

# Echo Investment S.A. Capital Group

Mid-year condensed consolidated financial statement  
as on and for a period of nine months expiring on September 30, 2007



Kielce, November 14, 2007

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

	balance as on 2007.09.30 end of quarter	balance as on 2006.12.31 end of previous year	balance as on 2006.09.30 end of quarter
<b>Assets</b>			
<b>1. Fixed assets</b>			
1.1. Intangible assets	445	91	124
1.2. Goodwill of subsidiaries	40 382	32 687	33 213
1.3. Tangible assets	406 323	411 699	378 118
1.4. Long-term receivables	5	5	-
1.5. Investment immovable property	1 985 084	1 670 296	1 660 358
1.6. Long-term financial assets	15 724	21 671	23 833
1.7. Deferred income tax assets	20 699	18 059	17 524
	<b>2 468 662</b>	<b>2 154 508</b>	<b>2 113 170</b>
<b>2. Current assets</b>			
2.1. Inventories	356 829	208 075	164 036
2.2. Tax receivables	34 485	48 274	31 586
2.3. Receivables on account of deliveries and services, other receivables	47 710	29 221	23 980
2.4. Short-term financial investments	10 868	613	561
2.5. Accruals	2 219	1 032	2 588
2.6. Cash and cash equivalents	616 129	297 791	279 685
	<b>1 068 240</b>	<b>585 006</b>	<b>502 436</b>
<b>Assets total</b>	<b>3 536 902</b>	<b>2 739 514</b>	<b>2 615 606</b>
<b>Liabilities</b>			
<b>1. Equity</b>			
1.1. Equity allocated to shareholders of the dominant company	1 463 471	1 195 243	1 156 657
1.1.1. Initial capital	21 000	21 000	21 000
1.1.2. Supplementary capital	985 994	538 319	534 636
1.1.3. Profit (loss) carried forward	188 247	357 790	361 473
1.1.4. Profit (loss) of the current year	268 237	278 132	239 548
1.1.5. Foreign exchange gains/losses arising from conversion of foreign companies' data	(7)	2	-
1.2. Minority capitals	16 660	10 584	14 809
	<b>1 480 131</b>	<b>1 205 827</b>	<b>1 171 466</b>
<b>2. Reserves</b>			
2.1. Reserve for deferred income tax	227 512	178 766	169 375
2.2. Other reserves	34 827	32 055	32 500
	<b>262 339</b>	<b>210 821</b>	<b>201 875</b>
<b>3. Long-term debt</b>			
3.1. Financial liabilities	1 301 428	902 909	952 691
3.2. Other liabilities	35 800	40 857	34 301
	<b>1 337 228</b>	<b>943 766</b>	<b>986 992</b>
<b>4. Short-term debt</b>			
4.1. Financial liabilities	86 683	158 061	99 284
4.2. Tax liabilities	11 177	88 333	10 615
4.3. Liabilities on account of deliveries and services	157 568	8 838	49 333
4.4. Other liabilities	201 776	123 868	96 041
	<b>457 204</b>	<b>379 100</b>	<b>255 273</b>

<b>Liabilities total</b>	<b>3 536 902</b>	<b>2 739 514</b>	<b>2 615 606</b>
Book value (in thousands PLN)	1 463 471	1 195 243	1 156 657
Number of shares	42 000 000	42 000 000	42 000 000
Book value per one share (in PLN)	34,84	28,46	27,54
Diluted number of shares	42 000 000	42 000 000	42 000 000
Diluted book value per one share (in PLN)	34,84	28,46	27,54

<b>OFF-BALANCE ITEMS in thousands PLN</b>	<b>balance as on 2007.09.30 end of quarter</b>	<b>balance as on 2006.12.31 end of previous year</b>	<b>balance as on 2006.09.30 end of quarter</b>
1. Off-balance receivables	-	-	-
2. Off-balance liabilities	23 397	13 034	79 521

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

	<b>3<sup>rd</sup> quarter the period from 2007.07.01 to 2007.09.30</b>	<b>3 quarters the period from 2007.01.01 to 2007.09.30</b>	<b>3<sup>rd</sup> quarter the period from 2006.07.01 to 2006.09.30</b>	<b>3 quarters the period from 2006.01.01 to 2006.09.30</b>
Operating income	94 237	285 228	76 135	260 497
Operating costs	(53 979)	(149 272)	(33 149)	(116 405)
<b>Gross profit (loss) on sales</b>	<b>40 258</b>	<b>135 956</b>	<b>42 986</b>	<b>144 092</b>
Profit (loss) on sales of immovable property	29 006	29 006	1 678	11 609
Revaluation of immovable property	29 232	225 135	134 647	232 843
Costs of sales	(8 095)	(15 738)	(2 201)	(6 634)
Overheads	(9 015)	(27 192)	(8 648)	(33 952)
Other operating income and costs	3 611	4 100	7 506	(2 851)
<b>Profit before tax and financial income/costs</b>	<b>84 997</b>	<b>351 267</b>	<b>175 968</b>	<b>345 107</b>
Financial income	6 260	19 576	275	14 164
Financial costs	(19 055)	(55 099)	(15 694)	(53 679)
Foreign exchange gains/losses	456	19 653	11 331	(6 575)
Revaluation of goodwill of subsidiaries	-	(73)	(5)	(9)
Shares in profits of associated companies	(3)	(10)	-	(7)
<b>Gross profit (loss)</b>	<b>72 655</b>	<b>335 314</b>	<b>171 875</b>	<b>299 001</b>
Income tax	(9 949)	(61 001)	(31 852)	(56 789)
<b>Net profit (loss)</b>	<b>62 706</b>	<b>274 313</b>	<b>140 023</b>	<b>242 212</b>
Profit (loss) allocated to minority shareholders	5 368	6 076	2 659	2 664
Profit (loss) allocated to shareholders of the dominant company	57 338	268 237	137 364	239 548
Net profit (loss) (annualized)		306 921		268 283
Weighted average number of ordinary shares		42 000 000		42 000 000
Profit (loss) per one ordinary share (in PLN)		7,31		6,39
Weighted average diluted number of ordinary shares		42 000 000		42 000 000
Diluted profit (loss) per one ordinary share (in PLN)		7,31		6,39

