



SEPARATE ANNUAL REPORT OF  
ECHO INVESTMENT S.A.  
FOR 2013

**ECHO**  
investment

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## I. LETTER TO SHAREHOLDERS, PARTNERS AND CUSTOMERS

Dear Sirs and Madams

Our company has once again recorded a very good period in its history. The year 2013 was an exceptional year in many respects, allowing us to strengthen our position on the dynamically growing market.

In 2013, Echo Investment generated satisfactory financial results. Consolidated net profit amounted to PLN 331 million and equity amounted to PLN 2,765 million, which means a 13.7% increase compared to the end of December 2012.

It is worth noting that the Company has a low debt level and a large amount of cash. The consolidated net debt ratio due to borrowings and loans amounted to 36%. At the end of the last year, the Company's cash amounted to more than PLN 420 million.

The previous year will be well remembered for two reasons: first, following the completion of Galeria Amber in Kalisz in 2013, the total usable area of our developments exceeded the symbolic threshold of 1,000,000 sq. m. Secondly, the construction of the 155 m high Q22 office building in Warsaw started, which is one of our 11 new investments, and the largest and the most modern of our previous developments.

We have been very active in the office segment and commenced the construction of West Gate office buildings in Wrocław, Tryton Business House in Gdańsk and stage II of A4 Business Park in Katowice. We have sold Aquarius Business House buildings in Wrocław and commissioned to use Novotel Hotel in Łódź.

In the residential housing sector, we have recorded record-breaking sales of apartments (nearly 400). We have also completed stage I of Osiedle Jarzębinowe in Łódź and Aleja Kasztanowa in Poznań. We have started the construction of Nowy Mokotów residential district in Warsaw, Osiedle Jaśminowe in Poznań and Hortus Apartments in Krakow.

In the shopping centre segment, we have opened Galeria Veneda in Łomża and continued the construction of shopping centres in Kalisz and Jelenia Góra. In the last year, our retail sales increased, which was reflected by the growing numbers of customers and tenants in our shopping centres.

We are also happy to see interest on part of the investors, who closely monitor commercial developments in Poland. Amounting to more than EUR 3.2 billion, the sales of commercial properties reached the highest level since 2006.

In 2013, we were awarded a number of prestigious industry titles, such as Retail Developer of the Year, and Galeria Echo in Kielce was recognised as the best shopping centre in Poland in a tenants' ranking.

In 2014, we plan a dozen or so new developments, which, in line with our growth strategy, will help us ensure stable and long-term growth of goodwill.

Being a stable company with a leading market position, a recognisable brand and 18 years of market presence, we are confident that we will be able to successfully confront any challenges we may encounter in 2014 and achieve the set objectives.

Yours faithfully

Piotr Gromniak



President of the Management Board

## II. SEPARATE FINANCIAL STATEMENTS OF ECHO INVESTMENT S.A. FOR 2013

## STATEMENT OF FINANCIAL POSITION (PLN '000)

	NOTE	31.12.2013	31.12.2012
ASSETS			
<b>1. Non-current assets</b>			
1.1. Intangible assets	1	813	1 181
1.2. Property, plant and equipment	2	36 505	14 067
1.3. Investment property	3	3 172	3 752
1.4. Investments in subsidiaries, jointly-controlled entities and associates	4	925 441	921 946
1.5. Long-term financial assets	5	14 090	14 629
1.6. Borrowings granted	3	32	-
1.7. Deferred income tax assets	6	11 452	13 678
		<b>991 505</b>	<b>969 253</b>
<b>2. Current assets</b>			
2.1. Inventory	7	266 624	302 414
2.2. Income tax receivables	8	3 376	-
2.3. Other tax receivables	8	-	-
2.4. Trade and other receivables	8	59 186	65 629
2.5. Borrowings granted	9	208 128	318 736
2.6. Restricted cash	10	40	-
2.7. Cash and cash equivalents	10	9 897	3 017
		<b>547 251</b>	<b>689 796</b>
<b>Total assets</b>		<b>1 538 756</b>	<b>1 659 049</b>

## STATEMENT OF FINANCIAL POSITION, CONTINUED (PLN '000)

	NOTE	31.12.2013	31.12.2012
EQUITY AND LIABILITIES			
<b>1. Equity</b>			
1.1. Share capital	11	20 635	21 000
1.2. Supplementary capital	12	574 873	567 091
1.3. Equity shares		-	-
1.4. Net profit		60 663	41 113
		<b>656 171</b>	<b>629 204</b>
<b>2. Provisions</b>			
2.1. Provisions for liabilities – short-term	16	2 000	2 000
		<b>2 000</b>	<b>2 000</b>
<b>3. Long-term liabilities</b>			
3.1. Loans, borrowings and bonds	13	509 110	527 138
3.2. Security deposits and advances received	13	1 521	17 707
		<b>510 631</b>	<b>544 845</b>
<b>4. Short-term liabilities</b>			
4.1. Loans, borrowings and bonds	15	334 191	438 557
4.2. Liabilities due to current portion of income tax	14	2	1 945
4.3. Other tax liabilities	14	2 573	4 187
4.4. Trade liabilities	14	12 335	17 267
4.5. Security deposits and advances received	14	16 870	16 016
4.6. Other liabilities	14	3 983	5 028
		<b>369 954</b>	<b>483 000</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1 538 756</b>	<b>1 659 049</b>

## PROFIT AND LOSS ACCOUNT (PLN '000)

	NOTE	01.01.2013 31.12.2013	01.01.2012 31.12.2012
Revenue	18	249 261	201 470
Prime cost of sale	19	(147 186)	(119 212)
<b>Gross profit on sales</b>		<b>102 075</b>	<b>82 258</b>
Profit / (loss) on investment property		(580)	2 082
Selling costs	19	(23 086)	(24 111)
General administrative expenses	19	(39 744)	(35 368)
Other operating revenue	20	77 859	59 215
Other operating expenses	20	(1 473)	(2 696)
<b>Profit before tax and excluding financial revenue/expenses</b>		<b>115 051</b>	<b>81 380</b>
Financial revenue	21	29	3 048
Financial expenses	21	(52 191)	(62 538)
<b>Gross profit</b>		<b>62 889</b>	<b>21 890</b>
Income tax	22	(2 226)	19 223
<b>Net profit</b>		<b>60 663</b>	<b>41 113</b>
Net profit		60 663	41 113
Average weighted ordinary shares		412 690 582	420 000 000
Earnings per ordinary share (in PLN)		0,15	0,10
Average weighted diluted ordinary shares		412 690 582	420 000 000
Diluted earnings per ordinary share (in PLN)		0,15	0,10

## STATEMENT OF FINANCIAL RESULT AND STATEMENT OF OTHER COMPREHENSIVE INCOME (PLN '000)

	01.01.2013 31.12.2013	01.01.2012 31.12.2012
<b>Net profit</b>	<b>60 663</b>	<b>41 113</b>
Other comprehensive income:	-	-
<b>Other net comprehensive income</b>	<b>-</b>	<b>-</b>
<b>Comprehensive income</b>	<b>60 663</b>	<b>41 113</b>

## CASH FLOW STATEMENT (PLN '000)

	NOTE	01.01.2013 31.12.2013	01.01.2012 31.12.2012
<b>Operating cash flow – indirect method</b>			
<b>I. Gross profit</b>		<b>62 889</b>	<b>21 890</b>
<b>II. Adjustments</b>		<b>(17 351)</b>	<b>15 645</b>
1. Amortisation/depreciation		3 782	3 984
2. Foreign exchange gains/(losses)		-	-
3. Interest and profit sharing (dividends)		(18 992)	11 886
4. Profit/(loss) on revaluation of assets and liabilities		(2 141)	(225)
<b>III. Movement in working capital</b>		<b>7 516</b>	<b>29 547</b>
1. Movement in provisions		(498)	(2 272)
2. Movement in inventory		35 037	10 432
3. Movement in receivables		(5 566)	59 607
4. Movement in short-term liabilities, except for loans and borrowings		(21 457)	(38 220)
<b>IV. Net operating cash (I+/-II +/- III)</b>		<b>53 054</b>	<b>67 082</b>
<b>V. Income tax paid</b>		<b>(5 319)</b>	<b>(3 657)</b>
<b>VI. Net operating cash flow (IV+/-V)</b>		<b>47 735</b>	<b>63 425</b>
<b>Cash flow from investing activities</b>			
<b>I. Proceeds</b>		<b>639 834</b>	<b>147 210</b>
1. Sale of intangible assets, and property, plant and equipment		72	257
2. Sale of investments in real property and intangible assets		145	159
3. From financial assets, including:		639 617	146 794
a) in related parties		639 617	146 794
- sale of financial assets		-	-
- dividends and profit sharing		75 364	13 000
- repayment of borrowings granted		555 631	114 952
- interest		8 622	18 842
b) in other parties		-	-
- sale of financial assets		-	-
4. Other investment proceeds		-	-
<b>II. Expenditures</b>		<b>(470 216)</b>	<b>(303 989)</b>
1. Purchase of intangible assets and PP&E		(25 103)	(3 170)
2. Investments in real property and intangible assets		435	(256)
3. On financial assets, including:		(445 494)	(300 275)
a) in related parties		(445 494)	(300 273)
- purchase of financial assets		(3 495)	(10 492)
- borrowings granted		(441 999)	(289 781)
b) in other parties		-	(2)
- purchase of financial assets		-	(2)
4. Other capital expenditures		(54)	(288)
<b>Net cash flow from investing activities</b>		<b>169 618</b>	<b>(156 779)</b>



## ANNUAL CASH FLOW STATEMENT (PLN '000), CONTINUED

	NOTE	01.01.2013 31.12.2013	01.01.2012 31.12.2012
<b>Cash flow from financing activities</b>			
<b>I. Proceeds</b>		<b>313 686</b>	<b>504 202</b>
1. Net proceeds from issue of shares (interests) and other equity instruments and capital contributions		-	-
2. Loans and borrowings		930	112 664
3. Issue of debt securities		312 756	391 538
<b>II. Expenditures</b>		<b>(524 119)</b>	<b>(494 217)</b>
1. Purchase of equity shares (interests)		(33 696)	-
2. Dividends and other payments to equity holders		-	-
3. Expenditure due to distribution of profit, other than payments to equity holders		-	-
4. Repayment of loans and borrowings		(112 430)	(32 774)
5. Redemption of debt securities		(320 000)	(395 000)
6. Due to other financial liabilities		-	-
7. Payment of liabilities under finance lease agreements		-	-
8. Interest		(57 993)	(66 443)
9. Other financial expenditures		-	-
<b>Net cash flow from financing activities</b>		<b>(210 433)</b>	<b>9 985</b>
<b>Total net cash flows</b>		<b>6 920</b>	<b>(83 369)</b>
Movement in the balance of cash, including:		<b>6 920</b>	<b>(83 369)</b>
- movement in cash due to foreign exchange gains/losses		-	-
<b>Cash at the beginning of the period</b>	24	<b>3 017</b>	<b>86 386</b>
<b>Cash at the end of the period, including:</b>	24	<b>9 937</b>	<b>3 017</b>
- restricted cash		40	-

## STATEMENT OF CHANGES IN EQUITY (PLN '000)

	SHARE CAPITAL	SUPPLEMENTARY CAPITAL	PROFIT (LOSS) BROUGHT FORWARD	CURRENT YEAR PROFIT	TOTAL EQUITY
<b>As of 1 January 2013</b>	21 000	567 091	41 113	-	629 204
Changes in the period:					
Equity shares	(365)	(33 331)	-	-	(33 696)
Allocation of result from previous years	-	41 113	(41 113)	-	-
Net profit for the period	-	-	-	60 663	60 663
Total changes	(365)	7 782	(41 113)	60 663	26 967
<b>As of 31 December 2013</b>	<b>20 635</b>	<b>574 873</b>	<b>-</b>	<b>60 663</b>	<b>656 171</b>
<b>As of 1 January 2012</b>	21 000	550 574	16 517	-	588 091
Changes in the period:					
Allocation of result from previous years	-	16 517	(16 517)	-	-
Net profit for the period	-	-	-	41 113	41 113
Total changes	-	16 517	(16 517)	41 113	41 113
<b>As of 31 December 2012</b>	<b>21 000</b>	<b>567 091</b>	<b>-</b>	<b>41 113</b>	<b>629 204</b>

On 25 April 2013, as a result of a block transaction on the regulated market of Warsaw Stock Exchange, Echo Investment SA purchased from its subsidiary, Park Postępu-Projekt Echo-93 Spółka z ograniczoną odpowiedzialnością S.K.A., with its registered office in Kielce, 7,309,418 (seven million, three hundred and nine thousand, four hundred and eighteen) equity shares for PLN 4.61 per share.

On 6 June 2013, the Ordinary General Shareholders' Meeting of Echo Investment S.A. passed a resolution on the redemption of the said shares, which were purchased as a result of the call to subscribe for the sale of shares between 8 and 21 February 2012.

The said purchase of the equity shares was based on:

- Resolution 3 of the Extraordinary General Meeting of Echo Investment S.A. of 19 December 2008, authorising the Issuer's Management Board to purchase equity shares for redemption or for resale between 20 December 2008 and 19 December 2013.
- Resolution 132 on the adoption of the equity share redemption programme of Echo Investment S.A. F34 on 18 January 2012.

On 31 October 2013, the decrease in the share capital was registered with the court.

## INTRODUCTION

**GENERAL INFORMATION**

Echo Investment S.A.'s core activity consists in the construction and lease 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 "Company"), with its registered office in Kielce, al. Solidarności 36, 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, 10<sup>th</sup> Economic Department of the National Court Register.

The Company's shares are quoted at the Warsaw Stock Exchange on the regulated market – WIG – property development companies.

The Company was established for an indefinite period of time.

As of 31 December 2013, the Management Board of Echo Investment S.A. was composed of Piotr Gromniak (President of the Management Board), Artur Langner (Vice-President of the Management Board) and Waldemar Lesiak (Vice-President of the Management Board), and, as of 31 December 2012, the Management Board was composed of Piotr Gromniak (President of the Management Board) and Artur Langner (Vice-President of the Management Board). As of 31 December 2013, the Supervisory Board was composed of: Chairman Wojciech Ciesielski, Vice-Chairman Andrzej Majcher, Vice-Chairman Mariusz Waniotka and the following members: Robert Oskard and Karol Żbikowski. As of 31 December 2012, the composition was as follows: Chairman Wojciech Ciesielski, Vice-Chairman Andrzej Majcher, Vice-Chairman Mariusz Waniotka and the following members: Tomasz Kalwat, Robert Oskard and Karol Żbikowski. As of 31 December 2013, the Audit Committee was composed of: Mariusz Waniotka – Chairman, Robert Oskard and Karol Żbikowski – members.

**INFORMATION ON THE FINANCIAL STATEMENTS**

The statements of the Echo Investment S.A. present financial data for the 12-month period ending on 31 December 2013 and comparative data for the 12-month period ending on 31 December 2012.

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.

The statements have been prepared in compliance with the International Financial Reporting Standards (IFRS), as adopted 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. To fully understand the financial situation and business results of the Company as the parent company of the Echo Investment group, these financial statements should be read together with the annual consolidated financial statements for the financial year ending on 31 December 2013. These consolidated financial statements are available on the Company's website [www.echo.com.pl](http://www.echo.com.pl). The statements have been drawn up according to the going concern principle as there are no circumstances indicating a threat to continued 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.

**IN 2013, THE COMPANY APPLIED THE FOLLOWING AMENDMENTS TO THE STANDARDS AND INTERPRETATIONS:**

When preparing these statements, the Company used new standards, amendments to standards and interpretations issued by the IFRS Interpretations Committee, which apply to the Company's reporting period starting on 1 January 2013, i.e. IFRS 13 and the amendments to IAS 1. The introduced amendments have not had any material effect on the presentation of data and measurement in the financial statements.

## a) IFRS 13 "Fair value measurement"

The new standard is intended to improve the consistency and reduce the complexity by providing a more precise definition of fair value and include, in a single standard, the requirements for fair value measurement and the respective disclosures. The Company presented additional disclosures required by this standard. The application of the new standard does not materially affect the disclosures in the separate financial statements.

## b) Presentation of the items of other comprehensive income – amendments to IAS 1.

The amendments to IAS 1 require entities to classify the items presented under other comprehensive income into two groups, based on which whether they can be recognised in the financial result in the future. The Company adjusted the presentation of other comprehensive income to the requirements of the amended standard.

**AFTER 1 JANUARY 2014, THE COMPANY WILL APPLY THE FOLLOWING AMENDMENTS TO THE STANDARDS AND INTERPRETATIONS, WHICH ARE NOT YET APPLICABLE:**

In these financial statements, the Company did not apply the following published standards, interpretations or amendments to the existing standards before their effective date:

**IFRS 9 "Financial Instruments: Classification and Measurement, and Hedge Accounting"**

IFRS 9 was published by the International Accounting Standards Board on 12 November 2009 and supersedes these parts of IAS 39 which relate to the classification and measurement of financial assets. In October 2010, IFRS 9 was supplemented with the classification and measurement of financial liabilities. In November 2013, further amendments were introduced and the part regarding hedge accounting was published. The recent amendments have removed the date of the obligatory application of the standard, thus making the standard's application voluntary.

The standard introduces a single model with only two categories of financial assets: measured at fair value and measured at amortised cost. The classification is conducted at initial recognition and depends on the entity's model for managing financial instruments and the characteristics of contractual cash flows from these instruments.

Most of the requirements of IAS 39 regarding classification and measurement of financial liabilities were transferred unchanged to IFRS 9. The key change is that entities are required to present, in other comprehensive income, the effects of changes of their credit risk due to financial liabilities designated for measurement at fair value through the financial profit or loss.

With regard to hedge accounting, the amendments were intended to better adjust hedge accounting to risk management. The standard allows for the application of the requirements of IFRS 9 or for continuing hedge accounting as per ISA 39 because it does not include macro hedges.

The Company applies IFRS 9, as approved by the European Union.

The application of these provisions will not materially affect the Company's financial results. As of the date of these financial statements, IFRS 9 was not yet approved by the European Union.

**IFRS 11 "Joint arrangements"**

The new standard supersedes IAS 31 "Interests in joint ventures" and SIC-13 "Jointly controlled entities – non-monetary contributions by venturers". The amendments to the definitions limit the number of joint arrangements to two instances: joint operations and joint ventures. At the same time, the existing option to select proportionate consolidation for jointly controlled entities was eliminated. All parties to joint ventures are currently obliged to recognise them using the equity method.

The Company will apply IFRS 11 as of 1 January 2014.

The application of these provisions will not materially affect the Company's financial results.

**IFRS 12 "Disclosure of interests in other entities"**

IFRS 12 addresses entities holding interests in a subsidiary, a joint venture, an associate or in an unconsolidated structured entity. The standard supersedes the requirements regarding the disclosures currently included in IAS 27 "Consolidated and Separate Financial Statements" and IAS 28 "Investments in Associates". IFRS 12 requires entities to disclose information that will help the users of financial statements assess the nature, risk and financial consequences of investments in subsidiaries, associates, joint ventures and unconsolidated structured entities. To this end, the new standard introduces the requirement to disclose information regarding many areas, such as material judgements and assumptions adopted when determining whether an entity controls, jointly controls or has a significant influence on other entities; comprehensive information on the important of non-controlling interests on the business and the group's cash flows; summarised financial data on subsidiaries with indication of significant non-controlling interests, and detailed information on interests in unconsolidated structured entities.

The Company will apply IFRS 12 as of 1 January 2014.

The application of these provisions will affect the scope of disclosures in the financial statements.

**Amended IAS 27 "Separate financial statements"**

IAS 27 was amended in connection with the publication of IFRS 10 "Consolidated financial statements". The purpose of the amended IAS 27 is to define the requirements for the recognition and presentation of investments in subsidiaries, jointly controlled entities and associates, when the entity prepares separate financial statements. The guidelines regarding control and consolidated financial statements were replaced by IFRS 10.

The Company will apply the amended IAS 27 as of 1 January 2014.

The application of these provisions will not materially affect the scope of disclosures in the financial statements.

**Amended IAS 28 "Investments in associates and joint ventures"**

The Board decided to include the principles for recognising joint ventures using the equity method in IAS 28 because this method applies to joint ventures as well as associates. Except for this one, the remaining guidelines remained unchanged.

The Company will apply the amended IAS 28 as of 1 January 2014.

The effect of this amendment is described in the section where the effect of IFRS 11 is discussed.

**Offsetting financial assets and financial liabilities – amendments to IAS 32**

The amendments to IAS 32 "Financial Instruments: Presentation", regarding the offsetting of financial assets and financial liabilities, introduce additional explanations on the application of IAS 32 in order to clarify inconsistencies in the application of certain offsetting criteria. They include an explanation of the phrase "holding a valid legal title to offsetting" and explain that certain mechanisms for gross settlement may be regarded as a net settlement, when certain conditions are met.

The Company will apply the amendments to IAS 32 as of 1 January 2014.

The application of these provisions will not materially affect the financial results.

**Amendments to the interim provisions to IFRS 10, IFRS 11 and IFRS 12**

The amendments specify in detail the interim provisions for IFRS 10 "Consolidated Financial Statements". Entities adopting IFRS 10 must assess whether they exercise control on the first day of the period for which IFRS 10 is adopted for the first time, and if the conclusions of such assessment differ from the conclusions of IAS 27 and SIC 12, the comparative data must be restated, unless impractical. The amendments also introduce additional interim assistance in the application of IFRS 10, IFRS 11 and IFRS 12 by limiting the obligation to present corrected comparative data only to the data for the previous reporting period. In addition, the amendments remove the requirement to present comparative data for the disclosures regarding unconsolidated structured entities for period preceding the first-time adoption of IFRS 12.

The Company will apply the above amendments as of 1 January 2014.

The application of these provisions will not materially affect the Company's statements.

**IFRIC 21 "Levies"**

The interpretation provides guidance on how to recognise the liabilities to pay levies that are not income taxes. The obligating event is an event defined in the laws that triggers the payment of the levy. The fact that the company will continue its business in the following period or that it prepares its statements in accordance with the going concern principle does not require the recognition of the liability. The same principles for recognising the liability apply to annual and interim statements. The application of the interpretation to the liabilities due to issue rights is optional.

The Company will apply IFRIC 21 as of 1 January 2014.

The application of these provisions will not materially affect the Company's financial statements. As of the date of these financial statements, IFRIC 21 was not yet approved by the European Union.

### **Recoverable amount disclosures for non-financial assets – Amendments to IAS 36**

The amendments to IAS 36 "Impairment of non-financial assets" remove the requirement to disclose the recoverable amount where a cash-generating unit includes goodwill or intangible assets with an unspecified useful life and where no impairment is identified.

The Company will apply the amendments to IAS 36 as of 1 January 2014.

The application of these provisions will not materially affect the Company's financial results.

### **Improvements to IFRS 2010-2012**

In December 2013, the IASB issued "Annual Improvements to IFRS 2010-2012 Cycle", which amend 7 standards. The improvements include changes in the presentation, recognition and measurement as well as terminological and editorial changes. Most of the changes will be effective for annual periods beginning on 1 July 2014.

The Company will apply the said Improvements to the IFRS as of 1 January 2015.

The application of these provisions will not materially affect the Company's financial results. As of the date of these financial statements, IFRS was not yet approved by the European Union.

### **Improvements to IFRS 2011-2013**

In December 2013, the IASB issued "Annual Improvements to IFRS 2011-2013 Cycle", which amend 4 standards. The improvements include changes in the presentation, recognition and measurement as well as terminological and editorial changes. The changes will be effective for annual periods beginning on 1 July 2014.

The Company will apply the said Improvements to the IFRS as of 1 January 2015.

The application of these provisions will not materially affect the Company's financial results. As of the date of these financial statements, the said Improvements to IFRS were not yet approved by the European Union.

## **MAIN ACCOUNTING PRINCIPLES**

### **Intangible assets**

Intangible assets are recognised, if it is likely that they will result in economic benefits directly attributable to these assets in the future. Intangible assets are initially recognised at the purchase price or the manufacturing cost. After the initial recognition, intangible assets are measured at the purchase price or the manufacturing cost, less amortisation and impairment losses.

Straight line amortisation of intangible assets is applied over the expected useful life of intangible assets, which is verified on a quarterly basis. The estimated useful lives of assets are:

- for permits, patents, licenses, etc. – 2 years,
- for other items – 2 years.

Intangible assets are tested for impairment, if certain events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is disclosed in the amount by which the carrying value of an asset exceeds the recoverable value.

### **Property, plant and equipment**

Property, plant and equipment include the Company's tangible assets. The Company's tangible assets include:

- property (not leased and not intended for trading) used by the Company,
- machinery and equipment,
- means of transport,
- other complete and usable items with an expected useful life of more than one year.

PP&E is measured and presented in the statement at the purchase price or the manufacturing cost, less depreciation and impairment losses.

Land held by the Company is not depreciated and other PP&E is depreciated using straight line method over their estimated useful life, which is verified on a quarterly basis. The estimated useful lives of assets are:

- for buildings and structures – 22 to 67 years,
- for machines and equipment – 2 to 5 years,
- for means of transport – 1.5 to 10 years,
- for other equipment – 5 years.

Further expenditures are recognised at the carrying value of a PP&E item or recognised as a separate tangible asset (where appropriate) only when it is probable that this item will result in economic benefits for the Company and the cost of a given item can be credibly measured. Any other expenditures on repairs and maintenance are recognised in the profit and loss account in the financial year in which they were incurred.

PP&E is tested for impairment, if certain events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is disclosed in the amount by which the carrying value of an asset (or a cash-generating item to which an asset is related) exceeds the recoverable value, and is recognised in the profit and loss account. The recoverable value is one of the two amounts, whichever is higher: fair value less selling costs or use value.

Profits and losses on the disposal of PP&E which constitute differences between sales revenue and the carrying value of a sold PP&E item are recognised in the profit and loss account under other operating revenue/costs.

### **Investment property**

Investment properties include properties owned and leased out by the Company along with land directly related to the properties as well as land purchased and held to increase value. Investment properties are initially recognised at purchase price/manufacturing cost.

Following the initial recognition on the first balance sheet date, investment properties are disclosed at the 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.

Further expenditures are recognised at the carrying value of an investment property or recognised as a separate investment property (where appropriate) only when it is probable that this item will result in economic benefits for the Company and the cost of a given item can be credibly measured. Any other expenditures on repairs and maintenance are recognised in the profit and loss account in the financial year in which they were incurred.

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. The fair value of investment properties is the price which could be obtained for the sale of an asset or which could be paid for the transfer of a liability in a transaction concluded between market participants on arm's length terms as of the measurement date. The fair value of real property generating constant income is determined by an entity with the income 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 appraisers. Net operating income (NOI) is revised every quarter based on the applicable lease 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 is determined by external property appraisers.

The differences on the measurement of investment properties are recognised in the income statement under "profit/loss on investment 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 "profit/loss on investment property".

Investment property under construction includes the Company's investments in progress that are intended to be rented out. For projects where a significant portion of risks involved in the construction process is eliminated and a credible measurement of fair value is possible, the property is measured at fair value. In other situations, when it is not possible to credibly determine the fair value, the value of property under construction is measured at the purchase price or the manufacturing cost, less any impairment losses.

The Company has specified criteria which, when satisfied, lead to an analysis whether the material risks related to investment property under construction have been eliminated. These criteria include:

- procurement of a building permit,
- contracting construction works with a value of at least 30% of the investment's budget,
- at least 20% of area in the project under construction has been leased.

An important issue when analysing risks is the possibility and mode of funding the project. Every investment property under construction is analysed individually.

When measuring investment property under construction at fair value using the income approach, the Company considers the project's progress at the end of the reporting period. When measuring investment property under construction according to the manufacturing costs, in the absence of a credibly determinable fair value, the costs directly related to the investment in progress are considered. They include expenditures on the purchase of land, design and construction of civil engineering objects (third party services mainly), financial costs and other costs incurred in the course of implementation that are directly related to the investment.

If the use of a property changes, the property is reclassified in the financial statements as appropriate. A property is reclassified and disclosed under PP&E or inventory at the previously disclosed fair value.

### **Lease**

Lease is classified as finance lease, if the terms of the agreement essentially transfer all potential benefits and risks from holding an ownership title to an asset to the lessee. Operating lease is a lease arrangement where a significant portion of risks and benefits from the ownership title rests with the lessor (the financing party).

Operating lease payments are recognised as costs (if the Company is a lessee) or as revenue (if the Company is a lessor) in the profit and loss account, using the straight line method for the duration of the lease agreement.

Benefits received by the lessee and benefits due as incentive to conclude an operating lease agreement are recognised in the profit and loss account, using the straight-line method for the duration of the lease agreement

When the nature of the contract indicates that the lease payments will be accrued progressively for the duration of the agreement, the annual payments are depreciated with the straight line method.

### **Interests and shares in subsidiaries, jointly controlled entities and associates**

Interests and shares in subsidiaries, jointly controlled entities and associates are presented at the purchase price adjusted for subsequent impairment losses. An impairment test is conducted when there are indications that the carrying value of an investment will not be recovered. The Company analyses the value of net assets of companies in which it holds interests because the main asset of these entities is investment property measured at fair value, while the main liability are special purpose loans and, consequently, the net value of assets reflects the fair value of the held interests. In the event of impairment, an impairment loss is recognised in the profit and loss account under other operating costs. The impairment loss is recognised in the amount by which the carrying value exceeds the recoverable value. If the loss is reversed, its value is recognised under other operating revenue.

### **Inventory**

The following items are recognised under inventory: semi-finished products and work-in-progress, finished products, goods and advances on deliveries. Given the specific nature of business, the purchased land or the incurred fees due to perpetual usufruct of land are classified as work-in-progress, if the land is intended for development, or as goods related to residential activity, if the land is intended for sale. Finished products include mainly residential and commercial premises sold under final agreements. The costs of land purchase are disclosed as consumption of materials and energy in the income statement by types, given the specific nature of the Company's business.

Inventories of current assets are measured at the purchase price of land and at the manufacturing costs of products in the property development business, plus capitalised financial costs.

The Company capitalises the financial costs in the period when the investment is implemented. The Company understands 'implementing an investment' to mean the actual commencement of the construction, i.e. the moment when the contractor enters/takes over the construction site.

Inventory is measured up to the net realisable value. This value is obtained based on 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 a decrease of costs are presented in the income statement under prime cost of sale.

### **Financial instruments**

The Company categorises its financial assets and liabilities as follows:



- items of financial assets or financial liabilities measured at fair value through the profit and loss account
  - financial assets held for trade. A financial asset is included in this category, if it is purchased primarily for short-term sale.
  - financial assets designated at initial recognition as measured at the fair value through the profit and loss account,
  - derivatives which do not fulfil the criteria for hedge accounting.
- investments held to maturity – financial assets which are not derivative instruments with fixed or determinable payments and fixed maturity which the Company has a strong intention and ability to hold to maturity;
- borrowings and receivables – financial assets which are not derivative instruments with fixed or determinable payments, not quoted on an active market;
- financial assets available for sale – non-derivative financial assets not classified as financial assets disclosed at the fair value through the profit and loss account, borrowings and receivables, and assets held to maturity.

Assets are entered into the books as at the transaction date and cancelled from the balance sheet when the contractual rights to cash flows from a financial asset expire, or when a financial asset is transferred along with all risks and benefits resulting from that asset.

#### **Financial assets disclosed at the fair value through the profit and loss account**

These assets are classified as current assets, if they are intended for trade or are expected to be recovered within 12 months from the balance sheet date. In this category, the Company includes investments in securities.

As of the initial recognition and as of the balance sheet date, financial assets are measured at the fair value through the profit and loss account.

#### **Derivative instruments**

Derivative instruments are recognised in the books when the Companies become a party to a binding agreement.

The Company uses derivatives to mitigate the FX or interest rate risk.

The Company does not apply hedge accounting.

As at the balance sheet date, derivatives are measured at their fair value. Derivatives with a positive fair value are financial assets, while derivatives with a negative fair value are financial liabilities.

Profit or loss on derivatives is recognised in financial revenue or costs respectively, while in the cash flow statement, it is recognised as cash flow from operating activity, if the purchase leads to the recognition of an asset in the Company's balance sheet.

#### **Borrowings granted**

Borrowings granted are non-derivative financial assets with a fixed or determinable payment, not quoted on an active market, and other than classified as financial assets disclosed at the fair value through the profit and loss account or other than available sale.

These assets are entered into the books as at the transaction date and cancelled from the balance sheet when the contractual rights to cash flows from a financial asset expire, or when a financial asset is transferred along with all risks and benefits resulting from that asset.

Borrowings granted are disclosed on the day of entry into the books at the fair value plus transaction costs and, subsequently, as at the balance sheet date, according to the amortised cost determined with the effective interest rate method.

Revaluation allowances for borrowings granted are created at the end of every quarter, if there is objective evidence that the Company will not receive all amounts due under the original terms of the granted borrowings.

#### **Trade and other receivables**

Trade and other receivables are initially recognised in the balance sheet at the fair value and, subsequently, measured according to the amortised cost using the effective interest rate method, less impairment losses. Receivables are revaluated by creating a revaluation allowance, in consideration of how probable it is that the receivables will be repaid.

Revaluation allowances for trade and other receivables are created at the end of every quarter, if there is objective evidence that the Company will not receive all amounts due under the original terms of the receivables. Indications of impairment of receivables: severe financial problems of a debtor or delayed payments. The allowance amount is the difference between the carrying value of an item of receivables and the current value of the estimated prospective cash flows related to such an item. The amount of loss is recognised in the profit and loss account in "other operating expenses".

Subsequent repayments of the written-down receivables are recognised in "other operating revenue" in the profit and loss account.

In principle, long-term trade receivables are measured according to the amortised cost, using the effective interest rate method. However, when the difference between the amortised cost value and the payable amount has no material effect on the Company's financial results, such receivables are recognised in the balance sheet at the payable amount.

Advances on deliveries are measured according to the expended cash and the received VAT invoices documenting the advances.

#### **Financial assets available for sale**

Financial assets available for sale are entered into the books as at the transaction date and cancelled from the balance sheet when the contractual rights to cash flows from a financial asset expire, or when a financial asset is transferred along with all risks and benefits resulting from that asset.

As at the day of entry into the books, these assets are measured at the fair value plus transaction costs, while as at the balance sheet date, they are measured at the fair value, taking account of impairment losses recognised in the income statement.

Profits or losses from movements in the fair value of an asset are recognised in other comprehensive income.

Revaluation allowances for financial assets are created at the end of every quarter, if there is objective evidence that the Company will not receive all amounts due under the original terms of the assets.

Assets available for sale include shares and interests in companies which are not subsidiaries and associates, are not quoted on an active market, and which comprise short-term or long-term assets.

Where it is not possible to determine their fair value, the assets are measured at the purchase price, less impairment losses, and the effects of the measurement are recognised in the financial profit or loss.

#### **Cash and cash equivalents**

Cash in bank and cash in hand, short-term deposits held to maturity and other financial assets that fulfil the definition of a cash equivalent are measured at the nominal value.

Foreign currency cash is measured as at the reporting day. The same definition of cash applies to the cash flow statement.

#### **Financial guarantee agreements**

Financial guarantees are recognised as financial instruments. These agreements are initially recognised at the fair value (equal to a received bonus or estimated using measurement techniques) and, subsequently, at one of the two values, whichever is higher:

- amount of provision determined based on the estimated probable expenditure necessary to settle a liability under a guarantee agreement;
- initial value less amortisation allowances.

In addition, financial guarantee agreements are disclosed in off-balance sheet liabilities and receivables. On every balance sheet date, the Company verifies whether a payment and the creation of a provision are likely.

#### **Income tax**

Income tax on the profit or loss for the financial year includes current and deferred income tax. Income tax is recognised in the profit and loss account, except for amounts related to items recognised directly in equity or in other comprehensive income; in this case, income tax is disclosed in equity and other comprehensive income respectively.

The current portion of income tax is the expected amount of tax on taxable income for a given year, calculated based on the tax rates determined as at the balance sheet date along with any tax adjustments for previous years.

Deferred tax is calculated with the balance sheet method as tax to be paid or reimbursed in the future on the differences between the carrying values of assets and liabilities and the corresponding tax values used to calculate the tax base, except for temporary differences which arise at the time of initial recognition of an asset or liability, and do not affect the accounting or tax result.

Deferred tax is not created for temporary differences on investments in subsidiaries, jointly controlled entities and associates, if the Company controls the reversal of these differences and they will not be reversed in foreseeable future.

Deferred income tax assets due to tax loss are created, if the settlement of the loss in the following years is probable.

For the calculation of deferred income tax, a tax rate is used which will apply in the reporting periods in which assets will be settled or liabilities will be released.

Deferred income tax is estimated on every balance sheet date by recognising differences in the profit and loss account, other comprehensive income or equity, depending where the temporary difference from which the deferred tax is subtracted was recognised.

### **Equity**

Share capital is measured at the nominal value disclosed in the National Court Register. Differences between the fair value of a payment and the nominal value of shares are recognised in the share premium.

The issue costs of shares decrease the Company's supplementary capital down to the amount of the share premium.

### **Provisions**

Provisions are established when the Company has a present obligation as a result of past events and when it is probable that the fulfilment of that obligation will involve an outflow of assets representing economic benefits and the amount of such obligation can be credibly estimated.

Provisions are measured at the current value of costs estimated by the company's management according to its best knowledge which must be incurred to settle a current liability as at the balance sheet date.

### **Financial liabilities – including trade liabilities**

Financial liabilities include loans, borrowings, debt securities, not payable interest on bank loans accounted for according to the accrual principle as well as the discount of debt securities to be settled in subsequent accounting periods. Foreign currency loans are measured at the selling rate of the bank serving the Company.

Financial liabilities are initially recognised at the fair value less costs of transaction and subsequently measured with the method "amortised cost of a liability", according to IAS 39. Measurement takes account of the risk and the possibility of an early repayment of long-term liabilities.

Trade liabilities are initially measured at the fair value and, subsequently, long-term liabilities are measured at the amortised cost, using the effective interest rate method. When the difference between the amortised cost value and the value in the amount payable does not significantly affect the Company's financial results, such liabilities are recognised in the balance sheet at the amount payable. Advances on deliveries include invoiced advances (including advances on apartments) and non-invoiced advances. Trade liabilities include security deposits.

### **METHODS OF DETERMINING THE FINANCIAL RESULT**

The financial result is determined using the calculation method.

### **Operating revenues**

Revenue from the sale of goods and products is disclosed at the fair value of the received or due payment, less rebates, discounts and taxes on the sale, and recognised at the moment of the delivery of goods and products and the transfer of risks and benefits from the ownership title to the goods and products to the buyer, and when the amount of revenue can be credibly determined.

In particular, revenue from the sale of residential and commercial premises constructed by the Company is recognised according to IAS 18 and IFRIC 15 at the time of the transfer of the ownership title to these premises in a sale agreement, after the development is completed and the right to use the premises has been acquired.

Revenue from the lease of residential and commercial areas is recognised on a straight line basis for the duration of the concluded agreements.

Revenue from legal, consulting, IT, financial, marketing, security and other sales services is recognised in the period in which such services were provided.

### **Prime cost of sale**

Manufacturing costs of goods, products and services sold include the incurred costs related to revenue for the financial year and the costs accrued but not yet incurred.

The costs of goods and products sold are measured at the manufacturing costs, using strict identification of actual costs of the sold assets or the percentage share, e.g.: of the sold land, interests, etc. In particular, the prime cost of the sold premises and land is determined proportionately to their share in the overall construction cost of an object and in the whole land comprising a project.

### Financial expenses

The financial costs related to the current period are recognised in the profit and loss account, except for costs capitalised according to the solution presented in IAS 23. The Company capitalises this portion of the financial costs which are directly related to the purchase and manufacturing of items of assets which require an extended period during which they are prepared for the intended use or sale, recognised as inventories and commenced investments. Capitalisation includes the amount of costs determined using the effective interest rate, less revenue from the temporary investment of cash (i.e. interest on bank deposits, except for deposits resulting from blocked accounts, letter of credit agreements). In the case of general financing, the general financing costs subject to capitalisation are determined using the yield with regard to the expenditures incurred on a given asset.

### Cash flow statement

The cash flow statement is prepared using the indirect method. Liabilities due to overdraft facilities are presented as debt due to loan and not as cash equivalents.

### Segment reporting

The Company does not recognise information on segments according to IFRS 8, paragraph 4. This information is included in the consolidated financial statements of the Echo Investment capital group, which will be published simultaneously with the Company's separate financial statements.

### MATERIAL 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 date, investment properties are disclosed at the 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 income 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 appraisers. Net operating income (NOI) is revised every quarter based on the applicable lease 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 appraisers.

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 interests in subsidiaries, jointly controlled entities and associates**

An impairment test is conducted when there are indications that the carrying value of an investment will not be recovered. The assessment of the impairment of interests in subsidiaries, jointly-controlled and associated 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 interests in subsidiaries. In particular, for material subsidiaries which, as at 31 December 2013, 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 interests.

ANALYSIS OF EXPOSURE TO IMPAIRMENT OF INTERESTS, SHARES AND FUNDS (PLN '000)	VALUE CALCULATED FOR THE PURPOSE OF ANALYSIS	
	AS OF 31.12.2013	AS OF 31.12.2012
Interests, shares and funds held	926 571	923 076
Financial revenues/expenses from the measurement of interests, shares and funds	-	-1 972
Estimated percentage change in the value of interests, shares and funds	+/- 1 p.p.	+/- 1 p.p.
Estimated financial revenues/expenses from a potential change in the value of interests, shares and funds	9 266	9 231
<b>TOTAL effect on the gross result for the period</b>	<b>9 266</b>	<b>9 231</b>
Income tax	1 761	1 754
<b>TOTAL effect on the net result for the period</b>	<b>7 505</b>	<b>7 477</b>

When calculating the impairment of interests, shares and funds held in subsidiaries, associates and jointly controlled entities, 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.

#### 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.

In 2012, the Company's Management Boards changed its expectations and decided not to sell the interests of Barconsel Holdings Ltd. Echo – Aurus Sp. z o.o. and Echo - SPV 7 Sp. z o.o. in the foreseeable future. Therefore, pursuant to IAS 12 item 39, the provision for deferred income tax on tax and accounting differences related the said interest in the above-mentioned subsidiaries in the amount of PLN 14,559 thousand was released.

#### FINANCIAL RISK MANAGEMENT

##### Price risk

The price risk is not material. The Company does not trade in securities on any active market. The Company may conclude transactions on derivatives to hedge against the FX risk related to the forecast cash flows.

##### Risk of changes in cash flows and fair value related to interest rate

The Company's exposure to the interest rate risk is related to financial assets and liabilities, in particular the granted borrowings, cash, the received bank loans and the issued bonds. Borrowings, loans and bonds bearing a variable interest rate expose the Company to the interest rate risk, while borrowings and loans with a fixed interest rate expose the Company to variations of the fair value of financial instruments. In addition, the Company is exposed to the risk of interest rate variations when raising a new loan or refinancing an existing long-term debt.

INTEREST RATE RISK OF BORROWINGS GRANTED (PLN '000)	VALUE CALCULATED FOR THE PURPOSE OF ANALYSIS	
	AS OF 31.12.2013	AS OF 31.12.2012
Balance of borrowings granted	208 160	318 736
Financial revenue from interest on borrowings granted	11 679	16 434
Estimated change of interest rates	+/-1 p.p.	+/-1 p.p.
Financial revenue from interest on borrowings granted, taking account of changes of interest rates	2 082	3 187
<b>TOTAL effect on the gross result for the period</b>	<b>2 082</b>	<b>3 187</b>
Income tax	396	606
<b>TOTAL effect on the net result for the period</b>	<b>1 686</b>	<b>2 581</b>

The Company granted borrowings in PLN, where the interest rate is variable and depends on WIBOR + margin. If, as of 31.12.2013, interest rates had been higher or lower than the applicable rate by 1 percentage point, the Company's net result would have been higher or lower by PLN 1,686 thousand respectively, as a result of higher or lower interest on the borrowings granted in PLN.

INTEREST RATE RISK OF LIABILITIES DUE TO ISSUE OF DEBT SECURITIES (PLN '000)	VALUE CALCULATED FOR THE PURPOSE OF ANALYSIS	
	AS OF 31.12.2013	AS OF 31.12.2012
Balance of liabilities due to issue of debt securities	843 301	853 264
Financial costs of interest on the issue of debt securities	52 550	58 907
Estimated change of interest rates	+/-1 p.p.	+/-1 p.p.
Financial costs of interest on the issue of debt securities, taking account of increase/(decrease) in interest rates	8 433	8 533
<b>TOTAL effect on the gross result for the period</b>	<b>8 433</b>	<b>8 533</b>
Income tax	1 602	1 621
<b>TOTAL effect on the net result for the period</b>	<b>6 831</b>	<b>6 912</b>

INTEREST RATE RISK – CASH (PLN '000)	VALUE CALCULATED FOR THE PURPOSE OF ANALYSIS	
	AS OF 31.12.2013	AS OF 31.12.2012
Balance of cash	9 937	3 017
Other operating revenue from interest	1 215	1 227
Estimated change of interest rates	+/-1 p.p.	+/-1 p.p.
Other operating revenue from interest, taking account of changes of interest rates	99	30
<b>TOTAL effect on the gross result for the period</b>	<b>99</b>	<b>30</b>
Income tax	19	6
<b>TOTAL effect on the net result for the period</b>	<b>80</b>	<b>24</b>

INTEREST RATE RISK – LOAN LIABILITIES (PLN '000)	VALUE CALCULATED FOR THE PURPOSE OF ANALYSIS	
	AS OF 31.12.2013	AS OF 31.12.2012
Balance of loan liabilities	-	112 431
Financial costs of interest on loans	1 373	3 494
Estimated change of interest rates	+/-1 p.p.	+/-1 p.p.
Financial costs of interest on loans taking account of increase/(decrease) in interest rates	-	1 124
<b>TOTAL effect on the gross result for the period</b>	<b>-</b>	<b>1 124</b>
Income tax	-	214
<b>TOTAL effect on the net result for the period</b>	<b>-</b>	<b>910</b>

**FX risk**

As of the balance sheet date and during the financial year, the Company did not hold any other material foreign currency cash. Therefore, the risk has been estimated as not material and no analysis has been performed of the exposure of other balance sheet items to changing foreign exchange rates.

## FX RISK – EXPOSURE TO FX VARIATIONS (PLN '000)

ITEM BY CURRENCY	AS OF 31.12.2013, IN FOREIGN CURRENCY	BALANCE SHEET MEASUREMENT AS OF 31.12.2013	ESTIMATED CHANGE IN FX RATE (IN %)	EFFECTS OF CHANGES IN FX RATES IN INDIVIDUAL ITEMS
Cash				
EUR	25	104	+/-1 %	1
USD	12	36	+/-1 %	1
HUF	3 007	42	+/-1 %	-
<b>Total effect on the gross result for the period</b>				<b>2</b>
Income tax				-
<b>Total effect on the net result for the period</b>				<b>2</b>

To conduct an analysis of exposure to FX variations as of 31.12.2013, it has been assumed that FX rates may vary in the range of +/-1%. If, as of 31.12.13, the FX rate of the Company's main currencies, i.e. EUR, USD and HUF, had been higher or lower by 1%, the Company's net result would have been higher or lower by PLN 2 thousand respectively, as a result of FX gains or losses on the translation of cash on bank accounts.

## FX RISK – EXPOSURE TO FX VARIATIONS (PLN '000)

ITEM BY CURRENCY	AS OF 31.12.2012, IN FOREIGN CURRENCY	BALANCE SHEET MEASUREMENT AS OF 31.12.2012	ESTIMATED CHANGE IN FX RATE (IN %)	EFFECTS OF CHANGES IN FX RATES IN INDIVIDUAL ITEMS
Cash				
EUR	14	57	+/-1 %	1
USD	4	12	+/-1 %	-
HUF	3 363	47	+/-1 %	-
<b>Total effect on the gross result for the period</b>				<b>1</b>
Income tax				-
<b>Total effect on the net result for the period</b>				<b>1</b>



FX RISK – INVESTMENT PROPERTY	VALUE CALCULATED FOR THE PURPOSE OF ANALYSIS	
	AS OF 31.12.2013	AS OF 31.12.2012
Balance of investment property	3 172	3 752
Revenue/expenses due to measurement of investment property	-580	2 082
Estimated change of the exchange rate	+/-1%	+/-1%
Estimated revenue/expenses due to change of the exchange rate	32	38
<b>TOTAL effect on the gross result for the period</b>	<b>32</b>	<b>38</b>
Income tax	6	7
<b>TOTAL effect on the net result for the period</b>	<b>26</b>	<b>30</b>

### Credit risk

The credit risk occurs in cash, borrowings granted, derivatives, deposits in banks and financial institutions as well as, in relation to the Company's customers and tenants, in the form of unsettled amounts due. The Company has procedures in place to protect the credit worthiness of its customers and tenants; security deposits and guarantees are also used for tenants. There is no significant concentration of risk in relation to any of the Company's customers outside the Echo Investment Group. In relation to related entities, the credit risk, in the opinion of the Management Board, is minimised through regular monitoring of operating activities and the assessment of investment projects of these companies. For cash and deposits in financial institutions and in banks, the Company uses the services of renowned companies.

### Liquidity risk

The liquidity risk occurs when the Company is unable to settle its financial liabilities in due time. The Company manages the liquidity risk by maintaining an adequate amount of supplementary capital, using bank services and reserve loan facilities, and by constantly monitoring the forecast and actual cash flows. Given the dynamic nature of its business, the Company ensures flexible funding through the availability of cash and by diversifying the sources of funding.

In the opinion of the Management Board, the Company has sufficient cash to settle all liabilities in due time. In the long term, the liquidity risk is minimised by the available bank loans. At any time, the Company may use sufficient funds from the loan facilities granted by banks.

The analyses of the Company's financial liabilities and derivatives settled in the net amount which will be settled at specific maturities, based on the period remaining until the contractual maturity as at the balance sheet date, have been presented in the respective notes: loans, borrowings, debt securities, trade receivables and trade liabilities.

Analysis of the Company's undiscounted financial liabilities which will be settled at specific maturities, based on the period remaining until the contractual maturity as at the balance sheet date (31 December 2013):

#### ANALYSIS OF UNDISCOUNTED FINANCIAL LIABILITIES (PLN '000)

PERIOD	FINANCIAL GUARANTEES	BONDS	TRADE AND OTHER LIABILITIES
Up to 1 year	442 049	342 244	16 318
Between 1 and 3 years	26 563	313 194	-
Between 3 and 5 years	-	293 852	-
Over 5 years	-	-	-
<b>TOTAL</b>	<b>468 612</b>	<b>949 290</b>	<b>16 318</b>

The value of debt ratios, as of 31 December 2013 and 31 December 2012 respectively, was consistent with the Company's objectives.

## CAPITAL MANAGEMENT

The Company's objective in terms of capital management is to protect the Company's ability to continue its business, allowing for the generation of returns for the shareholders, and to maintain an optimal structure of capital to reduce its cost.

When managing this risk, the Company makes decisions on the financial leverage, the dividend policy, the issue of new shares, the repurchase and subsequent redemption or resale of the issued shares, or the sale of assets to reduce debt.

The Company monitors the capital using debt ratios. This ratio is calculated as the relation between net debt and total equity. The net debt is calculated as the sum of loans and borrowings (including current and long-term loans and borrowings disclosed in the balance sheet) less cash and cash equivalents. The total value of capital is calculated as equity disclosed in the balance sheet along with the net debt.

DEBT RATIOS (PLN '000)	NOTE	31.12.2013	31.12.2012
Total loans	13, 15	843 301	965 695
Cash and cash equivalents	10	(9 937)	(3 017)
Net debt		833 364	962 678
Total equity		656 171	629 204
Total capital		1 489 535	1 591 882
Debt ratio		55,95%	60,47%

The value of debt ratios, as of 31 December 2013 and 31 December 2012 respectively, was consistent with the Company's objectives.

## ADDITIONAL EXPLANATIONS

### Material agreements concluded with related entities and performed 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 transactions is executed with related entities. The major 2013 transactions with related companies were executed based on the following agreements:

- Agreement for the management of an investment project concluded on 25 August 2011 with Echo Galeria – Amber Spółka z ograniczoną odpowiedzialnością S.K.A., as the investor. Under this agreement, Echo Investment S.A. obliged to provide comprehensive investment management and consulting services in all matters related to the construction of the shopping, services and entertainment centre located on a real property in Kalisz in ul. Górnośląska and ul. Pomorska. The value of the transaction for 2013 is PLN 4,074 thousand.
- Agreement for the management of an investment project concluded on 1 September 2011 with Veneda - Projekt Echo - 97 Spółka z ograniczoną odpowiedzialnością S.K.A., as the investor. Under this agreement, Echo Investment S.A. obliged to provide comprehensive investment management and consulting services in all matters related to the construction of the shopping centre located on a real property in Łomża in ul. Zawadzka and ul. Katyńska. The value of the transaction for 2013 is PLN 1,349 thousand.
- Agreement for the management of an investment project, concluded on 1 October 2012 with Park Rozwoju – Grupa Echo Spółka z ograniczoną odpowiedzialnością S.K.A., as the investor. Under this agreement, Echo Investment S.A. obliged to provide comprehensive investment management and consulting services in all matters related to the construction of the office facility located on a real property in Warsaw in ul. Konstruktorska. The value of the transaction for 2013 is PLN 5,383 thousand.
- Agreement for the preparation of an investment, concluded on 23 December 2011 with Park Rozwoju – Grupa Echo Spółka z ograniczoną odpowiedzialnością S.K.A., as the investor. Under this agreement, Echo Investment S.A. obliged to perform works necessary to obtain a building permit for the construction of an office facility in Warsaw, ul. Konstruktorska. The value of the transaction for 2013 is PLN 1,324 thousand.

- Agreement for the management of an investment project, concluded on 2 May 2012 with Aquarius Business House - Grupa Echo Spółka z ograniczoną odpowiedzialnością S.K.A., as the investor. Under this agreement, Echo Investment S.A. obliged to provide comprehensive investment management and consulting services in all matters related to the implementation of stage II of the office facility located on a real property in Wrocław in ul. Swobodna. The value of the transaction for 2013 is PLN 2,121 thousand.
- Agreement for the preparation of an investment, concluded on 22 July 2008 with A4 - Business Park - GE Spółka z ograniczoną odpowiedzialnością S.K.A., as the investor. Under this agreement, Echo Investment S.A. obliged to perform works so that the Investor can obtain a permit for the construction of an office facility on a real property located in Katowice in ul. Francuska. The value of the transaction for 2013 is PLN 1,163 thousand.
- Agreement on investment management, concluded on 1 September 2012 with A4 - Business Park - GE Spółka z ograniczoną odpowiedzialnością S.K.A., as the investor. Under this agreement, Echo Investment S.A. obliged to provide comprehensive investment management and consulting services in all matters related to the implementation of stage I of the office facility located in Katowice in ul. Francuska. The value of the transaction for 2013 is PLN 2,289 thousand.
- Agreement on investment management, concluded on 1 September 2013 with A4 - Business Park - GE Spółka z ograniczoną odpowiedzialnością S.K.A., as the investor. Under this agreement, Echo Investment S.A. obliged to provide comprehensive investment management and consulting services in all matters related to the implementation of stage II of the office facility located in Katowice in ul. Francuska. The value of the transaction for 2013 is PLN 2,073 thousand.
- Agreement for the preparation of an investment, concluded on 23 December 2008 with Metropolis – Grupa Echo Spółka z ograniczoną odpowiedzialnością S.K.A., as the investor. Under this agreement, Echo Investment S.A. obliged to perform works so that the Investor can obtain a permit for the construction of a shopping facility on a real property located in Poznań in ul. Duszna, Hetmańska and Krauthofera. The value of the transaction for 2013 is PLN 3,321 thousand.
- Agreement for the preparation of an investment, concluded on 24 June 2010 with Projekt Echo - 70 Sp. z o.o., as the investor. Under this agreement, Echo Investment S.A. obliged to perform works so that the Investor can obtain a permit for the construction of an office facility on a real property located in Warsaw in ul. Jana Pawła. The value of the transaction for 2013 is PLN 5,077 thousand.
- Agreement for investment management, concluded on 1 July 2013 with Projekt Echo - 70 Sp. z o.o., as the investor. Under this agreement, Echo Investment S.A. obliged to provide comprehensive investment management and consulting services in all matters related to the implementation of the office facility located in Warsaw in ul. Jana Pawła. The value of the transaction for 2013 is PLN 4,905 thousand.
- Agreement of 31 October 2013 on the sale of proprietary copyrights to design works, concluded with Projekt Echo - 102 Sp. z o.o. Transaction value: PLN 2,809 thousand.
- Agreement for the sale of perpetual usufruct title to the property (plots no. 68/3, 66/1 and 69/93, with a total area of 7,023.00 m<sup>2</sup>) located in Gdańsk, ul. Jana z Kolna 11, concluded with Projekt Echo - 102 Sp. z o.o. Transaction value: PLN 8,196 thousand.
- Agreement for the sale of perpetual usufruct title to the undeveloped property (plot no. 73/1, with an area of 1,118 m<sup>2</sup>, land and mortgage register no. GD1G/00061885/5) located in Gdańsk, ul. Jana z Kolna, concluded on 4 October 2013 with Projekt Echo - 102 Sp. z o.o. Transaction value: PLN 1,933 thousand.
- Agreement for the management of an investment project: alteration of a shopping centre in Jelenia Góra, concluded on 01 July 2013 with Galeria Sudecka - Projekt Echo - 43 Spółka z ograniczoną odpowiedzialnością S.K.A., as the investor. Under this agreement, Echo Investment S.A. obliged to provide comprehensive investment management and consulting services in all matters related to the alteration of the shopping centre located on a real property in Jelenia Góra in ul. Jana Pawła II 52. The value of the transaction for 2013 is PLN 2,704 thousand.
- Agreement for the management of an investment project, concluded on 1 August 2013 with Projekt 3 - Grupa Echo Spółka z ograniczoną odpowiedzialnością S.K.A., as the investor. Under this agreement, Echo Investment S.A. obliged to provide comprehensive investment management and consulting services in all matters related to the implementation of the office facility located in Wrocław in ul. Lotnicza. Transaction value: PLN 2,238 thousand.

- Agreement for the sale of perpetual usufruct title to a property and the ownership title to buildings located in Warsaw, ul. Konstruktorska 10 (plot no. 11/2 with an area of 51,260.00 m<sup>2</sup>, land and mortgage register no. WA2M/00201248/0), concluded on 2 January 2013 with Echo – Nowy Mokotów Sp. z o.o. S.K. Transaction value: PLN 46,711 thousand.
- Agreement for investment management, concluded on 3 January 2013 with Echo – Nowy Mokotów Sp. z o.o. S.K., as the investor. Under this agreement, Echo Investment S.A. obliged to provide comprehensive investment management and consulting services in all matters related to the implementation of the office facility located in Warsaw in ul. Konstruktorska. The value of the transaction for 2013 is PLN 1,989 thousand.
- Agreement of 3 January 2013 on the sale of proprietary copyrights to design works, concluded with Echo – Nowy Mokotów Sp. z o.o. S.K. Transaction value: PLN 2,618 thousand.

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

#### **MATERIAL EVENTS AFTER THE BALANCE SHEET DATE:**

##### **Issue of bonds**

On 20 January 2014, Echo Investment S.A. took steps to issue the Company's bonds as part of a public bonds issue programme. Under the public bonds issue programme, the Company will issue several series of unsecured bonds up to a total of PLN 200 million within 12 months. The bonds will be available as a public offering. Next, the Company plans to introduce them to trading on the regulated market Catalyst, which is operated by Giełda Papierów Wartościowych w Warszawie S.A. (Warsaw Stock Exchange).

On 19 February 2014, Echo Investment S.A., as part of the Bond Issue Programme (Current Report no. 7/2011 of 1 February 2011) concluded with mBank S.A., with its registered office in Warsaw, issued coupon bonds in the total amount of PLN 100 million. The nominal value and the issue price of one bond is PLN 10 thousand. The bonds were issued for the period ending on 19 February 2019. 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 nominal value. The issued bonds are not secured. The funds from the current issue will be used for a rollover of the bonds maturing in June 2014.

##### **Resolution of the Management Board regarding the Bonds Issue Programme**

On 18 March 2014, Echo Investment S.A. passed a resolution on establishing a programme for the issue of up to 2,000,000 of the Company's ordinary bearer bonds, with a nominal value of PLN 100 each, and with a total nominal value of up to PLN 200,000,000 ("Issue Programme", "Bonds").

The Bonds shall be issued under the following terms and conditions:

1. The Bonds shall be issued pursuant to article 9 item 1 of the Bonds Act of 29 June 1995 ("Bonds Act").
2. The Bonds shall be made available in a public offering, as stipulated by article 3 section 1 of the Act of 29 July 2005 ("Public Offering Act"), and based on the issue prospectus prepared by the Company according to article 21 section 2 of the Public Offering Act and approved by the Polish Financial Supervision Authority.
3. The Bonds shall not have the form of a document. The Bonds shall be dematerialised and registered with the depository for securities maintained by Krajowy Depozyt Papierów Wartościowych S.A.
4. The terms and conditions of the issue of the Bonds, as stipulated by article 5b of the Bonds Act, shall include the basic terms and conditions of the issue of the Bonds included in the issue prospectus and the issue supplement detailing the terms of issue of a given series of the Bonds, which shall be specified separately for each series of the Bonds before the issue.
5. The Bonds shall be unsecured.
6. The interest rate on the Bonds shall be variable or fixed. The method for calculating the interest rate, the date as of which the interest rate is calculated, the amount of the interest rate, the maturity dates and the place of payment shall be defined in the issue supplement for a given series of the Bonds.
7. The Bonds shall be issued in a single or in multiple series for a period not longer than 12 months from the date when the Polish Financial Supervision Authority approves the basic issue prospectus for the Issue Programme. All series of the Bonds shall be identical in terms of the rights vested with them, which shall not preclude the possibility to differentiate the terms of issue of the individual series of the Bonds in other regards.

8. The maturity of the Bonds shall not be longer than 10 years from the date of issue of a given series of the Bonds; the date and the terms of the buyout shall be determined in the issue supplement for a given series of the Bonds, which may also provide for an earlier buyout of the Bonds at the Company's or at the bondholder's request.
9. The benefits from the Bonds shall only be in cash form and shall involve the payment of the nominal value plus the interest. A detailed description of the benefits from the Bonds, and in particular the amount of such benefits and how they are determined, and the dates and methods for fulfilling such benefits, shall be included in the basic terms and conditions of issue and in the issue supplement for a given series of the Bonds.
10. Each series of the Bonds shall be subject to a request for the approval and introduction to trading on a regulated market as part of the Catalyst platform, which is operated by Giełda Papierów Wartościowych w Warszawie S.A.
11. The Bonds shall be identified with a series number specified in the issue supplement for a given series of the Bonds.
12. The issue terms and conditions for a given series of the Bonds shall not provide for a minimum number of the Bonds which must be subscribed for the issue to be effective.

#### Information on the valuation of the real property portfolio of the Echo Investment Capital Group

The Management Board of Echo Investment S.A. ("Company") announces that on 20 March 2014 the Company received a valuation of the portfolio of 26 properties held by the Echo Investment Capital Group, as of 31 January 2014, prepared by an independent property consulting company, Knight Frank Sp. z o.o., with its registered office in Warsaw.

The valuation concerns a portfolio of commercial developments in use, further stages or expansions, as well as residential developments in sale along with further stages in the course of preparation.

4 valuation methods have been used:

1. Market value after completion (MV): income approach; the value is established under the assumption that the investment is completed.
2. Market value after completion, for projects where expenditures are required (MV-C): income approach; the value is established under the assumption that the investment is completed (commissioned to use) but capital expenditures expenditure still need to be incurred. The produced result (MV) is decreased by the nominal capital expenditures.
3. Residual market value (RV): income approach; the value takes account of the expenditures to be incurred and is discounted on the valuation date.
4. Market land value (CV): comparative approach; the land value is provided based on market transactions involving the sale of land on local or comparable markets. This method has been applied for properties in the course of preparation, where the implementation has not yet started.

The results of the valuation are as follows:

(PLN '000)	VALUATION RESULT – CV VARIANT	VALUATION RESULT – RV VARIANT	CARRYING VALUE
Shopping centres	3,403,901	3,485,643	2,668,539
Office facilities	967,355	974,820	826,970
Residential developments	299,010	291,200	255,268
<b>Total</b>	<b>4,670,267</b>	<b>4,751,663</b>	<b>3,750,777</b>

The EUR exchange rate for converting the valuation amount is 4.1472 (as of 31.12.2013).

The difference between the variants results from different approaches to developments in the course of preparation:

CV Variant: The developments in the course of preparation have been valued with the comparative method (CV).

RV Variant: The developments in the course of preparation have been valued using the residual market value method (RV).

The carrying amount means the following:

- for commercial developments in use, under construction or in preparation – the book value adopted for the balance sheet as of 31.12.2013,
- for residential developments – the value of inventory as of 31.01.2014; this is consistent with the date and the subject of the valuation.

The list of the valued developments and the adopted valuation methods are presented in the table below:

DEVELOPMENT	SEGMENT	REAL PROPERTY STATUS	VALUATION METHOD – CV VARIANT	VALUATION METHOD – RV VARIANT
Galeria Echo – Kielce	Shopping centre	In use	MV	MV
Pasaż Grunwaldzki – Wrocław	Shopping centre	In use	MV	MV
Galaxy – Szczecin	Shopping centre	In use, expansion in the course of preparation	MV CV	MV RV
Olimpia – Białystok	Shopping centre	In use	MV	MV
Outlet Park - Szczecin	Shopping centre	In use, expansion in the course of preparation	MV CV	MV RV
Veneda – Łomża	Shopping centre	In use	MV	MV
Galeria Echo – Przemyśl	Shopping centre	In use	MV	MV
Galeria Sudecka – Jelenia Góra	Shopping centre	In use (a part of the development) and under expansion	RV	RV
Amber – Kalisz	Shopping centre	In use since 03/2014	MV-C	MV-C
Malta Office Park – Poznań	Office facilities	In use	MV	MV
Oxygen – Szczecin	Office facilities	In use	MV	MV
Postępu 3 – Warsaw	Office facilities	In use	MV	MV
Babka Tower – Warsaw	Office facilities	In use	MV	MV
Astra Park – Kielce	Office facilities	In use	MV	MV
Park Rozwoju – Warsaw	Office facilities	Stage I in use since 02/2014, stage II under construction	MV-C RV	MV-C RV
A4 Biznes Park – Katowice	Office facilities	Stage I in use since 02/2014, stage II under construction Stage III in preparation	MV-C RV CV	MV-C RV RV
Klimt – Warsaw	Apartments	Construction completed, in the course of sale	MV	MV
Przy Słowiańskim Wzgórzu – Wrocław	Apartments	Construction completed, in the course of sale	MV	MV
Osiedle Jarzębinowe – Łódź	Apartments	Stage I completed, in the course of sale, further stages in preparation	MV CV	MV RV
Nowy Mokotów – Warsaw	Apartments	Stage I under construction, in the course of sale, further stages in preparation	RV CV	RV RV
Kasztanowa Aleja, stage II – Poznań	Apartments	Under construction, in the course of sale	RV	RV
Osiedle Jaśminowe – Poznań	Apartments	Stage I under construction, in the course of sale, further stages in preparation	RV CV	RV RV
Hortus Apartments – Krakow	Apartments	Under construction, in the course of sale	RV	RV

DEVELOPMENT	SEGMENT	REAL PROPERTY STATUS	VALUATION METHOD – CV VARIANT	VALUATION METHOD – RV VARIANT
Bronowicka 42 – Krakow	Apartments	Under construction, in the course of sale	RV	RV
Grota 111 – Wrocław	Apartments	Stage I under construction, in the course of sale, further stages in preparation	RV CV	RV RV
Osiedle Południowe – Dyminy, near Kielce	Plots of land	Stages I and II completed, in the course of sale, stage III under construction, in the course of sale	MV RV	MV RV

#### INFORMATION ON REMUNERATIONS OF THE MANAGEMENT BOARD

In 2013, managerial staff of Echo Investment S.A. received the following remuneration in Echo Investment S.A.:

- Piotr Gromniak received remuneration in Echo Investment S.A. in the total amount of PLN 803 thousand;
- Artur Langner received remuneration in Echo Investment S.A. in the total amount of PLN 760 thousand.
- Waldemar Lesiak received remuneration in Echo Investment S.A. totalling PLN 512 thousand.

In 2013, 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. in the total amount of PLN 84 thousand;
- Andrzej Majcher received remuneration in Echo Investment S.A. in the total amount of PLN 60 thousand;
- Mariusz Waniotka received remuneration in Echo Investment S.A. in the total amount of PLN 60 thousand;
- Robert Oskard received remuneration in Echo Investment S.A. in the total amount of PLN 36 thousand;
- Karol Żbikowski received remuneration in Echo Investment S.A. in the total amount of PLN 36 thousand.

In 2012, managerial staff of Echo Investment S.A. received the following remuneration in Echo Investment S.A.:

- Piotr Gromniak received remuneration in Echo Investment S.A. in the total amount of PLN 878 thousand;
- Artur Langner received remuneration in Echo Investment S.A. in the total amount of PLN 829 thousand.

In 2012, 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. in the total amount of PLN 84 thousand;
- Andrzej Majcher received remuneration in Echo Investment S.A. in the total amount of PLN 60 thousand;
- Mariusz Waniotka received remuneration in Echo Investment S.A. in the total amount of PLN 60 thousand;
- Robert Oskard received remuneration in Echo Investment S.A. in the total amount of PLN 36 thousand;
- Karol Żbikowski received remuneration in Echo Investment S.A. in the total amount of PLN 36 thousand;
- Tomasz Kalwa received remuneration in Echo Investment S.A. in the total amount of PLN 36 thousand.

## NOTES

## EXPLANATORY NOTES TO THE STATEMENT OF FINANCIAL POSITION

## NOTE 1A

INTANGIBLE ASSETS (PLN '000)	31.12.2013	31.12.2012
a) purchased concessions, patents, licences and related assets, including:	813	1 181
- software	686	951
b) other intangible assets	-	-
<b>Total intangible assets</b>	<b>813</b>	<b>1 181</b>

The Company did not create impairment losses for intangible assets in the periods covered by the financial statements. As of 31.12.2013, the Company does not have any contractual obligations.

## NOTE 1B

## MOVEMENT IN INTANGIBLE ASSETS (BY TYPES) (PLN '000)

FOR THE PERIOD 01.01.2013 – 31.12.2013	A) PURCHASED PERMITS, PATENTS, LICENCES AND SIMILAR ASSETS, INCLUDING:	SOFTWARE	B) OTHER INTANGIBLE ASSETS	TOTAL INTANGIBLE ASSETS
<b>a) gross value of intangible assets at the beginning of the period</b>	<b>5 554</b>	<b>5 059</b>	-	<b>5 554</b>
<b>increases (due to)</b>	282	220	-	282
- purchase	282	220	-	282
<b>gross value of intangible assets at the end of the period</b>	<b>5 836</b>	<b>5 279</b>	-	<b>5 836</b>
<b>b) accumulated amortisation at the beginning of the period</b>	<b>(4 373)</b>	<b>(4 108)</b>	-	<b>(4 373)</b>
<b>amortisation for the period (due to)</b>	(650)	(485)	-	(650)
- planned	(650)	(485)	-	(650)
<b>accumulated amortisation at the end of the period</b>	<b>(5 023)</b>	<b>(4 593)</b>	-	<b>(5 023)</b>
<b>c) net value of intangible assets at the end of the period</b>	<b>813</b>	<b>686</b>	-	<b>813</b>

All intangible assets held by the company have been purchased.

The applied amortisation methods and the adopted useful lives or the applied amortisation rates for:

- the purchased permits, patents, licenses and similar assets – straight line method, 50%, amortisation posted as general administrative expenses,
- other intangible assets – not commissioned to use, not amortised as of 31 December 2013.



## MOVEMENT IN INTANGIBLE ASSETS (BY TYPES) (PLN '000), CONTINUED

FOR THE PERIOD 01.01.2012 – 31.12.2012	A) PURCHASED PERMITS, PATENTS, LICENCES AND SIMILAR ASSETS, INCLUDING:	SOFTWARE	B) OTHER INTANGIBLE ASSETS	TOTAL INTANGIBLE ASSETS
<b>a) gross value of intangible assets at the beginning of the period</b>	<b>5 233</b>	<b>4 966</b>	-	<b>5 233</b>
<b>increases (due to)</b>	<b>321</b>	<b>93</b>	-	<b>321</b>
- purchase	321	93		321
<b>decreases (due to)</b>	-	-	-	-
- liquidation	-	-	-	-
<b>gross value of intangible assets at the end of the period</b>	<b>5 554</b>	<b>5 059</b>	-	<b>5 554</b>
<b>b) accumulated amortisation at the beginning of the period</b>	<b>(3 814)</b>	<b>(3 627)</b>	-	<b>(3 814)</b>
<b>amortisation for the period (due to)</b>	<b>(559)</b>	<b>(481)</b>	-	<b>(559)</b>
- planned	(559)	(481)	-	(559)
- liquidation	-	-	-	-
<b>accumulated amortisation at the end of the period</b>	<b>(4 373)</b>	<b>(4 108)</b>	-	<b>(4 373)</b>
<b>c) net value of intangible assets at the end of the period</b>	<b>1 181</b>	<b>951</b>	-	<b>1 181</b>

## NOTE 2A

PROPERTY, PLANT AND EQUIPMENT (PLN '000)	31.12.2013	31.12.2012
a) PP&E, including:	14 236	14 067
- land	194	55
- buildings, premises, civil and water engineering structures	3 816	2 839
- plant and machinery	406	445
- means of transport	9 409	10 342
- other PP&E	411	386
b) PP&E under construction	26	-
c) advances on PP&E under construction	22 243	-
<b>Total property, plant and equipment</b>	<b>36 505</b>	<b>14 067</b>

The Company did not create impairment losses for PP&E in the periods covered by the financial statements.

The company has no securities established on PP&E.

## NOTE 2B

## MOVEMENTS IN PP&amp;E (BY TYPES) (IN PLN '000)

FOR THE PERIOD 01.01.2013 – 31.12.2013	OWN LAND	BUILDINGS AND STRUCTURES	PLANT AND MACHINERY	MEANS OF TRANSPORT	OTHER PP&E	TOTAL PP&E
<b>a) gross value of PP&amp;E at the beginning of the period</b>	<b>61</b>	<b>3 221</b>	<b>4 235</b>	<b>19 958</b>	<b>3 258</b>	<b>30 733</b>
<b>increases (due to)</b>	<b>141</b>	<b>1 073</b>	<b>671</b>	<b>1 175</b>	<b>251</b>	<b>3 311</b>
- purchase	-	166	671	1 175	251	2 263
- reclassification from inventory	141	907	-	-	-	1 048
<b>decreases (due to)</b>	<b>-</b>	<b>-</b>	<b>(195)</b>	<b>(303)</b>	<b>(16)</b>	<b>(514)</b>
- sale	-	-	(195)	(303)	-	(498)
- liquidation	-	-	-	-	(16)	(16)
<b>gross PP&amp;E at the end of the period</b>	<b>202</b>	<b>4 294</b>	<b>4 711</b>	<b>20 830</b>	<b>3 493</b>	<b>33 530</b>
<b>b) accumulated depreciation at the beginning of the period</b>	<b>(6)</b>	<b>(382)</b>	<b>(3 790)</b>	<b>(9 616)</b>	<b>(2 872)</b>	<b>(16 666)</b>
<b>depreciation for the period (due to)</b>	<b>(2)</b>	<b>(96)</b>	<b>(515)</b>	<b>(1 805)</b>	<b>(210)</b>	<b>(2 628)</b>
- depreciation	(2)	(96)	(710)	(2 104)	(226)	(3 138)
- sale	-	-	(195)	(299)	-	(494)
- liquidation	-	-	-	-	(16)	(16)
<b>accumulated depreciation at the end of the period</b>	<b>(8)</b>	<b>(478)</b>	<b>(4 305)</b>	<b>(11 421)</b>	<b>(3 082)</b>	<b>(19 294)</b>
<b>c) net PP&amp;E at the end of the period</b>	<b>194</b>	<b>3 816</b>	<b>406</b>	<b>9 409</b>	<b>411</b>	<b>14 236</b>

Contractual liabilities incurred in connection with the purchase of property, plant and equipment amount to: PLN 67 thousand.

FOR THE PERIOD 01.01.2012 – 31.12.2012	OWN LAND	BUILDINGS AND STRUCTURES	PLANT AND MACHINERY	MEANS OF TRANSPORT	OTHER PP&E	TOTAL PP&E
<b>a) gross value of PP&amp;E at the beginning of the period</b>	<b>61</b>	<b>3 129</b>	<b>4 652</b>	<b>19 624</b>	<b>3 200</b>	<b>30 666</b>
<b>increases (due to)</b>	<b>-</b>	<b>92</b>	<b>803</b>	<b>1 896</b>	<b>58</b>	<b>2 849</b>
- purchase	-	92	803	1 896	58	2 849
<b>decreases (due to)</b>	<b>-</b>	<b>-</b>	<b>(1 220)</b>	<b>(1 562)</b>	<b>-</b>	<b>(2 782)</b>
- sale	-	-	(274)	(1 562)	-	(1 836)
- inventory taking	-	-	(946)	-	-	(946)
<b>gross PP&amp;E at the end of the period</b>	<b>61</b>	<b>3 221</b>	<b>4 235</b>	<b>19 958</b>	<b>3 258</b>	<b>30 733</b>
<b>b) accumulated depreciation at the beginning of the period</b>	<b>(5)</b>	<b>(305)</b>	<b>(4 285)</b>	<b>(8 916)</b>	<b>(2 491)</b>	<b>(16 002)</b>
<b>depreciation for the period (due to)</b>	<b>(1)</b>	<b>(77)</b>	<b>495</b>	<b>(700)</b>	<b>(381)</b>	<b>(664)</b>
- depreciation	(1)	(77)	(724)	(2 242)	(381)	(3 425)
- sale	-	-	273	1 542	-	1 815
- inventory taking	-	-	946	-	-	946
<b>accumulated depreciation at the end of the period</b>	<b>(6)</b>	<b>(382)</b>	<b>(3 790)</b>	<b>(9 616)</b>	<b>(2 872)</b>	<b>(16 666)</b>
<b>c) net PP&amp;E at the end of the period</b>	<b>55</b>	<b>2 839</b>	<b>445</b>	<b>10 342</b>	<b>386</b>	<b>14 067</b>

## NOTE 3A

MOVEMENT IN INVESTMENT PROPERTY (IN PLN '000)	31.12.2013	31.12.2012
<b>a) Value of property investments at the beginning of the period</b>	<b>3 752</b>	<b>3 655</b>
<b>increases (due to)</b>	<b>-</b>	<b>2 082</b>
- revaluation of property	-	2 082
<b>decreases (due to)</b>	<b>(580)</b>	<b>(1 985)</b>
- sale	-	-
- reclassification to inventory	-	(1 985)
- revaluation of property	(580)	-
<b>Value of property investments at the end of the period</b>	<b>3 172</b>	<b>3 752</b>

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

As of 31 December 2013, the Company held investment property located in Poland. Since the lease agreements contain rents denominated in EUR, the measurements have been prepared in these currencies and converted to PLN according to the exchange rate of the NBP as at the balance sheet date.

The company has no securities established on investment properties. As of 31.12.2013, the Company does not have any contractual liabilities.

## NOTE 3B

INVESTMENT PROPERTY – INFLUENCE ON THE RESULT (PLN '000)	01.01.2013- 31.12.2013	01.01.2012- 31.12.2012
a) revenue from investment property rents	525	404
b) direct operating expenses (including repair and maintenance costs) on investment property generating rent revenue in the period	(343)	(153)
c) direct operating expenses (including repair and maintenance costs) on investment property not generating rent revenue in the period	-	-

## NOTE 3C

LONG-TERM BORROWINGS GRANTED	31.12.2013	31.12.2012
- in subsidiaries	-	-
- in other entities	32	-
<b>Total long-term borrowings granted</b>	<b>32</b>	<b>-</b>

## BASIC DATA ON LONG-TERM BORROWINGS, WITHOUT INTEREST, AS OF 31.12.2013

COUNTERPARTY	AMOUNT (PLN '000)	INTEREST RATE	REPAYMENT DATE
Other – unrelated parties	32	WIBOR 6M + margin	30 April 2015
<b>Total:</b>	<b>32</b>		

## NOTE 4A

INTERESTS AND SHARES (PLN '000)	31.12.2013	31.12.2012
<b>a) Investments in subsidiaries, jointly controlled entities and associates</b>		
- in subsidiaries	923 928	920 433
- in jointly controlled entities	1 500	1 500
- in associates	13	13
	<b>925 441</b>	<b>921 946</b>
<b>Total interests or shares</b>	<b>925 441</b>	<b>921 946</b>

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

The change of the business and economic environment has not materially affected the fair value of financial assets.

## NOTE 4B

MOVEMENT IN INTERESTS AND SHARES (PLN '000)	01.01.2013- 31.12.2013	01.01.2012- 31.12.2012
<b>a) balance at the beginning of the period, including:</b>	<b>921 946</b>	<b>908 022</b>
- shares and interests	921 946	908 022
<b>b) increases (due to)</b>	<b>3 498</b>	<b>15 937</b>
- purchase of interests	3	12 190
- increase in capital	3 495	3 747
- reversal of revaluation allowance for assets	-	-
<b>c) decreases (due to)</b>	<b>(3)</b>	<b>(2 013)</b>
- sale of interests	(1)	(41)
- liquidation of companies	(2)	-
- revaluation allowance for assets	-	(1 972)
- settlement of advances on the purchase of interests	-	-
<b>d) balance at the end of the period, including:</b>	<b>925 441</b>	<b>921 946</b>
- shares and interests	925 441	921 946

In 2013, the Company increased capital in the subsidiary:

- Echo - Aurus Sp. z o.o., through a contribution in kind of PLN 60,633 thousand, and acquired interests in the total amount of PLN 60,633 thousand.
- Echo - Nowy Mokotów Sp. z o. o. Sp.K., through a cash contribution of PLN 1,240 thousand, and acquired interests in the total amount of PLN 1,240 thousand.
- Echo Investment Projekt Management SRL, through a cash contribution of PLN 1,509 thousand, and acquired interests in the total amount of PLN 1,509 thousand.
- Projekt Echo - 107 Sp. z o. o., through a cash contribution of PLN 50 thousand, and acquired interests in the total amount of PLN 50 thousand.
- Projekt Echo - 108 Sp. z o. o., through a cash contribution of PLN 50 thousand, and acquired interests in the total amount of PLN 50 thousand.
- Projekt Echo - 109 Sp. z o. o., through a cash contribution of PLN 50 thousand, and acquired interests in the total amount of PLN 50 thousand.
- Projekt Echo - 110 Sp. z o. o., through a cash contribution of PLN 50 thousand, and acquired interests in the total amount of PLN 50 thousand.
- Farina Investments Sp. z o. o., through a cash contribution of PLN 45 thousand, and acquired interests in the total amount of PLN 45 thousand.
- Elmiea Investments Sp. z o. o., through a cash contribution of PLN 45 thousand, and acquired interests in the total amount of PLN 45 thousand.
- Projekt - Pamiątkowo ' Sp. z o. o., through a cash contribution of PLN 50 thousand, and acquired interests in the total amount of PLN 50 thousand.
- Projekt 15 - Grupa Echo ' Sp. z o. o. S.K.A., through a cash contribution of PLN 50 thousand, and acquired interests in the total amount of PLN 50 thousand.
- Projekt 16 - Grupa Echo ' Sp. z o. o. S.K.A., through a cash contribution of PLN 50 thousand, and acquired interests in the total amount of PLN 50 thousand.
- Projekt 17 - Grupa Echo ' Sp. z o. o. S.K.A., through a cash contribution of PLN 50 thousand, and acquired interests in the total amount of PLN 50 thousand.
- Projekt 18 - Grupa Echo ' Sp. z o. o. S.K.A., through a cash contribution of PLN 50 thousand, and acquired interests in the total amount of PLN 50 thousand.
- Projekt 19 - Grupa Echo ' Sp. z o. o. S.K.A., through a cash contribution of PLN 50 thousand, and acquired interests in the total amount of PLN 50 thousand.
- Projekt 20 - Grupa Echo ' Sp. z o. o. S.K.A., through a cash contribution of PLN 50 thousand, and acquired interests in the total amount of PLN 50 thousand.
- Projekt 21 - Grupa Echo ' Sp. z o. o. S.K.A., through a cash contribution of PLN 50 thousand, and acquired interests in the total amount of PLN 50 thousand.

- Projekt 22 - Grupa Echo ' Sp. z o. o. S.K.A., through a cash contribution of PLN 50 thousand, and acquired interests in the total amount of PLN 50 thousand.

In addition, in 2013, the Company acquired interests in:

- Echo - SPV7 Sp. z o. o., with a value of PLN 2 thousand.

In addition, in 2013, the Company sold interests in:

- Echo Aurus Sp. z o.o., for PLN 1 thousand.

#### NOTE 4C

##### Pledges on interests and shares

A registered pledge was established on the interests of Wan - 11 Sp. z o.o., with a value of PLN 1,500 thousand, as a collateral for the loan granted to the subsidiary Wan - 11 Sp. z o.o. by Eurohypo Aktiengesellschaft Europäische Hypothekenbank Der Deutschen Bank in the amount of EUR 48 million.

A registered pledge was established on the shares of Echo Pasaż Grunwaldzki - Magellan West Sp. z o.o. S.K.A., with a value of PLN 49 thousand, as a collateral for the loan granted to the subsidiary Echo Pasaż Grunwaldzki - Magellan West Sp. z o.o. S.K.A. by Europäische Hypothekenbank Der Deutschen Bank up to the amount of EUR 150 million.

A registered pledge was established on the shares of Echo Pasaż Grunwaldzki - Magellan West Sp. z o.o. S.K.A., with a value of PLN 49 thousand, as a collateral for the loan granted to the subsidiary Echo Pasaż Grunwaldzki - Magellan West Sp. z o.o. S.K.A. by Europäische Hypothekenbank Der Deutschen Bank in the amount of EUR 23 million.

A registered pledge was established on the shares of Projekt Echo Pasaż Grunwaldzki - Magellan West Sp. z o.o. S.K.A., as a collateral for the loan granted to the subsidiary Projekt Echo Pasaż Grunwaldzki - Magellan West Sp. z o.o. S.K.A. by Hypothekenbank Frankfurt AG in the amount of EUR 158 million.

A registered pledge was established on the shares of Malta Office Park - Projekt Echo - 96 Spółka z ograniczoną odpowiedzialnością S.K.A., with a value of PLN 1 thousand, as a collateral for the loan granted to the subsidiary Malta Office Park - Projekt Echo - 96 Spółka z ograniczoną odpowiedzialnością S.K.A. by Westdeutsche Immobilien Bank in the amount of EUR 58 million.

A registered pledge was established on the interests of Projekt Echo - 96 Sp. z o.o., with a value of PLN 26 thousand, as a collateral for the loan granted to the subsidiary Malta Office Park - Projekt Echo - 96 Spółka z ograniczoną odpowiedzialnością S.K.A. by Westdeutsche Immobilien Bank in the amount of EUR 58 million.

A registered pledge was established on the interests of Farrina Investment Sp. z o.o., with a value of PLN 60 thousand, as a collateral for the loan granted to the subsidiary Farrina Investment Sp. z o.o. by Westdeutsche Immobilien Bank in the amount of EUR 56 million.

A registered pledge was established on the shares of Oxygen - Projekt Echo - 95 Spółka z ograniczoną odpowiedzialnością S.K.A., as a collateral for the loan granted to the subsidiary Oxygen - Projekt Echo - 95 Spółka z ograniczoną odpowiedzialnością S.K.A. by Nordea Bank Polska S.A. in the amount of EUR 26 million.

A registered pledge was established on the interests of Projekt Echo - 105 Sp. z o.o., with a value of PLN 50 thousand, as a collateral for the loan granted to the subsidiary Projekt Echo - 105 Sp. z o.o. by Nordea Bank Polska S.A. in the amount of EUR 20 million.

A registered pledge was established on the shares of Babka Tower - Projekt Echo - 93 Spółka z ograniczoną odpowiedzialnością S.K.A., with a value of PLN 1 thousand, as a collateral for the loan granted to the subsidiary Babka Tower - Projekt Echo - 93 Spółka z ograniczoną odpowiedzialnością S.K.A. by Europäische Hypothekenbank Der Deutschen Bank in the amount of EUR 11 million.

A registered pledge was established on the interests of Projekt Echo - 93 Sp. z o.o., with a value of PLN 51 thousand, as a collateral for the loan granted to the subsidiary Babka Tower - Projekt Echo - 93 Spółka z ograniczoną odpowiedzialnością S.K.A. by Europäische Hypothekenbank Der Deutschen Bank in the amount of EUR 11 million.

A registered pledge was established on the shares of Projekt Babka Tower - Grupa Echo Sp. z o.o. SKA., with a value of PLN 1 thousand, as a collateral for the loan granted to the subsidiary Projekt Babka Tower - Grupa Echo Sp. z o.o. SKA. by Hypothekenbank Frankfurt AG in the amount of EUR 9 million.

A registered pledge was established on the interests of Grupa Echo Sp. z o.o., with a value of PLN 52 thousand, as a collateral for the loan granted to the subsidiary Projekt Babka Tower - Grupa Echo Sp. z o.o. SKA. by Hypothekenbank Frankfurt AG in the amount of EUR 9 million.

A registered pledge was established on the shares of Galeria Sudecka - Projekt Echo - 43 Spółka z ograniczoną odpowiedzialnością S.K.A., with a value of PLN 50 thousand, as a collateral for the loan granted to the subsidiary Galeria Sudecka - Projekt Echo - 43 Spółka z ograniczoną odpowiedzialnością S.K.A. by Bank Polska Kasa Opieki S.A. in the amount of EUR 36 million.

A registered pledge was established on the interests of Projekt Echo - 43 Sp. z o.o., with a value of PLN 51 thousand, as a collateral for the loan granted to the subsidiary Galeria Sudecka - Projekt Echo - 43 Spółka z ograniczoną odpowiedzialnością S.K.A. by Bank Polska Kasa Opieki S.A. in the amount of EUR 36 million.

A registered pledge was established on the shares of Echo - Galaxy Spółka z ograniczoną odpowiedzialnością S.K.A., with a value of PLN 50 thousand, as a collateral for the loan granted to the subsidiary Echo - Galaxy Spółka z ograniczoną

#### Pledges on interests and shares

odpowiedzialnością S.K.A by Europäische Hypothekenbank Der Deutschen Bank in the amount of EUR 150 million.

A registered pledge was established on the interests of Grupa Echo Spółka z ograniczoną odpowiedzialnością, with a value of PLN 52 thousand, as a collateral for the loan granted to the subsidiary Echo - Galaxy Spółka z ograniczoną odpowiedzialnością S.K.A by Europäische Hypothekenbank Der Deutschen Bank in the amount of EUR 150 million.

A registered pledge was established on the shares of Galaxy - Projekt Echo 106 Spółka z ograniczoną odpowiedzialnością S.K.A., as a collateral for the loan granted to the subsidiary Galaxy - Projekt Echo 106 Spółka z ograniczoną odpowiedzialnością S.K.A. by Hypothekenbank Frankfurt AG in the amount of EUR 164 million.

A registered pledge was established on the interests of Projekt Echo - 106 Spółka z ograniczoną odpowiedzialnością, as a collateral for the loan granted to the subsidiary Projekt Echo - 106 Spółka z ograniczoną odpowiedzialnością by Hypothekenbank Frankfurt AG in the amount of EUR 164 million.

A registered pledge was established on the interests of Projekt Echo - 97 Spółka z ograniczoną odpowiedzialnością, with a value of PLN 26 thousand, as a collateral for the loan granted to the subsidiary Veneda - Projekt Echo 97 Spółka z ograniczoną odpowiedzialnością S.K.A by Raiffeisen Bank Polska S.A. in the amount of EUR 22 million.

A registered pledge was established on the interests of Projekt Echo - 97 Spółka z ograniczoną odpowiedzialnością, with a value of PLN 26 thousand, as a collateral for the loan granted to the subsidiary Veneda - Projekt Echo 97 Spółka z ograniczoną odpowiedzialnością S.K.A by Raiffeisen Bank Polska S.A. in the amount of PLN 8 million.

A registered pledge was established on the shares of Projekt - 5 Grupa Echo Spółka z ograniczoną odpowiedzialnością S.K.A., with a value of PLN 1 thousand, as a collateral for the loan granted to the subsidiary Projekt - 5 Grupa Echo Spółka z ograniczoną odpowiedzialnością S.K.A. by Bank Polska Kasa Opieki S.A. in the amount of EUR 26 million.

A registered pledge was established on the interests of Projekt Echo - 98 Spółka z ograniczoną odpowiedzialnością, with a value of PLN 26 thousand, as a collateral for the loan granted to the subsidiary Galeria Olimpia - Projekt Echo - 98 Spółka z ograniczoną odpowiedzialnością S.K.A. by Nordea Bank Polska S.A. in the amount of EUR 23 million.

A registered pledge was established on the interests of Projekt Echo - 98 Spółka z ograniczoną odpowiedzialnością, with a value of PLN 26 thousand, as a collateral for the loan granted to the subsidiary Galeria Olimpia - Projekt Echo - 98 Spółka z ograniczoną odpowiedzialnością S.K.A. by Nordea Bank Polska S.A. in the amount of PLN 10 million.

A registered pledge was established on the shares of Galeria Olimpia - Projekt Echo - 98 Spółka z ograniczoną odpowiedzialnością S.K.A., with a value of PLN 1 thousand, as a collateral for the loan granted to the subsidiary Galeria Olimpia - Projekt Echo - 98 Spółka z ograniczoną odpowiedzialnością S.K.A. by Nordea Bank Polska S.A. in the amount of EUR 23 million.

A registered pledge was established on the shares of Galeria Olimpia - Projekt Echo - 98 Spółka z ograniczoną odpowiedzialnością S.K.A., with a value of PLN 1 thousand, as a collateral for the loan granted to the subsidiary Galeria Olimpia - Projekt Echo - 98 Spółka z ograniczoną odpowiedzialnością S.K.A. by Nordea Bank Polska S.A. in the amount of PLN 10 million.

A registered pledge was established on the shares of Aqarius Business House - Grupa Echo Spółka z ograniczoną odpowiedzialnością S.K.A., with a value of PLN 2 thousand, as a collateral for the loan granted to the subsidiary Aqarius Business House - Grupa Echo Spółka z ograniczoną odpowiedzialnością S.K.A. by Alior Bank S.A. in the amount of PLN 201 million.

A registered pledge was established on the interests of Echo Galeria - Amber Spółka z ograniczoną odpowiedzialnością, with a value of PLN 101 thousand, as a collateral for the loan granted to the subsidiary Echo Galeria - Amber Spółka z ograniczoną odpowiedzialnością S.K.A. by Bank Polska Kasa Opieki S.A. in the amount of EUR 94 million.

A registered pledge was established on the interests of Echo Galeria - Amber Spółka z ograniczoną odpowiedzialnością, with a value of PLN 101 thousand, as a collateral for the loan granted to the subsidiary Echo Galeria - Amber Spółka z ograniczoną odpowiedzialnością S.K.A. by Bank Polska Kasa Opieki S.A. in the amount of PLN 14 million.

A registered pledge was established on the shares of Echo Galeria - Amber Spółka z ograniczoną odpowiedzialnością S.K.A., with a value of PLN 51 thousand, as a collateral for the loan granted to the subsidiary Echo Galeria - Amber Spółka z ograniczoną odpowiedzialnością S.K.A. by Bank Polska Kasa Opieki S.A. in the amount of EUR 94 million.

A registered pledge was established on the shares of Echo Galeria - Amber Spółka z ograniczoną odpowiedzialnością S.K.A., with a value of PLN 51 thousand, as a collateral for the loan granted to the subsidiary Echo Galeria - Amber Spółka z ograniczoną odpowiedzialnością S.K.A. by Bank Polska Kasa Opieki S.A. in the amount of PLN 14 million.

A registered pledge was established on the shares of Park Rozwoju - Grupa Echo Spółka z ograniczoną odpowiedzialnością S.K.A., with a value of PLN 1 thousand, as a collateral for the loan granted to the subsidiary Park Rozwoju - Grupa Echo Spółka z ograniczoną odpowiedzialnością S.K.A. by Bank Zachodni WBK S.A. in the amount of EUR 38 million.

A registered pledge was established on the shares of Astra Park - Projekt Echo 69 Spółka z ograniczoną odpowiedzialnością S.K.A., with a value of PLN 74 thousand, as a collateral for the loan granted to the subsidiary Astra Park - Projekt Echo 69 Spółka z ograniczoną odpowiedzialnością S.K.A. by Europäische Hypothekenbank Der Deutschen Bank in the amount of EUR 36 million.

**Pledges on interests and shares**

A registered pledge was established on the interests of Projekt Echo 69 Spółka z ograniczoną odpowiedzialnością, with a value of PLN 115 thousand, as a collateral for the loan granted to the subsidiary Astra Park - Projekt Echo 69 Spółka z ograniczoną odpowiedzialnością S.K.A. by Europäische Hypothekenbank Der Deutschen Bank in the amount of EUR 36 million.

A registered pledge was established on the shares of Projekt Echo Galeria Kielce - Magellan West Spółka z ograniczoną odpowiedzialnością S.K.A., as a collateral for the loan granted to the subsidiary Projekt Echo Galeria Kielce - Magellan West Spółka z ograniczoną odpowiedzialnością S.K.A. by Hypothekenbank Frankfurt AG in the amount of EUR 66 million.

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## NOTE 4D

## INTERESTS OR SHARES IN SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES AS OF 31 DECEMBER 2013

No	BUSINESS NAME AND LEGAL FORM	REGISTERED OFFICE	BUSINESS ACTIVITY	VALUE OF SHARES/IN TERESTS ACCORDING TO THE PURCHASE PRICE	REVALUATION ADJUSTMENTS – OPENING BALANCE	REVALUATION ADJUSTMENTS – MOVEMENT	REVALUATION ADJUSTMENTS – CLOSING BALANCE	CARRYING VALUE OF INTERESTS/S HARES	PERCENTAGE OF SHARE CAPITAL HELD	SHARE IN OVERALL NUMBER OF VOTES AT THE GENERAL MEETING	ANOTHER BASIS FOR CONTROL
SHARES/INTERESTS IN SUBSIDIARIES											
1	PHS - Projekt CS Sp. z o. o. S.K.A.	Szczecin	property lease and management	-	-	-	-	-	0,0040%	0,0040%	none
2	Projekt Echo - 93 Sp. z o.o.	Kielce	property lease and management	51	-	-	-	51	99,00%	99,00%	none
3	Echo - Aurus Sp. z o.o.	Kielce	property lease and management	199 440	-	-	-	199 440	99,9925%	99,9925%	none
4.	Princess Investment Sp. z o.o.	Kielce	construction works involving erection of buildings	5 063	(2 663)	-	(2 663)	2 400	99,9875%	99,9875%	none
5	Bęchatów - Grupa Echo Sp. z o.o. S.K.A.	Kielce	property lease and management	1	-	-	-	1	0,0059%	0,0059%	none
6	PPR - Projekt Echo - 77 Sp. z o. o. S.K.A.	Kielce	property lease and management	-	-	-	-	-	0,0002%	0,0002%	none
7	Echo - SPV 7 Sp. z o. o.	Kielce	property lease and management	188 601	-	-	-	188 601	99,9989%	99,9989%	none
8	Echo - Centrum Przemysł - Projekt Echo 93 Sp. z o.o. S.K.A.	Kielce	property lease and management	-	-	-	-	-	0,0013%	0,0013%	none
9.	Grupa Echo Sp. z o.o.	Kielce	business consulting and management	52	-	-	-	52	100,00%	100,00%	none
10	Veneda – Projekt Echo - 97 Sp. z o.o. S.K.A.	Kielce	property lease and management	1	-	-	-	1	0,0074%	0,0074%	none
11	Echo Galeria Kielce - Magellan West Sp. z o.o. S.K.A.	Kielce	property lease and management	16	-	-	-	16	0,0219%	0,0219%	none
12	Echo Investment ACC - Grupa Echo Sp. z o.o. Sp.K.	Kielce	accounting and book keeping activity	51	-	-	-	51	99,00%	99,00%	none
13	Babka Tower - Projekt Echo - 93 Sp. z o. o. S.K.A.	Kielce	property lease and management	1	-	-	-	1	0,0083%	0,0083%	none
14	Malta Office Park -Projekt Echo - 96 Sp. z o.o. S.K.A.	Kielce	property lease and management	1	-	-	-	1	0,0067%	0,0067%	none
15	A4 Business Park Grupa Echo Sp. z o.o. S.K.A.	Kielce	property development involving erection of buildings	51	-	-	-	51	2,20%	2,20%	none



No	BUSINESS NAME AND LEGAL FORM	REGISTERED OFFICE	BUSINESS ACTIVITY	VALUE OF SHARES/IN TERESTS ACCORDIN G TO THE PURCHASE PRICE	REVALUATION ADJUSTMENTS – OPENING BALANCE	REVALUATION ADJUSTMENTS – MOVEMENT	REVALUATION ADJUSTMENTS – CLOSING BALANCE	CARRYING VALUE OF INTERESTS/S HARES	PERCENTAGE OF SHARE CAPITAL HELD	SHARE IN OVERALL NUMBER OF VOTES AT THE GENERAL MEETING	ANOTHER BASIS FOR CONTROL
16	Echo - Arena Sp. z o.o.	Kielce	property development involving erection of buildings	1 008	-	-	-	1 008	99,95%	99,95%	none
17	Echo - Galaxy Sp. z o.o.	Kielce	property development involving erection of buildings	51	-	-	-	51	99,00%	99,00%	none
18	Projekt Echo - 33 Sp. z o.o.	Kielce	property lease and management	51	-	-	-	51	99,00%	99,00%	none
19	Echo -Galeria Amber Sp. z o.o. - S.K.A.	Kielce	property lease and management	51	(49)	-	(49)	2	0,8250%	0,8250%	none
20	Zakład Ogrodniczy Naramowice - Pamiątkowo Sp. z o. o. S.K.A.	Pamiątkow o	crop growing and animal production	24	-	-	-	24	0,5210%	0,5210%	none
21	Echo Investment Property Management-Grupa Echo Sp. z o. o. Sp. K.	Kielce	property management	50	-	-	-	50	99,00%	99,00%	none
22	Projekt Saska Sp. z o.o.	Kielce	property trade agency	20 420	(20 419)	-	(20 419)	1	95,00%	95,00%	none
23	Echo -Kasztanowa Aleja Sp. z o.o.	Kielce	property lease and management	51	(15)	-	(15)	36	99,00%	99,00%	none
24	Echo - Klimt House Sp. z o.o.	Kielce	property lease and management	51	(15)	-	(15)	36	99,00%	99,00%	none
25	Projekt Echo -43 Sp. z o.o.	Kielce	property lease and management	51	(10)	-	(10)	41	99,00%	99,00%	none
26	Echo - Przy Stowiańskim Wzgórzu Sp. z o.o.	Kielce	property lease and management	51	(14)	-	(14)	37	99,00%	99,00%	none
27	Echo Investment Hungary Ingatlanhasznosító KFT	Budapest	property lease and management	89 130	(40 093)	-	(40 093)	49 037	100,00%	100,00%	none
28	Echo -Kasztanowa Aleja Sp. z o.o. Sp.K.	Kielce	property lease and management	15 901	-	-	-	15 901	99,90%	99,90%	none
29	Echo - Klimt House Sp. z o.o. Sp.K.	Kielce	property lease and management	501	-	-	-	501	99,90%	99,90%	none
30	Echo - Przy Stowiańskim Wzgórzu Sp. z o.o. Sp.K.	Kielce	property lease and management	22 675	-	-	-	22 675	99,9996%	99,9996%	none
31	Echo Projekt Management Ingatlanhasznosító KFT	Budapest	property management	2 126	(1 035)	-	(1 035)	1 091	100,00%	100,00%	none
32	47 - Grupa Echo Sp. z	Kielce	property lease and	1	-	-	-	1	0,0009%	0,0009%	none

No	BUSINESS NAME AND LEGAL FORM	REGISTERED OFFICE	BUSINESS ACTIVITY	VALUE OF SHARES/IN TERESTS ACCORDIN G TO THE PURCHASE PRICE	REVALUATION ADJUSTMENTS – OPENING BALANCE	REVALUATION ADJUSTMENTS – MOVEMENT	REVALUATION ADJUSTMENTS – CLOSING BALANCE	CARRYING VALUE OF INTERESTS/S HARES	PERCENTAGE OF SHARE CAPITAL HELD	SHARE IN OVERALL NUMBER OF VOTES AT THE GENERAL MEETING	ANOTHER BASIS FOR CONTROL
	o.o. S.K.A.		management								
33	53 - Grupa Echo Sp. z o.o. S.K.A.	Kielce	property lease and management	50	-	-	-	50	0,0504%	0,0504%	none
34	Galeria Olimpia - Projekt Echo - 98 Sp. z o.o. S.K.A.	Kielce	property lease and management	1	-	-	-	1	0,0031%	0,0031%	none
35	Galeria Sudecka - Projekt Echo - 43 Sp. z o.o. S.K.A.	Jelenia Góra	property lease and management	50	-	-	-	50	0,0673%	0,0673%	none
36	Projekt Beethovena - Grupa Echo Sp. z o.o. S.K.A.	Kielce	property lease and management	1	-	-	-	1	0,0022%	0,0022%	none
37	Echo - Galaxy Sp. z o.o. S.K.A.	Szczecin	property lease and management	50	-	-	-	50	0,0128%	0,0128%	none
38	Galeria Tarnów - Grupa Echo Sp. z o.o. S.K.A.	Kielce	property lease and management	50	-	-	-	50	0,6510%	0,6510%	none
39	Echo Pasaż Grunwaldzki - Magellan West Sp. z o.o. S.K.A.	Kielce	property lease and management	49	-	-	-	49	0,0127%	0,0127%	none
40	AVATAR - Projekt Echo - 93 Sp. z o.o. S.K.A.	Kielce	property lease and management	-	-	-	-	-	0,0004%	0,0004%	none
41	Projekt Naramowice - Grupa Echo Sp. z o.o. S.K.A.	Kielce	construction works involving erection of buildings	53	-	-	-	53	0,0319%	0,0319%	none
42	Oxygen - Projekt Echo - 95 Sp. z o.o. S.K.A.	Kielce	property lease and management	-	-	-	-	-	0,0005%	0,0005%	none
43	Park Postępu - Projekt Echo - 93 Sp. z o.o. S.K.A.	Kielce	property lease and management	-	-	-	-	-	0,0001%	0,0001%	none
44	Echo - Nowy Mokołów Sp. z o.o.	Kielce	property lease and management	94	-	-	-	94	99,90%	99,90%	none
45	Projekt Echo -69 Sp. z o.o.	Kielce	other monetary intermediation	115	-	-	-	115	99,99%	99,99%	none
46	Projekt Echo -70 Sp. z o.o.	Kielce	property lease and management	5 047	(7)	-	(7)	5 040	99,90%	99,90%	none
47	Projekt Echo -77 Sp. z o.o.	Kielce	property lease and management	50	(14)	-	(14)	36	99,90%	99,90%	none
48	Metropolis - Grupa Echo Sp. z o.o. S.K.A.	Kielce	property lease and management	-	-	-	-	-	0,000050%	0,000050%	none
49	Echo Investment Ukraina LLC	Kiev	property management	666	(319)	-	(319)	347	100,00%	100,00%	none
50	Galeria Nova - Grupa Echo Sp. z o.o. S.K.A	Kielce	property development	6	-	-	-	6	0,0571%	0,0571%	none

No	BUSINESS NAME AND LEGAL FORM	REGISTERED OFFICE	BUSINESS ACTIVITY	VALUE OF SHARES/IN TERESTS ACCORDIN G TO THE PURCHASE PRICE	REVALUATION ADJUSTMENTS – OPENING BALANCE	REVALUATION ADJUSTMENTS – MOVEMENT	REVALUATION ADJUSTMENTS – CLOSING BALANCE	CARRYING VALUE OF INTERESTS/S HARES	PERCENTAGE OF SHARE CAPITAL HELD	SHARE IN OVERALL NUMBER OF VOTES AT THE GENERAL MEETING	ANOTHER BASIS FOR CONTROL
			involving erection of buildings								
51	Echo Investment Projekt Management SRL	Bucharest	property management	4 986	(3 478)	-	(3 478)	1 508	99,9998%	99,9998%	none
52	El Projekt Cyp - 1 Limited	Nicosia	activity of head offices and holding companies	56 028	-	-	-	56 028	99,99%	99,99%	none
53	Barconsel Holdings Limited	Nicosia	activity of head offices and holding companies	374 329	-	-	-	374 329	24,4371%	24,4371%	none
54	Projekt Echo - 95 Sp. z o. o.	Kielce	buying and selling real property on own account	26	-	-	-	26	99,80%	99,80%	none
55	Projekt Echo - 96 Sp. z o. o.	Kielce	buying and selling real property on own account	26	-	-	-	26	99,80%	99,80%	none
56	Projekt Echo - 97 Sp. z o. o.	Kielce	buying and selling real property on own account	26	-	-	-	26	99,80%	99,80%	none
57	Projekt Echo - 98 Sp. z o. o.	Kielce	buying and selling real property on own account	26	-	-	-	26	99,80%	99,80%	none
58	Projekt Echo - 99 Sp. z o. o.	Kielce	buying and selling real property on own account	97	-	-	-	97	99,80%	99,80%	none
59	Aquarius Business House - Grupa Echo Sp. z. o. o. S.K.A.	Kielce	property lease and management	2	-	-	-	2	0,000042%	0,000042%	none
60	Echo - Pod Klonami Sp. z o. o. Sp.K.	Kielce	buying and selling real property on own account	10	-	-	-	10	99,00%	99,00%	none
61	Echo Investment Facility Management-Grupa Echo Sp. z o. o. Sp.K.	Kielce	property lease and management	11	-	-	-	11	99,00%	99,00%	none
62	Projekt CS Sp. z o.o.	Szczecin	other monetary intermediation	122	-	-	-	122	99,00%	99,00%	none
63	Pamiętkowo Sp. z o.o.	Pamiętkow o	other monetary intermediation	83	-	-	-	83	99,00%	99,00%	none
64	Projekt 3 - Grupa Echo Sp. z o.o. S.K.A.	Kielce	property lease and management	1	-	-	-	1	0,0040%	0,0040%	none
65	Projekt 4 - Grupa Echo Sp.	Kielce	property lease and	1	-	-	-	1	0,0040%	0,0040%	none

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	z o.o. S.K.A.		management								
66	Projekt 5 - Grupa Echo Sp. z o.o. S.K.A.	Kielce	property lease and management	1	-	-	-	1	0,0040%	0,0040%	none
67	Projekt Babka Tower - Grupa Echo Sp. z o.o. S.K.A.	Kielce	property lease and management	1	-	-	-	1	0,0040%	0,0040%	none
68	Park Rozwoju - Grupa Echo Sp. z o.o. S.K.A.	Kielce	property lease and management	1	-	-	-	1	0,0002%	0,0002%	none
69	Echo - Galeria Lublin Sp. z o. o.	Kielce	property lease and management	1 006	-	-	-	1 006	99,90%	99,90%	none
70	Echo - Nowy Mokatów Sp. z o. o. Sp. K.	Kielce	buying and selling real property on own account	1 251	-	-	-	1 251	99,00%	99,00%	none
71	ASTRA PARK - Projekt Echo 69 Sp. z o. o. S.K.A.	Kielce	property lease and management	74	-	-	-	74	0,1083%	0,1083%	none
72	Mena Investments Sp. z o.o.	Kielce	other business and management consulting services	105	-	-	-	105	99,00%	99,00%	none
73	Echo - Galeria Amber Sp. z o. o.	Kielce	other business and management consulting services	101	-	-	-	101	99,00%	99,00%	none
74	Vasco Investment Sp. z o. o.	Kielce	other business and management consulting services	90	-	-	-	90	99,00%	99,00%	none
75	Projekt Echo Pasaż Grunwaldzki - Magellan West Sp. z o.o. S.K.A.	Kielce	property lease and management	-	-	-	-	-	0,0040%	0,0040%	none
76	Projekt Echo Galeria Kielce - Magellan West Sp. z o.o. - S.K.A.	Kielce	property lease and management	-	-	-	-	-	0,0040%	0,0040%	none
77	Galaxy - Projekt Echo - 106 Sp. z o.o. S.K.A.	Szczecin	property lease and management	-	-	-	-	-	0,0040%	0,0040%	none
78	Projekt Echo - 99 Sp. z o. o. Sp.K.	Kielce	buying and selling real property on own account	12	-	-	-	12	99,00%	99,00%	none
79	Intermedia Investment Sp. Z o. o.	Kielce	other business and management consulting services	290	-	-	-	290	99,00%	99,00%	none
80	Iris Capital Sp. z o. o.	Kielce	other business and management consulting services	122	-	-	-	122	99,00%	99,00%	none

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81	Projekt Echo - 101 Sp. z o. o.	Kielce	property lease and management	50	-	-	-	50	99,90%	99,90%	none
82	Projekt Echo - 102 Sp. z o. o.	Kielce	property lease and management	50	-	-	-	50	99,90%	99,90%	none
83	Projekt Echo - 103 Sp. z o. o.	Szczecin	property lease and management	50	-	-	-	50	99,90%	99,90%	none
84	Projekt Echo - 104 Sp. z o. o.	Kielce	property lease and management	50	-	-	-	50	99,90%	99,90%	none
85	Projekt Echo - 105 Sp. z o. o.	Kielce	property lease and management	50	-	-	-	50	99,90%	99,90%	none
86	Projekt Echo - 106 Sp. z o. o.	Kielce	property lease and management	50	-	-	-	50	99,90%	99,90%	none
87	Projekt Echo - 107 Sp. z o. o.	Kielce	property lease and management	50	-	-	-	50	99,90%	99,90%	none
88	Projekt Echo - 108 Sp. z o. o.	Kielce	property lease and management	50	-	-	-	50	99,90%	99,90%	none
89	Projekt Echo - 109 Sp. z o. o.	Kielce	property lease and management	50	-	-	-	50	99,90%	99,90%	none
90	Projekt Echo - 110 Sp. z o. o.	Kielce	property lease and management	50	-	-	-	50	99,90%	99,90%	none
91	Echo - Property Poznan 1 Sp. z o. o.	Kielce	other business and management consulting services	197	-	-	-	197	99,00%	99,00%	none
92	Echo - Park Rozwoju Sp. z o.o.	Kielce	other business and management consulting services	97	-	-	-	97	100,00%	100,00%	none
93	Farrina Investments Sp. z o.o.	Kielce	buying and selling real property on own account	60	-	-	-	60	99,90%	99,90%	none
94	Elmira Investments Sp. z o.o.	Kielce	other business and management consulting services	60	-	-	-	60	99,90%	99,90%	none
95	Elmira Investments Sp. z o.o. S.K.A.	Kielce	other business and management consulting services	61	-	-	-	61	99,9980%	99,9980%	none
96	Projekt 11 - Grupa Echo Sp. z o.o - S.K.A.	Kielce	property lease and management	-	-	-	-	-	0,0040%	0,0040%	none
97	Projekt 12 - Grupa Echo Sp. z o.o - S.K.A.	Kielce	property lease and management	-	-	-	-	-	0,0040%	0,0040%	none
98	Projekt 13 - Grupa Echo Sp. z o.o - S.K.A.	Kielce	property lease and management	-	-	-	-	-	0,0040%	0,0040%	none

No	BUSINESS NAME AND LEGAL FORM	REGISTERED OFFICE	BUSINESS ACTIVITY	VALUE OF SHARES/IN TERESTS ACCORDIN G TO THE PURCHASE PRICE	REVALUATION ADJUSTMENTS – OPENING BALANCE	REVALUATION ADJUSTMENTS – MOVEMENT	REVALUATION ADJUSTMENTS – CLOSING BALANCE	CARRYING VALUE OF INTERESTS/S HARES	PERCENTAGE OF SHARE CAPITAL HELD	SHARE IN OVERALL NUMBER OF VOTES AT THE GENERAL MEETING	ANOTHER BASIS FOR CONTROL
99	Projekt 14 - Grupa Echo Sp. z o.o - S.K.A.	Kielce	other financial agency services	-	-	-	-	-	0,0040%	0,0040%	none
100	Projekt - Pamiątkowo Sp. z o.o.	Pamiątkowo	buying and selling real property on own account	51	-	-	-	51	100,00%	100,00%	none
101	Projekt 15 - Grupa Echo Sp. z o.o - S.K.A.	Pamiątkowo	property trade agency	50	-	-	-	50	100,00%	100,00%	none
102	Projekt 16 - Grupa Echo Sp. z o.o - S.K.A.	Pamiątkowo	property trade agency	50	-	-	-	50	100,00%	100,00%	none
103	Projekt 17 - Grupa Echo Sp. z o.o - S.K.A.	Pamiątkowo	property trade agency	50	-	-	-	50	100,00%	100,00%	none
104	Projekt 18 - Grupa Echo Sp. z o.o - S.K.A.	Pamiątkowo	property trade agency	50	-	-	-	50	100,00%	100,00%	none
105	Projekt 19 - Grupa Echo Sp. z o.o - S.K.A.	Pamiątkowo	property trade agency	50	-	-	-	50	100,00%	100,00%	none
106	Projekt 20 - Grupa Echo Sp. z o.o - S.K.A.	Pamiątkowo	property trade agency	50	-	-	-	50	100,00%	100,00%	none
107	Projekt 21 - Grupa Echo Sp. z o.o - S.K.A.	Pamiątkowo	property trade agency	50	-	-	-	50	100,00%	100,00%	none
108	Projekt 22 - Grupa Echo Sp. z o.o - S.K.A.	Pamiątkowo	property trade agency	50	-	-	-	50	100,00%	100,00%	none
109	SPV-1 Grupa Echo Sp. z o.o. S.K.A.	Szczecin	property lease and management	1	-	-	-	1	0,9000%	0,9000%	none
				992 059	(68 131)	-	(68 131)	923 928			
SHARES/INTERESTS IN JOINTLY CONTROLLED ENTITIES											
1	Wan 11 Sp. z o.o.	Warsaw	property lease and management	1 500	-	-	-	1 500	50,00%	50,00%	none
				1 500	-	-	-	1 500			
SHARES/INTERESTS IN ASSOCIATES											
1	EBR Global Services Sp. z o. o.	Kielce	accounting and book keeping activity	13	-	-	-	13	25,00%	25,00%	none
2	SPC S.A	Warsaw	management of other entities	34	(34)	-	(34)	-	34,00%	34,00%	none
				47	(34)	-	(34)	13			
TOTAL SHARES/INTERESTS IN SUBORDINATES				993 606	(68 165)	-	(68 165)	925 441			

In the table, the Company has presented the revaluation allowance created during the financial year for the Company's interests and shares in subsidiaries, jointly controlled entities and associates.

Where no revaluation allowances have been created, the Company believes that, as at the balance sheet date, there were no indications that the allowances had to be adjusted.

The Company controls the mentioned subsidiaries through a direct capital share or through interests/shares held by other subsidiaries of the Company.

## INTERESTS OR SHARES IN SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES AS OF 31 DECEMBER 2012

No	BUSINESS NAME AND LEGAL FORM	REGISTERED OFFICE	BUSINESS ACTIVITY	VALUE OF SHARES/IN TERESTS ACCORDING TO THE PURCHASE PRICE	REVALUATION ADJUSTMENTS – OPENING BALANCE	REVALUATION ADJUSTMENTS – MOVEMENT	REVALUATION ADJUSTMENTS – CLOSING BALANCE	CARRYING VALUE OF INTERESTS/ SHARES	PERCENTAGE OF SHARE CAPITAL HELD	SHARE IN OVERALL NUMBER OF VOTES AT THE GENERAL MEETING	ANOTHER BASIS FOR CONTROL
SHARES/INTERESTS IN SUBSIDIARIES											
1	PHS - Projekt CS Sp. z o.o. S.K.A.	Szczecin	property lease and management	-	-		-	-	0,0040%	0,0040%	none
2	Projekt Echo - 93 Sp. z o.o.	Kielce	property lease and management	51	-		-	51	99,00%	99,00%	none
3	Echo - Aurus Sp. z o.o.	Kielce	property lease and management	138 390	(12)	12	-	138 390	97,90%	97,90%	none
4	Princess Investment Sp. z o.o.	Kielce	construction works involving erection of buildings	5 063	(2 663)		(2 663)	2 400	100,00%	100,00%	none
5	Bełchatów - Grupa Echo Sp. z o.o. S.K.A.	Kielce	property lease and management	-	-		-	-	0,0059%	0,0059%	none
6	PPR - Projekt Echo - 77 Sp. z o.o. S.K.A.	Kielce	property lease and management	-	-		-	-	0,0002%	0,0002%	none
7	Echo - SPV 7 Sp. z o.o.	Kielce	property lease and management	188 599	-		-	188 599	99,99%	99,99%	none
8	Echo - Centrum Przemysł - Projekt Echo 93 Sp. z o.o. S.K.A.	Kielce	property lease and management	-	-		-	-	0,0013%	0,0013%	none
9	Grupa Echo Sp. z o.o.	Kielce	business consulting and management	52	-		-	52	100,00%	100,00%	none
10	Veneda - Projekt Echo - 97 Sp. z o.o. S.K.A.	Kielce	property lease and management	-	-		-	-	0,0074%	0,0074%	none
11	Echo Galeria Kielce - Magellan West Sp. z o.o. S.K.A.	Kielce	property lease and management	16	-		-	16	0,0219%	0,0219%	none
12	Echo Investment ACC - Grupa Echo Sp. z o.o. Sp.K.	Kielce	accounting and book keeping activity	51	-		-	51	99,00%	99,00%	none
13	Babka Tower - Projekt Echo - 93 Sp. z o.o. S.K.A.	Kielce	property lease and management	-	-		-	-	0,0083%	0,0083%	none
14	Malta Office Park - Projekt Echo - 96 Sp. z o.o. S.K.A.	Kielce	property lease and management	1	-		-	1	0,0067%	0,0067%	none



No	BUSINESS NAME AND LEGAL FORM	REGISTE D OFFICE	BUSINESS ACTIVITY	VALUE OF SHARES/IN TERESTS ACCORDI NG TO THE PURCHASE PRICE	REVALUATION ADJUSTMENTS – OPENING BALANCE	REVALUATION ADJUSTMENTS – MOVEMENT	REVALUATION ADJUSTMENTS – CLOSING BALANCE	CARRYING VALUE OF INTERESTS/S HARES	PERCENTAGE OF SHARE CAPITAL HELD	SHARE IN OVERALL NUMBER OF VOTES AT THE GENERAL MEETING	ANOTHER BASIS FOR CONTROL
15	A4 Business Park Grupa Echo Sp. z o.o. S.K.A.	Kielce	property development involving erection of buildings	51	-		-	51	99,00%	99,00%	none
16	Echo - Arena Sp. z o.o.	Kielce	property development involving erection of buildings	1 008	-		-	1 008	99,95%	99,95%	none
17	Echo - Galaxy Sp. z o.o.	Kielce	property development involving erection of buildings	51	-		-	51	99,00%	99,00%	none
18	Projekt Echo - 33 Sp. z o.o.	Kielce	property lease and management	51	-		-	51	99,00%	99,00%	none
19	Echo -Galeria Amber Sp. z o.o. - S.K.A.	Kielce	property lease and management	51	(49)		(49)	2	99,00%	99,00%	none
20	Zakład Ogrodniczy Naramowice - Pamiątkowo Sp. z o. o. S.K.A.	Pamiątko wo	crop growing and animal production	24	-		-	24	0,0005%	0,0005%	none
21	Echo Investment Property Management- Grupa Echo Sp. z o. o. Sp. K.	Kielce	property management	50	-		-	50	99,00%	99,00%	none
22	Projekt Saska Sp. z o.o.	Kielce	property trade agency	20 419	(20 419)		(20 419)	-	95,00%	95,00%	none
23	Echo -Kasztanowa Aleja Sp. z o.o.	Kielce	property lease and management	51	(15)		(15)	36	99,00%	99,00%	none
24	Echo - Klimt House Sp. z o.o.	Kielce	property lease and management	51	(15)		(15)	36	99,00%	99,00%	none
25	Projekt Echo -43 Sp. z o.o.	Kielce	property lease and management	51	(10)		(10)	41	99,00%	99,00%	none
26	Echo - Przy Słowińskim Wzgórzu Sp. z o.o.	Kielce	property lease and management	51	(14)		(14)	37	99,00%	99,00%	none
27	Echo Investment Hungary Ingatlanhasznosító KFT	Budapest	property lease and management	89 130	(40 093)		(40 093)	49 037	100,00%	100,00%	none
28	Echo -Kasztanowa Aleja	Kielce	property lease and	15 901	-		-	15 901	99,90%	99,90%	none

No	BUSINESS NAME AND LEGAL FORM	REGISTE D OFFICE	BUSINESS ACTIVITY	VALUE OF SHARES/IN TERESTS ACCORDI NG TO THE PURCHASE PRICE	REVALUATION ADJUSTMENTS – OPENING BALANCE	REVALUATION ADJUSTMENTS – MOVEMENT	REVALUATION ADJUSTMENTS – CLOSING BALANCE	CARRYING VALUE OF INTERESTS/S HARES	PERCENTAGE OF SHARE CAPITAL HELD	SHARE IN OVERALL NUMBER OF VOTES AT THE GENERAL MEETING	ANOTHER BASIS FOR CONTROL
	Sp. z o.o. Sp.K.		management								
29	Echo - Klimt House Sp. z o.o. Sp.K.	Kielce	property lease and management	501	-		-	501	99,90%	99,90%	none
30	Echo - Przy Słowiańskim Wzgórzu Sp. z o.o. Sp.K.	Kielce	property lease and management	22 675	-		-	22 675	99,99%	99,99%	none
31	Echo Projekt Management Ingatlanhasznosító KFT	Budapest	property management	2 126	(81)	(954)	(1 035)	1 091	100,00%	100,00%	none
32	47 - Grupa Echo Sp. z o.o. S.K.A.	Kielce	property lease and management	-	-		-	-	0,0009%	0,0009%	none
33	Echo Investment Project 1 S.R.L.	Bucharest	property lease and management	61 941	(1 309)		(1 309)	60 632	100,00%	100,00%	none
34	53 - Grupa Echo Sp. z o.o. S.K.A.	Kielce	property lease and management	50	-		-	50	0,0504%	0,0504%	none
35	Galeria Olimpia - Projekt Echo - 98 Sp. z o.o. S.K.A.	Kielce	property lease and management	1	-		-	1	0,0031%	0,0031%	none
36	Galeria Sudecka - Projekt Echo - 43 Sp. z o.o. S.K.A.	Jelenia Góra	property lease and management	50	-		-	50	0,0673%	0,0673%	none
37	Projekt Beethovena - Grupa Echo Sp. z o.o. S.K.A.	Kielce	property lease and management	1	-		-	1	0,0022%	0,0022%	none
38	Galaxy - Grupa Echo Sp. z o.o. S.K.A.	Szczecin	property lease and management	50	-		-	50	0,0128%	0,0128%	none
39	Galeria Tarnów - Projekt Echo - 43 Sp. z o.o. S.K.A.	Kielce	property lease and management	50	-		-	50	0,0647%	0,0647%	none
40	Echo Pasaż Grunwaldzki - Magellan West Sp. z o.o. S.K.A.	Kielce	property lease and management	49	-		-	49	0,0127%	0,0127%	none
41	AVATAR - Projekt Echo - 93 Sp. z o.o. S.K.A.	Kielce	property lease and management	-	-		-	-	0,0004%	0,0004%	none
42	Projekt Naramowice - Grupa Echo Sp. z o.o. S.K.A.	Kielce	construction works involving erection of buildings	53	-		-	53	0,0319%	0,0319%	none
43	Oxygen - Projekt Echo - 95 Sp. z o.o. S.K.A.	Kielce	property lease and management	-	-		-	-	0,0005%	0,0005%	none
44	Park Postępu - Projekt Echo - 93 Sp. z o.o. S.K.A.	Kielce	property lease and management	-	-		-	-	0,0001%	0,0001%	none

No	BUSINESS NAME AND LEGAL FORM	REGISTE D OFFICE	BUSINESS ACTIVITY	VALUE OF SHARES/IN TERESTS ACCORDI NG TO THE PURCHASE PRICE	REVALUATION ADJUSTMENTS – OPENING BALANCE	REVALUATION ADJUSTMENTS – MOVEMENT	REVALUATION ADJUSTMENTS – CLOSING BALANCE	CARRYING VALUE OF INTERESTS/S HARES	PERCENTAGE OF SHARE CAPITAL HELD	SHARE IN OVERALL NUMBER OF VOTES AT THE GENERAL MEETING	ANOTHER BASIS FOR CONTROL
45	Projekt Echo -67 Sp. z o.o.	Kielce	property lease and management	94	-		-	94	99,90%	99,90%	none
46	Projekt Echo -69 Sp. z o.o.	Kielce	other monetary intermediation	115	-		-	115	99,99%	99,99%	none
47	Projekt Echo -70 Sp. z o.o.	Kielce	property lease and management	5 047	(7)		(7)	5 040	99,90%	99,90%	none
48	Projekt Echo -77 Sp. z o.o.	Kielce	property lease and management	50	(14)		(14)	36	99,90%	99,90%	none
49	Metropolis - Grupa Echo Sp. z o. o. S.K.A.	Kielce	property lease and management	-	-		-	-	0,0001%	0,0001%	none
50	Echo Investment Ukraina LLC	Kiev	property management	666	(319)		(319)	347	100,00%	100,00%	none
51	Ultra Marina Sp. z o.o.	Kielce	property development involving erection of buildings	6	-		-	6	0,0800%	0,0800%	none
52	Echo Investment Projekt Management SRL	Bucharest	property management	3 477	(2 448)	(1 030)	(3 478)	(1)	99,99%	99,99%	none
53	El Projekt Cyp - 1 Limited	Nicosia	activity of head offices and holding companies	56 028	-		-	56 028	99,99%	99,99%	none
54	Barconsel Holdings Limited	Nicosia	activity of head offices and holding companies	374 747	-		-	374 747	25,30%	25,30%	none
55	Projekt Echo - 95 Sp. z o. o.	Kielce	buying and selling real property on own account	26	-		-	26	99,80%	99,80%	none
56	Projekt Echo - 96 Sp. z o. o.	Kielce	buying and selling real property on own account	26	-		-	26	99,80%	99,80%	none
57	Projekt Echo - 97 Sp. z o. o.	Kielce	buying and selling real property on own account	26	-		-	26	99,80%	99,80%	none
58	Projekt Echo - 98 Sp. z o. o.	Kielce	buying and selling real property on own account	26	-		-	26	99,80%	99,80%	none
59	Projekt Echo - 99 Sp. z o. o.	Kielce	buying and selling real property on	97	-		-	97	99,80%	99,80%	none

No	BUSINESS NAME AND LEGAL FORM	REGISTE D OFFICE	BUSINESS ACTIVITY	VALUE OF SHARES/IN TERESTS ACCORDI NG TO THE PURCHASE PRICE	REVALUATION ADJUSTMENTS – OPENING BALANCE	REVALUATION ADJUSTMENTS – MOVEMENT	REVALUATION ADJUSTMENTS – CLOSING BALANCE	CARRYING VALUE OF INTERESTS/S HARES	PERCENTAGE OF SHARE CAPITAL HELD	SHARE IN OVERALL NUMBER OF VOTES AT THE GENERAL MEETING	ANOTHER BASIS FOR CONTROL
own account											
60	Aquarius Business House - Grupa Echo Sp. z o. o. S.K.A.	Kielce	property lease and management	2	-		-	2	0,0040%	0,0040%	none
61	Echo - Pod Klonami Sp. z o. o. Sp.K.	Kielce	buying and selling real property on own account	10	-		-	10	99,0000%	99,0000%	none
62	Echo Investment Facility Management-Grupa Echo Sp. z o. o. Sp.K.	Kielce	property lease and management	11	-		-	11	99,00%	99,00%	none
63	Projekt CS Sp. z o.o.	Szczecin	other monetary intermediation	122	-		-	122	99,00%	99,00%	none
64	Pamiątkowo Sp. z o.o.	Pamiątko wo	other monetary intermediation	83	-		-	83	99,00%	99,00%	none
65	Projekt 3 - Grupa Echo Sp. z o.o. S.K.A.	Kielce	property lease and management	-	-		-	-	0,0040%	0,0040%	none
66	Projekt 4 - Grupa Echo Sp. z o.o. S.K.A.	Kielce	property lease and management	-	-		-	-	0,0040%	0,0040%	none
67	Projekt 5 - Grupa Echo Sp. z o.o. S.K.A.	Kielce	property lease and management	-	-		-	-	0,0040%	0,0040%	none
68	Projekt 6 - Grupa Echo Sp. z o.o. S.K.A.	Kielce	property lease and management	1	-		-	1	0,0040%	0,0040%	none
69	Projekt 7 - Grupa Echo Sp. z o.o. S.K.A.	Kielce	property lease and management	1	-		-	1	0,0040%	0,0040%	none
70	Echo - Galeria Lublin Sp. z o. o.	Lublin	property lease and management	1 006	-		-	1 006	99,90%	99,90%	none
71	Projekt Echo - 67 Sp. z o.o. Sp. K.	Kielce	buying and selling real property on own account	11	-		-	11	99,00%	99,00%	none
72	ASTRA PARK - Projekt Echo 69 Sp. z o. o. S.K.A.	Kielce	property lease and management	74	-		-	74	0,1083%	0,1083%	none
73	Mena Investments Sp. z o.o.	Kielce	other business and management consulting services	105	-		-	105	99,00%	99,00%	none
74	Echo - Galeria Amber Sp. z o. o.	Kielce	other business and management consulting services	101	-		-	101	99,00%	99,00%	none

No	BUSINESS NAME AND LEGAL FORM	REGISTERED OFFICE	BUSINESS ACTIVITY	VALUE OF SHARES/IN TERESTS ACCORDING TO THE PURCHASE PRICE	REVALUATION ADJUSTMENTS – OPENING BALANCE	REVALUATION ADJUSTMENTS – MOVEMENT	REVALUATION ADJUSTMENTS – CLOSING BALANCE	CARRYING VALUE OF INTERESTS/S HARES	PERCENTAGE OF SHARE CAPITAL HELD	SHARE IN OVERALL NUMBER OF VOTES AT THE GENERAL MEETING	ANOTHER BASIS FOR CONTROL
75	VASCO Investment Sp. z o. o.	Kielce	other business and management consulting services	90	-		-	90	99,00%	99,00%	none
76	Projekt 8 - Grupa Echo Sp. z o.o. - S.K.A.	Kielce	property lease and management	-	-		-	-			none
77	Projekt 9 - Grupa Echo Sp. z o.o. - S.K.A.	Kielce	property lease and management	-	-		-	-			none
78	Projekt 10 - Grupa Echo Sp. z o.o. - S.K.A.	Kielce	property lease and management	-	-		-	-			none
79	Projekt Echo - 99 Sp. z o. o. Sp.K.	Kielce	buying and selling real property on own account	12	-		-	12	99,00%	99,00%	none
80	Intermedia Investment Sp. z o. o.	Kielce	other business and management consulting services	290	-		-	290	99,00%	99,00%	none
81	Iris Capital Sp. z o. o.	Kielce	other business and management consulting services	122	-		-	122	99,00%	99,00%	none
82	Projekt Echo - 101 Sp. z o. o.	Kielce	property lease and management	50	-		-	50	99,90%	99,90%	none
83	Projekt Echo - 102 Sp. z o. o.	Kielce	property lease and management	50	-		-	50	99,90%	99,90%	none
84	Projekt Echo - 103 Sp. z o. o.	Kielce	property lease and management	50	-		-	50	99,90%	99,90%	none
85	Projekt Echo - 104 Sp. z o. o., in the course of incorporation	Kielce	property lease and management	50	-		-	50	99,90%	99,90%	none
86	Projekt Echo - 105 Sp. z o. o., in the course of incorporation	Kielce	property lease and management	50	-		-	50	99,90%	99,90%	none
87	Projekt Echo - 106 Sp. z o. o., in the course of incorporation	Kielce	property lease and management	50	-		-	50	99,90%	99,90%	none
88	Projekt Echo - 107 Sp. z o. o., in the course of incorporation	Kielce	property lease and management	1	-		-	1	99,90%	99,90%	none
89	Projekt Echo - 108 Sp. z o. o., in the course of	Kielce	property lease and management	1	-		-	1	99,90%	99,90%	none

No	BUSINESS NAME AND LEGAL FORM	REGISTE D OFFICE	BUSINESS ACTIVITY	VALUE OF SHARES/IN TERESTS ACCORDI NG TO THE PURCHASE PRICE	REVALUATION ADJUSTMENTS – OPENING BALANCE	REVALUATION ADJUSTMENTS – MOVEMENT	REVALUATION ADJUSTMENTS – CLOSING BALANCE	CARRYING VALUE OF INTERESTS/S HARES	PERCENTAGE OF SHARE CAPITAL HELD	SHARE IN OVERALL NUMBER OF VOTES AT THE GENERAL MEETING	ANOTHER BASIS FOR CONTROL
	incorporation										
90	Projekt Echo - 109 Sp. z o. o., in the course of incorporation	Kielce	property lease and management	1	-		-	1	99,90%	99,90%	none
91	Projekt Echo - 110 Sp. z o. o., in the course of incorporation	Kielce	property lease and management	1	-		-	1	99,90%	99,90%	none
92	Projekt Echo - 111 Sp. z o. o., in the course of incorporation	Kielce	property lease and management	1	-		-	1	99,90%	99,90%	none
93	Projekt Echo - 112 Sp. z o. o., in the course of incorporation	Kielce	property lease and management	-	-		-	-	99,90%	99,90%	none
94	Projekt Echo - 113 Sp. z o. o., in the course of incorporation	Kielce	property lease and management	-	-		-	-	99,90%	99,90%	none
95	Monolit Investment Sp. z o. o.	Kielce	other business and management consulting services	197	-		-	197	99,90%	99,90%	none
96	Nikson Capital Sp. z o. o.	Kielce	other business and management consulting services	97	-		-	97	99,90%	99,90%	none
97	Farrina Investments Sp. z o. o.	Warsaw	other business and management consulting services	15	-		-	15	100,00%	100,00%	none
98	Elmira Investments Sp. z o. o.	Kielce	other business and management consulting services	15	-		-	15	100,00%	100,00%	none
99	Elmira Investments Sp. z o. o. S.K.A.	Warsaw	other business and management consulting services	61	-		-	61	100,00%	100,00%	none
100	SPV-1 Grupa Echo Sp. z o.o. S.K.A.	Kielce	property lease and management	1	-		-	1	0,90%	0,90%	none
				<b>989 873</b>	<b>(67 468)</b>	<b>(1 972)</b>	<b>(69 440)</b>	<b>920 433</b>			

No.	BUSINESS NAME AND LEGAL FORM	REGISTERED OFFICE	BUSINESS ACTIVITY	VALUE OF SHARES/IN TERESTS ACCORDING TO THE PURCHASE PRICE	REVALUATION ADJUSTMENTS – OPENING BALANCE	REVALUATION ADJUSTMENTS – MOVEMENT	REVALUATION ADJUSTMENTS – CLOSING BALANCE	CARRYING VALUE OF INTERESTS/ SHARES	PERCENTAGE OF SHARE CAPITAL HELD	SHARE IN OVERALL NUMBER OF VOTES AT THE GENERAL MEETING	ANOTHER BASIS FOR CONTROL
SHARES/INTERESTS IN JOINTLY CONTROLLED ENTITIES											
1	Won 11 Sp. z o.o.	Warsaw	property lease and management	1 500	-		-	1 500	50,00%	50,00%	none
				<b>1 500</b>	<b>-</b>		<b>-</b>	<b>1 500</b>			
SHARES/INTERESTS IN ASSOCIATES											
1	EBR Global Services Sp. z o. o.	Kielce	accounting and book keeping activity	13	-		-	13	25,00%	25,00%	none
2	SPC S.A.	Warsaw	management of other entities	34	(34)	-	(34)	-	34,00%	34,00%	none
				<b>47</b>	<b>(34)</b>	<b>-</b>	<b>(34)</b>	<b>13</b>			
TOTAL SHARES/INTERESTS IN SUBORDINATES				<b>991 420</b>	<b>(67 502)</b>	<b>(1 972)</b>	<b>(69 474)</b>	<b>921 946</b>			

In the table, the Company has presented the revaluation allowance created during the financial year for the Company's interests and shares in subsidiaries, jointly controlled entities and associates.

Where no revaluation allowances have been created, the Company believes that, as at the balance sheet date, there were no indications that the allowances had to be adjusted.

The change in the value of revaluation adjustments of interests was disclosed in the result, as of 31 December 2012, under revaluation of investments, in other operating revenue/costs.

The costs include the created impairment loss in the amount of PLN 1,972 thousand.

The Company controls the mentioned subsidiaries through a direct capital share or through interests/shares held by other subsidiaries of the Company.

## NOTE 5

LONG-TERM FINANCIAL ASSETS (PLN '000)	31.12.2013	31.12.2012
a) advances received	12 959	13 498
b) investment certificates	1 130	1 130
c) advances on interests	1	1
<b>Total long-term financial assets</b>	<b>14 090</b>	<b>14 629</b>

## NOTE 6

MOVEMENT IN DEFERRED INCOME TAX ASSETS/PROVISION (PLN '000)	01.01.2013- 31.12.2013	01.01.2012- 31.12.2012
<b>1. Deferred income tax assets/provision at the beginning of the period</b>	<b>13 678</b>	<b>(7 778)</b>
investment property	(396)	1 118
receivables and liabilities due to borrowings	(8)	(218)
liabilities due to loans and bonds	(263)	26
tax loss	-	1 869
inventory	6 503	1 967
interests and shares	13 200	(1 734)
limited partnership income tax	-	(6 245)
other	(5 358)	(4 561)
<b>2. Increases</b>	<b>274</b>	<b>25 925</b>
investment property	111	-
receivables and liabilities due to borrowings	-	210
Tax loss	121	-
inventory	-	4 536
interests and shares	-	14 934
limited partnership income tax	-	6 245
other	42	-
<b>3. Decreases</b>	<b>(2 500)</b>	<b>(4 469)</b>
investment property	-	(1 514)
receivables and liabilities due to borrowings	(321)	-
liabilities due to loans and bonds	(393)	(289)
tax loss	-	(1 869)
inventory	(1 537)	-
interests and shares	(249)	-
other	-	(797)
<b>4. Deferred income tax assets/provision at the end of the period</b>	<b>11 452</b>	<b>13 678</b>
investment property	(285)	(396)
receivables and liabilities due to borrowings	(329)	(8)
liabilities due to loans and bonds	(656)	(263)
tax loss	121	-
inventory	4 966	6 503
interests and shares	12 951	13 200
limited partnership income tax	-	-
other	(5 316)	(5 358)

The Company does not hold any items where deferred tax has not been recognised.



In 2012, the Company's Management Boards changed its expectations and decided not to sell the interests of Barconsel Holdings Ltd. Echo – Aurus Sp. z o.o. and Echo - SPV 7 Sp. z o.o. in the foreseeable future. Therefore, pursuant to IAS 12 item 39, the provision for deferred income tax on tax and accounting differences related the said interest in the above-mentioned subsidiaries in the amount of PLN 14,559 thousand was released.

## NOTE 7A

INVENTORY (PLN '000)	31.12.2013	31. 12.2012
a) semi-finished products and work-in-progress	198 284	272 772
b) finished products	25 119	18 758
c) goods	43 221	10 884
<b>Total inventory</b>	<b>266 624</b>	<b>302 414</b>

Inventory is measured up to the net realisable sales value. This value is obtained based on 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 for sale.

## NOTE 7B

INVENTORY – INFLUENCE ON THE RESULT (PLN '000)	31.12.2013	31.12.2012
Allowances for inventory recognised as cost in the period	3 301	29 770
Reversed write-downs on inventory recognised as revenue in the period	8 627	9 946

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 are 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 "Prime cost of sale".

The movement in the revaluation allowance for inventory, as of 31 December 2013, amounted to PLN 5,326 thousand (as of 31 December 2012: PLN 19,824 thousand).

As of 31 December 2013, work-in-progress for which there was no capitalisation of financing costs during the year amounted to PLN 151,176 thousand.

## NOTE 8A

SHORT-TERM TRADE RECEIVABLES, TAXES AND OTHER (PLN '000)	31.12.2013	31.12.2012
<b>a) receivables from subsidiaries</b>	<b>53 995</b>	<b>55 404</b>
- trade, with maturity:	38 165	27 761
- up to 12 months	38 165	27 761
- other	15 830	27 643
<b>b) revaluation allowances for receivables from related parties</b>	-	-
<b>c) receivables from other entities</b>	<b>8 567</b>	<b>10 225</b>
- trade, with maturity:	456	4 809
- up to 12 months	456	4 809
- over 12 months	-	-
- income tax	3 376	-
- other	3 068	3 117
- advances on deliveries	1 667	2 299
<b>d) revaluation allowances for receivables from other entities</b>	<b>(1 118)</b>	<b>(1 350)</b>
<b>Total net short-term trade receivables, taxes and other</b>	<b>62 562</b>	<b>65 629</b>
- total revaluation allowances for receivables	(1 118)	(1 350)
<b>Total gross short-term trade receivables, taxes and other</b>	<b>63 680</b>	<b>66 979</b>

The maximum value of credit risk related to trade receivables is equivalent to their carrying value.

Receivables from related companies are not secured. As of 31 December 2013, no receivables from related parties were written off.

The estimated fair value of trade receivables is the amount of the expected future discounted cash flows and is equivalent to the carrying value of these receivables.

Trade receivables result from the lease of office space and residential apartments, and from the implementation of investments. The Company constantly monitors its tenants' financial situation and solvency. The payments are secured with security deposits. As of 31 December 2013, the value of security deposits amounts to PLN 165 thousand and, as of 31 December 2012, it amounted to PLN 197 thousand.

## NOTE 8B

MOVEMENT IN SHORT-TERM RECEIVABLES REVALUATION ALLOWANCES (PLN '000)	01.01.2013- 31.12.2013	01.01.2012- 31.12.2012
<b>Opening balance</b>	<b>1 350</b>	<b>1 475</b>
<b>a) increases (due to)</b>	<b>503</b>	-
- creation of an allowance	503	-
<b>b) decreases (due to)</b>	<b>(735)</b>	<b>(125)</b>
- repayment	(20)	(22)
- release	(715)	(103)
<b>Revaluation allowances for short-term receivables at the end of the period</b>	<b>1 118</b>	<b>1 350</b>

The revaluation allowance for receivables has been disclosed under "other operating revenue" in the Company's profit and loss account.

Based on experience and expectations regarding future cash flows, the Company creates a revaluation allowance for receivables:

- for receivables overdue more than one year, for a full value of receivables,
- for receivables overdue more than half a year but not longer than one year, in the amount of 50% of receivables.

## NOTE 8C

GROSS SHORT-TERM TRADE RECEIVABLES, TAXES AND OTHER (CURRENCY STRUCTURE) (PLN '000)	31.12.2013	31.12.2012
<b>a) in the Polish currency (PLN)</b>	63 680	66 979
<b>b) in foreign currencies (by currency and after translation into PLN)</b>	-	-
- unit/currency EUR	-	-
- PLN '000	-	-
- unit/currency USD	-	-
- PLN '000	-	-
<b>Total gross short-term trade receivables, taxes and other</b>	<b>63 680</b>	<b>66 979</b>

## NOTE 8D

(GROSS) TRADE RECEIVABLES, WITH A MATURITY AFTER THE BALANCE SHEET DATE (PLN '000) OF	31.12.2013	31.12.2012
a) up to 1 month	18 627	15 643
b) between 1 month and 3 months	18 101	15 468
c) between 3 months and 6 months	-	-
d) between 6 months and 1 year	-	-
e) over 1 year	-	-
f) overdue receivables	2 911	2 709
<b>Total (gross) trade receivables</b>	<b>39 639</b>	<b>33 820</b>
g) revaluation allowances for trade receivables	(1 018)	(1 250)
<b>Total (net) trade receivables</b>	<b>38 621</b>	<b>32 570</b>

## NOTE 8E

OVERDUE (GROSS) TRADE RECEIVABLES – DIVISION INTO RECEIVABLES UNPAID IN THE PERIOD (PLN '000)	31.12.2013	31.12.2012
a) up to 1 month	1 701	476
b) between 1 month and 3 months	30	505
c) between 3 months and 6 months	677	404
d) between 6 months and 1 year	32	148
e) over 1 year	471	1 176
<b>Total (gross) overdue trade receivables</b>	<b>2 911</b>	<b>2 709</b>
f) revaluation allowances for overdue trade receivables	(1 018)	(1 250)
<b>Total (net) overdue trade receivables</b>	<b>1 893</b>	<b>1 459</b>

## NOTE 8F

(GROSS) TRADE RECEIVABLES (PLN '000)	31.12.2013	31.12.2012
a) unimpaired current receivables	36 728	31 111
b) unimpaired overdue receivables	1 893	1 459
c) impaired overdue receivables	1 018	1 250
<b>Total (gross) trade receivables</b>	<b>39 639</b>	<b>33 820</b>

## NOTE 8G

DISPUTED AND OVERDUE RECEIVABLES (PLN '000)	31.12.2013	31.12.2012
<b>Disputed receivables</b>	-	-
- other	-	-
- not included in revaluation allowance	-	-
<b>Overdue receivables</b>	<b>2 911</b>	<b>2 709</b>
- trade	2 911	2 709
- not included in revaluation allowance	1 893	1 459

## NOTE 9A

SHORT-TERM BORROWINGS GRANTED (PLN '000)	31.12.2013	31.12.2012
<b>a) in subsidiaries</b>		
- borrowings granted	206 399	318 691
- interest	1 729	42
	<b>208 128</b>	<b>318 733</b>
<b>b) in other parties</b>		
- borrowings granted	-	3
- interest	-	-
	<b>-</b>	<b>3</b>
<b>Total short-term borrowings granted</b>	<b>208 128</b>	<b>318 736</b>

Note 9A contains short-term borrowings plus interest.

## NOTE 9B

SHORT-TERM BORROWINGS GRANTED (CURRENCY STRUCTURE) (PLN '000)	31.12.2013	31.12.2012
a) in the Polish currency (PLN)	208 128	318 736
b) in foreign currencies (by currency and after translation into PLN)	-	-
<b>Total short-term borrowings granted</b>	<b>208 128</b>	<b>318 736</b>

Note 9B contains short-term borrowings plus interest.

## BASIC DATA ON MAJOR SHORT-TERM BORROWINGS, WITHOUT INTEREST, AS OF 31 DECEMBER 2013

COUNTERPARTY	AMOUNT (PLN '000)	INTEREST RATE	REPAYMENT DATE
Echo Investment Projekt Management SRL	145	WIBOR 3M + margin	30 September 2014
Park Rozwoju - Grupa Echo Sp. z o. o. S.K.A.	32 350	WIBOR 3M + margin	31 December 2014
Echo Investment Hungary Ingatlanhasznosító KFT	23 071	WIBOR 3M + margin	31 December 2014
Veneda - Projekt Echo - 97 Sp. z o. o. S.K.A.	54 204	WIBOR 3M + margin	31 March 2014
El Project CYP 1 LIMITED	48 679	WIBOR 3M + margin	31 December 2014
Barconsel Holding Limited	150	WIBOR 3M + margin	30 September 2014
Projekt Babka Tower - Grupa Echo Sp. z o. o. S.K.A.	47 800	WIBOR 3M + margin	31 December 2014
<b>Total:</b>	<b>206 399</b>		

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 were granted to related entities with a good financial standing.

BASIC DATA ON MAJOR SHORT-TERM BORROWINGS, WITHOUT INTEREST, AS OF 31 DECEMBER 2012

COUNTERPARTY	AMOUNT (PLN '000)	INTEREST RATE	REPAYMENT DATE
Echo Investment Projekt Management SRL	1 000	WIBOR 3M + margin	30 September 2013
Echo - Galeria Kielce -Magellan West Sp. z o. o. S.K.A.	73 400	WIBOR 3M + margin	31 December 2013
Echo Investment Hungary Ingatlanhasznosito KFT	22 881	WIBOR 3M + margin	30 September 2013
Echo Investment Project 1 SRL	36 450	WIBOR 3M + margin	31 December 2013
Veneda - Projekt Echo - 97 Sp. z o. o. S.K.A.	39 260	WIBOR 3M + margin	31 March 2013
El Project CYP 1 LIMITED	22 650	WIBOR 3M + margin	31 October 2013
Projekt Echo - 70 Sp. z o.o.	25 050	WIBOR 3M + margin	31 December 2013
Projekt 4 - Grupa Echo Sp. z o.o. S.K.A.	63 000	WIBOR 3M + margin	30 September 2013
53 - Grupa Echo SP. z o.o. S.A.K.	35 000	WIBOR 3M + margin	30 June 2013
other – unrelated parties	3	WIBOR 6M + margin	30 June 2013
<b>Total:</b>	<b>318 694</b>		

NOTE 10A

CASH AND CASH EQUIVALENTS (PLN '000)	31.12.2013	31.12.2012
a) restricted cash	40	-
b) cash and cash equivalents	9 897	3 017
<b>Total cash and cash equivalents</b>	<b>9 937</b>	<b>3 017</b>

As of 31.12.2013, the Company held cash in renowned banks, mainly in PKO SA and PKO BP.

The maximum value of credit risk related to cash is equivalent to the carrying value of cash.

NOTE 10B

CASH AND CASH EQUIVALENTS (CURRENCY STRUCTURE) (PLN '000)	31.12.2013	31.12.2012
a) in the Polish currency (PLN)	9 755	2 900
b) in foreign currencies (by currency and after translation into PLN)	182	117
- unit/currency EUR	25	14
- PLN '000	104	56
- unit/currency USD	12	4
- PLN '000	36	14
- unit/currency HUF	3 007	3 363
- PLN '000	42	47
<b>Total cash and cash equivalents</b>	<b>9 937</b>	<b>3 017</b>

NOTE 11

SUPPLEMENTARY CAPITAL			NOMINAL VALUE PER SHARE = PLN 0.05		
SERIES/ISSUE	TYPE OF SHARES	TYPE OF LIMITATION OF RIGHTS TO SHARES	NUMBER OF SHARES	VALUE OF SERIES/ISSUE ACCORDING TO NOMINAL VALUE (PLN '000)	TYPE OF CAPITAL CONTRIBUTION
A, B, C, D, E, F	Bearer shares	none	412 690 582	20 635	cash
<b>Total number of shares</b>			<b>412 690 582</b>		
<b>Total share capital</b>				<b>20 635</b>	

## SHAREHOLDERS OF ECHO INVESTMENT S.A. HOLDING MORE THAN 5% OF THE SHARE CAPITAL AS OF 31 DECEMBER 2013

SHAREHOLDERS	NUMBER OF VOTES/SHARES	% OF SHARE CAPITAL	% OF VOTES AT THE GSM
Michał Sołowow – directly and indirectly	189 361 930	45,88%	45,88%
ING OFE	38 513 969	9,33%	9,33%
Aviva OFE Aviva BZ WBK	41 269 050	10,00%	10,00%
PZU Żłota Jesień OFE	22 011 702	5,33%	5,33%
Other Shareholders	121 533 931	29,46%	29,46%
<b>Total</b>	<b>412 690 582</b>	<b>100,00%</b>	<b>100,00%</b>

## NOTE 12

SUPPLEMENTARY CAPITAL (PLN '000)	31.12.2013	31.12.2012
a) share premium	100 943	100 943
b) statutory	80	80
c) created from generated profits according to the statute/articles, above the statutorily required (minimum) value	473 828	466 046
d) other (by type)	22	22
<b>Total supplementary capital</b>	<b>574 873</b>	<b>567 091</b>

## NOTE 13A

LONG-TERM LIABILITIES (WITHOUT INCOME TAX PROVISION) (PLN '000)	31.12.2013	31.12.2012
<b>a) due to subsidiaries</b>	-	-
<b>b) due to other entities</b>		
- advances received	-	15 663
- security deposits received	1 521	2 044
- due to issue of debt securities	509 110	527 138
	<b>510 631</b>	<b>544 845</b>
<b>Total long-term liabilities</b>	<b>510 631</b>	<b>544 845</b>

Under an agreement signed with BRE Bank S.A. (currently mBank), the Company issued coupon bonds on 31 January 2013 in the amount of PLN 200 million, and on 19 June 2013 in the amount of PLN 80 million.

## NOTE 13B

LONG-TERM LIABILITIES (WITHOUT INCOME TAX PROVISION) WITH REMAINING MATURITIES FROM THE BALANCE SHEET DATE (PLN '000)	31.12.2013	31.12.2012
a) over 1 year to 3 years	284 590	391 288
b) over 3 years to 5 years	226 041	139 546
c) over 5 years	-	14 011
<b>Total long-term liabilities</b>	<b>510 631</b>	<b>544 845</b>

Interest rates applied for discounting the expected cash flows: 6.58% in 2013 and 6.71% in 2012.

The Company has presented its long-term liabilities at nominal value in note 13E.

## NOTE 13C

LONG-TERM LIABILITIES (WITHOUT INCOME TAX PROVISION) (CURRENCY STRUCTURE) (PLN '000)	31.12.2013	31.12.2012
a) in the Polish currency (PLN)	510 631	544 845
b) in foreign currencies (by currency and after translation into PLN)	-	-
<b>Total long-term liabilities</b>	<b>510 631</b>	<b>544 845</b>

Financial liabilities due to financial debt instruments are measured with the amortised cost of a liability item, according to IAS 39. The fair value of long-term liabilities does not differ materially from their carrying value.

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

## NOTE 13D

## LOAN FACILITIES AS OF 31 DECEMBER 2013

BUSINESS NAME AND LEGAL FORM	REGISTERED OFFICE	LOAN/BORROWING AMOUNT ACCORDING TO THE AGREEMENT		OUTSTANDING AMOUNT OF THE LOAN/BORROWING		INTEREST RATE TERMS	REPAYMENT DATE	COLLATERAL
		PLN '000	CURRENCY	PLN '000	CURRENCY			
PeKaO S.A.	Warsaw	50 000	PLN	-	PLN	WIBOR 1M + margin	2014-06-30	authorisation to a bank account, statement on submission to enforcement proceedings up to PLN 60 million, sola blank bill of exchange
PKO BP S.A.	Warsaw	60 000	PLN	-	PLN	WIBOR 1M + margin	2014-08-19	authorisation to a bank account, statement on submission to enforcement proceedings up to PLN 200 million, sola blank bill of exchange
PKO BP S.A.	Warsaw	40 000	PLN	-	PLN	WIBOR 1M + margin	2015-08-19	authorisation to a bank account, statement on submission to enforcement proceedings up to PLN 200 million, sola blank bill of exchange
BZ WBK S.A.	Wrocław	50 000	PLN	-	PLN	WIBOR 1M + margin	2014-07-30	authorisation to a bank account, statement on submission to enforcement proceedings up to PLN 100 million, sola blank bill of exchange
Alior Bank S.A.	Warsaw	30 000	PLN	-	PLN	WIBOR 1M + margin	2014-01-29	authorisation to a bank account, statement on submission to enforcement proceedings up to PLN 60 million, sola blank bill of exchange
<b>Total</b>		<b>230 000</b>		<b>-</b>				

The loan value corresponds to non-discounted cash flows.

## LOAN FACILITIES AS OF 31 DECEMBER 2012

BUSINESS NAME AND LEGAL FORM	REGISTERED OFFICE	LOAN/BORROWING AMOUNT ACCORDING TO THE AGREEMENT		OUTSTANDING AMOUNT OF THE LOAN/BORROWING		INTEREST RATE TERMS	REPAYMENT DATE	COLLATERAL
		PLN '000	CURRENCY	PLN '000	CURRENCY			
PeKaO S.A.	Warsaw	50 000	PLN	12 869	PLN	WIBOR 1 M + margin	2013-06-30	authorisation to a bank account, statement on submission to enforcement proceedings up to PLN 60 million, sola blank bill of exchange
PKO BP S.A.	Warsaw	40 000 10 000	PLN	28 635	PLN	WIBOR 1M + margin	2013-08-19 2013-03-29	authorisation to a bank account, statement on submission to enforcement proceedings up to PLN 200 million, sola blank bill of exchange
PKO BP S.A.	Warsaw	50 000	PLN	-	PLN	WIBOR 1M + margin	2015-08-19	authorisation to a bank account, statement on submission to enforcement proceedings up to PLN 100 million, sola blank bill of exchange
BZ WBK S.A.	Wrocław	50 000	PLN	46 369	PLN	WIBOR 1M + margin	2013-06-08	authorisation to a bank account, statement on submission to enforcement proceedings up to PLN 100 million, sola blank bill of exchange
Alior Bank S.A.	Warsaw	30 000	PLN	24 558	PLN	WIBOR 1M + margin	2013-01-30	authorisation to a bank account, statement on submission to enforcement proceedings up to PLN 60 million, sola blank bill of exchange
<b>Total</b>		<b>230 000</b>		<b>112 431</b>				

## NOTE 13E

## LONG-TERM AND SHORT-TERM LIABILITIES DUE TO DEBT FINANCIAL INSTRUMENTS ISSUED

DEBT FINANCIAL INSTRUMENTS BY TYPE	NOMINAL VALUE	INTEREST RATE TERMS	MATURITY	GUARANTEES/COLLATERALS	QUOTATION MARKET
Bonds (mBank S.A.)	300 000	WIBOR 6M + margin	2014-06-30	none	none
Bonds (mBank S.A.)	115 000	WIBOR 6M + margin	2015-05-18	none	none
Bonds (mBank S.A.)	145 000	WIBOR 6M + margin	2016-02-11	none	none
Bonds (mBank S.A.)	200 000	WIBOR 6M + margin	2017-04-28	none	none
Bonds (mBank S.A.)	80 000	WIBOR 6M + margin	2018-06-19	none	none
<b>Total</b>	<b>840 000</b>				

The bond value corresponds to non-discounted cash flows, without interest. The change of the business and economic environment has not materially affected the fair value of financial liabilities.



## NOTE 14A

SHORT-TERM TRADE LIABILITIES, TAXES, SECURITY DEPOSITS, ADVANCES RECEIVED AND OTHER (WITHOUT PROVISIONS) (PLN '000)	31.12.2013	31.12.2012
<b>a) due to subsidiaries</b>		
- trade, with maturity:	-	772
- up to 12 months	-	772
- over 12 months	-	-
	-	<b>772</b>
<b>b) due to other entities</b>		
- trade, with maturity:	12 335	16 495
- up to 12 months	12 330	16 464
- over 12 months	5	31
- advances received	14 006	13 216
- security deposits received	2 864	2 800
- taxes, customs duties, insurance and other benefits	2 575	6 132
- other liabilities	3 983	5 028
- payroll	9	15
- other (due to)	3 974	5 013
	<b>35 763</b>	<b>43 671</b>
<b>Total short-term trade liabilities, taxes, security deposits, advances received and other</b>	<b>35 763</b>	<b>44 443</b>

The fair value of trade and other liabilities does not differ materially from their carrying value.

## NOTE 14B

SHORT-TERM TRADE LIABILITIES, TAXES, SECURITY DEPOSITS, ADVANCES RECEIVED AND OTHER (WITHOUT PROVISIONS) (PLN '000)	31.12.2013	31.12.2012
a) in the Polish currency (PLN)	35 748	44 396
b) in foreign currencies (by currency and after translation into PLN)	15	47
- unit/currency EUR	1	4
- PLN '000	3	17
- unit/currency HUF	-	-
- PLN '000	-	-
- unit/currency USD	4	9
- PLN '000	12	30
<b>Total short-term trade liabilities, taxes, security deposits, advances received and other</b>	<b>35 763</b>	<b>44 443</b>

## NOTE 15A

SHORT-TERM LOANS, BORROWINGS AND BONDS (PLN '000)	31.12.2013	31.12.2012
<b>a) due to subsidiaries</b>	-	-
<b>b) due to other entities</b>		
- loans and borrowings	-	112 431
- due to issue of debt securities	334 191	326 126
	<b>334 191</b>	<b>438 557</b>
<b>Total short-term loans, borrowings and bonds</b>	<b>334 191</b>	<b>438 557</b>

Under an agreement signed with BRE Bank S.A. (currently mBank S.A.), the Company issued discount bonds on 9 January 2013 in the amount of PLN 35 million. The bonds were redeemed on 8 February 2013.

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 financial statements.

## NOTE 15B

SHORT-TERM LOANS, BORROWINGS AND BONDS (CURRENCY STRUCTURE) (PLN '000)	31.12.2013	31.12.2012
a) in the Polish currency (PLN)	334 191	438 557
b) in foreign currencies (by currency and after translation into PLN)	-	-
<b>Total short-term loans, borrowings and bonds</b>	<b>334 191</b>	<b>438 557</b>

## NOTE 16

MOVEMENT IN SHORT-TERM PROVISIONS (DUE TO) (PLN '000)	31.12.2013	31.12.2012
<b>a) at the beginning of the period</b>		
- provisions for penalties	2 000	2 000
- guarantee repairs	-	1 100
- court proceedings	-	1 173
	<b>2 000</b>	<b>4 273</b>
<b>b) increases (due to)</b>		
- provisions for penalties	-	-
- court proceedings	-	-
	<b>-</b>	<b>-</b>
<b>c) use (due to)</b>		
- provisions for penalties	-	-
	<b>-</b>	<b>-</b>
<b>d) release (due to)</b>		
- court proceedings	-	(1 173)
- guarantee repairs	-	(1 100)
	<b>-</b>	<b>(2 273)</b>
<b>e) at the end of the period</b>		
- provisions for penalties	2 000	2 000
- guarantee repairs	-	-
- court proceedings	-	-
	<b>2 000</b>	<b>2 000</b>

The provision for penalties includes the value of potential penalties which may be imposed on the Company under the concluded agreements with a probability higher than 50%. The amount of provisions was estimated to the best of the Company's knowledge and based on past experience.

The provision for the expected costs of guarantee repairs includes the value of repairs or compensation for the sold premises and designs with a probability higher than 50%. The amount of provisions was estimated to the best of the Company's knowledge and based on past experience.

The dates for the recovery of the provisions for penalties and losses, guarantee costs and court proceedings are impossible to estimate and it is highly probable that they will be recovered within 12 months from the balance sheet date.

## NOTE 17A

CONTINGENT LIABILITIES DUE TO RELATED PARTIES (DUE TO) (PLN '000)	31.12.2013	31.12.2012
a) guarantees and sureties granted, including:	561 078	82 878
- due to subsidiaries	561 078	82 878
<b>Total contingent liabilities due to related parties</b>	<b>561 078</b>	<b>82 878</b>

## NOTE 17B

OFF-BALANCE SHEET ITEMS (PLN '000)	31.12.2013	31.12.2012
<b>1. Contingent receivables</b>	-	-
<b>2. Contingent liabilities</b>		
2.1. For related parties (due to)	561 078	82 878
- guarantees and sureties granted	561 078	82 878
2.2. For other entities (due to)	2 543	4 288
- guarantees and sureties granted	2 543	4 288
	<b>563 621</b>	<b>87 166</b>
<b>3. Other (due to)</b>		
- court proceedings against Echo Investment	406	590
	<b>406</b>	<b>590</b>
<b>Total</b>	<b>564 027</b>	<b>87 756</b>

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

1. Surety for the liabilities of Galeria Olimpia-Projekt Echo-98 Spółka z ograniczoną odpowiedzialnością SKA and Veneda-Projekt Echo-97 Spółka z ograniczoną odpowiedzialnością SKA due to the reimbursement to Tesco (Polska) Sp. z o.o. up to the value of expenditures actually made by Tesco (Polska) Sp. z o.o. for the future subject of lease under the lease agreements concluded on 28.10.2010 The surety amounts to PLN 15,000 thousand.
2. Security of liabilities due to BNY MELLON (Poland) Sp. z o.o. under the lease agreement of 19 November 2012. The guarantee was issued in euro. The guarantee amounts to PLN 9,856 thousand.
3. Security for exceeding the development costs of the shopping and entertainment centre Amber in Kalisz, liabilities due to debt service and for the coverage of absent funds for the benefit of Bank Polska Kasa Opieki S.A. The guarantee amounts to PLN 39,209 thousand.
4. Security to Westdeutsche Immobilienbank AG for the liabilities under the loan agreement concluded on 5 December 2013. The guarantee was issued in EUR. The guarantee amounts to PLN 230,428 thousand.
5. Bank performance bond issued on 13 May 2013 by PKO BP S.A. to ORBIS S.A., securing claims due to non-performance or ill-performance of the agreement of 04.09.2008, as amended. The guarantee amounts to PLN 2,155 thousand.
6. Bank performance bond issued on 19 October 2012 by Bank PKO BP S.A. to Immo Poland Sp. z o.o., securing proper performance of the lease agreement of 28.08.2009, as amended, concluded between Echo Investment S.A. and Immo Poland Sp. z o.o. The guarantee amounts to PLN 153 thousand.
7. Security for the liabilities due to Horte Sp. z o.o. in the event of the ill-performance of the final agreement for the sale of the office facility Aquarius Business House in Wrocław, stage I. The guarantee was issued in EUR. The guarantee amounts to PLN 20,736 thousand.
8. Security for the liabilities due to Skua Sp. z o.o. in the event that the seller does not pay liquidated damages to the buyer upon the withdrawal from the Preliminary Property Sale Agreement of 17 October 2012. The guarantee was issued in EUR. The guarantee amounts to PLN 16,589 thousand.
9. Bank performance bond issued on 28 June 2013 by PKO BP S.A. to Dalkia Warszawa S.A., securing punctual and complete performance of works, as per the conditional agreement of 21.06.2013. The guarantee amounts to PLN 170 thousand.
10. Bank performance bond issued on 28 June 2013 by PKO BP S.A. to Dalkia Warszawa S.A., securing punctual and complete performance of works, as per the agreement of 07.06.2013. The guarantee amounts to PLN 350 thousand.
11. Security for exceeded costs and debt service liabilities, and construction management support during the implementation of the development Park Rozwoju in Warsaw, stage I, for Bank Zachodni WBK S.A. The guarantee amounts to PLN 26,563 thousand.

12. Surety for the liabilities of Projekt Echo-105 Sp. z o.o. to secure the satisfaction of monetary claims under the Sale Agreement of 27.11.2013. The surety amounts to PLN 172,412 thousand.

13. Security for the non-performance of obligations towards Tesco (Polska) Sp. z o.o. under the understanding and addendum 1 to the lease agreement of 29 November 2002, concluded on 21 October 2013. The guarantee amounts to PLN 30,000 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.

## NOTES TO THE PROFIT AND LOSS ACCOUNT

### NOTE 18A

OPERATING REVENUE (STRUCTURE BY THE TYPES OF ACTIVITY) (PLN '000)	01.01.2013 31.12.2013	01.01.2012 31.12.2012
<b>A. Sale of residential and commercial area</b>	<b>28 227</b>	<b>34 234</b>
- including: from related parties	-	-
<b>B. Property development services</b>	<b>69 198</b>	<b>93 269</b>
- including: from related parties	56 435	68 211
from subsidiaries	56 435	68 211
from jointly controlled entities	-	-
<b>C. Sale of plots</b>	<b>71 992</b>	<b>7 017</b>
- including: from related parties	56 201	-
<b>D. Lease services</b>	<b>3 885</b>	<b>3 938</b>
- including: from related parties	1 881	1 838
from subsidiaries	1 881	1 838
from the parent company	-	-
<b>E. Legal, accounting, consulting and IT services</b>	<b>40 128</b>	<b>39 278</b>
- including: from related parties	40 128	39 276
from subsidiaries	40 128	39 276
from jointly controlled entities	-	-
<b>F. Financial, marketing, securing services and other revenue</b>	<b>35 831</b>	<b>23 734</b>
- including: from related parties	34 977	22 254
from subsidiaries	34 973	22 230
from key personnel	4	24
<b>Total operating revenue</b>	<b>249 261</b>	<b>201 470</b>
- including: from related parties	189 622	131 579
from subsidiaries	189 618	131 555
from the parent company	-	-
from key personnel	4	24

The minimum contracted lease revenue for 2014 is PLN 3,560 thousand.

The Company has not concluded any transactions with related entities under terms other than market terms.

The Company concludes agreements with subsidiaries based on investment management and not on general investment contractor services. At present, only margin is presented in revenue (implementation expenditures incurred by subsidiaries) in contrast to former general investment contractor agreements, where expenditures were incurred by the Company and comprised manufacturing cost on the one hand and revenue increased by margin on the other hand. Thus, only margin is presented in revenue and there are no expenditures in the costs. This can be seen in the slight change of gross profit on the sale of property development services.

## NOTE 18B

OPERATING REVENUE (TERRITORIAL STRUCTURE) (PLN '000)	01.01.2013- 31.12.2013	01.01.2012- 31.12.2012
a) domestic	248 592	200 979
- including: from related parties	188 953	131 088
b) abroad	669	491
- including: from related parties	669	491
<b>Total net revenue from sale of products</b>	<b>249 261</b>	<b>201 470</b>
- including: from related parties	189 622	131 579

## NOTE 18C

DEFERRED REVENUE FROM PROPERTY LEASE AGREEMENTS (PLN '000)	01.01.2013- 31.12.2013	01.01.2012- 31.12.2012
a) up to 12 months	332	319
b) over 1 year to 5 years	1 327	1 276
c) over 5 years	-	319
<b>Total deferred revenue from property lease agreements</b>	<b>1 659</b>	<b>1 914</b>

Under the concluded agreements, these amounts will be increased by the incurred costs of operation related to the activity of the tenants.

## NOTE 19

OPERATING EXPENSES BY TYPE (PLN '000)	01.01.2013 31.12.2013	01.01.2012 31.12.2012
a) amortisation/depreciation	3 789	3 984
b) consumption of materials and energy	24 801	1 508
c) third party services	106 176	122 694
d) taxes and charges	4 808	5 285
e) remunerations	27 215	26 279
f) social security and other benefits	4 394	4 004
g) other costs by type (due to)	4 870	4 350
- business trips	789	648
- other	4 081	3 702
<b>Total costs by type</b>	<b>176 053</b>	<b>168 104</b>
Movement in inventory and products	34 716	10 587
Own work capitalised (negative value)	(753)	-
Selling costs (negative value)	(23 086)	(24 111)
General administrative expenses (negative value)	(39 744)	(35 368)
<b>Manufacturing cost of products sold</b>	<b>147 186</b>	<b>119 212</b>

In 2013 and 2012, the costs of property development services amounted to PLN 0 and PLN 61,430 thousand respectively.

## NOTE 20A

OTHER OPERATING REVENUE (PLN '000)	01.01.2013 31.12.2013	01.01.2012 31.12.2012
a) released provisions (due to)	715	2 376
- receivables	715	103
- other	-	2 273
b) other, including:	699	1 287
- contractual penalties	224	236
- revenue from sale of non-financial non-current assets	71	225
- other	404	826
c) interest on borrowings	11 679	16 434
- from related parties, including:	11 679	16 434
- from subsidiaries	11 679	16 434
- from other entities	-	-
b) other interest	1 215	1 227
- from other entities	1 215	1 227
<b>Total other operating revenue</b>	<b>14 308</b>	<b>21 324</b>

## NOTE 20B

OTHER OPERATING REVENUE FROM DIVIDENDS AND SHARE IN PROFITS (PLN '000)	01.01.2013- 31.12.2013	01.01.2012- 31.12.2012
a) from related parties, including:	63 551	37 891
- from subsidiaries	63 551	37 891
<b>Total other operating revenue from dividends and share in profits</b>	<b>63 551</b>	<b>37 891</b>

## NOTE 20C

OTHER OPERATING EXPENSES (PLN '000)	01.01.2013 31.12.2013	01.01.2012 31.12.2012
a) created provisions (due to)	-	-
- for expected costs	-	-
- receivables	-	-
b) other, including:	1 473	724
- donations	83	76
- contractual penalties	374	13
- other	1 016	635
c) revaluation of investments	-	1 972
- interests	-	1 972
<b>Total other operating expenses</b>	<b>1 473</b>	<b>2 696</b>

## NOTE 21A

FINANCIAL REVENUE FROM INTEREST (PLN '000)	01.01.2013- 31.12.2013	01.01.2012- 31.12.2012
a) other interest		
- from other entities	20	128
	<b>20</b>	<b>128</b>
<b>Total financial revenue from interest</b>	<b>20</b>	<b>128</b>

## NOTE 21B

OTHER FINANCIAL REVENUE (PLN '000)	01.01.2013- 31.12.2013	01.01.2012- 31.12.2012
a) foreign exchange gains	8	-
b) profit on sale of interests	1	2
b) revaluation of borrowings, loans and bonds	-	2 902
c) other	-	16
<b>Total other financial revenue</b>	<b>9</b>	<b>2 920</b>

## NOTE 21C

FINANCIAL COSTS OF INTEREST (PLN '000)	01.01.2013- 31.12.2013	01.01.2012- 31.12.2012
<b>a) on loans</b>		
- due to other entities	-	76
- due to subsidiaries	-	76
- due to other entities	52 143	60 336
	<b>52 143</b>	<b>60 412</b>
<b>b) other interest</b>		
- due to other entities	7	24
	<b>7</b>	<b>24</b>
<b>c) revaluation of borrowings, loans and bonds</b>	<b>(2 069)</b>	<b>-</b>
	<b>(2 069)</b>	<b>-</b>
<b>Total financial costs of interest</b>	<b>50 081</b>	<b>60 436</b>

Capitalised borrowings costs amounted to PLN 2,013 thousand as at 31 December 2013 and PLN 4,246 thousand as at 31 December 2012.

## NOTE 21D

OTHER FINANCIAL COSTS (PLN '000)	01.01.2013- 31.12.2013	01.01.2012- 31.12.2012
<b>a) foreign exchange losses:</b>	<b>-</b>	<b>148</b>
- realised	-	143
- unrealised	-	5
<b>b) loss on sale of:</b>	<b>-</b>	<b>-</b>
- interests	-	-
<b>c) other, including:</b>	<b>2 110</b>	<b>1 954</b>
- commissions	2 110	1 936
- other	-	18
<b>Total other financial costs</b>	<b>2 110</b>	<b>2 102</b>

## NOTE 22A

INCOME TAX – EFFECTIVE TAX RATE (PLN '000)	01.01.2013- 31.12.2013	01.01.2012- 31.12.2012
<b>Gross profit</b>	62 889	21 890
<b>Income tax according to the national rates, 19%</b>	(11 949)	(4 159)
Dividends received	10 444	2 470
Release of provision for receivables	136	20
Release of deferred tax provision	(423)	20 803
Other non-deductible costs	(434)	89
<b>Charges on the financial result due to income tax</b>	<b>(2 226)</b>	<b>19 223</b>

## NOTE 22B

DEFERRED INCOME TAX, TERM OF SETTLEMENT (PLN '000)	01.01.2013- 31.12.2013	01.01.2012- 31.12.2012
<b>Deferred income tax liabilities</b>		
- to be settled within 12 months	5 524	5 366
- to be settled after 12 months	941	658
<b>Deferred income tax assets</b>		
- to be settled within 12 months	-	-
- to be settled after 12 months	(17 917)	(19 703)
<b>Total</b>	<b>(11 452)</b>	<b>(13 679)</b>

## NOTE 23

## DISTRIBUTION OF PROFIT

Echo Investment S. A.'s 2012 net profit, amounting to PLN 41,113 thousand, was earmarked for a contribution to the Company's supplementary capital, pursuant to the resolution of 6 June 2013. It is proposed to earmark Echo Investment S. A.'s 2013 profit for the supplementary capital.

## EXPLANATORY NOTES TO THE CASH FLOW STATEMENT

## NOTE 24

CASH INCLUDED IN THE CASH FLOW STATEMENT (PLN '000)	01.01.2013- 31.12.2013	01.01.2012- 31.12.2012
<b>Opening balance, including:</b>	<b>3 017</b>	<b>86 386</b>
- cash in hand and cash in bank	3 017	86 386
<b>Closing balance</b>	<b>9 937</b>	<b>3 017</b>
- cash in hand and cash in bank	9 937	3 017
<b>ADDITIONAL EXPLANATIONS TO THE STRUCTURE OF THE CASH FLOW STATEMENT</b>		

The Company discloses interest on the borrowings granted in investing activities.



## NOTE 25

## INFORMATION ON FINANCIAL INSTRUMENTS (PLN '000)

No. INSTRUMENT TYPE	NOTE	CARRYING VALUE AS OF 31.12.2013	CARRYING VALUE AS OF 31.12.2012
<b>Financial assets</b>			
<b>1. Borrowings and receivables:</b>			
- long-term borrowings	3	32	-
- short-term borrowings	9	208 128	318 736
- trade receivables	8	38 621	32 570
- advances received	5	12 959	13 498
<b>2. Cash and cash equivalents</b>	10	9 937	3 017
<b>Financial liabilities</b>			
<b>1. Other financial liabilities</b>			
- liabilities due to issue of debt securities	13, 15	843 301	853 264
- trade liabilities	14	12 335	17 267
- loans and borrowings	15	-	112 431

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 does not differ materially from their carrying value.

Date: 24 April 2013

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

Piotr Gromniak



President of the Management Board

Artur Langner



Vice-President of the Management  
Board

Waldemar Lesiak



Vice-President of the Management  
Board

Signature of the person entrusted with bookkeeping:

Tomasz Sułek



Chief Accountant



# MANAGEMENT REPORT OF ECHO INVESTMENT S.A. FOR 2013

**ECHO**  
investment

### III. MANAGEMENT REPORT OF ECHO INVESTMENT S.A. FOR 2013

Echo Investment S.A. has operated on the real property market since 1996. The company has been listed at the Warsaw Stock Exchange 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-purpose subsidiary. Implementing construction projects through subsidiaries significantly facilitates the management of the processes and ensures transparency of the Group's structure. These entities rent out commercial space (shopping and entertainment centres, offices), construct and sell apartments and provide property management services. The Company also provides services as a general contractor to foreign investors.

#### 1. DISCUSSION OF MAIN ECONOMIC AND FINANCIAL FIGURES DISCLOSED IN THE ANNUAL FINANCIAL STATEMENTS OF ECHO INVESTMENT S.A.

##### BALANCE SHEET

At the end of 2013, the balance sheet total amounted to PLN 1,539 million, which means a 7% decrease in value compared to the balance at the end of the same period in 2012.

##### Assets

At the end of December 2013, the assets structure was as follows:

- Non-current assets comprise 64% of assets, and the main item are investments in subsidiaries, jointly controlled entities and associates: 93% of non-current assets,
- Current assets account for 36% of assets, while borrowings granted make up 38% of total current assets, inventory makes up 49% of total current assets, trade and other receivables account for 11% of current assets, and cash and cash equivalents make up 2% of total current assets.

##### Equity and liabilities

- As of 31 December 2013, Echo Investment S.A.'s share capital amounted to PLN 20.6 million and was divided into 412,690,582 ordinary series A, B, C, D, E and F bearer shares with a nominal value of PLN 0.05 each,
- As of 31 December 2013, equity amounted to PLN 656 million, which means a 4% increase compared to the end of December 2012,
- Long-term and short-term liabilities accounted for 57% of the balance sheet total, and amounted to PLN 880.6 thousand.

##### PROFIT AND LOSS ACCOUNT

- At the end of December 2013, net sales revenue amounted to PLN 249 million, which means a 24% increase compared to the same period a year earlier;
- At the end of 2013, operating profit amounted to PLN 115 million and was higher by 41% than the profit generated in the previous financial year;
- Gross profit amounted to PLN 63 million and was higher than in 2012 by 187%;
- Net profit amounted to PLN 61 million, which means a 48% increase compared to 2012;
- Net profit per share amounted to PLN 0.15.

##### CASH FLOW STATEMENT

- At the beginning of the reporting period, cash amounted to PLN 3 million;
- In 2013, the Company recorded a positive cash flow from operating activities, amounting to (+) PLN 48 million; the main items were the following:
  - movement in short-term liabilities, except for loans and borrowings: PLN (-) 21 million;
  - movement in inventories (+) PLN 35 million;
  - Interest and share in profit (dividends) (-) PLN 19 million;
  - movement in receivables (-) PLN 6 million;
- In 2013, the Company recorded a positive cash flow from investing activities, amounting to (+) PLN 170 million, mainly as a result of:

- the repayment of borrowings by related parties: PLN (+) 556 million;
- borrowings granted: PLN (-) 442 million;
- At the end of December 2013, the Company recorded a cash flow from financing activities amounting to (-) PLN 210 million, mainly as a result of:
  - the redemption of debt securities: PLN (-) 320 million;
  - the issue of debt securities: PLN (+) 313 million;
  - the repayment of loans and borrowings: PLN (-) 112 million;
  - interest paid: PLN (-) 58 million;
- Between 1 January and 31 December 2013, the balance of cash increased by PLN 7 million;
- At the end of December 2013, cash amounted to PLN 10 million.

## 2. DESCRIPTION OF MATERIAL RISKS AND THREATS, AND INDICATION OF THE ISSUER'S EXPOSURE TO SUCH RISKS AND THREATS

Material risks and threats to the Company's business:

- The **risk of competition** is related to the company's operation on the domestic real property market. The advantage of multinationals, which are the Group's main competitors, lies in their higher capital resources, while the Group's advantage lies in its long-time experience in the implementation of projects and market awareness, leading to projects in locations that are attractive to customers. Thanks to high quality of the offer and established customer trust, tenants from present shopping centres decide to lease space in newly commissioned objects. With a suitable mix of the tenants, constant marketing and social campaigns, the Group's centres are some of the mostly visited centres in their respective regions. With regard to potentially new entities, the risk is limited by high barriers to entry (high capital-intensiveness).
- **Risk of changing interest rates.** The Group's business is largely based on loans, on which interest is calculated based on interest rates. For loans and bonds in PLN, the applicable rate is WIBOR and for loans in EUR, the applicable rate is EURIBOR or LIBOR EUR. The interest rate risk is limited by hedging instruments (fixed rates, IRS) available on the market.
- **Foreign exchange risk.** In the Group, this risk is linked primarily to loans in foreign currencies (mainly in the euro) raised by special purpose vehicles. To minimise this risk, agreements with tenants of a specific object are denominated in the currency of the loan obtained for funding this object. Payments from tenants 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 (purchase of foreign currencies, sale of developments, disbursement of loan tranches), the Group uses the available derivatives, such as forwards or FX options.
- The **risk related to the Group's tenants** is the risk that the tenants may lose their liquidity or that outstanding amounts may become unrecoverable. Most of the Capital Group's revenue is generated from renting out commercial and office areas. The key aspect is to select tenants with a stable economic and financial situation. Areas in shopping centres are rented out to renowned retail chains (Tesco, Real, brand clothing outlets, cinemas, etc.) and areas in office facilities are rented out to the largest companies (Polkomtel, Tieto Poland, Medicover, Tebodin, Roche Polska and IKEA Shared Services). Lease agreements are secured with guarantees or security deposits. The Group only accepts guarantees provided by renowned banks and insurance companies, thus reducing the risk that a financial institution may not disburse the funds. The Debt Collection Department constantly monitors payments from tenants, allowing for a swift response to delayed payments. The effectiveness of the applied procedures for minimising this risk is confirmed by nearly 100% recoverability of outstanding amounts in the Group.
- The **risk related to external contractors** is the risk related to the quality of work performed and the risk that the contractors may lose their liquidity. The Company, as the investor of a development, commissions external entities. Punctuality and quality of execution are largely the responsibility of these contractors. To a large extent, this factor is eliminated by securities provided for in the agreements for the construction of engineering objects, constant supervision over the construction process by inspectors or specialised external companies present on the construction sites and by Project Managers. When selecting a supplier, in addition to analysing the offer of construction works, the prospective contractor's financial situation and technical capabilities are examined.
- The **risk of administrative procedures** involves changes in the laws and indolence of authorities. Time-consuming administrative procedures determine the commencement of the Group's projects. This may result in delays. In addition, third parties have significant powers to interfere with administrative procedures, which often leads to

delays in the implementation of investments, affecting their profitability. The Group attempts to mitigate this risk by using its experience in administrative procedures and by employing staff specialised in this area.

- **The liquidity risk** involves the loss of solvency. The Group manages the liquidity risk by maintaining a constant supply of funds in the form of cash on bank accounts and/or by using the available loan limits granted. It constantly monitors the forecast and the actual cash flows. This risk is reduced by constant proceeds from the property portfolio and the funding of projects using special purpose loans.
- The **risk of unfavourable changes in the property market** involves changes in demand and the market situation. The Capital Company attempts to minimise the risk of unfavourable changes in the property market by implementing investments in steps and adjusting the implementation pace to the expected demand and price trends on local markets.
- The **social and economic risk** involves the effects of social and macroeconomic factors on business activity. They include inflation, overall condition of the economy, changes of the economic situation, changes in real income and tax policies in countries where the Group operates, and the global situation. 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 Company's revenue and financial results because new housing, office, shopping and entertainment developments depend on consumers and the funds they are able to spend. On the other hand, social schemes may cause the demand to increase. This risk is limited by working with tenants who target their offer at various groups, including groups whose consumption expenditures are not strongly affected by a change of the macroeconomic situation. The apartments offered by the Group are mainly from the middle segment, which is less sensitive to the macroeconomic situation.

### 3. PROCEEDINGS PENDING BEFORE COURT, COMPETENT ARBITRATION AUTHORITY OR PUBLIC ADMINISTRATION AUTHORITY, INCLUDING ANY INFORMATION ON A PROCEDURE, OR TWO OR MORE PROCEEDINGS CONCERNING ECHO INVESTMENT S.A.'S OR ITS SUBSIDIARY'S LIABILITIES OR CLAIMS WHOSE VALUE EQUALS AT LEAST 10% OF THE COMPANY'S EQUITY

Between 1 January and 31 December 2013, there were no proceedings pending before court, a competent arbitration authority or a public administration authority concerning liabilities or claims of Echo Investment S.A. or its subsidiary whose value equals at least 10% of the Company's equity.

### 4. INFORMATION ON BASIC PRODUCTS IN TERMS OF THEIR VALUE AND VOLUME, SHARE OF INDIVIDUAL PRODUCT GROUPS IN ECHO INVESTMENT S.A. AS WELL AS ANY CHANGES IN THIS RESPECT IN THE FINANCIAL YEAR

#### 4.1. Operating segments

As of 31 December 2013, the Capital Group's portfolio included developments in use, in progress or in preparation

#### PORTFOLIO OF PROPERTIES IN USE

As of 31 December 2013, the Capital Group's portfolio included 8 shopping centres and 6 office developments for lease.

#### REAL PROPERTY PORTFOLIO

CITY	LOCATION	NAME	GLA [SQ. M]	NOI (EUR '000,000)
Kielce	ul. Świętokrzyska	Galeria Echo	70 400	13,6
Wrocław	Plac Grunwaldzki	Pasaż Grunwaldzki	48 500	14,0
Szczecin	Al. Wyzwolenia	Galaxy	41 200	12,2
Bełchatów	ul. Kolejowa	Galeria Olimpia	21 300	3,2
Szczecin	Al. Struga	Outlet Park	16 400	3,2
Łomża	ul. Zawadzka 38	Galeria Veneda	15 000	2,3

Jelenia Góra	Al. Jana Pawła II	Galeria Echo*	12 800	1,2
Przemysł	ul. 29 Listopada	Galeria Echo	5 700	0,5
<b>SHOPPING CENTRES</b>	<b>TOTAL</b>		<b>231 300</b>	<b>50,2</b>
Poznań	ul. Baraniaka	Malta Office Park	29 000	5,3
Szczecin	ul. Malczewskiego	Oxygen	13 900	2,8
Kielce	Al. Solidarności	Astra Park**	11 200	1,6
Warsaw	ul. Postępu	Polkomtel office building***	10 200	1,9
Wrocław	ul. Swobodna	Aquarius (stage II)	9 400	1,7
Warsaw	Al. Jana Pawła II	Babka Tower	6 200	1,1
<b>OFFICE DEVELOPMENTS</b>	<b>TOTAL</b>		<b>79 900</b>	<b>14,4</b>
<b>DEVELOPMENTS FOR LEASE</b>	<b>TOTAL</b>		<b>311 200</b>	<b>64,6</b>

\* Part of the centre currently in use.

\*\* The project does not include the area occupied by the Capital Group.

\*\*\* The area attributable to the Capital Group comprises 50% of Polkomtel office building development (Warsaw, ul. Postępu).

Tenants in shopping centres and shopping and entertainment centres include domestic and international retail chains and local businesses. The main tenants of shopping space include:

- hypermarkets: Real and Tesco,
- specialist retail chains: Empik, RTV Euro AGD and Saturn,
- fashion chains: C&A, H&M, Zara and Reserved,
- culture and entertainment retail chains: Helios and Multikino,
- health and beauty retail chains: Douglas, Rossmann and Sephora.

Office space is leased to renowned companies and local businesses. The main tenants of office space include: Grand Thornton Frąckowiak, Roche Polska, Ikea Shared Services, McKinsey Emea Shared Services, Coloplast Shared Services, Nordea Bank Polska, Tieto Polska, Polkomtel, ING Ustugi Finansowe S.A., Pramerica Życie TUIR, Raiffeisen Bank Polska, Sygnity, Medcover, Altkom Investments, Mentor Graphics Polska, Kennametal Polska, Tebodin SAP-Projekt, Samsung Electronics Polska, The Bank of New York Mellon, IBM Global Services Delivery Centre and Schneider Electric Polska.

#### PROJECTS IN THE COURSE OF IMPLEMENTATION AND PREPARATION

The Management Board closely monitors the situation on the real property market and decides to implement specific projects based on the assessment of the present market situation. All project implementation deadlines are flexible and reasonably adjusted to the actual situation.

## PROJECTS IN THE COURSE OF IMPLEMENTATION AND PREPARATION IN THE SEGMENT OF SHOPPING CENTRES, AND SHOPPING AND ENTERTAINMENT CENTRES

DEVELOPMENT	GLA/PLOT AREA [SQ. M]	NOI (EUR '000,000)	COMMENCEMENT	COMPLETION
Kalisz, Galeria Amber	33 600	5,1	H1 2012	March 2014
Jelenia Góra, Galeria Sudecka (expansion)	18 600	3,0	H2 2013	H1 2015
<b>PROJECTS UNDER CONSTRUCTION</b>	<b>52 200</b>	<b>8,1</b>		
Szczecin, Galaxy (expansion)	15 700	3,0	H1 2015	H2 2016
Katowice, ul. Kościuszki	30 500	5,3	H1 2015	H2 2016
Szczecin, Outlet Park (stage II)	8 300	1,3	H2 2015	H1 2016
Poznań, Metropolis	33 300	6,2	H1 2016	H1 2018
<b>PROJECTS IN PREPARATION</b>	<b>87 800</b>	<b>15,8</b>		
Brasov Korona (Romania)**	29 800	5,3		
Budapest Mundo (Hungary)**	36 300	8,6		
<b>FOREIGN PROJECTS IN PREPARATION</b>	<b>66 100</b>	<b>13,9</b>		
<b>TOTAL SHOPPING CENTRES (GLA)</b>	<b>206 100</b>	<b>37,8</b>		
Koszalin*	39 300			
Ślupsk, ul. Grottgera*	65 700			
<b>INVESTMENT LAND (PLOT AREA)</b>	<b>105 000</b>			

\* Projects in the concept phase.

\*\* The status of administrative procedures allows for commencement in 2014.

## PROJECTS IN THE COURSE OF IMPLEMENTATION AND PREPARATION IN THE SEGMENT OF OFFICE AND HOTEL SPACE

DEVELOPMENT	GLA/PLOT AREA [SQ. M]	NOI (EUR '000,000)	COMMENCEMENT	COMPLETION
Warsaw, Park Rozwoju (stage I)	17 400	3,1	H2 2012	February 2014
Warsaw, Park Rozwoju (stage II)	15 600	2,8	H2 2013	H1 2015
Warsaw, Q22	52 500	14,9	H2 2013	H2 2016
Wrocław, West Gate	16 200	2,9	H1 2013	H2 2014
Katowice, A4 Business Park (stage I)	9 300	1,5	H2 2012	February 2014
Katowice, A4 Business Park (stage II)	9 300	1,6	H2 2013	H2 2014
Gdańsk, Tryton	24 600	4,1	H2 2013	H1 2015
<b>PROJECTS UNDER CONSTRUCTION</b>	<b>144 900</b>	<b>30,9</b>		
Warsaw, Beethovena (stage I)	18 100	3,5	H2 2014	H1 2016
Warsaw Beethovena (stages II - III)	36 700	6,8	H1 2016	H1 2019
Warsaw, Taśmowa (stage I)	15 000	2,7	H1 2014	H2 2015
Warsaw, Taśmowa (stages II - IV)	44 400	8,1	H2 2015	H1 2020
Krakow, Opolska (stage I)	19 200	3,5	H1 2014	H2 2015
Krakow, Opolska (stages II - III)	38 400	6,9	H2 2015	H2 2018
Wrocław, Plac Grunwaldzki	16 900	3,0	H1 2014	H2 2015
Wrocław, Sucha I - II	28 200	5,0	H1 2015	H1 2017
Katowice, A4 Business Park (stage III)	12 400	2,1	H1 2014	H2 2015
Poznań, Hetmańska (stages I - III)	36 900	6,3	H1 2015	H2 2020
Łódź, Aurus (stage I)	9 600	1,6	H1 2014	H2 2015
Łódź, Aurus (stage II)	9 600	1,6	H2 2015	H2 2016
<b>PROJECTS IN PREPARATION</b>	<b>285 400</b>	<b>51,1</b>		
Kiev, Dehtiarivska (stages I-VI)**	107 600	23,1		
<b>FOREIGN PROJECTS IN PREPARATION</b>	<b>107 600</b>	<b>23,1</b>		
<b>TOTAL OFFICE DEVELOPMENTS</b>	<b>537 900</b>	<b>105,1</b>		
Krakow, Cracovia *	17 400			
<b>INVESTMENT LAND (PLOT AREA)</b>	<b>17 400</b>			

\* Projects in the concept phase.

\*\* Commencement depends on the stabilisation of the political situation in Ukraine.

#### PROJECTS IN THE COURSE OF IMPLEMENTATION AND PREPARATION IN THE RESIDENTIAL SEGMENT

DEVELOPMENT	USABLE AND RESIDENTIAL AREA/PLOT AREA [SQ. M]	REVENUE ('000,000)	COMMENCEMENT	COMPLETION
Warsaw, Nowy Mokotów (stage I)	11 600	94,0	H2 2012	H2 2014
Poznań, Kasztanowa Aleja (stage II)	8 600	57,8	H2 2012	H2 2014
Poznań, Naramowice, Pod Klonami I-III, row houses	3 700	17,7	H2 2013	H1 2016
Poznań, Naramowice, Jaśminowy Zakątek (stage I)	6 000	32,2	H1 2013	H1 2015
Krakow, Hortus Apartments	3 000	38,1	H2 2012	H2 2014
Krakow, Bronowicka	3 000	22,0	H2 2013	H2 2015
Wrocław, Grota Roweckiego (stage I)	5 900	32,5	H2 2013	H2 2015
<b>PROJECTS IN SALE (USABLE AND RESIDENTIAL AREA)</b>	<b>41 800</b>	<b>294,3</b>		
Warsaw, Nowy Mokotów (stages II-IV)	30 500	255,9	H1 2014	H2 2018
Warsaw, Princess, Puławska	4 700	71,8	H1 2015	H2 2016
Poznań, Naramowice, Jaśminowy Zakątek (stages II-IV)	13 500	73,6	H1 2015	H1 2019
Poznań, Jackowskiego	8 000	52,4	H1 2015	H2 2016
Poznań, Sowińskiego (stages I - IV)	19 800	132,9	H1 2014	H1 2019
Krakow, Kościuszki	5 200	55,8	H1 2015	H2 2016
Krakow, Czarodziejska/Tyniecka	5 700	84,6	H1 2014	H1 2016
Krakow, Rydla	8 700	63,8	H1 2015	H1 2017
Wrocław, Grota Roweckiego (stages II - III)	12 500	67,7	H2 2015	H2 2019
Łódź, Osiedle Jarzębinowe (stages II - V)	39 900	201,8	H1 2014	H2 2021
Łódź, Wodna (stages I - II)	13 700	68,2	H1 2015	H2 2018
Kielce, Zielone Tarasy	2 100	9,3	H1 2014	H1 2015
<b>PROJECTS IN PREPARATION (USABLE AND RESIDENTIAL AREA)</b>	<b>164 300</b>	<b>1 137,8</b>		
Dyminy, Osiedle Południowe (stage III)	43 400	7,6	H2 2013	H2 2014
Poznań, Sołacz	13 700	11,0	H1 2015	H2 2016
Warsaw, Rezydencje Leśne (in the course of sale)	52 900	42,3	H2 2010	H2 2012
<b>SALE OF PLOTS (PLOT AREA)</b>	<b>110 000</b>	<b>60,9</b>		
Lublin, ul. Poligonowa*	1 060 000			
Poznań Naramowice*	350 000			
<b>INVESTMENT LAND (PLOT AREA)</b>	<b>1 410 000</b>			

\* Any projects for which no dates are specified are in the design phase.

#### 4.2. Revenue structure

STRUCTURE OF THE COMPANY'S NET REVENUE FROM SALES (IN MILLIONS OF PLN) BETWEEN 2012 AND 2013:

ITEM	01.01.2013 - 31.12.2013	% SHARE	01.01.2012 - 31.12.2012	% SHARE
Sale of residential and commercial area	28,2	11%	34,2	17%
Property development services	69,2	28%	93,3	46%
Trade in real property	72,0	29%	7,0	3%
Lease services	3,9	2%	3,9	2%
Legal, accounting and consulting services	40,1	16%	39,3	20%
Other revenue	35,8	14%	23,7	12%
<b>Total net revenue from sale of products</b>	<b>249,2</b>	<b>100%</b>	<b>201,4</b>	<b>100%</b>



**5. INFORMATION ON SALES MARKETS BROKEN DOWN INTO DOMESTIC AND FOREIGN MARKETS, INFORMATION ON SOURCES OF SUPPLY OF MANUFACTURING MATERIALS, GOODS AND SERVICES, INDICATION OF DEPENDENCE ON A SINGLE OR ON SEVERAL CUSTOMERS AND SUPPLIERS AND, WHERE A SINGLE CUSTOMER'S OR SUPPLIER'S SHARE ACCOUNTS FOR AT LEAST 10% OF TOTAL SALES REVENUE, THE NAME OF SUCH CUSTOMER OR SUPPLIER, THEIR SHARE IN THE SALES OR SUPPLIES, AND FORMAL RELATIONS WITH THE ISSUER**

**Sales markets**

In 2013, all projects implemented by the Company were located in the Polish market only.

Changes in sources of supply

In terms of Echo Investment S.A.'s purchase of services, the main share, measured by the share of purchases in total sales revenue, was attributable to entities with whom the Company works together as part of specific property developments. In 2013, no turnover with any counterparty exceeded 10% of the Company's revenue.

**Changes among customers**

The customers of Echo Investment S.A. include entities to whom property development management services are provided.

In 2013, the turnover with a single counterparty, an entity from the Capital Group, exceeded 10% of the Company's net sales revenue. The capital relations are described in section 7.1 of this Management Report.

MAJOR CUSTOMERS OF THE COMPANY IN 2013:

COUNTERPARTY	TURNOVER (PLN '000,000)	% SHARE OF NET SALES REVENUE
ECHO – Nowy Mokotów Sp. z o.o. Sp.K.	64,2	26%

**6. INFORMATION ON CONCLUDED AGREEMENTS SIGNIFICANT FOR THE ISSUER'S BUSINESS, INCLUDING AGREEMENTS KNOWN TO THE ISSUER THAT HAVE BEEN CONCLUDED BETWEEN THE SHAREHOLDERS, AND INSURANCE, PARTNERSHIP OR COOPERATION AGREEMENTS**

*6.1. Information on concluded agreements that are significant for the Issuer's business*

**Addendum to a material agreement**

On 16 January 2013, the Issuer received an addendum (later referred to as the Addendum) dated 11 January 2013 to the loan agreement (which the company announced in current report no. 18/2012 of 6 June 2012) signed by way of correspondence by AQUARIUS BUSINESS HOUSE GRUPA ECHO SPÓŁKA Z OGRANICZONĄ ODPOWIEDZIALNOŚCIĄ SKA, with its registered office in Kielce, al. Solidarności 36, 25-323 Kielce, entered into the register of entrepreneurs of the National Court Register maintained by the District Court in Kielce, 10th Economic Department of the National Court register, under KRS no. 0000378348 (later referred to as the Borrower, Company), a subsidiary of the Issuer, and by ALIOR BANK SPÓŁKA AKCYJNA, with its registered office in Warsaw, at Al. Jerozolimskie 94, 00-807 Warsaw, entered into the register of entrepreneurs maintained by the District Court for the Capital City of Warsaw in Warsaw, 12th Economic Department of the National Court register, under KRS no. 305178 (later referred to as the Lender, Bank).

According to the terms of the Addendum, the amount of the loan granted by the Bank to the Borrower was increased from PLN 93,368 thousand to PLN 134,036 thousand, which is intended for financing and refinancing the costs of the project involving the execution of the first and the second stage of the office and services facility Aquarius Business House in Wrocław.

The addendum also amended the loan repayment date to be 30 June 2014.

**Contingent preliminary agreements for the sale of property**

On 19 March 2013, the Company published information whose announcement to the public was delayed pursuant to article 57 section 1 of the Act of 29 July 2005 on public offering and terms of introducing financial instruments to organised trading

and on public companies, and pursuant to § 2 section 1 item 3 of the Ordinance of the Minister of Finance of 13 April 2006 regarding the types of information which may violate the legitimate interest of an issuer and an issuer's procedure in connection with delayed publication of confidential information.

The notification about the delayed fulfilment of the disclosure obligation was presented to the Polish Financial Supervision Authority on 21 December 2012.

The information whose publication was delayed is the following:

"The Management Board of Echo Investment S.A. (later referred to as the Issuer) announces that on 20 December 2012:

1/ the Issuer's subsidiary Galeria Tarnów - Projekt ECHO- 43 spółka z ograniczoną odpowiedzialnością spółka komandytowo-akcyjna, with its registered office in Kielce (address: 25-323 Kielce, Aleja Solidarności 36), entered into the register of entrepreneurs of the National Court Register, maintained by the District Court in Kielce, 10th Economic Department of the National Court Register, under KRS no. 0000385055 (Seller)

and CONNIE INVESTMENTS spółka z ograniczoną odpowiedzialnością spółka komandytowa, with its registered office in Warsaw (address: 00-803 Warsaw, Aleje Jerozolimskie 56C), entered into the register of entrepreneurs of the National Court Register maintained by the District Court for the Capital City of Warsaw in Warsaw, 12th Economic Department of the National Court register, under KRS no. 0000342707 (Buyer)

concluded a preliminary agreement for the sale of the perpetual usufruct title to real property and ownership of buildings located on it along with properties comprising Centrum Handlowe ECHO in Tarnów in ul. Błonie 2.

2/ the Issuer's subsidiary PPR-Projekt ECHO-77 spółka z ograniczoną odpowiedzialnością spółka komandytowo-akcyjna, with its registered office in Kielce (address: 25-323 Kielce, Aleja Solidarności 36), entered into the register of entrepreneurs of the National Court Register, maintained by the District Court in Kielce, 10th Economic Department of the National Court Register, under KRS no. 0000361525 (Seller)

and SYNCERUS INVESTMENTS spółka z ograniczoną odpowiedzialnością spółka komandytowa, with its registered office in Warsaw (address: 00-078 Warsaw, Piłsudskiego 3), entered into the register of entrepreneurs of the National Court Register maintained by the District Court for the Capital City of Warsaw in Warsaw, 12th Economic Department of the National Court register, under KRS no. 0000342748 (Buyer)

concluded a preliminary agreement for the sale of the ownership title to real property along with properties comprising Centrum Handlowe ECHO in Radom in ul. Żółkiewskiego 4.

3/ the Issuer's subsidiary PPR-Projekt ECHO-77 spółka z ograniczoną odpowiedzialnością spółka komandytowo-akcyjna, with its registered office in Kielce (address: 25-323 Kielce, Aleja Solidarności 36), entered into the register of entrepreneurs of the National Court Register, maintained by the District Court in Kielce, 10th Economic Department of the National Court Register, under KRS no. 0000361525 (Seller)

and XANTIRA INVESTMENTS spółka z ograniczoną odpowiedzialnością spółka komandytowa, with its registered office in Warsaw (address: 00-803 Warsaw, Aleje Jerozolimskie 56C), entered into the register of entrepreneurs of the National Court Register maintained by the District Court for the Capital City of Warsaw in Warsaw, 12th Economic Department of the National Court register, under KRS no. 0000340765 (Buyer)

concluded a preliminary agreement for the sale of the ownership title and perpetual usufruct title to land and ownership title to a building along with properties comprising Centrum Handlowe ECHO in Piotrków Trybunalski in ul. Sikorskiego 13/17.

The total value of the signed preliminary contingent sale agreements for three shopping centres is EUR 67,092.99 thousand plus the applicable VAT, which, as at the date of signing the agreement, according to the average exchange rate of the National Bank of Poland, is equivalent to PLN 272,686.04 thousand net:

- The value of the agreement with CONNIE INVESTMENTS spółka z ograniczoną odpowiedzialnością spółka komandytowa is EUR 22,961.24 thousand, which, as at the date of signing the agreement, according to the average exchange rate of the National Bank of Poland, is equivalent to PLN 93,321.38 thousand net;
- The value of the agreement with SYNCERUS INVESTMENTS spółka z ograniczoną odpowiedzialnością spółka komandytowa is EUR 23,752.34 thousand, which, as at the date of signing the agreement, according to the average exchange rate of the National Bank of Poland, is equivalent to PLN 96,536.65 thousand net;

- The value of the agreement with XANTIRA INVESTMENTS spółka z ograniczoną odpowiedzialnością spółka komandytowa is EUR 20,379.41 thousand, which, as at the date of signing the agreement, according to the average exchange rate of the National Bank of Poland, is equivalent to PLN 82,828.02 thousand net;

The signing of the final agreements for the sale of the Shopping Centres depends on the satisfaction or waiver of the conditions specified in the agreements by the Buyers according to the stipulated dates, with the final date being 31 December 2013.

Terms and conditions of the agreements:

- Obtaining positive tax interpretations;
- All warranties made by the Sellers as at the date of this Agreement and as at the date of the Promised Agreement shall remain true and accurate, while all warranties made under the signed agreements are true and accurate;
- The land and mortgage registers maintained for the real property do not include any comments or warnings and do not specify any pre-emptive right;
- Achieving a renovation status provided for in the agreements;
- Real shall open its leased space to customers and shall operate its business in such space;
- There shall be parking places for customers on the properties in a number specified in the agreements;
- At least 50% of the shopping centre shall be leased out to tenants;
- Areas leased out to Nomi remain open for customers and Nomi operates its business in such areas.
- Opening of the centres for customers;
- A guarantee of Echo Investment S.A. shall be issued and delivered to the Buyers;
- The Sellers shall repair any defects specified in annexes to the agreements or, if some of the defects are not repaired, the parties shall agree on the cost of repairing the defects which were not repaired;
- Save as provided for in the agreements, entries in the land and mortgage registers maintained for the properties shall not change as of the date of the signed agreements;
- The Sellers shall submit requests to competent governmental authorities as specified in the agreements;
- The perpetual usufruct title to a plot of land shall be extended;
- The Sellers shall conclude an addendum to the agreement for design works;
- Tenants who concluded new lease agreement have concluded agreements for the transfer of rights and obligations under the lease.

The agreements provide for the payment of standard contractual penalties for this type of agreements, while the maximum amount of the contractual penalties does not exceed 10% of the value of each agreement.

The payment of contractual penalties does not preclude either party's right to claim compensation in excess of such contractual penalties.

The agreements have been recognised as material agreements based on the criterion of the Issuer's equity."

The aforementioned entities described as "Buyers" are members of London & Cambridge Properties Ltd, with its registered office in London. From among the aforementioned conditions, as at the date of submitting this current report, the following conditions were fulfilled:

- Real's opening of its leased space for customers;
- Leasing out of at least 50% of the shopping centre to tenants;
- Guarantee of Echo Investment S.A. issued and delivered to the Buyers;
- Extension of the perpetual usufruct title to a plot of land shall;
- Opening of the centres for customers;
- Areas leased out to Nomi remain open for customers and Nomi operates its business in such areas.

On 22 March, the Issuer submitted a report stating that the Issuer's subsidiaries:

1) Galeria Tarnów - Projekt ECHO- 43 spółka z ograniczoną odpowiedzialnością spółka komandytowo-akcyjna, with its registered office in Kielce (address: 25-323 Kielce, Aleja Solidarności 36), entered into the register of entrepreneurs of the National Court Register, maintained by the District Court in Kielce, 10th Economic Department of the National Court Register, under KRS no. 0000385055 (Seller 1)

2) PPR-Projekt ECHO-77 spółka z ograniczoną odpowiedzialnością spółka komandytowo-akcyjna, with its registered office in Kielce (address: 25-323 Kielce, Aleja Solidarności 36), entered into the register of entrepreneurs of the National Court Register, maintained by the District Court in Kielce, 10th Economic Department of the National Court Register, under KRS no. 0000361525 (Seller 2)

started the negotiations of final property sale agreements including the following:

1) perpetual usufruct title to real property and ownership of buildings located on it along with properties comprising Centrum Handlowe ECHO in Tarnów in ul. Błonie 2 (Property 1);

2) ownership title to real property along with properties comprising Centrum Handlowe ECHO in Radom in ul. Żółkiewskiego 4 (Property 2);

3) ownership title and perpetual usufruct title to land and ownership title to a building along with properties comprising Centrum Handlowe ECHO in Piotrków Trybunalski in ul. Sikorskiego 13/17 (Property 3)

with the following buyers:

1) CONNIE INVESTMENTS spółka z ograniczoną odpowiedzialnością spółka komandytowa, with its registered office in Warsaw (address: 00-803 Warsaw, Aleje Jerozolimskie 56C), entered into the register of entrepreneurs of the National Court Register maintained by the District Court for the Capital City of Warsaw in Warsaw, 12th Economic Department of the National Court register, under KRS no. 0000342707 (Buyer 1) – with regard to Property 1;

2) SYNCERUS INVESTMENTS spółka z ograniczoną odpowiedzialnością spółka komandytowa, with its registered office in Warsaw (address: 00-078 Warsaw, Plac Piłsudskiego 3), entered into the register of entrepreneurs of the National Court Register maintained by the District Court for the Capital City of Warsaw in Warsaw, 12th Economic Department of the National Court register, under KRS no. 0000342748 (Buyer 2) – with regard to Property 2;

3) XANTIRA INVESTMENTS spółka z ograniczoną odpowiedzialnością spółka komandytowa, with its registered office in Warsaw (address: 00-803 Warsaw, Aleje Jerozolimskie 56C), entered into the register of entrepreneurs of the National Court Register maintained by the District Court for the Capital City of Warsaw in Warsaw, 12th Economic Department of the National Court register, under KRS no. 0000340765 (Buyer 3) – with regard to Property 3.

According to the provisions of the preliminary sale agreements announced in current report no. 10/2013 of 20 March 2013, the Buyers reserved the right to transfer the rights and obligations under the said agreements to BRE Leasing Sp. z o.o., with its registered office in Warsaw, which shall act as the buyer when the contractual rights and obligations are transferred. The final sales prices for Properties 1-3 shall be verified by the Parties as at the day of concluding the final sale agreements according to the verification mechanisms included in the preliminary sale agreements.

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On 24 April 2013, the Company published information whose announcement to the public was delayed pursuant to article 57 section 1 of the Act of 29 July 2005 on public offering and terms of introducing financial instruments to organised trading and on public companies, and pursuant to § 2 section 1 item 3 of the Ordinance of the Minister of Finance of 13 April 2006 regarding the types of information which may violate the legitimate interest of an issuer and an issuer's procedure in connection with delayed publication of confidential information.

The notification about the delayed fulfilment of the disclosure obligation was presented to the Polish Financial Supervision Authority on 18 October 2012 and 3 January 2013.

The information of 18 October 2012 whose publication was delayed is the following:

"The Management Board of Echo Investment S.A. (later referred to as the Issuer) announces that, on 17 October 2012, the Issuer's subsidiary Aquarius Business House – Grupa Echo Spółka z ograniczoną odpowiedzialnością Spółka komandytowo-akcyjna, with its registered office in Kielce (25-323), Al. Solidarności 36, entered into the register of entrepreneurs maintained by the District Court in Kielce under KRS no. 378348 (later referred to as the Seller), and:

Horta Spółka z ograniczoną odpowiedzialnością, with its registered office in Warsaw (address: ul. Emilii Plater 53, 00-133 Warsaw), entered into the register of entrepreneurs maintained by the District Court for the Capital City of Warsaw, 12th Economic Department of the National Court Register, under KRS no. 397696, and SKUA Spółka z ograniczoną

odpowiedzialności, with its registered office in Warsaw (address: ul. Emilii Plater 53, 00-133 Warsaw), entered into the register of entrepreneurs maintained by the District Court for the Capital City of Warsaw, 12th Economic Department of the National Court Register, under KRS no. 422523 (later referred to as the Buyers), concluded a preliminary contingent sale agreement for land property located in Wrocław in ul. Swobodna and Borowska, including ownership title to two office buildings Aquarius Business House erected on the property with a total area of nearly 32 thousand sq. m along with accompanying infrastructure (Office Development).

The total value of the signed preliminary contingent sale agreements for the Office Development is EUR 66,513.1 thousand plus the applicable VAT, which, as at the date of signing the agreement, according to the average exchange rate of the National Bank of Poland, is equivalent to PLN 272,304.6 thousand net. The value of the agreement with Horta Sp. z o.o. is EUR 41,554.5 thousand, which, as at the date of signing the agreement, according to the average exchange rate of the National Bank of Poland, is equivalent to PLN 170,124.3 thousand net, and the value of the agreement with SKUA Sp. z o.o. is EUR 24,958.6 thousand, which, as at the date of signing the agreement, according to the average exchange rate of the National Bank of Poland, is equivalent to PLN 102,180.3 thousand net.

The signing of the final agreements for the sale of the Office Development Aquarius Business House – in connection with, among other things, a two-stage implementation of the development – depends on the satisfaction or waiver of the conditions specified in the agreements by the Buyers according to the stipulated dates, with the final date being 31 May 2014.

Terms and conditions of the agreements:

- Land surveying of the Office Development with division into two separate properties;
- Completion of the construction of the office buildings and obtaining final usage permits;
- Leasing out of at least 80% of total area in each building;
- Buyers' final due diligence review with a satisfactory outcome for the Sellers and for the bank funding the purchase of the property;
- Conclusion of lease agreements between the Issuer and the Buyers for areas remaining unoccupied on the date of conclusion of final agreements;
- Signing of addenda to lease agreements with tenants specified in the preliminary contingent sale agreements and signing of an addendum to the agreement for design works;
- Seller's statements and guarantees, submitted on the day of the final agreement, regarding the final legal, technical, tax, financial, commercial and environmental status of the property;
- Handover of premises to tenants;
- Buyers obtaining funding for the purchase of the Office Development.

The Buyers may withdraw from the conclusion of the final agreement, if:

- any representation of the Seller turns out to be inaccurate or false;
- any condition is not satisfied;
- prior the conclusion of the final agreement there is a significant adverse incident related to the property;
- the Seller refuses to conclude the final agreement even if all conditions are satisfied;
- the Seller becomes insolvent;
- no negotiated lease agreement is concluded with a potential tenant specified in the preliminary contingent sale agreement.

The Seller may withdraw from the conclusion of the final agreement, if the Buyers do not accept the wording of the lease agreement with a potential tenant specified in the preliminary contingent sale agreement.

The concluded preliminary agreements provide for the payment of contractual penalties for withdrawal from the preliminary agreement for reasons attributable to either party. The amount of the contractual penalty was set to be EUR 4 million, which, as at the date of signing the agreement, according to the average exchange rate of the National Bank of Poland, is equivalent to PLN 16.38 million.

The payment of contractual penalties does not preclude either party's right to claim compensation in excess of such contractual penalties.

The agreements have been recognised as material agreements based on the criterion of the Issuer's equity."

The information of 3 January 2013 whose publication was delayed is the following:

"The Management Board of Echo Investment S.A. (later referred to as the Issuer) announces that due to the failure to satisfy, by 31 December 2012, one of the conditions for the preliminary sale agreements of 17 October 2012 (the Issuer signing addenda to lease agreements with the tenants specified in the preliminary contingent sale agreements), the Buyer, i.e. Horta Spółka z ograniczoną odpowiedzialnością, with its registered office in Warsaw, may withdraw from the conclusion of the final sale agreement."

The aforementioned entities described as the "Buyers" are members of Azora Europe.

#### **Sale of assets with a significant value – final agreements for the sale of shopping centres**

On 24 April 2013:

1/ the Issuer's subsidiary Galeria Tarnów - Projekt ECHO- 43 spółka z ograniczoną odpowiedzialnością spółka komandytowo-akcyjna, with its registered office in Kielce (address: 25-323 Kielce, Aleja Solidarności 36), entered into the register of entrepreneurs of the National Court Register, maintained by the District Court in Kielce, 10th Economic Department of the National Court Register, under KRS no. 0000385055 (Seller)

and BRE Leasing spółka z ograniczoną odpowiedzialnością, with its registered office in Warsaw (address: 00-963 Warsaw, Ks. I. Skorupki 5, statistical no. REGON 012527809, tax identification no. NIP 5260212925), entered into the register of entrepreneurs of the National Court Register maintained by the District Court for the Capital City of Warsaw in Warsaw, 12th Economic Department of the National Court register, under KRS no. 0000090905 (Buyer)

concluded a final agreement for the sale of the perpetual usufruct title to land and ownership title to buildings located on it along with properties comprising Centrum Handlowe ECHO in Tarnów in ul. Błonie 2 (Agreement 1);

2/ the Issuer's subsidiary PPR-Projekt ECHO-77 spółka z ograniczoną odpowiedzialnością spółka komandytowo-akcyjna, with its registered office in Kielce (address: 25-323 Kielce, Aleja Solidarności 36), entered into the register of entrepreneurs of the National Court Register, maintained by the District Court in Kielce, 10th Economic Department of the National Court Register, under KRS no. 0000361525 (Seller)

and BRE Leasing spółka z ograniczoną odpowiedzialnością, with its registered office in Warsaw (address: 00-963 Warsaw, Ks. I. Skorupki 5, statistical no. REGON 012527809, tax identification no. NIP 5260212925), entered into the register of entrepreneurs of the National Court Register maintained by the District Court for the Capital City of Warsaw in Warsaw, 12th Economic Department of the National Court register, under KRS no. 0000090905 (Buyer)

concluded a final agreement for the sale of the ownership title to real property along with properties comprising Centrum Handlowe ECHO in Radom in ul. Żółkiewskiego 4 (Agreement 2);

3/ the Issuer's subsidiary PPR-Projekt ECHO-77 spółka z ograniczoną odpowiedzialnością spółka komandytowo-akcyjna, with its registered office in Kielce (address: 25-323 Kielce, Aleja Solidarności 36), entered into the register of entrepreneurs of the National Court Register, maintained by the District Court in Kielce, 10th Economic Department of the National Court Register, under KRS no. 0000361525 (Seller)

and BRE Leasing spółka z ograniczoną odpowiedzialnością, with its registered office in Warsaw (address: 00-963 Warsaw, Ks. I. Skorupki 5, statistical no. REGON 012527809, tax identification no. NIP 5260212925), entered into the register of entrepreneurs of the National Court Register maintained by the District Court for the Capital City of Warsaw in Warsaw, 12th Economic Department of the National Court register, under KRS no. 0000090905 (Buyer)

concluded a final agreement for the sale of the ownership title and perpetual usufruct title to land and ownership title to a building along with properties comprising Centrum Handlowe ECHO in Piotrków Trybunalski in ul. Sikorskiego 13/17 (Agreement 3).

The total value of the signed sale agreements for three shopping centres is EUR 66,467 thousand plus the applicable VAT, which, as at the date of signing the agreements, according to the average exchange rate of the National Bank of Poland, is equivalent to PLN 275,193 thousand net:

- The value of Agreement 1 is EUR 22,767 thousand, which is equivalent to PLN 94,262 thousand net,

- The value of Agreement 2 is EUR 23,748 thousand, which is equivalent to PLN 98,324 thousand net,
- The value of Agreement 3 is EUR 19,952 thousand, which is equivalent to PLN 82,607 thousand net.

The fixed value of the assets sold in the consolidated financial statements of the Echo Investment Capital Group measured according to IAS amounts to PLN 250,058 thousand, including:

- The fixed value of assets comprising Centrum Handlowe Echo in Tarnów is PLN 83,440 thousand,
- The fixed value of assets comprising Centrum Handlowe Echo in Radom is PLN 89,267 thousand,
- The fixed value of assets comprising Centrum Handlowe Echo in Piotrków Trybunalski is PLN 77,351 thousand.

There are no relations between the Issuer or the persons managing or supervising the Issuer and the Buyers or the persons managing the Buyers.

In addition, on 25 April 2013, in connection with the above-mentioned sales transactions, the Issuer's subsidiary PPR-Projekt ECHO-77 spółka z ograniczoną odpowiedzialnością spółka komandytowo-akcyjna, with its registered office in Kielce, repaid an investment loan to Bank Polska Kasa Opieki S.A., with its registered office in Warsaw, in the total amount of EUR 17,239 thousand, which is equivalent to PLN 71,573 thousand.

As of 25 April 2013, the Issuer's Capital Group did not have any loan liability related to the said shopping centres.

The Issuer plans to use the funds obtained from the sale of the Shopping Centres to secure funding for developments in preparation and to fund potential purchases of attractive plots of land and/or property developments.

#### **Sale of assets with a significant value – final agreement for the sale of stage I of an office project in Wrocław**

On 2 July 2013, the Issuer's subsidiary Aquarius Business House – Grupa Echo Spółka z ograniczoną odpowiedzialnością Spółka komandytowo-akcyjna, with its registered office in Kielce (25-323), Al. Solidarności 36, entered into the register of entrepreneurs maintained by the District Court in Kielce under KRS no. 378348 (later referred to as the Seller), and:

Horta Spółka z ograniczoną odpowiedzialnością, with its registered office in Warsaw (address: ul. Mokotowska 49, 00-542 Warsaw), entered into the register of entrepreneurs maintained by the District Court for the Capital City of Warsaw, 12th Economic Department of the National Court Register, under KRS number 397696 (later referred to as the Buyer),

concluded a final agreement for the sale of the land property located in Wrocław in ul. Swobodna and ul. Borowska and the ownership title to the erection of an office building comprising stage I of the implemented Aquarius Business House office project along with accompanying infrastructure (Office Development).

The total value of the signed sale agreement for the Office Development is EUR 41,905 thousand, plus the applicable VAT, which, as at the date of signing the agreement, according to the average exchange rate of the National Bank of Poland, is equivalent to PLN 181,301 thousand net.

The fixed value of the sold assets in the consolidated financial statements of the Echo Investment Capital Group, measured in conformity with the IAS, amounted to PLN 163,894 thousand.

There are no relations between the Issuer or the persons managing or supervising the Issuer and the Buyer or the persons managing the Buyer.

In addition, on 1 and 2 July 2013, in connection with the said sale transaction, the Issuer's subsidiary Aquarius Business House – Grupa Echo Spółka z ograniczoną odpowiedzialnością Spółka komandytowo-akcyjna, repaid the loan to ALIOR BANK S.A., with its registered office in Warsaw, in the total amount of PLN 69,924 thousand.

As of 3 July 2013, the Issuer's Capital Group did not have any loan liability related to the sold asset.

Echo Investment Property Management – Grupa Echo Sp. z o.o. Spółka komandytowa, the Issuer's subsidiary, will manage the office building for 5 years. 98 per cent of the office building are already rented.

### Loan agreement of the Issuer's subsidiary

On 28 August 2013, the Issuer's subsidiary Park Rozwoju – Grupa Echo Spółka z ograniczoną odpowiedzialnością S.K.A., with its registered office in Kielce, Al. Solidarności 36, 25-323 Kielce, entered into the register of entrepreneurs maintained by the District Court in Kielce, 10<sup>th</sup> Economic Department of the National Court Register, under number KRS 0000397368 (later referred to as the "Borrower" or the "Company"), and BANK ZACHODNI WBK S.A., with its registered office in Wrocław, Rynek 9/11, 50-950 Wrocław, entered into the register of entrepreneurs maintained by the District Court Wrocław-Fabryczna in Wrocław, 6<sup>th</sup> Economic Department of the National Court Register, under number KRS 0000008723 (later referred to as the "Lender" or the "Bank"), signed a loan agreement (later referred to as the "Agreement").

The funds raised under the Agreement shall be used by the Borrower to build the first stage of the office building comprising the office facility Park Rozwoju, which is located in Warsaw, ul. Konstruktorska 10 (later referred to as the "Development").

According to the terms of the Agreement, the Bank provides the Borrower with the following:

1/ cash constituting an investment loan of up to EUR 22,403 thousand (twenty-two million, four hundred and three thousand euro), where Tranche A shall be allocated for financing or refinancing the expenditures on the office development, and Tranche B shall be allocated for refinancing the debt as part of Tranche A through conversion,

2/ cash constituting a VAT loan of up to PLN 5,000 thousand (five million zloty) for financing or refinancing VAT in connection with the implementation of the office development.

The loan amounts bear interest rates: for the investment Loan, according to variable EURIBOR for 1-month deposits with regard to Tranche A or for three-month deposits with regard to Tranche B, and for the VAT Loan, according to variable WIBOR for 1-month deposits, plus the bank's margin.

The loan repayment deadlines are as follows:

1/ For Tranche A: not later than 24 (twenty-four) months from the date of the first Use of Tranche A,

2/ For Tranche B: 84 (eighty-four) months from the Conversion date, subject that the condition regarding lease agreement is satisfied, but in any case not later than 28 February 2023,

3/ For VAT Loan: 24 (twenty-four) months from the date of the first Use of the VAT Loan.

To secure the repayment of the Loan and of the amounts due to the Bank, the Borrower shall establish the following securities or shall cause them to be established:

1/ First ranking mortgage established by the Borrower in the form of a notarial deed on the Real Property for the benefit of the Lender in the amount of EUR 37,500 thousand,

2/ Statement on the Submission to Enforcement Proceedings,

3/ Authorisation to use the Borrower's Bank Accounts,

4/ Agreement for the Assignment of Rights, i.e. an agreement for the assignment of the Borrower's present and future rights under the Development Agreement (except for agreements with the Legal Advisor and the Technical Advisor), and under all Lease Agreements and Insurance Policies (to secure the Lender's claims), concluded between the Borrower (as the assignor) and the Lender (as the assignee),

5/ Guarantee Agreement, i.e. agreement concluded between the Borrower, the Issuer and the Lender for the period ending upon the full repayment of Tranche A (including Conversion), which obliges the Issuer to, among other things, guarantee the coverage of exceeded building costs of the Development, as specified in the budget, or to guarantee to provide assistance for the Development and to ensure its punctual completion,

7/ Agreements for Registered and Financial Pledges on the General Partner's shares, interests, accounts and claims,

8/ all powers of attorney granted by the Obligated Party to the Lender in connection with the Financial Documents.



### Facility building shell agreement

On 25 September 2013, the Issuer's subsidiary Projekt Echo – 70 Sp. z o.o., with its registered office in 25-323 Kielce, al. Solidarności 36, entered into the Register of Entrepreneurs maintained by the 10th Economic Department of the National Court Register of the District Court in Kielce under KRS no. KRS 0000271630 (later referred to as the "Spółka"), and Modzelewski & Rodek Sp. z o.o., with its registered office in 02-822 Warsaw, ul. Poleczki 35, entered into the Register of Entrepreneurs maintained by the 13th Economic Department of the National Court Register of the District Court for the Capital City of Warsaw under KRS no. 0000187510 (later referred to as the "Contractor"), signed a building shell agreement (later referred to as the "Agreement") for the facility: Office, Services and Commercial Building Q22 in Warsaw, Al. Jana Pawła II, ul. Grzybowska, including a below-grade car park, the surrounding area, outdoor infrastructure, road infrastructure, below-grade fixtures, car parks and land development.

The Contractor' lump-sum remuneration for the performance of the subject of the Agreement amounts to: PLN 98,500,000.00 (in words: ninety-eight million and five hundred thousand zloty) net. The remuneration is subject to the applicable VAT.

The commencement date of the subject of the Agreement is the same as the signing date of the Agreement, and the completion date of the subject of the Agreement has been specified in the Agreement to be 30 September 2015.

The Agreement provides the Company with the option to calculate liquidated damages that are typical for this type of agreements, and the total amount of the damages may not exceed 10% of the remuneration for the performance of the subject of the agreement. However, if the damage exceeds the amount of the liquidated damages, the Company may claim an additional compensation.

### Loan agreement of the Issuer's subsidiary

On 19 December 2013, the Issuer's subsidiary operating under the business name Galeria Sudecka - Projekt Echo - 43 Spółka z ograniczoną odpowiedzialnością Spółka komandytowo-akcyjna, with its registered office in Jelenia Góra, ul. Jana Pawła II 51, 58506 Jelenia Góra, entered into the register of entrepreneurs of the National Court Register maintained by the District Court for Wrocław – Fabryczna in Wrocław, 9th Economic Department of the National Court Register, under KRS no. 0000380072 (later referred to as the "Borrower"), and Bank Polska Kasa Opieki Spółka Akcyjna, with its registered office in Warsaw, ul. Grzybowska 53/57, 00-950 Warsaw, entered into the register of entrepreneurs of the National Court Register maintained by the District Court for the Capital City of Warsaw in Warsaw, 12th Economic Department of the National Court Register, under KRS no. 0000014843 (later referred to as the "Lender", the "Bank"), signed a loan agreement (later referred to as the "Agreement", the "Loan").

According to the terms of the Agreement, the Bank provides the Borrower with the following:

- cash in a refinancing tranche, amounting to EUR 14,126 thousand, for refinancing the principal amount of the loan granted to the Borrower on 20 April 2011 (see the Issuer's current report RB No. 20/2011);
- cash in a building tranche in the maximum amount of EUR 21,500 thousand;
- cash in a VAT tranche in the maximum amount of EUR 7 million;
- cash in an investment tranche for refinancing the debt under the refinancing and building tranches, up to the maximum amount of EUR 35,626 thousand.

The funds raised under the Loan will be used in connection with a shopping centre development in Jelenia Góra, referred to as Galeria Sudecka ("Building") after the expansion.

The loan amounts bear the following interest: for the refinancing building and investment tranche – according to 1-month or 3-month EURIBOR, for the VAT tranche – according to 1-month WIBOR, plus the Bank's margin.

The repayment deadline of cash under the Agreement was set as follows:

- For the funds under the refinancing and building tranche: on the date when these tranches are converted into the investment tranche;
- The repayment deadline for the investment tranche was specified in the Agreement to be no later than 30 June 2022;
- For the VAT tranche, the earlier of the following: 30 June 2015 or 6 months after obtaining a usage permit for the Building or 18 months from the disbursement of the funds in this tranche.

The loan and the amounts due to the Bank are mainly secured by the following:

- First ranking joint mortgage on the Property for the benefit of the Lender, up to 200% of the total loan amount;
- Financial and registered pledge agreements securing the repayment of all amounts due under the agreement;
- Pledge on the Borrower's bank accounts;
- Agreement for the transfer of rights to secure the amounts due under the Agreement;
- Borrower's statement on the submission to enforcement proceedings;
- Surety agreement between the Bank, the Borrower and the Issuer, as the guarantor (including the Issuer's statement saying that, as the guarantor, it submits to enforcement proceedings by the Bank in connection with the amounts due under the surety), involving the Issuer's surety to the Bank to guarantee the Borrower's obligations under the Agreement up to EUR 42,751 thousand and PLN 40,200 thousand until the full repayment of the amounts due to the Lender under the Agreement; the surety expires earlier if the circumstances specified in the loan agreement occur.

## 6.2. *Agreements between shareholders*

The Company was not aware of any agreements concluded in 2013 between the shareholders which would be important for its business.

## 6.3. *Insurance agreements*

SUBJECT OF INSURANCE	INSURER	SUM INSURED (PLN '000)
property insurance policies – objects	TU Compensa S.A.	45 897
property insurance policies – equipment	TU Compensa S.A.	5 561
civil liability policies	TU Compensa S.A., Generali S.A.	5 415
construction and assembly risk policies	TU Compensa S.A., Generali S.A.	40 650
other policies	TU Compensa S.A.	2 047
<b>TOTAL SUM INSURED:</b>		<b>99 570</b>

## 6.4. *Partnership or cooperation agreements*

In 2013, the Company did not conclude any material partnership or cooperation agreements.

# 7. **INFORMATION ON ORGANISATIONAL OR CAPITAL RELATIONSHIPS BETWEEN ECHO INVESTMENT S.A. AND OTHER ENTITIES, INDICATION OF MAJOR DOMESTIC AND FOREIGN INVESTMENTS (SECURITIES, FINANCIAL INSTRUMENTS AND REAL PROPERTY), INCLUDING EQUITY INVESTMENTS OUTSIDE THE CAPITAL GROUP, AND DESCRIPTION OF FINANCING METHODS**

## 7.1. *Information on organisational or capital relations of Echo Investment S.A.*

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. The companies which form the Group have been established or purchased in order to perform specific 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 of 31 December 2013, the Echo Investment Capital Group comprised 113 fully consolidated subsidiaries, one jointly controlled entity consolidated with the proportionate method and one associate consolidated with the equity method.

## SUBSIDIARIES:

NO.	COMPANY	REGISTERED OFFICE	% SHARE OF THE CAPITAL	PARENT COMPANY
1	47 – Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	XXXIV FIZ Forum
2	53 – Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	XXXIV FIZ Forum
3	Astra Park - Projekt Echo - 69 Sp. z o.o. S.k.a.	Kielce	100%	XXXIV FIZ Forum
4	Aquarius Business House – Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	XXIX FIZ Forum
5	Avatar - Projekt Echo – 93 Sp. z o.o. S.k.a.	Kielce	100%	XXIX FIZ Forum
6	A4 Business Park – Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	XXXIV FIZ Forum
7	Babka Tower - Projekt Echo - 93 Sp. z o.o. S.k.a.	Kielce	100%	XXIX FIZ Forum
8	Barconsel Holdings Ltd	Nicosia	100%	Echo – SPV 7 Sp. z o.o.
9	Bełchatów – Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	XXIX FIZ Forum
10	Budivelnuy Soyuz Monolit LLC	Kiev	100%	Yevrobudgarant LLC
11	Echo – Arena Sp. z o.o.	Kielce	100%	Echo Investment S.A.
12	Echo – Aurus Sp. z o.o.	Kielce	100%	Echo Investment S.A.
13	Echo – Centrum Przemysł - Projekt Echo – 93 Sp. z o.o. S.k.a.	Kielce	100%	XXIX FIZ Forum
14	Echo – Galaxy Sp. z o.o.	Kielce	100%	Echo Investment S.A.
15	Echo – Galaxy Sp. z o.o. S.k.a.	Szczecin	100%	XXIX FIZ Forum
16	Echo – Galeria Amber Sp. z o.o.	Kielce	100%	Echo Investment S.A.
17	Echo – Galeria Amber Sp. z o.o. S.k.a.	Kielce	100%	XXXIV FIZ Forum
18	Echo – Galeria Lublin Sp. z o.o.	Kielce	100%	Echo Investment S.A.
19	Echo – Kasztanowa Aleja Sp. z o.o.	Kielce	100%	Echo Investment S.A.
20	Echo – Kasztanowa Aleja Sp. z o.o. Sp. kom.	Kielce	100%	Echo Investment S.A.
21	Echo – Klimt House Sp. z o.o.	Kielce	100%	Echo Investment S.A.
22	Echo – Klimt House Sp. z o.o. Sp. z kom.	Kielce	100%	Echo Investment S.A.
23	Echo – Nowy Mokotów Sp. z o.o.	Kielce	100%	Echo Investment S.A.
24	Echo – Nowy Mokotów Sp. z o.o. Sp. kom. (formerly: Projekt Echo - 67 Sp. z o.o. Sp. kom.)	Kielce	100%	Echo Investment S.A.
25	Echo – Pod Klonami Sp. z o.o.	Kielce	100%	Projekt Naramowice – Grupa Echo Sp. z o.o. S.k.a.
26	Echo – Pod Klonami Sp. z o.o. Sp. kom.	Kielce	100%	Echo Investment S.A.
27	Echo – Project - Management Ingatlanhasznosito Kft.	Budapest	100%	Echo Investment S.A.
28	Echo - Property Poznań 1 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
29	Echo – Przy Słowiańskim Wzgórzu Sp. z o.o.	Kielce	100%	Echo Investment S.A.
30	Echo – Przy Słowiańskim Wzgórzu Sp. z o.o. Sp. kom.	Kielce	100%	Echo Investment S.A.
31	Echo – SPV 7 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
32	Echo Galeria Kielce – Magellan West Sp. z o.o. S.k.a.	Kielce	99,95%	XXIX FIZ Forum / XXXIV FIZ Forum
33	Echo Investment ACC - Grupa Echo Sp. z o.o. Sp. kom.	Kielce	100%	Echo Investment S.A.

NO.	COMPANY	REGISTERED OFFICE	% SHARE OF THE CAPITAL	PARENT COMPANY
34	Echo Investment Facility Management - Grupa Echo Sp. z o.o. Sp. kom.	Kielce	100%	Echo Investment S.A.
35	Echo Investment Hungary Ingatlanhasznosító Kft.	Budapest	100%	Echo Investment S.A.
36	Echo Investment Project 1 S.R.L.	Brasov	100%	Echo - Aurus Sp. z o.o.
37	Echo Investment Project Management S.R.L.	Brasov	100%	Echo Investment S.A.
38	Echo Investment Property Management – Grupa Echo Sp. z o. o. Sp. kom.	Kielce	100%	Echo Investment S.A.
39	Echo Investment Ukraine LLC	Kiev	100%	Echo Investment S.A.
40	Echo Pasaż Grunwaldzki – Magellan West Sp. z o.o. S.k.a.	Kielce	99,95%	XXIX FIZ Forum
41	Echo - Park Rozwoju Sp. z o. o. (formerly: Nikson Capital Sp. z o. o.)	Kielce	100%	Echo Investment S.A.
42	Elmira Investments Sp. z o. o.	Kielce	100%	Echo Investment S.A.
43	Elmira Investments Sp. z o. o. S.k.a.	Kielce	100%	Echo Investment S.A.
44	El Project Cypr - 1 Ltd	Nicosia	100%	Echo Investment S.A.
45	Farrina Investments Sp. z o. o.	Kielce	100%	Echo Investment S.A.
46	Galaxy - Projekt Echo - 106 Sp. z o. o. S.k.a. (formerly: Projekt 10 - Grupa Echo Sp. z o. o. S.k.a.)	Szczecin	100%	XXXIV FIZ Forum/XXXIV FIZ Forum
47	Galeria Nova – Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	XXXIV FIZ Forum
48	Galeria Olimpia – Projekt Echo – 98 Sp. z o.o. S.k.a.	Kielce	100%	XXXIV FIZ Forum
49	Galeria Sudecka - Projekt Echo – 43 Sp. z o.o. S.k.a.	Jelenia Góra	100%	XXIX FIZ Forum
50	Galeria Tarnów – Grupa Echo Sp. z o.o. S.k.a. (formerly: Galeria Tarnów – Projekt Echo - 43 Sp. z o.o. S.k.a. )	Kielce	100%	XXIX FIZ Forum
51	Grupa Echo Sp. z o.o.	Kielce	100%	Echo Investment S.A.
52	Intermedia Investment Sp. z o. o.	Kielce	100%	Echo Investment S.A.
53	Iris Capital Sp. z o. o.	Kielce	100%	Echo Investment S.A.
54	Malta Office Park - Projekt Echo - 96 Sp. z o.o. S.k.a.	Kielce	100%	XXXIV FIZ Forum
55	Mena Investments Sp. z o. o.	Kielce	100%	Echo Investment S.A.
56	Metropolis - Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	XXXIV FIZ Forum
57	Oxygen – Projekt Echo – 95 Sp. z o.o. S.k.a.	Kielce	100%	XXIX FIZ Forum
58	Pamiętkowo Sp. z o.o.	Pamiętkowo	100%	Echo Investment S.A.
59	Park Postępu - Projekt Echo - 93 Sp. z o.o. S.k.a.	Kielce	100%	XXIX FIZ Forum
60	Park Rozwoju – Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	XXIX FIZ Forum
61	PHS – Projekt CS Sp. z o.o. S.k.a.	Szczecin	100%	XXIX FIZ Forum
62	PPR - Projekt Echo – 77 Sp. z o.o. S.k.a.	Kielce	100%	XXIX FIZ Forum
63	Princess Investment Sp. z o.o.	Kielce	100%	Echo Investment S.A.
64	Projekt Babka Tower - Grupa Echo Sp. z o.o. S.k.a. (formerly: Projekt 6 - Grupa Echo Sp. z o.o. S.k.a.)	Kielce	100%	XXIX FIZ Forum
65	Projekt Beethovena – Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	XXXIV FIZ Forum
66	Projekt CS Sp. z o.o.	Szczecin	100%	Echo Investment S.A.
67	Projekt Echo - 33 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
68	Projekt Echo - 43 Sp. z o.o.	Kielce	100%	Echo Investment S.A.

NO.	COMPANY	REGISTERED OFFICE	% SHARE OF THE CAPITAL	PARENT COMPANY
69	Projekt Echo - 69 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
70	Projekt Echo - 70 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
71	Projekt Echo - 77 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
72	Projekt Echo - 93 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
73	Projekt Echo - 95 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
74	Projekt Echo - 96 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
75	Projekt Echo - 97 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
76	Projekt Echo - 98 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
77	Projekt Echo - 99 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
78	Projekt Echo - 99 Sp. z o.o. Sp. kom	Kielce	100%	Echo Investment S.A.
79	Projekt Echo - 101 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
80	Projekt Echo - 102 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
81	Projekt Echo - 103 Sp. z o.o.	Szczecin	100%	Echo Investment S.A.
82	Projekt Echo - 104 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
83	Projekt Echo - 105 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
84	Projekt Echo - 106 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
85	Projekt Echo - 107 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
86	Projekt Echo - 108 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
87	Projekt Echo - 109 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
88	Projekt Echo - 110 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
89	Projekt Echo Galeria Kielce - Magellan West Sp. z o.o. S.k.a. (formerly: Projekt 9 - Grupa Echo Sp. z o.o. S.k.a.)	Kielce	99,95%	XXIX FIZ Forum / XXXIV FIZ Forum
90	Projekt Echo Pasaż Grunwaldzki - Magellan West Sp. z o.o. S.k.a. (formerly: Projekt 8 - Grupa Echo Sp. z o.o. S.k.a.)	Kielce	99,95%	XXIX FIZ Forum / XXXIV FIZ Forum
91	Projekt Naramowice – Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	XXXIV FIZ Forum
92	Projekt - Pamiątkowo Sp. z o.o.	Pamiątkowo	100%	Echo Investment S.A.
93	Projekt Saska Sp. z o.o.	Kielce	95%	Echo Investment S.A.
94	Projekt 3 – Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	XXXIV FIZ Forum
95	Projekt 4 – Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	XXXIV FIZ Forum
96	Projekt 5 – Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	XXXIV FIZ Forum
97	Projekt 11 – Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	XXXIV FIZ Forum
98	Projekt 12 – Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	XXXIV FIZ Forum
99	Projekt 13 – Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	XXXIV FIZ Forum
100	Projekt 14 – Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	XXIX FIZ Forum
101	Projekt 15 – Grupa Echo Sp. z o.o. S.k.a.	Pamiątkowo	100%	Echo Investment S.A.
102	Projekt 16 – Grupa Echo Sp. z o.o. S.k.a.	Pamiątkowo	100%	Echo Investment S.A.
103	Projekt 17 – Grupa Echo Sp. z o.o. S.k.a.	Pamiątkowo	100%	Echo Investment S.A.

NO.	COMPANY	REGISTERED OFFICE	% SHARE OF THE CAPITAL	PARENT COMPANY
104	Projekt 18 – Grupa Echo Sp. z o.o. S.k.a.	Pamiątkowo	100%	Echo Investment S.A.
105	Projekt 19 – Grupa Echo Sp. z o.o. S.k.a.	Pamiątkowo	100%	Echo Investment S.A.
106	Projekt 20 – Grupa Echo Sp. z o.o. S.k.a.	Pamiątkowo	100%	Echo Investment S.A.
107	Projekt 21 – Grupa Echo Sp. z o.o. S.k.a.	Pamiątkowo	100%	Echo Investment S.A.
108	Projekt 22 – Grupa Echo Sp. z o.o. S.k.a.	Pamiątkowo	100%	Echo Investment S.A.
109	SPV 1 – Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	XXIX FIZ Forum
110	Vasco Investment Sp. z o.o.	Kielce	100%	Echo Investment S.A.
111	Veneda – Projekt Echo -97 Sp. z o.o. S.k.a.	Kielce	100%	XXXIV FIZ Forum
112	Yevrobudgarant LLC	Kiev	100%	El Project Cypr - 1 Ltd
113	Zakład Ogrodniczy Naramowice – Pamiątkowo Sp. z o.o. S.k.a.	Pamiątkowo	100%	XXXIV FIZ Forum

The jointly controlled entity is Wan 11 Spółka z o.o., with its registered office in Warsaw (50% of interests controlled). The associate EBR Global Services Spółka z o.o. has its registered office in Kielce.

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

## 7.2. *Main domestic and foreign investments*

### **Real property**

In 2013, Echo Investment purchased the following plots:

- Krakow, ul. Kościuszki, with an area of 0.5 ha, for residential developments,
- Krakow, ul. Rydla, with an area of 0.8 ha, for residential developments.

In 2013, the subsidiaries of Echo Investment purchased the following plots:

- Poznań, ul. Jackowskiego, with an area of 0.6 ha, for residential developments,
- Wrocław, ul. Sucha, with an area of 1.3 ha, for office developments.

### **Financial instruments**

#### **Information on the purchase of equity shares**

On 25 April 2013, as a result of a block transaction on the regulated market of Warsaw Stock Exchange, the Issuer purchased from its subsidiary Park Postępu-Projekt Echo-93 Spółka z ograniczoną odpowiedzialnością" spółka komandytowo – akcyjna, with its registered office in Kielce, 7,309,418 (seven million, three hundred and nine thousand, four hundred and eighteen) shares of Echo Investment S.A. for PLN 4.61 per share.

The transaction was settled with the National Depository for Securities on 26 April 2013.

On 6 June 2013, the Ordinary General Shareholders' Meeting of Echo Investment S.A. passed a resolution on the redemption of the said shares, which were purchased as a result of the call to subscribe for the sale of shares between 8 and 21 February 2012.

The said purchase of the Issuer's shares was based on:

- Resolution 3 of the Extraordinary General Meeting of Echo Investment S.A. of 19 December 2008, authorising the Issuer's Management Board to purchase equity shares for redemption or for resale between 20 December 2008 and 19 December 2013.
- Resolution on the adoption of the equity share redemption programme of Echo Investment S.A. on 18 January 2012 (Current Report no. 3/2012).

The nominal value of each of the Issuer's shares is PLN 0.05 and the total nominal value of the purchased shares is PLN 365,470.9. The purchased shares account for 1.74% of the Issuer's share capital and are vested with 7,309,418 votes, representing 1.74% of the overall number of votes at the General Meeting of Echo Investment S.A.

In total, the Issuer holds 7,309,418 ordinary bearer shares of Echo Investment S.A., which account for 1.74% of the Issuer's share capital and are vested with 7,309,418 votes, representing 1.74% of the overall number of votes at the General Meeting of Echo Investment S.A.

#### **Registration of change in the amount of share capital**

On 4 November 2013, the Issuer received a decision of the District Court in Kielce, 10th Economic Department of the National Court Register, on the registration on 31 October 2013 of the change in the Company's share capital and the amendment to the statute.

The Issuer's share capital was reduced from PLN 21,000,000 to PLN 20,634,529.10.

The reduction of the share capital was related to the redemption of 7,309,418 (in words: seven million, three hundred and nine thousand, four hundred and eighteen) of the Issuer's shares.

Following the registration of the change in the share capital, the total number of votes vested with all of the issued shares is 412,690,582 (in words: four hundred and twelve million, six hundred and ninety thousand, five hundred and eighty-two).

In connection with the registered reduction of the Company's share capital, the following amendment to §5 of the Company's Statute was registered:

"The Company's share capital amounts to PLN 20,634,529.10 (in words: twenty million, six hundred and thirty-four thousand, five hundred and twenty-nine zloty, and ten grosz) and is divided into 412,690,582 (in words: four hundred and twelve million, six hundred and ninety thousand, five hundred and eighty-two) series A, B, C, D, E and F ordinary bearer shares with a nominal value of 5 (five) grosz each."

#### **Redemption of shares in the National Depository for Securities (KDPW)**

Resolution of the Management Board of Krajowy Depozyt Papierów Wartościowych S.A. of 26 November 2013 on the redemption of the Issuer's shares:

"§ 1

Pursuant to § 87 section 1 and § 2 section 1 and 4 of the Regulations of the National Depository for Securities, after examining the request of ECHO INVESTMENT S.A., in connection with the redemption of 7,309,418 (seven million, three hundred and nine thousand, four hundred and eighteen) of the company's shares under article 360 §1 and §2 item 2 and article 362 §1 item 8 of the Commercial Companies Code, the Management Board of the National Depository for Securities ascertains that 412,690,582 (four hundred and twelve million, six hundred and ninety thousand, five hundred and eighty-two) shares of ECHO INVESTMENT S.A. are identified with the code PLECHPS00019.

§ 2

The Resolution comes into effect as of the day of its passing."

### **8. INFORMATION ON MATERIAL TRANSACTIONS CONCLUDED BY THE ISSUER OR ITS SUBSIDIARY WITH RELATED PARTIES ON TERMS OTHER THAN MARKET TERMS, INCLUDING AMOUNTS AND INFORMATION EXPLAINING THE NATURE OF SUCH TRANSACTIONS**

In 2013, no material transactions were concluded between Echo Investment S.A. and its subsidiaries, and related parties on terms other than market terms.

## 9. INFORMATION ON LOAN AND BORROWING AGREEMENTS CONCLUDED AND TERMINATED IN A GIVEN FINANCIAL YEAR

### 9.1. Loan agreements

COMPANY'S LIABILITIES DUE TO LOANS RAISED, AS OF 31 DECEMBER 2013

BANK	TYPE OF LIABILITY	LOAN CURRENCY	LOAN AMOUNT AS PER THE AGREEMENT (PLN '000)	LOAN USED AS OF 31.12.2012 (PLN '000)	TYPE OF INTEREST RATE	REPAYMENT DEADLINE
PKO BP S.A.	Overdraft facility	PLN	60 000	-	1M WIBOR + margin	19.08.2014
PKO BP S.A.	Working capital facility	PLN	40 000	-	1M WIBOR + margin	19.08.2015
PeKaO S.A.	Overdraft facility	PLN	50 000	-	1M WIBOR + margin	30.06.2014
ALIOR BANK S.A.	Overdraft facility	PLN	30 000	-	1M WIBOR + margin	29.01.2014
BZ WBK S.A.	Overdraft facility	PLN	50 000	-	1M WIBOR + margin	30.07.2014
<b>TOTAL</b>			<b>230 000</b>	<b>-</b>		

### 9.2. Debt instrument agreements

In addition to own funds, borrowings and loans, the current operations of Echo Investment SA are also funded through the issue of debt financial instruments.

On 15 April 2004, Echo Investment S.A. and BRE Bank S.A. (currently mBank S.A.) signed an agency agreement and a dealership agreement for establishing an issue programme for short-term, mid-term and long-term bonds denominated in the Polish zloty, with a maximum nominal value of the programme of PLN 1 billion. Based on those agreements, BRE Bank S.A. (currently mBank S.A.) undertook to organise and ensure comprehensive issue of the Company's bonds as part of the Bonds Issue Programme. Those agreements and the addenda thereto were concluded for indefinite time and they provide for multiple non-public issues of the bonds by the Company. The maximum total nominal value of all bonds that may be issued is PLN 1 billion. The bonds under the Bonds Issue Programme are issued as unsecured bearer securities. The interest rate on the bonds may be fixed or variable. The final issue terms and conditions are determined before the issue, during the Bonds Issue Programme.

The cash obtained from the bond issue will supplement currently held loan facilities and will allow the Company to finance the planned investments and to develop its operations on the real property market.

As part of the above agreements with BRE Bank S.A. (currently mBank S.A.) on the Bond Issue Programme, the Company issued bonds, which, as of the date of the financial statements, represent liabilities presented in the table below.

COMPANY'S LIABILITIES DUE TO BONDS ISSUED, AS OF 31 DECEMBER 2013

BANK	INSTRUMENT TYPE	AMOUNT USED (PLN '000)	MATURITY	INTEREST RATE TERMS
mBank S.A.	Bonds	300 000	30.06.2014	WIBOR 6M + margin
mBank S.A.	Bonds	115 000	18.05.2015	WIBOR 6M + margin
mBank S.A.	Bonds	145 000	11.02.2016	WIBOR 6M + margin
mBank S.A.	Bonds	200 000	28.04.2017	WIBOR 6M + margin
mBank S.A.	Bonds	80 000	19.06.2018	WIBOR 6M + margin
		<b>840 000</b>		

Pursuant to the Sale Guarantee Agreement and the Agreement to Establish the Guarantee Rate (binding until 31.08.2014), concluded as part of the Issue Programme with BRE Bank S.A. (currently mBank S.A.), the bank undertakes to purchase bonds issued by the Company which were not acquired by other investors, up to PLN 35 million.



On 19 February 2014, the Company issued coupon bonds in the total amount of PLN 100 million. The nominal value and the issue price of one bond is PLN 10 thousand. The bonds were issued for the period ending on 19 February 2019. 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 nominal value. The issued bonds are not secured.

### 9.3. Borrowing agreements

As of 31 December 2013, Echo Investment S.A. did not hold any borrowings raised.

## 10. INFORMATION ON BORROWINGS GRANTED IN A GIVEN FINANCIAL YEAR

### I. BORROWINGS GRANTED TO LEGAL PERSONS

ENTITY	OUTSTANDING BORROWING AMOUNT (PLN '000), AS OF 31.12.2013	INTEREST RATE	REPAYMENT DEADLINE
Echo Investment Projekt Management SRL	145	WIBOR 3M + margin	30.09.2014
Park Rozwoju - Grupa Echo Sp. z o. o. S.K.A.	32 350	WIBOR 3M + margin	31.12.2014
Echo Investment Hungary Ingatlanhasznosító KFT	23 071	WIBOR 3M + margin	31.12.2014
Veneda - Projekt Echo - 97 Sp. z o. o. S.K.A.	54 204	WIBOR 3M + margin	31.12.2014
El Project CYP 1 LIMITED	48 679	WIBOR 3M + margin	31.12.2014
Barconsel Holding Limited	150	WIBOR 3M + margin	30.09.2014
Projekt Babka Tower - Grupa Echo Sp. z o. o. S.K.A.	47 800	WIBOR 3M + margin	31.12.2014
<b>Total</b>	<b>206 399</b>		

### II. BORROWINGS GRANTED TO NATURAL PERSONS

ENTITY	OUTSTANDING BORROWING AMOUNT (PLN '000), AS OF 31.12.2013	INTEREST RATE	REPAYMENT DEADLINE
Person 1	32	WIBOR 6M + margin	30.04.2015
<b>Total</b>	<b>32</b>		

## 11. INFORMATION ON SURETIES AND GUARANTEES ISSUED AND RECEIVED IN A GIVEN FINANCIAL YEAR

### 11.1. Surety agreements

#### I. Sureties issued as of 31 December 2013

SURETY TO	VALUE ('000)	VALIDITY	DESCRIPTION
TESCO (POLSKA) SP. Z O.O.	15 000	until 30.06.2015	Surety for the liabilities of Galeria Olimpia-Projekt Echo-98 Spółka z ograniczoną odpowiedzialnością SKA and Veneda-Projekt Echo-97 Spółka z ograniczoną odpowiedzialnością SKA due to the reimbursement to Tesco (Polska) Sp. z o.o. up to the value of expenditures actually made by Tesco (Polska) Sp. z o.o. for the future subject of lease under the lease agreements concluded on 28.10.2010
PROJEKT ECHO - 105 SP. Z O.O.	172 412	until a legally binding establishment of a mortgage on the property up to 6 months from a legally binding decision on the establishment of a mortgage on the property	Surety for the liabilities of Oxygen – Projekt Echo – 95 Spółka z ograniczoną odpowiedzialnością SKA under the Property Sale Agreement concluded on 27.11.2013
WESTDEUTSCHE IMMOBILIENBA NK AG	230 428		Surety in EUR to Westdeutsche Immobilienbank AG for the liabilities under the loan agreement concluded on 5 December 2013

## II. Amendments to agreements of surety issued by Echo Investment S.A. in 2013:

On 5 December 2013, Echo Investment S.A. granted a surety in the amount of EUR 55,562,406.24 to Westdeutsche Immobilienbank AG for the liabilities of Farrina Investments Sp. z o.o. (the Issuer's subsidiary) under the loan agreement concluded on 5 December 2013. The surety is valid up to 6 months from a legally binding decision on the establishment of a mortgage on the Property

On 16 December 2013, Echo Investment S.A. granted a surety in the amount of PLN 172,411,560.00 to Projekt Echo – 105 Sp. z o.o. (the Issuer's subsidiary) for the liabilities of Oxygen – Projekt Echo – 95 Spółka z ograniczoną odpowiedzialnością SKA (the Issuer's subsidiary) under the Property Sale Agreement concluded on 27 November 2013. The surety is valid until a legally binding establishment of a mortgage on the Property.

## III. As of 31 December 2013, the value of valid sureties received by Echo Investment S.A. is as follows:

- due to the concluded lease agreements: PLN 0, EUR 0, USD 0
- due to implementation of projects: PLN 0.

### 11.2. Guarantee agreements

#### I. Valid guarantee agreements as of 31 December 2013

GUARANTOR	VALUE ('000)	VALIDITY	DESCRIPTION
PKO BP SA	153	until 31.10.2014	Security for non-performance of obligations towards ImmoPoland Sp. z o.o. under the lease agreement dated 28 August 2009. The guarantee was issued in euro.
Echo Investment S.A.	9 856	until the handover date of the subject of lease, not exceeding 30.06.2015	Security of liabilities due to BNY MELLON (Poland) Sp. z o.o. under the lease agreement of 19 November 2012. The guarantee was issued in euro.
Echo Investment S.A.	39 209	shall remain in force until the Conversion Date but for a period not exceeding 31 December 2014	Security for exceeding the development costs of the shopping and entertainment centre Amber in Kalisz, liabilities due to debt service and for the coverage of absent funds for the benefit of Bank Polska Kasa Opieki S.A.
Echo Investment S.A.	16 589	shall remain in force until the expiry of the preliminary contingent sale agreement but for a period not exceeding 31 July 2014	Security for the payment of outstanding amounts due to a potential termination of the preliminary contingent agreement for the sale of the office development Aquarius Business House in Wrocław, stage II. The guarantee was issued in EUR.
PKO BP SA	2 155	until 17.05.2016	Security for the repair of defects and faults to Orbis S.A. under the General Contractor Agreement dated 4 September 2008
PKO BP SA	350	until 31.05.2014	Security for the non-performance of obligations towards Dalkia Warszawa SA under Agreement no. HPN-HK/M-10-0198-2/PN-O/066/13 of 7 June 2013
PKO BP SA	170	until 31.05.2014	Security for the non-performance of obligations due to Dalkia Warszawa SA under Agreement no. HPN-HK/M-10-0198/UK-O/077/13 of 21 June 2013
Echo Investment S.A.	20 736	until 02.07.2020	Security for the ill-performance of the final agreement for the sale of the office facility Aquarius Business House in Wrocław, stage I. The guarantee was issued in EUR.
Echo Investment S.A.	26 563	shall remain in force until the project's completion but for a period not exceeding 28 February 2016	Security for exceeded costs and debt service liabilities, and construction management support during the implementation of the development Park Rozwoju in Warsaw, stage I, for Bank Zachodni WBK S.A.
PKO BP SA	30 000	until 30.11.2014	Security for the non-performance of obligations towards Tesco (Polska) Sp. z o.o. under the understanding and addendum 1 to the lease agreement of 29 November 2002, concluded on 21 October 2013.

## II. Amendments to agreements of guarantee issued by Echo Investment S.A. in 2013:

On 28 February 2013, an addendum was signed to a bank guarantee granted by Bank PKO BP SA to Eurovia Polska SA as a security for the non-fulfilment of obligations under agreement no. 7114/01/2012 of 7 August 2012 by Projekt 5 – Grupa Echo spółka z ograniczoną odpowiedzialnością S.K.A. (Issuer's subsidiary). The amount of the guarantee was increased to PLN 760,168.63 and its validity was extended to 14 April 2013.

On 13 March 2013, an addendum was signed to a bank guarantee granted by Bank PKO BP S.A. to Orbis S.A. as security for non-performance or ill-performance by Echo Investment SA of obligations under the contingent General Contractor Agreement of 4 September 2008. Validity was extended to 30 April 2013.

In connection with the disclosure of confidential information in Current Report no. 14/2013, we announced that, on 17 October 2012, Echo Investment S.A. issued a guarantee to secure the payment of outstanding amounts due to a potential termination of preliminary contingent agreements for the sale of the office development Aquarius Business House in Wrocław, which were concluded between Aquarius Business House – Grupa Echo Spółka z ograniczoną odpowiedzialnością Spółka komandytowo-akcyjna (the Issuer's subsidiary), and SKUA Sp. z o.o. and HORTA SP. z o.o. The total amount of the guarantee is EUR 8,000,000.00. The guarantee shall be valid as long as the terms of preliminary contingent sale agreements are in force but not longer than until 31 July 2014.

On 14 April 2013, the bank guarantee in the amount of PLN 760,168.63, granted by PKO BP SA to Eurovia Polska SA as a security for the non-performance of obligations under agreement no. 7114/01/2012 of 7 August 2012, expired.

On 30 April 2013, the bank guarantee in the amount of PLN 4,073,376.00, granted by PKO BP SA to Orbis SA as a security for the non-performance or ill-performance of all obligations under the General Contractor Agreement of 4 September 2008, expired.

On 17 May 2013, PKO BP SA issued a guarantee to Orbis SA as a security for the repair of defects and faults under the agreement of 4 September 2008 concluded by Echo Investment SA. The guarantee amounts to PLN 2,154,946.45. The Guarantee is valid until 17 May 2016.

On 21 June 2013, Bank PKO BP SA granted a bank guarantee to Dalkia Warszawa SA as a security for the non-fulfilment of obligations under Agreement no. HPN-HK/M-10-0198-2/PN-O/066/13 concluded on 7 June 2013 by Projekt Echo-67 Spółka z ograniczoną odpowiedzialnością Spółka komandytowa (the Issuer's subsidiary). The guarantee amounts to PLN 350,000.00. The Guarantee is valid until 31 May 2014.

On 28 June 2013, Bank PKO BP SA granted a bank guarantee to Dalkia Warszawa SA as a security for the non-fulfilment of obligations under Agreement no. HPN-HK/M-10-0198/UK-O/077/13 concluded on 21 June 2013 by Echo Investment SA. The guarantee amounts to PLN 170,000.00. The Guarantee is valid until 31 May 2014.

On 2 July 2013, a portion of the guarantee amounting to EUR 4,000,000.00, issued by Echo Investment S.A. to secure the payment of outstanding amounts due to a potential termination of a preliminary contingent agreement for the sale of the office facility Aquarius Business House in Wrocław, stage I, which was concluded between Aquarius Business House – Grupa Echo Spółka z ograniczoną odpowiedzialnością Spółka komandytowo-akcyjna (the Issuer's subsidiary) and HORTA Sp. z o.o., expired.

On 2 July 2013, Echo Investment S.A. issued a guarantee to secure the proper performance of the final agreement for the sale of the office facility Aquarius Business House in Wrocław, stage I, which was concluded between Aquarius Business House – Grupa Echo Spółka z ograniczoną odpowiedzialnością Spółka komandytowo-akcyjna (the Issuer's subsidiary) and HORTA Sp. z o.o. The total amount of the guarantee is EUR 5,000,000.00 The Guarantee is valid until 2 July 2020.

On 24 July 2013, Bank PKO BP SA granted a bank guarantee to Jelenia Góra Gmina to secure the payment of claims from the non-observance of the date for fulfilling the subject of the understanding of 24.08.2012 by Galeria Sudecka – Projekt Echo-43 Spółka z ograniczoną odpowiedzialnością S.K.A. (the Issuer's subsidiary). The guarantee amounts to PLN 3,600,000.00. The Guarantee is valid until 30.06.2015.

On 28 August 2013, Echo Investment S.A. issued a guarantee to Bank Zachodni WBK S.A. to secure the exceeded costs and to cover debt service liabilities, and to ensure assistance in the organisation of the construction process during the implementation of Park Rozwoju, stage I, in Warsaw, by the Borrower, Park Rozwoju - Grupa Echo spółka z ograniczoną odpowiedzialnością - spółka komandytowo – akcyjna (the Issuer's subsidiary). The guarantee amounts to EUR 6,405,000.00. The guarantee is valid until the project's completion but for a period not exceeding 28 February 2016.

On 30 October 2013, an addendum was concluded to the guarantee issued by Bank PKO BP S.A. to ImmoPoland Sp. z o.o., extending the validity of the guarantee from 31 October 2013 to 31 October 2014 and amending the amount, as of 31 October 2014, from EUR 52,627.00 to EUR 36,995.00.

On 31 October 2013, the guarantee in the amount of PLN 18,410,850.00, issued by Echo Investment SA to Nordea Bank Polska S.A. as a security to cover for the deficit of funds or exceeded construction costs of Olimpia Shopping Centre in Bełchatów, expired.

On 16 October 2013, the guarantee in the amount of PLN 3,600,000.00 issued by Bank PKO BP S.A. to Jelenia Góra Gmina to secure the payment of the amounts due to the failure to observe the completion deadline of the subject of the understanding concluded on 24 August 2012, expired.

On 15 November 2013, Bank PKO BP SA granted a bank guarantee to Tesco (Polska) Sp. z o.o. as a security for the non-fulfilment of obligations under the understanding and addendum 1 to the lease agreement of 29 November 2002, concluded on 21 October 2013, by Projekt Echo Galeria Kielce - Magellan West spółka z ograniczoną odpowiedzialnością - S.K.A. (the Issuer's subsidiary). The guarantee amounts to PLN 30,000,000.00. The guarantee is valid until the cancellation of mortgages established for Eurohypo A.G., up to EUR 150 million, EUR 25 million and EUR 24 million, from land and mortgage registers no. K11L/00047566/3 and K11L/00042310/9, and until the delivery to Tesco (Polska) Sp. z o.o. of the Court's decision to enter a contractual mortgage of up to PLN 30 million along with an entry saying that the said mortgage is a first ranking mortgage that has priority over any other mortgages.

**III. As of 31 December 2013, the value of guarantees received by the Company is as follows:**

- under lease agreements: PLN 0 and EUR 0
- under contractor agreements: PLN 19.8 million and EUR 97.6 thousand.

**12. IN THE EVENT OF THE ISSUE OF SECURITIES IN THE PERIOD COVERED BY THE REPORT – ALLOCATION OF ISSUE PROCEEDS BY ECHO INVESTMENT S.A.**

**Issue of bonds**

On 31 January 2013, the Company issued coupon bonds in the total amount of PLN 200 million.

The nominal value and the issue price of one bond is PLN 10 thousand. The bonds were issued for the period ending on 28 April 2017. 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 nominal value. The issued bonds are not secured.

The value of the incurred liabilities on the last day of the quarter preceding the day when purchase was offered, i.e. 30 September 2012, amounts to PLN 956 million.

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, while debt service ratios will ensure that the Company is capable to settle its liabilities following from the issued bonds.

As at 30 September 2012, the issued bonds account for 32.73% of the equity of Echo Investment S.A.

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

The cash obtained from the issue of the said bonds fully secure the Company's borrowing requirements related to the service of previously issued bonds which mature in the current financial year.

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The Bond Issue Programme (Current Report no. 7/2011 of 1 February 2011) entered into with BRE Bank S.A. (currently mBank), with its registered office in Warsaw, stipulated that, on 19 June 2013, the Company would issue coupon bonds of a total value of PLN 80 million.

The nominal value and the issue price of one bond is PLN 10 thousand. The bonds were issued for the period ending on 19 June 2018. 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 nominal value. The issued bonds are not secured.

The value of the incurred liabilities on the last day of the quarter preceding the day when purchase was offered, i.e. 31 March 2013, amounts to PLN 975 million.

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, while debt service ratios will ensure that the Company is capable to settle its liabilities following from the issued bonds.

As at 31 March 2013, the issued bonds account for 12.55% of the equity of Echo Investment S.A. The bonds do not guarantee any benefits in kind from the Issuer.

The funds from the current issue will be used for a partial rollover of the bonds whose redemption date is in the next year and for expenditures related to investment processes on the real property market as part of the Echo Investment Capital Group's development strategy.

#### **Issue of bonds by the Issuer's subsidiaries**

On 27 August, the Issuer's subsidiaries: Projekt 4 - Grupa Echo Spółka z ograniczoną odpowiedzialnością S.k.a., with its registered office in Kielce, and A4 Business Park – Grupa Echo Spółka z ograniczoną odpowiedzialnością S.k.a., with its registered office in Kielce, issued 10-year bonds with a total nominal value of PLN 109 million, of which:

- 1/ Projekt 4 - Grupa Echo Spółka z ograniczoną odpowiedzialnością S.k.a., with its registered office in Kielce, issued bonds with a total nominal value of PLN 64 million;
- 2/ A4 Business Park – Grupa Echo Spółka z ograniczoną odpowiedzialnością S.k.a. issued bonds with a total nominal value of PLN 45 million.

The bond interest rate was established based on the variable WIBOR 6M rate plus margin. Interest shall be paid in 6-month periods. The bonds shall be redeemed based on their nominal value. The issued bonds are not secured.

In addition, after 13 August 2013, three other subsidiaries of the Issuer issued 10-year unsecured bonds with a total nominal value of PLN 55.5 million.

All bonds issued by the Issuer's subsidiaries were acquired by the following funds: Forum XXIX Fundusz Inwestycyjny Zamknięty and Forum XXXIV Fundusz Inwestycyjny Zamknięty, with their registered offices in Krakow. The Issuer is a direct and indirect owner of all investment certificates issued by the said funds.

The above-mention bond issues are neutral to the economic situation of the Issuer's Capital Group and related to the process of cash management in the Echo Investment S.A. Capital Group.

#### **Issue of bonds by the Issuer's subsidiaries**

On 10 September 2013, the Issuer's subsidiary, Projekt Echo – 70 Spółka z ograniczoną odpowiedzialnością, with its registered office in Kielce, Al. Solidarności 36, issued 10-year bonds with a total nominal value of PLN 145 million.

On 24 September 2013, the Issuer's subsidiaries: Echo – SPV 7 Spółka z ograniczoną odpowiedzialnością, with its registered office in Kielce, and Mena Investments Spółka z ograniczoną odpowiedzialnością, with its registered office in Kielce, issued 10-year bonds with a total nominal value of PLN 75 million, of which:

- 1/ Echo – SPV 7 Spółka z ograniczoną odpowiedzialnością, with its registered office in Kielce, issued bonds with a total nominal value of PLN 55 million;
- 2/ Mena Investments Spółka z ograniczoną odpowiedzialnością, with its registered office in Kielce, issued bonds with a total nominal value of PLN 20 million.

The bond interest rate was established based on the variable WIBOR 6M rate plus margin. Interest shall be paid in 6-month periods. The bonds shall be redeemed based on their nominal value. The issued bonds are unsecured, as stipulated by the provisions of the Bonds Act.

All bonds issued by the above-mentioned subsidiaries of the Issuer were acquired by the investment fund Forum XXIX Fundusz Inwestycyjny Zamknięty, with its registered office in Krakow. The Issuer is a direct and indirect owner of all investment certificates issued by the said fund.

The above-mention bond issues are neutral to the economic situation of the Issuer's Capital Group and related to the process of cash management in the Echo Investment Capital Group.

### Issue of bonds by the Issuer's subsidiaries

On 23 October 2013, the Issuer's subsidiaries issued 10-year bonds with a total nominal value of PLN 108.5 million, of which:

- 1/ Galeria Nova – Grupa Echo spółka z ograniczoną odpowiedzialnością SKA, with its registered office in Kielce, issued bonds with a total nominal value of PLN 39 million;
- 2/ Park Rozwoju – Grupa Echo spółka z ograniczoną odpowiedzialnością SKA, with its registered office in Kielce, issued bonds with a total nominal value of PLN 43.5 million;
- 3/ Projekt Echo – 70 spółka z ograniczoną odpowiedzialnością, with its registered office in Kielce, issued bonds with a total nominal value of PLN 26 million.

On 5 November 2013, the Issuer's subsidiaries issued 10-year bonds with a total nominal value of PLN 85 million, of which:

- 1/ Echo - Aurus spółka z ograniczoną odpowiedzialnością, with its registered office in Kielce, issued bonds with a total nominal value of PLN 50 million;
- 2/ Projekt Beethovena – Grupa Echo spółka z ograniczoną odpowiedzialnością SKA, with its registered office in Kielce, issued bonds with a total nominal value of PLN 35 million.

The bond interest rate was established based on the variable WIBOR 6M rate plus margin. Interest shall be paid in 6-month periods. The bonds shall be redeemed based on their nominal value. The issued bonds are unsecured, as stipulated by the provisions of the Bonds Act.

All bonds issued by the Issuer's subsidiaries were acquired by the following funds: Forum XXIX Fundusz Inwestycyjny Zamknięty and Forum XXXIV Fundusz Inwestycyjny Zamknięty, with their registered offices in Krakow. The Issuer is a direct and indirect owner of all investment certificates issued by the said funds.

The above-mentioned bond issues are neutral to the economic situation of the Issuer's Capital Group and related to the process of cash management in the Echo Investment Capital Group.

## 13. EXPLANATION OF DIFFERENCES BETWEEN THE FINANCIAL RESULTS DISCLOSED IN THE ANNUAL REPORT AND PREVIOUSLY PUBLISHED FORECASTS

Echo Investment S.A. did not publish any forecasts of financial results for 2013.

## 14. ASSESSMENT AND JUSTIFICATION OF THE MANAGEMENT OF FINANCIAL RESOURCES, WITH PARTICULAR EMPHASIS ON THE ABILITY TO FULFIL THE INCURRED LIABILITIES, AND POTENTIAL THREATS AND MEASURES PLANNED OR TAKEN BY THE ISSUER TO COUNTERACT SUCH THREATS

The management of the Company's financial resources focused mainly on obtaining funding for the projects and maintaining safe levels of liquidity and the planned funding structure. In the opinion of the Management Board, the Company's economic and financial situation at the end of December 2013 testifies to a strong financial standing, which is confirmed by the following ratios.

### PROFITABILITY RATIOS

**Operating profit margin** (operating profit/sales revenue): The increase of the margin compared to the same period a year earlier is caused by a higher operating profit accompanied by an increase in net sales revenue. The ratio increased as a result of higher calculated profit shares and the payment of dividends (other operating revenue).

**Balance sheet net profit margin** (net profit/revenue): The increase of the margin compared to the same period a year earlier has been caused by the fact that net profit increased faster than sales revenue compared to the same period a year earlier. In addition to the above factors, the ratio's increase was also caused by lower financial expenses in 2013.

**Return on assets, ROA** (net profit/total assets): The ratio increased in comparison to the same period a year earlier due to an increase in net profit, accompanied by a decrease in the value of assets (decrease in inventory – sales of apartments and decrease in receivables from borrowings).

**Return on equity, ROE** (net profit/equity): The ratio increased in comparison to the same period a year earlier because net profit increased faster than equity.

#### PROFITABILITY RATIOS

PROFITABILITY RATIOS	31.12.2013	31.12.2012
Operating profit margin	46,2%	40,4%
Net balance sheet profit margin	24,3%	20,4%
Return on assets (ROA)	3,9%	2,5%
Return on equity (ROE)	9,2%	6,5%

#### TURNOVER RATIOS

Turnover ratios depend on the specific nature of business. Since inventories include the acquired ownership titles, construction expenditures and costs of developments for sale, it must be stressed that this cycle will always be longer compared to other industries, such as the FMCG industry.

**Inventory days** (inventory\*360/revenue): The ratio decreased compared to the previous year because the value of inventory decreased and sales revenue increased.

**Short-term debtor days** (short-term receivables\*360/revenue): The ratio increased due to a decrease in short-term receivables (repayment of borrowings), accompanied by an increase in net sales revenue.

**Short-term trade creditor days** (short-term trade receivables\*360/revenue): The ratio decreased due to a decrease in short-term liabilities accompanied by an increase in sales revenue. The decrease of this ratio indicates that the Company is capable of settling its liabilities on time.

#### TURNOVER RATIOS

TURNOVER RATIOS	31.12.2013	31.12.2012
Inventory days	385	540
Short-term debtor days	391	117
Short-term trade creditor days	18	31

#### LIQUIDITY RATIOS

**Current ratio** (current assets/short-term liabilities): The ratio increased due to a faster decrease rate of liabilities in relation to the growth rate of current assets compared to the same period a year earlier. This ratio has remained at a similar level and the increase is insignificant. This ratio is maintained at safe, even ideal, levels (1.2 to 2.0), which indicates that the Company is in a good financial situation.

**Quick ratio** ((current assets - inventory) / short-term liabilities): This ratio decreased due to a slower rate of decrease in liabilities compared to the rate of increase in current assets less inventory compared to the same period a year earlier. This ratio has changed insignificantly and it can be assumed that it has remained at the same level. The ideal levels of this ratio confirm the Company's good financial standing.

**Cash ratio (cash/short-term liabilities):** The increase of this ratio results from the decrease in liabilities accompanied by an increase in cash. The low level of this ratio is not a threat to the Company and is intended, which is confirmed by the fact that the Company continues to operate at this ratio without any disturbances. The Company holds high limits in loan facilities, which it can disburse at any time when cash is required. The Company uses free funds to develop its business through borrowings to special purpose vehicles, which they use as their own contribution for property development projects or for the purchase of land for prospective developments.

#### LIQUIDITY RATIOS

LIQUIDITY RATIOS	31.12.2013	31.12.2012
Current ratio	1,48	1,43
Quick ratio	0,76	0,80
Cash ratio	0,03	0,01

**DEBT RATIOS:**

**Equity to assets ratio** (equity/total assets): The ratio increased due to an increase in equity accompanied by a decrease in total assets (repayment of borrowings and sale of apartments).

**Equity to non-current assets ratio** (equity/non-current assets): The ratio increased because equity increased faster than non-current assets.

**Overall indebtedness ratio** (total liabilities/total assets): The ratio decreased due to a slower rate of decrease in total assets compared to the decrease in liabilities. The decrease in this ratio and its safe level confirm that the Company's indebtedness is at safe and constant levels with regard to the assets.

**Debt to equity ratio** (total liabilities/equity): The ratio decreased due to an increase in equity, accompanied by a decrease in liabilities compared to the previous year.

**DEBT RATIOS**

DEBT RATIOS	31.12.2013	31.12.2012
Equity to assets ratio	42,6%	37,9%
Equity to non-current assets ratio	66,2%	64,9%
Overall indebtedness ratio	57,2%	62,0%
Debt to equity ratio	134,2%	163,4%

## 15. FEASIBILITY OF INVESTMENT PLANS, INCLUDING CAPITAL INVESTMENTS, COMPARED TO THE FUNDS HELD AND TAKING INTO CONSIDERATION POSSIBLE CHANGES IN THE FINANCING STRUCTURE OF SUCH OPERATIONS

The Company is fully capable of funding the current investment projects. It uses its own funds, bank loans and funds from the issue of bonds.

Developments for lease (shopping centres, shopping and entertainment centres and offices) are usually financed through funds obtained (special purpose loans) by special purpose vehicles established to carry out the developments.

Special purpose loans are used to finance large housing projects in special purpose subsidiaries.

New properties for prospective developments are acquired using the Group's own funds or general purpose loans (overdraft facilities, working capital facilities and bonds) raised by the Company.

## 16. ASSESSMENT OF FACTORS AND UNUSUAL EVENTS INFLUENCING THE FINANCIAL RESULT FOR THE FINANCIAL YEAR, INCLUDING THE EXTENT TO WHICH THESE FACTORS AND UNUSUAL EVENTS INFLUENCED THE ACHIEVED RESULTS

### 1. Factors affecting the Company's financial result in 2013:

- posting of revenues from the concluded final agreements for the sale of residential properties:
  - in Krakow, (Dom Pod Słowikiem in ul. Krasickiego)
  - in Łódź (Osiedle Jarzębinowe, stage I, in ul. Okopowa)
  - in Warsaw (Zeusa district in Bemowo)
- posting of revenues from the concluded final agreements for the sale of plots with house designs:
  - in Bilcza near Kielce (Osiedle Bilcza II)
  - Dyminy near Kielce (Osiedle Południowe, stages I and II)
- posting of revenues from the concluded final agreements for the sale of plots in:
  - in Masłów near Kielce
- sale of property:
  - in Krakow, ul. Kilińskiego
  - in Krakow, ul. Radzikowskiego
  - in Łódź, ul. Wodna (part of the plot)
- agreements involving implementation of projects:
  - Project Management Agreements
  - Investment Preparation Agreements



- agreements for the contribution or sale of land to a subsidiary to implement a project
  - agreements with subsidiaries:
    - master agreements
    - for the lease of computer hardware
    - agency agreements: for the sale of apartments, projects and lease of commercial space
    - for financial agency services
    - for payment services
    - for using a trade mark
    - for establishing collaterals
    - for marketing services
  - sale of building expenditures related to the development of Novotel hotel in Łódź
  - quarterly revaluation of the fair value of property owned by the Company
  - cost of sales and general and administrative expenses
  - measurement of liabilities due to bonds and borrowings at amortised cost
  - measurement of cash due to changing foreign exchange rates
  - revaluation of inventory
  - interest on deposits, bonds purchased and borrowings granted
  - discounts and interest on loans, bonds and borrowings
  - payments of dividends and posting of accrued profits from limited partnerships
2. Unusual events affecting the Company's financial result in 2013:
- none.
3. As of 31 December 2013, the Company did not have any open positions hedging against FX variations.

## 17. DESCRIPTION OF EXTERNAL AND INTERNAL FACTORS MATERIAL FOR THE GROWTH OF THE ISSUER'S BUSINESS AND DESCRIPTION OF GROWTH PERSPECTIVES FOR THE ISSUER'S BUSINESS, AT LEAST UNTIL THE END OF THE FINANCIAL YEAR

### 17.1. *Description of external and Internal factors significant for the growth of Echo Investment S.A.*

The most important external factors affecting the Company's development include:

Positive factors:

- ever increasing investment activity of Polish and foreign businesses (BPO sector in particular) and the resulting demand for services provided by the Group companies,
- the ratio of office space per 1,000 residents and the ratio of shopping centre space (Romania and Hungary) remaining lower than in Western Europe,
- deficit of residential areas,
- continued economic growth in Poland,
- good condition of the Polish financial sector,
- increase in retail sales dynamics,
- actions by the Government to promote economic growth, such as the scheme "Mieszkanie dla Młodych".

Negative factors:

- unclear legal status of many properties due to the absence of precise land development plans in cities and gminas,
- time-consuming court and administrative procedures with regard to clarifying legal status and acquiring rights to property,
- protests by local retail organisations, reducing the possibility to invest in the construction of shopping centres,
- variation of foreign exchange rates (EUR and USD),
- variation of interest rates,
- uncertainty as to the key assumptions of fiscal and monetary policy in Poland (draft amendments to tax laws),
- unstable political situation in Ukraine.

Major internal factors important for the Company's development: Positive factors:

- clearly defined development strategy,
- stable shareholding structure of the Company with a defined and consistent ownership policy,
- strong position of the Group on the property development market and high credibility confirmed by the presence of Echo Investment S.A. on the Stock Exchange and the obtained Property Developer Certificate,

- partnership in the area of loans, investment of surplus and transactions on FX derivatives (forwards) and interest rates (IRS) with banks with a stable financial situation,
- successful partnership with stable and renowned partners described in sections 2 and 3 of the report,
- organisational structure with identified departments corresponding to business segments (departments for shopping centres, offices and hotels, and apartments) responsible for generating profit (revenue and costs) in their segment and for running whole projects, i.e. from purchasing plots of land to lease or sale,
- stable legal status (no court proceedings threatening the Company),
- experienced staff, including BREEAM certification specialists,
- large area of land held and intended for investments.

Negative factors:

- specific nature of business involving dependence on complicated and time-consuming administrative procedures (among other things, obtaining building or usage permits, waiting for modification of a local zoning plan, etc.)
- high demand for current funds, in particular in connection with a high number of ongoing projects.

### 17.2. *Business growth perspectives for Echo Investment S.A.*

The Group's activity on the real property market in 2013 is presented in the tables below:

#### PROJECTS COMMISSIONED TO USE IN 2013

SEGMENT	CITY	STREET	PROJECT NAME
offices	Wrocław	Swobodna	Aquarius (stage II)
shopping centres	Łomża	Zawadzka	Galeria Veneda
hotel	Łódź	Piłsudskiego	Novotel
apartments	Łódź	Okopowa	Osiedle Jarzębinowe
apartments	Poznań	Naramowice	Pod Klonami (stage II)

## PROJECTS COMMENCED IN 2013

SEGMENT	CITY	STREET	PROJECT NAME
offices	Gdańsk	Jana z Kolna	Tryton
offices	Katowice	Francuska	A4 (stage II)
offices	Warsaw	Konstruktorska	Park Rozwoju (stage II)
offices	Warsaw	Grzybowska	Q22
offices	Wrocław	Lotnicza	West Gate
shopping centres	Jelenia Góra	Jana Pawła II	Galeria Sudecka
apartments	Kielce	Dyminy	Osiedle Południowe (stage III)
apartments	Krakow	Bronowicka	Bronowicka 42
apartments	Poznań	Karpia/Sielawy	Osiedle Jaśminowe (stage I)
apartments	Poznań	Naramowice	Pod Klonami (stage II, sub-stage B)
apartments	Wrocław	Grota-Roweckiego	Grota 111

In 2014, the Company plans to launch and commission further projects presented in the table below. The Company will start the construction of 91 thousand sq. m of leasable area and 541 apartments. Thus, in 2014 the Group intends to commission 4 office projects, 1 shopping centre and 4 residential projects. In total, the leasable area to be commissioned to use in 2014 includes 85.8 thousand sq. m, 387 apartments and 42 building plots.

## PROJECTS TO BE COMMENCED IN 2014

SEGMENT	CITY	STREET	PROJECT NAME
offices	Katowice	Francuska	A4 (stage III)
offices	Krakow	Opolska	stage I of the project
offices	Łódź	Piłsudskiego	Aurus (stage I)
offices	Warsaw	Beethovena	stage I of the project
offices	Warsaw	Taśmowa	stage I of the project
offices	Wrocław	Plac Grunwaldzki	Plac Grunwaldzki
apartments	Kielce	Solidarności	Zielone Tarasy
apartments	Krakow	Czarodziejska	
apartments	Łódź	Okopowa	Osiedle Jarzębinowe (stage II)
apartments	Poznań	Sowińskiego	stages I and II of the project
apartments	Warsaw	Konstruktorska	Nowy Mokotów (stage II)

## PROJECTS TO BE COMMISSIONED IN 2014

SEGMENT	CITY	STREET	PROJECT NAME
offices	Katowice	Francuska	A4 (stages I and II)
offices	Warsaw	Konstruktorka	Park Rozwoju (stage I)
offices	Wrocław	Lotnicza	West Gate
shopping centres	Kalisz	Górnioślaska	Galeria Amber
apartments	Kielce	Dyminy near Kielce	Osiedle Południowe (stage III)
apartments	Krakow	Korzeniowskiego	Hortus
apartments	Poznań	Wojskowa	Kasztanowa Aleja (stage II)
apartments	Warsaw	Konstruktorska	Nowy Mokotów (stage I)

**18. CHANGES IN BASIC MANAGEMENT PRINCIPLES OF THE ISSUER'S BUSINESS AND THE CAPITAL GROUP**

In 2013, there were no material changes in the basic management principles of the Company and the Group.

**19. AGREEMENTS CONCLUDED BETWEEN THE ISSUER AND MANAGERIAL STAFF, PROVIDING FOR A COMPENSATION IF SUCH PERSONS RESIGN OR ARE DISMISSED FROM THEIR POSITION WITHOUT A VALID REASON OR IF THEY ARE RECALLED OR DISMISSED AS A RESULT OF A MERGER OF THE ISSUER BY ACQUISITION**

In 2013 and as of 31 December 2013, there were no agreements between the Company and its managerial staff providing for such compensation.

**20. REMUNERATIONS, BONUSES OR BENEFITS, INCENTIVE OR BONUS SCHEMES BASED ON THE ISSUER'S CAPITAL, INCLUDING SCHEMES BASED ON CONVERTIBLE BONDS WITH PRE-EMPTIVE RIGHT, SUBSCRIPTION WARRANTS (IN CASH, IN KIND OR IN ANY OTHER FORM), PAID, DUE OR POTENTIALLY PAYABLE, SEPARATELY FOR EVERY MANAGER AND SUPERVISOR OF THE ISSUER, IRRESPECTIVE OF WHETHER SUCH PAYMENTS WERE RECOGNISED IN COSTS OR RESULTED FROM THE DISTRIBUTION OF PROFIT, AND REMUNERATIONS AND BONUSES RECEIVED FROM HOLDING FUNCTIONS IN CORPORATE BODIES OF SUBORDINATE ENTITIES****20.1. *Remuneration of managerial staff***

In 2013, the Managers of Echo Investment S.A. received remuneration in Echo Investment S.A. and for exercising functions in the bodies of subsidiaries, jointly controlled entities and associates:

- Piotr Gromniak received remuneration in Echo Investment S.A. in a total amount of PLN 803 thousand; he did not receive remuneration for exercising functions in the bodies of subsidiaries, jointly controlled entities and associates;
- Artur Langner received remuneration in Echo Investment S.A. in a total amount of PLN 760 thousand; he did not receive remuneration for exercising functions in the bodies of subsidiaries, jointly controlled entities and associates.
- Waldemar Lesiak received remuneration in Echo Investment S.A. in a total amount of PLN 512 thousand; he did not receive remuneration for exercising functions in the bodies of subsidiaries, jointly controlled entities and associates.

**20.2. *Remuneration of supervisory staff***

In 2013, the supervisory staff of Echo Investment S.A. received the following 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 84 thousand; he did not receive remuneration for exercising functions in the bodies of subsidiaries, jointly controlled entities and associates;
- Andrzej Majcher received remuneration in Echo Investment S.A. in a total amount of PLN 60 thousand; he did not receive remuneration for exercising functions in the bodies of subsidiaries, jointly controlled entities and associates;
- Mariusz Waniółka received remuneration in Echo Investment S.A. in a total amount of PLN 60 thousand; he did not receive remuneration for exercising functions in the bodies of subsidiaries, jointly controlled entities and associates;

- Robert Oskard received remuneration in Echo Investment S.A. in a total amount of PLN 36 thousand; he did not receive remuneration for exercising functions in the bodies of subsidiaries, jointly controlled entities and associates;
- Karol Żbikowski received remuneration in Echo Investment S.A. in a total amount of PLN 36 thousand; he did not receive remuneration for exercising functions in the bodies of subsidiaries, jointly controlled entities and associates.

Other supervisors of subsidiaries, jointly controlled entities and associates of Echo Investment S.A. (except for the persons specified before) did not receive remuneration for holding functions in the bodies of subsidiaries, jointly controlled entities and associates.

## 21. TOTAL NUMBER AND NOMINAL VALUE OF ALL OF THE ISSUER'S SHARES AS WELL AS SHARES AND INTERESTS IN THE ISSUER'S RELATED PARTIES HELD BY MANAGEMENT AND SUPERVISORY STAFF

### 21.1. Shareholding structure of Echo Investment S.A. by supervisory staff

The shareholding structure of Echo Investment S.A. by supervisory staff as of 31 December 2013 is presented in the table below:

SUPERVISORY STAFF	AS OF 31.12.2013 (NUMBER)	NOMINAL VALUE PER SHARE	TOTAL NOMINAL VALUE	% OF SHARE CAPITAL
<b>Wojciech Ciesielski</b> - Chairman of the Supervisory Board	1,000,000	PLN 0.05	PLN 50,000	0,24%
<b>Andrzej Majcher</b> - Vice-Chairman of the Supervisory Board	no shares	-	-	-
<b>Mariusz Waniółka</b> - Vice-Chairman of the Supervisory Board	no shares	-	-	-
<b>Robert Oskard</b> - Member of the Supervisory Board	no shares	-	-	-
<b>Karol Żbikowski</b> - Member of the Supervisory Board	no shares	-	-	-

### 21.2. Shareholding structure of Echo Investment S.A. by managerial staff

The shareholding structure of Echo Investment S.A. by managerial staff as of 31 December 2013 is presented in the table below:

SUPERVISORY STAFF	AS OF 31.12.2013 (NUMBER)	NOMINAL VALUE PER SHARE	TOTAL NOMINAL VALUE	% OF SHARE CAPITAL
<b>Piotr Gromniak</b> – President of the Management Board	no shares	-	-	-
<b>Artur Langner</b> – Vice-President of the Management Board	no shares	-	-	-
<b>Waldemar Lesiak</b> – Vice-President of the Management Board	no shares	-	-	-

## 22. INFORMATION ON AGREEMENTS KNOWN TO THE ISSUER (INCLUDING AGREEMENTS CONCLUDED AFTER THE BALANCE SHEET DATE) THAT MAY CHANGE THE PROPORTION OF SHARES HELD BY THE EXISTING SHAREHOLDERS AND BONDHOLDERS

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

## 23. INFORMATION ABOUT THE EMPLOYEE SHARE OWNERSHIP PLAN CONTROL SYSTEM

The Company does not operate an employee share scheme.

## 24. INFORMATION ON AGREEMENTS CONCLUDED WITH AN ENTITY AUTHORISED TO AUDIT FINANCIAL STATEMENTS FOR THE AUDIT OR REVIEW OF FINANCIAL STATEMENTS OR CONSOLIDATED FINANCIAL STATEMENTS

On 24 May 2011, the Company's Supervisory Board, acting pursuant to § 13, section 1, letter b) of the Company's Statute, according to the applicable regulations and professional standards, appointed an entity authorised to audit financial statements. The entity authorised to audit the Company's financial statements is PricewaterhouseCoopers Sp. z o.o., with its registered office in Warsaw, ul. Armii Ludowej 14, entered in the list of entities authorised to audit financial statements, maintained by the National Council of Statutory Auditors, under no. 144 (Statutory Auditor); an agreement was concluded with that entity for the audit and review of Echo Investment's financial statements between 2011 and 2013.

The remuneration of the entity authorised to audit financial statements of the Issuer and the Group, paid or due for the financial year, includes the following:

- for the audit of separate and consolidated annual statements for 2013: PLN 100,000; the remuneration paid for the audit of similar statements for 2012 amounts to PLN 100,000,
- due to other auditing services, including remuneration due to the review of the separate and consolidated financial statements for 2013: PLN 125,000, and remuneration paid for the review of the separate and consolidated financial statements for 2012: 125,000 PLN,
- due to tax consulting services: no services provided in 2013 and 2012,
- due to other services, including remuneration paid or due for 2013: PLN 140,000, and in 2012: PLN 140,000.

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

Piotr Gromniak



President of the Management Board

Artur Langner



Vice-President of the Management  
Board

Waldemar Lesiak



Vice-President of the Management  
Board

Kielce, 24 April 2013

## IV. STATEMENT OF THE MANAGEMENT BOARD

The Management Board of Echo Investment S.A. declares that, to the best of its knowledge, the annual separate financial statements for 2012 and comparative data have been presented in compliance with the applicable accounting principles, and that they reflect in a true, reliable and transparent manner the economic and financial situation of Echo Investment S.A. and its financial result. The management report of Echo Investment S.A. presents a true view of development, accomplishments and situation of Echo Investment S.A., including a description of fundamental risks and threats.

The Management Board of Echo Investment S.A. declares that the entity authorised to audit financial statements, auditing the annual financial statements for 2012, was selected in accordance with the laws. This entity and the statutory auditors conducting the audit fulfilled the conditions required to express an unbiased and independent opinion on the audited annual financial statements, pursuant to the applicable laws and professional standards.

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

Piotr Gromniak



President of the Management Board

Artur Langner



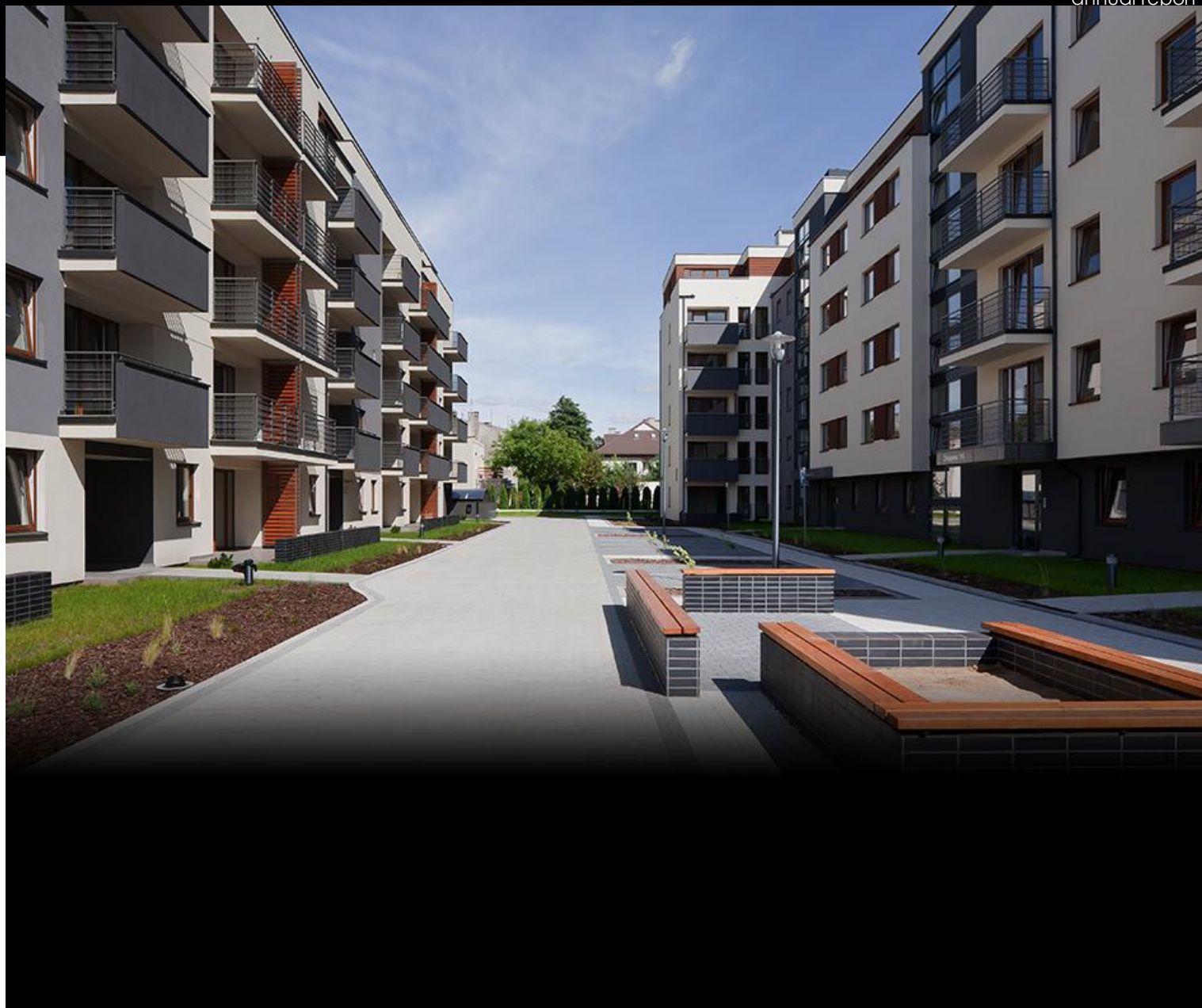
Vice-President of the Management  
Board

Waldemar Lesiak



Vice-President of the Management  
Board

Kielce, 24 April 2013







## V. STATEMENT OF THE MANAGEMENT BOARD OF ECHO INVESTMENT S.A ON THE APPLICATION OF CORPORATE GOVERNANCE RULES IN 2012

### 1. INDICATION OF A SET OF CORPORATE GOVERNANCE RULES WHICH THE ISSUER IS REQUIRED TO FOLLOW, AND WHERE THESE RULES ARE PUBLICLY AVAILABLE, OR A SET OF CORPORATE GOVERNANCE RULES WHICH THE ISSUER MAY ADOPT VOLUNTARILY, AND WHERE THESE RULES ARE PUBLICLY AVAILABLE, OR ALL RELEVANT INFORMATION ABOUT THE APPLICATION BY THE ISSUER OF CORPORATE GOVERNANCE PRACTICES WHICH GO BEYOND THOSE REQUIRED BY DOMESTIC LAWS, AND INFORMATION ON THE APPLICATION BY THE ISSUER OF CORPORATE GOVERNANCE PRACTICES

Echo Investment S.A. (Issuer) is obliged to observe the rules of corporate governance specified in the document "Code of Best Practice for WSE Listed Companies" adopted by way of Resolution No. 17/1249/2010 of Warsaw Stock Exchange on 19 May 2010 (as amended). The text of the abovementioned rules is available on the website of Warsaw Stock Exchange: [www.corp-gov.gpw.pl](http://www.corp-gov.gpw.pl).

The website [www.corp-gov.gpw.pl](http://www.corp-gov.gpw.pl) is the official website of Warsaw Stock Exchange devoted to corporate governance rules applicable to companies listed on the Main Market of WSE and on the NewConnect market.

At the same time, the Issuer explains that it does not apply corporate governance practices other than those mentioned before, going beyond the requirements specified by the national law.

### 2. INFORMATION ON THE EXTENT TO WHICH THE ISSUER DIVERGED FROM THE RULES OF CORPORATE GOVERNANCE, SPECIFICATION OF SUCH PROVISIONS AND EXPLANATION FOR NOT APPLYING THEM

The Management Board of Echo Investment S.A. (Company) announces that the Company does not apply the following corporate governance rules, as included in the document "Code of Best Practice for WSE Listed Companies", adopted by way of Resolution No. 17/1249/2010 of the Board of Warsaw Stock Exchange on 19 May 2010, as amended.

#### Part I "Recommendations for Best Practice for Listed Companies"

**Rule 5:** "A company should have a remuneration policy and rules of defining the policy. The remuneration policy should in particular determine the form, structure, and level of remuneration of members of supervisory and management bodies. Commission Recommendation of 14 December 2004 fostering an appropriate regime for the remuneration of directors of listed companies (2004/913/EC) and Commission Recommendation of 30 April 2009 complementing that Recommendation (2009/385/EC) should apply in defining the remuneration policy for members of supervisory and management bodies of the company."

This principle is not and will not be applied. Pursuant to the corporate documents of the Company, the level of remuneration, awards and bonuses for members of the Management Board is defined by the Supervisory Board and the remuneration of the Supervisory Board members is subject to a decision of the General Shareholders' Meeting and is adopted by way of a resolution.

**Rule 9:** "The WSE recommends to public companies and their shareholders that they ensure a balanced proportion of women and men in management and supervisory functions in companies, thus reinforcing the creativity and innovation of the companies' economic business."

This principle is not and will not be applied. Bodies authorised to appoint candidates for members of supervisory and management bodies care for the best interest of the Company and its shareholders and consider proper qualifications of candidates, satisfying the Company's requirements related with its operations. This process does not discriminate against women.

**Rule 12:** "A company should allow shareholders to exercise the right of vote in person or through an attorney at the general meeting, outside the location of the general meeting, using means of electronic communication".

This principle is not and will not be applied. Pursuant to the provisions of the Commercial Companies Code, participation in a General Meeting using electronic means of communication must be allowed by the statute. The Statute of Echo Investment S.A. does not allow for such manner of conducting a general meeting.

## **Part II "Best Practice for Management Boards of Listed Companies"**

**Rule 1** "A company should operate a corporate website and publish on it:"

**section 7:** "shareholders' questions on issues on the agenda submitted before and during a General Meeting together with answers to those questions."

This principle is not and will not be applied. The Company does not take minutes of the General Meeting, including all statements and questions. The Chairman of the General Shareholders' Meeting decides on including individual issues in the minutes, taking into account the law, importance of a given issue and reasonable demands of the shareholders. According to the regulations of the Code of Commercial Companies, the participants of the General Meeting have the right to make statements in writing that are enclosed to the minutes. The Company acknowledges that such principles are sufficient to ensure the transparency of general meetings.

**section 9a:** "... a record of the General Meeting in audio or video format".

This principle will not be applied. The Issuer does not plan to make audio and/or video records of the sessions of the general meeting and publish them on its website. Resolutions adopted by a general meeting are promptly disclosed in the form of current reports and published on the Issuer's website.

**section 11:** "... Information known to the Management Board based on a statement by a member of the Supervisory Board on any relationship of a member of the Supervisory Board with a shareholder who holds shares representing not less than 5% of all votes at the company's General Meeting".

The Management Board of the Company has not applied this rule because it has not received such statements from members of the Supervisory Board.

**Rule 3:** "Before a company executes a significant agreement with a related entity, its Management Board shall request the approval of the transaction/agreement by the Supervisory Board. This condition does not apply to typical transactions made on market terms within the operating business by the company with a subsidiary where the company holds a majority stake. For the purpose of this document, related entity shall be understood within the meaning of the Regulation of the Minister of Finance issued pursuant to Article 60, section 2 of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and on Public Companies (J.L. No. 184, item 1539, as amended)."

This principle is not and will not be applied. In the opinion of the Company's Management Board, the provisions included in the existing legal regulations, the Statute and the regulations of the Company's Supervisory Board regarding transactions/agreements concluded with its related parties are sufficient. In addition, the powers of the Supervisory Board include continuous supervision of the Company's operations, also as regards decisions on all material contracts concluded by the Company, assuming specific criteria for the value of contracts, as indicated in the Company's Statute.

## **Part III "Best Practice for Supervisory Board Members"**

**Rule 1:** "In addition to its responsibilities laid down in legal provisions, the Supervisory Board should:

**section 1:** "once a year prepare and present to the Ordinary General Meeting a brief assessment of the company's standing including an evaluation of the internal control system and the significant risk management system."

This rule is not and will not be applied in the part regarding the evaluation of systems. Evaluation of the internal control system and the significant risk management system is not within the responsibilities of the Supervisory Board. Therefore, the Supervisory Board will not present an evaluation of these systems to the general meeting.

**Rule 2:** "A member of the Supervisory Board should submit to the company's Management Board information on any relationship with a shareholder who holds shares representing not less than 5% of all votes at the General Meeting. This obligation concerns financial, family, and other relationships which may affect the position of the member of the Supervisory Board on issues decided by the Supervisory Board."

This rule is not and will not be applied by the Supervisory Board of Echo Investment SA. The above rule is unnecessary due to the obligation of Members of the Supervisory Board to withdraw from participation in the Board's decisions in the case of a conflict of interest. The correct and sufficient criterion under the existing law is the criterion of the purpose and effect that a Member of the Supervisory Board pursues and achieves through their actions. This criterion includes acting for the benefit of

the Company and its shareholders, and accountability for potential actions to the detriment of the Company or its shareholders.

**Rule 6:** "At least two Members of the Supervisory Board should meet the criteria of being independent from the company and entities with significant connections with the company. The independence criteria should be applied under Annex II to the Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board. Irrespective of the provisions of point (b) of the said Annex, a person who is an employee of the company or an associated company cannot be deemed to meet the independence criteria described in the Annex. In addition, a relationship with a shareholder precluding the independence of a Member of the Supervisory Board as understood in this rule is an actual and significant relationship with any shareholder who has the right to exercise at least 5% of all votes at the General Meeting."

This rule is not and will not be applied by the Supervisory Board of Echo Investment SA. According to the existing legal regulations, Members of the Supervisory Board are appointed independently by the General Shareholders' Meeting of the Company. Therefore, there is no reason to limit the freedom of choice of members of the Company's Supervisory Board. In addition, the "independence" criterion is not appropriate for laying down positions and criteria for Supervisory Board members to follow when making decisions as part of their mandate. Due to the very fact of the appointment and the shareholders' power to dismiss, as well as the position of the Board's member that consists in representing the shareholders, this criterion is illusory and vague. In the Company's opinion, independence of the members of the Company's authorities consists in the possibility and necessity to act lawfully and in the interests of the Company. Such a meaning of independence is respected by the Company.

**Rule 8:** "Annex I to the Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors (...) should apply to the tasks and the operation of the committees of the Supervisory Board."

The above rule is not applied and it will not be applied. An Audit Committee operates as part of the Supervisory Board; its business is specified by the Rules and Regulations of the Audit Committee, which defines the Committee's tasks and operation.

**Rule 9:** "Execution by the company of an agreement/transaction with a related entity which meets the conditions of section II.3 requires the approval of the Supervisory Board."

This principle is not and will not be applied. The regulations included in the existing laws, in combination with the Statute and the Rules and Regulations of the Company's Supervisory Board, regarding transactions/agreements concluded with a related entity, are sufficient. The responsibilities of the Supervisory Board include continuous supervision over the Company's operations, also as regards decisions on all material contracts concluded by the Company, assuming specific criteria for the value of contracts, as indicated in the Company's Statute.

#### **Part IV "Best Practices of Shareholders"**

**Rule 1:** "Presence of representatives of the media should be allowed at General Meetings."

This principle is not and will not be applied. General meetings of shareholders are attended by authorised persons and persons providing services to the General Meeting. The Company does not find it necessary to introduce additional obligations for the shareholders as regards enabling participation in general meetings for the media representatives under special conditions. The existing legal regulations sufficiently regulate the implementation of information obligations imposed on public companies as regards the openness and transparency of issues discussed at the General Meeting. The Company replies immediately to questions from media representatives related to the General Meeting.

**Rule 9:** "A resolution of the General Meeting to split the nominal value of shares should not set the new nominal value of the shares at a level which could result in a very low unit market value of the shares, which could consequently pose a threat to the correct and reliable valuation of the company listed on the Exchange."

This principle is not and will not be applied. The current nominal of one share of Echo Investment S.A. is PLN 0.05 (five grosz). Adoption of this principle may result in inability to split the nominal value of Echo Investment S.A.'s shares, which is in conflict with the applicable laws.

**Rule 10:** "A company should enable its shareholders to participate in a General Meeting using electronic communication means through:

- 1) real-time broadcast of General Meetings,
- 2) real-time bilateral communication where shareholders may take the floor during a General Meeting from a location other than the General Meeting.

This principle will not be applied. In the Company's opinion, the application of this rule involves technical and legal hazards, which may affect correct and uninterrupted session of the general meetings as well as the genuine, reliable and secure transmission of information in such communication.

### **3. DESCRIPTION OF MAIN CHARACTERISTICS OF INTERNAL CONTROL SYSTEMS AND OF RISK MANAGEMENT SYSTEMS USED IN THE ISSUER'S BUSINESS IN RELATION TO THE PROCESS OF PREPARING FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS**

#### **I. DESCRIPTION OF MAIN CHARACTERISTICS OF INTERNAL CONTROL SYSTEMS AND OF RISK MANAGEMENT SYSTEMS USED IN THE COMPANY**

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

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

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

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

- operating activity,
- financial activity,
- reporting process (including the preparation of financial statements),
- analysis of costs and expenditures related to projects, costs and general administrative expenses and sale, and costs and expenditures related to the use of leasable area,
- risk management,

ensure an effective internal control system and support the management of the whole Group.

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

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

#### **II. DETAILED DESCRIPTION OF MAIN CHARACTERISTICS OF INTERNAL CONTROL SYSTEMS AND OF RISK MANAGEMENT SYSTEMS USED IN THE ISSUER'S BUSINESS IN RELATION TO THE PROCESS OF PREPARING FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS**

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

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

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

Economic events in the course of the year are recorded by the Records Team of the Accounting Division. As part of internal control, the correctness of economic records is monitored by the Reporting Team from the Accounting Division, who have

certificates of the Minister of Finance to provide services involving the keeping of accounting books (so called independent accountants).

After completing all pre-defined processes of closing the books, the Team prepares financial statements. The process of monitoring the correctness of posting costs also involves employees from the Budgeting and Forecasts Team.

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

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

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

### **III. DESCRIPTION OF OTHER USE OF INTERNAL CONTROL SYSTEM AND OF RISK MANAGEMENT SYSTEM IN THE COMPANY, TAKING ACCOUNT OF SIGNIFICANCE OF THE FINANCIAL AND ACCOUNTING SYSTEM**

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

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

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

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

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

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

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

investment projects, segments or result items are reviewed separately. Based on these reports, the Company's Management Board analyses current financial results and compares them with the adopted budgets in the course of the year.

#### IV. RISK MANAGEMENT IN THE COMPANY

Effective internal control (along with the existing reporting system) is the basic step in identifying risks and managing changes. In addition to the reporting system, effective risk management also involves a risk analysis. Therefore, the Company's key measure aimed at reducing its risk exposure is the correct assessment of prospective investments (Budgeting and Analysis Division) and the monitoring of current investments (Project Managers). To this end, investment models and decision-making procedures are employed, whose observance is closely monitored by the Company's Finance Director and the Management Board. In addition, all requests and potential changes in the budgets of investment projects are entered by the Budgeting and Analysis Division into result forecast models and a cash flow forecast so that an issue can be examined globally, and to eliminate risks related to projects, liquidity, foreign exchange rates, etc. Global management and risk monitoring as well as internal control in all areas that are important for the organisation largely eliminates most risks to which the Group is exposed.

#### 4. SHAREHOLDERS HOLDING, DIRECTLY OR INDIRECTLY, SUBSTANTIAL STAKES OF SHARES OF ECHO INVESTMENT S.A., NUMBER OF SHARES HELD BY SUCH PARTIES, THEIR PERCENTAGE SHARE IN THE SHARE CAPITAL, NUMBER OF VOTES VESTED WITH THE SHARES AND THEIR PERCENTAGE SHARE IN TOTAL VOTES AT THE GENERAL MEETING

Data as of 31 December 2013 and as of the date of the report.

SHAREHOLDER	NUMBER OF SHARES	% OF SHARE CAPITAL OF ECHO INVESTMENT SA	NUMBER OF VOTES AT THE GSM OF ECHO INVESTMENT SA	% OF TOTAL VOTES AT THE GSM OF ECHO INVESTMENT SA
<b>MICHAŁ SOŁOWOW, indirectly through subsidiaries, including:</b>	189 361 930	45,88%	189 361 930	45,88%
Barcocapital Investment Limited	171 477 880	41,55%	171 477 880	41,55%
Calgeron Investment Limited	17 884 050	4,33%	17 884 050	4,33%
ING OFE*	38 513 969	9,33%	38 513 969	9,33%
AVIVA OFE AVIVA BZ WBK*	41 269 050	10,00%	41 269 050	10,00%
PZU Złota Jesień OFE *	22 011 702	5,33%	22 011 702	5,33%

\*The data regarding the holding of the Issuer's shares is derived from OFE's reports presenting the annual structure of assets at the end of December 2013.

#### Information received by Echo Investment in 2013 on the ownership of substantial stakes of shares

On 2 January 2013, the Issuer received a notification from ING Powszechne Towarzystwo Emerytalne S.A. saying that, as a result of the sale of the shares of Echo Investment S.A. during transactions at the Warsaw Stock Exchange, settled on 20 December 2013, ING Otwarty Fundusz Emerytalny (later referred to as the Fund) decreased its holding of the Company's shares by at least 2% of votes at the Company's general shareholders' meeting.

Before the sale of the shares, the Fund held 47,369,720 (forty-seven million, three hundred and sixty-nine thousand, seven hundred and twenty) shares in the Company, representing 11.28% of the Company's share capital, and was entitled to 47,369,720 (forty-seven million, three hundred and sixty-nine thousand, seven hundred and twenty) votes at the Company's general shareholders' meeting, accounting for 11.28% of the overall number of votes.

On 27 December 2013, the Fund's securities account included 44,569,720 (forty-four million, five hundred and sixty-nine thousand, seven hundred and twenty) of the Company's shares, representing 10.61% of the Company's share capital. These shares are vested with 44,569,720 (forty-four million, five hundred and sixty-nine thousand, seven hundred and twenty) votes at the Company's general shareholders' meeting, representing 10.61% of the overall number of votes.

The Fund does not rule out increasing or decreasing its holding of the shares in the forthcoming 12 months, depending on the market situation and the Company's operations. The purpose of acquiring the Company's shares is to invest cash as part of the Fund's investment activity.

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On 22 January 2013, the Issuer received a notification by fax from Aviva Powszechne Towarzystwo Emerytalne Aviva BZ WBK S.A., saying that, as a result of the purchase of the shares of Echo Investment S.A. concluded on 15 January 2013, Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK (later referred to as Aviva OFE) increased its share in the overall number of votes in the Company to more than 10%.

"Before the settlement of the aforementioned transactions, as at 17 January 2013, Aviva OFE held 41,846,565 shares in the Company, accounting for 9.96% of the Company's share capital (shares issued), and vested with 41,846,565 votes at the General Shareholders' Meeting, which accounted for 9.96% of the overall number of votes.

After the conclusion and settlement of the aforementioned transaction, as at 18 January 2013, Aviva OFE held 42,958,079 shares in the Company, accounting for 10.23% of the Company's share capital (shares issued), and vested with 42,958,079 votes at the General Shareholders' Meeting, which accounted for 10.23% of the overall number of votes.

The investment is a portfolio deposit investment. Aviva OFE allows for the possibility of further increasing its involvement in the Company within 12 months of submission of this notice in order to achieve the maximum degree of investment security and profitability of the open pension fund's deposits. At the same time, we announce that, in accordance with the provisions of the Act on the organisation and operation of pension funds and the specific regulations issued under this Act, Aviva OFE's involvement cannot exceed 20% in the Company's share capital. The Fund does not preclude the sale of the shares in the case of a satisfactory increase in value or the increase of investment risk."

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On 15 February 2013, the Issuer received the following notification:

"Acting pursuant to article 69 of the Act of 29 July 2005 on public offering, conditions governing the introduction of financial instruments to organised trading, and on public companies (J.L. no. 185, item 1439), I announce that, as a result of the purchase of the shares of Echo Investment S.A., with its registered office in Kielce, concluded on 14 February 2013, BarcoCapital Investment Limited, with its registered office at Agiou Pavlou 15, Ledra House, Agios Andreas, 1105 Nicosia, Republic of Cyprus, registered in the Department for the Registration of Companies and the Receiver of the Republic of Cyprus (Register of Companies) under no. HE 145969, increased its share in the overall number of votes at the general shareholders' meeting of Echo Investment S.A. (later referred to as the Company) by at least 1%.

The shares were purchased from Mr Michał Sołowow, who is the parent of BarcoCapital Investment Limited.

As at the day of preparing this notification, following the settlement of the said transaction, BarcoCapital Investment Limited holds 171,477,880 of the Company's shares, accounting for 40.83% of the share capital, and is entitled to 171,477,880 votes at the Company's general shareholders' meeting, representing 40.83% of the overall number of votes.

Before the said transaction, BarcoCapital Investment Limited held 166,358,337 of the Company's shares, accounting for 39.61% of the share capital, and was entitled to 166,358,337 votes at the Company's general shareholders' meeting, representing 39.61% of the overall number of votes.

There are no subsidiaries of the notifying shareholder who hold the Company's shares.

There are no persons referred to in article 87, section 1, item 3, letter c of the Act of 29 July 2005 on public offering, conditions governing the introduction of financial instruments to organised trading, and on public companies (J.L. No. 184, item 1539)."

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On 19 August 2013, the Issuer received a notification by way of a registered letter (corrected on 20 August 2013 by way of fax) from Aviva Powszechne Towarzystwo Emerytalne Aviva BZ WBK S.A., saying that, as a result of the sale of the shares of Echo Investment S.A. on 7 August 2013, Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK (later referred to as Aviva OFE) decreased its share in the overall number of votes in the Company below 10%.

"Before the settlement of the aforementioned transactions, as at 09 August 2013, Aviva OFE held 42,377,261 shares in the Company, accounting for 10.09% of the Company's share capital (shares issued), and vested with 42,377,261 votes at the General Shareholders' Meeting, which accounted for 10.09% of the overall number of votes.

After the settlement of the aforementioned transactions, as at 12 August 2013, Aviva OFE held 41,995,525 shares in the Company, accounting for 9.999% of the Company's share capital (shares issued), and vested with 41,995,525 votes at the General Shareholders' Meeting, which accounted for 9.999% of the overall number of votes.

The investment is a portfolio deposit investment. Aviva OFE allows for the possibility of increasing its involvement in the Company within 12 months of submission of this notice in order to achieve the maximum degree of investment security and profitability of the open pension fund's deposits. At the same time, we announce that, in accordance with the provisions of the Act on the organisation and operation of pension funds and the specific regulations issued under this Act, Aviva OFE's

involvement cannot exceed 20% in the Company's share capital. The Fund does not preclude a further sale of the shares in the case of a satisfactory increase in value or the increase of investment risk."

On 5 September 2013, the Issuer received a notification by fax from ING Powszechne Towarzystwo Emerytalne S.A. saying that, as a result of the sale of the shares of Echo Investment S.A. during transactions at the Warsaw Stock Exchange, settled on 27 August 2013, ING Otwarty Fundusz Emerytalny (later referred to as the Fund) decreased its holding of the Company's shares below 10% of votes at the Company's general shareholders' meeting.

"Before the sale of the shares, the Fund held 42,000,000 (forty-two million) of the Company's shares, accounting for 10.00% of the share capital, and was entitled to 42,000,000 (forty-two million) votes at the Company's general shareholders' meeting, representing 10.00% of the overall number of votes.

On 5 September 2013, the Fund's securities account includes 41,988,822 (forty-one million, nine hundred and eighty-eight thousand, eight hundred and twenty-two) of the Company's shares, representing 9.997% of the Company's share capital. These shares are vested with 41,988,822 (forty-one million, nine hundred and eighty-eight thousand, eight hundred and twenty-two) votes at the Company's GSM, representing 9.997% of the overall number of votes".

On 5 November 2013, the Issuer received the following notification from Mr Michał Sołowow, its major Shareholder:

"Acting pursuant to article (69) of the Act of 29 July 2005 on public offering, conditions governing the introduction of financial Instruments to organised trading, and on public companies (J.L. no. 185, item 1439), in connection with the information in the current report of Echo Investment S.A. No. 42/2013 of 4 November 2013 regarding the registration of the decrease in the share capital, I announce that my share increased by at least 1% in the overall number of votes at the General Shareholders' Meeting of Echo Investment S.A. (later referred to as the Issuer or the Company).

As of the date of this notification, I hold, indirectly through subsidiaries, a total of 189,361,930 shares of Echo Investment S.A., which represent 45.88% of the share capital and are vested with 189,361,930 votes at Echo Investment S.A.'s General Shareholders' Meeting, accounting for 45.88% of the overall number of votes at Echo Investment S.A.'s General Shareholders' Meeting.

The detailed holding of the shares of Echo Investment S.A. through the subsidiaries, as of the date of this notification, is presented in the table below:

SHAREHOLDER	NUMBER OF SHARES	% OF SHARE CAPITAL OF ECHO INVESTMENT SA	NUMBER OF VOTES AT THE GSM OF ECHO INVESTMENT SA	% OF TOTAL VOTES AT THE GSM OF ECHO INVESTMENT SA
Barcocapital Investment Limited	171.477.880	41,55%	171.477.880	41,55%
Calgeron Investment Limited	17.884.050	4,33%	17.884.050	4,33%

Before the above-mentioned transaction, I held, indirectly through subsidiaries, a total of 189,361,930 shares of the Company, which represented 45.09% of the share capital, and I was entitled to 189,361,930 votes at the Company's General Shareholders' Meeting, accounting for 45.09% of the overall number of votes at the Company's General Shareholders' Meeting.

There are no persons referred to in article 87, section 1, item 3, letter c of the Act of 29 July 2005 on public offering, conditions governing the introduction of financial instruments to organised trading, and on public companies (J.L. No. 184, item 1539)".



**Information on the ownership of shares received by the Issuer after the balance sheet date and by the date of publishing this report**

From the balance sheet date to the publication date of this report, the Issuer did not receive any notifications on changes in the holding of shares by major shareholders.

**5. IDENTIFICATION OF HOLDERS OF ALL SECURITIES WITH SPECIAL CONTROL RIGHTS AND DESCRIPTION OF SUCH RIGHTS**

Securities issued by Echo Investment S.A. do not grant any special control powers to their holders.

**6. ALL LIMITATIONS REGARDING THE RIGHT TO VOTE, SUCH AS RESTRICTED RIGHT TO VOTE BY HOLDERS OF A GIVEN SHARE AND NUMBER OF VOTES, TEMPORARY RESTRICTIONS ON THE RIGHT TO VOTE OR PROVISIONS UNDER WHICH, IN COOPERATION WITH THE COMPANY, CAPITAL RIGHTS LINKED TO SECURITIES ARE SEPARATED FROM THE HOLDING OF SECURITIES**

Echo Investment S.A. does not have any information on restrictions on the right to vote by holders of the Issuer's securities.

**7. IDENTIFICATION OF ALL RESTRICTIONS ON THE TRANSFER OF OWNERSHIP OF THE ISSUER'S SECURITIES**

Echo Investment S.A. does not have any information on restrictions on the transfer of ownership of the Issuer's securities.

**8. DESCRIPTION OF PRINCIPLES REGULATING THE APPOINTMENT AND DISMISSAL OF MANAGERIAL STAFF AND THEIR RIGHTS, IN PARTICULAR, THE RIGHT TO DECIDE ON THE ISSUE OR REDEMPTION OF SHARES**

*8.1. Rules for appointing and dismissing managerial staff*

In the Company, these rules are regulated by the Commercial Companies Code, Rules and Regulations of the Management Board and Echo Investment S.A.'s Statute.

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

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

*8.2. Rights of managerial staff*

Powers of managers are regulated by the Statute of Echo Investment SA and by the Commercial Companies Code.

The managers represent the Company before officials, institutions, third parties, courts as well as public authorities. Declarations of intent on behalf of the Company must be made jointly by two members of the Management Board or one member of the Management Board acting jointly with a proxy. Liabilities exceeding 20% of the Company's equity may be incurred by persons who make declarations of intent on behalf of the Company, following a written consent of the Supervisory Board. The Management Board runs all current affairs of the Company which are not reserved for the General Shareholders' Meeting and the Supervisory Board.

Decisions on the issue and redemption of shares are governed by the regulations of the Commercial Companies Code.

## **9. DESCRIPTION OF RULES FOR AMENDING THE ISSUER'S STATUTE OR ARTICLES OF ASSOCIATION**

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

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

Together with the entry of an amendment to the Statute, the amendment to the Company's corporate data reported to the register court is entered into the National Court Register.

The General Shareholders' Meeting authorises the Supervisory Board of Echo Investment S.A. to specify a complete text of the amended Statute or to introduce other editorial amendments, as specified by the resolution of the Meeting.

## **10. OPERATION OF THE GENERAL SHAREHOLDERS' MEETING, ITS MAIN RIGHTS AND THE DESCRIPTION OF SHAREHOLDERS' RIGHTS AND HOW THESE RIGHTS ARE EXERCISED, IN PARTICULAR RULES AND REGULATIONS OF THE GENERAL SHAREHOLDERS' MEETING**

The rules of operation of the Company's General Shareholders' Meeting, its rights and the rights of shareholders and the procedure by which these rights are exercised are governed by the Company's Statute and the Commercial Companies Code. The Company's Statute is available at the Company's website [www.echo.com.pl](http://www.echo.com.pl) in the tab Statute and Rules and Regulations.

The schedule of works related to organisation of the Company's General Meetings, including preparation of materials presented at the General Meeting, is planned in such a way so as to fulfil obligations towards shareholders and enable them to exercise their rights.

## **11. COMPOSITION OF THE ISSUER'S MANAGEMENT, SUPERVISORY OR ADMINISTRATIVE AUTHORITIES AND OF THEIR COMMITTEES, CHANGES IN THEIR COMPOSITION DURING THE LAST FINANCIAL YEAR AND DESCRIPTION OF THEIR ACTIVITY**

### **COMPANY'S MANAGEMENT BOARD – COMPOSITION IN 2013**

As of 1 January 2013, the Management Board was composed of:

- Piotr Gromniak – President of the Management Board
- Artur Langner – Vice-President of the Management Board

On 21 March 2013, the Issuer's Supervisory Board, acting pursuant to article 368 § 4 of the Commercial Companies Code and § 13 section 1 letter a) of the Company's Statute, passed a resolution on appointing Mr Waldemar Lesiak as the Vice-President of the Company's Management Board for the joint term of office of the present Management Board.

As the Vice-President of the Management Board of Echo Investment S.A., Mr Waldemar Lesiak will be responsible for the acquisition and sale of completed commercial developments in Poland and abroad.

Mr Waldemar Lesiak graduated from the Civil Engineering Department of Kielce University of Technology. He also graduated from the Economics Department at the Real Estate University in Warsaw and completed a Post-Graduate Tax Programme at the Warsaw School of Economics.

He started his career in Mitex-Trade/ Ahold Polska, where he held the function of the Operating Director and the Sales Director. Between 1998 and 2000, he held the position of the Vice-President of the Management Board of Hekon SA, which, together with Accor Group, constructed a hotel chain in Poland.

Since 1997, Echo Investment S.A. he held the post of the Residential Developments Sales Director and the Commercial Developments Sales Director. Previously, he held the function of the Director of the Office and Hotel Department, where he was responsible for the whole property development process in the office and hotel segment.

Mr Waldemar Lesiak is not involved in any competitive activity outside Echo Investment SA. He is not a partner in a competitive civil law company, personal partnership, or a member of the authority of an association of capital and he does not act as a member of the authority of any other competitive legal entity. He has not been entered into the register of insolvent debtors, which is kept pursuant to the Act on the National Court Register (KRS).

As of 31 December 2013 and as of the publication date of this report, the composition of the Management Board is as follows:

- Piotr Gromniak – President of the Management Board
- Artur Langner – Vice-President of the Management Board
- Waldemar Lesiak – Vice-President of the Management Board

#### **COMPANY'S MANAGEMENT BOARD – RULES OF OPERATION IN 2013**

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

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

The term of office of the first Management Board is two years, the term of office of subsequent Management Boards is three years, and Management Board members are appointed for a joint term of office, which does not preclude the right to dismiss a member of the Management Board earlier. Mandates of Members of the Management Board expire on the day of the GSM's approval of the financial statements for the last year of the Management Board's term of office. Management Board Members may be re-appointed. The Management Board or individual members may be dismissed before the expiry of the term of office by the Supervisory Board, in particular at a written request of shareholders representing at least 1/3 of the Company's share capital, or if the General Shareholders' Meeting fails to acknowledge the fulfilment of obligations by the Management Board in the closed business year.

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

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

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

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

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

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

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

The Management Board meets at least once a month, and the meetings are presided over by the President of the Management Board and, in his/her absence, by the Vice-President of the Management Board and, in the absence of the

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

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

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

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

The Management Board may pass its resolutions in writing or using means of telecommunication, subject that, in such a case, the Management Board is presided over by the member requesting the adoption of a given resolution. This procedure is not allowed when at least one member of the Company's Management Board objects.

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

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

In 2013, the Company's Management Board, when defining strategic objectives and current tasks, considered the best interest of the Company, its shareholders, partners, customers, employees and creditors, and observed the law.

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

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

#### **COMPANY'S SUPERVISORY BOARD – COMPOSITION IN 2013**

As of 1 January 2013, the Supervisory Board of Echo Investment SA was composed of:

- Wojciech Ciesielski – Chairman of the Supervisory Board
- Andrzej Majcher – Vice-Chairman of the Supervisory Board
- Mariusz Waniotka – Vice-Chairman of the Supervisory Board
- Robert Oskard – Member of the Supervisory Board
- Tomasz Kalwat – Member of the Supervisory Board
- Karol Żbikowski – Member of the Supervisory Board

On 6 June 2013, the Ordinary General Shareholders' Meeting of Echo Investment SA, pursuant to resolution no. 16, determined that the Company's Supervisory Board for the new term of office will be composed of 5 (in words: five) persons and, pursuant to resolutions no. 17-21, it appointed the following supervisory staff members for a joint 3-year term of office:

- Karol Żbikowski
- Mariusz Waniotka
- Robert Oskard
- Andrzej Majcher
- Wojciech Ciesielski.

On 6 June 2013, acting pursuant to §1 section 3 of the Rules and Regulations of the Supervisory Board of Echo Investment SA, the Supervisory Board of Echo Investment SA passed resolutions on the appointment of the Chairman and the Vice-Chairmen of the Supervisory Board of Echo Investment SA.

Mr Wojciech Ciesielski was appointed as the Chairman of the Supervisory Board of Echo Investment SA, and Mr Andrzej Majcher and Mr Mariusz Waniółka were appointed as the Vice-Chairmen.

The present composition and functions held in the Issuer's Supervisory Board are as follows:

- Wojciech Ciesielski – Chairman of the Supervisory Board
- Andrzej Majcher – Vice-Chairman of the Supervisory Board
- Mariusz Waniółka – Vice-Chairman of the Supervisory Board
- Mr Robert Oskard – Member of the Supervisory Board
- Karol Żbikowski – Member of the Supervisory Board.

Resumes of the Supervisory Board of Echo Investment S.A.:

#### **Wojciech Ciesielski**

Master of Laws, graduate of the Law and Administration Faculty of Jagiellonian University, barrister. Between 1987 and 1990, employed in the District Court in Kielce as a court trainee, passed the judge's exam in 1990. Since 1991, he has been involved with the group of companies owned by Mr Michał Sotowow, as a Head of the Legal Team, Proxy and a member of management and supervisory boards. Between 2002 and 2004, supervisory board member in Orbis. As of June 2003, appointed to the supervisory board of Echo Investment S.A.

Wojciech Ciesielski is not involved in any competitive activity outside Echo Investment SA. He is not a partner in a competitive civil law company, personal partnership, or a member of the authority of an association of capital and he does not act as a member of the authority of any other competitive legal entity. He has not been entered into the register of insolvent debtors, which is kept pursuant to the Act on the National Court Register (KRS).

#### **Andrzej Majcher**

M.Sc., Engineer, graduate of the Faculty of Mechanical Engineering at Kielce University of Technology. Between 1987 and 1991, employed in Przedsiębiorstwo Budownictwa Rolniczego in Białobrzegi as chief mechanic. From June 1991, site manager in Przedsiębiorstwo Budowlane MITEX in Kielce. From September 1993, worked as the vice-president in ECHO PRESS Sp. z o.o. in Kielce; from November 1993, held the position of a director. From 30 June 1994 to 26 March 2007, held the function of the president of the management board of Echo Investment S.A. As of May 2007, appointed to the supervisory board of Echo Investment S.A.

Mr Andrzej Majcher is not involved in any competitive activity outside Echo Investment SA. He is not a partner in a competitive civil law company, personal partnership, or a member of the authority of an association of capital and he does not act as a member of the authority of any other competitive legal entity. He has not been entered into the register of insolvent debtors, which is kept pursuant to the Act on the National Court Register (KRS).

#### **Mariusz Waniółka**

Master of Economics, graduate of the Cracow University of Economics. Between 1994 and 1996, held a number of positions in PepsiCo Trading Sp. z o.o., including the position of a financial director. From November 1996 to June 2001, he held the position of a financial director in NOMI S.A. in Kielce, and from December 1997 he was a vice-president of the management board of NOMI S.A. At present, administrative director in Magellan Pro-Service Sp. z o.o. and supervisory board member in: Cersanit S.A., Barlinek S.A. and Synthos S.A. As of April 2004, appointed to the supervisory board of Echo Investment S.A.

Mr Mariusz Waniółka is not involved in any competitive activity outside Echo Investment SA. He is not a partner in a competitive civil law company, personal partnership, or a member of the authority of an association of capital and he does not act as a member of the authority of any other competitive legal entity. He has not been entered into the register of insolvent debtors, which is kept pursuant to the Act on the National Court Register (KRS).

#### **Robert Oskard**

Graduate of the Faculty of Technical Physics and Applied Mathematics of Warsaw University of Technology. Between 1987 and 1990, employed in Fabryka Łożysk Tocznych Iskra, designing and programming IT systems; between 1990 and 1992, worked in the Voivodeship Office in Kielce as the Voivodeship IT Specialist. Between 1992 and 2000, worked in Exbud S.A. as, among other positions, Director of Economic Planning and Analysis Office, Director of Development Office and most recently as the Director of Management System Office. Between 2000 and 2002, he was the Director for Strategic Projects at Echo Investment S.A. Managing Director in Columbus Pro-Equity Fund II Sp. z o.o., Magellan Pro-Equity Fund I S.A. and Columbus Prime Sp. z o.o.; at present, Managing Director in Columbus Pro Sp. z o.o.

Currently, supervisory board member in:

- Echo Investment S.A., with its registered office in Kielce
- Synthos Kralupy a.s., with its registered office in Kralupy nad Vltavou (chairman)
- Barlinek S.A., with its registered office in Kielce
- Synthos S.A., with its registered office in Oświęcim
- Rovese S.A., with its registered office in Kielce
- Megastore.pl S.A., with its registered office in Kielce.

Chairman or member in a dozen other supervisory boards, including several public companies.

Mr Robert Oskard is not involved in any competitive activity outside Echo Investment SA. He is not a partner in a competitive civil law company, personal partnership, or a member of the authority of an association of capital and he does not act as a member of the authority of any other competitive legal entity. He has not been entered into the register of insolvent debtors, which is kept pursuant to the Act on the National Court Register (KRS).

#### **Karol Żbikowski**

Graduate of the Foreign Trade Faculty at the Warsaw School of Economics, Postgraduate Programme in Investment Banking – London Guildhall University Programme at Gdańsk Academy of Banking. In 1994, he obtained the license of a securities broker. Between 1994 and 1997, Karol Żbikowski was employed in Bank Handlowy in Warsaw – Equity Operations Centre, and between 1997 and 2003 he worked in Societe Generale Securities Polska, where he held the position of a management board member (1997-1998) and president of the management board (1999-2003). Between 2003 and 2005, he was an adviser in w Enterprise Investors, and between 2004 and 2005 he was a partner in Investor Relations Partners. In 2005, he was an adviser of the management board of Orbis S.A. From December 2005, worked in Unicredit CAIB group as the president of the management board of IR Services Sp. z o.o.; from October 2006, managing director in Unicredit Markets & Investment Banking. From April 2008 to January 2011, Mr Karol Żbikowski was a management board member in Wydawnictwa Szkolne i Pedagogiczne S.A. He also held functions in the supervisory boards of Fasing S.A. Capital Group, Elektrim Telekomunikacja Sp. z o.o., Cersanit S.A. and WSIP S.A. From February 2011, Mr Karol Żbikowski is vice-president of the management board of Incentive Solutions Polska. He is also a member of the Supervisory Board of Echo Investment S.A., vice-president of the Supervisory Board of Elektrobudowa S.A. and a member of the Supervisory Board of Magellan S.A.

Mr Karol Żbikowski is not involved in any competitive activity outside Echo Investment SA. He is not a partner in a competitive civil law company, personal partnership, or a member of the authority of an association of capital and he does not act as a member of the authority of any other competitive legal entity. He has not been entered into the register of insolvent debtors, which is kept pursuant to the Act on the National Court Register (KRS).

#### **Company's Supervisory Board – rules of operation in 2013**

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

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

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

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

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

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

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

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

The responsibilities of the Supervisory Board include supervision over the Company's business and other actions, as stipulated by the Commercial Companies Code and other acts. The Supervisory Board adopts resolutions or gives opinions on issues within its scope of responsibilities, according to the Company's Statute and under the procedure stipulated by the provisions of the Statute or other laws.

In particular, the Supervisory Board is authorised to:

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

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

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

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



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

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

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

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

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

The Supervisory Board has the right to submit motions to the General Meeting regarding all issues within its scope of tasks and responsibilities. The Supervisory Board fulfils its duties by acting jointly; it may, however, delegate individual members to independent and specific supervisory functions by way of a resolution. The Supervisory Board may appoint committees for specific matters.

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

The Supervisory Boards fulfils the tasks of the Audit Committee.

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

Piotr Gromniak

Artur Langner

Waldemar Lesiak





President of the Management Board

Vice-President of the Management  
Board

Vice-President of the Management  
Board

Kielce, 24 April 2013



**ECHO**  
investment

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