



**CONSOLIDATED EXTENDED
SEMI-ANNUAL REPORT**
of the Echo Investment Capital Group
for H1 2011

echo
I N V E S T M E N T

TABLE OF CONTENTS

1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	3
2. CONDENSED SEPARATE FINANCIAL STATEMENTS	25
3. MANAGEMENT REPORT OF ECHO INVESTMENT S.A. AND THE CAPITAL GROUP	44
3.1. Description of material achievements or failures of the Capital Group and indication of major events	44
3.2. Factors and events, especially unusual events, with a significant impact on the generated financial results	52
3.3. Information on Capital Group segments	53
3.5. Information about the issue, redemption and repayment of debt securities and equity securities.....	53
3.6. Information on paid (or declared) dividend.....	54
3.7. Events which occurred after the day of preparing the semi-annual financial statements which were not recognised in the statements and may have a material impact on future financial results of the Capital Group	54
3.8. Information regarding changes in contingent liabilities or contingent assets that have occurred since the end of the last financial year.	55
3.9. Composition of the Echo Investment Capital Group	56
3.10. Effects of changes in the structure of the business unit, including business mergers, acquisitions or disposals of the Capital Group's entities, long-term investments, de-mergers, restructuring and discontinuation of activity	58
3.11. Management board's position regarding the possibility of fulfilment of previously published profit forecasts for a given year in light of the results disclosed in the quarterly report against the forecasted results61	
3.12. Ownership structure of significant stakes of shares in Echo Investment S.A. 61	
3.13. List of changes in the ownership of Echo Investment S.A.' shares or rights thereto (options) by the Company's managerial and supervisory staff, in accordance with information available to Echo Investment S.A., in the period after the presentation of the previous quarterly report	62
3.14. Information on court proceedings.....	62
3.15. Information on transactions with related entities under terms other than market terms	62
3.16. Information on sureties granted on loans or borrowings and guarantees with a value equivalent to at least 10% of the Company's equity.	62
3.17. Other information which, in the opinion of the Management Board of Echo Investment S.A., is material to assess its condition in terms of HR, assets, finance, financial result or changes thereto as well as information which is material for the assessment of the Echo Investment Capital Group's capability of fulfilling its obligations.	62
3.18. Factors which, in the opinion of the Company's Management Board, will have impact on results generated by the Capital Group in the perspective of at least the following quarter	64
3.19. Description of material risk factors and threats in the remaining months of 2011	64

1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements of the Echo Investment Capital Group for H1 2011 for the period from 1 January 2011 to 30 June 2011 have been prepared according to the International Financial Reporting Standards.

CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION (PLN '000)

	Note	30.06.2011	31.12.2010	30.06.2010
ASSETS				
1. Non-current assets				
1.1. Intangible assets		1 349	1 227	952
1.2. Tangible fixed assets		23 217	24 952	25 342
1.3. Long-term receivables		308	39	40
1.4. Investment property	2	2 938 510	2 808 083	2 847 304
1.5. Investment property under construction	2	831 682	689 039	816 683
1.6. Financial investments		44 585	4	634
1.7. Borrowings granted		6	21	13
1.8. Deferred income tax assets		22 726	15 404	24 627
		3 862 383	3 538 769	3 715 595
2. Current assets				
2.1. Inventory	3	476 418	474 593	380 252
2.2. Income tax receivables		1 458	1 839	1 272
2.3. Other tax receivables		39 042	42 111	40 220
2.4. Trade and other receivables		83 119	52 491	61 966
2.5. Borrowings granted		55 254	1 039	-
2.6. Financial derivatives	4	920	828	498
2.7. Cash and cash equivalents		357 269	379 289	269 585
		1 013 480	952 190	753 793
TOTAL ASSETS		4 875 863	4 490 959	4 469 388

	Note	30.06.2011	31.12.2010	30.06.2010
LIABILITIES				
1. Equity				
1.1. Equity attributable to shareholders of the parent		1 956 805	1 875 575	1 788 529
1.1.1. Share capital		21 000	21 000	21 000
1.1.2. Supplementary capital		1 857 464	1 709 726	1 709 726
1.1.3. Accumulated profit (loss)		75 107	147 738	57 072
1.1.4. Foreign exchange differences on translation		3 234	(2 889)	731
1.2. Non-controlling interest		(61)	(59)	(19)
		1 956 744	1 875 516	1 788 510
2. Provisions				
2.1. Provisions for liabilities		13 775	11 565	10 850
2.2. Deferred income tax provision		260 260	239 870	279 045
		274 035	251 435	289 895
3. Non-current liabilities				
3.1. Loans and borrowings	5	2 041 281	1 746 175	1 783 885
3.2. Financial derivatives	4	5 448	10 310	20 975
3.3. Security deposits received		16 154	40 439	42 247
3.4. Lease		55 062	56 756	56 910
		2 117 945	1 853 680	1 904 017
4. Current liabilities				
4.1. Loans and borrowings	5	288 963	325 200	323 182
4.2. Financial derivatives	4	4 110	8 586	54 704
4.3. Income tax liabilities		1 028	2 839	1 683
4.4. Other tax liabilities		16 506	37 964	23 890
4.5. Trade liabilities		134 555	102 550	48 450
4.6. Other liabilities		8 035	11 908	18 190
4.7. Advance payments received		73 942	21 281	16 867
		527 139	510 328	486 966
TOTAL LIABILITIES		4 875 863	4 490 959	4 469 388
		30.06.2011	31.12.2010	30.06.2010
Book value (PLN '000)		1 956 805,00	1 875 575,00	1 788 529,00
Number of shares (in thousands)		420 000	420 000	420 000
Book value per share		4,66	4,47	4,26

CONSOLIDATED INTERIM PROFIT AND LOSS ACCOUNT (PLN '000)

	Note	01.01.2011 - 30.06.2011	01.01.2010 - 30.06.2010
Revenue		182 263	231 866
Cost of sales		(62 397)	(101 435)
Gross profit (loss) from sales		119 866	130 431
Profit (loss) from sale of property		9 803	-
Revaluation of property		61 644	28 944
Cost of sales		(11 368)	(9 143)
General and administrative expenses		(18 407)	(17 275)
Other operating revenue		12 072	15 812
Other operating costs		(6 407)	(9 112)
Profit before tax and excluding financial revenue /costs		167 203	139 657
Financial revenue		17 030	117 812
Financial costs		(85 205)	(167 920)
Foreign exchange profit (loss)		(7 277)	(18 288)
Share in profit of affiliated companies		-	162
Gross profit (loss)		91 751	71 423
Income tax		(16 646)	(14 398)
- current portion		(3 578)	(5 195)
- deferred portion		(13 068)	(9 203)
Net profit (loss), including:		75 105	57 025
Net profit (loss) attributable to shareholders of the parent		75 107	57 072
Profit (loss) attributable to non-controlling interest		(2)	(47)
Profit (loss) attributable to shareholders of the parent (semi-annual)		75 107	57 072
Average weighted number of ordinary shares (in thousands)		420 000	420 000
Earnings (loss) per ordinary share (in PLN)		0,18	0,14

CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME (PLN '000)

	Note	01.01.2011 - 30.06.2011	01.01.2010 - 30.06.2010
Net profit		75 107	57 072
Other comprehensive income:			
- foreign exchange differences on translation of foreign operations		6 123	(2 229)
Other net comprehensive income		6 123	(2 229)
Comprehensive income, including:		81 230	54 843
Comprehensive income attributable to shareholders of the parent		81 232	54 890
Comprehensive income attributable to non-controlling interest		(2)	(47)

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (PLN '000)

	Share capital	Supplementary capital	Accumulated profit (loss) from previous years	Foreign exchange differences on translation	Equity attributable to shareholders of the parent	Non-controlling interest	Total equity
For the period from 01.01.2011 to 30.06.2011							
Opening balance (restated, comparable)	21 000	1 709 726	147 738	(2 889)	1 875 575	(59)	1 875 516
Allocation of result from previous years	-	147 738	(147 738)	-	-	-	-
Other net comprehensive income	-	-	-	6 123	6 123	-	6 123
Net profit (loss) for the period	-	-	75 107	-	75 107	(2)	75 105
Closing balance	21 000	1 857 464	75 107	3 234	1 956 805	(61)	1 956 744
For the period from 01.01.10 to 31.12.10							
Opening balance (restated, comparable)	21 000	1 597 501	112 225	2 960	1 733 686	(8)	1 733 678
Allocation of result from previous years	-	112 225	(112 225)	-	-	-	-
Change in minority interest	-	-	-	-	-	43	43
Other net comprehensive income	-	-	-	(5 849)	(5 849)	-	(5 849)
Net profit (loss) for the period	-	-	147 738	-	147 738	(94)	147 644
Closing balance	21 000	1 709 726	147 738	(2 889)	1 875 575	(59)	1 875 516
For the period from 01.01.10 to 30.06.10							
Opening balance (restated, comparable)	21 000	1 597 501	112 225	2 960	1 733 686	(8)	1 733 678
Allocation of result from previous years	-	112 225	(112 225)	-	-	-	-
Change in minority interest	-	-	-	-	-	36	36
Other net comprehensive income	-	-	-	(2 229)	(2 229)	-	(2 229)
Net profit (loss) for the period	-	-	57 072	-	57 072	(47)	57 025
Closing balance	21 000	1 709 726	57 072	731	1 788 529	(19)	1 788 510

CONSOLIDATED INTERIM CASH FLOW STATEMENT (PLN '000)

	01.01.2011 - 30.06.2011	01.01.2010 - 30.06.2010
A. Operating cash flow – indirect method		
I. Net profit (loss)	75 105	57 025
II. Total adjustments		
1. Share in net profits (losses) of affiliated entities	-	(162)
2. Depreciation of PP&E	1 021	1 857
3. Foreign exchange profit (loss)	7 277	18 288
4. Interest and profit sharing (dividends)	58 826	58 122
5. Current income tax	16 646	14 399
6. Income tax paid	(5 010)	(5 416)
7. Profit (loss) on investment activities	(70 516)	(42 513)
8. Change in provisions	2 210	(5 800)
9. Change in inventory	(473)	41 229
10. Change in receivables	(27 828)	24 240
11. Change in current liabilities, excluding loans and borrowings	16 616	(19 130)
	(1 231)	85 114
III. Net operating cash flow (I+/-II)	73 874	142 139
B. Cash flow from investment activities		
I. Proceeds		
1. Disposal of intangible assets and PP&E	1 381	617
2. Disposal of investments in property and intangible assets	53 002	-
3. From financial assets	6 770	5 194
4. Other investment proceeds	-	-
	61 153	5 811
II. Expenses		
1. Purchase of intangible assets and PP&E	(790)	(9 104)
2. Investments in property and intangible assets	(237 873)	(143 329)
3. For financial assets	(106 275)	(85 252)
4. Other investment expenses	-	-
	(344 938)	(237 685)
III. Net cash flow from investment activities (I-II)	(283 785)	(231 874)

CONSOLIDATED INTERIM CASH FLOW STATEMENT (PLN '000), CONTINUED

	01.01.2011 - 30.06.2011	01.01.2010 - 30.06.2010
C. Cash flow from financial activities		
I. Proceeds		
1. Net proceeds from issue of shares and holdings and other capital instruments and capital contributions	-	-
2. Loans and borrowings	163 696	206 162
3. Issue of debt securities	295 000	115 000
4. Other financial proceeds	-	-
	458 696	321 162
II. Expenses		
1. Acquisition of equity shares (holdings)	-	-
2. Dividends paid and other payments to equity holders	-	-
3. Profit share expenses, other than payments to equity holders	-	-
4. Repayment of loans and borrowings	(29 201)	(72 760)
5. Redemption of debt securities	(185 000)	-
6. On other financial liabilities	-	-
7. Payment of financial lease liabilities	(7)	(56)
8. Interest	(62 720)	(55 898)
9. Other financial expenses	-	-
	(276 928)	(128 714)
III. Net cash flow from financial activities (I+II)	181 768	192 448
D. Total net cash flow (A.III+/-B.III+/-C.III)	(28 143)	102 713
E. Balance sheet change in cash, including: change in cash due to foreign exchange	(22 020) 6 123	100 484 (2 229)
F. Cash at the beginning of the period	379 289	169 101
G. Cash at the end of the period (F+/- D), including:	357 269	269 585
of restricted availability	49 658	13 791

NOTES ON THE ADOPTED ACCOUNTING PRINCIPLES AND OTHER EXPLANATORY INFORMATION

General information

Echo Investment S.A. Capital Group's (later referred to as the "Group") core activity consists in the construction and renting out or sale of space in commercial, shopping and entertainment, office, hotel and residential buildings as well as trade in real property.

The Group's parent company is Echo Investment S.A. (later referred to as "Echo" or the "Company") with registered office in Kielce at al. Solidarności 36. The Company, formerly Echo Press" Sp. z o.o., was registered in Kielce on 23 July 1992. Echo is a Joint Stock Company entered into the National Court Register under no. 0000007025 by the District Court in Kielce, 10th Commercial Department of the National Court Register.

The Company's shares are quoted at the Warsaw Stock Exchange on the regulated market – construction industry.

The Company's duration is not limited.

As at 30 June 2010 and 30 June 2011, the Management Board of Echo Investment S.A. was composed of: President of the Management Board Piotr Gromniak and Vice-President of the Management Board Artur Langner. As at 30 June 2010 and 30 June 2011, the Supervisory Board was composed of: Chairman Wojciech Ciesielski, Vice-Chairman Andrzej Majcher, Vice-Chairman Mariusz Waniółka and the following members: Tomasz Kalwat, Robert Oskard and Karol Żbikowski. As at 30 June 2011, the Audit Committee was composed of: Mariusz Waniółka – Chairman, Robert Oskard and Karol Żbikowski.

Information on the financial statements

The condensed consolidated statements for the Echo Investment S.A. Capital Group present consolidated financial data for the six-month period ending on 30 June 2011 and comparative data for the six-month period ending on 30 June 2010, as well as comparative data for the twelve-month period ending on 31 December 2010 (in case of the statement of financial position and the statement of changes in equity). Unless indicated otherwise, all financial data in the Group's condensed consolidated financial statements have been presented in thousands of PLN.

The reporting currency for the Group's interim financial statements is Polish zloty ("PLN"), which is the reporting and functional currency of the Parent Company. The Group comprises entities which use a different functional currency than PLN. Reporting data for those companies, presented in these statements, were converted into PLN in accordance with IAS 21. Balance sheet items were converted according to balance sheet day exchange rates, while result account items were converted according to average exchange rates for the period. FX differences resulting from the conversion have been recognised under a separate equity item.

When preparing the condensed financial statements, the Company used the principles included in IAS 34. These financial statements should be analysed in conjunction with the 2010 annual consolidated financial statements.

These financial statements have been drawn up in accordance with the historical cost principle with the exception of investment property and financial instruments, which were measured at fair value. The statements have been drawn up according to the going concern principle as there are no circumstances indicating a threat to further activity.

The Group's Management Board used its best knowledge in the application of the standards and interpretations, as well as measurement methods and principles for the various items of these financial statements.

The activity of the Echo Investment Group is not of a seasonal nature.

When preparing these statements, the Company used new interpretations released by the IFRS Interpretations Committee, which apply to the Company's reporting period starting on 1 January 2011. The introduced amendments have not had any material effect on the presentation of data and measurement in the financial statements.

Accounting policy

For the purpose of drawing up the statements, the Group applied the same accounting standards as those approved and described in the annual consolidated financial statements for 2010.

Composition of the Capital Group

These financial statements of the Echo Investment S.A. Capital Group include separate financial statements of Echo Investment S.A. and its subsidiaries. Subsidiaries are all companies over which the Group exercises control, which is usually the case when the Company – either directly or through its subsidiaries – holds more than one half of a subsidiary's voting rights. Control is also exercised when the Company is able to affect an entity's operating and financial activity. Subsidiaries are consolidated from the moment when control is taken over them to the moment when control is lost.

As at the day of acquisition of (control over) a subsidiary, its assets and liabilities are measured at fair value. The surplus of the acquisition price over the fair value of identifiable acquired net assets of an entity is recognised under assets in the balance sheet as goodwill. If the acquisition price is lower than the fair value of identifiable acquired assets of an entity, the difference is recognised as profit in the profit and loss account for the period in which the acquisition took place. Minority interest is recognised at the attributable fair value of net assets. In subsequent periods, loss attributable to minority shareholders above the value of their shares decreases the parent company's capital.

The most important entity in the Capital Group structure is Echo Investment S.A., which is the owner of other entities in the group and supervises, co-implements and raises funds for the implementation of construction projects carried out by the Group. Companies which form the Group have been established or purchased in order to perform certain investment tasks and do not conduct any business activities other than those which follow from the process of implementing a particular project and which are related to providing rent services regarding assets linked to completed projects or other services.

All intra-group transactions and settlement balances are eliminated during the consolidation process. Elimination also involves the value of interest held by the Company and other consolidated entities in subsidiaries, which corresponds to the share of the Company and other consolidated Capital Group companies in the equity of subsidiaries.

As at 30 June 2011, the Echo Investment Capital Group comprises 76 fully consolidated subsidiaries and one jointly-controlled company consolidated by means of the pro-rata method.

SUBSIDIARIES

Company name	Registered office	% share of the capital	Parent
"ACC - Grupa Echo Sp. z o.o." Sp. kom.	Kielce	100%	Echo Investment S.A.
"Athina Park - Projekt Echo – 93 Sp. z o.o." S.k.a.	Kielce	100%	XXIX FIZ Forum
"Avatar - Projekt Echo - 93 Sp. z o.o." S.k.a.	Kielce	100%	XXIX FIZ Forum
"Barconsel Holdings" Ltd	Nicosia	100%	Echo - SPV 7
"Bełchatów – Grupa Echo Sp. z o.o." S.k.a. (formerly: "Echo – Bełchatów" Sp. z o.o.)	Kielce	100%	XXIX FIZ Forum
"Budivelnuy Soyuz Monolit" LLC	Kiev	100%	Yevrobdugarant 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 – Centrum Przemysłu - Projekt Echo – 93 Sp. z o.o." S.k.a.	Kielce	100%	XXIX FIZ Forum
"Echo - Galaxy" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
"Echo – Galeria Kielce" Sp. z o.o.	Kielce	100%	XXIX FIZ Forum / XXXIV FIZ Forum
"Echo – Galeria Lublin" Sp. z o.o.	Lublin	100%	Echo Investment S.A.
"Echo – Kasztanowa Aleja" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
"Echo – Kasztanowa Aleja Sp. z o.o." Sp. kom.	Kielce	100%	Echo Investment S.A.
"Echo – Kielce 1" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
"Echo – Klimt House" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
"Echo – Klimt House Sp. z o.o." Sp. z kom.	Kielce	100%	Echo Investment S.A.
"Echo – Metropolis" Sp. z o.o.	Kielce	100%	Barconsel Holdings Ltd
"Echo - Oxygen" Sp. z o.o.	Kielce	100%	XXIX FIZ Forum
"Echo – Pasaż Grunwaldzki" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
"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 – Przy Słowiańskim Wzgórzu" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
"Echo – Przy Słowiańskim Wzgórzu Sp. z o.o." Sp. kom.	Kielce	100%	Echo Investment S.A.
"Echo - SPV 7" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
"Echo - SPV 12" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
"Echo - Veneda" Sp. z o.o.	Kielce	100%	XXXIV FIZ Forum
"Echo Facility Management - Grupa Echo Sp. z o.o." Sp. kom.	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 - Grupa Echo Sp. z o.o." Sp. kom.	Kielce	100%	Echo Investment S.A.
"Galaxy - Grupa Echo Sp. z o.o." S.k.a. (formerly: "Echo - Galaxy Szczecin" Sp. z o.o.)	Szczecin	100%	XXIX FIZ Forum
"Galeria Sudecka - Projekt Echo - 43 Sp. z o.o." S.k.a.	Jelenia Góra	100%	XXIX FIZ Forum
"Galeria Tarnów - Projekt Echo - 43 Sp. z o.o." S.k.a. (formerly: "Echo – Galeria Tarnów" Sp. z o.o.)	Kielce	100%	XXIX FIZ Forum
"Grupa Echo" Sp. z o.o.	Kielce	100%	Echo Investment S.A.

"Grupa Echo Sp. z o.o. - 1" S.k.a.	Kielce	100%	XXIX FIZ Forum
"Malta Office Park - Projekt Echo - 96 Sp. z o.o." S.k.a.	Kielce	100%	XXXIV FIZ Forum
"MDP" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
"Olympus Prime" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
"Park Postępu - Projekt Echo - 93 Sp. z o.o." S.k.a.	Kielce	100%	XXIX FIZ Forum
"Pasaż Grunwaldzki – Grupa Echo Sp. z o.o." S.k.a. (formerly: "Projekt Echo - 62" Sp. z o.o.)	Kielce	100%	XXIX FIZ Forum
"PHS – Projekt CS Sp. o.o." S.k.a. (formerly: "Centrum handlowe PHS" S.A.)	Szczecin	100%	XXIX FIZ Forum
"PPR - Projekt Echo – 77 Sp. z o.o." S.k.a.	Kielce	100%	XXIX FIZ Forum
"Princess Boryszewska" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
"Princess Investment" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
"Projekt CS" 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 - 39" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
"Projekt Echo - 43" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
"Projekt Echo - 47" Sp. z o.o.	Kielce	100%	XXXIV FIZ Forum
"Projekt Echo - 53" Sp. z o.o.	Kielce	100%	Barconsel Holdings Ltd
"Projekt Echo - 55" Sp. z o.o.	Kielce	100%	XXXIV FIZ Forum
"Projekt Echo - 58" Sp. z o.o.	Kielce	100%	XXIX FIZ Forum / XXXIV FIZ Forum
"Projekt Echo - 59" Sp. z o.o.	Kielce	100%	Echo - SPV 12
"Projekt Echo - 67" 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 Echo - 94" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
"Projekt Echo - 94 Sp. z o.o." Sp. kom.	Kielce	100%	Echo Investment S.A.
"Projekt Echo - 95" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
"Projekt Echo - 96" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
"Projekt Echo - 97" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
"Projekt Echo - 98" 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%	XXIX FIZ Forum
"Projekt S" Sp. z o.o.	Kielce	95%	Echo Investment S.A.
"Ultra Marina" Sp. z o.o.	Kielce	100%	XXIX FIZ Forum / XXXIV FIZ Forum
"Yevrobudgarant" LLC	Kiev	100%	EI – Project Cyp - 1 Ltd
"Zakłady Ogrodnicze Naramowice" Sp. z o.o.	Poznań	100%	Echo Investment S.A.

The jointly-controlled entity is "Wan 11" Spółka z o.o. with its registered office in Warsaw.

The changes in H1 2011 in the Group are due to the fact that the companies forming the Echo Investment group:

- sold all shares held in Projekt Echo – 57 Sp. z o.o. and Projekt Echo – 99 Sp. z o.o.;
- purchased 100% of holdings in: Echo - Facility Management – Grupa Echo Sp. z o.o. Sp. k.; Echo – Galeria Lublin Sp. z o.o., Grupa Echo Sp. z o.o. – 1 S.k.a., Olympus Prime Sp. z o.o., Projekt CS Sp. z o.o., Projekt Echo – 59 Sp. z o.o. and Projekt Echo – 69 Sp. z o.o.;

Segment reporting

The Group's business segments are identifiable areas in which goods are distributed or services are provided, or groups of related goods or services subject to risk, characterised by return on capital expenditures, and are distinct from other segments.

The following segments defined based on the executed projects have been identified in the Capital Group:

- rent and sale of residential and service space,

- rent and sale of commercial and entertainment space,
- rent and sale of office and hotel space.

These segments are identifiable business areas in which goods are distributed or services are provided, or groups of related goods or services subject to risk, characterised by return on capital expenditures, and are distinct from other segments.

A segment's accounting principles are the accounting principles adopted for preparing and presenting the Group's consolidated financial statements and they relate specifically to segment reporting.

Segment revenues are generated by sales to external customers or transactions with other segments of the Group which are disclosed in the Group's profit and loss account and are directly attributable to a given segment along with a corresponding portion of the Group's revenue, which – based on rational premises – can be assigned to that segment. Segment revenue does not include:

- extraordinary gains,
- revenue on interest or dividends, including interest on advance payments given or borrowings granted to other segments, unless the segment's activity is primarily of financial nature,
- profits on sale of investments or profits on the expiry of debt, unless the segment's activity is primarily of financial nature.

Segment revenue includes the Capital Group's share in profit or loss of affiliates, joint ventures or other financial investments consolidated with the equity method, provided that such items are included in consolidated or general revenue of an entity.

Segment costs are costs comprising the costs of sale to external customers and costs of transactions with other segments within the Group which relate to a segment's operating activity and are directly attributable to that segment along with a portion of the Group's costs which – based on rational premises – can be attributed to that segment. Segment costs do not include:

- extraordinary losses,
- interest, including interest on advance payments or borrowings from other segments, unless the segment's activity is primarily of financial nature,
- loss on sale of investments or loss on the expiry of debt, unless the segment's activity is primarily of financial nature.
- an entity's share in losses of affiliates, joint ventures or other financial investments consolidated with the equity method,
- income tax burden,
- general administrative expenses and other costs generated at the Group level relating to the Group as a whole. However, sometimes costs generated at the Group level are assigned to a segment. These costs are segment costs, if they relate to the segment's operating activity and can be directly assigned to that segment based on rational premises.

Segment result is the difference between segment revenue and segment costs. The segment result is determined before making adjustments due to minority interest.

A segment's assets are operating assets used by a segment in its operating activity, which can be directly assigned to that segment based on rational premises.

If a segment's result comprises revenue from interest or dividends, the segment's assets include the corresponding receivables, borrowings, investments or other assets which generate revenue.

A segment's liabilities are operating liabilities incurred by a segment in its operating activity, which can be directly assigned to that segment based on rational premises.

If a segment's result comprises the costs of interest, its liabilities include the corresponding interest-bearing payables.

Financial data of segments is disclosed in notes 6A-6D to these condensed financial statements.

Estimates by the Group companies' Management Boards

To prepare the financial statements, the Group's Management Board had to make certain estimates and assumptions, which are reflected in the statements. The actual results may differ from the estimates. Main areas where the Management Boards' estimates materially affect the financial statements:

Investment property

The fair value of real property generating constant income is determined by an entity with the investment method, by applying simple capitalisation technique as a division of a project's net operating income (NOI) and the capitalisation rate (Yield). The yield is verified at least once a year by external property valuers. Net operating income (NOI) is revised every quarter based on the applicable rent agreements, and values expressed in EUR and USD are converted every quarter according to the applicable exchange rates published by the NBP.

Since most rent agreements concluded by the Group are denominated in EUR, the valuations of investment properties have been prepared in EUR and converted to PLN according to the average exchange rate of the NBP as at the balance sheet day. According to the Group's measurement, the total value of 17 investment properties as at 30 June 2011 was EUR 737,097 thousand (EUR 686,792 thousand as at 30 June 2010 – 19 real properties, EUR 709,058 thousand as at 31 December 2010 – 19 real properties).

The yields used to estimate fair value as at 30 June 2011 ranged from 7.15% to 9.75%. The yields have been estimated by independent valuers individually for every material investment property, taking into consideration the property's location and type. Prospective net operating income has been estimated independently for every investment property based on rent agreements existing as at the balance sheet day, the contracted revenue and expected maintenance costs of real property. At the end of the reporting period, 3 projects under construction – Malta Office Park in Poznań (stage II), Galeria Echo in Kielce and Oxygen in Szczecin – have been measured at fair value using the income approach. The estimated time for the completion of the investment process for these properties is from 2 to 6 months. Other projects under construction were characterised by execution risk levels which – according to the Management Board – did not allow for a credible estimate of the properties' fair value. As at 30 June 2011, the Group held 23 investment properties under construction (19 properties as at 30 June 2010 and 21 properties as at 31 December 2010).

Financial instruments measured at fair value

The fair value of financial instruments (level 3 in the hierarchy of fair value) not traded on an active market is determined using measurement techniques. The company uses its own judgement when selecting the measurement method and makes assumptions based on market conditions on each balance sheet day. In particular, the concluded forward contracts are measured as the difference between the nominal transaction value in a currency divided by the spot rate of the transaction and the nominal transaction value in a currency divided by the NBP rate as at the measurement day, while option contracts are measured based on measurements submitted by banks.

Inventory

When estimating the revaluation allowance for inventory held by the Company as at the balance sheet day, information from the active market regarding the expected sales prices and current market trends as well as information from preliminary sales agreements concluded by the Company is analysed. Assumptions used when calculating the allowance mainly relate to market prices of property applicable in a given market segment. According to the Management Board, a change of these assumptions would not materially affect the value of the inventory allowance as at the balance sheet day because the adopted assumptions and information on the value of the allowance were largely based on the concluded sales agreements. In the case of land recognised under inventory, the value of the allowances is due to the usefulness of land for the Company's current and prospective business estimated by the Management Board.

Information on material post-balance sheet events

On 25 July 2011, Echo Investment S.A. and Echo - Kielce 1 Spółka z ograniczoną odpowiedzialnością with registered office in Kielce and ORBIS Spółka Akcyjna with registered office in Warsaw concluded – as part of the performance of the Contingent Preliminary Sales Agreement – the Final Agreement as a result of which Echo Investment S.A. Group sold to Orbis S.A. the right of perpetual usufruct to a real property in Łódź. If Gmina Łódź does not exercise its pre-emptive right, the Parties will sign an agreement transferring the right of perpetual usufruct to the property.

On 4 August 2011, the Group received a decision from the District Court in Kielce, 10th Commercial Department of the National Court Register, under which, on 28 July 2011, amendments in the amount and structure of the share capital of Echo – Aurus Sp. z o.o., with registered office in Kielce, were registered. As of the day of the registration, Echo – Aurus Sp. z o.o. („Acquiring Company”), a subsidiary of Echo Investment S.A., merged with other subsidiaries of Echo Investment S.A.: Echo – SPV 12 Sp. z o.o. with registered office in Kielce, MDP Sp. z o.o. with registered office in Kielce, Echo – Kielce 1 Sp. z o.o. with registered office in Kielce, Echo – Property Poznań 1 Sp. z o.o. with registered office in Kielce, Projekt Naramowice Sp. z o.o. with registered office in Kielce and Princess Boryszewska Sp. z o.o. with registered office in Kielce (later referred to as “Acquired Companies”). The merger involved a transfer of all assets of the Acquired Companies to the Acquiring Company and a simultaneous increase in the Acquiring Company's share capital by creation of holdings awarded to existing shareholders of the Acquired Companies in exchange for their shares in the Acquired Companies.

On 11 August 2011, the Group concluded with Ustra Sp. z o.o. (Seller), with registered office in Kielce, a preliminary agreement for the sale of holdings in Astra Park sp. z o.o. (Company), with registered office in Kielce at al. Solidarności 36, entered into the register of entrepreneurs of the National Court Register maintained by the District Court in Kielce, 10th Commercial Department of the National Court Register, under no. KRS 271678. The agreement involves all holdings in Astra Park Sp. z o.o., i.e. 738,801 (seven hundred and thirty-eight thousand, eight hundred and one) holdings of the Company with a total nominal value of PLN 36,940,050 (thirty-six million, nine hundred and forty thousand, and fifty zloty). The final agreement will be concluded on the condition that, among other things, Eurohypo Aktiengesellschaft, with registered office in Eschborn, Germany, a bank in which Astra sp. z o.o. has raised a loan of EUR 21.8 million, approves the sale of the shares. The final sale agreement will be concluded once the conditions are fulfilled but not later than by 30 September 2011. If the conditions are not fulfilled by the above date, the agreement shall be terminated. The parties agree the holdings' sale price to be PLN 67.50 million. The price for the shares shall be paid within 3 days from the conclusion of the final sale agreement. The seller is a subsidiary of Mr. Michał Sołowow, a major shareholder of Echo Investment S.A. Astra Park Sp. z o.o. owns a modern office complex in Kielce at al. Solidarności 36, comprising three office buildings with a total leasable surface of 16,300 sq. m and adjacent land properties intended for the development of the office park. The Group holds a legally binding permit for the construction of the fourth office building with a total surface of 10,000 sq. m. The Group, in addition to increasing the portfolio of office space as a result of acquiring the Company, plans to use the acquired Company's land property potential to expand the existing office complex and thus to increase the project's NOI.

Information on remuneration of the Management Board and the Supervisory Board

In H1 2011, Managers of Echo Investment S.A. received remuneration in Echo Investment S.A. and for exercising functions in the bodies of subsidiaries, jointly-controlled and affiliated companies:

- Piotr Gromniak received remuneration in Echo Investment S.A. in a total amount of PLN 438 thousand, he did not receive remuneration for exercising functions in the bodies of subsidiaries, jointly-controlled and affiliated companies.

- Artur Langner received remuneration in Echo Investment S.A. in a total amount of PLN 413 thousand, he did not receive remuneration for exercising functions in the bodies of subsidiaries, jointly-controlled and affiliated companies.

In H1 2011, supervisory staff of Echo Investment S.A. received remuneration in Echo Investment S.A. for holding supervisory functions in the Company:

- Wojciech Ciesielski received remuneration in Echo Investment S.A. in a total amount of PLN 42 thousand, he did not receive remuneration for exercising functions in the bodies of subsidiaries, jointly-controlled and affiliated companies;
- Andrzej Majcher received remuneration in Echo Investment S.A. in a total amount of PLN 30 thousand, he did not receive remuneration for exercising functions in the bodies of subsidiaries, jointly-controlled and affiliated companies;
- Mariusz Waniółka received remuneration in Echo Investment S.A. in a total amount of PLN 30 thousand, he did not receive remuneration for exercising functions in the bodies of subsidiaries, jointly-controlled and affiliated companies;
- Robert Oskard received remuneration in Echo Investment S.A. in a total amount of PLN 18 thousand, he did not receive remuneration for exercising functions in the bodies of subsidiaries, jointly-controlled and affiliated companies;
- Karol Żbikowski received remuneration in Echo Investment S.A. in a total amount of PLN 18 thousand, he did not receive remuneration for exercising functions in the bodies of subsidiaries, jointly-controlled and affiliated companies;
- Tomasz Kalwat received remuneration in Echo Investment S.A. in a total amount of PLN 18 thousand, he did not receive remuneration for exercising functions in the bodies of subsidiaries, jointly-controlled and affiliated companies.

General information

Echo Investment S.A. Capital Group's (later referred to as the "Group") core activity consists in the construction and renting out or sale of space in commercial, shopping and entertainment, office, hotel and residential buildings as well as trade in real property.

The Group's parent company is Echo Investment S.A. (later referred to as "Echo" or the "Company") with registered office in Kielce at al. Solidarności 36. The Company, formerly Echo Press" Sp. z o.o., was registered in Kielce on 23 July 1992. Echo is a Joint Stock Company entered into the National Court Register under no. 0000007025 by the District Court in Kielce, 10th Commercial Department of the National Court Register.

The Company's shares are quoted at the Warsaw Stock Exchange on the regulated market – construction industry.

The Company's duration is not limited.

As at 30 June 2010 and 30 June 2011, the Management Board of Echo Investment S.A. was composed of: President of the Management Board Piotr Gromniak and Vice-President of the Management Board Artur Langner. As at 30 June 2010 and 30 June 2011, the Supervisory Board was composed of: Chairman Wojciech Ciesielski, Vice-Chairman Andrzej Majcher, Vice-Chairman Mariusz Waniółka and the following members: Tomasz Kalwat, Robert Oskard and Karol Żbikowski. As at 30 June 2011, the Audit Committee was composed of: Mariusz Waniółka – Chairman, Robert Oskard and Tomasz Kalwat.

EXPLANATORY NOTES

NOTE 1

OFF-BALANCE SHEET ITEMS (PLN '000)	30.06.2011	31.12.2010	30.06.2010
1. Contingent liabilities			
1.1 For related entities, due to: a) guarantee and sureties granted	-	-	-
	-	-	-
1.2 For other entities, due to: a) guarantee and sureties granted	600	600	4 780
	600	600	4 780
Total contingent liabilities	600	600	4 780

The Capital Group received from PKO BP SA a guarantee for Master Serwis Opon Sp. z o.o. as a security deposit for the amounts which a court ordered to be paid to the Beneficiary. The value of the off-balance sheet liability is PLN 600 thousand. Contingent liabilities are presented at nominal value, which does not deviate from the fair value.

NOTE 2A

CHANGE IN THE BALANCE OF PROPERTY (BY TYPES) (PLN '000)	30.06.2011	31.12.2010	30.06.2010
Opening balance	2 808 083	2 781 447	2 781 447
a) increases (due to)			
- reclassification from investment property under construction	-	213 008	29 747
- capital expenditures incurred	113 176	119 471	47 548
- revaluation of property	61 644	104 289	-
	174 820	436 768	77 295
b) decreases (due to)			
- sale	42 704	195 470	-
- revaluation of property	-	213 981	11 436
- reclassification to inventory	-	679	-
- repayment of perpetual usufruct (lease)	1 689	2	2
	44 393	410 132	11 438
Closing balance of property	2 938 510	2 808 083	2 847 304

The company measures property at fair value at the end of every calendar quarter. Profit/loss on measurement is disclosed under "Revaluation of property" in the Profit and Loss Account.

As at 30 June 2011, the Group held 17 investment properties located in cities in Poland. Since most rent agreements contain rents denominated in EUR (and USD), the valuations have been prepared in these currencies and converted to PLN according to the exchange rate of the NBP as at the balance sheet day.

NOTE 2B

AMOUNTS DISCLOSED IN THE CONSOLIDATED INTERIM PROFIT AND LOSS ACCOUNT (PLN '000)	01.01.2011 - 30.06.2011	01.01.2011 - 31.12.2010	01.01.2010 - 30.06.2010
a) revenue from investment property rents	149 855	312 518	152 270
b) direct operating expenses (including repair and maintenance costs) on investment property generating rent revenue in the period	48 907	104 115	52 004
c) direct operating expenses (including repair and maintenance costs) on investment property not generating rent revenue in the period	-	-	-

NOTE 2C

CHANGE IN THE BALANCE OF PROPERTY UNDER CONSTRUCTION (BY TYPES) (PLN '000)	30.06.2011	31.12.2010	30.06.2010
Opening balance	689 039	705 577	705 577
a) increases (due to)			
- purchase of property	60 322	181 650	36 371
- capital expenditures incurred	75 627	18 605	49 726
- reclassification from inventory	7 780	-	-
- lease (perpetual usufruct)	-	-	16 205
- revaluation of property	-	-	40 379
	143 729	200 255	142 681
b) decreases (due to)			
- sale	-	1 284	636
- reclassification to investment property	-	213 008	29 747
- revaluation of property	-	998	-
- FX differences	1 082	-	1 188
- repayment of perpetual usufruct (lease)	4	-	4
- liquidation	-	1 503	-
	1 086	216 793	31 575
Closing balance of property	831 682	689 039	816 683

NOTE 3A

INVENTORY (PLN '000)	30.06.2011	31.12.2010	30.06.2010
a) materials	203	203	187
b) semi-finished products and products in progress	453 955	446 895	335 194
c) finished products	20 407	24 296	38 340
d) goods	1 853	3 199	1 953
e) advances on deliveries	-	-	4 578
Total inventory	476 418	474 593	380 252

"Finished products" include finished residential apartments for sale.

"Semi-finished products and products in progress" mainly include the Group's property and expenditures on housing developments in the course of planning and execution.

Inventory is measured up to the net realisable sales value. This value is obtained from information from the active market. A reversal of the inventory allowance is made due to the sale of an inventory item or increase in the net selling price. Inventory allowances disclosed in the period as cost and reversals of inventory write-downs disclosed in the period as revenue are presented in the income statement under cost of sales.

NOTE 3B

INVENTORY – INFLUENCE ON THE RESULT (PLN '000)	01.01.2011 - 30.06.2011	01.01.2010 - 31.12.2010	01.01.2010 - 30.06.2010
a) value of inventory recognised as cost in the period	7 948	61 730	69 424
b) inventory allowances in the period	1 388	1 388	1 402
c) reversals of write-downs on inventory in the period	8 396	8 396	4 223

Inventory allowances and their reversals apply to residential developments where there is a time delay between the sale of residential apartments and the sale of the apartments' garages, and is intended to reflect the actual sales margin in the period.

The value of inventory recognised as cost in the period is presented in the income statement under "Cost of sales".

NOTE 4A

DERIVATIVES (ASSETS) (PLN '000)	30.06.2011	31.12.2010	30.06.2010
a) Interest Rate Swap	-	-	-
b) FX options	-	-	-
c) FX forwards	920	828	498
Total investment in derivatives	920	828	498
with maturities:			
- up to 1 year	920	828	498
- 1 to 3 years	-	-	-
- 3 to 5 years	-	-	-
- over 5 years	-	-	-

NOTE 4B

DERIVATIVES (LIABILITIES) (PLN '000)	30.06.2011	31.12.2010	30.06.2010
a) Interest Rate Swap	5 448	8 020	9 131
b) FX options	-	8 478	13 133
c) FX forwards	4 110	2 398	53 415
Total liabilities due to derivatives	9 558	18 896	75 679
with maturities:			
- up to 1 year	4 110	8 586	54 704
- 1 to 3 years	-	2 290	11 844
- 3 to 5 years	5 448	4 366	4 945
- over 5 years	-	3 654	4 186

As at 30 June 2011, the total nominal value of unsettled FX forwards amounted to EUR 111.6 million. These contracts involve the sale of EUR between 2011 and 2012 and are intended to hedge a portion of the Group's forecast cash flows against FX risk. IRS transactions hedge a portion of prospective interest payments in the Group against interest rate risk.

NOTE 5A

LOANS AND BORROWINGS (BY TYPE) (PLN '000)	30.06.2011	31.12.2010	30.06.2010
a) loans	1 512 792	1 371 341	1 442 874
b) debt securities	817 451	700 034	664 192
c) interest on loans and borrowings	1	-	1
Total loans and borrowings	2 330 244	2 071 375	2 107 067
- long-term portion	2 041 281	1 746 175	1 783 885
- short-term portion	288 963	325 200	323 182

Loan liabilities are measured with the amortised cost of liability items according to IAS 39 but liabilities with unspecified repayment schedules and interest rates are presented at nominal value.

As at 30 June 2011, liabilities measured at nominal value amounted to PLN 172.5 million.

NOTE 5B

LONG-TERM LOANS AND BORROWINGS WITH REMAINING MATURITIES FROM THE BALANCE SHEET DATE (PLN '000)	30.06.2011	31.12.2010	30.06.2010
a) up to 12 months	288 963	325 200	323 182
b) 1 to 3 years	653 132	371 109	574 510
c) 3 to 5 years	291 027	519 455	224 888
d) over 5 years	1 097 122	855 611	984 487
Total loans and borrowings	2 330 244	2 071 375	2 107 067

NOTE 5C

LOANS AND BORROWINGS (CURRENCY STRUCTURE) (PLN '000)	30.06.2011	31.12.2010	30.06.2010
a) in Polish currency	901 929	769 950	760 034
b) in foreign currencies (by currency, after conversion to PLN)			
b1. in thousand of USD	-	-	6 886
b1. converted to PLN '000	-	-	23 010
b2. in thousand of EURO	360 982	332 046	323 631
b2. converted to PLN '000	1 428 315	1 301 425	1 324 023
	1 428 315	1 301 425	1 347 033
Total long-term financial liabilities	2 330 244	2 071 375	2 107 067
Interest rates for discounting expected cash flows:			
a) for bonds	6,96%	6,01%	5,90%
b) for loans in EUR	5,11%	4,97%	5,08%
c) for loans in USD	-	-	2,31%

According to the best knowledge and information of the Group's Management Board, there have been no violations of loan agreements and the established security levels during the financial year and by the day of signing the financial statements.

NOTE 5D

LONG-TERM LIABILITIES DUE TO LOANS AND BORROWINGS

Company name and legal form	Registered office	Loan/borrowing amount according to the Agreement		Loan/borrowing amount as at 30.06.2011		Interest rate terms	Maturity	Securities
		PLN '000	Currency	PLN '000	Currency			
PKO Bank Polski SA	Warsaw	35 663	-	17 900	-	WIBOR 3M + margin	2012-03-31	<ul style="list-style-type: none"> - sola bill of exchange, - transfer of rights under sale agreements
ING Bank Śląski SA	Katowice	16 863	EUR 4,230 thousand	1 381	EUR 347 thousand	EURIBOR 1M + margin	2012-06-30	<ul style="list-style-type: none"> - capped mortgage on real property in the amount of EUR 3,420 thousand, - assignment of amounts due under rent and management agreements, - assignment of amounts due to guarantees and sureties, - assignment of amounts due under insurance policies, - assignment of amounts due under execution agreements, - registered pledge on the shares of "Echo - Centrum Przemysł – Projekt Echo – 93 Spółka z ograniczoną odpowiedzialnością" S. k. a., - surety "Echo - SPV 12" Sp. z o.o., - assignment of amounts due under bank account agreement
Pekao SA	Warsaw	35 798	-	1 036	-	WIBOR 1M + margin	2013-07-31	<ul style="list-style-type: none"> - capped mortgage on property - registered pledges on borrower's accounts, - registered pledge on the shares of "Echo - Kasztanowa Aleja" Sp. z o.o. - transfer of rights under sale agreements, policies and borrowings
Pekao S.A.	Warsaw	144 714	EUR 36,300 thousand	86 644	EUR 21,821 thousand	Fixed interest rate until 31/12/2013 for 80% of the value; EURIBOR 1M + margin	2014-02-15	<ul style="list-style-type: none"> - capped mortgage on real property up to the amount of EUR 72,600 thousand, - registered pledge on the shares of "PPR – Projekt Echo - 77 Spółka z ograniczoną odpowiedzialnością" S. k. a., - assignment of amounts due under rent agreements, - assignment of amounts due under insurance agreements for the financed property, - registered pledge on amounts due under bank account agreements
Westdeutsche ImmobilienBank AG	Mainz	126 714	EUR 31,785 thousand	66 894	EUR 16,781 thousand	EURIBOR + margin	2014-08-20	<ul style="list-style-type: none"> - capped mortgage on property - assignment of amounts due under rent agreements, - assignment of amounts due under insurance policy, - registered pledges on the shares of "Malta Office Park – Projekt Echo – 96 Spółka z ograniczoną odpowiedzialnością" S.k.a., - pledge on the bank accounts of "Malta Office Park – Projekt Echo – 96 Spółka z ograniczoną odpowiedzialnością" S.k.a.

NOTE 5D, CONTINUED

LONG-TERM LIABILITIES DUE TO LOANS AND BORROWINGS

Company name and legal form	Registered office	Loan/borrowing amount according to the Agreement		Loan/borrowing amount as at 30.06.2011		Interest rate terms	Maturity	Securities
		PLN '000	Currency	PLN '000	Currency			
Eurohypo AG	Eschborn	77 738	EUR 13,840 thousand USD 8,200 thousand	28 306	EUR 7,101 thousand	EURIBOR 1M + margin	2014-09-30	<ul style="list-style-type: none"> - capped mortgage on real property in the amount of EUR 11,250 thousand, - assignment of amounts due under rent agreements, - assignment of amounts due under guarantee, - assignment of amounts due under insurance policies, - assignment of amounts due under execution agreements, - assignment of amounts due under hedge agreements, - assignment of amounts due under rent revenues and security deposits, - registered pledge on the shares of "Athina Park – Projekt Echo - 93 Spółka z ograniczoną odpowiedzialnością" S. k. a.
Eurohypo AG	Eschborn	63 985	EUR 16,050 thousand	51 539	EUR 13,017 thousand	EURIBOR 1M + margin	2016-01-29	<ul style="list-style-type: none"> - capped mortgage on real property in the amount of EUR 48,000 thousand, - assignment of amounts due under rent agreements, - registered pledge on the shares of "WAN 11" Sp. z o.o., - subordination of the borrower's liabilities towards partners to the borrower's liabilities towards the bank under the granted loan
Nordea Bank Polski SA	Gdynia	67 772	EUR 17,000 thousand	46 204	EUR 11,590 thousand	EURIBOR 3M + margin	2017-03-27	<ul style="list-style-type: none"> - capped mortgage on property, - registered pledges on shares, - registered pledges on bank accounts, - registered pledges on items and rights, - surety of Echo Investment S.A., - guarantee to cover own funds, - transfer of rights under agreements and policies
Eurohypo AG	Eschborn	199 330	EUR 50,000 thousand	195 560	EUR 49,595 thousand	EURIBOR + margin	2019-11-17	<ul style="list-style-type: none"> - capped mortgage on property - assignment of amounts due under rent agreements, - assignment of amounts due under insurance policy, - registered pledges on the shares of "Park Postępu – Projekt Echo - 93 Spółka z ograniczoną odpowiedzialnością" S.k.a., - pledge on the bank accounts of "Park Postępu – Projekt Echo - 93 Spółka z ograniczoną odpowiedzialnością" S.k.a.
Eurohypo AG	Eschborn	398 660	EUR 100,000 thousand	165 015	EUR 41,419 thousand	EURIBOR 3M + margin	2020-02-22	<ul style="list-style-type: none"> - capped mortgage on property, - assignment of amounts due under rent agreements, - assignment of amounts due under guarantee, - assignment of amounts due under insurance policies, - assignment of amounts due under execution agreements, - registered pledge on the shares of "Echo - Galeria Kielce" Sp. z o.o., - authorisation to the bank accounts of "Echo – Galeria Kielce" Sp. z o.o.

NOTE 5D, CONTINUED

LONG-TERM LIABILITIES DUE TO LOANS AND BORROWINGS

Company name and legal form	Registered office	Loan/borrowing amount according to the Agreement		Loan/borrowing amount as at 30.06.2011		Interest rate terms	Maturity	Securities
		PLN '000	Currency	PLN '000	Currency			
Eurohypo AG	Eschborn	398 660	EUR 100,000 thousand	350 471	EUR 88,805 thousand	Fixed interest rate until 31/12/2015; EURIBOR 1M + margin	2022-09-30	<ul style="list-style-type: none"> - capped mortgage on real property in the amount of EUR 150,000 thousand, - assignment of amounts due under rent and management agreements, - assignment of amounts due to guarantees and sureties, - assignment of amounts due under insurance policies, - assignment of amounts due under execution agreements, - registered pledge on the shares of "Galaxy – Grupa Echo Spółka z ograniczoną odpowiedzialnością" S.k.a., - assignment of amounts due under bank account agreement, - assignment of amounts due under CAP transaction, - assignment of amounts due under plot lease agreement, - obligation by "Echo Investment" S.A. to submit to enforcement proceedings
Eurohypo AG	Eschborn	460 452	EUR 115,500 thousand	436 302	EUR 110,507 thousand	Fixed interest rate until 31/12/2015; EURIBOR 1M + margin	2022-09-30	<ul style="list-style-type: none"> - capped mortgage on real property in the amount of EUR 150,000 thousand, - registered pledge on the shares of "Pasaż Grunwaldzki – Grupa Echo Spółka z ograniczoną odpowiedzialnością" S.k.a., - assignment of amounts due under agreements, - statement on submission to enforcement proceedings, - obligation by Echo Investment S.A. to cover additional execution costs exceeding the loan amount
Total		2 026 349		1 447 252				

NOTE 5E
OPEN FACILITIES

Company name and legal form	Registered office	Loan/borrowing amount according to the Agreement		Loan/borrowing amount as at 30.06.2011		Interest rate terms	Maturity	Securities
		PLN '000	Currency	PLN '000	Currency			
PKO BP S.A.	Warsaw	40 000		-		WIBOR 3M + margin	2012-08-19	- surety clause involving current account in PKO BP S.A., - statement on submission to enforcement proceedings
PKO BP S.A.	Warsaw	40 000		-		WIBOR 3M + margin	2012-08-19	- surety clause involving current account in PKO BP S.A., - statement on submission to enforcement proceedings
Pekao S.A.	Warsaw	30 000		-		WIBOR 1M + margin	2012-06-30	- sola blank bill of exchange, - authorisation to the bank account, - statement on submission to enforcement proceedings
Pekao S.A.	Warsaw	65 540		65 540		WIBOR 1M + margin	2012-06-30	- authorisation to the account,
Alior Bank S.A.	Warsaw	20 000		-		WIBOR 3M + margin	2012-02-24	- authorisation to the bank account, - sola blank bill of exchange
Total		195 540		65 540				

NOTE 5F
LONG-TERM LIABILITIES DUE TO DEBT INSTRUMENTS ISSUED (PLN '000)

Financial debt instruments by type	Nominal value	Interest rate terms	Maturity	Guarantees/securities	Additional rights	Quotation market
Bonds (BRE S.A.)	115 000	WIBOR 6M + margin	2012-05-18	-	-	-
Bonds (BRE S.A.)	150 000	WIBOR 6M + margin	2013-03-29	-	-	-
Bonds (BRE S.A.)	100 000	WIBOR 6M + margin	2013-05-25	-	-	-
Bonds (BRE S.A.)	300 000	WIBOR 6M + margin	2014-06-30	-	-	-
Bonds (BRE S.A.)	145 000	WIBOR 6M + margin	2016-02-11	-	-	-
Total	810 000					

In H1 2011, the Group issued bonds with a nominal value of PLN 295 million and redeemed bonds with a nominal value of PLN 185 million.

REPORTING BY INDUSTRY SEGMENTS

NOTE 6A

ASSIGNMENT OF ASSETS TO SEGMENTS (PLN '000)	30.06.2011	31.12.2010	30.06.2010
- shopping centres	2 857 404	2 716 435	2 698 746
- office buildings	1 135 152	1 104 574	1 110 929
- residential space	481 118	439 201	352 473
- non-assigned assets	402 189	230 749	307 240
Total assets	4 875 863	4 490 959	4 469 388

NOTE 6B

ASSIGNMENT OF LIABILITIES TO SEGMENTS (PLN '000)	30.06.2011	31.12.2010	30.06.2010
- shopping centres	1 198 463	1 091 290	1 159 955
- office buildings	448 248	412 006	404 875
- residential space	72 203	38 973	21 417
- non-assigned liabilities	1 200 205	1 073 174	1 094 631
Total liabilities	2 919 119	2 615 443	2 680 878

NOTE 6C

ASSIGNMENT OF OPERATING REVENUE TO SEGMENTS (PLN '000)	01.01.2011 - 30.06.2011	01.01.2010 - 30.06.2010
- shopping centres	133 293	124 938
- office buildings	34 034	31 828
- residential space	11 904	59 083
- non-assigned revenue	3 032	16 017
Total operating revenue	182 263	231 866

NOTE 6D

ASSIGNMENT OF OPERATING EXPENSES TO SEGMENTS (PLN '000)	01.01.2011 - 30.06.2011	01.01.2010 - 30.06.2010
- shopping centres	(38 060)	(31 100)
- office buildings	(14 510)	(10 174)
- residential space	(6 440)	(45 202)
- non-assigned expenses	(3 387)	(14 959)
Total operating revenue	(62 397)	(101 435)

Date: 26 August 2011

Signatures by the Management Board of Echo Investment S.A.

Piotr Gromniak



President of the Management Board

Artur Langner



Vice-President of the Management Board

Signature of the individual entrusted with bookkeeping:

Tomasz Sułek



Chief Accountant

2. CONDENSED SEPARATE FINANCIAL STATEMENTS

The condensed separate financial statements of Echo Investment S.A. for H1 2011 for the period from 1 January 2011 to 30 June 2011 have been prepared according to the International Financial Reporting Standards.

SEPARATE INTERIM STATEMENT OF FINANCIAL POSITION (PLN '000)

	Note	30.06.2011	31.12.2010	30.06.2010
ASSETS				
1. Non-current assets				
1.1. Intangible assets		1 349	1 227	952
1.2. Tangible fixed assets		15 773	17 341	17 574
1.3. Investment property	1	11 723	11 631	11 903
1.4. Investments in subsidiaries and jointly-controlled entities	2	792 728	769 746	634 312
1.5. Borrowings granted	4	6	8	371
1.6. Other financial assets	2	143	13 785	8 380
1.7. Other receivables		14 226	12 079	12 305
		835 948	825 817	685 797
2. Current assets				
2.1. Inventory	3	337 920	327 002	299 389
2.2. Current income tax receivables		157	335	170
2.3. Other tax receivables		2 311	-	44
2.4. Trade and other receivables		121 323	94 675	75 704
2.5. Borrowings granted	4	148 844	144 538	251 260
2.6. Cash and cash equivalents		150 490	65 827	108 525
		761 045	632 377	735 092
TOTAL ASSETS		1 596 993	1 458 194	1 420 889

	Note	30.06.2011	31.12.2010	30.06.2010
LIABILITIES				
1. Equity				
1.1. Share capital		21 000	21 000	21 000
1.2. Supplementary capital		550 573	511 901	511 901
1.3. Net profit (loss)		10 736	38 672	34 118
		582 309	571 573	567 019
2. Provisions				
2.1. Provisions for liabilities		7 316	6 700	6 530
2.2. Deferred income tax provision		10 749	12 007	7 851
		18 065	18 707	14 381
3. Non-current liabilities				
3.1. Loans, borrowings and bonds	5	654 568	484 907	484 647
3.3. Advance payments received				14 509
		654 568	484 907	499 156
4. Current liabilities				
4.1. Loans, borrowings and bonds	6	228 423	285 043	275 385
4.2. Current income tax liabilities		26	-	28
4.3. Other tax liabilities		8 684	7 450	13 729
4.4. Trade liabilities		67 898	57 654	26 100
4.5. Advance payments received		30 845	24 111	16 590
4.6. Other liabilities		6 175	8 749	8 501
		342 051	383 007	340 333
TOTAL LIABILITIES		1 596 993	1 458 194	1 420 889

INTERIM PROFIT AND LOSS ACCOUNT (PLN '000)

	Note	01.01.2011 - 30.06.2011	01.01.2010 - 30.06.2010
Revenue	8	195 571	188 752
Cost of sales		(158 421)	(152 060)
Gross profit from sales		37 150	36 692
Profit from sale of property		664	17
Revaluation of property		92	292
Cost of sales		(11 537)	(9 083)
General and administrative expenses		(13 074)	(11 846)
Other operating revenue		6 589	16 414
Other operating costs		(1 450)	(5 925)
Profit before tax and excluding financial revenue /costs		18 434	26 561
Financial revenue		18 163	38 135
Financial costs		(27 119)	(31 028)
Gross profit		9 478	33 668
Income tax		1 258	450
Net profit		10 736	34 118
Net profit		10 736	34 118
Average-weighted number of ordinary shares		420 000 000	420 000 000
Earnings per ordinary share (in PLN)		0,03	0,08
Average-weighted diluted number of ordinary shares		420 000 000	420 000 000
Diluted earnings per ordinary share (in PLN)		0,03	0,08

INTERIM STATEMENT OF COMPREHENSIVE INCOME (PLN '000)

	Note	01.01.2011 - 30.06.2011	01.01.2010 - 30.06.2010
Net profit		10 736	34 118
Comprehensive income, including:		10 736	34 118
Comprehensive income attributable to shareholders of the parent		10 736	34 118

INTERIM CASH FLOW STATEMENT (PLN '000)

	01.01.2011 - 30.06.2011	01.01.2010 - 30.06.2010
A. Operating cash flow – indirect method		
I. Net profit (loss)	10 736	34 118
II. Adjustments		
1. Amortisation/depreciation	1 633	1 395
2. Interest and profit sharing (dividends)	6 243	(8 452)
3. Income tax paid	204	2 053
4. Profit (loss) on investment activities	(774)	(291)
5. Change in provisions	125	(4 850)
6. Change in inventory	(11 078)	66 304
7. Change in receivables	(28 569)	47 040
8. Change in current liabilities, excluding loans and borrowings	12 707	(25 310)
	(19 509)	77 889
III. Net cash flow from operating activities	(8 773)	112 007
B. Cash flow from investment activities		
I. Proceeds		
1. Disposal of intangible assets and PP&E	1 330	785
2. From financial assets	57 378	54 992
a) in related companies	57 320	54 992
- dividends and profit sharing	18 000	26 498
- repayment of borrowings granted	38 492	27 600
- interest	828	894
b) in other companies	58	-
- sale of financial assets	58	-
3. Other investment proceeds	-	-
	58 708	55 777
II. Expenses		
1. Purchase of intangible assets and PP&E	(892)	(8 986)
2. Investments in property and intangible assets	-	-
3. For financial assets	(49 745)	(199 981)
a) in related companies	(49 745)	(199 981)
- purchase of financial assets	(9 341)	(34 683)
- borrowings granted	(40 404)	(165 298)
4. Other investment expenses	(99)	-
	(50 736)	(208 967)
III. Net investment cash flow	7 972	(153 190)
C. Cash flow from financial activities		
I. Proceeds		
1. Loans and borrowings	15 505	5 840
2. Issue of debt securities	295 000	114 459
	310 505	120 299
II. Expenses		
1. Repayment of loans and borrowings	(20 376)	-
2. Redemption of debt securities	(185 000)	(6 078)
3. Interest	(19 665)	(18 391)
	(225 041)	(24 469)
III. Net cash flow from financial activities	85 464	95 830
D. Total net cash flow	84 663	54 647
E. Balance sheet change in cash, including:	84 663	54 647
- change in cash due to foreign exchange	-	-
F. Cash at the beginning of the period	65 827	53 878
G. Cash at the end of the period, including:	150 490	108 525
- of restricted availability	7 300	6 801

INTERIM STATEMENT OF CHANGES IN EQUITY (PLN '000)

	Share capital	Supplementary capital	Profit (loss) from previous years	Profit (loss) in current year	Total equity
Balance as at 1 January 2011	21 000	511 901	38 672		571 573
Change in the period:					
Allocation of result from previous years	-	38 672	(38 672)	-	-
Net profit (loss) for the period	-	-	-	10 736	10 736
Total changes	-	38 672	(38 672)	10 736	10 736
Balance as at 30.06.11	21 000	550 573	-	10 736	582 309
Balance as at 01.01.10	21 000	477 859	34 042		532 901
Change in the period:					
Allocation of result from previous years	-	34 042	(34 042)	-	-
Net profit (loss) for the period	-	-	-	38 672	38 672
Total changes	-	34 042	(34 042)	38 672	38 672
Balance as at 31.12.10	21 000	511 901	-	38 672	571 573
Balance as at 01.01.10	21 000	477 859	34 042	-	532 901
Change in the period:					
Allocation of result from previous years	-	34 042	(34 042)	-	-
Net profit (loss) for the period	-	-	-	34 118	34 118
Total changes	-	34 042	(34 042)	34 118	34 118
Balance as at 30.06.10	21 000	511 901	-	34 118	567 019

NOTES ON THE ADOPTED ACCOUNTING PRINCIPLES AND OTHER EXPLANATORY INFORMATION

General information

Echo Investment S.A.'s core activity consists in the construction and renting out or sale of space in commercial, shopping and entertainment, office, hotel and residential buildings as well as trade in real property.

Echo Investment S.A. (later referred to as "Echo" or the "Company"), with registered office in Kielce at al. Solidarności 36, formerly Echo Press Sp. z o.o., was registered in Kielce on 23 July 1992. Echo is a Joint Stock Company entered into the National Court Register under no. 0000007025 by the District Court in Kielce, 10th Commercial Department of the National Court Register.

The Company's shares are quoted at the Warsaw Stock Exchange on the regulated market – construction industry.

The Company's duration is not limited.

As at 30 June 2011 and 30 June 2010, the Management Board of Echo Investment S.A. was composed of: President of the Management Board Piotr Gromniak and Vice-President of the Management Board Artur Langner. As at 30 June 2011, the Supervisory Board was composed of: Chairman Wojciech Ciesielski, Vice-Chairman Andrzej Majcher, Vice-Chairman Mariusz Waniółka and the following members: Tomasz Kalwat, Robert Oskard and Karol Żbikowski. As at 30 June 2010, the composition was as follows: Chairman Wojciech Ciesielski, Vice-Chairman Andrzej Majcher and the following members: Tomasz Kalwat, Robert Oskard, Mariusz Waniółka and Karol Żbikowski. As at 30 June 2011, the Audit Committee was composed of: Chairman Mariusz Waniółka, Robert Oskard and Tomasz Kalwat.

Information on the financial statements

The statements of Echo Investment S.A. present financial data for the six-month period ending on 30 June 2011 and comparative data for the six-month period ending on 30 June 2010, as well as comparative data for the twelve-month period ending on 31 December 2010 (in case of the statement of financial position and the statement of changes in equity).

The reporting currency in the financial statements and the functional currency of Echo Investment S.A. is Polish zloty ("PLN"). Unless indicated otherwise, all financial data in the Company's financial statements has been presented in thousand PLN.

These condensed interim financial statements for the six-month period ending on 30 June 2011 have been drawn up in accordance with the International Accounting Standards and International Financial Reporting Standards approved by the European Commission. The financial statements have been drawn up in accordance with the historical cost principle with the exception of investment property and financial instruments, which were measured at fair value.

The statements have been drawn up according to the going concern principle as there are no circumstances indicating a threat to further activity.

The Company's Management Board used its best knowledge in the application of the standards and interpretations, as well as measurement methods and principles for the various items of the separate financial statements.

When preparing these statements, the Company used new interpretations released by the IFRS Interpretations Committee, which apply to the Company's reporting period starting on 01.01.10. The introduced amendments have not had any material effect on the presentation of data and measurement in the financial statements.

Basic accounting principles

The accounting policy is in line with the policy used in the financial statements for the year ending on 31 December 2010.

Segment reporting

The Company's business segments are identifiable areas in which goods are distributed or services are provided, or groups of related goods or services subject to risk, characterised by return on capital expenditures, and are distinct from other segments.

The following segments defined based on the executed projects have been identified in the Company:

- renting out and sale of residential and service space,
- provision of services related to the execution of investments, rent and sale of commercial and entertainment space,
- provision of services related to the execution of investments, rent and sale of office and hotel space.

In accordance with the Group's strategy, the Company provides services related to the execution of investments, rent and sale of space mainly for related entities within the Capital Group.

A segment's accounting principles are the accounting principles adopted for preparing and presenting the Company's financial statements and they relate specifically to segment reporting.

Segment revenues are generated by sales to external customers or transactions with other entities of the Group or with other segments of the Company which are disclosed in the Company's profit and loss account and are directly attributable to a given segment along with a corresponding portion of the Company's revenue, which – based on rational premises – can be assigned to that segment. Segment revenue does not include:

- extraordinary gains,
- revenue on interest or dividends, including interest on advance payments given or borrowings granted to other segments, unless the segment's activity is primarily of financial nature,

- profits on sale of investments or profits on the expiry of debt, unless the segment's activity is primarily of financial nature.

Segment costs are costs comprising the costs of sale to external customers, other entities of the Capital Group and costs of transactions with other segments which relate to a segment's operating activity and are directly attributable to that segment along with a portion of the Company's costs which – based on rational premises – can be attributed to that segment. Segment costs do not include:

- extraordinary losses,
- interest, including interest on advance payments or borrowings from other segments, unless the segment's activity is primarily of financial nature,
- loss on sale of investments or loss on the expiry of debt, unless the segment's activity is primarily of financial nature.
- an entity's share in losses of affiliates, joint ventures or other financial investments consolidated with the equity method,
- income tax burden,
- general administrative expenses and other costs generated at the Group level relating to the Group as a whole. However, sometimes costs generated at the Group level are assigned to a segment. These costs are segment costs, if they relate to the segment's operating activity and can be directly assigned to that segment based on rational premises.

Segment result is the difference between segment revenue and segment costs. The segment result is determined before making adjustments due to minority interest.

A segment's assets are operating assets used by a segment in its operating activity, which can be directly assigned to that segment based on rational premises.

If a segment's result comprises revenue from interest or dividends, the segment's assets include the corresponding receivables, borrowings, investments or other assets which generate revenue.

A segment's liabilities are operating liabilities incurred by a segment in its operating activity, which can be directly assigned to that segment based on rational premises.

If a segment's result comprises the costs of interest, its liabilities include the corresponding interest-bearing payables.

Financial data of segments is disclosed in notes 9, 10 and 11 to the financial statements.

Estimates of the Company's Management Board

To prepare the financial statements, the Company's Management Board had to make certain estimates and assumptions, which are reflected in the statements. The actual results may differ from the estimates. Main areas where the Management Board's estimates materially affect the financial statements:

Investment property

Investment properties include properties owned and rented out by the Company along with land directly related to the properties. Investment properties are initially recognised at purchase price/manufacturing cost.

Properties built by the Company are recognised as investment property once they are commissioned to use.

Following the initial recognition on the first balance sheet day, investment properties are disclosed at fair value. Fair value is subject to a revaluation at least once every quarter. Profits or losses on changes in the fair value of investment property are recognised in the profit and loss account for the period in which they occurred.

Fair value of land and buildings measured at fair value is subject to a revaluation in such a way so that it reflects the market conditions at the end of the reporting period. Fair value of investment properties is the price for which a property could be subject to a transaction between well-informed, willing and unrelated parties. The fair value of real property generating constant income is determined by an entity with the investment method, by applying simple capitalisation technique as a division of a project's net operating income (NOI) and the capitalisation rate (Yield), taking into account the terms of lease, rent and other agreements in force. The yield is verified at least once a year by external property valuers. Net operating income (NOI) is revised every quarter based on the applicable rent agreements, and values expressed in EUR and USD are converted every quarter according to the applicable exchange rates published by the NBP. Fair value of property which is held for the purpose of increasing value and does not generate material income is determined by external property valuers.

The differences on the measurement of investment properties are recognised in the profit and loss account under revaluation of property.

All repair and maintenance costs of investment properties are disclosed as cost in the income statement for the period to which they pertain.

The result on the sale of investment properties is disclosed under a separate item of the profit and loss account.

Inventory

When estimating the revaluation allowance for inventory held by the Company as at the balance sheet day, information from the active market regarding the expected sales prices and current market trends as well as information from preliminary sales agreements concluded by the Company is analysed.

Assumptions used when calculating the allowance mainly relate to market prices of property applicable in a given market segment. According to the Management Board, a change of these assumptions would not materially affect the value of the inventory allowance as at the balance sheet day because the adopted assumptions and information on the value of the allowance were largely based on the concluded sales agreements. In the case of land recognised under inventory, the value of the allowances is due to the usefulness of land for the Company's current and prospective business estimated by the Management Board.

Impairment of holdings in subsidiaries, jointly-controlled and affiliated companies

The assessment of the impairment of holdings in subsidiaries, jointly-controlled and affiliated companies is based on an analysis of the fair value of assets and liabilities held by the companies and the expected prospective cash flows from the operations of such companies. In the course of the assessment, the Company also evaluates the duration and extent to which the current value of the shares is lower than its purchase price and a company's perspectives and plans for its investment developments. All material impairments of the fair value of assets in subsidiaries have been regarded to be long-term by the Management Board and have resulted in impairment losses on holdings in subsidiaries. In particular, for material subsidiaries which, as at 31 December 2010, did not run any material operating activity, the value of the allowances made corresponds to the total difference between the net value of the subsidiary's assets and the purchase price of the shares.

Financial instruments held for trade

The fair value of financial instruments that are not in trade on an active market is determined using measurement techniques. The company uses its own judgement when selecting the measurement method and makes assumptions based on market conditions on each balance sheet day. As at 31 December 2010, the Company did not hold any such financial instruments. The influence of changed estimates on the value of instruments as at 31 December 2010 has been considered to be insignificant.

Deferred income tax

The Company's Management Board is obliged to assess the probability of the realisation of deferred income tax assets. When preparing the financial statements, the Company estimates the value of the deferred income tax provision and asset based on, among other things, the value of prospective income tax burden. The process involves analysing current income tax burden and the value of temporary differences from different treatment of transactions in terms of fiscal and accounting aspects, resulting in the creation of deferred income tax assets and provisions.

A number of assumptions are adopted for determining the value of deferred income tax assets and provisions in the assessment process described above. The above estimates take account of fiscal forecasts, historic tax burden, currently available strategies for planning the Company's operating activity and timelines for realising the individual temporary differences. Since the above estimates may change due to external factors, the Company may periodically adjust the deferred income tax assets and provisions, which in turn may affect the Company's financial standing and performance.

Additional explanations

Material agreements concluded with related entities and executed during the period

In connection with the Echo Investment S.A. Group's strategy involving the construction of all shopping centres, office buildings and apartments by different subsidiaries and Echo Investment S.A.'s contribution – to its special purpose vehicles – of properties where shopping centres and office buildings are constructed, a large portion of Echo Investment S.A.'s transaction is executed with related entities. The largest 2010 transactions with related companies were executed based on the following agreements:

- Agreement for general investment execution concluded on 30 July 2008 with Projekt Echo – 65 Sp. z o.o. as the investor. Under this agreement, Echo Investment S.A. (Contractor) commits itself to a comprehensive construction of an office building on a property located in Szczecin at ul. Malczewskiego.
- Agreement for general investment execution concluded on 16 April 2008 with Echo – Park Postępu Sp. z o.o., having is registered office in Kielce, as the investor. Under this agreement, Echo Investment S.A. (Contractor) commits itself to a comprehensive construction of a complex of office buildings on a property located in Warsaw at ul. Postępu 21 until the office complex is handed over to the Investor and its users.
- Agreement for general investment execution concluded on 29 August 2008 with Echo –Galeria Kielce Sp. z o. o. as the investor. Under this agreement, Echo Galeria Kielce Sp. z o. o. commissioned Echo Investment S.A. with the expansion of the existing shopping centre in Kielce at al. Solidarności.
- Agreement for general investment execution concluded on 8 September 2010 with Echo – Przy Słowińskim Wzgórzu Spółka z ograniczoną odpowiedzialnością Sp.K. as the investor. Under this agreement, Echo Investment S.A. (Contractor) commits itself to a comprehensive construction of a residential building on a property located in Wrocław at ul. Jedności Narodowej.
- Agreement for general investment execution concluded on 1 June 2010 with Echo – Klimt House Spółka z ograniczoną odpowiedzialnością Sp.K. as the investor. Under this agreement, Echo Investment S.A. (Contractor) commits itself to a comprehensive construction of a residential building on a property located in Warsaw at ul. Kazimierzowska 46/48.

Transactions with related entities detailed in the financial statements involve subsidiaries.

Material post-balance sheet events

On 4 August 2011, the Company received a decision from the District Court in Kielce, 10th Commercial Department of the National Court Register, under which, on 28 July 2011, amendments in the amount and structure of the share capital of Echo – Aurus Sp. z o.o., with registered office in Kielce, were registered.

As of the registration day, the subsidiary Echo – Aurus Sp. z o.o. ("Acquiring Company") merged with Echo Investment S.A.'s subsidiaries:

- "Echo - SPV 12" Sp. z o.o. with registered office in Kielce,
- "MDP" Sp. z o.o. with registered office in Kielce,
- "Echo – Kielce 1" Sp. z o.o. with registered office in Kielce,
- "Echo – Property Poznań 1" Sp. z o.o. with registered office in Kielce,
- "Projekt Naramowice" Sp. z o.o. with registered office in Kielce,
- "Princess Boryszewska" Sp. z o.o. with registered office in Kielce (later referred to as "Acquired Companies").

The merger involved a transfer of all assets of the Acquired Companies to the Acquiring Company and a simultaneous increase in the Acquiring Company's share capital by creation of shares awarded to existing shareholders of the Acquired Companies in exchange for their shares in the Acquired Companies.

On 11 August 2011, Echo Investment S.A. concluded with Ustra Sp. z o.o. (Seller), with registered office in Kielce at ul. Solidarności 36, entered into the register of entrepreneurs maintained by the District Court in Kielce, 10th Commercial Department of the National Court register, under no. KRS 224675, a preliminary agreement for the sale of holdings in Astra Park sp. z o.o. (Company), with registered office in Kielce at al. Solidarności 36, entered into the register of entrepreneurs of the National Court Register maintained by the District Court in Kielce, 10th Commercial Department of the National Court Register, under no. KRS 271678. The agreement involves all holdings in Astra Park Sp. z o.o., i.e. 738,801 (seven hundred and thirty-eight thousand, eight hundred and one) holdings of the Company with a total nominal value of PLN 36,940,050 (thirty-six million, nine hundred and forty thousand, and fifty zloty).

The final agreement will be concluded on the condition that, among other things, Eurohypo Aktiengesellschaft, with registered office in Eschborn, Germany, a bank in which Astra sp. z o.o. has raised a loan of EUR 21.8 million, approves the sale of the shares.

The final sale agreement will be concluded once the conditions are fulfilled but not later than by 30 September 2011. If the conditions are not fulfilled by the above date, the agreement shall be terminated.

The parties agree the holdings' sale price to be PLN 67.50 million.

Information on remuneration of the Management Board and the Supervisory Board

In 2011, managerial staff of Echo Investment S.A. have received remuneration in Echo Investment S.A.:

- Piotr Gromniak received remuneration in Echo Investment S.A. totalling PLN 438 thousand;
- Artur Langner received remuneration in Echo Investment S.A. totalling PLN 413 thousand.

In 2011, supervisory staff of Echo Investment S.A. have received remuneration in Echo Investment S.A. for holding supervisory functions in the Company:

- Wojciech Ciesielski received remuneration in Echo Investment S.A. totalling PLN 42 thousand;
- Andrzej Majcher received remuneration in Echo Investment S.A. totalling PLN 30 thousand;
- Mariusz Waniółka received remuneration in Echo Investment S.A. totalling PLN 30 thousand;
- Robert Oskard received remuneration in Echo Investment S.A. totalling PLN 18 thousand;
- Karol Żbikowski received remuneration in Echo Investment S.A. totalling PLN 18 thousand;
- Tomasz Kalwat received remuneration in Echo Investment S.A. totalling PLN 18 thousand.

NOTES TO THE INTERIM STATEMENT OF FINANCIAL POSITION

NOTE 1A

Change in the balance of properties (by types) (PLN '000)	30.06.2011	31.12.2010	30.06.2010
A) gross value of property investment at the beginning of the period	14 080	14 080	14 080
a) increases (due to)			
- expenditures during the year	-	-	-
- reclassification from inventory	-	-	-
	-	-	-
b) decreases (due to)			
- sale	-	-	-
- reclassification to PP&E	-	-	-
	-	-	-
B) gross value of property investment at the end of the period	14 080	14 080	14 080
C) measurement at fair value	(2 357)	(2 449)	(2 177)
Net value of property investment at the end of the period	11 723	11 631	11 903

The company measures property at fair value at the end of every calendar quarter. Profit/loss on measurement is disclosed under "Revaluation of property" in the Profit and Loss Account.

As at 30 June 2010, the company held 2 investment properties located in cities in Poland. Since the rent agreements contain rents denominated in EUR (and USD), the valuations have been prepared in these currencies and converted to PLN according to the exchange rate of the NBP as at the balance sheet day.

The company has no securities established on investment properties.

NOTE 2A

Holdings or shares (PLN '000)	30.06.2011	31.12.2010	30.06.2010
- in subsidiaries	789 780	766 798	632 824
- in jointly-controlled companies	1 818	1 818	1 488
- in affiliates	-	-	-
- investment certificates	1 130	1 130	580
- other long-term financial assets (by type)	143	13 785	7 800
- advances on holdings	143	13 785	7 800
Total holdings or shares	792 871	783 531	642 692

The company holds holdings in the financial result of affiliates, equivalent to the overall number of votes at the general meeting.

NOTE 2B

Change in the balance of holdings and shares (PLN '000)	30.06.2011	31.12.2010	30.06.2010
a) balance at the beginning of the period, including:	783 531	611 277	611 277
- shares and holdings	783 531	611 277	611 277
b) increases (due to)			
- purchase of holdings	393	17 758	4 797
- increase in capital	22 719	140 259	18 757
- advances on the purchase of holdings	143	13 785	7 800
- investment certificates	-	1 130	580
- revaluation allowance for assets	-	30	10 873
	23 255	172 962	42 807
c) decreases (due to)			
- sale of holdings	(130)	(558)	(11 392)
- liquidation of companies	-	(150)	-
- revaluation allowance for assets	-	-	-
- settlement of advances on the purchase of holdings	(13 785)	-	-
	(13 915)	(708)	(11 392)
d) balance at the end of the period, including:	792 871	783 531	642 692
- shares and holdings	792 871	783 531	642 692

In 2011, the Company increased capital in the subsidiary:

- Echo Investment Projekt Cypr - 1 Limited, by way of a cash contribution of PLN 15,699 thousand. In exchange for the contribution, the company acquired holdings with a total value of PLN 15,699 thousand.
- Barconsel Holdings Limited, by way of a non-cash contribution of EUR 118 thousand. In exchange for the contribution, the company acquired holdings with a total value of PLN 118 thousand. The fixed value of the holdings is PLN 458 thousand.
- Zakład Ogrodniczy Naramowice Sp. z o. o., by way of a cash contribution of PLN 5,999 thousand. In exchange for the contribution, the company acquired holdings with a total value of PLN 5,999 thousand.
- Echo Facility Management - Grupa Echo Sp. z o.o. Sp.K., by way of a cash contribution of PLN 10 thousand. In exchange for the contribution, the company acquired holdings with a total value of PLN 10 thousand.
- Echo - Galeria Lublin Sp. z o.o., by way of a cash contribution of PLN 999 thousand. In exchange for the contribution, the company acquired holdings with a total value of PLN 999 thousand.

In addition, in 2011, the Company acquired holdings in:

- Projekt Echo - 69 Sp. z o. o., with a value of PLN 114 thousand
- CP Investment Sp. z o.o., with a value of PLN 58 thousand
- Projekt CS Sp. z o.o., with a value of PLN 121 thousand
- Olympus Prime Sp. z o.o., with a value of PLN 82 thousand
- Echo - SPV 12 Sp. z o.o., with a value of PLN 2 thousand
- Echo - SPV 7 Sp. z o.o., with a value of PLN 12 thousand

In addition, in 2011, the Company sold holdings in:

- Ultra Marina Sp. z o.o., for a price of PLN 1 thousand
- CP Investment Sp. z o.o., for a price of PLN 58 thousand
- Projekt Echo - 99 Sp. z o.o., for a price of PLN 24 thousand
- Echo - Galaxy Szczecin Sp. z o.o., for a price of PLN 1 thousand
- Projekt Echo - 57 Sp. z o.o., for a price of PLN 1 thousand.

As at 30 June 2011, the value of the impairment loss on holdings is PLN 48,115 thousand.

NOTE 3A

Inventory (PLN '000)	30.06.2011	31.12.2010	30.06.2010
a) semi-finished products and products in progress	324 321	305 050	269 911
b) finished products	11 747	13 902	24 257
c) goods	1 852	8 050	1 846
d) advances on deliveries	-	-	3 375
Total inventory	337 920	327 002	299 389

Inventory is measured up to the net realisable sales value. This value is obtained from information from the active market. A reversal of the inventory allowance is made due to the sale of an inventory item or increase in the net selling price. Inventory allowances disclosed in the period as cost and reversals of inventory write-downs disclosed in the period as revenue are presented in the income statement under cost of sales.

“Finished products” include finished residential apartments for sale. “Semi-finished products and products in progress” mainly include the Company’s property and expenditures on housing developments in the course of planning and execution. The “Goods” item includes land.

NOTE 3B

Inventory – influence on the result (PLN ‘000)	30.06.2011	31.12.2010	30.06.2010
Value of inventory recognised as cost in the period	152 813	286 256	149 140
Allowances for inventory recognised as cost in the period	5	1 388	(1 402)
Reversed write-downs on inventory recognised as revenue in the period	1 657	8 396	4 223

Inventory allowances and their reversals apply to residential developments where there is a time delay between the sale of residential apartments and the sale of the apartments’ garages, and is intended to reflect the actual sales margin in the period.

The value of inventory recognised as cost in the period is presented in the income statement under “Cost of sales”.

The amount of the allowance for inventory as at 30 June 2011 changed by PLN 1,652 thousand (as at 31 December 2010: PLN 7,008 thousand, as at 30 June 2010: PLN 2,821 thousand).

NOTE 4A

Short-term borrowings granted (PLN ‘000)	30.06.2011	31.12.2010	30.06.2010
a) in subsidiaries			
- borrowings granted	140 264	138 453	252 756
- interest	8 380	5 875	10 809
	148 644	144 328	263 565
b) in other companies			
- borrowings granted	200	210	-
- interest	-	-	-
	200	210	-
Total short-term borrowings granted	148 844	144 538	263 565

NOTE 4B

Short-term borrowings granted (currency structure) (PLN ‘000)	30.06.2011	31.12.2010	30.06.2010
a) in Polish currency	148 844	144 538	263 565
b) in foreign currencies (by currency, after conversion to PLN)	-	-	-
Total short-term borrowings granted*	148 844	144 538	263 565

* Note 4B contains short-term borrowings plus interest

Basic data on major short-term borrowings is provided in the table:

Counterparty	Amount (PLN ‘000)	Interest rate	Maturity
Princess Investment Sp. z o.o.	227	Wibor 3M + margin	31.12.11
Echo Galeria - Kielce Sp. z o.o.	83 400	Wibor 3M + margin	31.12.11
Echo Investment Hungary KFT	18 585	Wibor 3M + margin	31.12.11
Projekt S Sp. z o.o.	960	Wibor 3M + margin	31.12.11
Echo Investment Project 1 SRL	37 944	Wibor 3M + margin	01.07.11
Barconsel Holding Limited	286	Wibor 3M + margin	31.12.11
Echo Investment Project Management SRL	200	Wibor 3M + margin	31.12.11
other – non-related entities	200	Wibor 6M + margin	31.12.11
Total:	141 802		

The maximum value of lending risk related to the borrowings is equivalent to their carrying value.

The granted borrowings are not secured.

The granted borrowings are not overdue and they have not been impaired.

The borrowings have been granted to related entities with a good financial standing.

NOTE 4C

Long-term borrowings granted (PLN '000)	30.06.2011	31.12.2010	30.06.2010
- in subsidiaries	-	-	-
- in other companies	6	8	359
Total long-term borrowings granted	6	8	359

The value of the principal portion of long-term borrowings is presented in the table:

Counterparty	Amount	Interest rate	Maturity
other – non-related entities	6	Wibor 3M + margin	31.08.12
Total:	6		

NOTE 5A

Long-term liabilities (without income tax provision) (PLN '000)	30.06.2011	31.12.2010	30.06.2010
a) due to subsidiaries	-	-	-
b) due to jointly-controlled companies			
- loans and borrowings	-	-	-
- due to issue of debt securities	654 568	484 907	484 647
	654 568	484 907	484 647
Total long-term liabilities	654 568	484 907	484 647

Under a Bond Issue Programme signed with BRE Bank SA, the Company issued coupon bonds on 11 February 2011 in the amount of PLN 145,000 million, and on 31 December 2011 in the amount of PLN 150,000 million.

NOTE 5B

Long-term liabilities (without income tax provision) with remaining maturities from the balance sheet date (PLN '000)	30.06.2011	31.12.2010	30.06.2010
a) 1 to 3 years	517 429	203 635	484 647
b) 3 to 5 years	137 139	281 272	-
c) over 5 years	-	-	-
Total long-term liabilities	654 568	484 907	484 647
Interest rates for discounting expected cash flows:	6,96%	6,01%	5,90%

The Company has presented its long-term liabilities at nominal value in note 5E.

NOTE 5C

Long-term liabilities (without income tax provision) (currency structure) (PLN '000)	30.06.2011	31.12.2010	30.06.2010
a) in Polish currency	654 568	484 907	484 647
b) in foreign currencies (by currency, after conversion to PLN)	-	-	-
Total long-term liabilities	654 568	484 907	484 647

Financial liabilities due to financial debt instruments are measured with the amortised cost of a liability item, according to IAS 39.

According to the best knowledge and information of the Company's Management Board, there have been no violations of loan agreements and the established security levels during the financial year and by the day of signing the condensed financial statements.

NOTE 5D

Facilities

Company name and legal form	Registered office	Loan/borrowing amount according to the agreement (PLN '000)	Remaining loan/borrowing amount to be repaid (PLN '000)	Interest rate terms	Maturity	Securities
Alior Bank S.A.	Warsaw	20 000		Wibor 3M + margin	2012-02-24	authorisation to bank account, sola blank bill of exchange
PeKaO S.A.	Warsaw	30 000	-	Wibor 1M + margin	2012-06-30	authorisation to bank account, statement on submission to enforcement proceedings
PeKaO S.A.	Warsaw	65 540	65 540	Wibor 1M + margin	2012-06-30	authorisation to bank account
PKO BP S.A.	Warsaw	40 000		Wibor 3M + margin	2012-08-19	surety clause involving current account in PKO BP S.A., statement on submission to enforcement proceedings
PKO BP S.A.	Warsaw	40 000	-	Wibor 3M + margin	2012-08-19	surety clause involving current account in PKO BP S.A., statement on submission to enforcement proceedings
Total		195 540	65 540			

The loan value corresponds to non-discounted cash flows.

NOTE 5E

Liabilities due to financial debt instruments issued*

Financial debt instruments by type	Nominal value	Interest rate terms	Maturity	Guarantees/securities	Quotation market
bonds (BRE Bank S.A.)	115 000	Wibor 6M + margin	2012-05-18	None	None
bonds (BRE Bank S.A.)	150 000	Wibor 6M + margin	2013-03-29	None	None
bonds (BRE Bank S.A.)	100 000	Wibor 6M + margin	2013-05-25	None	None
bonds (BRE Bank S.A.)	300 000	Wibor 6M + margin	2014-06-30	None	None
bonds (BRE Bank S.A.)	145 000	Wibor 6M + margin	2016-02-11	None	None
Total	810 000				

The bond value corresponds to non-discounted cash flows.

NOTE 6A

Short-term loans and borrowings (PLN '000)	30.06.2011	31.12.2010	30.06.2010
due to other companies			
- loans and borrowings,	65 540	69 916	95 840
- due to issue of debt securities	162 883	215 127	179 545
- interest accrued	-	-	-
	228 423	285 043	275 385
Total loans and borrowings	228 423	285 043	275 385

According to the best knowledge and information available to the Company, there have been no violations of loan agreements and the established security levels during the financial year and by the day of signing the condensed financial statements.

NOTE 6B

Short-term loans and borrowings (currency structure) (PLN '000)	30.06.2011	31.12.2010	30.06.2010
in Polish currency	228 423	285 043	275 385
Total loans and borrowings	228 423	285 043	275 385

NOTE 7

Information on financial instruments

		Carrying value (PLN '000)			
No.	Instrument type	Note	as at 30.06.2011	as at 31.12.2010	as at 30.06.2010
Financial assets					
1.	Borrowings and receivables:				
	- long-term borrowings	4	6	8	371
	- short-term borrowings	4	148 844	144 538	263 565
	- trade receivables		113 227	88 767	58 730
2.	Cash and cash equivalents		150 490	65 827	108 525
Financial liabilities					
1.	Other financial liabilities:				
	- liabilities due to issue of debt securities	5, 6	817 451	700 034	664 192
	- trade liabilities		67 898	57 654	26 100
	- loans and borrowings	6	65 540	69 916	95 840

The Company's main financial instruments include:

- borrowings granted are measured at amortised purchase price determined with the effective interest rate method.
- financial liabilities, i.e. liabilities due to the issue of debt securities, bank loans and other liabilities (borrowings and trade liabilities). Financial liabilities are measured with the amortised cost of a liability item, according to IAS 39.

The fair value of financial instruments (level 3 in the hierarchy of fair value) not traded on an active market is determined using measurement techniques. The company uses its own judgement when selecting the measurement method and makes assumptions based on market conditions on each balance sheet day. In particular, the concluded forward contracts are measured as the difference between the nominal transaction value in a currency divided by the spot rate of the transaction and the nominal transaction value in a currency divided by the NBP rate as at the measurement day, while option contracts are measured based on measurements submitted by banks.

NOTES TO THE PROFIT AND LOSS ACCOUNT

NOTE 8

Operating revenue Item structure – types of activity (PLN '000)	01.01.2011 - 30.06.2011	01.01.2010 -30.06.2010
A. Sale of residential and commercial space	1 362	49 592
- including: from related entities	-	-
B. Investment development services	162 540	76 570
- including: from related entities	162 286	76 570
from subsidiaries	162 286	76 570
from jointly-controlled entities	-	-
C. Trade in real property	3 222	39 031
- including: from related entities	-	25 478
D. Rent services	4 365	3 573
- including: from related entities	1 271	1 216
from subsidiaries	1 271	1 216
from the parent	-	-
E. Legal, accounting, consulting and IT services	23 380	19 478
- including: from related entities	22 556	18 231
from subsidiaries	22 556	18 231
from jointly-controlled entities	-	-
F. Other revenue	702	508
- including: from related entities	155	29
from subsidiaries	155	-
from key personnel	-	29
Total operating revenue	195 571	188 752
- including: from related entities	186 268	121 524
from subsidiaries	186 268	121 495
from the parent	-	-
from key personnel	-	29

The minimum contracted rent revenue for 2011 is PLN 8,730 thousand. The Company has not concluded any transactions with related entities under terms other than market terms.

Reporting by industry segments

NOTE 9

Assignment of assets to segments (PLN '000)	01.01.2011- 30.06.2011	01.01.2010- 31.12.2010	01.01.2010- 30.06.2010
- shopping centres	255 330	160 089	119 798
- office buildings	43 761	40 851	81 833
- residential space	292 905	310 127	341 260
- non-assigned assets	1 004 997	947 127	877 998
Total assets	1 596 993	1 458 194	1 420 889

NOTE 10

Assignment of revenues to segments (PLN '000)	01.01.2011 -30.06.2011	01.01.2010 -30.06.2010
shopping centres	135 858	44 876
office buildings	24 847	49 424
residential space	33 891	80 593
non-assigned revenue	975	13 859
Total revenue	195 571	188 752

NOTE 11

Assignment of costs to segments (PLN '000)	01.01.2011 - 30.06.2011	01.01.2010 - 30.06.2010
shopping centres	(110 218)	(30 094)
office buildings	(20 909)	(42 734)
residential space	(26 776)	(65 226)
non-assigned expenses	(518)	(14 006)
Total costs	(158 421)	(152 060)

The operating segments are analysed by the Company to the level of gross sales profit (loss).

NOTE 12

Analysis of sensitivity to the impairment of holdings, shares and funds	Value calculated for the purpose of analysis (PLN '000)		
	as at 30.06.2011	as at 31.12.2010	as at 30.06.2010
Holdings, shares and funds held	792 728	769 746	634 312
Financial revenues/expenses from the measurement of holdings, shares and funds	11	11 558	10 822
Estimated percentage change in the value of holdings, shares and funds	+/- 1 p.p.	+/- 1 p.p.	+/- 1 p.p.
Estimated financial revenues/expenses from a potential change in the value of holdings, shares and funds	7 927	7 697	6 343
TOTAL effect on the gross result for the period	7 927	7 697	6 343
Income tax	1 506	1 463	1 205
TOTAL effect on the net result for the period	6 421	6 234	5 138

When calculating the impairment of holdings, shares and funds held in subsidiaries, affiliates and jointly-controlled companies, the Company refers to the net value of the these companies' assets and takes into consideration the cash flow generated by investment properties held by these companies.

NOTE 13

Off-balance sheet items	01.01.2011- 30.06.2011	01.01.2010- 31.12.2010	01.01.2010- 30.06.2010
1. Contingent receivables	-	-	-
2. Contingent liabilities			
2.1. For related entities (due to)	483 232	480 018	837 719
- guarantees and sureties granted	483 232	480 018	837 719
2.2. For other entities (due to)	-	-	4 621
- guarantees and sureties granted	-	-	4 621
	483 232	480 018	842 340
3. Other (due to)			
- court cases against Echo Investment	146	65	-
	146	65	
Total	483 378	480 083	842 340

Sureties and guarantees granted by Echo Investment S.A.:

1. Surety of 6 October 2009 for the liabilities of Echo – Galeria Kielce Sp. z o.o. under a loan agreement concluded with Bank Eurohypo AG with its registered office in Eschborn (Germany). The surety was granted up to the amount of PLN 398,660 thousand.
2. Surety of 27 September 2010 for the liabilities of Echo-Oxygen Sp. z o.o. under a loan agreement concluded with Bank Nordea Bank Polski SA. The surety was granted up to the amount of PLN 58,204 thousand.

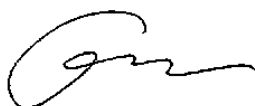
3. Guarantee of 27 September 2010 granted to Nordea Bank Polski SA as a security to cover for insufficient funds or exceeding the costs of constructing an office building in Szczecin. The guarantee shall remain in force until the investment is completed but for a period not exceeding 31 December 2013. The guarantee was granted up to the amount of PLN 17,768 thousand.
4. On 3 November 2009, Bank PKO BP SA granted a guarantee to Master Serwis Opon Sp. z o.o. as a security for the amounts which a court ordered to be paid to the Beneficiary. The guarantee amounts to PLN 1,100 thousand.
5. Guarantee of 22 June 2009 granted to Westdeutsche ImmobilienBank AG as a security to cover for exceeding the execution costs of stage II of Malta Office Park in Poznań. The guarantee shall remain in force until all obligations in the amount of PLN 7,300 thousand are repaid under a loan agreement concluded between Malta Office Park Sp. z o.o. and the Bank Westdeutsche ImmobilienBank AG (Germany).
6. On 6 May 2011, the Bank PKO BP SA granted a bank guarantee to Fortis Bank Polska SA as a security to cover for non-performance or ill-performance by AVATAR – Projekt Echo – 93 Spółka z ograniczoną odpowiedzialnością S.K.A. (subsidiary) of its obligations under the Agreement for finishing works of 15 December 2010. The guarantee amounts to PLN 200 thousand.

In the Company's opinion, the fair value of the sureties and guarantees is near zero because the probability that they will be used is low.

Date: 26 August 2011

Signatures by the Management Board of Echo Investment S.A.

Piotr Gromniak



President of the Management Board

Artur Langner



Vice-President of the Management Board

Signature of the individual entrusted with bookkeeping:

Tomasz Sulek



Chief Accountant



MANAGEMENT REPORT OF
Echo Investment S.A. and the Capital Group
for H1 2011

3. MANAGEMENT REPORT OF ECHO INVESTMENT S.A. AND THE CAPITAL GROUP

The Echo Investment Capital Group (the Capital Group) has been operating on the real estate market since 1996. The Capital Group's parent company is Echo Investment S.A. (Issuer, Company), which has been quoted at the WSE since March 1996.

Echo Investment S.A. manages the whole investment process of a given project, starting from the purchase of property, through obtaining administrative permits, financing, implementation supervision to putting the facility into service. It performs the activities on its own behalf or, more often, by providing services to a special-purposes subsidiary. Implementation of construction projects by subsidiaries significantly facilitates the management of conducted processes and ensures transparency of Group structure. Those entities are mainly responsible for the renting out of commercial property (shopping and entertainment centres, offices), project execution and sales of apartments as well as provision of property management services. The Company also provides general investment contractor services to foreign investors.

Basic activities of the Capital Group cover four segments:

- construction and rent of area in shopping and shopping and entertainment centres,
- construction and rent of space in office facilities,
- construction and sale of residential apartments,
- construction and sale of hotels.

The Capital Group conducts business activity in Poland, Hungary, Romania and Ukraine.

As at 30 June 2011 and 30 June 2010, the Capital Group employed 323 and 308 people respectively.

The report covers the six-month period ending on 30 June 2011 and comparative data for the six-month period ending on 30 June 2010 and comparative data for the twelve-month period ending on 31 December 2010 (in the case of the balance sheet and statement of changes in equity). The report has been drawn up in Polish zloty and in accordance with International Financial Reporting Standards approved by the European Commission.

The shares of the parent company – Echo Investment SA – have been listed on Giełda Papierów Wartościowych w Warszawie S.A. (Warsaw Stock Exchange) since 1996. The number of shares of Echo Investment SA is 420,000,000 ordinary bearer shares.

3.1. Description of material achievements or failures of the Capital Group and indication of major events

3.1.1. Major events in H1 2011

Entering into agreements regarding the transfer of shares in the share capital of subsidiaries

See section 3.10 of the report.

FORUM FIZ investment certificates acquired

See section 3.10 of the report.

Annexes to Bond Issue Programme Agreements

On 31 January 2011, Echo Investment S.A. and BRE Bank S.A. with its registered office in Warsaw (BRE Bank) signed, by way of document circulation, annexes to agreements regarding the Bond Issue Programme (Bonds) of 15 April 2004, which the Issuer announced in Current Report no. 19/2004 of 16 April 2004 (Agreements).

Annexes to those Agreements stipulate multiple bond issue performed by the Issuer in the form of tranche issue order. Pursuant to the Annexes, the maximum total face value of all issuable bonds was increased by PLN 300 million, up to PLN 1 billion.

Pursuant to the Annexes to Agreements, BRE Bank shall manage and perform comprehensive services relating to the issue of Company's bonds on the non-public market. The bonds shall not be hedged and shall be issued as bearer securities. The interest rate on the bonds may be fixed or variable. The bonds shall not guarantee any benefits in kind. Issue terms and conditions shall be established before the issue is performed, within the time scope of the Bond Issue Programme Agreement.

Obtaining cash from the bond issue shall supplement currently held credit facilities and shall allow the Company to finance planned investments and the development of current areas of activity on the Polish real estate market.

Bond issue within the Bond Issue Programme

The Bond Issue Programme (Current Report no. 7/2011 of February 1st, 2011) entered into with BRE Bank S.A. with its registered office in Warsaw stipulated that, on 11 February 2011, the Company would issue coupon bonds of a total value of PLN 145 million.

The face value and the issue price of one bond is PLN 100 thousand. The bonds were issued for a 5-year period, i.e. the bond redemption day is 11 February 2016. The bond interest rate was established based on the variable WIBOR 6M rate increased by investors' profit margin. Interest shall be paid in 6-month periods. On the redemption day the bonds shall be redeemed based on their face value. The issued bonds are not hedged.

In the opinion of the Management Board of Echo Investment S.A., during the validity period of issued bonds, the general liabilities of Echo Investment S.A. will be maintained on a safe level, whereas debt servicing capability ratios will ensure that the Company is capable to provide for liabilities following from the issued bonds.

The bonds do not guarantee any benefits in kind from the Issuer.

Cash obtained through the issue of bonds shall be used to repay debt due to bonds of PLN 150 million with redemption date in May 2011.

Under the Bond Issue Programme (Current Report no. 7/2011 of 1 February 2011) entered into with BRE Bank S.A. with its registered office in Warsaw, the Company issued coupon bonds in the total amount of PLN 150 million.

The face value and the issue price of one bond is PLN 100 thousand. The bonds were issued for a 2-year period. The bond interest rate was established based on the variable WIBOR 6M rate increased by investors' profit margin. Interest shall be paid in 6-month periods. On the redemption day the bonds shall be redeemed based on their face value. The issued bonds are not hedged. In the opinion of the Management Board of Echo Investment S.A., during the validity period of issued bonds, the general liabilities of Echo Investment S.A. will be maintained on a safe level, whereas debt servicing capability ratios will ensure that the Company is capable to provide for liabilities following from the issued bonds.

The bonds do not guarantee any benefits in kind from the Issuer.

Cash obtained through the issue of bonds shall be used to continue the development strategy of the Issuer and the Echo Investment S.A. Capital Group.

Purchase of property

On 22 March 2011:

- a subsidiary of the Issuer, AVATAR-PROJEKT ECHO-93 Spółka z ograniczoną odpowiedzialnością Spółka Komandytowo-Akcyjna with its registered office in Kielce (Subsidiary 1, Purchaser 1) and ORBIS Spółka Akcyjna with its registered office in Warsaw (the Seller) entered into a property sales agreement (Agreement 1),
- a subsidiary of the Issuer, ECHO-GALAXY SZCZECIN Spółka z ograniczoną odpowiedzialnością with its registered office in Szczecin (Subsidiary 2, Purchaser 2) and ORBIS Spółka Akcyjna with its registered office in Warsaw (the Seller) entered into a property sales agreement (Agreement 2), and
- a subsidiary of the Issuer, ECHO-GALAXY SZCZECIN Spółka z ograniczoną odpowiedzialnością with its registered office in Szczecin (Subsidiary 2, Purchaser 2) and ORBIS Spółka Akcyjna with its registered office in Warsaw (the Seller) entered into a contingent property sales agreement (Agreement 3).

The subject of Agreement 1 was the purchase by Subsidiary 1 of the right of the perpetual usufruct of a developed land property located in Aleja Marszałka Ferdinanda Focha 1 in Krakow together with the ownership of the building which constitutes a separate ownership unit (Property 1).

The subject of Agreement 2 was the purchase by Subsidiary 2 of the right of the perpetual usufruct of a developed land property located in Jana Matejki Street 18 in Szczecin together with the ownership of the building which constitutes a separate ownership unit (Property 2).

The subject of Agreement 3 was the purchase by Subsidiary 2 of the right of the perpetual usufruct of an undeveloped land property located in Jana Matejki Street in Szczecin (Property 3). The agreement which transfers the right to perpetual usufruct will be entered into on the condition that the Mayor of the City of Szczecin does not use his pre-emptive right under art. 109 section 1 item 2 of the Property Management Act of 21 August 1997.

The total property purchase price pursuant to the aforementioned signed agreements is PLN 59.5 million net.

The payment of purchase prices for both properties shall be made in two instalments: first instalment - 80% of the purchase price was paid on the day of signing the agreements, i.e. 22 March 2011, the other instalment - 20% of the purchase price shall be paid on the day of releasing the properties, i.e. on 15 July 2011.

The purchase of assets shall be financed from the equity of Issuer's subsidiaries.

Before the aforementioned agreements were signed, the purchased assets were used for hotel activity. As agreed with city authorities, Property 1 will be used to construct mixed-function facilities. Property 2 and Property 3 will be used to extend Centrum Galaxy, owned by the Issuer, the new part will be used for recreational, restaurant, service and exhibition purposes.

The agreements stipulate a ban on [source unclear] on purchased property for a period of 10 years, secured with a contractual penalty of PLN 5 million to the benefit of the Seller. Due to contractual penalties, there is no possibility of claiming compensation over the established amount of penalties.

The agreements stipulate that properties which will not be used for hotel activity – according to the no competition clause – are to be released on 15 July 2011.

Amendment to the preliminary contingent property sales agreement and the investment agreement entered into with Orbis S.A.

In Q2 2011, the Issuer and "ECHO-KIELCE 1" Spółka z ograniczoną odpowiedzialnością, with its registered office in Kielce (the Issuer's subsidiary), and ORBIS Spółka Akcyjna, with its registered office in Warsaw, amended many times the provisions of the Contingent Preliminary Sales Agreement entered into on 4 September 2008 (Current Report no. 44/2008 of 5 September 2008) to the effect that the date of signing the Final Agreement was determined to be 25 July 2011 at the latest.

Furthermore, on 23 March 2011, Echo Investment S.A. (the Issuer) and ORBIS Spółka Akcyjna, with its registered office in Warsaw, signed an annex to the contingent general investment execution agreement of 4 September 2008 (Current Report no. 44/2008 of 5 September 2008), which established a new investment implementation schedule with the investment completion day set for 24 March 2013.

Annex to the agreement on purchase of property in Warsaw

An annex to the property sales agreement was signed on 14 April 2011 (in reference to the property sales agreement of 1 October 2010 (see Current Report no. 31/2010 of 4 October 2010).

Pursuant to the signed annex:

1/ "Projekt Echo - 58" Spółka z ograniczoną odpowiedzialnością, with its registered office in Kielce (the Issuer's subsidiary), waived its right, enforceable until 22 July 2011, to withdraw from the property sales agreement.

2/ payment terms and conditions regarding the final instalment were established in detail, these are dependent on obtaining appropriate administrative permits regarding the property in question.

Loan agreement

On 20 April 2011, "GALERIA SUDECKA – Projekt Echo – 43 Spółka z ograniczoną odpowiedzialnością" S.K.A. with its registered office in Jelenia Góra, the Issuer's subsidiary, (the Borrower) and BANK POLSKA KASA OPIEKI S.A. with its registered office in Warsaw (the Lender) entered into a loan agreement (the Agreement).

Pursuant to the Agreement and in accordance with the Borrower's application, the Lender provided the Borrower with a loan (the Loan) of not more than the lesser of the following amounts:

EUR 18 million (eighteen million euro) or 70% of the market value of the property, provided that, as at the day of entering into the agreement and at the average exchange rate of the National Bank of Poland, EUR 18 million is equivalent to PLN 71.33 million. The interest rate on the loan will be variable, calculated as the three-month EURIBOR rate (3M EURIBOR) increased by the bank's commission.

Resources obtained pursuant to the Agreement will be used by the Borrower exclusively to fund expenditure borne on the implementation of the project: Echo Shopping Centre in Jelenia Góra, by repaying loans granted by business partners or granting loans to companies from the Issuer's capital group intended to finance current projects.

Collaterals on repayment of all Lender's receivables due to the granted Loan include:

- establishment of a capped mortgage on the Borrower's property, up to the double amount of the Loan throughout the credit period;
- registered and financial pledge agreements on: 1/ Issuer's shares in the Borrower's share capital, 2/ Forum XXIX FIZ shares in the Borrower's share capital, 3/ holdings in the share capital of the general partner, 4/ Borrower's bank accounts;
- power of attorney for the bank regarding the Borrower's bank accounts within the scope set forth by the bank;
- security assignment of rights agreement;
- agreement on subordinating the amounts due from the Borrower's other creditors, being the Borrower's partners, to the Bank under the Agreement;
- Borrower's declaration, pursuant to art. 97 of the Bank Law, regarding a voluntary submission to enforcement proceedings.

The Borrower has undertaken to repay the Loan to the Bank in the following manner:

- a) part in quarterly instalments calculated on the basis of fixed payment scheme i.e. equal principal and interest payments,
- b) remaining part in a balloon payment on the last of the credit period,

provided that full repayment is made by the Borrower by the last day of the credit period, i.e. 31 December 2015. The Repayment Schedule shall be updated after each Loan Release.

Establishment of a mortgage

The District Court in Jelenia Góra, 6th Land and Mortgage Register Department, has registered a contractual mortgage on perpetual usufruct and ownership title to a building, which constitutes a separate property, in Jelenia Góra. The Issuer operates a Shopping Centre on that property.

The mortgage was established for the benefit of the BANK POLSKA KASA OPIEKI S.A., with registered office in Warsaw, to the amount of EUR 36 million, i.e. PLN 142.87 million as at the day of submitting the report, as a security for any amounts due to the bank under the granted loan, which the Issuer announced in Current Report No. 20/2011 of 21 April 2011.

Agreement for general execution of an object – Shopping Centre in Bełchatów

On 8 June 2011, Projekt Echo – 55 Sp. z o.o. (Echo), with registered office in Kielce (Issuer's subsidiary), and Polimex – Mostostal S.A. (Contractor), with registered office in Warsaw, signed an agreement for General Execution of an Object – Shopping Centre OLIMPIA in Bełchatów.

Under the agreement, the Contractor obliged to conduct general construction and additional works included in the agreement as well as to procure, in the name of Echo, the final permit to use the shopping centre Olimpia in Bełchatów at ul. Kolejowa and ul. Armii Krajowej.

The Contractor' lump-sum remuneration for the performance of the subject of the Agreement amounts to: PLN 80,300,000.00 (in words: eighty million and three hundred thousand zloty) net.

The completion date for the subject of the Agreement is 14 August 2012.

The agreement contains provisions allowing Echo to calculate contractual penalties in the event of non-performance or ill-performance of the Agreement. The total value of the penalties may not exceed 10% of the remuneration for the performance of the subject of the Agreement.

Loan agreement

On 9 June 2011, ECHO – PRZY SŁOWIAŃSKIM WZGÓRZU Spółka z ograniczoną odpowiedzialnością Sp. k., with its registered office in Kielce (the Issuer's subsidiary), as the Borrower, and RAIFFEISEN BANK POLSKA S.A., with its registered office in Warsaw, as the Lender, signed a loan agreement.

Under the terms of the Agreement, the Bank provided the Borrower with cash up to a maximum amount of PLN 50,000,000 (fifty million złoty).

The Borrower will use the Loan to fund the costs of an ongoing project and to refinance the incurred expenditures.

The Borrower has undertaken to repay the loan to the bank by 30 May 2014.

Annexes to loan agreements

On 29 June 2011, Echo Investment SA (Borrower) and the Bank Polska Kasa Opieki SA, with registered office in Warsaw (Lender, Bank), concluded annexes to loan agreements.

According to the provisions of the annex of 29 June 2011 to the working capital facility agreement of 7 March 2002, as amended, the Bank granted to the Borrower a non-renewable working capital loan for funding the purchase of real properties, land for investment projects and funding capital expenditures related to the design, preparation, execution and use of investment projects executed by the Borrower.

The loan has been granted for the period ending 30 June 2012.

The Borrower's debt to the working capital facility may not exceed PLN 65.54 million.

The working capital facility's interest rate is variable and determined based on 1M WIBOR plus the Bank's margin.

The Issuer announced the conclusion of the agreement in its current report no. 11/2002 on 8 March 2002.

Based on the annex of 29 June 2011 to the overdraft facility agreement of 25 March 2003, as amended, concluded between Echo Investment SA (Borrower) and the Bank BPH PBK SA (Lender, its current legal successor is the Bank Polska Kasa Opieki S.A.), an overdraft working capital facility in the amount of PLN 30 million was granted until 30 June 2012.

The interest rate will be calculated based on variable interest rate 1M WIBOR plus the Bank's margin.

The Issuer announced the conclusion of the agreement in its current report no. 7/2003 on 26.03.03.

3.1.2. Information on the Capital Group's projects

In H1 2011, Echo Investment S.A. and members of the Capital Group executed projects launched in previous years as well as were involved in new investments.

In order to minimise the risk of unfavourable changes on the real estate market, the Company, being responsible for the whole project implementation process, has taken into account a possibility that planned investments may be implemented in stages and that the pace of implementation may be adjusted to market expectations and local market prices. The Management Board attentively follows developments on the real estate market and makes individual decisions regarding the implementation of particular projects based on the assessment of current market conditions. All project implementation deadlines are flexible and sensibly adjusted to the actual situation.

POLISH MARKET

SHOPPING AND SHOPPING AND ENTERTAINMENT CENTRES SEGMENT

The stability of the shopping area market results from large demand, adaptability to particular customers' requirements and considerable diversity of industries.

Lessees of commercial area are both national and international shopping chains as well as local companies. Key lessees of shopping centres are: Carrefour, C&A, Douglas, Empik, Helios, H&M, Multikino, Nomi, Real, Rossmann, RTV Euro AGD, Tesco, Saturn, TK Maxx, ZARA group and other chains.

In its property portfolio, the Capital Group holds 10 shopping and entertainment centres; the table below presents the centres held as at 30 June 2011:

Project location and name	Leasable area [sq. m. GLA]
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
Warsaw – Alma	1 500
Total shopping centres	96 000
Kielce – Galeria Echo*	26 000
Szczecin - Galaxy	41 700
Wrocław – Pasaż Grunwaldzki	48 700
Total shopping and entertainment centres	116 400
Total shopping projects	212 400

* under construction

Moreover, the Capital Group owns land on which further projects will be developed.

In March 2011, Echo Investment and Orbis entered into sale-purchase agreements in Szczecin and Krakow of a total value of PLN 59.5 million.

The land purchased in Szczecin (Jana Matejki Street, currently the Neptune Hotel) shall be used to extend the neighbouring shopping and entertainment centre Galaxy owned by Echo Investment.

The property in Krakow (al. Marszałka Ferdynanda Focha 1, currently the Cracovia hotel) will be used to construct a complex of residential buildings. The detailed scope of functions, relation between them and the size of area shall be established together with representatives of the Krakow City Office.

Details of planned projects, their size, cost and implementation schedules shall be provided once market analyses have been performed and architectural concepts prepared.

Alphabetical list of projects in implementation and preparation stages:

Bełchatów, shopping and entertainment centre Galeria Olimpia

A new building with an area of over 21 thousand sq. m is being built in Bełchatów at ul. Kolejowa. When the construction is completed, the new centre will be named Galeria Olimpia. The facility is to be put into service in 2012.

Kalisz, shopping and entertainment centre Galeria Amber

The Echo Capital Group is going to use its property in Kalisz to construct a modern, regional shopping and entertainment centre. The facility will be developed close to Górnośląska Street and Trasa Bursztynowa. The leasable area is approx. 30,000 sq. m. The construction is to be completed in H1 2013.

Katowice, Kościuszki Street project

The property in Kościuszki Street in Katowice was purchased in 2010. This area of 54,000 sq. m will be used to construct a shopping centre with a leasable area of approx. 50,000 sq. m. The Study of Conditions and Directions of Spatial Development is currently being developed for the area where the property is located.

Kielce, shopping and entertainment centre Galeria Echo (expansion)

In H1 2011, construction works relating to the expansion of the shopping and entertainment centre Galeria Echo in Kielce were in progress, they will include constructing a facility with a leasable area of over 70,000 sq. m. The General Contractor for the project is EIFFAGE BUDOWNICTWO MITEX SA. The official opening took place on 19 August 2011.

Koszalin, shopping and entertainment centre

A new investment in Krakusa i Wandy Street in Koszalin will be a modern shopping and entertainment centre with a leasable area of approx. 35,000 sq. m. The investment is to be completed in 2013.

Lublin, shopping and entertainment centre

Investment plans include construction of a shopping and entertainment centre in Górki Czechowskie in Lublin.

The Company's Management Board intends to establish the details regarding the investment planned by the Echo Investment Group together with the Lublin County authorities.

Łomża, shopping and entertainment centre Veneda

In order to supplement its portfolio of shopping area, the Company intends to construct a shopping centre Galeria Veneda in Łomża. The facility will be constructed at the corner of Zawadzka and Sikorskiego Streets. The shopping area in the facility will be approx. 15,000 sq. m. There will be a car park for 600 parking places. The Galeria Veneda investment is to be completed in 2012.

Poznań, shopping and entertainment centre Metropolis

The property in Hetmańska Street in Poznań will be used to construct a modern shopping and entertainment centre Metropolis, which will offer approx. 70,000 sq. m. of leasable area. Currently, the project is at the architectural concept stage. The investment is to be completed in 2015.

Ślupsk, shopping and entertainment centre Arena

The property in Grottgera Street in Ślupsk will be used to construct a shopping and entertainment centre Arena. The facility will offer approx. 33,000 sq. m of leasable area, it will be constructed in two stages. The Capital Group has obtained a building permit for this facility. Construction will begin once financial resources have been obtained.

Szczecin, Outlet Park

Outlet Park will be constructed to replace a currently operating facility in A.Struga Street in Szczecin. The total leasable area in the outlet, which will be constructed in stages, will reach approx. 23,000 sq. m. At present, preparation works are underway to construct the object. The investment is to start in H2 2011.

Wrocław, shopping and entertainment centre Pasaż Grunwaldzki (expansion)

Pasaż Grunwaldzki is a shopping and entertainment centre located in Grunwaldzki Square in Wrocław. The leasable area available at present is approx. 48,700 sq. m, including nearly 200 shops and service outlets. The Echo Capital Group intends to expand the facility. After the expansion is completed, the facility will offer approx. 65,000 sq. m of leasable area. The shopping area will include nearly 50 new shops. The expanded facility will be put into service in 2013.

Other shopping and shopping and entertainment centres

The Echo Capital Group also intends to extend some of currently owned shopping and entertainment centres. These projects are at the stage of purchasing new land and obtaining administrative permits.

In the future, activities of the Capital Group entities will concentrate on implementing new projects, including projects in smaller towns in Poland, and increasing the portfolio of commercial leasable area, including expansion of existing facilities.

OFFICE AREA SEGMENT

As to the office investment segment, the Capital Group is currently constructing and commercialising leasable facilities in Warsaw, Szczecin and Poznań. The Capital Group also plans new investments, its offer includes office buildings of various standard, including top class facilities.

Despite large competition in this market segment, projects held in the Capital Group's investment portfolio have appropriate location and accurate standard, which guarantees stable revenue from long-term lease agreements. Office area is leased to renowned companies, including: Abbott Laboratories, BNP Paribas, Główny Inspektorat Transportu Drogowego, Lux Med, Medicover, Polkomtel, Mentor Graphics, Pekao Financial Services, Polsoft, Pramerica, Roche, Tebodin-SAP, Tieto Poland and others.

In its property portfolio, the Capital Group holds 6 office projects; the table below presents the office facilities held as at 30 June 2011:

Project location and name	Leasable area [sq. m. GLA]
Warsaw – Babka Tower	6 200
Warszawa – Postępu 3*	10 200
Warszawa – Park Postępu	33 800
Poznań – Malta Office Park, stage I	6 800
Poznań – Malta Office Park, stage II	15 200
Szczecin - Oxygen	14 100
Total office projects	86 300

* The Capital Group owns 50% shares in the project (area indicated in the table corresponds to the 50% share)

Alphabetical list of projects in implementation and preparation stages:

Gdańsk, Tryton project

The property in Jana z Kolna Street in Gdańsk will be used to construct office space. An A-class building designed by the Arch-Deco architectural design studio will provide approx. 22,000 sq. m of leasable area. At present, there are administrative procedures aimed at obtaining required permits and design works. The investment is to start in H1 2012 and the building will be made available to the lessees in H1 2014.

Katowice, Francuska Street project

The property in Katowice, near the crossroads of Górnośląska and Francuska Streets, will be used to construct a business park with a leasable area of approx. 31,000 sq. m. The facility, designed by the DDJM architectural design studio, will be constructed in three stages. At present, there are administrative procedures aimed at obtaining a building permit for the office complex. The execution of stage I of the investment is to be launched in H1 2012. The first stage of the investment will be put into service in H2 2013.

Krakow, Opolska Street project

The property in Opolska and 29 Listopada Streets in Krakow will be used to construct a modern class A office building with a leasable area of approx. 58,000 sq. m. At present, there are administrative procedures aimed at obtaining a building permit for the office complex. The facility will be constructed in three stages. The execution will start between 2011 and 2012, while stage I is to be completed in H1 2013.

Łódź, Aurus project

The property in Piłsudskiego Street in Łódź will be used to construct two A-class office buildings with total leasable area of approx. 19,000 sq. m. The project is to be implemented in two stages. The first stage is to be completed in 2013.

Poznań, Malta Office Park project

In 2011, the execution of stage III of the investment, which started at the end of 2010, continued A building with an area of approx. 6,500 sq. m will be made available to the lessees at the end of this year. The total leasable area of the whole complex will be approx. 29,000 sq. m.

Warsaw, Beethovena Street project

The property purchased in October 2010, located in Beethovena Street in Warsaw, will be used to construct an office park with total leasable area of approx. 60,000 sq. m. The project is to be implemented in three stages. The construction of the first stage is to start in H1 2012.

Warsaw, Konstruktorska Street project

The property purchased in August 2010, located in Konstruktorska Street in Warsaw will be used to construct office buildings with total leasable area of approx. 34,000 sq. m. The investment is to start in H1 2012.

Wrocław, Swoboda Street project

In Q2 of this year, the construction of office buildings on the property located at ul. Swoboda in Wrocław has commenced. The execution of stage I of the investment with a leasable area of approx. 15,700 sq. m will be completed in H2 2012. The leasable area of the whole investment will be approx. 25,200 sq. m.

THE HOTEL SEGMENT

Many years' experience and renowned partners form a stable basis for the company's activity on the hotel market. In recent years, Echo Investment S.A. dealt with complex construction of hotels for key customers and operated as the general investment contractor. The Capital Group's projects in the hotel sector were carried out in cooperation with international hotel chains: Accor and Envergere chains from France and Qubus from Norway. Hotels constructed by the Group currently operate in Warsaw, Kielce, Krakow, Szczecin, Łódź, Poznań, Częstochowa, Zabrze and Gliwice. In the future, the Company intends to implement hotel projects in cooperation with international hotel operators.

Łódź, Novotel hotel

Pursuant to a General Investment Contracting Agreement entered into in 2009, the property located in Piłsudskiego Street in Łódź will be used to construct a Novotel hotel with total area of approx. 7,200 sq. m. The facility is to be completed in H1 2013.

THE HOUSING SEGMENT

As for the housing segment, the Capital Group carries out investments of various categories: from luxurious apartment buildings, through top and medium standard residential buildings, to complexes of detached houses.

Alphabetical list of projects in implementation and preparation stages:

Vicinity of Kielce, complex of detached houses in Bilcza

In H1 2011, the sale of properties forming the complex of detached houses (Bilcza II) continued; it was designed by an architectural design studio Konsorcjum Pisarczyk & Tracz Architekci from Kielce. The offer comprises 122 (of approx. 130,000 sq. m.) developed plots with prepared designs for houses. 94% of the investment has been sold.

Vicinity of Kielce, complex of detached houses in Dyminy

The Company continued the construction of infrastructure for the first stage of the complex of detached houses on a property located in Dyminy near Kielce. The complex was designed by an architectural design studio StoMM Konsorcjum Pisarczyk & Tracz Architekci from Kielce, it will consist of approx. 180 plots (approx. 160,000 sq. m) for sale. The plots are sold together with house designs.

Krakow, Dom Pod Słowikiem, project in Krasickiego Street

The execution of a residential and services facility on a property located in Krasickiego Street in Krakow (area for sale is approx. 5,200 sq. m) has continued. The building, designed by the architectural design studio Studio S – Biuro Architektoniczne Szymanowski from Krakow, will comprise approx. 85 apartments. The investment is to be completed mid-2012.

Krakow, Korzeniowskiego Street project

A new housing investment will be implemented in Korzeniowskiego Street in Krakow. The building was designed by The Blok design studio, it will cover an area of approx. 3,000 sq. m. (40 apartments). Currently, the project is at the stage of obtaining administrative permits. The execution of the investment is due to start in mid-2012 and it is to be completed by the end of 2013.

Krakow, Tyniecka and Czarodziejska Streets project

The property in Tyniecka Street in Krakow will be used by the Company for the planned construction of residential buildings. The area for sale will be approx. 4,600 sq. m (approx. 50 apartments). The procurement of administrative permits and the start of project execution are due in H2 2012.

Krakow, Bronowicka Street project

The property in Bronowicka Street in Krakow will be used to construct a residential building with area for sale of approx. 3,000 sq. m. Construction works are to be launched at the beginning of 2012. Project implementation is to be completed in 2013.

Krakow, Kilińskiego Street project

The Company owns a plot of 1,100 sq. m in Kilińskiego Street in Krakow. The land use concept for this property provided for constructing an intimate residential facility. However, due to a small scale of the project, the Company resigned from its implementation and decided to sell the property after administrative permits have been gained.

Łódź, Okopowa Street project

The preparation process for constructing residential buildings continued. The buildings will be erected on a property located in Okopowa and Górnicza Streets in Łódź. According to the present architectural concept, the area for sale will reach approx. 45,000 sq. m. (approx. 700 apartments). This project will be implemented in stages. The investment execution process is due to take five years, beginning in H2 2011. A decision to start the execution will be made in consideration of the situation on the residential apartments market in Łódź.

Łódź, Wodna Street project

The property in Wodna Street in Łódź will be used to construct residential buildings. The new concept provides for constructing approx. 200 apartments with total area for sale of nearly 14,000 sq. m. The Company obtained land use conditions which allow for the investment to be implemented. At present, the project is at the stage of establishing the concept and obtaining building permit, this should be completed in mid-2011. The project will be implemented in stages. The investment implementation is to start in H2 2011, it is to be completed in 2014. A decision to start the execution will be made in consideration of the situation on the residential apartments market in Łódź.

Poznań, Osiedle Naramowice, Pod Klonami

The construction of a multi-family project Pod Klonami continued in H1 2011. All the while, the company also completed preparation works before implementing a single-family project of the same name. The residential complex was designed by an architectural design studio Archikwadrat Sp. z o.o. from Poznań, it will offer an area for sale of approx. 15,000 sq. m. The multi-family project will be completed in H2 2012. The single-family project will be carried out for approx. two years, starting from the end of 2011.

The Echo Investment Capital Group owns reserve land which will allow for constructing further stages of Osiedle Naramowice.

Poznań, Kasztanowa Aleja, project in Wojskowa Street

Construction works relating to the Kasztanowa Aleja project in Wojskowa Street in Poznań continued (over 17,000 sq. m to be constructed in two stages). The project has been implemented since the beginning of 2010. The first stage of investment is to be completed in H2 2011, whereas the second stage will be completed by the end of 2013.

Poznań, Litewska and Grudzieniec Streets project

There have been activities aimed at preparing the sale of plots comprising the property in Litewska and Grudzieniec Streets in Poznań. The total area of the plots to be sold is nearly 14,000 sq. m. The plots will be sold together with prepared designs. It has been assumed that the sale will begin in H2 2012 and will continue for sixteen months.

Warsaw, Klimt House, project in Kazimierzowska Street

The Klimt House project in Kazimierzowska Street in Warsaw is completed (area for sale reaching approx. 5,200 sq. m.) The building designed by Mąka Sojka Architekci Sp. J. from Warsaw houses 60 apartments and service premises.

Warsaw, Rezydencje Leśne, Las Młocioski

The Company continued the construction of the infrastructure for a complex of houses in Bielany district in Warsaw (Las Młocioski). 31 plots were outlined on an area of 6.3 ha. The estimated area of the plots for sale is nearly 53,000 sq. m. The project was designed by architectural design studio W.M. Musiał Architekci Sp. z o.o. from Warsaw and StoMM Architektura Maciej Stoczkiewicz from Kielce. The investment will be completed in the end of 2011.

Warsaw, Konstruktorska Street project

Conceptual and design works are underway related to the planned construction of an office and residential complex on an approx. 74,000 sq. m large plot purchased in H2 2010. The apartment area will be approx. 44,000 sq. m. (over 700 apartments). The property is located in Konstruktorska Street in Warsaw. According to the preliminary concept, the project is to be executed in three stages. The first stage is to begin in H1 2012. The whole investment is to be completed in 2017.

Warsaw, Puławska Street project

In H1 2011, the Company continued design works relating to a project located near Puławska and Boryszewska Streets in Mokotów. The area of this multi-storey building is intended to reach approx. 5,300 sq. m. The facility will be built in cascade form and will serve residential and service purposes. The investment is planned to start in H2 2012.

Wrocław, Przy Słowiańskim Wzgórzu, project in Jedności Narodowej Street

The execution of a residential housing project located in Jedności Narodowej Street in Wrocław continued. The property of 7.4 thousand sq. m will be used to construct approx. 200 apartments with a total area of approx. 14,000 sq. m. The investment is intended to be completed in mid-2012.

Wrocław, Grota-Roweckiego Street project

The property in Grota-Roweckiego Street in Wrocław, area of approx. 3 ha, will be used to construct a residential facility offering nearly 300 apartments with usable area of approx. 19,000 sq. m. This project will be implemented in stages. The first stage will be launched in early 2012, while the investment will be completed in 2015.

FOREIGN MARKET

Hungary

SHOPPING AND SHOPPING AND ENTERTAINMENT CENTRES SEGMENT

Budapest, shopping and entertainment centre Mundo

The property in the 14th district in Budapest - Zuglo (area of approx. 6.84 ha) will be used to construct a modern shopping and entertainment facility MUNDO. At present, the Company is obtaining administrative permits and works on commercialising the project. The facility will offer a leasable area of approx. 40,000 sq. m and will be put into service in H2 2014.

Romania

SHOPPING AND SHOPPING AND ENTERTAINMENT CENTRES SEGMENT

Brasov, shopping and entertainment centre Korona

The property in Stadionului Street in the Romanian city of Brasov will be used to construct a modern shopping and entertainment centre with a leasable area of approx. 33,000 sq. m. The Echo Capital Group has already obtained a building permit. Commercialisation of the project is still in progress. The execution of the project will begin once appropriate level of lease has been achieved and external funding has been obtained.

Ukraine

OFFICE PROJECTS SEGMENT

Kiev, Dehtiarivska Street project

The property in Dehtiarivska Street in Kiev will be used to construct an office park with a leasable area of approx. 100,000 sq. m. Design works relating to the office park are conducted by an architectural design studio from Kiev - Atelier. The project will be implemented in stages. It is predicted that the building permit will be obtained in mid-2012.

3.2. Factors and events, especially unusual events, with a significant impact on the generated financial results

1. Factors affecting the Company's financial result in H1 2011:

- posting of revenues from the concluded final agreements for the sale of residential properties:
 - in Warsaw: Bemowo district, ul. Kazimierzowska,
 - in Poznań: Naramowice Rynek,
 - in Bilcza near Kielce: plots with house designs,
- regular revenue obtained from the rent of area in offices and shopping centres;
- sale of the Shopping Centre in Belchatów,
- sale of land in Rzeszów,
- quarterly revaluation of the fair value of property owned by the Echo Investment Capital Group, including:
 - changes in foreign exchange rates (EUR & USD),
 - indexation of rents,
 - changing levels of net operating revenue,
 - revaluation of the fair value of property under construction,
- cost of sales and general and administrative expenses,
- measurement of liabilities due to bonds and borrowings at adjusted purchase price,
- measurement and realisation of adjustments to the value of loans and cash due to changing foreign exchange rates,
- measurement and realisation of hedging financial instruments to foreign currencies,
- interest on bank deposits and borrowings granted,
- discounts and interest on loans and bonds.

2. Unusual events affecting Company's financial result in Q1 2011:

- none.

Pursuant to agreements with banks, the Capital Group performs transactions to hedge foreign exchange rates. Such transactions are conducted as part of the hedging policy in order to ensure future cash flow levels on translating tranches of loans in EUR and operating revenue.

As at 30 June 2011, due to open foreign exchange market positions, the Echo Investment Capital Group was hedged for a portion of the cash flow in the year:

- 2011: EUR 44.6 million,
- 2012: EUR 67.0 million.

Balance sheet measurement of open positions in derivatives (forwards) as at 30 June 2011: - PLN 2.8 million PLN.

The average-weighted strike for the remaining open transactions is PLN 4.0744 EUR/PLN.

Maturity periods for open hedging positions (as at 30 June 2011):

Financial instrument	Currency	Carrying value as at 30.06.2011 (PLN '000,000)	Denomination (EUR '000,000)	Q3 2011 denomination (EUR '000,000)	Q4 2011 denomination (EUR '000,000)	Q1 2012 Denomination (EUR '000,000)
Forward	EUR/PLN	-2,8	111,6	37,7	6,90	67,0

3.3. Information on Capital Group segments

The Capital Group generates revenue from the rent of its commercial space, sale of apartments, constructing facilities and providing property management services. Structure of the generated revenue:

Operating results generated in H1 2011, by segments:

Item	Revenue	% share	Costs	% share
shopping and shopping and entertainment centres	133,3	73,1%	38,1	61,0%
residential area	11,9	6,5%	6,4	10,3%
offices and hotels	34,0	18,7%	14,5	23,3%
not classified	3,0	1,7%	3,4	5,4%
total operating result	182,2	100,0%	62,4	100,0%

In H1 2011, the Capital Group did not change the basis for segmentation and the sum of segments' assets did not change significantly in comparison to data presented in the 2010 report.

Operating results generated in H1 2010, by segments:

Item	Revenue (PLN '000,000)	% share	Costs (PLN '000,000)	% share
shopping and shopping and entertainment centres	125,0	53,9%	31,1	30,7%
residential area	59,1	25,5%	45,2	44,6%
offices and hotels	31,8	13,7%	10,2	10,0%
not classified	16,0	6,9%	14,9	14,7%
total operating result	231,9	100,0%	101,4	100,0%

3.4. Explanations concerning the seasonal and cyclical nature of the Capital Group's activity in the reported period

The Capital Group's activity covers a few segments of the real estate market. It has a portfolio of assets held for lease, regularly completes and sells residential facilities, provides property management services, which guarantees comparable revenue in each quarter. By contrast, revenue due general investment contractor services and property trade may appear in an irregular manner. The Management Board cannot exclude other one-time events which may influence results generated in a given period.

3.5. Information about the issue, redemption and repayment of debt securities and equity securities

Apart from own resources and loans, current activities of the Capital Group are also funded through the issue of debt financial instruments. At present, the Company actively conducts a programme of issuing both long-term and short-term bonds.

The Company issued bonds pursuant to agreements signed with BRE Bank S.A. in 2004 for the Bond Issue Programme, and under further annexes. The table below presents liabilities due to the issued bonds as at the reporting day:

Bank	Instrument type	Amount used (PLN '000)	Bond maturity
BRE Bank SA	Bonds	115.000	18.05.2012
BRE Bank SA	Bonds	150.000	29.03.2013
BRE Bank SA	Bonds	100.000	25.05.2013
BRE Bank SA	Bonds	300.000	30.06.2014
BRE Bank SA	Bonds	145.000	11.02.2016

As at 30 June 2011, the maximum total nominal value of all bonds issued by Echo Investment S.A. could not exceed PLN 1 billion. Pursuant to the Sale Guarantee Agreement and the Agreement to Establish the Guarantee Rate signed with BRE Bank S.A. under the Issue Programme, the bank undertook to purchase bonds issued by the Company which were not covered by other investors, up to PLN 35 million.

On 2 March 2011, the bank purchased the guarantee programme bonds of PLN 35 million.

On 11 February 2011, under the Bond Issue Programme entered into with BRE Bank S.A. with its registered office in Warsaw, the Company issued coupon bonds in a total amount of PLN 145 million. The issue price of one bond is PLN 100 thousand. The bonds were issued for a 5-year period, i.e. the bond redemption day is 11 February 2016. The bond interest rate was established based on the variable WIBOR 6M rate increased by investors' profit margin. Interest shall be paid in 6-month periods. On the redemption day the bonds shall be redeemed based on their face value. The issued bonds are not hedged.

On 11 February 2011, Echo Investment S.A. successfully redeemed a part of the bonds of PLN 63,500 thousand from the issue for a total amount of PLN 150,000 thousand with maturity date set at 25 May 2011.

On 31 March 2011, pursuant to the Bond Issue Programme entered into with BRE Bank S.A. with its registered office in Warsaw, the Company made a further issue in a total amount of PLN 150 million. The issue price of one bond is PLN 100 thousand. The bonds were issued for a 2-year period, i.e. the bond redemption day is 29 March 2013. The bond interest rate was established based on the variable WIBOR 6M rate increased by investors' profit margin. Interest shall be paid in 6-month periods. On the redemption day the bonds shall be redeemed based on their face value. The issued bonds are not hedged.

On 25 May 2011, Echo Investment S.A. completely redeemed the bonds in the amount of PLN 86,500 thousand (from the issue of PLN 150,000 thousand, partly redeemed in February 2011).

3.6. Information on paid (or declared) dividend

The Company did not pay any dividend in previous years and did not declare such payment in the current period or in the near future.

3.7. Events which occurred after the day of preparing the semi-annual financial statements which were not recognised in the statements and may have a material impact on future financial results of the Capital Group

Fulfilment of the condition for investment execution agreement

On 25 July 2011, the Issuer and "ECHO-KIELCE 1" Spółka z ograniczoną odpowiedzialnością, with its registered office in Kielce (the Issuer's subsidiary), and ORBIS Spółka Akcyjna, with its registered office in Warsaw, signed – as part of the performance of the Contingent Preliminary Sales Agreement concluded on 4 September 2008 (Current Report no. 44/2008 of 5 September 2008) – the Final Agreement, under which the Issuer sold the right of perpetual usufruct of property to Orbis S.A.

The conclusion of the above-mentioned agreement was one of the conditions precedent for the agreement signed on 4 September 2008 for the Issuer's general execution of a Novotel class hotel for Orbis S.A. (Current Report No. 44/2008 of 5 September 2008).

If Gmina Łódź does not exercise its pre-emptive right, the Parties will sign an agreement transferring the right of perpetual usufruct to the property.

Registration of a merger between subsidiaries

On 4 August 2011, the Issuer received a decision from the District Court in Kielce, 10th Commercial Department of the National Court Register, under which, on 28 July 2011, amendments in the amount and structure of the share capital of Echo – Aurus Sp. z o.o., with registered office in Kielce, were registered.

As of the registration day, the subsidiary Echo – Aurus Sp. z o.o. ("Acquiring Company") merged with the Issuer's subsidiaries:

- "Echo - SPV 12" Sp. z o.o. with registered office in Kielce,
- "MDP" Sp. z o.o. with registered office in Kielce,
- "Echo – Kielce 1" Sp. z o.o. with registered office in Kielce,
- "Echo – Property Poznań 1" Sp. z o.o. with registered office in Kielce,
- "Projekt Naramowice" Sp. z o.o. with registered office in Kielce,
- "Princess Boryszewska" Sp. z o.o. with registered office in Kielce (later referred to as "Acquired Companies").

The merger involved a transfer of all assets of the Acquired Companies to the Acquiring Company and a simultaneous increase in the Acquiring Company's share capital by creation of shares awarded to existing shareholders of the Acquired Companies in exchange for their shares in the Acquired Companies.

The fixed value of the holdings of the Acquired Companies in the Issuer's and its subsidiaries' accounting books:

- "Echo - SPV 12" Sp. z o.o. with registered office in Kielce: PLN 85,182 thousand,
- "MDP" Sp. z o.o. with registered office in Kielce: PLN 21,747 thousand,
- "Echo – Kielce 1" Sp. z o.o. with registered office in Kielce: PLN 8,369 thousand,
- "Echo – Property Poznań 1" Sp. z o.o. with registered office in Kielce: PLN 8,763 thousand,
- "Projekt Naramowice" Sp. z o.o. with registered office in Kielce: PLN 3,542 thousand,
- "Princess Boryszewska" Sp. z o.o. with registered office in Kielce: PLN 2 thousand.

The assets of the Acquired Companies were used for conducting and funding development activity. The Acquiring Company will continue the business of the Acquired Companies and will use the transferred assets as before.

Before the registration, the share capital of Echo – Aurus Sp. z o.o. was PLN 50 thousand and comprised 100 holdings with a nominal value of PLN 500 each.

As of the day of registering the above amendments, the share capital of Echo – Aurus Sp. z o.o. is PLN 138,940 thousand and comprises 277,880 holdings with a nominal value of PLN 500 each. The overall number of votes vested with the holdings is 277,880 votes at the shareholders' meeting.

Following the registration of the merger, the ownership structure of Echo – Aurus Sp. z o.o. is as follows:

- Echo Investment SA holds 272,176 holdings with a total value of PLN 136,088,000, vested with 272,176 votes at the shareholders' meeting, representing 97.95% of the share capital,
- the Issuer's subsidiary Zakład Ogrodniczy Naramowice Sp. z o.o., with registered office in Kielce, holds 5,674 holdings with a total value of PLN 2,837,000, vested with 5,674 votes at the shareholders' meeting, representing 2.04% of the share capital,
- the Issuer's subsidiary Grupa Echo Sp. z o.o., with registered office in Kielce, holds 29 holdings with a total value of PLN 14,500, vested with 29 votes at the shareholders' meeting, representing 0.01% of the share capital,
- the Issuer's subsidiary Echo – SPV 7 Sp. z o.o., with registered office in Kielce, holds 1 holding with a nominal value of PLN 500, vested with 5,674 votes at the shareholders' meeting, representing 0.00% of the share capital.

Agreement for the purchase of holdings

On 11 August 2011, the Group concluded with Ustra Sp. z o.o. (Seller), with registered office in Kielce, a preliminary agreement for the sale of holdings in Astra Park sp. z o.o. (Company), with registered office in Kielce at al. Solidarności 36, entered into the register of entrepreneurs of the National Court Register maintained by the District Court in Kielce, 10th Commercial Department of the National Court Register, under no. KRS 271678. The agreement involves all holdings in Astra Park Sp. z o.o., i.e. 738,801 (seven hundred and thirty-eight thousand, eight hundred and one) holdings of the Company with a total nominal value of PLN 36,940,050 (thirty-six million, nine hundred and forty thousand, and fifty zloty). The final agreement will be concluded on the condition that, among other things, Eurohypo Aktiengesellschaft, with registered office in Eschborn, Germany, a bank in which Astra sp. z o.o. has raised a loan of EUR 21.8 million, approves the sale of the shares. The final sale agreement will be concluded once the conditions are fulfilled but not later than by 30 September 2011. If the conditions are not fulfilled by the above date, the agreement shall be terminated. The parties agree the holdings' sale price to be PLN 67.50 million. The price for the holdings shall be paid within 3 days from the conclusion of the final sale agreement. The seller is a subsidiary of Mr. Michał Solowow, a major shareholder of Echo Investment S.A. Astra Park Sp. z o.o. owns a modern office complex in Kielce at al. Solidarności 36, comprising three office buildings with a total leasable surface of 16,300 sq. m and adjacent land properties intended for the development of the office park. The Group holds a legally binding permit for the construction of the fourth office building with a total surface of 10,000 sq. m. The Group, in addition to increasing the portfolio of office space as a result of acquiring the Company, plans to use the acquired Company's land property potential to expand the existing office complex and thus to increase the project's NOI.

3.8. Information regarding changes in contingent liabilities or contingent assets that have occurred since the end of the last financial year.

3.8.1. Surety agreements

The value of valid sureties granted by the Echo Investment Group, as at 30 June 2011, is presented in the table below:

Surety to	Value ('000)	Validity period	Regarding
EUROHYPO AG	PLN 398,660	shall remain in force until a binding permit to use the expanded shopping and entertainment centre Galeria Echo in Kielce has been granted.	Surety for the liabilities of Echo – Galeria Kielce Sp. z o.o. under the loan agreement of 6 October 2009 with Bank Eurohypo AG with its registered office in Eschborn (Germany)
NORDEA BANK POLSKA SA	PLN 58,204	shall remain in force until the investment is completed but for a period not exceeding 31 December 2013.	Surety for the liabilities of Echo-Oxygen Sp. z o.o. under the loan agreement of 27 September 2010 with Nordea Bank Polska S.A.

The value of valid sureties received by the Echo Investment Group, as at 30 June 2011, is as follows:

- rent agreements: PLN 1.49 million; EUR 2.28 million and USD 33.95 thousand USD,
- project execution: PLN 25.49 million.

3.8.2. Guarantee agreements

The value of valid guarantees issued on the request of the Echo Investment Group, as at 30 June 2011, is presented in the table below:

Guarantor	Value ('000)	Validity period	Regarding
Echo Investment S.A.	PLN 7,300	until the repayment of liabilities under the loan agreement of 22 June 2009	Security on exceeded costs of the execution of stage II of Malta Office Park
PKO BP SA	PLN 1,100	until 31.12.2011	Security on payment to Master Serwis Opon Sp. z o.o. ordered by a court decision
Echo Investment S.A.	PLN 17,768	shall remain in force until the investment is completed but for a period not exceeding 31 December 2013.	Security on insufficient funds or exceeded costs of constructing the office building Oxygen in Szczecin
PKO BP SA	PLN 200	until 15.04.2012	Security for non-performance or ill-performance of all obligations towards Fortis Bank Polska SA under a finishing works agreement of 15.12.2010

On 6 May 2011, the Bank PKO BP SA granted a bank guarantee to Fortis Bank Polska SA as a security to cover for non-performance or ill-performance by AVATAR – Projekt Echo – 93 Spółka z ograniczoną odpowiedzialnością S.K.A. (subsidiary) of its obligations under the Agreement for finishing works of 15 December 2010. The guarantee amounts to PLN 200 thousand. The guarantee is valid until 15.04.2012.

The value of valid guarantees issued to the Echo Investment Group, as at 30 June 2011, is as follows:

- under rent agreements concluded: PLN 6.97 million; EUR 13.49 million,
- under project execution agreements: PLN 58.16 million; USD 71.36 thousand and EUR 53.22 thousand

3.9. Composition of the Echo Investment Capital Group

The most important entity in the Capital Group structure is Echo Investment S.A., which is the owner of other entities in the group and supervises, co-implements and raises finance for the implementation of construction projects carried out by the Group. Companies which form the Group have been established or purchased in order to perform certain investment tasks and do not conduct any business activities other than those which follow from the process of implementing a particular project and which are related to providing lease services regarding assets linked to completed projects or other services.

As at 30 June 2011, the Echo Investment Capital Group comprises 75 fully consolidated subsidiaries and one jointly-controlled company consolidated by means of the pro-rata method.

Subsidiaries:

Company name	Registered office	% share of the capital	Parent
"ACC - Grupa Echo Sp. z o.o." Sp. kom.	Kielce	100%	Echo Investment S.A.
"Athina Park - Projekt Echo – 93 Sp. z o.o." S.k.a.	Kielce	100%	XXIX FIZ Forum
"Avatar - Projekt Echo - 93 Sp. z o.o." S.k.a.	Kielce	100%	XXIX FIZ Forum
"Barconsel Holdings" Ltd	Nicosia	100%	Echo - SPV 7
"Bełchatów – Grupa Echo Sp. z o.o." S.k.a. (formerly: "Echo – Bełchatów" Sp. z o.o.)	Kielce	100%	XXIX FIZ Forum
"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 – Centrum Przemysł - Projekt Echo – 93 Sp. z o.o." S.k.a.	Kielce	100%	XXIX FIZ Forum
"Echo - Galaxy" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
"Echo – Galeria Kielce" Sp. z o.o.	Kielce	100%	XXIX FIZ Forum / XXXIV FIZ Forum
"Echo – Galeria Lublin" Sp. z o.o.	Lublin	100%	Echo Investment S.A.
"Echo – Kasztanowa Aleja" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
"Echo – Kasztanowa Aleja Sp. z o.o." Sp. kom.	Kielce	100%	Echo Investment S.A.

"Echo – Kielce 1" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
"Echo – Klimt House" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
"Echo – Klimt House Sp. z o.o." Sp. z kom.	Kielce	100%	Echo Investment S.A.
"Echo – Metropolis" Sp. z o.o.	Kielce	100%	Barconsel Holdings Ltd
"Echo - Oxygen" Sp. z o.o.	Kielce	100%	XXIX FIZ Forum
"Echo – Pasaż Grunwaldzki" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
"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 – Przy Słowiańskim Wzgórzu" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
"Echo – Przy Słowiańskim Wzgórzu Sp. z o.o." Sp. kom.	Kielce	100%	Echo Investment S.A.
"Echo - SPV 7" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
"Echo - SPV 12" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
"Echo - Veneda" Sp. z o.o.	Kielce	100%	XXXIV FIZ Forum
"Echo Facility Management - Grupa Echo Sp. z o.o." Sp. kom.	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 - Grupa Echo Sp. z o.o." Sp. kom.	Kielce	100%	Echo Investment S.A.
"Galaxy - Grupa Echo Sp. z o.o." S.k.a. (formerly: "Echo - Galaxy Szczecin" Sp. z o.o.)	Szczecin	100%	XXIX FIZ Forum
"Galeria Sudecka - Projekt Echo - 43 Sp. z o.o." S.k.a.	Jelenia Góra	100%	XXIX FIZ Forum
"Galeria Tarnów - Projekt Echo - 43 Sp. z o.o." S.k.a. (formerly: "Echo – Galeria Tarnów" Sp. z o.o.)	Kielce	100%	XXIX FIZ Forum
"Grupa Echo" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
"Grupa Echo Sp. z o.o. - 1" S.k.a.	Kielce	100%	XXIX FIZ Forum
"Malta Office Park - Projekt Echo - 96 Sp. z o.o." S.k.a.	Kielce	100%	XXXIV FIZ Forum
"MDP" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
"Olympus Prime" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
"Park Postępu - Projekt Echo - 93 Sp. z o.o." S.k.a.	Kielce	100%	XXIX FIZ Forum
"Pasaż Grunwaldzki – Grupa Echo Sp. z o.o." S.k.a. (formerly: "Projekt Echo - 62" Sp. z o.o.)	Kielce	100%	XXIX FIZ Forum
"PHS – Projekt CS Sp. o.o." S.k.a. (formerly: "Centrum handlowe PHS" S.A.)	Szczecin	100%	XXIX FIZ Forum
"PPR - Projekt Echo – 77 Sp. z o.o." S.k.a.	Kielce	100%	XXIX FIZ Forum
"Princess Boryszewska" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
"Princess Investment" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
"Projekt CS" 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 - 39" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
"Projekt Echo - 43" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
"Projekt Echo - 47" Sp. z o.o.	Kielce	100%	XXXIV FIZ Forum
"Projekt Echo - 53" Sp. z o.o.	Kielce	100%	Barconsel Holdings Ltd
"Projekt Echo - 55" Sp. z o.o.	Kielce	100%	XXXIV FIZ Forum
"Projekt Echo - 58" Sp. z o.o.	Kielce	100%	XXIX FIZ Forum / XXXIV FIZ Forum
"Projekt Echo - 59" Sp. z o.o.	Kielce	100%	Echo - SPV 12
"Projekt Echo - 67" 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 Echo - 94" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
"Projekt Echo - 94 Sp. z o.o." Sp. kom.	Kielce	100%	Echo Investment S.A.
"Projekt Echo - 95" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
"Projekt Echo - 96" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
"Projekt Echo - 97" Sp. z o.o.	Kielce	100%	Echo Investment S.A.
"Projekt Echo - 98" 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%	XXIX FIZ Forum
"Projekt S" Sp. z o.o.	Kielce	95%	Echo Investment S.A.
"Ultra Marina" Sp. z o.o.	Kielce	100%	XXIX FIZ Forum / XXXIV FIZ Forum
"Yevrobudgarant" LLC	Kiev	100%	EI – Project Cyp - 1 Ltd
"Zakłady Ogrodnicze Naramowice" Sp. z o.o.	Poznań	100%	Echo Investment S.A.

The jointly-controlled entity is "Wan 11" Spółka z o.o. with its registered office in Warsaw.

All certificates issued by XXIX FIZ Forum and XXXIV FIZ Forum are held by companies from the Echo Investment Capital Group.

3.10. Effects of changes in the structure of the business unit, including business mergers, acquisitions or disposals of the Capital Group's entities, long-term investments, de-mergers, restructuring and discontinuation of activity

Conclusion of agreements for the transfer of ownership of holdings in the share capitals of subsidiaries

The following agreements for the transfer of holdings were concluded on 3 January 2011:

On 3 January 2011, pursuant to a holding transfer agreement, Echo - SPV 7 Sp. z o.o. with its registered office in Kielce (the Seller) transfers 7,651,001 holdings of Echo - Galaxy Szczecin Sp. z o.o. with its registered office in Szczecin (Subsidiary I) with total nominal value of PLN 382,550,050 to Barconsel Holdings Limited with its registered office in Nicosia (Cyprus) (the Purchaser). As at the day of signing the agreement, the contract value of EUR 121,848,495, at the average exchange rate of the National Bank of Poland, is equivalent to PLN 482,788,106.89. The fixed value of the holdings, as recognised in the Seller's accounting books, is PLN 382,550,058.

Ownership structure of Subsidiary I:

- Barconsel Holdings Limited holds 7,651,001 holdings of total face value of PLN 382,550,050, which constitutes 99.9869% of share capital and represents 7,651,001 votes at the general meeting,
- the Company holds 979 holdings of total face value of PLN 48,950, which constitutes 0.0128% of share capital and represents 979 votes at the general meeting,
- Grupa Echo Sp. z o.o. holds 20 holdings of total face value of PLN 1,000, which constitutes 0.0003% of share capital and represents 20 votes at the general meeting.

On 3 January 2011, pursuant to a holding transfer agreement, the Seller transferred to the Purchaser 7,731,000 holdings of Projekt Echo - 62 Sp. z o.o. with its registered office in Kielce (Subsidiary II) with total face value of PLN 386,550,000. As at the day of signing the agreement, the contract value of EUR 93,899,505, at the average exchange rate of the National Bank of Poland, is equivalent to PLN 372,048,618.71. The fixed value of the holdings, as recognised in the Seller's accounting books, is PLN 386,550,000.

Ownership structure of Subsidiary II:

- Barconsel Holdings Limited holds 7,731,000 holdings of total face value of PLN 386,550,000, which constitutes 99.9871% of share capital and represents 7,731,000 votes at the general meeting,
- the Company holds 980 holdings of total face value of PLN 49,000, which constitutes 0.0127% of share capital and represents 980 votes at the general meeting,
- Grupa Echo Sp. z o.o. holds 20 holdings of total face value of PLN 1,000, which constitutes 0.0003% of share capital and represents 20 votes at the general meeting.

Before the afore-mentioned agreements had been signed, the transferred assets were used in construction and financial activities. The Purchaser intends to continue those activities. Barconsel Holdings Limited intends to treat the purchased shares in Subsidiary I and Subsidiary II as a short-term capital deposit.

The holdings constitute a contribution in kind to cover 12,000 newly-issued share capital holdings of Barconsel Holdings Limited with face value of EUR 1 each. As at the day of signing the agreements, the purchase price of the newly-issued holdings of EUR 215,748,000, at the average exchange rate of the National Bank of Poland, is equivalent to PLN 854,836,725.60. The newly-issued holdings constitute 52.1739% of the share capital after the registration of the Purchaser's share capital increase and represent 12,000 votes at the general meeting. The newly-issued holdings will be acquired by Echo - SPV 7 Sp. z o.o.

At present, the following companies hold holdings in the share capital of Barconsel Holdings Limited:

- Echo Investment S.A. holds 5,827 holdings of a face value of EUR 5,827, which as at the day of signing the agreements, at the average exchange rate of the National Bank of Poland, is equivalent to PLN 23,087.74. This constitutes 25.33% of share capital and represents 5,827 votes at the general meeting;
- the subsidiary Echo - SPV 12 Sp. z o.o. holds 3,806 holdings of a face value of EUR 3,806, which as at the day of signing the agreements, at the average exchange rate of the National Bank of Poland, is equivalent to PLN 15,080.13. This constitutes 16.55% of share capital and represents 3,806 votes at the general meeting;
- the subsidiary Echo - SPV 7 Sp. z o.o. (formerly: Echo - Centrum Biznesu Łódź Sp. z o.o.) holds 13,080 holdings of a face value of EUR 13,080, which as at the day of signing the agreements, at the average exchange rate of the National Bank of Poland, was equivalent to PLN 15,825.58. This constitutes 56.87% of share capital and represents 13,080 votes at the general meeting;
- the subsidiary Echo - Kielce 1 Sp. z o.o. holds 287 holdings of a face value of EUR 287, which as at the day of signing the agreements, at the average exchange rate of the National Bank of Poland, is equivalent to PLN 1,137.15. This constitutes 1.25% of share capital and represents 287 votes at the general meeting.

FORUM FIZ investment certificates acquired

On 24 January 2011, the Issuer's subsidiary, Barconsel Holdings Limited with its registered office in Nicosia (Barconsel, the Purchaser) subscribed for investment certificates issued by the FORUM XXXIV Closed-end Investment Fund with its registered office in Krakow (Issuer FIZ I) and the FORUM XXIX Closed-end Investment Fund with its registered office in Krakow (Issuer FIZ II).

Under this subscription, Barconsel acquired 26,079 B-series investment certificates of the FORUM XXXIV Closed-end Investment Fund (FIZ I). The total issue price of the certificates was PLN 651,975,000. Barconsel paid for the afore-said certificates by making a contribution in kind to FIZ in the form of holdings in the share capital of the following subsidiaries:

- 3,825,012 holdings in the share capital of Echo - Galaxy Szczecin Sp. z o.o. with its registered office in Szczecin (Company I), with a face value of PLN 50 each and total face value of PLN 191,250,600, which constitutes 49.99% of the share capital of Company I. The book value of the holdings, as recognised in Barconsel's accounting books, is EUR 60,916,467.74, which, as at the day of signing the agreements, at the average exchange rate of the National Bank of Poland, was equivalent to PLN 236,142,687.17.
- 3,825,012 holdings in the share capital of Projekt Echo - 62 Sp. z o.o. with its registered office in Kielce (Company II), with a face value of PLN 50 each and total face value of PLN 193,250,600, which constitutes 49.99% of the share capital of Company II. The fixed value of the holdings, as recognised in Barconsel's accounting books, is EUR 46,943,825.33 which, as at the day of signing the agreements, at the average exchange rate of the National Bank of Poland, was equivalent to PLN 181,977,738.89.
- 200,495 holdings in the share capital of Projekt Echo - 58 Sp. z o.o. with its registered office in Kielce (Company III), with a face value of PLN 50 each and total face value of PLN 10,024,750, which constitutes 49.99% of the share capital of Company III. The fixed value of the holdings, as recognised in Barconsel's accounting books, is EUR 2,527,854.50 which, as at the day of signing the agreements, at the average exchange rate of the National Bank of Poland, was equivalent to PLN 9,799,227.97.
- 624 holdings in the share capital of Ultra Marina Sp. z o.o. with its registered office in Kielce (Company IV), with a face value of PLN 1,000 each and total face value of PLN 624,000, which constitutes 49.92% of the share capital of Company IV. The fixed value of the holdings, as recognised in Barconsel's accounting books, is EUR 23,047 which, as at the day of signing the agreements, at the average exchange rate of the National Bank of Poland, was equivalent to PLN 89,341.70.
- 13,691 holdings in the share capital of Echo - Galeria Kielce Sp. z o.o. with its registered office in Kielce (Company V), with a face value of PLN 500 each and total face value of PLN 6,845,500, which constitutes 49.98% of the share capital of Company V. The fixed value of the holdings, as recognised in Barconsel's accounting books, is EUR 9,215,904 which, as at the day of signing the agreements, at the average exchange rate of the National Bank of Poland, was equivalent to PLN 35,725,451.86.
- 999,990 holdings in the share capital of Projekt Echo - 47 Sp. z o.o. with its registered office in Kielce (Company VI), with a face value of PLN 50 each and total face value of PLN 49,999,500, which constitutes 99.99% of the share capital of Company VI. The fixed value of the holdings, as recognised in Barconsel's accounting books, is EUR 12,349,343 which, as at the day of signing the agreements, at the average exchange rate of the National Bank of Poland, was equivalent to PLN 47,872,228.14.
- 950,466 holdings in the share capital of Projekt Echo - 53 Sp. z o.o. with its registered office in Kielce (Company VII), with a face value of PLN 50 each and total face value of PLN 47,523,300, which constitutes 47.98% of the share capital of Company VII. The fixed value of the holdings, as recognised in Barconsel's accounting books, is EUR 12,537,775 which, as at the day of signing the agreements, at the average exchange rate of the National Bank of Poland, was equivalent to PLN 48,602,684.79.
- 326,400 holdings in the share capital of Projekt Echo - 55 Sp. z o.o. with its registered office in Kielce (Company VIII), with a face value of PLN 50 each and total face value of PLN 16,320,000, which constitutes 99.99% of the share capital of Company VIII. The fixed value of the holdings, as recognised in Barconsel's accounting books, is EUR 4,111,136 which, as at the day of signing the agreements, at the average exchange rate of the National Bank of Poland, was equivalent to PLN 15,936,818.70.
- 796,760 holdings in the share capital of Echo - Metropolis Sp. z o.o. with its registered office in Kielce (Company IX), with a face value of PLN 50 each and total face value of PLN 39,838,000, which constitutes 39.64% of the share capital of Company IX. The fixed value of the holdings, as recognised in Barconsel's accounting books, is EUR 10,013,283 which, as at the day of signing the agreements, at the average exchange rate of the National Bank of Poland, was equivalent to PLN 38,816,491.55.
- 13,560 holdings in the share capital of Echo - Veneda Sp. z o.o. with its registered office in Kielce (Company X), with a face value of PLN 500 each and total face value of PLN 6,780,000, which constitutes 99.98% of the share capital of Company X. The fixed value of the holdings, as recognised in Barconsel's accounting books, is EUR 1,605,933 which, as at the day of signing the agreements, at the average exchange rate of the National Bank of Poland, was equivalent to PLN 6,225,399.27.

- 14,998 holdings in the share capital of Malta Office Park Sp. z o.o. with its registered office in Kielce (Company XI), with a face value of PLN 500 each and total face value of PLN 7,499,000, which constitutes 99.98% of the share capital of Company XI. The fixed value of the holdings, as recognised in Barconsel's accounting books, is EUR 117,548 which, as at the day of signing the agreements, at the average exchange rate of the National Bank of Poland, was equivalent to PLN 455,674.82.

Under the subscription for investment certificates issued by the Issuer FIZ II, Barconsel acquired 11,502 D-series investment certificates of the FORUM XXIX Closed-end Investment Fund (FIZ II). The total issue price of the certificates was PLN 480,783,600. Barconsel paid for the afore-said certificates by making a contribution in kind to FIZ in the form of holdings in the share capital of the following subsidiaries:

- 3,825,989 holdings in the share capital of Echo – Galaxy Szczecin Sp. z o.o. with its registered office in Szczecin (Company XII), with a face value of PLN 50 each and total face value of PLN 191,299,450, which constitutes 49.99% of the share capital of Company XII. The fixed value of the holdings, as recognised in Barconsel's accounting books, is EUR 60,932,027.26 which, as at the day of signing the agreements, at the average exchange rate of the National Bank of Poland, was equivalent to PLN 236,203,003.67.
- 3,825,988 holdings in the share capital of Projekt Echo - 62 Sp. z o.o. with its registered office in Kielce (Company XIII), with a face value of PLN 50 each and total face value of PLN 191,299,400, which constitutes 49.48% of the share capital of Company XIII. The fixed value of the holdings, as recognised in Barconsel's accounting books, is EUR 46,469,845.99 which, as at the day of signing the agreements, at the average exchange rate of the National Bank of Poland, was equivalent to PLN 180,140,357.98.
- 200,495 holdings in the share capital of Projekt Echo - 58 Sp. z o.o. with its registered office in Kielce (Company XIV), with a face value of PLN 50 each and total face value of PLN 10,024,750, which constitutes 49.99% of the share capital of Company XIV. The fixed value of the holdings, as recognised in Barconsel's accounting books, is EUR 2,527,854.5 which, as at the day of signing the agreements, at the average exchange rate of the National Bank of Poland, was equivalent to PLN 9,799,227.97.
- 624 holdings in the share capital of Ultra Marina Sp. z o.o. with its registered office in Kielce (Company XV), with a face value of PLN 1,000 each and total face value of PLN 624,000, which constitutes 49.92% of the share capital of Company XV. The fixed value of the holdings, as recognised in Barconsel's accounting books, is EUR 23,047 which, as at the day of signing the agreements, at the average exchange rate of the National Bank of Poland, was equivalent to PLN 89,341.70.
- 13,691 holdings in the share capital of Echo – Galeria Kielce Sp. z o.o. with its registered office in Kielce (Company XVI), with a face value of PLN 500 each and total face value of PLN 6,845,500, which constitutes 49.98% of the share capital of Company XVI. The fixed value of the holdings, as recognised in Barconsel's accounting books, is EUR 9,215,904 which, as at the day of signing the agreements, at the average exchange rate of the National Bank of Poland, was equivalent to PLN 35,725,451.86.
- 990 holdings in the share capital of SPV – 1 Sp. z o.o. with its registered office in Kielce (Company XVII), with a face value of PLN 50 each and total face value of PLN 49,500, which constitutes 99.00% of the share capital of Company XVII. The fixed value of the holdings, as recognised in Barconsel's accounting books, is EUR 50,896 which, as at the day of signing the agreements, at the average exchange rate of the National Bank of Poland, was equivalent to PLN 197,298.34.

The purchased certificates of FIZ I and FIZ II shall be treated a long-term capital deposit. The transfer of those assets form part of restructuring in the Echo Investment Capital Group, which will optimise the management of project portfolio in the Echo Investment Capital Group in terms of costs and taxes as well as allow for acquisition and implementation of new projects. It was the intention of the Company's Management Board that the closed-end investment fund would be an attractive form of acquiring new external investors interested in financing existing and new projects.

I. In H1 2011, the composition of the Echo Investment S.A. Capital Group has expanded and it includes the following companies:

- On 14 February this year, the District Court in Kielce registered a new company "Grupa Echo spółka z ograniczoną odpowiedzialnością 1" SKA with its registered office in Kielce. The company's share capital is PLN 50 thousand.
- On 29 March this year, the District Court in Kielce registered a new company "Grupa Echo spółka z ograniczoną odpowiedzialnością 2" SKA with its registered office in Kielce. The company's share capital is PLN 50 thousand.
- On 29 March this year, the District Court in Kielce registered a new company "Echo - Facility Management – Grupa Echo spółka z ograniczoną odpowiedzialnością" Sp. k. with its registered office in Kielce.
- On 13 June this year, the District Court Lublin - Wschód in Lublin, with registered office in Świdnik, registered a new company Echo – Galeria Lublin" Sp. z o.o., with registered office in Lublin. The company's share capital is PLN 1 million.
- On 27 and 31 January 2011, 100% holdings were purchased in Olympus Prime Sp. z o.o., with its registered office in Kielce. The total purchase price was PLN 83,300. The company's share capital is PLN 5 thousand.
- On 27 and 31 January 2011, 100% holdings were purchased in Projekt CS Sp. z o.o., with its registered office in Kielce. The total purchase price was PLN 121,745. The company's share capital is PLN 5 thousand.
- On 27 and 31 January 2011, 100% holdings were purchased in CP Investment Sp. z o.o., with its registered office in Kielce. The total purchase price was PLN 58,352. The company's share capital is PLN 5 thousand.
- On 24 and 25 May 2011, 100% holdings were purchased in Projekt Echo – 59 Sp. z o.o., with its registered office in Kielce. The total purchase price was PLN 80,246.28. The company's share capital is PLN 50 thousand.
- On 10 and 13 June 2011, 100% holdings were purchased in Projekt Echo – 69 Sp. z o.o., with its registered office in Kielce. The total purchase price was PLN 114,000. The company's share capital is PLN 50 thousand.

II. In H1 2011, the composition of the Echo Investment S.A. Capital Group has shrunk and it includes the following companies:

- On 24 March 2011, 100% holdings of Projekt Echo – 99 Sp. z o.o., with its registered office in Kielce, were sold. The sale price was PLN 24.5 thousand. The share capital amounted to PLN 25 thousand.
- On 13 January 2011, 100% holdings of Projekt Echo – 57 Sp. z o.o., with its registered office in Kielce, were sold. The sale price was PLN 1.0 thousand. The share capital amounted to PLN 50 thousand.
- On 13 and 18 May 2011, 100 % holdings in Grupa Echo spółka z ograniczoną odpowiedzialnością 2 SKA, with its registered office in Kielce, were sold. The total sale price was EUR 12,758.38. The share capital amounted to PLN 50 thousand.
- On 26 May 2011, 100% holdings in CP Investment Sp. z o.o., with its registered office in Kielce, were sold. The total sale price was EUR 15,045. The share capital amounted to PLN 5 thousand.

III. Other changes in the companies of the Issuer's Capital Group during H1 2011:

- "Echo – Galeria Sudecka" Sp. z o.o. was transformed into "Galeria Sudecka – Projekt Echo – 43 spółka z ograniczoną odpowiedzialnością" SKA,
- "Malta Office Park" Sp. z o.o. was transformed into "Malta Office Park – Projekt Echo 96 Spółka z ograniczoną odpowiedzialnością" SKA,
- "Echo – Park Postępu" Sp. z o.o. was transformed into "Park Postępu – Projekt Echo – 93 Spółka z ograniczoną odpowiedzialnością" SKA,
- "Echo – Galeria Tarnów" Sp. z o.o. was transformed into "Galeria Tarnów – Projekt Echo – 43 spółka z ograniczoną odpowiedzialnością" SKA,
- "Echo – Belchatów" Sp. z o.o. was transformed into "Belchatów – Grupa Echo spółka z ograniczoną odpowiedzialnością" SKA,
- "Echo – Galaxy" Sp. z o.o. was transformed into "Galaxy – Grupa Echo spółka z ograniczoną odpowiedzialnością" SKA,
- "Centrum Handlowe PHS" Sp. z o.o. was transformed into "PHS – Grupa Echo spółka z ograniczoną odpowiedzialnością" SKA,
- "Projekt Echo – 62" Sp. z o.o. was transformed into "Pasaż Grunwaldzki – Grupa Echo spółka z ograniczoną odpowiedzialnością" SKA.

3.11. Management board's position regarding the possibility of fulfilment of previously published profit forecasts for a given year in light of the results disclosed in the quarterly report against the forecasted results

The Company's Management Board did not publish any financial forecasts.

3.12. Ownership structure of significant stakes of shares in Echo Investment S.A.

As at 26 August 2011, the following shareholders held, directly or indirectly through subsidiaries, at least 5% of the total number of votes at the General Meeting of Echo Investment S.A.:

Shareholder	Number of shares [pcs.]	% share in the share capital of Echo Investment S.A.	Number of votes at the GSM of Echo Investment S.A.	% of overall votes at the GSM of Echo Investment S.A.
Michał Sołowow*, including:	170 675 210	40,64%	170 675 210	40,64%
directly:	758 630	0,18%	758 630	0,18%
indirectly, including:	169 916 580	40,46%	169 916 580	40,46%
Barco Capital Investment Limited	141 911 680	33,79%	141 911 680	33,79%
Calgeron Investment Limited***	17 884 050	4,26%	17 884 050	4,26%
FTF Galleon S.A.	10 120 850	2,41%	10 120 850	2,41%
AVIVA OFE AVIVA BZ WBK**	36 683 460	8,73%	36 683 460	8,73%
ING OFE****	43 987 495	10,47%	43 987 495	10,47%
PZU Złota Jesień OFE**	21 419 085	5,1%	21 419 085	5,1%

* - based on information from the National Depository for Securities – list of shareholders authorised to participate in OGSM on 2 June 2011

** - based on the annual structure of investment portfolios of Open Pension Funds (OFE) as at 31 December 2010

*** - based on information from the announcement of Synthos S.A. (Current Report No. 30) of 2 August 2011

**** - based on the announcement of 22 August 2011 (Current Report No. 39/2011).

In the period between the publication of the last quarterly report, i.e. 16 May 2011, and the day of preparing this report, Echo Investment S.A. received information from a significant shareholder regarding a change in the holding of the Issuer's shares;

- On 22 August 2011, the Issuer received information from ING Powszechnie Towarzystwo Emerytalne S.A., which – pursuant to art. 69 of the Act of 29 July 2005 on public offering and the terms for introducing financial instruments into an organised trading system and on public companies (J. L. of 2009, No. 185, item 1439) – announced that as a result of the purchase of the Issuer's shares under transactions at the WSE, settled on 17 August 2011, ING Otwarty Fundusz Emerytalny (ING OFE) came into the ownership of the Issuer's shares representing more than 10% of votes at the Company's GSM.

Before the purchase, INF OFE held 41,962,495 (forty-one million, nine hundred and sixty-two thousand, four hundred and ninety-five) shares in the Company, representing 9.99% of the Company's share capital, and was entitled to 41,962,495 (forty-one million, nine hundred and sixty-two thousand, four hundred and ninety-five) votes at the Company's GSM, which makes up 9.99% of the overall number of votes. As at 22 August 2011, OFE ING's securities account includes 43,987,495 (forty-three million, nine hundred and eighty-seven, four hundred and ninety-five) of the Company's shares, representing 10.47% of the Company's share capital. These shares are vested with 43,987,495 (forty-three million, nine hundred and eighty-seven, four hundred and ninety-five) votes at the Company's GSM, representing 10.47% of the overall number of votes.

3.13. List of changes in the ownership of Echo Investment S.A.' shares or rights thereto (options) by the Company's managerial and supervisory staff, in accordance with information available to Echo Investment S.A., in the period after the presentation of the previous quarterly report

In the period between the publication of the last quarterly report, i.e. 16 May 2011, and the day of preparing this report, Echo Investment S.A. did not receive any information on changes in the holding of Echo Investment SA's shares or rights (options) to the shares by the Company's managerial and supervisory staff.

Managerial staff	as at 26.08.2011	as at 16.05.2011
Piotr Gromniak - President of the Management Board	no shares held	no shares held
Artur Langner - Vice-President of the Management Board	no shares held	no shares held

Supervisory staff	as at 26.08.2011	as at 16.05.2011
Wojciech Ciesielski – Chairman of the Supervisory Board	1,200,000 shares	1,200,000 shares
Andrzej Majchert – Vice-chairman of the Supervisory Board	98,800 shares	98,800 shares
Mariusz Waniolka – Vice-chairman of the Supervisory Board	no shares held	no shares held
Karol Żbikowski - Member of the Supervisory Board	no shares held	no shares held
Robert Oskard - Member of the Supervisory Board	no shares held	no shares held
Tomasz Kalwat - Member of the Supervisory Board	no shares held	no shares held

3.14. Information on court proceedings

In the period from 1 January to 30 June 2011, there were neither court nor administrative proceedings regarding liabilities or receivables of the Company or its subsidiaries in the total value of at least 10% of the Company's equity.

3.15. Information on transactions with related entities under terms other than market terms

In H1 2011, neither the Company nor its subsidiaries entered into transactions with related entities under terms other than market terms.

3.16. Information on sureties granted on loans or borrowings and guarantees with a value equivalent to at least 10% of the Company's equity.

In H1 2011, the Capital Group provided no sureties for loans or borrowings, nor did it grant any guarantees to a single entity or to its subsidiary with a total value equivalent to at least 10% of the Company's equity.

3.17. Other information which, in the opinion of the Management Board of Echo Investment S.A., is material to assess its condition in terms of HR, assets, finance, financial result or changes thereto as well as information which is material for the assessment of the Echo Investment Capital Group's capability of fulfilling its obligations.

Sale of the Shopping Centre in Belchatów

The Echo Investment Group sold the ECHO Shopping Centre erected in 2000 in Belchatów. The object's new owner is a subsidiary of Vousoka Ltd, with registered office in Nicosia (Cyprus).

A letter of intent regarding the sale was signed in early March this year and the final agreement was concluded on 26 May 2011. The transaction's net value exceeds PLN 44 million.

Allocation of profit for FY 2010

Echo Investment S.A.'s (Issuer, Company) Management Board announces that on 24 May 2011 it presented to Echo Investment SA's Supervisory Board a proposal for the allocation of net profit disclosed in the Company's financial statements for the financial year ending 31 December 2010.

The Company's Management Board proposed that the Company's net profit for FY 2010, amounting to PLN 38,672 thousand (in words: thirty-eight million, six hundred and seventy-two thousand zloty), is not shared with the shareholders but used in full to boost the Company's supplementary capital to fund its current operations.

Echo Investment SA's approved the Management Board's proposal.

This recommendation was brought to the attention of the Company's Ordinary General Shareholders' Meeting on 2 June 2011.

Echo Investment S.A.'s General Shareholders' Meeting, by way of resolution no. 6, decided that the Company's net profit for FY 2010, amounting to PLN 38,672 thousand (in words: thirty-eight million, six hundred and seventy-two thousand zloty), shall not be shared with the shareholders but used in full to boost the Company's supplementary capital to fund its current operations.

Appointment of a statutory auditor

On 24 May 2011, the Issuer received a resolution of Echo Investment SA's Supervisory Board on the appointment of a statutory auditor to audit the financial statements.

On 24 May 2011, the Issuer's Supervisory Board, acting pursuant to § 13 section 1 letter b) of the Company's Statute, in connection with art. 66 section 4 of the Accounting Act of 29 September 1994, appointed a statutory auditor to audit the Company's financial statements for the years 2011-2013.

The entity authorised to audit the Company's financial statements shall be PricewaterhouseCoopers Spółka z ograniczoną odpowiedzialnością, with registered office in Warsaw (entered in the list of entities authorised to audit financial statements, maintained by the National Council of Statutory Auditors, under no. 144).

In addition, the Supervisory Board authorised the Company's Management Board to negotiate and sign a suitable agreement with the statutory auditor, to conclude an agreement for a period shorter than the period resulting from the authorisation included in the resolution or to conclude an agreement which can be terminated by Echo Investment S.A. by the expiry of the period resulting from the authorisation specified in the resolution.

Echo Investment S.A. used the statutory auditor's services for auditing and reviewing its financial statements between 2008 and 2010.

Appointment of the Management Board for the 4th term of office

On 2 June 2011, Echo Investment SA's Supervisory Board, acting pursuant to art. 368 § 4 of the Commercial Companies Code and §13 section 1 letter a) of the Company's Statute – in connection with the approval by the Company's GSM of the financial statements for 2010, i.e. the final year of the Management Board's 3rd term of office and the year of expiry of its members' mandate – appointed Echo Investment S.A.'s Management Board for the 4th joint, 3-year term of office: The Supervisory Board appointed:

Piotr Gromniak a Member of the Company's Management Board for the 4th term of office and entrusted him with the function of the President of the Management Board,

Artur Langner a Member of the Company's Management Board for the 4th term of office and entrusted him with the function of the Vice-President of the Management Board.

Commencement of the construction of an office building in Wrocław

Echo Investment has obtained a permit for the construction of Aquarius Business House, a class A office building located in the centre of Wrocław, at the corner of Swobodna and Borowska Street.

Aquarius Business House is a modern, class A office building offering a number of state-of-the-art technological solutions, high-end data communication lines, safety and access control system as well as technological solutions allowing for an environment-friendly, effective and efficient management of energy and utilities. The object comprises two 7-floor buildings. The whole object has an office area of 25,000 sq. m.

The building is being constructed in the very centre of Wrocław, at the crossing of Swobodna and Borowska Street. Facilities in the investment's vicinity: Stare Miasto, Teatr Polski, Filharmonia Wrocławska, shopping centre Arkady, hotels, including Novotel, Polonia, Holiday Inn, as well as numerous financial institutions and offices. The location ensures easy and fast access to the airport, the motorway and main exit roads. The object is surrounded by a well-developed public transport system. There are a dozen or so tram and bus stops in the vicinity.

The object's car parking areas will offer 412 parking places in total: 265 in a parking building, 97 in an underground parking area and 50 in an exterior parking area.

The project is being executed in two stages. The first stage started in May 2011 and will be completed in October 2012. Next, in November 2012, the second stage will start and it is to be completed in February 2014.

Echo Investment has started the construction of Outlet Park Szczecin

Echo Investment has obtained a construction permit and started the construction of Outlet Park Szczecin, the first sell-out centre in the West Pomeranian region.

Echo Investment owns a shopping centre located in Prawobrzeże district at ul. Struga, which – after alteration – will function as a sell-out centre. The new object – Outlet Park Szczecin – will have a gross leasable area of approx. 24,000 sq. m. The centre is to be constructed in two stages.

As part of the first stage, an outlet section – housing approx. 70 commercial premises, a multiplex cinema Helios, a supermarket and a consumer electronics shop – will be erected. In the second stage, the object will be expanded with approx. 60 further shops.

Nearly 130 lessees will present their offer in the Outlet Park. The first stage of the investment is planned to be commissioned to use in early 2012.

Echo Investment has obtained the final permit for the construction of Galeria Veneda in Łomża.

Galeria Veneda is a shopping centre being constructed in Łomża, on a plot at the corner of Zawadzka and Sikorskiego Street. The facility offers over 16 thousand sq. m of leasable area. 80 shops are planned. The developer has signed agreements with the hypermarket Tesco, Rossmann, CCC, Martes Sport and lessees in the gastronomy section.

A parking area offering 600 parking places has been prepared.

The object is to be completed in autumn 2012.

Echo Investment has obtained a permit for the construction of Galeria Amber in Kalisz.

Galeria Amber is a 4-floor shopping and entertainment centre being constructed in the centre of Kalisz, in the vicinity of two main transport stations PKP (a Polish rail transport company) and PKS (vehicle transport services), at the corner of Górnośląska and Trasa Bursztynowa Street. The leasable area is 33,500 sq. m.

The object will house 140 shops and service outlets as well as cafes and restaurants. There will also be a 7-room cinema operated by Helios. Approximately 1,000 parking places will be available for customers.

3.18. Factors which, in the opinion of the Company's Management Board, will have impact on results generated by the Capital Group in the perspective of at least the following quarter

Factors to influence the result in the coming periods include:

- entering into final sales agreements on housing projects:
 - in Warsaw: in Zeusa and Kazimierzowska Street,
 - in Poznań: in Naramowice district and at Wojskowa Street,
 - in Wrocław: at Jedności Narodowej Street,
 - in Krakow: at Krasickiego Street,
 - in Kielce: Bilcza district (stage II) - sale of plots with house designs,
- measurement of the fair value of projects under construction and/ or after they have been put into service:
 - Oxygen in Szczecin (office segment),
 - Malta Office Park in Poznań (office segment),
 - Galeria Echo in Kielce (a shopping and entertainment centre),
- revaluation of the fair value of property held,
- potential sale of service premises in Warsaw, a shopping centre in Pabianice and an office building in Warsaw,
- regular revenue from rent agreements,
- measurement of loan liabilities and cash in foreign currencies,
- measurement of financial instruments hedging foreign exchange rates and interest rates,
- revaluation of non-financial assets.

3.19. Description of material risk factors and threats in the remaining months of 2011

Material risk factors and threats to the Capital Group's business:

- **Competition risk** – over the recent years, foreign investors have been very active on the Polish real property market. One trump card of foreign entities are their capital resources, giving them a competitive edge over domestic developers. However, Echo Investment has extensive experience in executing development projects in various market segments and a well-established position on the real property market in Poland. In addition, in the light of the recent economic events, familiarity with the market is a decisive competitive asset. The Capital Group's dynamic growth in the recent years and its asset portfolio indicate that Echo Investment is capable of operating effectively in a competitive market.
- **Risk of foreign operations** related to the economic and political situation in a country where the Company is doing business. The Company's policy involves diversifying geographical areas (Central and Eastern Europe) and its portfolio in terms of business sectors.
- **Interest rate risk** – the Group's business involves a great deal of borrowing. The interest rate risk is limited by hedging instruments (fixed rates, IRS).
- **Foreign exchange risk** related to loans raised in foreign currencies (mostly in euro) in the Capital Group. Variations of exchange rates of settlement currencies result in the Echo Group's increased exposure to FX risk. Agreements with lessees are denominated in the loan currency in every specific project. Payments from lessees are used to repay the loans. This relation between funding and the sources of revenue significantly reduces the FX risk (natural hedge). In addition, since variations of exchange rates significantly affect the value of prospective cash flows, the Capital Group uses the available financial instruments, such as forwards or FX options, to hedge against the FX risk.

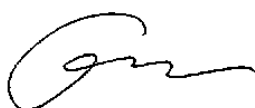
These instruments are mainly used to hedge prospective cash flows related to new loans in foreign currencies.

- **Risk related to lessees' financial standing** – most of the Capital Group's revenue is generated from renting out commercial and office areas. The key aspect is to select lessees with a stable economic and financial situation. Areas in shopping centres are rented out to chain operators (Tesco, Carrefour, Nomi, brand clothing outlets, multiplex cinemas, etc.). Thanks to cooperation with the lessees, actions are taken to constantly improve the attractiveness of the rented areas and enhance the prestige of a given object, which attracts customers. Counterparties in office facilities include: Polkomtel S.A., Deutsche Leasing and others.
- **Risk related to external contractors** – Echo Investment S.A. or its subsidiary, acting as an investor, commissions external entities to execute a project. Execution, observance of deadlines and quality are largely the responsibility of these entities. This risk is largely limited using various securities included in agreements for the execution of construction works, and by examining a contractor's financial standing before commissioning it with works. In addition, the Capital Group uses inspectors to supervise the execution of projects or supervisory services of specialist external contractors, which reduces the risk.
- **Risk of administrative procedures** – time-consuming procedures in administrative bodies condition the execution of the Company's planned investments, which may result in delays. At the same time, third parties have significant power to interfere with administrative procedures, which often extends the execution of investments and affect the completion date and profitability. This risk is limited by using extensive experience of the staff.
- **Loss of liquidity risk** – the Capital Group manages its liquidity risk by constantly maintaining an adequate level of funds available in the form of cash on bank accounts and/or open facilities as well as by constantly monitoring the forecasted and actual cash flows. In particular, the Capital Group's liquidity is influenced by a stable portfolio of long-term rentable developments (shopping and entertainment centres and office areas), which, year by year, continue to generate growing rent proceeds.
- **Risk of unfavourable changes in the property market** – the Capital Group attempts to minimise the risk of unfavourable changes in the property market by executing investments in steps and adjusting the execution speed to the expected demand and price trends on local markets.
- **Social and economic risk** – risk related to macroeconomic factors beyond the Capital Group's control, affecting the Group's strategic objectives and its financial results. In particular, these factors include: inflation, overall condition of the Polish economy, change of the economic situation, change in real income and fiscal policy. Changes of macroeconomic indicators may result in a decrease in the planned revenues or an increase the costs of doing business. This is particularly significant in the event of a slower GDP growth, an increasing budget deficit and increase in unemployment, leading to a drop in real income. The social and economic situation may affect the Capital Group's revenue and financial results because the housing, office, shopping and entertainment developments depend on consumers and the funds they are able to spend.

Date: 26 August 2011

Signatures by the Management Board of Echo Investment S.A.

Piotr Gromniak



President of the Management Board

Artur Langner



Vice-President of the Management Board

Signature of the individual entrusted with bookkeeping:

Tomasz Sulek



Chief Accountant

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