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

	Initial capital	Supplementary capital	Profit (loss) carried forward	Profit (loss) of the current year	Foreign exchange gains/losses arising from conversion	Equity allocated to shareholders of the dominant company	Minority capitals	Equity total
<b>For 3 quarters (current year), period from 2007.01.01 to 2007.09.30</b>								
Balance at the beginning of period	21 000	538 319	635 922		2	1 195 243	10 584	1 205 827
Corrections of basic errors			-			-		-
<b>Balance at the beginning of period, after reconciliation to comparable data</b>	<b>21 000</b>	<b>538 319</b>	<b>635 922</b>	<b>-</b>	<b>2</b>	<b>1 195 243</b>	<b>10 584</b>	<b>1 205 827</b>
Distribution of profit/loss carried forward	-	447 675	(447 675)	-		-	-	-
Net profit (loss) of the current period	-	-	-	268 237	(9)	268 238	6 076	274 304
<b>Balance at the end of period</b>	<b>21 000</b>	<b>985 994</b>	<b>188 247</b>	<b>268 237</b>	<b>(7)</b>	<b>1 463 471</b>	<b>16 660</b>	<b>1 480 131</b>
<b>For 4 quarters (previous year), period from January 1, 2006 to December 31, 2006</b>								
Balance at the beginning of period	21 000	353 771	542 332	-		917 103	18 145	935 248
Changes in applied accounting principles (policy)	-	-	6	-		6	-	6
Corrections of basic errors	-	-	-	-		-	-	-
<b>Balance at the beginning of period, after reconciliation to comparable data</b>	<b>21 000</b>	<b>353 771</b>	<b>542 338</b>	<b>-</b>	<b>-</b>	<b>917 109</b>	<b>18 145</b>	<b>935 254</b>
Distribution of profit/loss carried forward	-	184 548	(184 548)	-		-	-	-
Changes in minority shares	-	-	-	-		-	(8 500)	(8 500)
Net profit (loss) of the current period	-	-	-	278 132	2	278 134	939	279 073
<b>Balance at the end of period</b>	<b>21 000</b>	<b>538 319</b>	<b>357 790</b>	<b>278 132</b>	<b>2</b>	<b>1 195 243</b>	<b>10 584</b>	<b>1 205 827</b>
<b>For 3 quarters (previous year), period from 2006.01.01 to 2006.09.30</b>								
Balance at the beginning of period	21 000	353 771	542 332	-		917 103	18 145	935 248
Changes in applied accounting principles (policy)	-	-	6	-		6	-	6
Corrections of basic errors	-	-	-	-		-	-	-
<b>Balance at the beginning of period, after reconciliation to comparable data</b>	<b>21 000</b>	<b>353 771</b>	<b>542 338</b>	<b>-</b>	<b>-</b>	<b>917 109</b>	<b>18 145</b>	<b>935 254</b>
Distribution of profit/loss carried forward	-	180 865	(180 865)	-		-	-	-
Changes in minority shares	-	-	-	-		-	(6 000)	(6 000)
Net profit (loss) of the current period	-	-	-	239 548		239 548	2 664	242 212
<b>Balance at the end of period</b>	<b>21 000</b>	<b>534 636</b>	<b>361 473</b>	<b>239 548</b>	<b>-</b>	<b>1 156 657</b>	<b>14 809</b>	<b>1 171 466</b>

#### 4. Condensed consolidated cash flow statement, in thousands PLN

Cash flow statement	3 quarters the period from 2007.01.01 to 2007.09.30	3 quarters the period from 2006.01.01 to 2006.09.30
<b>A. Cash flows on operating activity – indirect method</b>		
<b>I. Net profit (loss)</b>	274 313	242 212
<b>II. Adjustments total</b>		
1. Share in net (profits) losses of associated companies	10	7
2. Depreciation of fixed assets	3 356	3 756
3. Revaluation of goodwill	73	9
4. Foreign exchange gains/losses	(24 314)	16 757
5. Interest and shares in profits (dividends)	36 617	34 319
6. (Profit) loss on investment activity	(240 191)	(220 241)
7. Change in reserves	53 812	49 777
8. Change in inventories	(127 926)	(39 198)
9. Change in receivables	(11 282)	(32 842)
10. Change in short-term debt, except for loans and credits	94 478	4 105
11. Change in accruals	11 426	(13 203)
12. Other adjustments	19	55
	<b>(207 972)</b>	<b>-196 699</b>
<b>III. Net cash flows on operating activity (I+/-II)</b>	<b>70 391</b>	<b>45 513</b>
<b>B. Cash flows on investment activity</b>		
<b>I. Income</b>		
1. Sales of intangible assets and fixed assets	210 550	182
2. Sales of investments in immovable property and in intangible assets	45 194	27 883
3. From financial assets	101 621	41 588
4. Other income from investments	-	-
	<b>357 365</b>	<b>69 653</b>
<b>II. Expenditure</b>		
1. Acquisition of intangible assets and tangible assets	(68 497)	(19 302)
2. Investments in immovable property and in intangible assets	(219 778)	(137 940)
3. On financial assets	(98 063)	(48 827)
4. Dividends and other shares in profits paid to minority	-	-
5. Other investment expenditure	(318)	(44)
	<b>(386 656)</b>	<b>(206 113)</b>
<b>III. Net cash flows on investment activity (I-II)</b>	<b>(29 291)</b>	<b>(136 460)</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	230 499	228 446
3. Issue of debenture bonds	346 405	229 465
4. Other financial income	-	-
	<b>576 904</b>	<b>457 911</b>

#### 4. Condensed consolidated cash flow statement, in thousands PLN, ctd.

Cash flow statement ctd.	3 quarters the period from 2007.01.01 to 2007.09.30	3 quarters the period from 2006.01.01 to 2006.09.30
<b>II. Expenditure</b>		
1. Acquisition of own shares (stocks)	-	-
2. Dividends and other disbursements to owners	-	(6 000)
3. Expenses on account of profit allocation, other than payments to owners	-	-
4. Repayments of loans and credits	(132 113)	(47 777)
5. Redemption of debenture bonds	(110 000)	(220 800)
6. On account of other financial debt	-	-
7. Payments of debts under financial lease contracts	-	(365)
8. Interest	(55 350)	(51 463)
9. Other financial expenses	-	-
	<b>(297 463)</b>	<b>(326 405)</b>
<b>III. Net cash flows on financial activity (I-II)</b>	<b>279 441</b>	<b>131 506</b>
<b>D. Net cash flows total (A.III+/-B.III+/-C.III)</b>	<b>320 541</b>	<b>40 559</b>
<b>E. Difference in cash balances, including:</b>	<b>318 338</b>	<b>37 202</b>
- change in cash balance due to foreign exchange gains/losses	(2 203)	(3 357)
<b>F. Cash at the beginning of period</b>	<b>297 791</b>	<b>242 483</b>
<b>G. Cash at the end of period (F+/-D), including:</b>	<b>616 129</b>	<b>279 685</b>
- with limited disposability	-	61 326

#### 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. As from October 1, 2007 the Company's registered address has been changed from: ul. Zagnańska 27 to: Al. Solidarności 36.

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

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

As on September 30, 2007 and September 30, 2006, the Capital Group employed 324 and 281 persons, respectively.

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

The presented statement refers to the nine months' period expiring on September 30, 2007, with comparative data referring to the nine months' period expiring on September 30, 2006. 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 Echo Investment SA's shares is 42,000,000 ordinary bearer shares.

The organization authorized to audit the financial statements of Echo Investment SA is BDO Numerica Sp. z o.o. with its registered office in Warsaw, postcode 02- 676, Postępu 12. This financial statement of the Capital Group and of Echo Investment SA as a company has not been audited by the aforementioned company.



## 5.2 Principles applied during preparation of the quarterly report

The consolidated statement of Echo Investment S.A. for the third quarter of the year 2007 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 third quarter of the year 2007. 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 valuated 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 thousand 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 valuated 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 immovable 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 valuated 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 valuated 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 valuated 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 valuated 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 valuated 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: deferred income tax assets and provision for income tax. These items are valuated according to their reasonable 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 valuated 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. 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 (profit/loss) 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 construction contracts is disclosed according to the actual advancement 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:
    - profitability level according to the sales contract, or average (calculated) profitability level 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 incomes 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 2007.



