the market, the Polish zloty is getting stronger.

- Current ratio** (current assets/current liabilities) – a decrease in this ratio is caused by the liabilities growth (a result of posting part of forward transactions in the currency market from non-current into current ones, and trade liabilities decrease) and a decline in current assets as compared to

a corresponding period last year. A fall of this ratio from levels slightly higher than upper ideal brackets (from 1.2 do 2.0) to the middle of the brackets indicates an improvement in the efficiency of the management of free funds and the Capital Group liquidity, in order to avoid keeping the free funds at an unnecessarily too high level.

2. **Quick ratio** ((current assets – inventories) / current liabilities) – a decrease in this ratio is caused by the liabilities growth (a result of posting part of forward transactions in the currency market from non-current into current ones, and trade liabilities decrease) and a decline in current assets, excluding inventories. The ratio is in ideal brackets, i.e. from 0.6 to 1.0, even with booked valuations of currency transactions, and its decline to safer levels is the effect of improving the management of the Group's free funds.

3. **Cash ratio** (cash / current liabilities) - a decrease in this ratio is caused, on one hand, by the liabilities growth (a result of posting part of forward transactions in the currency market from non-current into current ones, and trade liabilities decrease) and, on the other, a decline in cash as compared to a corresponding period last year. The fall to still safe levels, as above the ideal levels 0.1 – 0.2 (due to the specific character of the business held at a higher than ideal level) is the effect of improving the management of free funds, so that part of them work in the investment process and are not kept on the bank accounts. Moreover, apart from funds on the bank accounts, the Capital Group has free credit limits on the bank accounts, which indicates even greater security in respect of the instant liquidity of the Capital Group.

Liquidity ratios are presented in the table below:

Liquidity ratios	2009	2008
Current ratio	1.48	2.14
Quick ratio	0.62	1.00
Cash ratio	0.35	0.75

DEBT RATIOS:

1. **Equity to assets ratio** (equity / assets total) – the ratio was at a level similar to the previous year and this was due to a similar rate of equity growth in relation to the rate of assets growth in general.
2. **Equity to fixed assets ratio** (equity / fixed assets) – the ratio was at a level similar to the previous year and this was due to a similar rate of fixed assets growth in relation to the equity growth.

Similar levels of those ratios indicate an increase in the Capital Group assets, which results from the Group's operations, not from the increase in the property value due to changes in the EUR/PLN exchange rate. (In spite of the decline in the exchange rate The Capital group's assets increased). As concerns equity in the financial result, on the other hand, the growth was alleviated with the valuation of credit and currency transactions of forward transactions (posted under liabilities in the balance sheet) – owing to the mechanism of neutralization of currency exchange gains/losses described in profitability ratios.

3. **Overall debt ratio** (liabilities total / assets total) – a slight decline in this ratio results from a slower liabilities growth in relation to the assets total growth. Change in exchange rates did not affect the ratio because thanks to natural hedging, currency exchange gains/losses were disclosed in similar amounts under both assets and liabilities.
4. **Debt to equity ratio** (liabilities total / equity) – an increase in this ratio results from the liabilities decline accompanied by the equity growth. Liabilities fell, among other things, due to a lower valuation of hedging transactions and currency credits caused by lower exchange rates at the end of the year than at its beginning. Exchange gains/losses were eliminated in the equity growth (an increase in the result of valuation of credits and forward transactions alleviated with its fall in valuation of investment property).

Debt ratios are presented in the table below:

Debt ratios	2009	2008
Equity to assets ratio	40.6%	39.1%
Equity to fixed assets ratio	48.8%	50.0%
Overall debt ratio	52.3%	53.9%
Debt to equity ratio	128.9%	138.0%

13. Evaluation of the possibility of realisation of investment plans, including capital investments, as compared to the volume of available resources, accounting for possible changes in the structure of financing of the these operations

Within the Capital Group, Echo Investment S.A. and its subsidiaries are fully capable of financing the currently executed investment projects. While executing projects in all areas of activity, Echo Investment S.A. Capital Group intends to finance these projects using funds from equity capitals, bank loans, issue of debt securities. The projects intended for lease (shopping centres, shopping-entertainment centres and offices) are most often financed using obtained financing (purpose credits) in subsidiaries established for that particular purpose.

14. Assessment of factors and unusual events affecting the financial results in 2009, including the extent to which the factors or unusual events have affected the earned results

The following factors had a major impact on the bottom line of 2009:

- posting the incomes earned under final agreements of sale of the housing projects: in Warsaw area at Inflancka Street Stage II and III and Zwycięzców Street Stage II;
- residential estate in Poznań Naramowice stage III;
- plots of land with house designs in estate Bilcza II near Kielce);
- steady income from letting of space in offices and shopping centres;
- quarterly revaluation of Echo Investment Capital Group's real estates, accounting for such changes as those arising out of EUR/USD foreign exchange gains/losses, net sales value, fair value appraisal and changes in yield rates arising out of expert appraisals;
- change of yield capitalisation rate in Malta Project in accordance with the valuation made for the purpose of financing;
- real property valuation, in compliance with IAS 40, concerning the projects:
 - Avatar in Cracow (under construction);
 - Park Postępu in Warsaw (partially delivered);
 - Malta Office Park Stage II in Poznan (partially delivered);
- acquisition of real property in Kiev;
- appraisal and adjustment of credit and cash in foreign currencies;
- appraisal and adjustment of hedge instruments in foreign currencies;
- revaluation of intangible assets.

In the 4th quarter of 2009, pursuant to the revoking of the decision on granting the right of perpetual usufruct of land to „Projekt S” Sp. z o.o. and in connection with the unknown date of adjudication of the substance of the case, the following was done:

- Echo Investment S.A. made an allowance for the shares of a subsidiary issuing a claim („Projekt S” Sp. z o.o.) and all receivables and expenditures, which results in a decreased separate gross profit by approximately PLN 23 million;
- an allowance for the value of assets in a subsidiary issuing a claim (claims), which results in a decreased consolidated gross profit by approximately PLN 16 million (in previous years an allowance for the remaining part was made).

As a security against foreign exchange risks on the currency futures market, Echo Capital Group opened a position in derivatives hedging the EUR/PLN exchange rate. The transactions are executed on the basis of contracts signed with banks and are effected within the scope of the applicable hedging policy to secure future levels of cash flows on operating activity and currency conversion of EUR- denominated credit facility tranches.

On January 6 and 15, 2009 the Company closed part of its open currency positions: forwards with a nominal value of EUR 35 million (cost of closing PLN 59 thousand).

On March 16, 2009 the Company closed part of its open currency positions: call option with a nominal value of EUR 2.8 million (cost of closing PLN 2,509 thousand) and put option with a nominal value of EUR 4.0 million (option expired naturally, without costs).

On April 16, 2009 Projekt Echo – 63 Sp. z o.o. made a swap of expiring forward transactions at a nominal amount of EUR 10 million into options at the same amount.

On May 4, 2009 Echo – Park Postępu Sp. z o.o. closed the part of its open currency positions: forwards with a nominal value of EUR 15 million (cost of closing PLN 13 796 thousand).

On June 10, 2009 the Company closed the part of its open currency positions: forwards with a nominal value of EUR 2 million (cost of closing PLN 1 840 thousand).

On June 15, 2009 the Company closed the part of its open currency positions: forwards with a nominal value of EUR 1 million (cost of closing PLN 639 thousand).

On June 16, 2009 the Company closed the part of its open currency positions: forwards with a nominal value of EUR 1.5 million (cost of closing PLN 1 440 thousand).

On June 16, 2009 Malta Office Park Sp. z o.o. closed the part of its open currency positions: forwards with a nominal value of EUR 11 million (cost of closing PLN 4 924 thousand). At the same time the Company carried out hedging transactions for the amount of EUR 10 million.

On August 28, 2009 Malta Office Park Sp. z o.o. made a settlement of the part of its open currency positions: forwards with a nominal value of EUR 10 million (profit from closing PLN 4 656 thousand).

On September 30, 2009 the Company made a settlement of the part of its open currency positions: call option with a nominal value of EUR 2.1 million (cost of closing PLN 1 675 thousand) and put option with a nominal value of EUR 3.0 million (option expired without any costs).

On October 14, 2009 Projekt Echo 63 Sp. z o.o. made a swap of a pair of call and put options expiring on October 16, 2009 for a pair of call and put option with a maturity date on April 14, 2010. A nominal value of the transaction amounted to EUR 21.0 million (as at a day of swap transaction – transaction was carried out without costs, the costs will appear on the maturity day).

On November 13, 2009 and December 14, 2009 Park Postępu Sp. z o.o. made a settlement of open currency positions: forwards with a nominal value of EUR 30 million (cost of closing PLN 19 656 thousand) and at the same time the company carried out a forward transaction on December 14, 2009 for the amount of EUR 5.9 million with a maturity date on March 17, 2010.

On December 15, 2009 Malta Office Park Sp. z o.o. made a settlement of open currency positions: forwards with a nominal value of EUR 21 million (cost of closing PLN 14 878 thousand) and at the same time the company carried out a forward transaction on December 15, 2009 for the amount of EUR 21.0 million with a maturity date on December 14, 2010.

On December 29, 2009 the Company made a settlement of its open currency positions: call option with a nominal value of EUR 2.1 million (cost of closing PLN 1 459 thousand) and put option with a nominal value of EUR 3.0 million (option expired without any costs).

As at December 31, 2009, as a security against foreign exchange risks on the currency futures market, Echo Capital Group opened a position in derivatives hedging the EUR/PLN exchange rate in 2010 (EUR 265.9 million, including EUR 137.4 million in the first half of 2010). The transactions executed on the basis of contracts signed with banks were not speculative in nature and were effected within the scope of the applicable hedging policy to secure future levels of cash flows on operating activity and currency conversion of EUR- denominated credit facility tranches. On the basis of data received from banks, balance sheet valuation of open items on derivatives as at December 31, 2009 is as follows: forwards – PLN 148.8 million, currency options – PLN 13.1 million. These transactions were executed at the average forward/strike rate of 3.5525 EUR/PLN.

Maturity dates of open hedging items as at December 31, 2009:

Financial instrument	Currency	Type	Balance sheet value as at 31.12.2009 (million PLN)	Nominal (million EUR)	I half of 2010 nominal (million EUR)	II half of 2010 nominal (million EUR)
Forward	EUR/PLN		- 148.8	244.9	116.4	128.5
Options	EUR/PLN	call	-13.1	21.0	21.0	0.0
	EUR/PLN	put	0.05	21.0	21.0	0.0

15. Description of external and internal factors significant for the development of Echo Investment Capital Group. Description of development perspectives for the Capital Group's economic activity at least until the end of 2010, including its market strategy.

15.1. Description of external and internal factors significant for the development of Echo Investment Capital Group

Key external factors affecting the development of the Capital Group

include:

Positive factors:

- maintained investment activity of Polish and foreign business entities and resulting demand for services provided by Capital Group companies;
- lower proportion of office and shop floor per 1000 inhabitants in Poland than in Western Europe,
- shortage of residential areas
- economic growth in Poland, maintained in spite of the world crisis;
- good condition of the Polish financial sector
- Government's activities supporting the economic growth, among others, a programme „Rodzina na swoim” [A Family in Its Own Place].

Negative factors:

- unclear legal status of numerous real properties, which is due to such issues as reprivatisation or lack of precise spatial development plans in many towns and communes;
- time-consuming court and administrative proceedings related to legal status regulation and acquisition of rights to real property;
- market entry of large international investment & developer companies;
- legislation causing major difficulties in construction of large-size establishments; protests by local merchants' organizations, limiting the potential for investing in construction of malls;
- decreasing rate of economic growth, deteriorated economic situation in Poland and in other countries where Echo Group operates;
- variability of foreign exchange rates (EUR and USD);
- variability of interest rates;
- uncertainty about key assumptions of the fiscal and monetary policies in Poland.

Key internal factors significant for the development of Echo Investment S.A. Capital Group include:

Positive factors:

- clear and precise development strategy;
- stable structure of shareholders of the dominant company - Echo Investment S.A., with clear and consistent owners' policy towards the company;
- well-defined product group;
- recognized position of the capital group in the developer market and high reliability, acknowledged by Echo Investment S.A.'s presence in the Stock Exchange and obtained Developer's Certificate;
- active partnership cooperation with largest banks in terms of financing current activities and specific projects;
- good cooperation with stable and recognized partners;
- organizational structure accounting for the existence of profit centres, which are responsible for the specific segments of activity of Echo Investment S.A. Capital Group;
- regulated legal status (no court actions threatening Echo Capital Group).

Negative factors:

- unique quality of the operations, involving high level of dependency on complicated and time-consuming legal procedures,
- high demand for current assets, particularly related to the high number of executed projects.

15.2. Description of development perspectives for the Capital Group's economic activity at least until the end of 2010, including its market strategy.

The strategy adopted by the Company takes into consideration the changing economic conditions and opportunities for development. It assumes strengthening of the Company's position on the developer's market and its development in the countries of Central and Eastern Europe. Its main objective is a consistent increase of the property portfolio and building the corporate value based on steady growth of profitability of the Capital Group's operations. Owing to the Capital Group's previous experience, successive use of its competitive advantage and building an optimum property portfolio, the Company is well-prepared for its further development in a changing market environment.

In 2009 the Management Board of the Company, in connection with an observed global economic crisis, verified its investment plans in order to adapt them to the economic forecasts for next year. Restructuring and cost-cutting were implemented, including overheads, among others, through adapting the employment levels to the anticipated involvement in the execution of projects and activities on the property market.

Next year the activities of Echo Investment Capital Group shall focus on the optimisation of developer's processes of particular investments. The Company monitors closely the developments on the property market and its decisions concerning the development of particular projects are taken individually and are based on current studies. In order to minimize the risk of adverse market changes, the Company adapts the schedules of the execution of projects to the actual situation on the market and does not exclude developing the planned investments in stages.

The subsidiaries of the Capital Group will focus on the preparation, realisation and commercialisation of office and commercial projects destined for lease, as well as on the preparation of new projects.

The development of the planned apartment buildings will depend on demand-and-supply factors, among other things, on the purchasing power, availability of credits, salaries, market price of the apartments and others. About 20 housing projects are under preparation.

The development of hotels largely depends on the situation in the tourist industry and the willingness of the hotel chains to undertake new investments. The current activity of Echo Investment S.A. is focused on the Polish market, where the Company co-operates with the international operators of hotel chains.

The Management Board of the Company is planning to develop its activities on the foreign markets in Central and Eastern Europe. At present, a development of a multi-purpose shopping, commercial and office centre in Budapest and a shopping-entertainment centre in Brasov in Romania are being prepared. The Capital Group has also started its activities in Ukraine, where it is planning to develop an office park.

16. Changes in the basic principles of managing the Capital Group

No significant changes in the basic rules of management took place during the year 2009.

17. Agreements made between the issuer and members of managing bodies, stipulating compensation in case of their resignation or dismissal from their positions without an important reason, or if their removal or dismissal results from the issuer's merger through takeover

As at December 31, 2009 and in 2009, no agreements existed between the issuer and members of managing bodies that would stipulate compensation.

18. Value of remuneration, rewards and benefits, including ones resulting from motivation or bonus programmes based on bonds with pre-emptive rights, convertible bonds, subscription warrants, paid, due or potentially due, separately for each member of the issuer's managing and supervisory bodies, as well as values of remuneration and rewards received for performance of functions in the bodies of subsidiaries

18.1 Remuneration paid to members of managing bodies

Managers of Echo Investment S.A. received the following remuneration at Echo Investment S.A. and for exercising their functions in the bodies of wholly and partially owned subsidiaries and associated companies in 2009, respectively:

- Mr Piotr Gromniak received compensation from Echo Investment S.A. in the total amount of PLN 660 thousand. He did not receive compensation for his functions held in the bodies of wholly- and partially-owned subsidiaries and affiliated companies.

- Mr Artur Langner received compensation from Echo Investment S.A. in the total amount of PLN 635 thousand. He did not receive compensation for his functions held in the bodies of wholly and partially owned subsidiaries and affiliated companies.

Other persons involved in management of wholly- and partially-owned subsidiaries and affiliated companies of Echo Investment S.A. (apart from the persons enumerated above) received a total compensation of PLN 255 thousand for performance of their functions in the bodies of the wholly and partially owned subsidiaries and affiliated companies.

18.2 Remuneration paid to members of supervisory bodies

Supervisors of Echo Investment SA received the following compensation from Echo Investment S.A. on account of their supervisory functions for the Company during 2009:

- Mr Wojciech Ciesielski received compensation from Echo Investment S.A. in the total amount of PLN 84 thousand. He did not receive compensation for his functions held in the bodies of wholly- and partially-owned subsidiaries and affiliated companies.
- Mr Andrzej Majcher received compensation from Echo Investment S.A. in the total amount of PLN 60 thousand. He did not receive compensation for his functions held in the bodies of wholly- and partially-owned subsidiaries and affiliated companies.
- Mr Mariusz Waniółka received compensation from Echo Investment S.A. in the total amount of PLN 36 thousand. He did not receive compensation for his functions held in the bodies of wholly- and partially-owned subsidiaries and affiliated companies.
- Mr Robert Oskard received compensation from Echo Investment S.A. in the total amount of PLN 36 thousand. He did not receive compensation for his functions held in the bodies of wholly- and partially-owned subsidiaries and affiliated companies.
- Mr Karol Żbikowski received compensation from Echo Investment S.A. in the total amount of PLN 36 thousand. He did not receive compensation for his functions held in the bodies of wholly- and partially-owned subsidiaries and affiliated companies.
- Mr Tomasz Kalwat received compensation from Echo Investment S.A. in the total amount of PLN 36 thousand. He did not receive compensation for his functions held in the bodies of wholly- and partially-owned subsidiaries and affiliated companies.

Other persons involved in supervision over the wholly- and partially-owned subsidiaries and affiliated companies of Echo Investment S.A. (apart from the persons enumerated above) did not receive compensation for performance of their functions in the bodies of the wholly- and partially-owned subsidiaries and affiliated companies.

19. Total number and nominal value of all shares of the issuer and shares in the issuer's Capital Group companies held by managing and supervising persons

Shares of Echo Investment SA have been quoted on the Warsaw Stock Exchange Since March 1996. As at December 31, 2009 420,000,000 shares of the Company are traded on the Stock Exchange. The nominal value of one share is PLN 0.05. All shares carry the same rights. One share carries one vote at the General Meeting of Shareholders.

Information on the issue of shares of the company Echo Investment:

Series	Number of shares	Total nominal value	Type of share	Date registration of Court	in	Date of issue on the Warsaw Stock Exchange
A	1,600,000	80,000	Ordinary bearer shares	30.06.1994		10.08.2006
B	38,400,000	1,920,000	Ordinary bearer shares	30.06.1994		21.02.1996
C	20,000,000	1,000,000	Ordinary bearer shares	13.11.1995		21.02.1996
D	60,000,000	3,000,000	Ordinary bearer shares	18.02.1997		27.03.1997
E	20,000,000	1,000,000	Ordinary bearer shares	30.12.1997		02.03.1998
F	280,000,000	14,000,000	Ordinary bearer shares	26.11.2002		20.12.2002
Total:	420,000,000	21,000,000				

19.1. Shares of Echo Investment S.A. held by supervising persons

Shares of Echo Investment S.A. held by supervising persons as at December 31, 2009 are illustrated in the table below:

Supervising person	Balance as at 31.12.2009 [pes.]	Par value of share	Total par value	Percentage of share capital
Wojciech Ciesielski - Chairman of the Supervisory Board	1,440,000	PLN 0.05	PLN 72,000	0.34%
Andrzej Majcher - Deputy Chairman of the Supervisory Board	100,800	PLN 0.05	PLN 5,040	0.02%
Mariusz Waniolka - Member of the Supervisory Board	did not hold any shares	PLN 0.05	-	-
Robert Oskard - Member of the Supervisory Board	did not hold any shares	PLN 0.05	-	-
Karol Żbikowski - Member of the Supervisory Board	did not hold any shares	PLN 0.05	-	-
Tomasz Kalwat - Member of the Supervisory Board	14,860	PLN 0.05	PLN 743	0.004%

On November 20, 2009 the Issuer received notifications in which three members of the Supervisory Board of the Issuer inform that on November 20, 2009 a person closely related to them, as a consequence of an off-session block transaction, carried out on December 19, 2009 on the Warsaw Stock Exchange, acquired 17,884,050 ordinary bearer shares of Echo Investment SA on the regulated market, at a price of PLN 4.39 per share. The informing persons requested that the personal details of that person be kept confidential, in compliance with Paragraph 3 Law 2 of the Minister of Finance Decision of November 15, 2005 on the transferring and publishing information on certain financial instruments transactions and the principles of preparation and maintaining a list of persons who have access to certain confidential information (Journal of Laws No. 229 item 1950).

19.2. Shares of Echo Investment S.A held by managing persons

Shares of Echo Investment S.A. held by managing persons as at December 31, 2009 are illustrated in the table below:

Managing person	Balance as at 31.12.2009 [pes.]	Par value of one share	Total par value	Percentage of share capital
Piotr Gromniak - President of the Management Board	did not hold any shares	PLN 0.05	-	-
Artur Langner - Vice-President of the Management Board	did not hold any shares	PLN 0.05	-	-

20. Agreements known to the Issuer (including those made after a balance sheet date) which in the future may result in changes of the structure of shares held by present shareholders and bondholders

The Company has no knowledge of agreements which in the future may result in changes of the structure of shares held by present shareholders and bondholders.

21. Information about a system of control of matching shares programmes

No matching share programme is functioning in the company.

22. Contracts with certified auditor of financial statements for audit or review of the financial statements or consolidated financial statements

On August 5, 2008, the Issuer's Supervisory Board, acting pursuant to paragraph 13 clause 1 letter b of the Company Articles, and paragraph 2 clause 1) chapter IV of the Regulations of the Supervisory Board of the Company, in accordance with valid laws and professional standards, selected a company certified to audit financial statements.

The company authorised to audit the Company's financial statements is PricewaterhouseCoopers Sp. z o.o. of Warsaw, ul. Armii Ludowej 14, registered on the list of certified auditors of financial statements maintained by the National Board of Chartered Accountants with registration number 144 (Chartered Accountant), who has signed a contract for audit and review of the financial statements of Echo Investment in 2008 and 2009.

The fee paid or payable to the certified auditor of financial statements of the Issuer and Echo Investment Capital Group for the financial year is:

1. payable for audit of separate and consolidated annual statements for 2009: PLN 115,000; fee paid for audit of the same statements for 2008: PLN 160,000.
2. for other certification services, including the fee payable for review of separate and consolidated financial statements for 2009: PLN 95,000, and fee paid for review of separate and consolidated financial statements for 2008: PLN 95,000.
3. for tax consulting services, including PLN 0 paid in 2009, and PLN 6,560 in 2008.
4. for other services, including PLN 150,000 paid or payable in 2009 and PLN 140,000 in 2008.

23. Information on court proceedings before the authority having jurisdiction for arbitrary court proceedings or statutory authority, including information on the proceeding or two or more proceedings related to the debts or receivables of Echo Investment S.A. or any of its subsidiaries with a value amounting to at least 10% of the Company equity

During the period from January 1 to December 31, 2009 there were no court proceedings related to the debts or receivables of Echo Investment S.A. or any of its subsidiaries with a value amounting to at least 10% of the Company equity before the authority having jurisdiction for arbitrary court proceedings or statutory authority.

24. Significant events after the balance sheet date

On January 20, 2010 the Management Board of Echo Investment S.A. received a decision issued by the District Court for Cracow Srodmiestec 7th Division of Pledge Register in Cracow of January 12, 2010 about an entry in the Pledge Register of a registered pledge on shares of a subsidiary of Echo Investment „Projekt Echo – 62” Sp. z o.o., with its registered seat in Kielce (the Subsidiary). The pledge is on shares of the Subsidiary belonging to the Issuer’s subsidiary Echo – Pasaż Grunwaldzki Spółka z Ograniczoną Odpowiedzialnością Sp.k., with its registered seat in Kielce in the amount of 7,731,000 shares, with a total nominal value of PLN 386,550,000, constituting 99.99% of the share capital, carrying up to 7,731,000 at the general meeting of shareholders.

The bookkeeping value of shares under the registered pledge in the accounting books of Echo – Pasaż Grunwaldzki Spółka z Ograniczoną Odpowiedzialnością Sp.k. amounts to PLN 386,550,000. Echo – Pasaż Grunwaldzki Spółka z Ograniczoną Odpowiedzialnością Sp.k. treats the shares as a long-term capital investment.

The registered pledge is a collateral in favour of Bank Eurohypo AG, with its registered seat in Eschborn (Germany) against liabilities under the credit agreement signed between the Issuer’s subsidiaries Echo – Galeria Kielce Sp. z o.o., with its registered seat in Kielce (the Borrower) and Projekt Echo – 62 Sp. z o.o., with its registered seat in Kielce (the Guarantor) and Bank Eurohypo AG, with its registered seat in Eschborn (Germany) (the Bank, the Lender), about which by Echo Investment SA reported in the current report no. 32/2009 of October 6, 2009. The pledge on shares was made on the basis of an agreement for a registered pledge on shares signed on November 25, 2009 between Echo – Pasaż Grunwaldzki Spółka z Ograniczoną Odpowiedzialnością Sp.k. (the Pledger) and Bank Eurohypo AG (the Pledgee). The amount of liabilities under the registered pledge is EUR 150 million, which according to the average exchange rate of the National Bank of Poland as at the date of entry in the register is an equivalent of PLN 612.21 million.

On January 25, 2010 a subsidiary SPV-1 Sp. z o.o. acquired the right of perpetual usufruct of land of a real property, including the right to ownership of the buildings, located in Katowice at Kościuszki Street with an area of over 54 thousand sq m. The paid price was PLN 19 million net. A development of a shopping centre with a leasable area of ca. 50,000 sq m is planned on the property. At present, the adoption process of the Study of Land Use Conditions and Directions for the area where the property is located is taking place.

On February 8, 2010 sale agreements were signed between the Company Echo Investment S.A. (the Seller) and a subsidiary „Projekt Echo – 17” Sp. z o.o. (the Seller) and Mr Michał Sołowow (the Buyer). Under the aforementioned agreements, Echo Investment S.A. sold 999 and its subsidiary „Projekt Echo – 17” Sp. z o.o. sold 1 share in the share capital of a subsidiary Projekt Echo – 68 Sp. z o.o., with its registered seat in Kielce. The total sale price of shares amounted to PLN 35,571.

On February 18, 2010 Park Postępu Sp. z o.o. concluded a forward transaction closing the already open currency positions (forwards) with a nominal value of EUR 5.9 million with a maturity date on March 17, 2010.

From February 01 to March 12, 2010 a subsidiary "Echo-Aurus" Sp. z o. o. concluded forward transactions closing the part of open positions (EUR 32.5 million). The settlement date is on June 22, 2010.

From February 01 to February 25, 2010 a subsidiary "Echo - Arena spółka z ograniczoną odpowiedzialnością" S. k. concluded forward transactions closing the part of open positions (EUR 26.0 million). The settlement date is on June 22, 2010.

From February 26 to March 04, 2010 a subsidiary "Echo - Galeria Kielce" spółka z ograniczoną odpowiedzialnością" S. k. the part of open currency positions (EUR 66.5 million) and at the same time from February 26 to March 04, 2010 concluded a forward transaction for the amount of EUR 66.5 million, with the settlement date on April 14, 2011 (EUR 15.0 million) and February 15, 2012 (EUR 51.5 million).

On March 9, 2010 a subsidiary „Echo – Veneda” Sp. z o.o. and the City of Lomza signed an agreement of replacement of property located in Lomza, under which „Echo - Veneda” Sp. z o.o. transferred the ownership of property of undeveloped plots of land with an area of above 1679 sq m to the City of Lomza. In return the City of Lomza transferred the ownership of property of an undeveloped plot of land with an area of above 2, 281 sq m to „Echo – Veneda” Sp. z o.o. On the plot of land located at the confluence of Zawadzkiej and Sikorskiego Streets in Lomza, Galeria Veneda shopping centre will be developed, with an area of ca. 39 000 sq m.

The architectural concept was designed by Mąka Sojka Architekci design Office of Warsaw in co-operation with a team of architects of Echo Investment. At present, all documentation necessary to submit an application for a building permit is being completed. The commencement of the investment is planned for the second half of 2010.

On March 15, 2010 the Company Echo Investment S.A. and the Company Warbud S.A., with its registered seat in Warsaw (the Contractor) signed a general agreement of execution of a complex of apartment buildings, located in Poznań at Wojskowa Street (the Facility). Under the concluded agreement, the Contractor shall complete the general execution of the Facility until July 31, 2011. The value of the agreement was PLN 20.65 million net.

On March 17, 2010 „Echo – Centrum Przemysł” Sp. z o.o. (the Landlord) and Carrefour Polska Sp. z o.o., with its registered seat in Warsaw (the Tenant) signed an annex to a provisional lease agreement of commercial premises including the auxiliary premises, located in the shopping centre in Przemysł, of December 21, 1998 amendments included. Under the concluded annex, the rent rate of the area in the aforementioned shopping centre was changed. The value of annex for the lease period from October 1, 2010 to September 30, 2020 amounted to PLN 15.34 million (including EUR

2.19 million, which according to the average NBP rate as at a day of signing the annex is an equivalent of PLN 8.50 million).

On March 18, 2010 the company Echo Investment S.A. and BRE Bank S.A., with its registered seat in Warsaw, signed by circulation annexes (the Annexes) to the agreements in respect of the Bonds Issuance Program (the Bonds) concluded on April 15, 2004, mentioned by the Issuer in the current report no. 19/2004 on April 16, 2004 (the Agreements).

Under the Annexes to the aforementioned Agreement, the Issuer shall carry out a multiple issuance of bonds within the issuance of tranches. Under the Annexes, the total maximum nominal value of all bonds possible to issue was increased up to PLN 700 million and the term of the Agreements was changed into permanent. Pursuant to the Annexes concluded, BRE Bank S.A. shall organise and provide a complex service of the issuance of the Company bonds on the private market. The bonds shall not be secured and issued as bearer securities. The interest on bonds may be fixed or variable. The bonds shall not entitle to any non-cash obligations. The conditions of the issuance shall be determined before the issuance, during the term of the Agreement the Bonds Issuance Program.

From March, 12 to March 19, 2010 "Echo - Arena spółka z ograniczoną odpowiedzialnością" S. k. concluded forward transactions closing the part of open positions (EUR 18.0 million). The settlement date is June 22, 2010.

On March 23, 2010 Echo Investment S.A. and the Municipality of Wrocław concluded an agreement of purchase of a property located in Wrocław at Swobodna and Borowska Street, with a total area of 1.0362 hectares. The value of agreement is PLN 5.62 million net.

On March 29, 2010 Projekt Echo - 63 Sp. z o. o. exchanged four pairs of call and put options expiring on March 31, 2010 into a pair of call and put option with the maturity date on December 14, 2010. The nominal value of the transaction is EUR 11.0 million.

On March 29, 2010 "Echo - Galeria Kielce" Sp. z o.o. concluded a forward transaction closing the part of an open position (EUR 8 million). The settlement date is August 31, 2010.

On March 30, 2010 „Projekt Echo – 17” Sp. z o.o. (the Seller) and Mr Michal Solowow (the Buyer) concluded a sale agreement of 1 share in the share capital of a subsidiary „Projekt Echo – 44” Sp. z o.o. with a nominal value of PLN 500, constituting 1% of the share capital. The sale price is PLN 359.03.

On March 30, 2010 Echo Investment S.A. (the Seller) and Mr Tomasz Kwiecien (the Buyer) concluded a sale agreement of 99 shares in the share capital of a subsidiary „Projekt Echo – 44” Sp. z o.o. with a total nominal value of PLN 49,500, constituting 99% of the share capital. The sale price is PLN 35,543.69.

On April 01, 2010 "Echo - Oxygen" Sp. z o.o. concluded a forward transaction closing the part of an open position (EUR 1 million). The settlement date is June 22, 2010.

On April 7, 2010 Echo Investment S.A. (the Seller) and Magellan Holding Sarl, with its registered seat in Luxembourg (the Buyer) concluded a sale agreement of 490 shares in the share capital of a subsidiary „Projekt Echo – 58” Sp. z o.o., with its registered seat in Kielce, with a total nominal value of PLN 24,500, constituting 49% of the share capital. The sale price is PLN 18,514.71.

On April 7, 2010 the company Echo Investment SA (the Seller) and Projekt Echo – 93 Sp. z o.o. (the Buyer) concluded a sale agreement of 1 share in the share capital of a subsidiary Echo Investment – Centrum Handlowe Przemysł Sp. z o.o with a nominal value of PLN 50, constituting 0.001% of the share capital. The sale price is PLN 202.08.

On April 7, 2010 Projekt Echo – 17 Sp. z o.o. (the Seller) and Projekt Echo – 93 Sp. z o.o. (the Buyer) concluded a sale agreement of 1 share in the share capital of a subsidiary Projekt Echo – 63 Sp. z o.o. with a nominal value of PLN 50, constituting 0.004% of the share capital. The sale price is PLN 50.00.

On April 7, 2010 Projekt Echo – 17 Sp. z o.o. (the Seller) and Projekt Echo – 93 Sp. z o.o. (the Buyer) concluded a sale agreement of 1 share in the share capital of a subsidiary Athina Park Sp. z o.o. with a nominal value of PLN 500, constituting 0.008% of the share capital. The sale price is PLN 3,708.02.

On April 7, 2010 Projekt Echo – 17 Sp. z o.o. (the Seller) and Projekt Echo – 77 Sp. z o.o. (the Buyer) concluded a sale agreement of 125 shares in the share capital of a subsidiary of Echo Investment – Centrum Handlowe Piotrków Trybunalski Sp. z o.o. with a nominal value of PLN 50, constituting 0.02% of the share capital. The sale price is PLN 47,620.00.

On April 8, 2010 „Projekt Echo – 58” Sp. z o.o., with its registered seat in Kielce, (the subsidiary where the Issuer holds 51% of shares in the share capital) (the Buyer) and BRJ Invest - Panikowski, Kubiak, with its registered seat in Warsaw, Drozd – Sp. J. and BP Inwestycje – Panikowski i Przybylski Sp. J., with its registered seat in Warsaw (the Seller) concluded a preliminary sale agreement (the Preliminary Agreement).

The subject of the Preliminary Agreement is the acquisition of the ownership right to the properties comprising undeveloped plots of land, located in Warsaw within the area of Sikorskiego and Witosa Streets, with a total area of 34,271 sq m. (the Property). The acquisition price of the Property was determined at the level of PLN 70 million net. The price is payable in four instalments until April 1, 2013.

The parties to the Preliminary Agreement decided to conclude a promised agreement (the Promised agreement) until October 1, 2010 provided all of the following conditions are fulfilled until September, 29 2010:

- the Property is not encumbered with any debt or limited rights in rem, whether or not these are disclosed in the land and mortgage register;
- no claims are raised with respect to the Property by previous owners,
- no lease contracts, hire contracts or any other similar contracts exist in relation to the Property,

- the Seller has presented appropriate certificates of no arrears with payments of tax and other public charges.

The aforementioned conditions are conditions precedent.

The Preliminary Agreement does not contain any provisions would allow charging of liquidated damages in excess of a total PLN equivalent of EUR 200,000, which corresponds to the amount of PLN 770,520 as at the effective date of the Preliminary Agreement according to the average rate of exchange of the National Bank of Poland). Notwithstanding the liquidated damages, either party may pursue indemnity to compensate for any loss incurred.

The preliminary property acquisition agreement was signed in accordance with the strategy adopted by Echo Investment Capital Group, where under the Group is expanding its range of operations on the real estate market in Poland. Development of a group of office buildings is envisaged on the above specified property, with a gross leasable area of approximately 60,000 sq. m, with an over-ground and underground car park. The project is intended to be developed in three stages.

On April 12, 2010 Projekt Echo 63 Sp. z o. o. exchanged a pair of call and put options expiring on April 14, 2010 into a pair of call and put option pair with the maturity date on December 14, 2010. The nominal value of the transaction is EUR 10.0 million.

On April 20, 2010 "Echo - Oxygen" Sp. z o.o. concluded a forward transaction closing the part of an open position (EUR 5 million). The settlement date is June 22, 2010.

Kielce, April 30, 2010

Piotr Gromniak
President of the Management Board

Artur Langner
Vice-President of the Management Board

MANAGEMENT BOARD STATEMENT

We, the Management Board of Echo Investment S.A., hereby state that to the best of our knowledge, the annual consolidated financial statements for the year 2009, including the comparative figures, have been prepared in compliance with the International Financial Reporting Standards and that they are a true, fair and transparent presentation of the financial and economic standing of Echo Investment S.A. Capital Group and its profit/loss. The report concerning the activities of Echo Investment S.A. Capital group contains a true presentation of the development and achievements as well as the standing of the Group, including a description of fundamental risks and hazards.

We, the Management Board of Echo Investment S.A., hereby state that an entity authorised to audit financial statements, reviewing the annual consolidated financial statement for the year 2010 was selected in a lawful manner. This entity and the chartered accountants performing the review satisfied the conditions required to issue an impartial and autonomous opinion on the audited consolidated annual financial statement, as required by applicable regulations and professional standards.

Kielce, April 30, 2010

Piotr Gromniak
President of the Management Board

Artur Langner
Vice-President of the Management Board

**REPORT OF THE MANAGEMENT BOARD OF
ECHO INVESTMENT S.A.
ON APPLICATION OF CORPORATE GOVERNANCE
PRINCIPLES IN 2010**

April 30, 2010

1. A collection of corporate governance principles applicable to the Issuer and location where the collection can be accessed by the general public

Echo Investment S.A. (the Issuer) shall apply corporate governance principles under the obligation stipulated by *Best Practices of Public Companies Listed at the Warsaw Stock Exchange*, enacted under the Resolution No 13/1170/2007 of the Warsaw Stock Exchange Supervisory Board of July 4, 2007 and the amended Resolution No 18/1176/2007 of October 23, 2007 and No 20/1178/2007 of October 26, 2007. A collection of the aforementioned principles is available at the Warsaw Stock Exchange website at www.corp-gov.gpw.pl and at the Issuer's website, in the part concerning relationships between investors: www.echo.com.pl.

2. Scope of the Issuer's deviation from the provisions of corporate governance principles, indication of the provisions not followed and explanation of reasons for deviation

BEST PRACTICES FOLLOWED BY MANAGEMENT BOARDS OF LISTED COMPANIES

Principle 1.

"A company should maintain a corporate website and should publish the following:

4) notice of the time and venue of a general meeting, agenda, draft resolutions with justifications, other available materials relating to the company's general meetings of shareholders, at least 14 days before the specified date of meeting".

This principle was not followed in 2009 in the part concerning 14-day term for publication of materials related to general meetings of shareholders on the corporate website. The company publishes notice of time and venue of each general meeting, the agenda, draft resolutions with justifications, and other available materials related to general meetings of shareholders on its corporate website within such times as stipulated in the regulations of the Minister of Finance of February 19, 2009 on current and periodical information published by issuers of securities and principles of recognizing as equivalent information required by non-Member State legislations. The deadlines set out in the aforementioned Regulations are satisfactory for anyone willing to acquaint themselves with the respective materials.

Principle 1.

"A company should maintain a corporate website and should publish the following:

6) Annual reports on the activity of the supervisory board, accounting for the works of its committees, including evaluation of supervisory board's work, internal controlling system and significant company risk management system as submitted by the supervisory board".

This principle was not applied in 2009 in the part regarding reports on the committees' works and evaluation of the internal controlling system and significant company risk management system. As there is no internal controlling system or a significant corporate risk management system in the Supervisory Board's range of competence, the Supervisory Board has not presented an assessment of such systems in the annual report of the supervisory board.

On December 17, 2009 the Supervisory Board of Echo Investment S.A. in accordance with Article 86 of Act on chartered accountants and their self-governance, entities entitled to study financial reports and public supervision, as of May 7, 2009 (further called " Act on chartered accountants ") appointed an Audit Committee consisting of three persons.

1. Mr Mariusz Waniolka – Chairman of the Audit Committee;
2. Robert Oskard;

3. Tomasz Kalwat.

A member of the Audit Committee, Mr Mariusz Waniółka, meets the provisions stipulated by Article 56 Section 3 of Act on chartered accountants, as he is not related to the company or any other companies significantly related to the Company, and he holds qualifications in the area of financial audit and accounting. In the opinion of the Supervisory Board, all appointed members of the Audit Committee have knowledge of accounting and finance.

By appointing the Audit Committee, the Issuer adopted one of the corporate governance principles, Principle 7 of Part III "*Best Practices of Public Companies Listed at the Warsaw Stock Exchange*" enacted under the Resolution No 12/1170/2007 of the Warsaw Stock Exchange Supervisory Board of July 4, 2007.

Principle 1.

"The company should maintain a corporate website and publish the following data:

7) Shareholders' inquiries concerning issues put on the agenda, raised before and during the general meeting, with responses given".

This principle was not followed in 2009. The Company did not maintain a detailed record of General Meetings of Shareholders that would include all statements and inquiries. The chairperson of the given General Meeting of Shareholders decides about including particular issues in minutes, acting in pursuance of the law, according to importance of the given issue and on the basis of shareholders' reasonable demands. Participants of the General Meeting of Shareholders, in compliance with the Code of Commercial Partnerships and Companies and the Regulations of the General Meeting of Shareholders, may lodge written statements further attached to minutes of meetings. The Company concedes that such rules ensure sufficient transparency of general meetings.

Principle 1.

"The company should maintain a corporate website and publish the following data:

11) Information obtained by the management board on the basis of a supervisory board member's statement on a supervisory board member's affiliation to the shareholder holding a stake of not less than 5% of the total number of votes at the general meeting of the company".

The above principle was not followed by the Management Board of Echo Investment SA in 2009 because the Management Board of the Company did not receive any such representations from members of the Supervisory Board.

Principle 3.

"Before the company executes a significant contract with an affiliated entity, the management board shall request the supervisory board's approval of such transaction/contract. The above obligation shall not apply to typical transactions executed at arm's length in the range of the company's operating activities with a subsidiary where the company holds a majority capital share. For purposes of this collection of principles, definition of an affiliated company shall apply within the meaning of the Regulation of the Minister of Finance as of October 19, 2005, on current and periodical information published by issuers of securities."

This principle was not followed in 2009. In the opinion of the Management Board of the Company, the regulations contained in valid provisions of the law, in combination with the Articles and Regulations of the Supervisory Board of the Company concerning transactions/contracts made with affiliated organizations, are sufficient. Moreover, the Supervisory Board's range of competence includes continuous monitoring of the Company's operations, including decisions concerning all significant contracts of the Company, in application of such contracts' value criteria as specified in the Company Articles.

In 2009 all transactions carried out by Echo Investment S.A. were at arm's length.

Principle 5.

"Draft resolutions of the general meeting should be justified, except for technical and formal resolutions and typical resolutions enacted in the course of proceeding by the general meeting. In consideration of the foregoing, the Management Board should present the justification or request such justification from the party requesting that the given issue be put on the agenda of the general meeting."

The above principle was not followed in 2009. The obligation of justifying resolutions of the General Meeting of Shareholders introduced by way of the above principle makes potential claims of the justification inappropriate, too short or otherwise unsatisfactory to a shareholder. In order to minimize the risks related to non-application of the above principle, the Management Board of the Company is going to present justifications of draft resolutions before and during the General Meeting of Shareholders to all the shareholders of the Company that are interested.

BEST PRACTICES FOLLOWED BY SUPERVISORY BOARD MEMBERS

Principle 1.

"Apart from activities stipulated by valid laws, the supervisory board should:

1) prepare and present to the ordinary general meeting of shareholders a yearly concise evaluation report on the condition of the company, including assessment of the internal controlling system and the important company risk management system"

This principle was not applied in 2009 in the part concerning evaluation of systems, due to the fact that Principle 1 item 6 of Best Practices of the Supervisory Boards of Listed Companies is not applied. As there is no internal controlling system or a significant corporate risk management system in the competence of the Supervisory Board, the Supervisory Board is not going to present an assessment of such systems to the ordinary general meeting of shareholders.

Principle 2.

"Each supervisory board member should communicate to the management board of the company the scope of their affiliation to a shareholder holding a stake of not less than 5% of the total number of votes at the general meeting. The above obligation refers to economic, family and other relationships that might affect the supervisory board member's opinion on the issue being resolved by the board."

The above principle was not applied by the Supervisory Board of Echo Investment SA in 2009. The above principle is redundant in the context of exclusion of a Supervisory Board member from participation in the Board's decisions in case conflicting interests occur. The only criterion appropriate and sufficient in view of valid laws is the criterion of purpose and intended and actual consequence of the actions of a Supervisory Board member. Such criterion is the acting for the benefit of the Company and the shareholders and responsibility for any possible actions to the detriment of the Company or the shareholders.

Principle 6.

"At least two members of the supervisory board should fulfil the criteria of independence on the company and entities in significant affiliation to the company. Regarding the supervisory board members' independence criteria, Appendix II to the Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board should apply. Notwithstanding the provisions of sub-clause b) of the aforementioned Appendix, a person employed by the company, its subsidiary or associated company cannot be considered compliant with the independence criteria mentioned in the Appendix. Another type of affiliation to shareholder precluding the supervisory board member's independence attribute within the meaning of this principle is a true and significant

relationship with a shareholder entitled to execute 5% or more of the total number of votes at the general meeting of shareholders."

The above principle was not applied by the Supervisory Board of Echo Investment SA in 2009. In accordance with valid laws, Supervisory Board members are appointed at the sovereign discretion by the General Meeting of Shareholders of the Company. In view of the foregoing, no grounds exist for restricting the Meeting's freedom in electing members of the Supervisory Board of the Company. In addition, the "independence" criterion does not properly determine the positions and criteria that should be followed by a Supervisory Board member in taking their decisions in the course of performing their functions. For the very reason of the Board member being appointed and possibly recalled by shareholders and the essence of their function of representing the shareholders, this criterion is unrealistic and unclear. In the opinion of the Company, "independence" of members of the Company's bodies should mean their opportunity and necessity to act within the limits of valid laws and for the Company's interests, such independence being fully respected by the Company.

Principle 7.

"At least one audit committee should operate within the supervisory board. At least one member of such committee should be independent on the company or entities remaining significantly affiliated to the company, competent in accounting and finance. In those companies where the supervisory board comprises the minimum number of members required by law, duties of this committee may be executed by the supervisory board."

The principle was not applied until December 17, 2009, as there were no committees operating within the Supervisory Board. On December 17, 2009 the Supervisory Board of Echo Investment S.A. in accordance with Article 86 of Act on chartered accountants and their self-governance, entities entitled to study financial reports and public supervision, as of May 7, 2009 (further called " Act on chartered accountants ") appointed an Audit Committee consisting of three persons.

1. Mr Mariusz Waniółka – Chairman of the Audit Committee;
2. Robert Oskard;
3. Tomasz Kalwat.

A member of the Audit Committee, Mr Mariusz Waniółka, meets the provisions stipulated by Article 56 Section 3 of Act on chartered accountants, as he is not related to the company or any other companies significantly related to the Company, and he holds qualifications in the area of financial audit and accounting. In the opinion of the Supervisory Board, all appointed member of the Audit Committee have knowledge of accounting and finance.

By appointing the Audit Committee, the Issuer adopted the corporate governance Principle 7 of Part III "*Best Practices of Public Companies Listed at the Warsaw Stock Exchange* " enacted under the Resolution No 12/1170/2007 of the Warsaw Stock Exchange Supervisory Board of July 4, 2007.

Principle 8.

"Regarding the tasks and functioning of committees operating within the supervisory board, Appendix I to the Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors (...) should apply."

The above principle was not followed in 2009 by the Supervisory Board of Echo Investment SA because principle no. 7 of Part III "Good practices applied by supervisory board members" did not apply. No committees existed within the Supervisory Board until December 17, 2009.

Principle 9.

"Effecting by the company of a contract/transaction with an affiliated company complying with the conditions mentioned in Section II clause 3 shall require the supervisory board's approval."

The above principle was not followed in 2009. The regulations contained in valid provisions of the law, in combination with the Articles and Regulations of the Supervisory Board of the Company concerning transactions/contracts made with affiliated organizations, are sufficient. The Supervisory

Board's range of competence includes continuous monitoring of the Company's operations, including decisions concerning all significant contracts of the Company, in application of such contracts' value criteria as specified in the Company Articles.

The Corporate Governance Principles contained in the document entitled "Best Practices in Public Companies Quoted at the Warsaw Stock Exchange", which have been accepted by the Company and which the Company was ready to follow, were duly complied with by the Company in 2009.

3. Description of the main features of internal controlling and risk management applied at the Issuer's enterprise with respect to the process of preparing financial reports and consolidated financial reports

The Management Board of the Company is responsible for the internal controlling system at the Company and for efficient operation of that system in the process of preparing periodical financial statements and reports, which are developed and published in accordance with the Regulation of the Minister of Finance as of February 19, 2009 on current and periodical information published by issuers of securities (Journal of Laws of 2009 no. 33 item 259).

Efficient and correct functioning of the internal controlling system and risk management can be guaranteed by the following features:

- determined structures, ranges of competence and assignment of tasks during preparation of financial statements,
- determined ranges of competence and scope of financial reporting,
- regular evaluation of the Company's activity on the basis of financial reports,
- verification of the Company's financial statements by an independent chartered accountant,
- analysis, process controlling and risk management process.

The persons responsible for preparing financial statements, periodical financial reports and daily management reports of the Company belong to a highly qualified team of the Financial Division, headed by the Financial Director, the Managing Director, and the Management Board of the Company. The Company's financial statements are prepared by a team of Financial Division employees, supported by persons in charge of reporting and reports control issues. The entire process is supervised by medium level management of the Financial Division. The complete financial statements are reviewed by the Company's Financial Director before submission to an independent auditor.

According to valid laws, the Company has its financial statements reviewed or audited accordingly by an independent chartered accountant with recognized high qualifications.

The Company's financial and accounting system provides a source of data for the financial statements and periodical reports, as well as monthly management and operating reports used in the Company. When all the predetermined book closing processes are completed at the end of each consecutive month, detailed financial and operating management reports are developed. These are analyzed in detail by middle and senior management of individual units of organization of the Accounting Department and afterwards by the Budgeting and Forecasting Department. In respect of completed reporting periods, the Company's financial results are studied in detail in comparison to budgetary assumptions and forecasts developed during the month before the reporting period under consideration. Because of certain trade specific qualities of the industry, not only particular cost groups are analyzed, but also individual investment projects, separately and against the background of the entire segment.

Any deviations found are properly clarified and any possible errors are corrected on a regular basis in the Company's ledgers, in accordance with the applied accounting policy.

The key activity for the Company, reducing its exposure to market risk, is the proper assessment of potential investments along with control over running investments on the basis of investment models and decision-making procedures developed by the Company, the compliance wherewith is under special scrutiny of the Project Analysis and Controlling Department and the Financial Director of the Company.

The Company updates its mid-term plan every year. A detailed operating budget and financial budget is also created every year, including in particular:

- a budget for construction projects,
- a budget for operation & maintenance projects,
- a budget related to overheads,
- Financial statements forecast.

This process, based on formal principles existing within the Company and led by the Management Board, involves middle and senior management of the Company. The annual budget prepared for the consecutive year is approved by the Management Board of the Company.

The above mentioned budgets and forecasts are regularly controlled and any deviations from plan are duly monitored.

During the year, the Management Board of the Company analyzes the current financial results and compares them with the budget using management reporting system applied by the Company, which is based on the Company's accounting policy (the International Financial Reporting Standards), accounting for the format and detail of financial data presented in the Company's and the Group's periodical financial statements.

The Company applies consistent accounting principles in presenting the financial data in financial reports, periodical financial reports and management reports.

Risk management takes place in the Company through identification and assessment of risk areas for all sectors of the Company's and the Group's activity, involving defining of activities necessary for reducing or eliminating that risk.

4. Indication of shareholders holding significant stakes of Echo Investment S.A., whether directly or indirectly, including the number of shares held by these shareholders, their percentages in the share capital, the number of votes carried by these shares and percentages of these votes in overall number of votes in the general meeting of the shareholders

The following shareholders, directly or indirectly through subsidiaries, held at least 5% of the total number of votes at the general meeting of Echo Investment S.A., as at December 31, 2009:

Shareholder	Number of shares [pes.]	Percentage of share capital of	Number of votes at the General Meeting of Shareholders of	Percentage of the total number of votes at the
Michał Sołowow (directly and indirectly)	169 916 580	40.46%	169 916 580	40.46%
Aviva OFE Aviva BZ WBK*	47 340 018	11.27%	47 340 018	11.27%
ING OFE*	37 898 195	9.02%	37 898 195	9.02%
PZU Złota Jesień OFE*	37 655 236	8.97%	37 655 236	8.97%

* Balance according to annual structure of investment portfolios of the OFEs (Open Pension Funds) as at December 31, 2009.

5. Holders of any securities carrying special controlling privileges, including a description of such privileges

Securities issued by Echo Investment S.A. do not carry any special controlling privileges for the holders.

6. Specification of any restrictions as to exercising of voting rights, such as limitation on exercising of voting rights by the holders of a specific percentage and number of votes, time limitations applicable to exercising of voting rights or regulations where equity rights involved in securities are distinguished from holding securities, with the Company's cooperation

Echo Investment S.A. does not know of any limitations as to exercising of voting rights by holders of the Issuer's securities.

7. Specification of any restrictions concerning assignment of ownership rights to the issuer's securities

Echo Investment S.A. does not know of any limitations as to assignment of ownership rights to the Issuer's securities.

8. Rules of appointing and dismissing managing and supervising persons. Ranges of authority, specifically including the right to take decisions on issue or redemption of shares

8.1. Rules of appointing and dismissing members of managing bodies

These principles are regulated by the Polish Code of Commercial Partnerships and Companies, and by Company Articles of Echo Investment S.A. The Management Board as a whole and the individual members thereof shall be appointed and suspended by the Supervisory Board, who shall elect the President of the Management Board and the Vice-President of the Management Board. The term of office of the first Management Board shall last two years and the terms of office of the subsequent Management Boards shall last three years, where management board members shall be appointed for a common term of office, which shall not preclude the right to early dismissal of each of the Management Board members. The terms of office of the Management Board members shall elapse on the day of a General Meeting of Shareholders that is held for the purpose of approving of a financial statement for the final year of the term of the Management Board. The Management Board or its individual members can be dismissed by the Supervisory Board before expiry of their terms of office, including specifically upon a written request of shareholders representing at least 1/3 of the share capital or if the Ordinary General Meeting of Shareholders passes a resolution on refusal to grant a vote of acceptance to the Management Board on account of the performance of its duties during the completed financial year.

8.2. Authorisations of members of managing bodies

Authorisations of members of managing bodies are regulated by the Company Articles of Echo Investment SA.

The members of the Management Board shall represent the Company in front of authorities, offices and third parties, during proceedings in court, state authorities and offices. Statements shall be made

in the name of the Company by two members of the Management Board acting jointly, or by one Management Board member acting jointly with the Procurator. Incurring liabilities by persons authorised to make statements in the name of the Company for amounts exceeding 20% of the Company's ownership capitals shall require prior written consent of the Supervisory Board. The Management Board shall handle all current issues of the Company in the range not reserved by the provisions of the Commercial Code or the Company Articles for the General Meeting of Shareholders or the Supervisory Board.

Decisions regarding issue and redemption of shares are regulated by the provisions of the Polish Commercial Code.

9. Rules of amending the Company Articles or the Company Deed of the Issuer

The rules of amending the Company Articles or Company Deed are regulated by the provisions of the Polish Code of Commercial Partnerships and Companies.

The amendment to the company articles shall require a resolution of a general meeting of shareholders of Echo Investment S.A. and registration at the National Court Register (KRS). The Management Board of the Company shall notify such change to the registration court within not more than three months of enacting the relevant resolution by the general meeting of shareholders.

Together with entry of amendment of Company Articles, any change of Company data notified to the registration court shall also be recorded at the National Court Register.

The general meeting of shareholders shall authorize the Supervisory Board to put together the uniform text of amended company articles or to make such other editorial changes as may be defined by the resolution of a general meeting.

10. Functioning of the general meeting of shareholders, substantial range of authority of the general meeting and description of shareholders rights and methods of exercising these rights, with special considerations of rules arising from the regulations of the general meeting

The functioning of the general meeting of shareholders, the range of authority of the general meeting and the shareholders rights and methods of exercising these rights are regulated by the Company Articles and the Code of Commercial Partnerships and Companies. The Company Articles are available on the Company's website www.echo.com.pl under the bookmark Company Articles and Rules and Regulations.

The agenda of the General Meetings of Shareholders, including the preparation of materials presented during the General Meeting, is planned so that the obligations towards the shareholders are fulfilled and the shareholders' rights are exercised.

11. Composition and changes in the composition during the last financial year and description of functioning of managing bodies, supervising bodies or administrative bodies of the Issuer, including any committees operating there within

THE MANAGEMENT BOARD OF ECHO INVESTMENT S.A. – MEMBERS IN 2009

As at December 31, 2009 and as at a day of submitting of this report, the Management Board consisted of the following members:

- Mr Piotr Gromniak – President of the Management Board
- Mr Artur Langner – Vice-President of the Management Board

THE MANAGEMENT BOARD OF THE COMPANY – RULES OF OPERATION IN 2009

The Management Board of Echo Investment SA acts pursuant to the provisions of the Act of Code of Commercial Partnerships and Companies (Journal of Laws No 94, item 1037, as amended), the Company Articles, the Regulations of the Management Board of Echo Investment SA as approved by way of Resolution of the Supervisory Board of the Company of May 14, 2005 and in compliance with generally applicable rules of „Best Practices in Listed Companies 2005”.

The Management Board of the Company may consist of one or more members. The Management Board as a whole and the individual members thereof shall be appointed and suspended by the Supervisory Board, who shall elect the President of the Management Board and the Vice-President of the Management Board.

The term of office of the first Management Board shall last two years and the terms of office of the subsequent Management Boards shall last three years, where Management Board members shall be appointed for a common term of office, which shall not preclude the right to early dismissal of each of the Management Board members. The terms of office of the Management Board members shall elapse on the day of a General Meeting of Shareholders that is held for the purpose of approving of a financial statement for the final year of the term of the Management Board. Members of the Management Board can be re-elected to the Management Board for consecutive terms of office. The Supervisory Board may dismiss the Management Board or its individual members before the expiry of their terms of office, including specifically upon a written request of the shareholders representing at least 1/3 of the share capital, or if the Ordinary General Meeting of Shareholders passes a resolution on refusal to grant a vote of acceptance to the Management Board on account of performance of its duties during the completed financial year.

Persons that are not shareholders of the Company can be appointed as members of the Management Board of the company.

The Management Board shall represent the Company in front of authorities, offices and third parties, during proceedings in court, state authorities and offices. A Procurator can also be appointed on behalf of the Company in the said range. Statements shall be made in the name of the Company by two members of the Management Board acting jointly, or by one Management Board member acting jointly with the procurator. Members of the Management Board shall perform their functions only in person.

The detailed methods of functioning of the Management Board shall be set out in the Regulations for the Work of the Management Board, adopted by the Management Board and approved by the Supervisory Board.

The Management Board shall manage all current issues of the Company, subject to restrictions under the provisions of the Polish Code of Commercial Partnerships and Companies and under these Articles. The powers of the Management Board shall include acquisition or sale of a real property or a share in a real property, or a share in perpetual usufruct, subject to the provisions of Clause 13 section 1 letters d) and e) of the Articles. When executing the rights of the Meeting of Shareholders in subsidiaries, the Management Board shall be obliged to obtain prior consent of the Supervisory Board of the Company, also in case incurred liability or disposal of right by the subsidiary is supposed to exceed the limits set out in paragraph 13 clause 1 letter d) or letter e) of the Articles where under contracting debt by the Company in the amount exceeding 20% of the Company's equity shall require consent of the Supervisory Board.

While making decisions regarding matters of the Company, the Management Board must specifically act within the limits of justified economic risk, upon proper analysis and due consideration of all available information, studies and opinions, which, in the opinion of the Management Board, should be taken into account in view of the Company's interest.

In addition, the Management Board shall submit to the Supervisory Board of the Company motions regarding issues to be discussed by the General Meeting of Shareholders so that the Supervisory Board issues relevant opinions thereon. The Company shall publish information concerning such opinions immediately after receiving them from the Supervisory Board of the Company.

In communications with the mass media, members of the Management Board may only give such information about the Company that is in the public domain. All announcements for the mass media

regarding financial forecasts and strategies of the Company or the Management Board are reserved for the sole competence of the President of the Management Board or the Vice-President of the Management Board. All Members of the Management Board or other duly authorised persons may communicate with the media regarding any other business.

Meetings of the Management Board shall be held no less than once a month. These are chaired by the President of the Management Board. If the President is absent, then the meeting shall be chaired by the Vice-President of the Management Board and if both the President and the Vice-President are absent, then the meeting shall be chaired by that Member of the Management Board whose term of office in the Management Board of Echo Investment S.A. is the longest of all Members present. Meetings of the Management Board shall be held at the Company's registered office unless all members of the Management Board consent to the meeting being held at some other location. A meeting of the Management Board can be held as long as all Management Board Members have been notified thereof and at least two members of the Management Board are present.

Meetings of the Management Board shall be convened by the President of the Management Board or any other member of the Management Board who considers it necessary.

Each Management Board member should be duly notified of the date and venue of meeting and of the agenda, at least 2 days before the envisaged session. The aforementioned notice may be delivered by phone, through the Office of the Management Board of the Company, or by e-mail, by facsimile, or in writing.

Management Board meetings may be held, even if not formally convened, when all members of the Management Board are present and none of those present have objected to holding the meeting or putting certain matters on the agenda.

It shall be permissible for the Management Board to adopt resolutions under the in-writing procedure or by using means of direct communication over distance, save that the work of the Management Board shall then be headed by the Management Board Member requesting enactment of the given resolution. This method shall not be acceptable if at least one Management Board Member objects thereto.

The Management Board takes decision by way of resolutions. The Management Board shall adopt resolutions by an absolute majority of votes. Should an equal number of votes be cast when passing resolutions of the Management Board, the President of the Management Board shall have the casting vote. If the President of the Management Board is absent, then the Vice-President of the Management Board shall have the casting vote. If both the President and the Vice-President of the Management Board are absent, then the Management Board member with the longest experience in the Management Board of the Company shall have the casting vote.

Management Board meetings shall be recorded in minutes if and as required. Resolutions of the Management Board are recorded in minutes as attachments, or contained in the wording of the minutes. Minutes should further include: the agenda, date and venue of the Management Board's meeting, full names of Management Board members present, number of votes cast for individual resolutions. Minutes must be signed by all Management Board members present at the meeting. Any possible different opinions of present members should be attached to minutes. Minutes shall be stored at the Office of the Management Board of the Company.

In 2009, when determining the strategic objectives and daily goals, the Management Board of the Company considered the Company's best interest in compliance with valid laws, also accounting for the interests of other stakeholders, namely the shareholders, partners, clients, employees and creditors of the Company. While striving to ensure transparency and efficiency of the management system, the Management Board complied with the rules of professional conduct within the limits of justified economic risk, accounting for extensive ranges of available information, studies and opinions. Salaries of Members of the Management Board were determined by the Supervisory Board on the basis of the responsibility and competence ranges of individual Management Board Members, accounting for the financial results earned by the Company while remaining in reasonable proportion to salaries paid to Management Boards of similar companies operating on the real estate market in Poland.

THE SUPERVISORY BOARD OF ECHO INVESTMENTS S.A. – MEMBERS IN 2010

As at December 31, 2009 and as at the day submitting this report, the Supervisory Board consisted of the following members:

- | | |
|--------------------------|------------------------------------------|
| - Mr Wojciech Ciesielski | Chairman of the Supervisory Board |
| - Mr Andrzej Majcher | Deputy Chairman of the Supervisory Board |
| - Mr Mariusz Waniółka | Member of the Supervisory Board |
| - Mr Robert Oskard | Member of the Supervisory Board |
| - Mr Tomasz Kalwat | Member of the Supervisory Board |
| - Mr Karol Żbikowski | Member of the Supervisory Board |

In 2009 members of the Supervisory Board remained the same.

The Supervisory Board of the company - rules of operation in 2010

The Supervisory Board of Echo Investment SA acts pursuant to the provisions of the Act on Code of Commercial Partnerships and Companies (Journal of Laws No. 94, item 1037, as amended), the Company Articles, the Regulations of the Supervisory Board of Echo Investment SA of June 26, 2003, and in compliance with generally applicable "Best Practices in Listed Companies 2005".

The Supervisory Board shall be composed of no less than 5 (five) members appointed and recalled by the General Meeting for a period of three years, whereas the members of the Supervisory Board are appointed for a joint term, which shall not exclude the right to early dismissal of each member of the Supervisory Board. Members of the Supervisory Board can be re-elected to the Supervisory Board for consecutive terms of office. The members of the Supervisory Board, the number and the names thereof, shall be individually determined through a resolution of the General Meeting. Unless the General Meeting of Shareholders determines the function of the given Board member at the time of appointment, the Supervisory Board shall elect the Chairperson and Deputy Chairperson of the Supervisory Board from among its members, through secret ballot. Members of the Supervisory Board shall perform their functions only in person.

Members of the Supervisory Board delegated to permanent individual supervision may not, without consent of the Company, involve themselves in a competitive business or participate in a competitive partnership or company, whether as partner in such partnership or as member of a body of such a company, nor shall he be involved with another competitive legal person by sitting on its body. This prohibition shall apply equally to having interests in a competitive company, in the event that the Supervisory Board member should hold 10 per cent or more shares in it or have the right of appointing at least one member of the management board.

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

A Supervisory Board member may resign from his/her post before expiry of his or her term of office through filing a relevant statement to the Chairperson of the Supervisory Board. Should the Chairperson of the Supervisory Board wish to resign, he or she must file the relevant statement to his or her Deputy. A Board member should not resign from his or her function during a term of office if this could render the functioning of the board impossible, and, in particular, if it could hinder the timely adoption of an important resolution.

The term of office of a Supervisory Board member shall expire no later than on the day on which the General Meeting was convened to approve financial statements of the Company for the last full financial year in which the member served on the Supervisory Board (last year of the Board member's term of office). The term of office shall also expire if the Board member is deceased or dismissed, at the time of such an event taking place. If, for reason of expiry of the terms of office of Supervisory Board members, the Board is composed of less than 3 persons, then the Supervisory Board may not pass any legally binding resolutions and the Chairperson of the Board or, if the Chairperson is absent, the Deputy Chairperson shall apply to the Management Board of the Company for immediately convening an Extraordinary General Meeting of Shareholders and including election of Board members in the agenda of the General Meeting.

A Supervisory Board member should most of all bear in mind the interests of the Company, in communications with the mass media, members of the Supervisory Board may only give such information about the Company that is in the public domain. All official announcements for the mass media in relation to the Company or to the Board are reserved for the Chairperson of the Board or, if the Chairperson is absent, for the Deputy Chairperson of the Board.

The powers of the Supervisory Board shall include continuous supervision over the operations of the Company and other activities under the provisions of the Code of Commercial Partnerships and Companies and other acts of law. The Supervisory Board shall pass resolutions and issue opinions in matters reserved for its exclusive competence, pursuant to the provisions of the Company Articles and as stipulated by the Articles or other applicable legislation.

The Supervisory Board shall be specifically entitled to:

- assessment of the Company's financial statement for the last financial year,

- assessment of the Company's Management Report and Management Board's suggestions with respect to allocation of profit or coverage of loss,
- submission of written reports on the outcomes of the foregoing activities to the General Meeting of Shareholders,
- issuing opinions on the Management Board's motions to the General Meeting of Shareholders and expressing opinions and resolutions on any other business presented by the Management Board of the Company,
- appointment, dismissal or suspension of the Management Board of the Company as a whole, or individual members thereof,
- election of a chartered accountant to audit financial statements of the Company, with whom the Management Board shall sign an appropriate agreement,
- consent to the Management Board entering into an agreement with a sub-issuer, as mentioned in Article 433 paragraph 3 of the Code of Commercial Partnerships and Companies,
- giving a consent to incurring liabilities and disposal of rights in the field of issues incorporated in the range of current operations of the Company if the value of such liabilities exceeds 20% of the Company's equity, in case of doubt on whether a given issue is incorporated in the range of current operations of the Company, the Supervisory Board shall be entitled to provide an interpretation thereabout upon the Management Board's request. Such interpretation shall be binding upon the Management Board. The issues related to property trade shall be incorporated in the range of current operations of the Company,
- giving a consent to incurring liabilities and disposal of rights in the field of issues in excess of the range of current operations of the Company if the value of such liabilities exceeds 10% of the Company's equity capitals.

The Supervisory Board shall meet as required and at least three times in a single financial year. Meetings of the Supervisory Board shall be summoned by the Chairperson or his Deputy and shall take place at the registered office of the Company or in another location stipulated by the Chairperson or his Deputy. Meetings of the Supervisory Board shall be convened upon the Chairperson's initiative or upon written request of the Management Board or a member of the Supervisory Board.

Meetings of the Supervisory Board summoned upon a request of the Management Board or a member of the Supervisory Board must be held within two weeks from the date of request.

Meetings are chaired by the Chairperson or, if absent, the Deputy Chairperson of the Board. If neither the Chairperson of the Board nor his deputy is present at a meeting, then a member of the Board elected by those present shall preside over the meeting. Chairperson of the Board or his Deputy shall notify the other members of meetings of the Supervisory Board and invite them to the meeting by phone, by facsimile or in writing so that the invitation reaches each member no later than 7 (seven) days before the scheduled date of meeting, in urgent cases, the above deadline may be shortened.

The Supervisory Board can meet without being formally convened if all members of the Board are present and none of the persons present objects to holding a meeting and including specific issues in the agenda. Meetings of the Supervisory Board can be attended by third parties invited by the Chairperson of the Supervisory Board, including Management Board Members, but such invited persons shall not have voting rights.

Board Members take decisions related to the exercise of supervisory and controlling rights through resolutions of the Supervisory Board. For Supervisory Board's resolutions to be valid all members of the Board must be invited to meeting and at least 50% of members must be present at the meeting. The Supervisory Board may adopt resolutions in writing or using direct remote communication means, save that resolutions thus adopted may not relate to election of the Chairperson and Deputy Chairperson of the Supervisory Board, appointment of a Management Board Member, or dismissing and suspending these persons, in such case, members of the Board must be previously notified of the wording of such draft resolutions in order for these resolutions to take effect.

The Supervisory Board shall adopt resolutions by an absolute majority of votes, in the event of an equal number of votes cast when passing resolutions by the Supervisory Board, the Chairperson of the Supervisory Board shall have the casting vote.

Each supervisory board meeting shall be recorded in minutes. Resolutions of the Management Board are recorded in the minutes as attachments, or contained in the wording of the minutes. Minutes should further include: the agenda, date and venue of the Board's meeting, full names of Board members present, number of votes cast for individual resolutions. Minutes must be signed by all Board members present at the meeting. Any possible different opinions of present members should be attached to minutes. Minutes shall be stored at the Office of the Management Board of the Company.

For purposes of exercising its functions, the Supervisory Board shall be entitled to control the entire range of the Company's operations, particularly:

- demand presentation of documents and other materials related to the Company's operations from the Management Board,
- verify the Company's files and documentation,
- demand reports and explanations from the Management Board and employees,
- revise the balance of the Company's assets.

The Supervisory Board may apply to the General Meeting of Shareholders with motions in respect of all issues constituting the Board's functions and powers. The Supervisory Board shall discharge its duties collectively, but it may assign its members to carry out certain supervisory activities by themselves. The Supervisory Board may appoint committees for managing individual issues.

Secretarial services for the Supervisory Board shall be provided by the secretary's office of the Management Board of the Company. The range of secretarial services comprises, among other tasks: preparation of invitations to meetings of the Board, sending the invitations to individual Board members in compliance with this statute, providing premises for the meeting of the Supervisory Board, taking minutes of meetings, handling of meetings, archiving Supervisory Board's documentation.

On December 17, 2009 the Supervisory Board of Echo Investment S.A. in accordance with Article 86 of Act on chartered accountants and their self-governance, entities entitled to study financial reports and public supervision, as of May 7, 2009 (further called " Act on chartered accountants ") appointed an Audit Committee consisting of three persons:

1. Mr Mariusz Waniółka – Chairman;
2. Robert Oskard;
3. Tomasz Kalwat.

A member of the Audit Committee, Mr Mariusz Waniółka, meets the provisions stipulated by Article 56 Section 3 of Act on chartered accountants, as he is not related to the company or any other companies significantly related to the Company, and he holds qualifications in the area of financial audit and accounting.

Kielce, April 30, 2010

Signatures of the Management Board of Echo Investment S.A.

Piotr Gromniak
President of the
Management Board

Artur Langner
Vice-President of the
Management Board



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