

# Echo Investment S.A. Capital Group

Mid-year condensed consolidated financial statement  
as on and for a period of six months expiring on June 30, 2006



Kielce, August 9, 2006



**1. Condensed consolidated balance sheet, in thousands PLN**

	balance as on 2006.06.30 end of quarter	balance as on 2005.12.31 end of previous year	balance as on 2005.06.30 end of quarter
<b>Assets</b>			
<b>1. Fixed assets</b>			
1.1. Intangible assets	124	85	41
1.2. Goodwill of subsidiaries	-	-	-
1.3. Tangible assets	305 153	245 081	265 504
1.4. Long-term receivables	-	-	-
1.5. Investment immovable property	1 481 387	1 400 398	1 201 278
1.6. Long-term financial assets	21 983	17 747	20 643
	16 831	15 613	14 704
1.7. Assets on account of deferred income tax			
	<b>1 825 478</b>	<b>1 678 924</b>	<b>1 502 170</b>
<b>2. Current assets</b>			
2.1. Inventory	163 791	170 595	173 196
2.2. Receivables on account of taxes	39 518	35 184	11 503
2.3. Receivables on account of deliveries and services, other receivables	13 646	13 794	6 452
2.4. Short-term financial investments	842	7 889	1 536
2.5. Accruals	4 756	831	3 877
2.6. Cash and cash equivalents	343 285	242 483	259 075
	<b>565 838</b>	<b>470 776</b>	<b>455 639</b>
<b>Assets total</b>	<b>2 391 316</b>	<b>2 149 700</b>	<b>1 957 809</b>
<b>Liabilities</b>			
<b>1. Equity</b>			
1.1. Equity capital allocated to shareholders of the dominant company	1 019 137	917 103	819 205
1.1.1. Initial capital	21 000	21 000	21 000
1.1.2. Supplementary capital	882 497	353 771	353 771
1.1.3. Profit (loss) carried forward	13 606	347 918	347 918
1.1.4. Profit (loss) of the accounting year	102 034	194 414	96 516
1.2. Minority capitals	12 150	18 145	1 550
	<b>1 031 287</b>	<b>935 248</b>	<b>820 755</b>
<b>2. Reserves</b>			
2.1. Reserve for deferred income tax	141 161	125 972	105 604
2.2. Other reserves	32 119	30 797	20 311
	<b>173 280</b>	<b>156 769</b>	<b>125 915</b>
<b>3. Long-term liabilities</b>			
3.1. Financial liabilities	962 622	685 010	682 647
3.2. Other liabilities	32 232	29 255	32 165
	<b>994 854</b>	<b>714 265</b>	<b>714 812</b>
<b>4. Short-term liabilities</b>			
4.1. Financial liabilities	49 093	152 992	141 622
4.2. Tax liabilities	12 390	57 499	9 120
4.3. Liabilities on account of deliveries and services	49 597	27 878	42 559
4.4. Other liabilities	80 815	105 049	103 026
	<b>191 895</b>	<b>343 418</b>	<b>296 327</b>
<b>Liabilities total</b>	<b>2 391 316</b>	<b>2 149 700</b>	<b>1 957 809</b>



Book value	1 019 137	917 103	819 205
Number of shares	10 500 000	10 500 000	10 500 000
Book value per one share (in PLN)	97,06	87,34	78,02
Diluted number of shares	10 500 000	10 500 000	10 500 000
Diluted book value per one share (in PLN)	97,06	87,34	78,02

OFF-BALANCE ITEMS in thousands PLN	balance as on 2006.06.30 end of quarter	balance as on 2005.12.31 end of previous year	balance as on 2005.06.30 end of quarter
1. Off-balance receivables	-	-	-
2. Off-balance liabilities	14 012	24 809	25 367

## 2. Condensed consolidated profit and loss account, in thousands PLN

	2nd quarter the period from 2006.04.01 to 2006.06.30	2 quarters the period from 2006.01.01 to 2006.06.30	2nd quarter the period from 2005.04.01 to 2005.06.30	2 quarters the period from 2005.01.01 to 2005.06.30
Operating income	93 443	184 362	55 048	112 227
Operating costs	(42 246)	(81 949)	(20 154)	(38 195)
<b>Gross profit (loss) on sales</b>	<b>51 197</b>	<b>102 413</b>	<b>34 894</b>	<b>74 032</b>
Profit (loss) on sales of real property	419	9 931	3 266	65 907
Revaluation of real property	54 719	98 196	16 999	16 988
Costs of sales	(2 151)	(4 433)	(2 072)	(4 073)
Overheads	(17 384)	(25 304)	(7 977)	(14 403)
Other operating income and costs	(5 146)	(11 658)	12 841	12 900
<b>Profit before tax and financial income/costs</b>	<b>81 654</b>	<b>169 145</b>	<b>57 951</b>	<b>151 351</b>
Financial income	3 970	6 373	1 021	3 636
Financial costs	(18 443)	(30 469)	(8 861)	(23 166)
Foreign exchange gains/losses	(12 180)	(17 905)	(3 474)	(6 990)
Revaluation of goodwill of subsidiaries	(5)	(5)	-	(3 073)
Shares in profits of associated companies	(7)	(7)	(7)	(7)
<b>Gross profit (loss)</b>	<b>54 989</b>	<b>127 132</b>	<b>46 630</b>	<b>121 751</b>
Income tax	(10 741)	(25 093)	(9 518)	(25 213)
<b>Net profit (loss)</b>	<b>44 248</b>	<b>102 039</b>	<b>37 112</b>	<b>96 538</b>
Profit (loss) allocated to minority shareholders	(1 002)	5	(397)	22
Profit (loss) allocated to shareholders of the dominant company	45 250	102 034	37 509	96 516
Net profit (loss) (annualized)		199 932		81 541
Weighted average number of ordinary shares		10 500 000		10 500 000



Profit (loss) per one ordinary share (in PLN)	19,04	7,77
Weighted average diluted number of ordinary shares	10 500 000	10 500 000
Diluted profit (loss) per one ordinary share (in PLN)	19,04	7,77

### 3. Condensed statement of changes in consolidated equity capital in thousands PLN

	Initial capital	Reserve capital	Profit (loss) carried forward	Profit (loss) of the current accounting year	Equity capital allocated to shareholders of the dominant company	Minority capitals	Equity capital total
<b>For 2 quarters (current year), period from 2006.01.01 to 2006.06.30</b>							
Balance at the beginning of the period	21 000	353 771	542 332		917 103	18 145	935 248
Corrections of basic errors					-		-
<b>Balance at the beginning of the period, after reconciliation to comparable data</b>	<b>21 000</b>	<b>353 771</b>	<b>542 332</b>	<b>-</b>	<b>917 103</b>	<b>18 145</b>	<b>935 248</b>
Distribution of profit/loss carried forward	-	528 726	(528 726)	-	-	(6 000)	(6 000)
Net profit (loss) of the current period	-	-	-	102 034	102 034	5	102 039
<b>Balance at the end of the period</b>	<b>21 000</b>	<b>882 497</b>	<b>13 606</b>	<b>102 034</b>	<b>1 019 137</b>	<b>12 150</b>	<b>1 031 287</b>
<b>For the previous year, period from 2005.01.01 to 2005.12.31</b>							
Balance at the beginning of the period	21 000	319 084	382 035	-	722 119	1 531	723 650
Changes in applied accounting principles (policy)	-	-	570	-	570	-	570
Corrections of basic errors	-	-	-	-	-	-	-
<b>Balance at the beginning of the period, after reconciliation to comparable data</b>	<b>21 000</b>	<b>319 084</b>	<b>382 605</b>	<b>-</b>	<b>722 689</b>	<b>1 531</b>	<b>724 220</b>
Distribution of profit/loss carried forward	-	34 687	(34 687)	-	-	-	-
Changes in minority shares	-	-	-	-	-	(4)	(4)
Net profit (loss) of the current period	-	-	-	194 414	194 414	16 618	211 032
<b>Balance at the end of the period</b>	<b>21 000</b>	<b>353 771</b>	<b>347 918</b>	<b>194 414</b>	<b>917 103</b>	<b>18 145</b>	<b>935 248</b>
<b>For 2 quarters (previous year), period from 2005.01.01 to 2005.06.30</b>							
Balance at the beginning of the period	21 000	319 084	382 035	-	722 119	1 531	723 650
Changes in applied accounting principles (policy)	-	-	570	-	570	-	570
Corrections of basic errors	-	-	-	-	-	-	-
<b>Balance at the beginning of the period, after reconciliation to comparable data</b>	<b>21 000</b>	<b>319 084</b>	<b>382 605</b>	<b>-</b>	<b>722 689</b>	<b>1 531</b>	<b>724 220</b>
Distribution of profit/loss carried forward	-	34 687	(34 687)	-	-	-	-
Changes in minority shares	-	-	-	-	-	(3)	(3)
Net profit (loss) of the current period	-	-	-	96 516	96 516	22	96 538
<b>Balance at the end of the period</b>	<b>21 000</b>	<b>353 771</b>	<b>347 918</b>	<b>96 516</b>	<b>819 205</b>	<b>1 550</b>	<b>820 755</b>