## 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 September 30, 2007 the Echo Investment S.A. Capital Group consists of 90 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
- “Echo - Arena Sp. z o.o.” Spółka komandytowa [‘Echo - Arena Limited Liability Company’ Limited Partnership], having its registered seat in Kielce
- „Echo - Building Ingatlanhasznosító” Kft., having its registered seat in Budapest
- “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 Bełchatów” Spółka z o.o. [‘Echo – Bełchatów 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 Gdynia” Spółka z o.o. [‘Echo – Gdynia Center’ Limited Liability Company], having its registered seat in Kielce
- “Echo – Centrum Jelenia Góra” Spółka z o.o. [‘Echo – Jelenia Góra Center’ Limited Liability Company], having its registered seat in Jelenia Góra
- “Echo - Centrum Poznań” Spółka z o.o. [‘Echo – Poznań Center’ Limited Liability Company], having its registered seat in Kielce
- “Echo - Centrum Przemysł” Spółka z o.o. [‘Echo – Przemysł Center’ Limited Liability Company], having its registered seat in Kielce
- “Echo - Centrum Rzeszów” Spółka z o.o. [‘Echo – Rzeszów Center’ Limited Liability Company], having its registered seat in Kielce
- “Echo - Centrum Tarnów” Spółka z o.o. [‘Echo – Tarnów Center’ Limited Liability Company], having its registered seat in Kielce
- “Echo - Galaxy” Spółka z o.o. [‘Echo - Galaxy’ Limited Liability Company], having its registered seat in Kielce
- „Echo – Galaxy spółka z ograniczoną odpowiedzialnością” Spółka Komandytowa [“Echo – Galaxy Limited Liability Company” Limited Partnership], having its registered seat in Kielce
- “Echo – Galeria Kielce” Sp. z o.o. [‘Echo – Kielce Gallery’ Limited Liability Company], having its registered seat in Kielce,
- “Echo – Kielce 1” Sp. z o.o. [‘Echo – Kielce 1’ Limited Liability Company’], having its registered seat in Kielce, formerly “Echo Investment – Centrum Handlowe Kielce” Spółka z o.o. [‘Echo Investment – Kielce Shopping 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 spółka z ograniczoną odpowiedzialnością” Spółka komandytowa [“Echo – Grunwaldzki Arcade Limited Liability Company” Limited Partnership], having its registered seat in Kielce
- „Echo – Projekt 1” LLC, having its registered seat in Kiev
- „Echo – Projekt 2” LLC, having its registered seat in Kiev
- “Echo – SPV 6” Sp. z o.o. [‘Echo – SPV 6’ Limited Liability Company], having its registered seat in Kielce
- “Echo - Veneda” Sp. z o.o. [‘Echo - Veneda’ Limited Liability 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 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 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 Hungary Ingatlanhasznosító Kft.”, having its registered seat in Budapest
- “Echo Investment Projekt 1” S.R.L., having its registered seat in Bucharest
- „Echo Investment Ukraine” LLC, having its registered seat in Kiev
- “Est On Property Management” Spółka z o.o. [‘Est On Property Management’ Limited Liability Company], having its registered seat in Kielce

- "Galeria Echo - Kielce" Spółka z o.o. ['Echo Gallery - 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
- „Echo – Project Management Ingatlanhasznosító” Kft., having its registered seat in Budapest, formerly „Project 2 - Echo Hungary” Kft. with its registered seat in Budapest
- "Projekt – Echo 17" Spółka z o.o. ['Project – Echo 17' Limited Liability Company], having its registered seat in Kielce
- "Projekt – Echo 28" Spółka z o.o. ['Project - Echo 28' Limited Liability Company'], having its registered seat in Kielce, formerly "Echo Centrum Ślichowice" Spółka z o.o. ['Echo Ślichowice Center' 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 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 – Echo 41" Spółka z o.o. ['Project – Echo 41' Limited Liability Company], having its registered seat in Kielce
- „Projekt – Echo 41 spółka z ograniczoną odpowiedzialnością” Spółka Komandytowa ["Project – Echo 41 Limited Liability Company" Limited Partnership], having its registered seat in Kielce
- "Projekt – Echo 42" Spółka z o.o. ['Project – Echo 42' Limited Liability Company], having its registered seat in Kielce
- „Projekt – Echo 42 spółka z ograniczoną odpowiedzialnością” Spółka Komandytowa ["Project – Echo 42 Limited Liability Company" Limited Partnership], having its registered seat in Kielce
- "Projekt – Echo 43" Spółka z o.o. ['Project – Echo 43' Limited Liability Company], having its registered seat in Kielce
- "Projekt – Echo 44" Spółka z o.o. ['Project – Echo 44' Limited Liability Company], having its registered seat in Kielce
- "Projekt – Echo 45" Spółka z o.o. ['Project – Echo 45' Limited Liability Company], having its registered seat in Kielce
- „Projekt – Echo 45 spółka z ograniczoną odpowiedzialnością” Spółka Komandytowa ["Project – Echo 45 Limited Liability Company" Limited Partnership], 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 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 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
- "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
- "WAN 11" Spółka z o.o. ['WAN 11' Limited Liability Company], having its registered seat in Warsaw
- "Wyględów" Spółka z o.o. ['Wyględów' 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 associated companies are covered by 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. – 50% of basic capital and 50% of voting rights at the general meeting.
- "Projekt S" Sp. z o.o. ['Project S' Limited Liability Company] – 63% of basic capital and 63% of voting rights at the general meeting of shareholders.

Capital relationships within the Capital Group concern the following:

- a) "Piomot – Auto" Sp. z o.o., holding 5.53% 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 – Kielce 1” Sp. z o.o., holding:
  - 99.97% of basic capital of "Echo – Galeria Kielce" Sp. z o.o.,
  - 100% of basic capital of "Princess Boryszewska" Sp. z o.o.
- d) "Projekt – Echo 37" Sp. z o.o., holding 0,001% of basic capital of "Echo – SPV 6" Sp. z o.o.;
- e) "Echo – Pasaż Grunwaldzki" Sp. z o.o., holding 1% of share of "Echo – Pasaż Grunwaldzki Sp. z o.o." Spółka komandytowa;
- f) "Echo – Arena" Sp. z o.o., holding 1% of share of "Echo – Arena Sp. z o.o." Spółka komandytowa;
- g) "Echo – Galaxy" Sp. z o.o., holding 1% of share of "Echo – Galaxy Sp. z o.o." Limited Partnership,
- h) "Galeria Echo - Kielce" Sp. z o.o., holding 0,01% of basic capital of "Echo – Galeria Kielce" Sp. z o.o.;
- i) "Projekt – Echo 41" Sp. z o.o., holding 1% of share of "Projekt – Echo 41 Sp. z o.o." Limited Partnership,
- j) "Projekt – Echo 42" Sp. z o.o., holding 1% of share of "Projekt – Echo 42 Sp. z o.o." Limited Company;
- k) "Projekt – Echo 45" Sp. z o.o., holding 1% of share of "Projekt – Echo 45 Sp. z o.o." Spółka komandytowa;
- l) „Echo – Centrum Bankowości i Finansów Łódź" Spółka z o.o., holding 47.98% of basic capital of „Projekt – Echo 53" Sp. z o.o.;
- m) „Echo – Centrum Biznesu Łódź" Spółka z o.o., holding 51.96% of basic capital of „Projekt – Echo 53" Sp. z o.o.;
- n) „Echo – Centrum Tarnów" Sp. z o.o., holding 99.93% of basic capital of „Projekt – Echo 61" Sp. z o.o.;
- o) „Echo Investment Ukraine" LLC, holding:
  - 100% of basic capital of „Echo – Projekt 1" LLC
  - 99.99% of basic capital of „Echo – Projekt 2" LLC
- p) „Echo – Projekt 1" LLC, holding 0.01% of basic capital of „Echo – Projekt 2" LLC
- r) "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 "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 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 62" Sp. z o.o.,
- 0.1% of capital of "Projekt – Echo 63" Sp. z o.o.,
- 0.1% of capital of "Projekt – Echo 64" Sp. z o.o.,
- 0.1% of capital of "Projekt – Echo 65" Sp. z o.o.,
- 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 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.,
- 0.03% of capital of "Echo - SPV 6" Sp. z o.o.,
- 0.02% of capital of "Projekt – Echo 28" 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 Handlowo-Rozrywkowe Gliwice" Sp. z o.o.,
- 0.008% of capital of "Athina Park" Sp. z o.o.,
- 0.007% of capital of "Echo - Centrum Veneda" Sp. z o.o.,
- 0.006% of capital of "Echo - Centrum Bełchatów" Sp. z o.o.,
- 0.006% of capital of "Echo - Centrum Rzeszów" Sp. z o.o.,
- 0,005% of capital of "Echo – Centrum Gdynia" Sp. z o.o.,
- 0,004% of capital of "MDP" Sp. z o.o.,
- 0.004% of capital of "Echo - Centrum Tarnów" Sp. z o.o.,
- 0,002% of capital of "Echo Investment – Centrum Handlowe Piotrków Trybunalski" Sp. z o.o.,
- 0,002% of capital of „Echo – Kielce 1” Sp. z o.o.;
- 0.001% of capital of "Projekt – Echo 53" Sp. z o.o.,
- 0.001% of capital of "Projekt – Echo 54" Sp. z o.o.,
- 0.001% of capital of „Projekt – Echo 61” 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).

Pursuant to contracts made as regards the Bonds Issue Program with BRE Bank S.A. in 2004 and BPH S.A. Bank in 2003, Echo Investment S.A. has certain liabilities due to issued debt securities. The balance of these liabilities as at the submission date of this statement is presented in the table below:

Name of bank	Type of instrument	Amount utilized [in thousands PLN]	Bonds redemption date
BRE Bank S.A. [BRE Bank Joint Stock Company]	Bonds	150.000	25.05.2011
BRE Bank S.A. [BRE Bank Joint Stock Company]	Bonds	100.000	25.05.2013
BRE Bank S.A. [BRE Bank Joint Stock Company]	Bonds	300.000	30.06.2014
BRE Bank S.A. [BRE Bank Joint Stock Company]	Bonds	50.000	23.11.2007

The maximum total nominal value of all bonds thus issued by Echo Investment SA shall not exceed:

- 600 million PLN under the agreement signed with BRE Bank SA,
- 250 million PLN under the agreement signed with BPH SA Bank.

1. On September 04, 2007 Echo Investment SA (Issuer of Bonds) redeemed 3,000 discount bonds for a total nominal value of PLN 30 million. As a consequence of repurchase, the bonds were redeemed according to Article 24 clause 1 of the Act as of June 29, 1995 on Bonds (Journal of Laws No. 120 item 1300, as amended). The bonds were issued on December 04, 2006 under the contract of performance of a Bonds Issuance Program as of April 02, 2003 with Bank BPH S.A., seated in Krakow.

2. On September 11, 2007 Echo Investment SA (Issuer of Bonds) redeemed 3,000 discount bonds for a total nominal value of PLN 30 million. As a consequence of repurchase, the bonds were redeemed according to Article 24 clause 1 of the Act as of June 29, 1995 on Bonds (Journal of Laws No. 120 item 1300, as amended). The bonds were issued on December 11, 2006 under the contract of performance of a Bonds Issuance Program as of April 02, 2003 with Bank BPH S.A., seated in Krakow.

3. On September 13, 2007, an annex was signed between Echo Investment SA (Issuer of Bonds, the Company) and BPH S.A. Bank with its registered seat in Krakow (Issuance Agent) to the contract of performance of a Bonds Issuance Program (the Bonds) as of April 02, 2003 (the Agreement). Annex to the Agreement foresees multiple issues of short-, mid- and long-term bonds denominated in Polish zlotys, to be executed by the Issuer of Bonds before May 31, 2009. The maximum total nominal value of all bonds thus issued shall not exceed PLN 250 million. Under the foregoing Agreement, the Company is presently not indebted on account of debt securities issued. The company shall allocate the funds obtained from issues to financing its daily activities.

Under the signed annex to the Agreement, BRE Bank S.A. shall organize and provide complex service of issue of the Company's bonds on unregistered market. The bonds will be straight debt, issued as bearer securities. Interest rates on the bonds can be fixed or variable. The bonds shall not yield any non-financial performances. The conditions of issue shall be set out prior to issue, during the term of the Bonds Issuance Program Agreement.

## 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. Under resolution no. 5 on distribution of profit, on May 29, 2007 the Ordinary General Meeting of Shareholders of “Echo Investment S.A.” decided to exclude the net profit earned by the Company during the expired financial year 2006, in the amount of PLN 80,754 thousand (read: eighty million seven hundred and fifty-four thousand zlotys) from distribution to shareholders and to allocate the total amount thereof to the Company's supplementary capital for the purpose of financing the Company's current operations.

## 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

1. On October 18, 2007 the Extraordinary General Meeting of Shareholders of Echo Investment SA passed Resolution no. 4 on expressing consent to transfer of three branches of the Company, forming organized parts of the Company's enterprise, through a non-cash contribution of the following three branches to Echo Investment S.A. subsidiaries:

- „Echo Investment SA – Oddział Kraków” (‘Echo Investment SA – Krakow Branch’),
- „Echo Investment SA – Oddział Szczecin” (‘Echo Investment SA – Szczecin Branch’),
- „Echo Investment SA – Oddział Warszawa” (‘Echo Investment SA – Warsaw Branch’).

On November 7, 2007, in the course of execution of Resolution no. 4, which was passed on October 18, 2007 by the Extraordinary General Meeting of Shareholders of Echo Investment SA, an agreement of transfer of an organized part of enterprise – an establishment preparing an individual balance sheet was signed between Echo Investment SA with its registered seat in Kielce and a subsidiary „Projekt Echo – 65” Sp. z o.o. [‘Project Echo – 65’ Limited Liability Company] with its registered seat in Kielce. The object of the foregoing agreement is an organized part of company in the form of a Branch operating under company name “Echo Investment SA – Oddział Szczecin” [‘Echo Investment Joint Stock Company – Szczecin Branch’] (the “Branch”), forming an organized part of Echo Investment SA's enterprise within the meaning of Article 4a clause 4 of the Corporate Income Tax Act as of February 15 (Journal of Laws of 2000, No. 54 item 694), being an establishment preparing its individual balance sheet within the meaning of Article 6 clause 1 of the Tax on Goods and Services (VAT) Act as of March 11, 2004 (Journal of Laws No. 54 item 535), covering a group of tangible and intangible assets that are necessary and related to the operations carried out within the Branch. These assets include, among other, ownership right to immovable property situated in Szczecin at Malczewskiego Street, with an area of 5,242 square meters, with all rights and obligations pertaining thereto. The value of contract was PLN 9,570,500. The aforementioned organized part of enterprise forms a non-cash contribution for coverage of newly established 191,401 shares in the initial capital of “Projekt Echo – 65” Sp. z o.o. [‘Project Echo – 65’ Limited Liability Company] with a total value of PLN 9,570,500. All newly established shares will be taken up by Echo Investment SA.

2. On October 31, 2007 an agreement was made between Echo Investment SA and Weko Prof Sp. z o.o. with its registered seat in Warsaw, for general contracting of a residential building located in Poznan, Wojskowa Street. The contract value was PLN 30.61 million net.

3. On October 31, 2007, a contract of transfer of establishment was made between the Issuer's subsidiaries: „Echo – Centrum Jelenia Góra” Sp. z o.o. [‘Echo – Jelenia Góra Center’ Limited Liability Company] with its registered seat in Kielce („the Seller”) and „Projekt Echo – 56” Sp. z o.o. [‘Project Echo – 56’ Limited Liability Company] with its registered seat in Kielce („the Buyer”).

The object of the establishment transfer contract is an establishment comprising right of perpetual usufruct of immovable property situated in Jelenia Góra, with an area of 48,209 sq. m, including ownership of a shopping center building erected thereon and forming a separate object of ownership, with all rights and obligations pertaining thereto. The value of contract is PLN 74,150,000 and the accounting value of the transferred establishment in the books of accounts of the Issuer's subsidiary is PLN 73,327,760.14 (as on June 30, 2007).

The aforementioned establishment forms a non-cash contribution for coverage of newly established 1,483,000 shares in the initial capital of “Projekt Echo – 56” Sp. z o.o. [‘Project Echo – 56’ Limited Liability Company] with total nominal value of PLN 74,150,000. These shares form 99.93% of the Company's initial capital, giving 1,483,000 votes at the meeting of shareholders.

4. On November 7, 2007, by way of a tender being resolved, Echo Investment SA purchased real estate situated in Wroclaw, Jedności Narodowej Street. The Company intends to develop a housing project on the above mentioned land. The land plot with an area of 7.4 thousand square meters was purchased for a price of 18.55 million PLN. A zoning decision has been issued for the real estate that allows erection of a multi-family residential building. Echo Investment intends to carry out a project comprising ca. 200 apartments with a total area of about 12,000 square meters. Design works are going to commence as early as this year, and launching of development is anticipated for 2008.



## 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.

### I. The Capital Group was expanded with 3 new companies:

1. On June 26, 2007, the Regional State Registration in Kiev registered the Issuer's subsidiary "Echo Investment Ukraine" Limited Liability Company with its registered seat in Kiev. The value of initial capital is UAH 42,000. As on the registration day, Echo Investment S.A. took up 99.99% of initial capital of Echo Investment Ukraine, worth UAH 41,995.80, carrying 99.99% of votes at the general meeting of shareholders.

2. On September 26, 2007 the Regional State Registration in Kiev registered changes in the initial capital of the following subsidiaries: „Echo - Projekt 1” Limited Liability Company with its registered seat in Kiev, and „Echo -Projekt 2” Limited Liability Company with its registered seat in Kiev (the Subsidiaries).

The nominal value of each Subsidiary's initial capital is UAH 42,000 (an equivalent of PLN 22,264.20 according to the average rate of exchange of the National Bank of Poland as on the day of registration of the changes in initial capital).

As on the registration day, the Issuer's Subsidiary „Echo Investment Ukraine” Limited Liability Company with its registered seat in Kiev took up 100% of the initial capital of „Echo – Projekt 1” LLC with nominal value of UAH 42,000, carrying 100% of votes at the general meeting of shareholders, and 99.99% of the initial capital of „Echo – Projekt 2” LLC with nominal value of UAH 41,995.80, carrying 99.99% of votes at the general meeting of shareholders.

As on the registration day, the Subsidiary “Echo – Projekt 1” LLC took up 0.01% of the initial capital of “Echo – Projekt 2” LLC, worth UAH 4.2, carrying 0.01% of votes at the general meeting of shareholders.

Shares in the initial capital of „Echo – Projekt 1” LLC were acquired on the basis of contracts of transfer of shares, executed between „Echo Investment Ukraine” Limited Liability Company (the Buyer) and individuals being Ukrainian citizens (the Sellers). The purchase price of the shares is UAH 42,000, an equivalent of PLN 22,264.20 according to the average rate of exchange of the National Bank of Poland as on the day of registration of the changes in initial capital of the Subsidiaries). The Buyer intends to use the acquired shares as long-term capital investment. The acquired shares were financed with the Buyer's own funds.

Shares in the initial capital of „Echo – Projekt 2” LLC were acquired on the basis of a contract of transfer of shares, executed between „Echo Investment Ukraine” Limited Liability Company (the Buyer) and an individual being a Ukrainian citizen (the Seller). The purchase price of the shares is UAH 41,995.80, an equivalent of PLN 22,261.97 according to the average rate of exchange of the National Bank of Poland as on the day of registration of the changes in initial capital of the Subsidiaries). The Buyer intends to use the acquired shares as long-term capital investment. The acquired shares were financed with the Buyer's own funds.

### II. 1 company was eliminated from the Capital Group:

1. On September 27, 2007 a contract was made between Echo Investment SA with its registered seat in Kielce, acting together with the Issuer's subsidiary Projekt Echo – 17 Sp. z o.o. (jointly referred to as the Seller) and Firma Chemiczna Dwory S.A. with its registered seat in Oświęcim (the Buyer), concerning transfer of shares of the issuer's subsidiary Projekt Echo – 79 Sp. z o.o. with its registered seat in Kielce (the Subsidiary). The contracts concern 100% shares in the Subsidiary's share capital with nominal value of PLN 50,000. The sales price of these shares equaled PLN 59,000 and the book value of these shares in the Issuer's and its subsidiary's books of accounts was PLN 50,000.

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

1. On September 10, 2007, changes were registered in the value and structure of initial capital of subsidiary “Echo – Galeria Kielce” Sp. z o.o. [“Echo – Kielce Gallery”] Limited Liability Company with its registered seat in Kielce (“the Subsidiary”).


The value of the subsidiary's initial capital was increased by 2,151,000 and now equals PLN 13,695,000, divided into 27,390 shares with a nominal value of PLN 500 each. The total number of votes at the meeting of shareholders, according to shares, is 27,390.

As on the registration date, ownership structure in “Echo – Galeria Kielce” Sp. z o.o. [“Echo – Kielce Gallery” Limited Liability Company] has changed and is now as follows:

- the Issuer's subsidiary “Echo Kielce - 1” Sp. z o.o. [“Echo Kielce - 1” Limited Liability Company], having its registered seat in Kielce (formerly “Echo Investment – Centrum Handlowo – Rozrywkowe Kielce” Sp. z o.o. (“Echo Investment – Kielce Shopping and Entertainment Center” Limited Liability Company) with its registered seat in Kielce holds 27,382 shares with a total value of PLN 500, carrying 27,382 votes at the general meeting of shareholders, which constitutes 99.97% of the initial capital.

- “Echo Investment SA” holds 8 shares in the subsidiary with a total value of PLN 4,000, yielding 8 votes at the meeting of shareholders, which forms 0.03 % of the initial capital,

2. On September 28, 2007 the District Court in Kielce, 10<sup>th</sup> Economic Department of the National Court Register registered a change in the value of initial capital of subsidiary “Projekt Echo - 61” Sp. z o.o. [“Project Echo - 61” Limited Liability Company] with its registered seat in Kielce (“the



Subsidiary"). The value of the subsidiary's initial capital was increased by 76,655,350 and now equals PLN 76,705,350, divided into 1,534,107 shares with a nominal value of PLN 50 each. The total number of votes at the meeting of shareholders, according to shares, is 1,534,107.

As on the registration date, ownership structure in "Projekt Echo - 61" Sp. z o.o. ["Project Echo - 61' Limited Liability Company] has changed and is now as follows:

- the Issuer's subsidiary "Echo - Centrum Tarnów" Sp. z o.o. ("Echo - Tarnów Center" Limited Liability Company) with its registered seat in Kielce holds 1,533,107 shares with a total value of PLN 76,655,350, carrying 1,533,107 votes at the general meeting of shareholders, which constitutes 99.93% of the initial capital,

- Echo Investment SA holds 999 shares in the subsidiary with a total value of PLN 49,950, carrying 999 votes at the meeting of shareholders, which constitutes 0.07 % of the initial capital,

- the Issuer's subsidiary "Projekt Echo - 17" Sp. z o.o. ["Project Echo - 17' Limited Liability Company] with its registered seat in Kielce holds 1 share with a total value of PLN 50, carrying 1 vote at the general meeting of shareholders, which constitutes 0.0001 % of the initial capital.

Changes in the initial capital of "Projekt Echo - 61" Sp. z o.o. ["Project Echo - 61' Limited Liability Company] were effected through non-cash contribution by the Issuer's subsidiary "Echo - Centrum Tarnów" Sp. z o.o. ["Echo - Tarnów Center" Limited Liability Company] with its registered seat in Kielce, constituting an enterprise, for covering up the newly established 1,533,107 shares in the initial capital of "Projekt Echo - 61" Sp. z o.o. with total nominal value of PLN 76,655,350. The accounting value of the transferred establishment in the books of accounts of the Issuer's subsidiaries was PLN 74,742,798.66 (as on June 30, 2007) and the value of enterprise transfer contract was PLN 76,655,350.

IV. Names of the following subsidiaries were changed:

- replacement of company name of "Echo Investment - Centrum Handlowo - Rozrywkowe Kielce" Sp. z o.o. ["Echo Investment - Kielce Shopping & Entertainment Center" Limited Liability Company], having its registered seat in Kielce, with "Echo - Kielce 1" Sp. z o.o. ["Echo - Kielce 1' Limited Liability Company"], having its registered seat in Kielce,

- the name of "Echo Centrum - Ślichowice" Sp. z o.o. ["Echo Center - Ślichowice" Limited Liability Company], having its registered seat in Kielce, changed into "Projekt Echo - 28" Sp. z o.o. ["Project Echo - 28' Limited Liability Company"], having its registered seat in Kielce,

- the name of "Projekt 2 - Echo Hungary" Kft. with its registered seat in Budapest was changed into "Echo - Project - Management Ingatlanhasznosító" Kft. with its registered seat in Budapest.

V. The District Court in Kielce, 10<sup>th</sup> Economic Department of the National Court Register:

1. deleted "Echo Investment SA - Oddział Pasaż Świętokrzyski" ("Echo Investment Joint Stock Company - Pasaż Świętokrzyski Branch") from the registry,

2. registered the following branches:

- "Echo Investment SA - Oddział Warszawa" ("Echo Investment Joint Stock Company - Warsaw Branch")

- "Echo Investment SA - Oddział Szczecin" ("Echo Investment Joint Stock Company - Szczecin Branch").

## 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 debt since the expiry of the last financial year, as follows:

### 5.10.1 Suretyship agreements

1. The surety for the debts of Echo-Galaxy Sp. z o.o. Sp.k. with its registered seat in Kielce on account of loan granted by EUROHYPO AG Bank, with its registered seat in Eschborn, Germany. The surety was granted by Echo Investment SA in favor of EUROHYPO AG to the amount not exceeding EUR 100 million.

2. The surety for the debts of Echo - Pasaż Grunwaldzki Spółka z ograniczoną odpowiedzialnością Sp.k. [Echo - Grunwaldzki Arcade Limited Liability Company, Limited Partnership] with its registered seat in Kielce on account of loan granted by EUROHYPO AG Bank, with its registered seat in Eschborn, Germany, has expired. The surety was granted by Echo Investment SA in favor of EUROHYPO AG to the amount not exceeding EUR 13 million.

3. On May 15, 2007 Echo Investment SA granted a surety for the obligation of a subsidiary "Projekt - Echo 39" Sp. z o.o. ["Project - Echo 39' Limited Liability Company] with its registered seat in Kielce for payment of sales price for the right of perpetual usufruct of immovable property situated in Kalisz. The surety was granted up to the amount of PLN 18,807 million.

4. On July 4, 2007 Echo Investment SA granted a surety to "Projekt Echo - 49" Sp. z o.o. ["Project Echo - 49' Limited Liability Company] with its registered seat in Kielce on account of the obligation to remedy a damage, up to the amount of 1,361 thousand USD.

5. On July 4, 2007 surety granted in favor of the Municipal Office of Lodz concerning payment of fees for perpetual usufruct of land by MDP Sp. z o.o. [MDP Limited Liability Company] expired. The value of surety was PLN 8,370 thousand. The surety was valid until 2095.

Surety agreements in force as on September 30, 2007 are presented in the table below:

Surety in favor of	Value (in thousands)	Expiry date	On account of
Bank PeKaO SA [PeKaO Joint Stock Company]	PLN 740	until the day of contract of transfer from the rights of bank performance guarantee in favor of PeKaO SA Bank.	Surety for the liabilities of Echo Investment – Centrum Bełchatów Sp. z o.o. [Echo Investment – Bełchatów Center Limited Liability Company] as a collateral of a loan granted by PeKaO SA Bank.
Natural person	PLN 18,807	until December 31, 2010	Surety for subsidiary's obligations
Projekt Echo 49 Sp. z o.o. [Project Echo 49 Limited Liability Company]	PLN 3,628	until July 04, 2010	Surety for obligations concerning remediation of damage regarding Projekt – Echo 49 Sp. z o.o. [Project – Echo 49 Limited Liability Company]



### 5.10.2 Guarantee agreements

1. Bank guarantee as of September 23, 2005, granted by BZ WBK S.A. Bank by way of securing payment for execution of construction of an underground passage and other components of reconstruction of the road system of Grunwaldzki Square in Wrocław, granted in favor of the Commune of Wrocław, has expired. The value of that guarantee was PLN 17,894 thousand.
2. Bank guarantee as of August 15, 2004, granted by PeKaO SA Bank as a security of debts and possible liquidated damages related to the contract of purchase of land in Wrocław from the Commune of Wrocław, has expired. The value of that guarantee was PLN 3,831 thousand.
3. Bank guarantee as of August 2, 2006, granted by EUROHYPO AG as a collateral of payment of remuneration for construction works in favor of Strabag Sp. z o.o., has expired. The value of the guarantee was PLN 18,241 thousand.
4. On September 4, 2007, an annex was executed concerning extension of the validity period of a bank guarantee granted by PKO BP SA Bank as a security of obligations towards Spółdzielnia Spożywców MOKPOL. The validity period was changed from September 5, 2007 to March 5, 2008.
5. On September 27, 2007, the bank guarantee granted by PKO BP SA Bank as a security of obligations towards Spółdzielnia Spożywców MOKPOL expired. The value of that guarantee was PLN 3,995 thousand.

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

During the 3<sup>rd</sup> quarter of the year 2007, 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.

#### The Polish market

##### Segment of shopping centers and shopping/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, Hypernova, Nomi, ITI Neovision, Silver Screen, RTV Euro AGD, Empik, Douglas, Saturn Planet, Supermarkety Drogerijne Rossman and other tenants.

In July 2007, final agreements of sale of Echo Capital Group's real estates were signed. The object of the contracts is the perpetual usufruct of immovable property situated in Łódź at Al. Piłsudskiego, whereon MDP shopping and entertainment center is built, and perpetual usufruct right to immovable property situated in Kielce at Massalskiego Street, whereon the Pasaż Świętokrzyski shopping center is developed. The Catalyst Capital investment group is the buyer. The total value of transaction was PLN 151,634,726.81, including EUR 10,770,882 worth of the contract of sale of the Lodz immovable properties (an equivalent of PLN 40,474,820.38 as on the effective date of contract) and the value of the contract of sale of the Kielce real estates: EUR 29,581,113 net, an equivalent of PLN 111,159,906.43 as on the effective date of contract. The funds earned through this transaction will be allocated to performance of Echo Investment Capital Group's investment projects, particularly to financing realization of consecutive investments. The parties to the transaction further signed a developer agreement whereunder Echo Capital Group was allowed to expand the Pasaż Świętokrzyski mall.

A modern shopping and entertainment center called METROPOLIS will be built on the Company's immovable property situated in Poznań, Hetmańska Street, offering about 80,000 square meters rentable area. The Center will be designed by Studio ADS, architects' office of Poznań. The anticipated commencement date of investment falls in the 1<sup>st</sup> half of 2009 and completion date in the 2<sup>nd</sup> half of 2011.

Development of the largest shopping and entertainment center in Słupsk, called ARENA, is planned on the Company's property of 64,000 sq. m, to be situated in an attractive location of Słupsk at Grottgera Street. 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. In the 3<sup>rd</sup> quarter of 2007, an application was filed for a building permit decision concerning erection of the aforementioned building. The anticipated project commencement date will be the 1<sup>st</sup> half of 2008, and completion date will fall in the 2<sup>nd</sup> half of 2010.

Echo Capital Group intends to develop a modern regional shopping and entertainment center on the immovable property purchased in the 3<sup>rd</sup> quarter of 2007, located in Kalisz. The facility will be built at Górnośląska Street and Trasa Bursztynowa (the Amber Route). The contract value was PLN 18.8



million. The total area of the contemplated center shall be ca. 100,000 square meters, with rentable area of about 40,000 square meters. The launching of the project is scheduled for 2010 and completion in 2012.

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's subsidiary does not, until June 22, 2008, acquire the immovable property situated in Łomża and if it fails to obtain a final building permit until June 30, 2009. The Company is expecting completion of administrative procedures.

Echo Investment S.A. also intends to expand some of its existing shopping and shopping/entertainment centers. Its plans concern extension of the Galeria Echo shopping and entertainment center in Kielce. Target area of the building will be 64,000 square meters. Anticipated completion date of this development falls in the 1<sup>st</sup> quarter of 2011.

Echo Capital Group is also planning extension of its shopping, entertainment and service center called Pasaż Grunwaldzki [Grunwaldzki Arcade], located in Wrocław. Target rentable area will be about 78,700 square meters. Anticipated completion date of this extension project falls in the 1<sup>st</sup> quarter of 2010.

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 space

In the office investments segment, Echo Investment Capital Group has certain facilities for lease in Warsaw 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 space is let 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 (rentable area of about 34,000 square meters). The four office buildings designed by APA Wojciechowski design office of Warsaw shall be executed in two stages. The Company has obtained a building permit in July 2007. The anticipated commencement date of investment falls in the 1<sup>st</sup> half of 2008 and completion date of the 1<sup>st</sup> stage shall be in the 2<sup>nd</sup> half of 2009.

#### The Poznań market

The process of preparing for realization of the 'Malta Office Park' office complex in Poznań was also carried out (rentable area of about 31,000 square meters). In the 3<sup>rd</sup> quarter of 2007, the Company signed a contract with a civil engineering company of Kielce named FAKT Budownictwo Sp. z o.o. for erection of core and shell construction within the first stage. The contract value was PLN 9.7 million. Commercialization of the project also began. A contract of lease of more than 2,000 square meters of office space was signed with Projekty Bankowe POLSOFT. The six office buildings designed by Litoborski-Marciniak design office of Poznań shall be executed in three stages. Execution of the investment project was launched during the 2<sup>nd</sup> half of the year 2007. First stage of construction is expected to complete in the 2<sup>nd</sup> half of the year 2008.

#### The Kielce market

During the third quarter of the year 2007, the Company successfully completed execution of an investment consisting in a complex of office buildings in Kielce at Al. Solidarności Street (area of the buildings is about 18,000 square meters). The project assumed 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 Krakow market

The Company prepares to development of a new office building in Krakow, Lea Street. The architectural concept shall be developed by DDJM Biuro Architektoniczne Sp. z o.o., a designing office of Krakow. Rentable area will be about 13,000 square meters. The anticipated commencement date of this investment project falls in the 1<sup>st</sup> half of 2008 and completion date in the 2<sup>nd</sup> half of 2009.

#### The Gdańsk market





The Company intends to develop office space on the immovable property in Gdańsk, Jana z Kolna Street. The class A building designed by Arch – Deco designing office of Gdynia shall comprise ca. 23,000 sq. m of rentable area. The anticipated commencement date of the development process falls in the 1<sup>st</sup> half of 2008 and completion date in the 2<sup>nd</sup> half of 2010.





### The Szczecin market

The Company intends to develop a modern office building at its plot of land in Szczecin (High Technology Center). About 14,000 sq. m of that building area will be designed for rent by companies specializing in advanced IT and telecommunication technologies. Architectural design of the building will be developed at Arch Deco, a design office of Gdynia. The anticipated project commencement date will be in the 1<sup>st</sup> half of 2008, and completion date – in the 2<sup>nd</sup> half of 2009.


### The Katowice market

In July 2007, immovable property was purchased in Katowice, at the crossing of al. Górnioślaska and Francuska Streets. The local spatial development plan stipulates an office and administrative function for the purchased plot of land. The company intends to build a business park with an area exceeding 45,000 sq. m on the purchased land. In the 3<sup>rd</sup> quarter of 2007, a contract was signed with DDJM Biuro Architektoniczne design office concerning performance of design works on the facility. The launch of this investment project is anticipated in the 2<sup>nd</sup> half of 2008 and the first stage should be completed in the 1<sup>st</sup> half of 2010.

### The Łódź market

In July 2007, final agreements of sale of two real estates in Łódź were signed. The object of these contracts is perpetual usufruct of immovable property situated in Łódź at Piotrkowska/ Piłsudskiego Streets, whereon the Business Center office building has been erected, and perpetual usufruct right to immovable property situated in Łódź at Sienkiewicza Street, whereon the Banking and Finance Center office building is developed. The Catalyst Capital investment group is the buyer. The total value of transaction was PLN 97,107,400.04, where the agreement of sale of the immovable property in Łódź, Piotrkowska/Piłsudskiego Street is worth a net of USD 17,383,406 (an equivalent of PLN 48,021,659.08 as on the effective date of contract) and the contract of sale of immovable property situated in Łódź at Sienkiewicza Street is worth a net of USD 8,216,767 and EUR 7,021,907 net, an equivalent of PLN 49,085,740.96 as on the effective date of contract. The funds earned from this transaction will be allocated to financing of consecutive investment projects.

In August 2007 Echo Capital Group became the owner of immovable property situated in Łódź, Piłsudskiego Street. The purchase price of this immovable property was PLN 22.8 million. A modern complex of A-class office buildings will be erected on the newly purchased plot of land. Rentable area shall be about 23,000 square meters. The launch of this investment project is planned for the 2<sup>nd</sup> half of 2008 and completion for the 2<sup>nd</sup> half of 2009.



### 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, Krakow, Szczecin, Łódź, Poznań, Częstochowa, Zabrze, Gliwice.

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

### 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 3<sup>rd</sup> quarter of 2007, realization of the 3<sup>rd</sup> stage of Inflancka Housing Estate, designed by Are Sp. z o.o. design office of Warsaw, was in progress (area for sale is 7,000 square meters). The anticipated date of completion of the next housing estate (130 apartments) falls in the 1<sup>st</sup> half of 2008.

2nd stage of the investment project at Zwycięzców Street was in progress (ca. 15,100 square meters for sale). The expected date of completion of 240 apartments designed by Szaroszyk & Rycerski Architekci Sp z o.o. of Warsaw shall be in the 1<sup>st</sup> half of 2008.

A project concerning residential buildings is currently under preparation: in Warsaw at Kazimierzowska Street (net area is about 5,300 square meters). The Company has already obtained the zoning decision. The anticipated commencement date for building the 60 apartments designed by Mąka Sojka Architekci Sp. J. design office of Warsaw falls in the 2<sup>nd</sup> half of 2007 and completion date in the 1<sup>st</sup> half of 2009.



A new development project of a housing estate in Warsaw, Bielany district (Młociński Forest) is under preparation. 37 houses, comprising 9,200 thousand square meters, will be built on the 6.3 hectares of land. The anticipated project commencement date will be in the 2<sup>nd</sup> half of 2008, and completion date – in the 2<sup>nd</sup> 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 2<sup>nd</sup> half of the year 2008.

Preparation of realization of the consecutive 4<sup>th</sup> stage of Naramowice Housing Estate in Poznań has also begun (area for sale: 15,300 square meters), as designed by Archikwadrat Sp. z o.o. of Poznań. The completion of this investment project is anticipated in the 2<sup>nd</sup> 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.

A housing project is being prepared in Poznań, Wojskowa Street. About 282 apartments will be built in residential buildings designed by Studio Lisiak Sp. z o.o. of Poznań (area for sale is over 17,200 sq. m). Anticipated date of delivery of these buildings falls in the 1<sup>st</sup> half of 2009.

The process of preparing execution of an estate of city-like multi-family houses was launched on the immovable property situated in Poznań at Litewska Street and Grudzieniec Street (area for sale is about 7,000 square meters). An agreement was made with Arpa Pracownia Autorska designing office of Poznań. This housing estate will comprise about 68 apartments. Anticipated completion date falls in the 2<sup>nd</sup> quarter of the year 2009.

#### The Krakow market

A 4-storey building with an area of 1,500 square meters will be built in Krakow, Kilińskiego Street, (15 apartments). The launch of this investment is anticipated in the 1<sup>st</sup> half of 2009. The building was designed by Oleksy&Polaczek design office

During the 1<sup>st</sup> half of the year 2009, the Company is also going to launch a housing investment at Korzeniowskiego Street, Krakow, Wola Justowska district. This building, designed by The Blok office, will have an area of about 3,000 square meters. (40 apartments).

The Company initiated the process of designing a housing and commercial building to be erected in Krakow, Krasickiego Street (area for sale of 5,600 sq. m, 84 apartments). A contract was made with Studio S – Biuro Architektoniczne Szymanowski of Krakow concerning performance of designing works on the above mentioned building. The anticipated commencement date of investment falls in the 2<sup>nd</sup> half of 2008 and completion date in the 2<sup>nd</sup> half of 2009.

The Company intends to develop residential buildings on its land situated in Krakow, Tyniecka Street. Area for sale will be about 5,000 sq. m (55 apartments). The launch of this investment project is anticipated in the 2<sup>nd</sup> half of 2008 and completion in the 1<sup>st</sup> half of 2010.

The Company intends to develop a residential building on its land situated in Cracow, Bronowicka Street, for an approximate area of 3,000 sq. m (40 apartments). A contract was made with Studio S Michał Szymanowski design office of Krakow concerning performance of designing works on the above mentioned project. The launch of this investment project is anticipated in the 2<sup>nd</sup> half of 2008 and completion in the 1<sup>st</sup> half of 2010.

#### The Kielce market

Preparatory works were also performed for the development of another housing estate on the immovable property situated in Dyminy near Kielce. The housing estate will be designed by StoMM Architektura Maciej Stoczkiewicz design office of Kielce. The total area of land is about 200,000 square meters. The anticipated completion date of this investment project falls in the 2<sup>nd</sup> half of 2009.

The process of designing an estate of detached houses was carried out on the immovable property situated in Bilcza near Kielce (Bilcza II). The “Bilcza II” estate was designed by Konsorcjum Pisarczyk & Tracz Architekci, a designing office of Kielce. The total area of land is about 180,000 square meters. Following completion of technical utilities, the Company intends to sell plots of land with designs of houses. The anticipated completion date of this investment project falls in the 2<sup>nd</sup> half of 2008.

#### The Łódź market

Echo Investment SA acquired the right of perpetual usufruct of immovable property situated in Łódź at Okopowa Street and Górnicza Street. The value of concluded real estate purchase agreements was a net of PLN 43.3 million. The Company intends to erect residential buildings on the above mentioned real estate, with an area of about 53,000 sq. m for sale (800 apartments). The anticipated commencement date of this investment project falls in the 2<sup>nd</sup> half of 2008 and completion date in the 1<sup>st</sup> half of 2013.



In July 2007, real estate in Łódź, Wodna Street was purchased. The Company intends to develop residential buildings comprising 320 apartments on the purchased land (ca. 19,000 square meters of area for sale). The contract value was PLN 26 million. The launch of this investment project is anticipated in the 2<sup>nd</sup> half of 2008 and completion in the 1<sup>st</sup> half of 2011.

#### The Rzeszów market

The Company intends to develop a housing estate on its immovable property situated in Rzeszów, Kopisto Street. The anticipated area for sale is about 13,000 square meters. About 220 apartments will be handed over to buyers in the 2<sup>nd</sup> half of 2010.



## **The 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**

#### **Segment of shopping centers and shopping/entertainment centers**

A modern, multifunctional shopping, entertainment and office project called MUNDO will be erected on the Company's property, about 6.84 hectares in size, situated in Zuglo, 14<sup>th</sup> District of Budapest. The rentable area of this shopping and entertainment project shall be about 65,000 square meters. Anticipated completion date falls in the 2<sup>nd</sup> half of the year 2011.

#### **Segment of office projects**

An office park to be comprised within the MUNDO project of Budapest is being prepared. Rentable area will be about 30,000 square meters. Further plans include location of the Zuglo District Mayor's Office in the complex. The anticipated completion date of this investment project falls in the 2<sup>nd</sup> half of 2011.

### **Romania**

#### **Segment of shopping centers and shopping/entertainment centers**

In September 2007, by way of a successful tender, the subsidiary called Echo Investment Project 1 Srl with its registered seat in Bucharest (the Buyer) signed an agreement of purchase of immovable property with Fartec SA with its registered seat in Brasov, Romania (the Seller). The object of contract is an immovable property being a plot of land with production buildings erected thereon, situated in Brasov at Stadionului Street, Romania, with an area of 4.0 hectares. The value of contract was RON 78.84 million which, according to the average exchange rate of the National Bank of Poland, is an equivalent of PLN 88,111,584. