

Echo Investment S.A. Capital Group

Mid-year condensed consolidated financial statement
as on and for a period of twelve months expiring on 31.12.2006



Kielce, 01.03.2007

1. Condensed consolidated balance sheet, in thousands PLN

	balance as on 2006.12.31 end of quarter	balance as on 2005.12.31 end of previous year
Assets		
1. Fixed assets		
1.1. Intangible assets	91	85
1.2. Goodwill of subsidiaries	32 687	-
1.3. Tangible assets	415 931	245 081
1.4. Long-term receivables	-	-
1.5. Investment immovable property	1 670 859	1 400 398
1.6. Long-term financial assets	21 677	17 747
1.7. Assets on account of deferred income tax	6 389	15 613
	2 147 634	1 678 924
2. Current assets		
2.1. Inventory	216 380	170 595
2.2. Receivables on account of taxes	48 213	35 184
2.3. Receivables on account of deliveries and services, other receivables	8 837	13 794
2.4. Short-term financial investments	613	7 889
2.5. Accruals	895	831
2.6. Cash and cash equivalents	297 792	242 483
	572 730	470 776
Assets total	2 720 364	2 149 700
Liabilities		
1. Equity		
1.1. Equity capital allocated to shareholders of the dominant company	1 192 458	917 103
1.1.1. Initial capital	21 000	21 000
1.1.2. Supplementary capital	534 636	353 771
1.1.3. Profit (loss) carried forward	361 473	347 918
1.1.4. Profit (loss) of the accounting year	275 349	194 414
1.2. Minority capitals	10 210	18 145
	1 202 668	935 248
2. Reserves		
2.1. Reserve for deferred income tax	166 912	125 972
2.2. Other reserves	29 523	30 797
	196 435	156 769
3. Long-term liabilities		
3.1. Financial liabilities	905 753	685 010
3.2. Other liabilities	37 333	29 255
	943 086	714 265
4. Short-term liabilities		
4.1. Financial liabilities	153 103	152 992
4.2. Tax liabilities	8 887	57 499
4.3. Liabilities on account of deliveries and services	88 098	27 878
4.4. Other liabilities	128 087	105 049
	378 175	343 418
Liabilities total	2 720 364	2 149 700

Book value	1 192 458	917 103
Number of shares	42 000 000	42 000 000
Book value per one share (in PLN)	28,39	21,84
Diluted number of shares	42 000 000	42 000 000
Diluted book value per one share (in PLN)	28,39	21,84

OFF-BALANCE ITEMS in thousands PLN	balance as on 2006.12.31 end of quarter	balance as on 2005.12.31 end of previous year
1. Off-balance receivables	-	-
2. Off-balance liabilities	78 578	24 809

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

	4 th quarter period from 2006.10.01 to 2006.12.31	4 quarters to period from 2006.10.01 to 2006.12.31	4 th quarter the period from 2005.10.01 to 2005.12.31	4 quarters the period from 2005.01.01 to 2005.12.31
Operating income	72 752	333 249	58 918	257 939
Operating costs	(34 615)	(151 020)	(28 992)	(108 098)
Gross profit (loss) on sales	38 137	182 229	29 926	149 841
Profit (loss) on sales of real property	(2 571)	9 038	(2 235)	63 672
Revaluation of real property	6 299	239 142	10 387	101 347
Costs of sales	(3 102)	(9 736)	(2 054)	(8 459)
Overheads	(9 719)	(43 671)	(9 827)	(28 847)
Other operating income and costs	3 347	496	3 754	14 438
Profit before tax and financial income/costs	32 391	377 498	29 951	291 992
Financial income	4 633	18 797	(1 806)	8 169
Financial costs	(15 115)	(68 794)	5 340	(43 038)
Foreign exchange gains/losses	21 656	15 081	10 843	16 058
Revaluation of goodwill of subsidiaries	(9)	(18)	(2)	(6 375)
Shares in profits of associated companies	6	(1)	7	-
Gross profit (loss)	43 562	342 563	44 333	266 806
Income tax	(9 860)	(66 649)	(10 924)	(55 774)
Net profit (loss)	33 702	275 914	33 409	211 032
Profit (loss) allocated to minority shareholders	(2 099)	565	16 596	16 618
Profit (loss) allocated to shareholders of the dominant company	35 801	275 349	16 813	194 414
Net profit (loss) (annualized)		275 349		194 414
Weighted average number of ordinary shares		42 000 000		42 000 000
Profit (loss) per one ordinary share (in PLN)		6,56		4,63
Weighted average diluted number of ordinary shares		42 000 000		42 000 000
Diluted profit (loss) per one ordinary share (in PLN)		6,56		4,63

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
For 4 quarters (current year), period from 2006.01.01 to 2006.12.31							
Balance at the beginning of period	21 000	353 771	542 332	-	917 103	18 145	935 248
Corrections of basic errors	-	-	6	-	6	-	6
Balance at the beginning of the period, after reconciliation to comparable data	21 000	353 771	542 338	-	917 109	18 145	935 254
Distribution of profit/loss carried forward	-	180 865	(180 865)	-	-	(8 500)	(8 500)
Net profit (loss) of the current period	-	-	-	275 349	275 349	565	275 914
Balance at the end of the period	21 000	534 636	361 473	275 349	1 192 458	10 210	1 202 668
For 4 quarters (previous year), period from 2005.01.01 to 2005.12.31							
Balance at the beginning of 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	-	-	-	-	-	-	-
Balance at the beginning of the period, after reconciliation to comparable data	21 000	319 084	382 605	-	722 689	1 531	724 220
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
Balance at the end of the period	21 000	353 771	347 918	194 414	917 103	18 145	935 248

4. Condensed consolidated cash flow account, in thousands PLN

Cash flow statement	4 quarters period from 2006.10.01 to 2006.12.31	4 quarters the period from 2005.01.01 to 2005.12.31
A. Cash flows on operating activity – indirect method		
I. Net profit (loss)	275 914	211 032
II. Adjustments total		
1. Share of associated companies in net (profit) loss	1	-
2. Depreciation of fixed assets	3 488	4 787
3. Revaluation of goodwill	18	6 375
4. Foreign exchange gains/losses	(6 654)	(15 864)
5. Interest and shares in profits (dividends)	47 030	41 723
6. (Profit) loss on investment activity	(230 242)	(135 098)
7. Change in reserves	44 704	8 550
8. Change in inventories	(146 861)	42 350
9. Change in receivables	(10 755)	21 201
10. Change in short-term liabilities, except for loans and credits	64 110	46 760
11. Change in accruals	9 240	(1 263)
12. Other adjustments	-	10
	(225 921)	19 531
III. Net cash flows from operating activity (I+/-II)	49 993	230 563
B. Cash flows on investment activity		
I. Income		
1. Sales of intangible assets and fixed assets	224	569
2. Sales of investments in real property and in intangible assets	82 572	251 896
3. From financial assets	71 505	124 477
4. Other income from investments	13	-
	154 314	376 942
II. Expenditure		
1. Acquisition of intangible assets and fixed assets	(171 284)	(66 363)
2. Investments in immovable property and in intangible assets	(31 072)	(185 329)
3. On financial assets	(59 086)	(28 200)
4. Dividends and other shares in profits paid to minority	(8 500)	-
5. Other investment expenditure	(197)	-
	(270 139)	(279 892)
III. Net cash flows on investment activity (I-II)	(115 825)	97 050
C. 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	243 645	113 921
3. Issue of debenture bonds	334 023	157 242
4. Other financial income	-	-
	577 668	271 163

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

Cash flow statement ctd.	4 quarters period from 2006.10.01 to 2006.12.31	4 quarters the period from 2005.01.01 to 2005.12.31
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. Repayments of loans and credits	(155 846)	(253 958)
5. Redemption of debenture bonds	(220 800)	(110 000)
6. On account of other financial liabilities	-	-
7. Payments of liabilities on account of financial lease contracts	(487)	(487)
8. Interest	(71 035)	(54 976)
9. Other financial expenses	(10)	(11)
	(448 178)	(419 432)
III. Net cash flows on financial activity (I-II)	129 490	(148 269)
D. Net cash flows total (A.III+/-B.III+/-C.III)	63 658	179 344
E. Difference in cash balances, including:	50 604	168 873
- change in cash balance on account of exchange rate gain/loss	(13 054)	(10 471)
F. Cash at the beginning of period	247 188	73 610
G. Cash at the end of period (F+/-D), including:	297 792	242 483
- with limited disposability	57 333	-

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.

Echo Investment Capital Group's (hereinafter 'the Capital Group') operations can be divided into two major segments:

- (a) erection and lease of areas shopping centers and commercial and entertainment centers,
- (b) erection and sales of apartments,
- (c) erection and lease of areas in office buildings,
- (d) erection, sales and lease of hotels.

As on 31.12.2006 and 31.12.2005, the Capital Group employed 286 and 274 persons, respectively.

The Capital Group performs its operations in Poland and is launching its business in Hungary.

The presented statement refers to the twelve months' period expiring on December 31, 2006, with comparative data referring to the twelve months' period expiring on December 31, 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.

The number of shares is 42,000,000 ordinary bearer shares.

5.2 Principles applied during preparation of the quarterly report

The consolidated statement of Echo Investment S.A. for the fourth 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 fourth 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 valued 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 in the case of early repayment, then a reserve is established to cover the difference. Other liabilities are disclosed in the balance sheet as payable amounts.
- 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 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.

As on December 31, 2006 the Echo Investment S.A. Capital Group consists of 98 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
- "Centrum Handlowe PHS" Spółka Akcyjna ['PHS Shopping Center' Joint Stock Company], having its registered seat in Szczecin
- "Echo - Arena" Spółka z o.o. ['Echo - Arena' Limited Liability Company], having its registered seat in Kielce, formerly "Hotel Investment" Spółka z o.o. ['Hotel Investment' 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 - Centrum Poznań" Spółka z o.o. ['Echo - Poznań Center' Limited Liability Company] having its registered seat in Kielce, formerly "Polimeni International Poznań" Spółka z o.o. ['Polimeni International Poznań' Limited Liability Company], having its registered seat in Gdynia
- "Echo - Galaxy" Spółka z o.o. ['Echo - Galaxy' Limited Liability Company], having its registered seat in Kielce, formerly "Projekt - Echo 32" Spółka z o.o. ['Project - Echo 32' Limited Liability Company], having its registered seat in Kielce
- "Echo - Galaxy spółka z ograniczoną odpowiedzialnością" ['Echo - Galaxy Limited Liability Company'] Limited Company, having its registered seat in Kielce, formerly "Szczecin - Projekt Echo 32 Spółka z ograniczoną odpowiedzialnością" ['Szczecin - Project Echo 32 Limited Liability Company'] Limited 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 spółka z ograniczoną odpowiedzialnością” 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 Bau" Spółka z o.o. ['Echo Bau' 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

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- "Projekt S" Spółka z o.o. ['Project S' 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
- "Wygłędów" Spółka z o.o. ['Wygłędów' 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:

- "Projekt - Echo 23" Spółka z o.o. ['Project - Echo 23' Limited Liability Company], having its registered seat in Kielce
- "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

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 Investment - Centrum Handlowe 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) "Echo - Arena" Sp. z o.o., holding 1% of share of "Hotel Investment Sp. z o.o." Limited Company;
- h) "Echo - Galaxy" Sp. z o.o., holding 1% of share of "Echo - Galaxy Sp. z o.o." Limited Company;
- i) "Galeria Echo - Kielce" Sp. z o.o., holding 0,01% of basic capital of "Kieleckie Centrum Handlowo-Rozrywkowe Echo" Sp. z o.o.;
- j) "Projekt - Echo 41" Sp. z o.o., holding 1% of share of "Projekt - Echo 41 Sp. z o.o." Limited Company;
- k) "Projekt - Echo 42" Sp. z o.o., holding 1% of share of "Projekt - Echo 42 Sp. z o.o." Limited Company;
- l) "Projekt - Echo 45" Sp. z o.o., holding 1% of share of "Projekt - Echo 45 Sp. z o.o." Limited Company;
- m) "Projekt - Echo 17" Sp. z o.o., holding the following respective shares of basic capital of:
 - 1.00% of capital of "Wygłędów" 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 "Galeria Echo - Kielce" Sp. z o.o.,
 - 1.00% of capital of "Echo ACC" Sp. z o.o.,
 - 1.00% of capital of "Projekt - Echo 30" Sp. z o.o.,
 - 1.00% of capital of "Echo - Galaxy" Sp. z o.o.,
 - 1.00% of capital of "Echo - Pasaż Grunwaldzki" Sp. z o.o.,
 - 1.00% of capital of "Projekt - Echo 34" Sp. z o.o.,
 - 1.00% of capital of "Est On Property Management" Sp. z o.o.,
 - 1.00% of capital of "Projekt - Echo 41" Sp. z o.o.,
 - 1.00% of capital of "Projekt - Echo 42" Sp. z o.o.,
 - 1.00% of capital of "Projekt - Echo 43" Sp. z o.o.,
 - 1.00% of capital of "Projekt - Echo 44" Sp. z o.o.,
 - 1.00% of capital of "Projekt - Echo 45" Sp. z o.o.,
 - 0,1% of capital of "Projekt - Echo 53" Sp. z o.o.,
 - 0,1% of capital of "Projekt - Echo 54" Sp. z o.o.,
 - 0,1% of capital of "Projekt - Echo 55" Sp. z o.o.,
 - 0,1% of capital of "Projekt - Echo 56" Sp. z o.o.,
 - 0,1% of capital of "Projekt - Echo 57" Sp. z o.o.,
 - 0,1% of capital of "Projekt - Echo 58" Sp. z o.o.,
 - 0,1% of capital of "Projekt - Echo 59" Sp. z o.o.,
 - 0,1% of capital of "Projekt - Echo 60" Sp. z o.o.,
 - 0,1% of capital of "Projekt - Echo 61" Sp. z o.o.,
 - 0,1% of capital of "Projekt - Echo 62" Sp. z o.o.,
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 - 0,1% of capital of "Projekt - Echo 64" Sp. z o.o.,
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 - 0,1% of capital of "Projekt - Echo 66" Sp. z o.o.,
 - 0,1% of capital of "Projekt - Echo 67" Sp. z o.o.,
 - 0,1% of capital of "Projekt - Echo 68" Sp. z o.o.,
 - 0,1% of capital of "Projekt - Echo 69" Sp. z o.o.,
 - 0,1% of capital of "Projekt - Echo 70" Sp. z o.o.,
 - 0,1% of capital of "Projekt - Echo 71" Sp. z o.o.,

- 0,1% of capital of "Projekt – Echo 72" Sp. z o.o.,
- 0,1% of capital of "Projekt – Echo 73" Sp. z o.o.,
- 0,1% of capital of "Projekt – Echo 74" Sp. z o.o.,
- 0,1% of capital of "Projekt – Echo 75" Sp. z o.o.,
- 0,1% of capital of "Projekt – Echo 76" Sp. z o.o.,
- 0,1% of capital of "Projekt – Echo 77" Sp. z o.o.,
- 0,1% of capital of "Projekt – Echo 78" Sp. z o.o.,
- 0,1% of capital of "Projekt – Echo 79" Sp. z o.o.,
- 0,1% of capital of "Projekt – Echo 80" Sp. z o.o.,
- 0,1% of capital of "Projekt – Echo 81" Sp. z o.o.,
- 0,1% of capital of "Projekt – Echo 82" Sp. z o.o.,
- 0,05% of capital of "Echo – Arena" 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.

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

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

In the 4th quarter of 2006 Echo Investment SA, within the scope of Bonds Issue Programs executed, issued bonds for a total of PLN 110 m.

1. Under a Bonds Issuance Program signed on April 15, 2004 with BRE Bank S.A., seated in Warsaw, on November 24, 2006 the Company issued discount bonds for a total value of PLN 50 million. The number of issued bonds is 500, with nominal value of PLN 100 k each. Issue price of bonds is specified as the nominal price less the discount calculated on the basis of the WIBOR 6M rate plus margin. The bonds were issued for a period expiring on May 24, 2007. The bonds shall be redeemed for the nominal value of the bonds. The issued bonds are not secured.
2. Under a Bonds Issuance Program signed with BPH SA, seated in Cracow, on November 4, 2006 the Company issued zero-voucher bonds for a total value of PLN 30 million. The nominal price was 100 pts less discount.
3. Under a Bonds Issuance Program signed with BPH SA, seated in Cracow, on December 11, 2006 the Company issued zero-voucher bonds for a total value of PLN 30 million. The nominal price was 100 pts less discount.

Information about the value of issued securities, redemption or 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.

1. As on the balance day, the Capital Group was expanded with 41 subsidiaries, including:

- 40 new subsidiaries:

- „Projekt – Echo 41 spółka z ograniczoną odpowiedzialnością” Spółka komandytowa [“Project – Echo 41 Limited Liability Company” Limited Company], having its registered seat in Kielce
- „Projekt – Echo 42 spółka z ograniczoną odpowiedzialnością” Spółka komandytowa [“Project – Echo 42 Limited Liability Company” Limited Company], having its registered seat in Kielce
- „Projekt – Echo 45 spółka z ograniczoną odpowiedzialnością” Spółka komandytowa [“Project – Echo 45 Limited Liability Company” Limited Company], having its registered seat in Kielce
- “Projekt – Echo 46” Spółka z o.o. [“Project – Echo 46” Limited Liability Company], having its registered seat in Kielce
- “Projekt – Echo 47” Spółka z o.o. [“Project – Echo 47” Limited Liability Company], having its registered seat in Kielce
- “Projekt – Echo 48” Spółka z o.o. [“Project – Echo 48” Limited Liability Company], having its registered seat in Kielce
- “Projekt – Echo 49” Spółka z o.o. [“Project – Echo 49” Limited Liability Company], having its registered seat in Kielce
- “Projekt – Echo 50” Spółka z o.o. [“Project – Echo 50” Limited Liability Company], having its registered seat in Kielce
- “Projekt – Echo 51” Spółka z o.o. [“Project – Echo 51” Limited Liability Company], having its registered seat in Kielce
- “Projekt – Echo 52” Spółka z o.o. [“Project – Echo 52” Limited Liability Company], having its registered seat in Kielce
- “Projekt – Echo 53” Spółka z o.o. [“Project – Echo 53” Limited Liability Company], having its registered seat in Kielce
- “Projekt – Echo 54” Spółka z o.o. [“Project – Echo 54” Limited Liability Company], having its registered seat in Kielce
- “Projekt – Echo 55” Spółka z o.o. [“Project – Echo 55” Limited Liability Company], having its registered seat in Kielce
- “Projekt – Echo 56” Spółka z o.o. [“Project – Echo 56” Limited Liability Company], having its registered seat in Kielce
- “Projekt – Echo 57” Spółka z o.o. [“Project – Echo 57” Limited Liability Company], having its registered seat in Kielce
- “Projekt – Echo 58” Spółka z o.o. [“Project – Echo 58” Limited Liability Company], having its registered seat in Kielce
- “Projekt – Echo 59” Spółka z o.o. [“Project – Echo 59” Limited Liability Company], having its registered seat in Kielce
- “Projekt – Echo 60” Spółka z o.o. [“Project – Echo 60” Limited Liability Company], having its registered seat in Kielce
- “Projekt – Echo 61” Spółka z o.o. [“Project – Echo 61” Limited Liability Company], having its registered seat in Kielce
- “Projekt – Echo 62” Spółka z o.o. [“Project – Echo 62” Limited Liability Company], having its registered seat in Kielce
- “Projekt – Echo 63” Spółka z o.o. [“Project – Echo 63” Limited Liability Company], having its registered seat in Kielce
- “Projekt – Echo 64” Spółka z o.o. [“Project – Echo 64” Limited Liability Company], having its registered seat in Kielce
- “Projekt – Echo 65” Spółka z o.o. [“Project – Echo 65” Limited Liability Company], having its registered seat in Kielce
- “Projekt – Echo 66” Spółka z o.o. [“Project – Echo 66” Limited Liability Company], having its registered seat in Kielce
- “Projekt – Echo 67” Spółka z o.o. [“Project – Echo 67” Limited Liability Company], having its registered seat in Kielce
- “Projekt – Echo 68” Spółka z o.o. [“Project – Echo 68” Limited Liability Company], having its registered seat in Kielce
- “Projekt – Echo 69” Spółka z o.o. [“Project – Echo 69” Limited Liability Company], having its registered seat in Kielce
- “Projekt – Echo 70” Spółka z o.o. [“Project – Echo 70” Limited Liability Company], having its registered seat in Kielce
- “Projekt – Echo 71” Spółka z o.o. [“Project – Echo 71” Limited Liability Company], having its registered seat in Kielce
- “Projekt – Echo 72” Spółka z o.o. [“Project – Echo 72” Limited Liability Company], having its registered seat in Kielce
- “Projekt – Echo 73” Spółka z o.o. [“Project – Echo 73” Limited Liability Company], having its registered seat in Kielce
- “Projekt – Echo 74” Spółka z o.o. [“Project – Echo 74” Limited Liability Company], having its registered seat in Kielce
- “Projekt – Echo 75” Spółka z o.o. [“Project – Echo 75” Limited Liability Company], having its registered seat in Kielce
- “Projekt – Echo 76” Spółka z o.o. [“Project – Echo 76” Limited Liability Company], having its registered seat in Kielce
- “Projekt – Echo 77” Spółka z o.o. [“Project – Echo 77” Limited Liability Company], having its registered seat in Kielce
- “Projekt – Echo 78” Spółka z o.o. [“Project – Echo 78” Limited Liability Company], having its registered seat in Kielce
- “Projekt – Echo 79” Spółka z o.o. [“Project – Echo 79” Limited Liability Company], having its registered seat in Kielce
- “Projekt – Echo 80” Spółka z o.o. [“Project – Echo 80” Limited Liability Company], having its registered seat in Kielce
- “Projekt – Echo 81” Spółka z o.o. [“Project – Echo 81” Limited Liability Company], having its registered seat in Kielce
- “Projekt – Echo 82” Spółka z o.o. [“Project – Echo 82” Limited Liability Company], having its registered seat in Kielce

- one company was acquired, i.e. „Project 2 - Echo Hungary Kft.”, having its registered seat in Budapest.

2. One company was eliminated from the Capital Group:

- 100% of shares in “Bioelektrownia Hydropol - 4” Spółka z o.o. [“Hydropol – 4 Bioelectric Power Plant” Limited Liability Company], having its registered seat in Kielce, were sold.

3. The following company names of Capital Group companies were changed:

- the name of "Projekt - Echo 32" sp. z o.o. ['Project - Echo 32' Limited Liability Company], having its registered seat in Kielce, changed into "Echo - Galaxy" sp. z o.o. ['Echo - Galaxy' Limited Liability Company'], having its registered seat in Kielce
- the name of "Szczecin - Projekt Echo 32 Spółka z ograniczoną odpowiedzialnością" Sp. k. ['Szczecin - Project Echo 32 Limited Liability Company' Limited Company], having its registered seat in Kielce, changed into "Echo - Galaxy Spółka z ograniczoną odpowiedzialnością" Sp. k. ['Echo - Galaxy Limited Liability Company' Limited Company], having its registered seat in Kielce
- the name of "Project 3" Sp. z o.o. ['Project 3' Limited Liability Company], having its registered seat in Warsaw, changed into "Galeria Echo - Kielce" Sp. z o.o. ['Echo Gallery Kielce' Limited Liability Company], having its registered seat in Kielce
- the name of "Hotel Investment" Sp. z o.o. ['Hotel Investment' Limited Liability Company], having its registered seat in Kielce, changed into "Echo - Arena" Sp. z o.o. ['Echo - Arena' Limited Liability Company], having its registered seat in Kielce
- the name of "Polimeni International Poznań" Sp. z o.o. ['Polimeni International Poznań' Limited Liability Company], having its registered seat in Gdynia, changed into "Echo - Centrum Poznań" Sp. z o.o. ['Echo - Poznań Center' Limited Liability Company], having its registered seat in Kielce,

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.
4. Echo Investment SA's surety granted for the liabilities of Echo Pasaż Grunwaldzki Spółka z ograniczoną odpowiedzialnością Sp. k. to EUROHYPO AG Bank of Germany, as of March 10, 2006, has expired. Value of surety EUR 100 million.
5. An annex was made to the bank guarantee agreement as of September 7, 2005 to PKO BP SA, forming a collateral on the Company's debt to Spółdzielnia Spożywców MOKPOL [MOKPOL Food Manufacturers Cooperative]. The expiry date of the guarantee was switched from September 6, 2006 to September 5, 2007.
6. EUROHYPO AG granted a bank guarantee to Strabag Sp z o.o. for securing payment of remuneration for construction works, for the amount of PLN 47.65 million. Expiry date: April 30, 2007.
7. Echo Investment SA's surety granted for the liabilities of Echo Pasaż Grunwaldzki Spółka z ograniczoną odpowiedzialnością Sp. k. to EUROHYPO AG Bank of Germany, as of March 10, 2006, has expired. Value of surety 538 k EUR.
8. Annex 1 was made to the Bank guarantee agreement as of September 23, 2005, to BZ WBK S.A. Bank, forming a security of payment for execution of construction of an underground passage and other components of reconstruction of the road system of Grunwaldzki Square in Wrocław. The expiry date of the guarantee was moved from November 30, 2006 to January 15, 2007, and the value of guarantee was raised from PLN 15,860 k to PLN 17,894 k.
9. A surety agreement for subsidiary's (Echo-Galaxy Spółka z ograniczoną odpowiedzialnością spółka komandytowa with its registered seat in Kielce) debt was made on account of loan granted by EUROHYPO AG Bank, with its registered seat in Eschborn, Germany. The surety was granted by Echo Investment SA to EUROHYPO AG to the amount not exceeding EUR 100 m, which equals PLN 383,120,000 as on the effective date of the surety. The surety shall remain in force until lawful registration of mortgage on the immovable property and recording registered pledges to the register of pledges.

5.11 Description of the issuer's significant achievements or failures

During the 4th 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 and shopping/entertainment centers built by the Capital Group operate in more than ten 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, Real, Ahold, Nomi, ITI Neovision, Silver Screen, 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 at Grunwaldzki Square, was continued during the 4th quarter of 2006. Commercialization of project also progressed. Contracts have been made with further tenants. At the end of 2006, the Company has let 100% of the area of the center. The anticipated area for rent is about 48,700 square meters. The anticipated opening date of the center falls in the 1st half of 2007.

The Company successfully completed the development of the Pasaż Świętokrzyski shopping center, located in Kielce, Ślichowice Estate (net area of 13,200 square meters). 100% of space has been let out in the completed center, including 8,500 sq. m occupied by E.Leclerc hypermarket.

Another project is being prepared. A modern shopping and entertainment center called METROPOLIS will be built on the Company's immovable property situated in Poznań, Hetmańska Street, offering about 50,000 sq. m of space for rent. The anticipated commencement date of investment falls in the 2nd half of 2007 and completion date in the 1st half of 2010.

Through execution of final agreements, in October 2006 the Capital Group purchased immovable property 64,000 sq. m in size, situated in an attractive location in Słupsk, Grottgera Street. The value of contract was PLN 24 million. The Company intends to build the largest shopping and entertainment center in Słupsk called ARENA on the said plot of land. The facility shall offer about 75,000 sq. m total area and 38,000 sq. m rentable area. Lease agreements were made with such companies as Helios, Media Markt, BC Club, Rossmann, Ravel. As at the end of 2006, the Company let out ca. 30% of the area of the center. The value of investment shall be about PLN 200 million. The anticipated project commencement date will be in the 2nd half of 2007, and completion date – in the 1st half of 2009.

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 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 parties to the contract, i.e. Echo Investment SA and real- Sp. z o.o. and Spółka sp.k., are entitled to terminate the contract if Echo Investment SA does not, until June 30, 2008, obtain a final building permit. The Company is expecting completion of administrative procedures.

Echo Investment S.A. intends to expand some of its shopping and shopping/entertainment centers.

In October 2006, an annex was made between the subsidiary Szczecin – Projekt Echo 32 Sp. z o.o. (Szczecin – Project Echo 32 Limited Liability Company), acting as the Landlord, and Geat Polska Sp. z o.o., acting as the Tenant, to the contract of lease of space in the Galaxy shopping and entertainment center in Szczecin, of November 28, 2001. According to the provisions of the said annex, the Landlord consents to the change of party and transfer of all rights and obligations of the present Tenant under the Contract to Real Spółka z ograniczoną odpowiedzialnością i Spółka Sp. k. (Real Limited Liability Company & Company, Limited Company), provided that appropriate collaterals are made to the Contract.

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, also including projects in smaller Polish towns, followed by an increase of the portfolio of commercial areas for lease, including expansion of existing projects.

Segment of office areas

In the office investments segment, Echo Investment 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 Capital Group's projects ensure stable income from long-term lease contracts due to proper location and appropriate standards.

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

The Warsaw market

The process of designing and preparing realization of a set of office buildings with multi-storey underground parking lot was carried out on a real property situated in Warsaw at 21 Postępu Street (area ca. 32,000 square meters). The four office buildings designed by APA Wojciechowski design office of Warsaw shall be executed in two stages. The anticipated commencement date of investment falls in the 1st quarter of 2007 and completion date in the 3rd quarter of 2008.

The Poznań market

The process of preparing and realization of the 'Malta Office Park' office complex in Poznań was also carried out (rentable area of about 28,000 square meters). The Company has obtained a zoning decision and is currently obtaining the building permit. The six office buildings designed by Litoborski-Marciniak design office of Poznań shall be executed in three stages. Execution of the investment will be launched during the 1st quarter of the year 2007. First stage of construction is expected to complete in the 1st quarter of the year 2008.

The Kielce market

During the fourth quarter of the year 2006, the Company was progressing with execution of an investment consisting in a complex of office buildings in Kielce at Al. Solidarności Street (net area of the buildings approx. 16,000 square meters). The project assumes realization of three six-storey buildings. Under a General Contracting Agreement made with Ustra Sp. z o.o., Echo Investment S.A. as the Contractor agreed and covenanted to develop the above mentioned office building complex.

The Contractor shall receive a fee for execution of the aforementioned agreement of about PLN 65.7 million. The anticipated completion date of investment falls in the 3rd quarter of 2007.

The Cracow market

The Company intends to erect a new office building in Cracow, Lea Street. Leased area will be about 8,000 sq. m. The anticipated commencement date of investment falls in the 2nd half of 2007 and completion date in the 2nd half of 2008.

The Gdańsk market

In December 2006, Echo Investment SA succeeded in an open tender for the sale of 99-year perpetual usufruct right to land situated in Gdańsk, Jana z Kolna Street. The Company intends to develop office space on the above mentioned real estate.

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

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 and Wrocław, Upper Silesia region, Tri-City (Gdańsk/Sopot/Gdynia) 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, Kielce, Cracow, Szczecin, Łódź, Poznań, Częstochowa, Zabrze, Gliwice.

As regards the proposal received from Qubus Hotel System Sp. z o.o. of Wrocław, concerning purchase of the Kielce and Cracow hotels presently leased by that operator, Echo Investment SA decided to enter into relevant contracts of sale. In December 2006, the Company signed contracts of sale of immovable properties with hotel buildings erected thereon with Qubus Hotel System Sp. z o.o. The value of the sales contract regarding the hotel in Cracow, Nadwiślańska Street – Port Solny was PLN 47.94 million gross and the value of the Kielce hotel at Składowa Street was PLN 14.4 million gross.

The above mentioned hotels are not the first ones developed by the Company for Qubus Hotel System Sp. z o.o. Considering the fact that Qubus Hotel System Sp. z o.o. intends to continue the development of a hotel chain in Poland, the parties hereby express their intent to continue their cooperation in execution of similar projects.

In the future, the Company is going to build hotels in cooperation with international hotel operators.

In 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 this segment.

Housing segment

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

The Warsaw market

During the fourth quarter of the year 2006, the Company was progressing with execution of the Inflancka Housing Estate in Warsaw (2nd stage). 140 apartments shall be delivered during the 1st quarter of the year 2007.

Realization of the 3rd stage of Inflancka Housing Estate, designed by Are Sp. z o.o. design office of Warsaw, has also begun (area for sale is 7,000 square meters). The anticipated date of completion of the consecutive estate falls in the 1st quarter of 2008. (130 apartments).

2nd stage of the investment project in Zwycięzców Street was in progress. The expected date of completion of 240 apartments designed by Szaroszyk & Rycerski Architekci Sp. z o.o. of Warsaw shall be in the 2nd quarter of 2008.

A project concerning residential buildings is currently under preparation: in Warsaw at Kazimierzowska Street (net area in excess of 5,000 square meters). The Company has already obtained the zoning decision. The anticipated commencement date for building the apartments designed by Mąka Sojka Architekci Sp. J. design office of Warsaw falls in the 2nd half of 2007 and completion date in the 1st half of 2009.

The Poznań market

Construction works were also performed in Poznań. Stage III of the Naramowice Housing Estate (155 apartments) was realized. Anticipated completion date of the Poznań investment falls in the 1st half of the year 2008.

Preparation of realization of the consecutive 4th stage of Naramowice Housing Estate in Poznań has also begun (net area of 14,000 square meters). About 180 apartments will be executed within this housing estate designed by Archikwadrat Sp. z o.o. of Poznań. The completion of this investment is anticipated in the 1st half of 2009.

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

The process of designing and preparing execution of an estate of city-like multi-family houses was launched on the immovable property situated in Poznań, Litewska Street and Grudzieniec Street (area of the immovable property exceeds 17,000 sq. m). Anticipated completion date falls in the 1st quarter of 2009.

A housing project is being prepared in Poznań, Wojskowa Street. More than 250 apartments will be built in residential buildings designed by Studio Lisiak Sp. z o.o. of Poznań (net area of approx. 17,000 square meters). Anticipated date of delivery of these buildings falls in the 1st half of 2009.

The Cracow market

A 4-storey building with an area of 1,500 square meters will be built in Cracow, Kilińskiego Street, (15 apartments). The investment will be launched in the 2nd half of 2007. This building, which was designed by Oleksy&Polaczek office, will be put to use in the 4th quarter of 2008.

At the end of 2008, the Company is also going to complete a housing investment at Korzeniowskiego Street, Cracow, Wola Justowska district. In the 4th quarter of 2006, the Company applied for the building permit. This building, designed by The Blok office, will have an area of about 3,000 sq. m. (40 apartments).

The Company initiated the process of designing a housing and commercial building to be erected in Cracow, Krasickiego Street (area for sale is about 5,000 square meters). A contract was made with Studio S – Biuro Architektoniczne Szymanowski of Cracow concerning performance of designing works on the above mentioned building. The completion of this investment is anticipated in the 2nd half of 2009.

In December 2006, Echo Investment SA became the owner of immovable property with an area of more than 10,000 sq. m, situated in Cracow, Tyniecka Street, for a net price of PLN 25.6 million. The Company intends to erect residential buildings on the above mentioned real estate. The Company has applied for a zoning decision. The launch of this investment is anticipated in the 2nd half of 2007 and the completion for the 1st half of 2009.

The Kielce market

During the 4th quarter of 2006, the process of designing an estate of detached houses was carried out on the immovable property situated in Bilcza near Kielce (Bilcza II).

Preparatory works were also performed for the development of another housing estate on the immovable property situated in Dyminy near Kielce. Following completion of technical utilities, the Company intends to sell plots of land with designs of houses (area of about 300,000 square meters). The anticipated realization date of investment falls at the turn of 2007/2008.

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, Kielce 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

The Company intends to limit the risk related to its activity, thus aiming at geographical diversification of its territories of operations and launching its new investments abroad. Investments on foreign markets will primarily focus on the segment of commercial projects in Central and Eastern Europe. Within the range of its foreign operations, the Company intends to collaborate with local partners.

Hungary

The design and preparation of the Budapest project has been launched. A modern, multifunctional MUNDO project will be erected on the Company's property, about 6.84 hectares in size, situated in Zuglo, 14th District of the city. The anticipated rentable area of this shopping, entertainment and office project shall be about 60,000 sq. m. Further plans include location of the Zuglo District Mayor's Office and an office park in the complex. The Company intends to enter into an agreement with a designing office during the first quarter of 2007.+ The anticipated commencement date of investment falls in the 1st half of 2008 and completion date in 2011.

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

In the 4th quarter of 2006, revaluation of the Pasaż Świętokrzyski shopping center in Kielce after its delivery had a significant impact on the financial result, as well as quarterly revaluation of fair value of the Capital Group's immovable properties, considering for changes due to EUR and USD exchange rate gains/losses (q/q). 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 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 4th quarter of 2006 constituted 45,3% of net income from sales.

- sale of residential 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. 33,5% of total annual 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 4th quarter of 2006 constituted approx. 17,9% of net income from sales in 2005.

- other income:

Other sources of income include income earned on legal, accounting, consulting and management services. Property management also forms a portion of other incomes. As at the end of the 4th quarter of the year, this income made up 3,3% of the total.

Specification	Incomes in 2006 [PLN m]	Incomes in 2005 [PLN m]
Lease of areas shopping centers and commercial and entertainment centers	150,9	152,5
Sale of residential space	111,5	56,6
Realization and lease of areas in office and hotel facilities	59,7	38,8
Other income	11,1	10,0
Operating income total	333,2	257,9

5.14 Selected financial data

	PLN k		EUR k	
	4 quarters accrued the period from 01.01.2006 do 31.12.2006	4 quarters accrued the period from 01.01.2005 to 31.12.2005	4 quarters accrued the period from 01.01.2006 do 31.12.2006	4 quarters accrued the period from 01.01.2005 to 31.12.2005
I. Operating income	333 249	257 939	85 468	64 111
II. Profit before tax and financial income/costs	377 498	291 992	96 817	72 575
III. Gross profit (loss)	342 563	266 806	87 857	66 315
IV. Net profit (loss)	275 349	194 414	70 619	48 322
V. Net cash flows on operating activity	49 993	230 563	12 822	57 307
VI. Net cash flows on investment activity	(115 825)	97 050	(29 706)	24 122
VII. Net cash flows on financial activity	129 490	(148 269)	33 210	(36 853)
VIII. Net cash flows total	63 658	179 344	16 326	44 576
IX Assets total	2 720 364	2 149 700	710 055	556 946
X. Equity capital allocated to shareholders of the dominant company	1 192 458	917 103	311 249	237 604
XI. Long-term liabilities	943 086	714 265	246 159	185 052
XII. Short-term liabilities	378 175	343 418	98 709	88 973
XIII. Number of shares	42 000 000	42 000 000	42 000 000	42 000 000
XIV. Profit (loss) per one ordinary share (in PLN/EUR)	6,56	4,63	1,68	1,15
XV. Diluted profit (loss) per one ordinary share (in PLN/EUR)	6,56	4,63	1,68	1,15
XVI. Book value per one share (in PLN/EUR)	28,39	21,84	7,41	5,66
XVII. Diluted book value per one share (in PLN/EUR)	28,39	21,84	7,41	5,66

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 01.03.2007:

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 Sołowow (directly and indirectly)	16 480 963	39,24%	16 480 963	39,24%
OFE ING Nationale - Nederlanden Polska*	3 669 661	8,73%	3 669 661	8,73%
OFE PZU Złota Jesień*	2 790 915	6,64%	2 790 915	6,64%
Commercial Union OFE*	3 073 842	7,31%	3 073 842	7,31%
BZ WBK AIB Asset Management SA	2 119 363	5,05%	2 119 363	5,05%

*Balance according to the structure of investment portfolios of the OFEs (Open Pension Funds) as on December 31, 2006

On December 4, 2006 Echo Investment SA received a notice whereunder BZ WBK AIB Asset Management SA of Poznań informs that as a result of acquisitions of Echo Investment SA's shares as accounted on November 30, 2006 BZ WBK AIB Asset Management SA's customers whose accounts are covered by the management agreement have become owners of shares giving more than 5% of the total number of votes at the Issuer's general meeting of shareholders.

Before increase of the foregoing share, customers of BZ WBK AIB Asset Management SA held 2,099,612 shares of Echo Investment SA on their accounts covered by the management agreement, forming 4.9991% of the Issuer's share capital. These shares gave 2,099,612 votes, forming 4.9991% of the total number of votes at the Issuer's general meeting of shareholders.

On November 30, 2006 there were 2,119,363 shares of Echo Investment SA on BZ WBK AIB Asset Management SA customers' securities accounts, forming 5.05% of the Issuer's share capital. These shares gave 2,119,363 votes, forming 5,05% of the total number of votes at the Issuer's general meeting of shareholders.

Furthermore, BZ WBK AIB Asset Management SA informs that BZ WBK AIB TFI SA of Poznań, pursuant to Article 46 clause 1 item 1 of the Act as of May 27, 2004 on investment funds (Journal of Laws No. 146 item 1546, as amended), contracted management of investment funds' portfolios from BZ WBK Asset Management SA. Considering the above, this information also accounts for Echo Investment SA's shares held by BZ WBK AIB TFI SA.

On February 15, 2007 Echo Investment SA received a notice whereunder Mr. Michał Sołowow communicates that through a transaction of transfer of Echo Investment SA's shares by a subsidiary, as accounted on February 12, 2007, he has become a holder of the following assets, together with subsidiaries:

- directly: 1,185,568 shares of Echo Investment SA, giving 2.82% of the initial capital and 1,185,568 votes at the General Meeting of Shareholders, i.e. 2.82% of the total number of votes at the General Meeting of Shareholders of Echo Investment SA,

- indirectly, through subsidiaries: 15,295,395 shares of Echo Investment SA, giving 36,42% of the initial capital and 15,295,395 votes at the General Meeting of Shareholders, i.e. 36,42% of the total number of votes at the General Meeting of Shareholders of Echo Investment SA.

Directly and indirectly, he holds a total of 16,480,963 shares of Echo Investment SA, giving 39,24% of the initial capital and 16,480,963 votes at the General Meeting of Shareholders, i.e. 39,24% of the total number of votes at the General Meeting of Shareholders of Echo Investment SA.

Before February 12, 2007, Mr. Michał Sołowow and the subsidiaries held the following assets:

- directly: 1,185,568 shares of Echo Investment SA, giving 2.82% of the initial capital and 1,185,568 votes at the General Meeting of Shareholders, i.e. 2.82% of the total number of votes at the General Meeting of Shareholders of Echo Investment SA,

- indirectly, through subsidiaries: 16,050,968 shares of Echo Investment SA, giving 38,22% of the initial capital and 16,050,968 votes at the General Meeting of Shareholders, i.e. 38,22% of the total number of votes at the General Meeting of Shareholders of Echo Investment SA.

Directly and indirectly, he used to hold a total of 17,236,536 shares of Echo Investment SA, giving 41,04% of the initial capital and 17,236,536 votes at the General Meeting of Shareholders, i.e. 41,04% of the total number of votes at the General Meeting of Shareholders of Echo Investment SA.

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

Shares of Echo Investment S.A. have been quoted on the Warsaw Stock Exchange since March 1996. As on March 1, 2007, 42,000,000 shares issued by the Company are presently available for stock trade.

According to information available to the Company, 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 01.03.2007	balance as on 13.11.2006
Andrzej Majcher, President of the Management Board,	10,080 shares	10,080 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 01.03.2007	balance as on 13.11.2006
Wojciech Ciesielski, Chairman of the Supervisory Board,	144,000 shares	144,000 shares
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

On February 14, 2007 the Company received a notice, on the basis of which it hereby informs that a person closely related to a member of the Supervisory Board of Echo Investment S.A., a company where he holds a director's post, entered on February 7, 2007 into a transaction of transfer of 755,573 shares of Echo Investment S.A. at the Stock Exchange for a unit price of PLN 110 each. The transaction was made as a block session transaction. The notifying party requested that his or her personal data is kept confidential, quoting the provisions of Article 3 Clause 2 of the Regulation of the Minister of Finance as of November 15, 2005 on transmitting and announcing information about certain financial instruments transactions and the rules of preparing and keeping a list of persons to whom certain confidential information is made available (Journal of Laws No. 229 item 1950).

5.17 Information about court proceeding

During the period from January 1, 2006 to December 31, 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 January 1, 2006 to December 31, 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, or not resulting from the Capital Group companies' current operating activity, but whose value would exceed the PLN equivalent of EUR 500,000 during the period from the beginning of the financial year.

5.20 Information about granted guarantees

On December 29, 2006 Echo Investment SA signed a surety agreement for subsidiary's (Echo-Galaxy Spółka z ograniczoną odpowiedzialnością spółka komandytowa with its registered seat in Kielce) debt was made on account of loan granted by EUROHYPO AG Bank, with its registered seat in Eschborn, Germany. The guarantee was granted to the amount not exceeding EUR 100 m, which equals PLN 383,120,000 as on the day of granting the guarantee. The surety shall remain in force until lawful registration of mortgage on the immovable property and recording registered pledges to the register of pledges.

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

On February 1, 2007 the Management Board of Echo Investment SA decided to single out from Echo Investment SA's (Headquarters') structure a new Branch (Establishment) of the Company that will prepare its independent balance sheet within the meaning of Article 6 clause 1 Act as of March 11, 2004, on Tax on Goods and Services (Journal of Laws No. 54, item 535) and forming an organized part of the company within the meaning of Article 4a clause 4 of the Corporate Income Tax Act as of February 15, 1992. This Branch (Establishment) will operate under the company name of "Echo Investment S.A. - Oddział Pasaż Świętokrzyski" [Echo Investment Joint Stock Company, Świętokrzyski Arcade Branch]. Considering the foregoing, a set of tangible and intangible assets required for and related to the activity carried out within the Branch (Establishment) was singled out for the purposes of that Branch (Establishment), including in particular: ownership of immovable property situated in Kielce, between Massalskiego and Szajnowicza Streets, with a shopping center building erected thereon, located in Kielce, Massalskiego Street, the Pasaż Świętokrzyski facility, rights under contracts of lease and rental of immovable properties, receivables, cash and assets from lease and rental of immovable properties, receivables, cash, intellectual property rights and related rights, books and documents related to carrying out economic activity, including liabilities.

On February 8, 2007 The Management Board of the Company convened an Extraordinary General Meeting of Shareholders of Echo Investment SA to be held on March 5, 2007 in the Company's registered office. The agenda included an item dedicated to passing a resolution on giving consent to a transfer of an organized part of the Company's enterprise (Echo Investment S.A. - Oddział Pasaż Świętokrzyski) through a non-cash contribution being made to a company belonging to Echo Investment Capital Group.

The Management Board of the Company decided to select the aforementioned method of transferring ownership of an organized part of the Company's enterprise (non-cash contribution) to a subsidiary, considering cost optimization and harmonization of organization and legal structure.

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, and improving quality / increasing value of the present investment portfolio. 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 twelve months expiring on December 31, 2006

	balance as on 2006.12.31 end of quarter	balance as on 2005.12.31 end of preceding year
Assets		
1. Fixed assets		
1.1. Intangible assets	89	58
1.2. Tangible assets	51 470	50 263
1.3. Long-term receivables	-	-
1.4. Long-term investments	369 845	233 829
1.4.1. Investment immovable property	102 834	13 990
1.4.2. Long-term financial assets	267 011	219 839
1.5. Assets on account of deferred income tax	7 950	15 479
	429 354	299 629
2. Current assets		
2.1. Inventory	250 988	213 559
2.2. Short-term receivables	170 102	246 339
2.2.1. Receivables on account of taxes	6 032	6 009
2.2.2. Receivables on account of deliveries and services, other receivables	164 070	240 330
2.2.2.1. In affiliated companies	159 860	235 433
2.2.2.2. In other companies	1 797	4 672
2.3. Short-term financial investments	47 769	46 489
2.3.1. In affiliated companies	47 259	46 481
2.3.2. In other companies	510	8
2.4. Cash and cash equivalents	131 909	72 231
2.5. Accruals	94	163
	600 862	578 781
Assets total	1 030 216	878 410
Liabilities		
1. Equity		
1.1. Initial capital	21 000	21 000
1.2. Supplementary capital	298 213	288 690
1.3. Profit (loss) brought forward	4 083	4 083
1.4. Profit (loss) of the accounting year	81 071	9 523
	404 367	323 296
2. Reserves		
2.1. Reserve for deferred income tax	13 355	14 056
2.2. Other reserves	16 153	15 421
	29 508	29 477
3. Long-term liabilities		
3.1. Financial liabilities	252 049	232 328
3.1.1. To affiliated companies	6 088	82 390
3.1.2. To other companies	245 961	149 938
3.2. Other liabilities	-	-
	252 049	232 328
4. Short-term liabilities		
4.1. Financial liabilities	145 650	134 763
4.1.1. To affiliated companies	37 075	4 584
4.1.2. To other companies	108 575	130 179
4.2. Tax liabilities	2 993	22 685
4.3. Liabilities on account of deliveries and services	84 160	50 143
4.3.1. To affiliated companies	1 412	288
4.3.2. To other companies	82 748	49 855
4.4. Other liabilities	111 481	85 713
4.5. Special funds	9	5
	344 292	293 309
Liabilities total	1 030 216	878 410

Book value	404 367	323 296
Number of shares	42 000 000	42 000 000
Book value per one share (in PLN)	9,63	7,70

Off-balance liabilities (in thousands PLN)	balance as on 2006.12.31 end of quarter	balance as on 2005.12.31 end of previous year
1. Off-balance receivables	-	-
2. Off-balance liabilities	514 008	25 059
Off-balance items total	514 008	25 059

Profit and loss account ((PLN k)	4 th quarter period from 2006.10.01 to 2006.12.31	4 quarters period from 2006.10.01 to 2006.12.31	4 th quarter the period from 2005.10.01 to 2005.12.31	4 quarters the period from 2005.01.01 to 2005.12.31
Operating income	146 684	259 237	129 088	228 476
Operating costs	(136 692)	(195 419)	(116 091)	(177 966)
Gross profit (loss) on sales	9 992	63 818	12 997	50 510
Profit (loss) on sales of real property	(2 567)	4 009	20	29 873
Revaluation of real property	50 394	47 432	(20 912)	(22 682)
Costs of sales	(3 132)	(9 818)	(1 969)	(7 561)
Overheads	(6 872)	(30 914)	(6 539)	(15 231)
Other operating income / costs	(5 295)	(1 753)	12 392	(3 918)
Profit before tax and financial income/costs	42 520	72 774	(4 011)	30 991
Financial income	6 816	53 979	15 912	38 480
Financial costs	(11 294)	(35 019)	(11 731)	(58 282)
including on account of foreign exchange gains/losses	(6 532)	(5 120)	(1 217)	(4 812)
Gross profit (loss)	38 042	91 734	170	11 189
Income tax	(9 602)	(10 663)	1 429	(1 665)
Net profit (loss)	28 440	81 071	1 599	9 523
Net profit (loss) (annualized)		81 071		9 523
Weighted average number of ordinary shares		42 000 000		42 000 000
Profit (loss) per one ordinary share (in PLN)		1,93		0,23
Weighted average diluted number of ordinary shares		42 000 000		42 000 000
Diluted profit per one ordinary share (in PLN)		1,93		0,23

Statement of changes in equity (in PLN k)	Initial capital	Supplementary capital	Profit brought forward	Net Profit in the period	Capitals total
For 4 quarters (current year), period from 2006.01.01 to 2006.12.31					
Balance at the beginning of period	21 000	288 690	13 606	-	323 296
Corrections of basic errors	-	-	-	-	-
Balance at the beginning of the period, after reconciliation to comparable data	21 000	288 690	13 606	-	323 296
Distribution of profit/loss carried forward	-	9 523	(9 523)	-	-
Net profit (loss) of the current period	-	-	-	81 071	81 071
Changes total	-	9 523	(9 523)	81 071	81 071
Balance at the end of the period	21 000	298 213	4 083	81 071	404 367
For 4 quarters (previous year), period from 2005.01.01 to 2005.12.31					
Balance at the beginning of period	21 000	281 147	7 543	-	309 690
Changes in applied accounting principles (policy)	-	-	4 083	-	4 083
Corrections of basic errors	-	-	-	-	-
Balance at the beginning of the period, after reconciliation to comparable data	21 000	281 147	11 626	-	313 773
Distribution of profit/loss carried forward	-	7 543	(7 543)	-	-
Net profit (loss) of the current period	-	-	-	9 523	9 523
Changes total	-	7 543	(7 543)	9 523	9 523
Balance at the end of the period	21 000	288 690	4 083	9 523	323 296

Cash flow statement (in thousands PLN)	4 quarters	4 quarters
	from 2006.01.01 to 2006.12.31	from 2005.01.01 to 2005.12.31
Cash flows on operating activity – indirect method		
I. Net profit (loss)	81 071	9 523
II. Adjustments:		
1. Share of associated companies in net (profit) loss	-	-
2. Depreciation	3 144	2 648
3. Foreign exchange gains/losses	8 171	4 812
4. Interest and shares in profits (dividends)	(23 038)	(1 593)
5. Current income tax in the profit and loss account	3 836	12 694
6. Income tax paid	(1 384)	(12 394)
7. (Profit) loss on investment activity	(43 330)	(495)
8. Change in reserves	29	7 679
9. Change in inventories	(135 651)	294
10. Change in receivables	75 747	(118 707)
11. Change in short-term liabilities, except for loans and credits	38 209	67 846
12. Change in accruals	12 455	(11 192)
13. Other adjustments	-	-
	(61 812)	(48 408)
Net cash flows on operating activity	19 259	(38 885)
Cash flows on investment activity		
I. Income		
1. Sales of intangible assets and fixed assets	202	75
2. Sales of investments in real property and in intangible assets	70 257	69 151
3. From financial assets	73 392	85 062
4. Other income from investments	-	-
	143 851	154 288
II. Expenditure		
1. Acquisition of intangible assets and fixed assets	(5 211)	(6 379)
2. Investments in immovable property and in intangible assets	(8 992)	(132)
3. On financial assets	(83 415)	(7 707)
4. Other investment expenditure	(197)	-
	(97 815)	(14 218)
Net cash flows on investment activity	46 036	140 071
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	526	10 276
3. Issue of debenture bonds	373 223	157 242
4. Other financial income	-	-
	373 749	167 518

Cash flow statement (in thousands PLN) ctd.	4 quarters	4 quarters
	from 2006.01.01 to 2006.12.31	from 2005.01.01 to 2005.12.31
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. Repayments of loans and credits	(83 051)	(71 258)
5. Redemption of debenture bonds	(265 000)	(110 000)
6. Interest	(23 145)	(23 706)
	(371 196)	(204 965)
Net cash flows on financial activity	2 553	(37 448)
Net cash flows total	67 848	63 739
Difference in cash balances, including:	59 677	58 927
- change in cash balance on account of exchange rate gain/loss	(8 171)	(4 812)
Cash at the beginning of period	72 231	13 304
Cash at the end of period, including:	131 908	72 231
- with limited disposability	57 333	-

Kielce, March 1, 2007

Representatives of the Company:

President of the Management Board Vice-President of the Management Board

Andrzej Majcher

Jarosław Grodzki

Person in charge of keeping books of accounts:

Chief Accountant

Tomasz Sulek