**4. Condensed consolidated cash flow account, in thousands PLN**

<b>Cash flow statement</b>	<b>2 quarters the period from 2006.01.01 to 2006.06.30</b>	<b>2 quarters the period from 2005.01.01 to 2005.06.30</b>
<b>A. Cash flows on operating activity – indirect method</b>		
<b>I. Net profit (loss)</b>	<b>102 039</b>	<b>96 538</b>
<b>II. Adjustments total</b>		
1. Share of associated companies in net (profit) loss	7	7
2. Depreciation of fixed assets	2 763	3 330
3. Revaluation of goodwill	5	3 073
4. Foreign exchange gains/losses	28 391	4 923
5. Interest and shares in profits (dividends)	21 020	17 376
6. (Profit) loss on investment activity	(105 218)	(63 916)
7. Change in reserves	19 424	(17 985)
8. Change in inventories	(47 386)	(44 434)
9. Change in receivables	130 509	22 182
10. Change in short-term liabilities, except for loans and credits	(142 118)	45 442
11. Change in accruals	(11 718)	(2 112)
12. Other adjustments	-	(4)
	<b>(104 321)</b>	<b>-32 118</b>
<b>III. Net cash flows from operating activity (I+/-II)</b>	<b>(2 282)</b>	<b>64 420</b>
<b>B. Cash flows on investment activity</b>		
<b>I. Income</b>		
1. Sales of intangible assets and fixed assets	163	33
2. Sales of investments in real property and in intangible assets	25 653	251 436
3. From financial assets	28 248	3 261
4. Other income from investments	-	-
	<b>54 064</b>	<b>254 730</b>
<b>II. Expenditure</b>		
1. Acquisition of intangible assets and fixed assets	(12 006)	(4 336)
2. Investments in real property and in intangible assets	(31 355)	(53 749)
3. On financial assets	(17 574)	-
4. Dividends and other shares in profits paid to minority	-	-
5. Other investment expenditure	(322)	(323)
	<b>(61 257)</b>	<b>(58 408)</b>
<b>III. Net cash flows on investment activity (I-II)</b>	<b>(7 193)</b>	<b>196 322</b>
<b>C. Cash flows on financial activity</b>		
<b>I. Income</b>		
1. Net income from issue of stocks (issue of shares) and other capital instruments, additional payments to capital	-	-
2. Loans and credits	208 163	134 131
3. Issue of debenture bonds	226 465	58 280
4. Other financial income	-	-
	<b>434 628</b>	<b>192 411</b>



**II. Expenditure**

1. Acquisition of own shares (stocks)	-	-
2. Dividends and other payments to owners	-	-
3. Expenses on account of profit distribution, other than payments to owners	-	-
4. Payments of loans and credits	(72 639)	(175 850)
5. Redemption of debenture bonds	(220 800)	(60 000)
6. On account of other financial liabilities	-	-
7. Payments of liabilities on account of financial lease contracts	(243)	(243)
8. Interest	(30 669)	(28 557)
9. Other financial expenses	-	-
	<b>(324 351)</b>	<b>(264 650)</b>
<b>III. Net cash flows on financial activity (I-II)</b>	<b>110 277</b>	<b>(72 239)</b>

**D. Net cash flows total (A.III+/-B.III+/-C.III)**

	<b>100 802</b>	<b>188 503</b>
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**E. Difference in cash balances, including:**

	<b>100 802</b>	<b>185 465</b>
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- change in cash balance on account of exchange rate gain/loss	-	(3 038)
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**F. Cash at the beginning of period**

	<b>242 483</b>	<b>73 610</b>
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**G. Cash at the end of period (F+/-D), including:**

	<b>343 285</b>	<b>259 075</b>
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- with limited disposability	-	-
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**5. Additional information to condensed consolidated report****5.1 Basic information**

Echo Investment S.A. (hereinafter 'the Company'), previously operating under the name of 'Echo Press' Sp. z o.o. , was registered in Kielce on July 23, 1992. The registered office of the Company is located in Kielce at 27 Zagnańska Street.

The main range of operation of Echo Investment Capital Group (hereinafter 'the Capital Group') consists in execution of facilities for rent and for sale.

The Capital Group performs its operations in Poland and is soon going to start its business in Hungary.

The presented statement refers to the six months' period expiring on June 30, 2006, with comparative data referring to the six months' period expiring on June 30, 2005. The statement is expressed in thousands Polish zlotys.

Shares of Echo Investment S.A., which is the dominant company, have been quoted on the Warsaw Stock Exchange since 1996.

**5.2 Principles applied during preparation of the quarterly report**

The consolidated statement of Echo Investment S.A. for the second quarter of the year 2006 has been prepared in accordance with the International Financial Reporting Standards, approved by the European Commission. Guidelines included in the IFRS no. 1 and IAS no. 34 have been applied in preparation of the statement. The rules of valuating assets and liabilities and determining the financial result were applied as on the balance day.

The management of the dominant company used its best knowledge in applying standards, interpretation, methods and principles of valuating the particular items of the condensed consolidated financial statement for the second quarter of the year 2006. Preparation of financial statements in accordance with the IFRS required making certain estimations and assumptions by the Management Board of the Company, which are reflected in these statements. Actual results may differ from these estimations. The presented financial data has not been verified by an auditor.

Key principles of assets and liabilities valuation and determination of financial result:

- Intangible assets are valuated according to acquisition prices and their balance values are reduced by depreciation and write-offs due to permanent loss in value.
- Goodwill of subsidiaries results from the presence of a difference between company acquisition cost and fair value of identifiable items of assets and liabilities of wholly and partially owned subsidiaries and associated companies. This difference is calculated as on the date of acquisition of a given company. Goodwill is analyzed for loss of value at least once a year.



- Fixed assets are valued and disclosed in the statement according to acquisition prices or production cost, reduced by depreciation and write-offs due to permanent loss in value. The costs pertaining to a fixed asset, which were borne after putting such asset in operation, refer to the profit and loss account, except for a situation where it is possible to prove that such costs resulted in an increase in expected future economic advantages on account of possessing the given fixed asset. In such case, the yielded costs increase the initial value of the fixed asset. Fixed assets are depreciated according to declining balance method and equally through tax rates. Fixed assets with acquisition prices lower than PLN 3.5 k are depreciated once in their full value under the date of purchase. For fixed assets that have permanently lost their economic usability, extraordinary depreciation write-offs are made.
- Fixed assets under construction are valued according to acquisition prices and production costs. This item includes costs that are directly related to an investment not yet completed. These include expenses incurred on acquisition of land property, expenditure on execution of buildings (mainly foreign services) and relevant financial costs.
- Investments in real property refer to such investments that are considered a source of income from lease rent and ones maintained with regard to an expected increase in their value. Real property is valued in fair value. The difference resulting from change in fair value is reflected in the profit and loss account for a given period.
- Shares in capital companies and other investments classified among fixed assets are valued according to acquisition prices reduced by write-offs on account of permanent loss in value.
- Loans granted are disclosed according to depreciated acquisition price, determined using effective interest rate method.
- The following are disclosed under inventories: semi-finished products and work in process, finished products and advances on deliveries. Inventories of non-current assets are valued according to values equivalent to the acquisition price of land property and costs of production of development activity products increased by activated financial costs but not higher than expected net sales price. Inventories related to long-term construction contracts are valued according to the guidelines of IAS No. 11 'Construction Contracts'.
- Receivables are disclosed in the balance sheet as amounts due, with due caution. Revaluation write-offs for receivables are made according to the following criteria:
  - for receivables aged over one year – for full value of receivables,
  - for receivables overdue over six months but not longer than one year – 50% of the value of receivables.

In certain justified cases, individual principles of calculating revaluation write-offs can be applied.

- Short-term investments are valued according to acquisition prices, accounting for write-offs due to permanent loss in value. Cash and cash equivalents include assets in the form of domestic monies, foreign currency and financial instruments, as well as other financial assets, particularly interest on loans granted if it falls due within 3 months from the report date. The same definition of cash applies to the cash flow statement.
- The following items are created on account of deferred tax: assets on account of deferred income tax and provision for income tax. These items are valued according to their justified estimated value. The provision is calculated with the tax rate to be valid in the following accounting period. Assets on account of deferred income tax on account of tax loss are established if settlement of such loss in the following years is certain of occurring.
- Share capital and reserve capital is valued in its nominal value. Reserves are established if the Company is under an existing obligation resulting from past events, it is probable that fulfillment of this obligation will result in the necessity of expensing funds that form economic benefits and it is possible to reliably estimate the value of such obligation. Reserves are particularly established for costs of executed investment projects, costs of bonuses, cash equivalents for unused holiday benefits and audit costs that have not been incurred but which fall on the current period, as well as for expected losses to be yielded in future periods.
- Long-term financial liabilities are valued with the 'depreciated cost of liabilities component' method, according to IAS 39. The risk and the possibility of early repayment of long-term liabilities is taken into consideration in the course of valuation. Particularly if the liability value calculated with the 'depreciated cost of liabilities component' method is lower than the value of liability subject to early repayment, then a reserve is established to cover the difference. Other liabilities are disclosed in the balance sheet as payable amounts.
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- The amount of the company social benefits fund is established on the basis of the Act on Company Social Benefits Fund (Journal of Laws of 1994, no. 43, item 163, as amended) and disclosed in the balance sheet in its nominal value, in the amount brought forward.
- Accrued income and costs are disclosed in their nominal value.
- Foreign currencies are valued as on the balance day, applying relevant exchange rates of PeKaO SA bank applicable as on the balance day.
- Financial result is determined on the basis of the profit and loss account, applying the accruals concept, matching principle, yield and precautionary principle, upon reducing gross profit by input income tax, write-offs on account of provision for transitional difference on account of income tax and other charges on the financial result. Financial result is determined using the multiple-step method.
  - a) The costs of production of products sold include yielded costs pertaining to the revenues in a given accounting year and costs not yet borne, booked according to the principle of matching revenues and costs.
  - b) With regard to long-term construction contracts, financial result is affected by estimated income, considering progress of investment execution as on the balance day, pursuant to the principles under IAS No. 11 'Construction Contracts'. Progress of investment execution is determined as the share of costs borne as on the balance day in total estimated investment costs. Revenues of the current period are established in the same proportion towards total estimated revenues. Own costs of sales of production consisting in execution of building contracts is disclosed according to the progress of investment execution.
  - c) Sales are valued on the basis of production costs, using one of the following two methods, depending on the types of projects:



- return ratio according to the sales contract, or average (calculated) return ratio assumed by the company;
  - percentage of such items as, for instance, sold area of land, sold shares, etc. (according to average prices)  
Own cost of sold premises and land is settled in proportion to sold shares in land.  
In certain justified cases it is acceptable to use the method of precise identification of actual costs of sold assets.
- d) The following factors also affect the financial result:
- in the range of other sales of products and services – income invoiced and due to the company and the relevant costs,
  - yielded costs of sales and overheads and costs not yet borne, booked according to the principle of matching revenues and costs,
  - profits and losses on sale of securities,
  - all financial income receivable by the company,
  - yielded and booked financial costs pertaining to the current period, except for costs activated according to an alternative solution presented in IAS 23 'Borrowing Costs'. The company activates the part of financial costs that is directly related to acquisition and production of assets disclosed as inventories and investments in progress. The following amount of costs is activated: interest, discount and commission reduced by income yielded from temporary deposition of funds (i.e. amounts of interest on bank deposits, except for deposits resulting from holds of accounts, L/C contracts). The structure of expenditure in the company is calculated as overheads, advances, loans granted, expenses on fixed assets, financial investments, intangible assets and non-activated inventories and expenses reduced by revenues from advances on activated projects. The amount of activated financial costs corresponding to the latter item is calculated proportionally. It is divided among specific inventory projects according to structure of expenses reduced by advances.
  - realized extraordinary profits and yielded extraordinary losses, covering only items not occurring in the course of normal economic activity.
- Cash flow statement is prepared according to indirect method.

### 5.3 Results of change in applied accounting principles (conversion of financial statements for the preceding periods), with description

Echo Investment S.A. Capital Group did not change its accounting principles in 2006.

### 5.4 Composition of the Echo Investment S.A. Capital Group

Echo Investment S.A., which is the owner of Group companies, plays the major part in the structure of the Capital Group through supervising, partnering in execution and providing funds for execution of current developer projects. The group companies have been established or acquired for the purpose of performing certain investment tasks. They do not engage in any type of business activity other than one involved in the realization process of a specific project, followed by provisions of lease services of already completed property components or other services. The Echo Investment S.A. Capital Group consists of 53 subsidiaries that are fully consolidated and 4 companies valued according to ownership rights method.

Fully consolidated companies:

- "Athina Park" Spółka z o.o. ['Athina Park' Limited Liability Company], having its registered seat in Kielce
- "Bioelektrownia Hydropol - 4" Spółka z o.o. ['Hydropol - 4 Bioelectric Power Plant' Limited Liability Company], having its registered seat in Kielce
- "Centrum Handlowe PHS" Spółka Akcyjna ['PHS Shopping Center' Joint Stock Company], having its registered seat in Szczecin
- "Echo Bau" Spółka z o.o. ['Echo Bau' Limited Liability Company], having its registered seat in Kielce
- "Echo - Centrum Bankowości i Finansów Łódź" Spółka z o.o. ['Echo Łódź Banking and Finance Center' Limited Liability Company], having its registered seat in Kielce
- "Echo - Centrum Biznesu Łódź" Spółka z o.o. ['Echo Łódź Business Center' Limited Liability Company], having its registered seat in Kielce
- "Echo - Pasaż Grunwaldzki" Spółka z o.o. ['Echo - Grunwaldzki Arcade' Limited Liability Company], having its registered seat in Kielce
- "Echo - Pasaż Grunwaldzki Sp. z o.o." Spółka komandytowa ['Echo - Grunwaldzki Arcade Limited Liability Company' Limited Company], having its registered seat in Kielce
- "Echo ACC" Spółka z o.o. ['Echo ACC' Limited Liability Company], having its registered seat in Kielce
- "Echo Centrum Ślichowice" Spółka z o.o. ['Echo Ślichowice Center' Limited Liability Company], having its registered seat in Kielce
- "Echo Investment - Centrum Gdynia" Spółka z o.o. ['Echo Investment - Gdynia Center' Limited Liability Company], having its registered seat in Kielce
- "Echo Investment - Centrum Handlowe Bełchatów" Spółka z o.o. ['Echo Investment - Bełchatów Shopping Center' Limited Liability Company], having its registered seat in Kielce



- "Echo Investment - Centrum Handlowe Jelenia Góra" Spółka z o.o. ['Echo Investment - Jelenia Góra Shopping Center' Limited Liability Company], having its registered seat in Kielce
- "Echo Investment - Centrum Handlowe Łomża" Spółka z o.o. ['Echo Investment - Łomża Shopping Center' Limited Liability Company], having its registered seat in Kielce
- "Echo Investment - Centrum Handlowe Olkusz" Spółka z o.o. ['Echo Investment - Olkusz Shopping Center' Limited Liability Company], having its registered seat in Kielce
- "Echo Investment - Centrum Handlowe Pabianice" Spółka z o.o. ['Echo Investment - Pabianice Shopping Center' Limited Liability Company], having its registered seat in Kielce
- "Echo Investment - Centrum Handlowe Piła" Spółka z o.o. ['Echo Investment - Piła Shopping Center' Limited Liability Company], having its registered seat in Kielce
- "Echo Investment - Centrum Handlowe Piotrków Trybunalski" Spółka z o.o. ['Echo Investment - Piotrków Trybunalski Shopping Center' Limited Liability Company], having its registered seat in Kielce
- "Echo Investment - Centrum Handlowe Przemyśl" Spółka z o.o. ['Echo Investment - Przemyśl Shopping Center' Limited Liability Company], having its registered seat in Kielce
- "Echo Investment - Centrum Handlowe Radom" Spółka z o.o. ['Echo Investment - Radom Shopping Center' Limited Liability Company], having its registered seat in Kielce
- "Echo Investment - Centrum Handlowe Rzeszów" Spółka z o.o. ['Echo Investment - Rzeszów Shopping Center' Limited Liability Company], having its registered seat in Kielce
- "Echo Investment - Centrum Handlowe Siemianowice Śląskie" Spółka z o.o. ['Echo Investment - Siemianowice Śląskie Shopping Center' Limited Liability Company], having its registered seat in Kielce
- "Echo Investment - Centrum Handlowe Świętochłowice" Spółka z o.o. ['Echo Investment - Świętochłowice Shopping Center' Limited Liability Company], having its registered seat in Kielce
- "Echo Investment - Centrum Handlowe Tarnów" Spółka z o.o. ['Echo Investment - Tarnów Shopping Center' Limited Liability Company], having its registered seat in Kielce
- "Echo Investment - Centrum Handlowe Tczew" Spółka z o.o. ['Echo Investment - Tczew Shopping Center' Limited Liability Company], having its registered seat in Kielce
- "Echo Investment - Centrum Handlowe Zamość" Spółka z o.o. ['Echo Investment - Zamość Shopping Center' Limited Liability Company], having its registered seat in Kielce
- "Echo Investment - Centrum Handlowo-Usługowo-Rozrywkowe Gliwice" Spółka z o.o. ['Echo Investment - Gliwice Shopping, Service and Entertainment Center' Limited Liability Company], having its registered seat in Kielce
- "Echo Investment - Centrum Handlowe Kielce" Spółka z o.o. ['Echo Investment - Kielce Shopping Center' Limited Liability Company], having its registered seat in Kielce
- "Echo Investment Hungary Ingatlanhasznosító Kft.", having its registered seat in Budapest
- "Echo Investment Projekt 1" S.R.L., having its registered seat in Bucharest
- "Est On Property Management" Spółka z o.o. ['Est On Property Management' Limited Liability Company], having its registered seat in Kielce
- "Hotel Investment" Spółka z o.o. ['Hotel Investment' Limited Liability Company], having its registered seat in Kielce
- "Hotel Investment Sp. z o.o." Spółka komandytowa ['Hotel Investment Limited Liability Company' Limited Company], having its registered seat in Kielce
- "Kieleckie Centrum Handlowo-Rozrywkowe Echo" Spółka z o.o. ['Echo Shopping and Entertainment Center of Kielce' Limited Liability Company], having its registered seat in Kielce
- "Malta Office Park" Spółka z o.o. ['Malta Office Park' Limited Liability Company], having its registered seat in Kielce
- "MDP" Spółka z o.o. ['MDP' Limited Liability Company], having its registered seat in Kielce
- "Piomot Auto" Spółka z o.o. ['Piomot Auto' Limited Liability Company], having its registered seat in Kielce
- "Princess Boryszewska" Spółka z o.o. ['Princess Boryszewska' Limited Liability Company], having its registered seat in Kielce
- "Princess Investment" Spółka z o.o. ['Princess Investment' Limited Liability Company], having its registered seat in Kielce
- "Projekt 3" Spółka z o.o. ['Project 3' Limited Liability Company], having its registered seat in Warsaw
- "Projekt - Echo 17" Spółka z o.o. ['Project - Echo 17' Limited Liability Company], having its registered seat in Kielce
- "Projekt - Echo 30" Spółka z o.o. ['Project - Echo 30' Limited Liability Company], having its registered seat in Kielce
- "Projekt - Echo 32" Spółka z o.o. ['Project - Echo 32' Limited Liability Company], having its registered seat in Kielce
- "Projekt - Echo 34" Spółka z o.o. ['Project - Echo 34' Limited Liability Company], having its registered seat in Kielce
- "Projekt - Echo 37" Spółka z o.o. ['Project - Echo 37' Limited Liability Company], having its registered seat in Kielce
- "Projekt - Echo 39" Spółka z o.o. ['Project - Echo 39' Limited Liability Company], having its registered seat in Kielce
- "Projekt Naramowice" Spółka z o.o. ['Project Naramowice' Limited Liability Company], having its registered seat in Kielce
- "Projekt S" Spółka z o.o. ['Project S' Limited Liability Company], having its registered seat in Kielce
- "Szczecin - Projekt Echo 32 spółka z ograniczoną odpowiedzialnością" ['Szczecin - Project Echo 32 Limited Liability Company'] limited company, having its registered seat in Kielce, formerly "Echo Investment - Centrum Handlowo-Rozrywkowe Szczecin" sp. z o.o. ['Echo Investment - Szczecin Shopping and Entertainment Center' Limited Liability Company], having its registered seat in Kielce
- "WAN 11" Spółka z o.o. ['WAN 11' Limited Liability Company], having its registered seat in Warsaw
- "Wygledów" Spółka z o.o. ['Wygledów' Limited Liability Company], having its registered seat in Kielce
- "Zakłady Ogrodnicze Naramowice" Spółka z o.o. ['Naramowice Gardening Enterprise' Limited Liability Company], having its registered seat in Kielce

Companies valued according to ownership rights method:



- "SPC" Spółka Akcyjna ['SPC' Joint Stock Company], having its registered seat in Warsaw,
- "W.A. Hotele" Spółka z o.o. ['W.A. Hotels' Limited Liability Company], having its registered seat in Warsaw
- "WAN Invest" Spółka z o.o. ['WAN Invest' Limited Liability Company], having its registered seat in Warsaw
- "Zakłady Ogrodnicze Naramowice" Spółka z o.o. ['Naramowice Gardening Enterprise' Limited Liability Company], having its registered seat in Kielce

All wholly and partially owned subsidiaries and affiliated companies are covered by the range of consolidation. The dominant company owns 100% of basic capital, directly or indirectly, in all fully consolidated subsidiaries. In partially owned subsidiaries, the dominant Company is the owner of the following respective shares:

- 'WAN 11' Sp. z o.o. [Co., Ltd.] - 50% of basic capital and 50% of voting rights at the general meeting.
- 'Projekt S' Sp. z o.o. [Co., Ltd.] - 63% of basic capital and 63% of voting rights at the general meeting.

Capital relationships within the Capital Group concern the following:

- a) "Piomot - Auto" Sp. z o.o., holding 15.88% of basic capital of "Echo - Centrum Piotrków Trybunalski" Sp. z o.o.;
- b) "Zakłady Ogrodnicze Naramowice" Sp. z o.o., holding 99,8% of basic capital of "Projekt Naramowice" Sp. z o.o.;
- c) "Echo Investment - Centrum Handlowo - Rozrywkowe Kielce" Sp. z o.o., holding:
  - 99.99% of basic capital of "Kieleckie Centrum Handlowo - Rozrywkowe Echo Sp. z o.o.",
  - 100% of basic capital of "Princess Boryszewska" Sp. z o.o.
- e) "Projekt - Echo 37" Sp. z o.o., holding 0,001% of basic capital of "Echo Investment - Centrum Handlowe Świętochłowice" Sp. z o.o.;
- f) "Echo - Pasaż Grunwaldzki" Sp. z o.o., holding 1% of share of "Echo - Pasaż Grunwaldzki" Sp. z o.o.;
- g) "Hotel Investment" Sp. z o.o., holding 1% of share of "Hotel Investment Sp. z o.o." Limited Company;
- f) "Projekt - Echo 32" Spółka z o.o., holding 1% of share of "Szczecin - Projekt Echo 32 Sp. z o.o." Limited Company
- i) "Projekt - Echo 17" Sp. z o.o., holding the following respective shares of basic capital of:
  - 1.00% of capital of "Wyględów" Sp. z o.o.,
  - 1.00% of capital of "Projekt - Echo 37" Sp. z o.o.,
  - 1.00% of capital of "Projekt - Echo 39" Sp. z o.o.,
  - 1.00% of capital of "Project 3" Sp. z o.o.,
  - 1.00% of capital of "Echo ACC" Sp. z o.o.,
  - 1.00% of capital of "Projekt - Echo 30" Sp. z o.o.,
  - 1.00% of capital of "Projekt - Echo 32" Sp. z o.o.,
  - 1.00% of capital of "Echo - Pasaż Grunwaldzki" Sp. z o.o.,
  - 1.00% of capital of "Projekt - Echo 34" Sp. z o.o.,
  - 1.00% of capital of "Est On Property Management" Sp. z o.o.,
  - 0,05% of capital of "Hotel Investment" Sp. z o.o.,
  - 0,03% of capital of "Malta Office Park" Sp. z o.o.,
  - 0,02% of capital of "Echo Centrum Ślichowice" Sp. z o.o.,
  - 0,02% of capital of "Echo - Centrum Biznesu Łódź" Sp. z o.o.,
  - 0,02% of capital of "Projekt Naramowice" Sp. z o.o.,
  - 0,01% of capital of "Echo Investment - Centrum Handlowe Tczew" Sp. z o.o.,
  - 0,01% of capital of "Echo Investment - Centrum Handlowe Piła" Sp. z o.o.,
  - 0,01% of capital of "Echo Investment - Centrum Handlowe Zamość" Sp. z o.o.,
  - 0,01% of capital of "Echo Investment - Centrum Handlowo-Rozrywkowe Gliwice" Sp. z o.o.,
  - 0,009% of capital of "Echo Investment - Centrum Handlowe Siemianowice Śląskie" Sp. z o.o.,
  - 0,008% of capital of "Athina Park" Sp. z o.o.,
  - 0,007% of capital of "Echo Investment - Centrum Handlowe Łomża" Sp. z o.o.,
  - 0,006% of capital of "Echo Investment - Centrum Handlowe Bełchatów" Sp. z o.o.,
  - 0,006% of capital of "Echo Investment - Centrum Handlowe Rzeszów" Sp. z o.o.,
  - 0,005% of capital of "Echo Investment - Centrum Handlowe Olkusz" Sp. z o.o.,
  - 0,005% of capital of "Echo Investment - Centrum Gdynia" Sp. z o.o.,
  - 0,004% of capital of "Echo Investment - Centrum Handlowe Pabianice" Sp. z o.o.,
  - 0,004% of capital of "Echo Investment - Centrum Handlowe Radom" Sp. z o.o.,
  - 0,004% of capital of "MDP" Sp. z o.o.,
  - 0,004% of capital of "Echo Investment - Centrum Handlowe Tarnów" Sp. z o.o.,
  - 0,002% of capital of "Echo Investment - Centrum Handlowo-Rozrywkowe Kielce" Sp. z o.o.,

Other shares in the above mentioned companies are held by 'Echo Investment' S.A.

On April 27, 2006 the District Court in Budapest registered a subsidiary: Echo Investment Hungary Ingatlanhasznosító Kft., seated in Budapest. The company is 100% owned by Echo Investment S.A.

On June 29, 2006 "Szczecin - Projekt Echo 32 spółka z ograniczoną odpowiedzialnością" ['Szczecin - Project Echo 32 Limited Liability Company'] Limited Company was registered. The company was formed through transformation of "Echo Investment - Centrum Handlowo-Rozrywkowe



Szczecin Sp. z o.o.” [‘Echo Investment – Szczecin Shopping and Entertainment Center’ Limited Liability Company], the latter being deleted from the National Court Register.

### 5.5 Explanations concerning seasonal or cyclical quality of the issuer’s activity during the presented period

The operations of Echo Investment S.A. Capital Group cover numerous segments of the real estate market. Therefore, seasonality or cyclicity of yielded income or results is highly diversified. Consolidated income on sales is to a significant extent generated from lease of commercial surfaces (shopping centers, offices) and supplemented by other types of activity: sale of apartments, general contractor’s services, real estate management and turnover, other minor ranges of activity. The available portfolio of assets for lease, systematic execution and sale of residential project, along with other ranges of activity, to a significant extent ensure comparable incomes in each quarter. The Management Board cannot exclude other singular events that can affect the results yielded in a given period.

### 5.6 Information about issuance, redemption and repayment of debt and capital securities

Apart from own funds and loans, the current operations of the Capital Group are also financed through issuance of debt financial instruments. Under a Bonds Issuance Program signed with BRE Bank S.A., seated in Warsaw, on May 23, 2006 the Company issued voucher bonds for a total value of PLN 100 million. The nominal value and issue price of a single bond is PLN 100 k. The bonds have been issued for a period of seven years. Bonds redemption date shall be May 25, 2013. Interest is payable every six months, based on WIBOR 6M rate plus investors’ margin. On the redemption date, the bonds shall be redeemed for the nominal value of the bonds. The issued bonds are not secured.

The dominant company – Echo Investment S.A. – is currently implementing active programs of issuance of long-term and short-term financial instruments (bonds). Information about issuance, redemption and repayment of such instruments is contained in the enclosed cash flow statement.

### 5.7 Information about paid (or declared) dividend, total and per one share, divided into ordinary and preference shares

The dominant company – Echo Investment S.A. – did not pay any dividend in the previous years nor declare payment of such in the nearest future.

### 5.8 Specification of events occurring after the condensed quarterly financial statement date, not disclosed in the statement but capable of significantly affecting future financial results of the issuer

Such events did not occur.

### 5.9 Specification of results of changes in the structure of the business entity, including ones resulting from mergers, takeover or sale of Capital Group companies, long-term investments, division, restructuring or discontinuation of operations.

Such events did not occur.

### 5.10 Information about changes in contingent liabilities or contingent assets that occurred after the end of the last financial year

Certain changes have occurred in contingent liabilities since the expiry of the last financial year, as follows:

1. Bank guarantee of good and timely performance of contract as of June 29, 2001 to BPH S.A., 1st Branch in Kielce, with reference to the Contract for Construction Works signed with ‘Dipservice’ and concerning a building in Warsaw, Wiśniowa Street, for an amount of PLN 534 k, has expired.
2. Bank guarantee of timely delivery of the subject of lease by ‘WAN 11’ Sp. z o.o. to Polkomtel S.A. for Bank Przemysłowo Handlowy PBK S.A. for an amount of EUR 2,000 k has expired.
3. Guarantee on account of failure to execute or improper execution of construction works as of May 31, 2004 to Qubus Hotel System Sp. z o.o., granted by T.U. Allianz Polska S.A., has expired. The value of guarantee was 194 k USD.



## 5.11 Description of the issuer's significant achievements or failures

During the 2nd quarter of the year 2006, Echo Investment S.A. and Capital Group companies realized projects initiated in the previous years and became involved in new investments in the segments described below:

### Polish market

#### Segment of shopping centers and commercial and entertainment centers

Shopping centers built by the Capital Group operate in more than ten larger cities in Poland. The stability of the market of shopping areas is due to high market demand, possibility of adapting to the requirements of specific clients and high diversification of industries.

Domestic and international shopping chains, as well as local companies are tenants of commercial areas in these buildings. Key tenants in shopping centers include: Carrefour, Tesco, Geant, Ahold, Champion, Nomi, Multikino, Silver Screen ITI Neovision, RTV Euro AGD, Empik, Douglas, Saturn Planet, Supermarkety Drogerijne Rossman and other chain brands.

Implementation of the Company's largest project, i.e. an advanced shopping, entertainment and service center called Pasaż Grunwaldzki [Grunwaldzki Arcade], located in Wrocław, Grunwaldzki Square, was continued during the 2<sup>nd</sup> quarter of 2006. The Company has obtained a valid substitute permit for construction of an additional storey in the center's building in Wrocław. Realization of this permit has begun. Commercialization of the project also progressed. Contracts have been made with further tenants. As at the end of the 2nd quarter of the year, the Company let ca. 96% of the area of the center. The anticipated area for rent is about 47,900 square meters. The anticipated opening date of the center falls at the beginning of the year 2007.

In June, a subsidiary named Echo Pasaż Grunwaldzki Spółka z Ograniczoną Odpowiedzialnością [Echo – Grunwaldzki Arcade Limited Liability Company] Limited Company acquired the perpetual usufruct right of immovable property and ownership right to buildings and a structure situated in Wrocław at M. Curie Skłodowskiej Street, with an area of 6,826 square meters. This is a land plot adjoining Pasaż Grunwaldzki and complementing the area owned by the Company. The plot will be dedicated to erection of a shopping, entertainment and office building, to become incorporated in Pasaż Grunwaldzki in the future.

The Company continued realization of a project of a shopping and entertainment center called Pasaż Świętokrzyski, located in Kielce, Ślichowice Estate (area of 13,200 square meters). E.Leclerc superstore will be opened in the realized center. Contracts have also been made with other tenants. As at the end of the 2nd quarter of the year, the Company let 99% of the area of the center. Completion of the investment is anticipated in the 4<sup>th</sup> quarter of 2006.

Realization of erection of shopping centers in Łomża and Lublin supplements the portfolio of commercial areas with simultaneous improvement of quality and advancement of the Company's offer. In 2005, long-term contracts of lease of commercial areas were signed with major tenants. In the Shopping Center in Łomża, which is currently under preparation, the REAL superstore will be opened, with an approximate area of 8,500 square meters. The Company is expecting completion of administrative procedures.

Construction of shopping and entertainment centers is financed in cooperation with Bank BPH S.A., Bank PeKaO S.A., Eurohypo A.G., ING Bank Śląski S.A. and Kredyt Bank S.A.

Future operations of Capital Group companies will focus on execution of new projects, followed by an increase of the portfolio of commercial areas for lease.

#### Segment of office areas

In the office investments segment, Echo Investment S.A. Capital Group has completed facilities for lease in the largest cities in Poland: Warsaw, Łódź and Cracow. The Group is executing new investments and acquiring projects already functioning in the market. Its offer covers office buildings of various standards, including top class.

Although this market segment is highly competitive, the Group's projects ensure stable income from long-term lease contracts due to location and appropriate standards.

Office areas are leased to such recognized companies as Nordea SA, BRE Bank SA, Bank PeKaO SA, Bank Zachodni WBK SA, Polkomtel SA, Deutsche Leasing, Impel SA, Colgate-Palmolive, Philips, Porr Polska, Modzelewski & Rodek, Roche Diagnostic Polska, and others.

During the second quarter of the year 2006, the Company was executing an investment consisting in a complex of office buildings in Kielce at Al. Solidarności Street (net area of the buildings approx. 20,000 square meters). The project assumes realization of three six-storey buildings. In June, a contract for erection of core and shell of a complex of office buildings was signed with Mitex S.A. The anticipated completion date of investment falls in the 3<sup>rd</sup> quarter of 2007.

The process of designing and preparing realization of a set of office buildings with multi-storey underground parking lot was also carried out on a real property situated in Warsaw at 21 Postępu Street (area ca. 30,000 square meters). In June, a contract was made with Biuro Projektowe APA Wojciechowski Sp. z o.o. [APA Wojciechowski Designs Limited Liability Company] in Warsaw for execution of designing works related to the said



complex of office buildings. The anticipated commencement date of investment falls in the 1<sup>st</sup> quarter of 2007 and completion date in the 3<sup>rd</sup> quarter of 2008.

The process of preparing and realization of the 'Malta Office Park' office complex in Poznań was also carried out (usable area exceeding 25,000 square meters). Execution of the investment should commence during the 4<sup>th</sup> quarter of the year 2006. First stage of construction is expected to complete in the 4<sup>th</sup> quarter of the year 2007. The anticipated realization date of investment falls in the 1<sup>st</sup> quarter of 2007.

Office projects are financed in cooperation with Eurohypo A.G., Bank PeKaO S.A., RheinHyp BRE Bank Hipoteczny SA and ING Bank Śląski S.A.

The situation in the market of office property has improved since Poland's accession to the European Union, which was reflected in improved condition and dynamic development of many companies and, consequently, in increased demand for office space. This contributes to stabilization of lease rent rates level and increase of the leased-area ratio.

The good perspectives are noticeable in the Warsaw market and in regional markets, such as Łódź, Poznań, Cracow, Wrocław, which is due to high interest of international corporations in moving certain parts of their operations to Poland.

### **Segment of hotels**

The Group's long experience and recognized partners provide good grounds for the company's operations on the market of hotels. During the preceding years, Echo Investment S.A. dealt with complex realization of hotels for key clients, acting as a general contractor of investments. The Capital Group's projects in the hospitality industry were executed in cooperation with international hotel chains: with the French chains of hotels Accor and Envergue, and with the Qubus group of Norway. Realized hotels operate in Warsaw, Cracow, Szczecin, Łódź, Poznań, Częstochowa, Zabrze, Gliwice.

During the 2<sup>nd</sup> quarter of 2006, the Company continued the process of realizing a four-star Qubus hotel in Cracow (196 rooms, 10,500 square meters of usable area) and of a three-star hotel for the same client commenced, in the very center of Kielce (90 rooms, 3,600 square meters of usable area). The company signed 25-year contracts of lease of both hotels with Qubus Hotel System. The anticipated completion dates of hotels are: June 2006 for the Cracow project and September 2006 for the Kielce project, respectively.

During the last few months, economic trends in the hospitality market have been improving. This tendency, considering Echo Investment S.A.'s experience gained during execution of hotels for international operators, provides good perspectives for growth in the segment of commercial property.

### **Housing segment**

In the residential sector, Echo Investment S.A. Capital Group realizes investments from luxury apartment complexes, through high- and medium-standard residential buildings, to single-family houses estates.

During the 1<sup>st</sup> quarter of 2006, works were continued on execution of housing investments in Warsaw. Erection of the 2<sup>nd</sup> stage of the Inflancka Housing Estate was continued. 134 apartments are expected to be delivered to users during the 1<sup>st</sup> quarter of the year 2007. 2<sup>nd</sup> stage of investment at Zwycięzców Street (232 apartments) was also realized. The anticipated completion date of investment falls in the 1<sup>st</sup> quarter of 2008.

Realization of the 3<sup>rd</sup> stage of Inflancka Housing Estate has also begun (net area of 6,500 square meters). The anticipated completion date of the latter housing estate falls in the 3<sup>rd</sup> quarter of 2008.

Construction works were also performed in Poznań. Stage II of the Naramowice Housing Estate (143 apartments) was realized. Anticipated completion date of the Poznań investment falls in the 2<sup>nd</sup> quarter of the year 2008. Preparation of realization of the 3<sup>rd</sup> stage of Małe Naramowice Housing Estate in Poznań has also begun (net area of 14,000 square meters). The completion of these investments is anticipated in the 4<sup>th</sup> quarter of 2008.

The Company is preparing realization of two luxury apartment towers in Cracow with total area of 4,300 square meters. A 4-storey building with an area of 1,3 thousand square meters (17-18 apartments) will be built at Kilińskiego Street. This building, which was designed by The Blok office, will be put to use in the 2<sup>nd</sup> quarter of 2008. At the end of 2008, the Company is going to complete realization of a housing investment in the Wola Justowska district. This building, designed by Oleksy&Polaczek office, will have an area of about 3,000 square meters. (47 apartments).

Projects of residential buildings are currently under preparation: in Warsaw at Kazimierzowska Street (net area of 5,600 square meters) and in Poznań at Wojskowa Street (net area is about 16,000 square meters). Anticipated completion date of these buildings falls at the end of 2008.

In May 2006, the Company acquired the right of perpetual usufruct to immovable property located in Cracow at Krasickiego Street, with an area exceeding 3,300 square meters. The Company intends to realize a residential and service facility in the purchased area.

In June 2006, the Company acquired immovable property in Poznań at Litewska Street and Grudzieniec Street, with an area exceeding 17,000 square meters. The Company intends to realize an estate of city-specific multi-family houses (the area for sale is about 7,000 square meters).

Demand for flats and apartments keeps increasing and investment perspectives in the housing market are very optimistic, particularly in large cities. At present, the Company's projects are realized in the following markets: Warsaw, Cracow and Poznań. Echo Investment S.A. has its stable offer of sale of apartments in various price ranges in each of these markets.



## Foreign market

In 2005, the Company began studying and recognition of the legal status of foreign markets. Within the range of its foreign operations, the Company intends to collaborate with local partners. Investments in foreign markets are going to be concerned with the main segments of Echo Investment S.A. Capital Group's operations.

## Hungary

On June 12, 2006, as a result of completed tender procedure, Echo Investment SA (the Buyer) signed a conditional agreement of purchase of real property with the Local Government of the 14<sup>th</sup> District of the Capital City of Budapest – Buglo in Hungary (the Seller). The object of the agreement is the real property – land plot situated in the 14<sup>th</sup> District of Budapest – Zuglo with the area of 6.84 ha. Echo Investment S.A. intends to realize a modern multifunctional project on the purchased land. The condition of entry into force of this agreement is that the Local Government of the city of Budapest waives its first right of refusal. The value of the agreement was HUF 4.0 billion which, according to the average exchange rate of the National Bank of Poland, is an equivalent of PLN 59.94 million. The assets shall be financed with Echo Investment SA's own funds.

The Company's policy relies on diversification of geographic locations and sector-based diversification of its portfolio. The Company intends to focus its operations primarily on commercial projects segment in the area of Central and Eastern Europe.

### 5.12 Factors and events, particularly ones that are extraordinary in nature, having a significant impact on the achieved financial results

Revaluation of fair value of real property owned by the Capital Group, which was performed during the 1<sup>st</sup> quarter of 2006, accounting for a change in exchange rates of EUR and USD (q/ q) also had a significant impact on the financial result. Another factor affecting the gained result was the income earned from sales of housing projects and rental of commercial space.

### 5.13 Structure of revenues

Echo Investment S.A. Capital group yields revenues from lease of its commercial areas, sales of apartments, realization of buildings and provision of real property management services. The structure of yielded revenues is as follows:

#### - lease of areas shopping centers and commercial and entertainment centers

Revenues from lease services are generated from lease of areas in shopping centers and shopping/entertainment centers. Consolidated revenues yielded on this account at the end of the 2<sup>nd</sup> quarter of 2006 constituted 39,8% of net income from sales.

#### - sale and lease of residential and commercial space

The main source of income in this segment is the sale of apartments and, to a lesser extent, sale of commercial areas (shopping areas, offices and other premises situated within multifunctional housing projects). Revenues yielded on this account constituted approx. 41,3% of all consolidated income from sales of products.

#### - realization and lease of areas in office and hotel facilities

Revenues from lease services are generated from lease of areas in office and hotel buildings owned by individual subsidiaries. Consolidated revenues yielded on this account and on account of realization of investments at the end of the 2<sup>nd</sup> quarter of 2006 constituted approx. 15,1% of net income from sales in 2005.

#### - other income:

Other sources of income include income earned on legal, accounting and consulting services related to service provision for subsidiaries. Property management also forms a portion of incomes. As at the end of the 2<sup>nd</sup> quarter of the year, this income made up 3.8% of the total.

Specification	Balance at the end of the 2nd quarter of 2006	Balance at the end of the 1st quarter of 2006
Lease of areas shopping centers and commercial and entertainment centers	39,8%	40,5%
Sale and lease of residential areas	41,3%	41,3%
Realization and lease of areas in office and hotel facilities	15,1%	15,2%
Other income	3,8%	3%
<b>Net income on sales of products total</b>	<b>100%</b>	<b>100%</b>



## 5.14 Selected financial data

	PLN k		EUR k	
	2 quarters accrued the period from 01.01.2006 do 30.06.2006	2 quarters accrued the period from 01.01.2005 to 30.06.2005	2 quarters accrued the period from 01.01.2006 do 30.06.2006	2 quarters accrued the period from 01.01.2005 to 30.06.2005
I. Operating income	184 362	112 227	47 270	27 950
II. Profit before tax and financial income/costs	169 145	151 351	43 368	37 694
III. Gross profit (loss)	127 132	121 751	32 596	30 322
IV. Net profit (loss)	102 034	96 516	26 161	24 037
V. Net cash flows on operating activity	(2 282)	64 420	(585)	16 044
VI. Net cash flows on investment activity	(7 193)	196 322	(1 844)	48 893
VII. Net cash flows on financial activity	110 277	(72 239)	28 275	(17 991)
VIII. Net cash flows total	100 802	188 503	25 846	46 946
IX Assets total	2 391 316	1 957 809	591 412	484 594
X. Equity capital allocated to shareholders of the dominant company	1 019 137	819 205	252 050	202 768
XI. Long-term liabilities	994 854	714 812	246 044	176 929
XII. Short-term liabilities	191 895	296 327	47 459	73 346
XIII. Number of shares	10 500 000	10 500 000	10 500 000	10 500 000
XIV. Profit (loss) per one ordinary share (in PLN/EUR)	19,04	7,77	4,88	1,93
XV. Diluted profit (loss) per one ordinary share (in PLN/EUR)	19,04	7,77	4,88	1,93
XVI. Book value per one share (in PLN/EUR)	97,06	78,02	24,00	19,31
XVII. Diluted book value per one share (in PLN/EUR)	97,06	78,02	24,00	19,31



### 5.15 Ownership structure of significant packs of the issuer's shares

The following shareholders, directly or indirectly through subsidiaries, had at least 5% of the total number of votes at the general meeting of Echo Investment S.A. as on August 9, 2006:

Shareholder	Number of shares (pcs.)**	% of initial capital of Echo Investment S.A.	Number of votes at the General Meeting of Shareholders of Echo Investment S.A.**	% of total number of votes at the General Meeting of Shareholders of Echo Investment S.A.
Michał Solowow (directly and indirectly)	17 236 536	41,04%	17 236 536	41,04%
OFE ING Nationale – Nederlanden Polska*	4 160 000	9,90%	4 160 000	9,90%
OFE PZU Złota Jesień PTE*	3 709 372	8,83%	3 709 372	8,83%
Commercial Union PTE*	3 226 016	7,68%	3 226 016	7,68%
Artur Kloczko	2 104 276	5,01%	2 104 276	5,01%

\*Balance according to the structure of investment portfolios of the OFEs (Open Pension Funds) as on 30.12.2005

\*\* Numbers of shares and votes after the National Deposit of Securities Joint Stock Company (KDPW SA) made a split of shares in proportion of 1:4 on August 2, 2006

### 5.16 Statement of changes in the ownership status of the issuer's shares or options by persons managing and supervising the issuer, according to information available to the issuer, during the period following presentation of the previous quarterly report

Pursuant to Resolution no. 19, passed by the Ordinary General Meeting of Shareholders of Echo Investment SA on May 30, 2006 on split of shares, the District Court in Kielce, on July 11, 2006 10<sup>th</sup> Economic Department of the National Court Register modified an entry in the Company Articles concerning a split of 10,500,000 shares of the Company in the proportion of 1:4, without a change in the value of the Company's initial capital. The number of shares after the split was 42,000,000 ordinary bearer shares. On August 2, 2006 the National Deposit of Securities Joint Stock Company (KDPW SA) incorporated the shares in the deposit of securities.

According to information available to the issuer, changes in the ownership status of the issuer's shares or options by persons managing and supervising the issuer during the period following presentation of the previous quarterly report are presented in the table below:

Managers	balance as on 09.08.2006*	balance as on 15.05.2006
Andrzej Majcher, President of the Management Board,	10,080 shares*	2,520 shares
Jarosław Grodzki, Vice-President of the Management Board	did not hold any shares	did not hold any shares
Piotr Gromniak, Member of the Management Board	did not hold any shares	did not hold any shares
Artur Langner, Member of the Management Board	did not hold any shares	did not hold any shares
Supervisors	balance as on 09.08.2006*	balance as on 15.05.2006
Wojciech Ciesielski, Chairman of the	144,000 shares*	36,000 shares



Supervisory Board,		
Mariusz Waniółka, Deputy Chairman of the Supervisory Board,	did not hold any shares	did not hold any shares
Karol Żbikowski, Member of the Supervisory Board.	did not hold any shares	did not hold any shares
Robert Oskard, Member of the Supervisory Board,	did not hold any shares	did not hold any shares
Kamil Latos, Member of the Supervisory Board,	did not hold any shares	did not hold any shares
Tomasz Kalwat, Member of the Supervisory Board	did not hold any shares	did not hold any shares

*\*\* balance of shares after the National Deposit of Securities Joint Stock Company (KDPW SA) made a split of shares in proportion of 1:4 on August 2, 2006*

#### 5.17 Information about court proceeding

During the period from 01.01.2006 to 30.06.2006, no proceedings were instigated before a court or a public administration authority concerning liabilities or receivables of Echo Investment S.A. or its subsidiaries, whose joint value constitutes at least 10% of equity capitals of Echo Investment S.A.

#### 5.18 Opinion of the management board concerning the possibilities of realizing the previously published estimations of results for a given year in view of the results presented in the quarterly report compared to estimated results

The Management Board of Echo Investment S.A. did not publish any financial estimations referring to the dominant entity or to the Capital Group.

#### 5.19 Information about transactions with affiliated companies

During the period from 01.01.2006 to 30.06.2006, neither Echo Investment S.A. nor its subsidiaries entered into any transaction with affiliated companies that would be considered extraordinary or differing from market conditions and whose value would exceed the PLN equivalent of EUR 500,000.

#### 5.20 Information about granted guarantees

On June 20, 2006 the Company granted a conditional surety for the liabilities of Echo – Pasaż Grunwaldzki Spółka z ograniczoną odpowiedzialnością Sp. k. (the Borrower) on account of the loan agreement signed with Bank Eurohypo AG, seated in Eschborn, Germany (the Lender). The surety was granted to a maximum amount of EUR 13,000,000, which equals PLN 52,538,200 as on the day of granting the surety. The surety shall possibly enter into force no earlier than as from June 30, 2007 and expire no later than on June 30, 2013. The loan is designed for financing or refinancing the costs of construction of the Pasaż Grunwaldzki [Grunwaldzki Arcade] Shopping and Entertainment Center, situated in Wrocław at Grunwaldzki Square, and for financing current operations of the Borrower.

#### 5.21 Specification of factors that, according to the issuer, shall affect its results in the perspective of at least the nearest quarter of a year

The following factors shall affect financial results achieved by Echo Investment S.A. Capital Group during the forthcoming periods: regular income from lease contracts, progress of execution, lease and sale of currently built commercial and housing investments. Other important aspects shall include the situation in the financial market and general economic trends in Poland and in Hungary, where the Company is going to commence its operations.



**6. Mid-year individual financial statement, in thousands PLN, as on and for a period of six months expiring on 30.06.2006**

	balance as on 30.06.2006	balance as on 31.12.2005	balance as on 30.06.2005
<b>Assets</b>			
<b>1. Fixed assets</b>			
1.1. Intangible assets	97	58	38
1.2. Tangible assets	50 033	50 263	49 761
1.3. Long-term investments	218 826	233 829	246 208
1.3.1. Immovable properties	5 334	13 990	13 955
1.3.2. Long-term financial assets	213 492	219 839	232 253
1.4. Assets on account of deferred income tax	17 665	15 479	9 044
	<b>286 621</b>	<b>299 629</b>	<b>305 051</b>
<b>2. Current assets</b>			
2.1. Inventory	267 485	213 559	256 842
2.2. Short-term receivables	82 318	246 339	112 137
2.3. Short-term financial investments	25 383	46 489	49 081
2.3.1. In affiliated companies	25 040	46 481	49 058
2.3.2. In other companies	343	8	23
2.4. Cash and cash equivalents	173 302	72 231	92 292
2.5. Short-term accruals	109	163	218
	<b>548 597</b>	<b>578 781</b>	<b>510 570</b>
<b>Assets total</b>	<b>835 218</b>	<b>878 410</b>	<b>815 621</b>
<b>Liabilities</b>			
<b>1. Equity</b>			
1.1. Initial capital	21 000	21 000	21 000
1.2. Supplementary capital	298 213	288 690	288 690
1.3. Profit (loss) from previous years	4 083	4 083	5 121
1.4. Net profit (loss) of the accounting year	44 693	9 523	7 255
	<b>367 989</b>	<b>323 296</b>	<b>322 066</b>
<b>2. Reserves</b>			
2.1. Reserve for deferred income tax	13 614	14 056	14 336
2.2. Other reserves	17 487	15 421	8 154
	<b>31 101</b>	<b>29 477</b>	<b>22 490</b>
<b>3. Liabilities</b>			
3.1. Long-term liabilities	299 994	232 328	239 890
3.2. Short-term liabilities	136 134	293 308	231 175
3.2.1. To affiliated companies	10 451	4 872	4 697
3.2.2. To other companies	125 619	288 431	226 420
3.2.3. Special funds	64	5	58
	<b>436 128</b>	<b>525 636</b>	<b>471 065</b>
<b>Liabilities total</b>	<b>835 218</b>	<b>878 410</b>	<b>815 621</b>
<b>Book value</b>			
	367 989	323 296	322 066
<b>Number of shares</b>			
	10 500 000	10 500 000	10 500 000
<b>Book value per one share (in PLN)</b>			
	35,05	30,79	30,67



OFF-BALANCE ITEMS in thousands PLN	balance as on 30.06.2006	balance as on 31.12.2005	balance as on 30.06.2005
Contingent receivables	-	-	-
Contingent liabilities	486 013	21 513	81 715
Other	1 539	3 546	3 502
<b>Off-balance items total</b>	<b>487 552</b>	<b>25 059</b>	<b>85 217</b>

Profit and loss account	Three months' period expiring on 30.06.2006	Six months' period expiring on 31.03.2006	Three months' period expiring on 30.06.2005	Six months' period expiring on 30.06.2005
Operating income	44 141	84 207	21 569	43 822
Operating costs	(20 666)	(41 246)	(14 870)	(26 780)
<b>Gross profit on sales</b>	<b>23 475</b>	<b>42 961</b>	<b>6 699</b>	<b>17 042</b>
Profit on sales of real property	419	6 568	235	29 655
Change in fair value	2 421	2 111	(14 863)	(14 863)
Costs of sales	(2 175)	(4 466)	(1 832)	(3 584)
Overheads	(13 126)	(17 867)	(2 436)	(5 266)
Other operating income / costs	(6 839)	(14 873)	13 434	(755)
<b>Profit before tax and financial income/costs</b>	<b>4 175</b>	<b>14 434</b>	<b>1 237</b>	<b>22 229</b>
Financial income	45 903	48 547	18 304	19 665
Financial costs	(13 393)	(18 124)	(26 239)	(31 799)
including on account of foreign exchange gains/losses	3 645	4 904	(783)	(1 341)
<b>Gross profit</b>	<b>36 685</b>	<b>44 857</b>	<b>(6 698)</b>	<b>10 095</b>
Income tax	2 241	(164)	3 153	(2 840)
<b>Net Profit</b>	<b>38 926</b>	<b>44 693</b>	<b>(3 545)</b>	<b>7 255</b>
Net profit (annualized)		46 961		6 671
Weighted average number of ordinary shares		10 500 000		10 500 000
Profit per one ordinary share (in PLN)		4,47		0,64
Weighted average diluted number of ordinary shares		10 500 000		10 500 000
Diluted profit per one ordinary share (in PLN)		4,47		0,64



Statement of changes in equity capital	Initial capital	Supplementary capital	Profit brought forward	Net profit during the period	Capitals total
<b>Balance as on 01.01.2005</b>	<b>21 000</b>	<b>281 147</b>	<b>7 543</b>	<b>-</b>	<b>309 690</b>
changes in the applied accounting principles related to the conversion to IAS	-	-	5 121	-	5 121
<b>Balance as on 01.01.2005, after reconciliation to comparable data</b>	<b>21 000</b>	<b>281 147</b>	<b>12 664</b>	<b>-</b>	<b>314 811</b>
Changes during the period:					
Distribution of profits		7 543	(7 543)		-
Net result during the period				7 255	7 255
Changes total	-	7 543	(7 543)	7 255	7 255
<b>Balance as on 30.06.2005</b>	<b>21 000</b>	<b>288 690</b>	<b>5 121</b>	<b>7 255</b>	<b>322 066</b>
<b>Balance as on 01.01.2006</b>	<b>21 000</b>	<b>288 690</b>	<b>13 606</b>	<b>-</b>	<b>323 296</b>
Balance as on 01.01.2006, after reconciliation to comparable data	21 000	288 690	13 606	-	323 296
Changes during the period:					
Distribution of profits		9 523	(9 523)		-
Net result during the period				44 693	44 693
Changes total	-	9 523	(9 523)	44 693	44 693
<b>Balance as on 30.06.2006</b>	<b>21 000</b>	<b>298 213</b>	<b>4 083</b>	<b>44 693</b>	<b>367 989</b>
Cash flow statement			Six months' period expiring on 30.06.2006	Six months' period expiring on 30.06.2005	
<b>Cash flows on operating activity – indirect method</b>					
<b>I. Net profit (loss)</b>			<b>44 693</b>	<b>7 255</b>	
<b>II. Adjustments:</b>					
1. Shares in net (profit) loss of subsidiaries valuated according to ownership rights method			-	-	
2. Depreciation			1 593	1 201	
3. Foreign exchange gains/losses			-	1 360	
4. Interest and shares in profits (dividends)			2 590	(3 084)	
5. (Profit) loss on investment activity			1 708	(10 221)	
6. Change in reserves			1 623	(764)	
7. Change in inventories			(53 925)	(42 988)	
8. Change in receivables			207 267	12 423	
9. Change in short-term liabilities, except for loans and credits			(49 308)	37 155	
10. Change in accruals			(797)	(2 058)	
11. Other adjustments			-	(4)	
			<b>112 349</b>	<b>(9 278)</b>	
<b>Net cash flows on operating activity</b>			<b>157 042</b>	<b>(2 023)</b>	



**Cash flows on investment activity****I. Income**

1. Sales of intangible assets and fixed assets	(43 265)	19
2. Sales of investments in real property and in intangible assets	15 568	68 690
3. From financial assets	30 014	64 543
4. Other income from investments	-	-
	<b>2 317</b>	<b>133 252</b>

**II. Expenditure**

1. Acquisition of intangible assets and fixed assets	(1 586)	(4 336)
2. Investments in real property and in intangible assets	(188)	(339)
3. On financial assets	(2 516)	(4 114)
4. Other investment expenditure	(279)	(323)
	<b>(4 569)</b>	<b>(9 112)</b>
<b>Net cash flows on investment activity</b>	<b>(2 252)</b>	<b>124 140</b>

**Cash flows on financial activity****I. Income**

1. Net income from issue of stocks (issue of shares) and other capital instruments, additional payments to capital	-	-
2. Loans and credits	1 962	
3. Issue of debenture bonds	268 665	58 280
4. Other financial income	-	-
	<b>270 627</b>	<b>58 280</b>

**II. Expenditure**

1. Acquisition of own shares (stocks)	-	-
2. Dividends and other payments to owners	-	-
3. Expenses on account of profit distribution, other than payments to owners	-	-
4. Payments of loans and credits	(48 538)	(26 478)
5. Redemption of debenture bonds	(265 000)	(60 000)
6. Interest	(10 809)	(13 571)
	<b>(324 347)</b>	<b>(100 049)</b>
<b>Net cash flows on financial activity</b>	<b>(53 720)</b>	<b>(41 769)</b>

<b>Net cash flows total</b>	<b>101 070</b>	<b>80 348</b>
Difference in cash balances, including:	101 070	78 988
- change in cash balance on account of exchange rate gain/loss	(0)	(1 360)
<b>Cash at the beginning of period</b>	<b>72 231</b>	<b>13 304</b>
<b>Cash at the end of period, including:</b>	<b>173 301</b>	<b>92 292</b>
- with limited disposability	-	-

Kielce, August 09, 2006 **Company Representatives**  
 President of the Management Board      Member of the Management Board

**Person in charge of keeping books of accounts:**  
 Chief Accountant

Andrzej Majcher

Piotr Gromniak

Tomasz Sulek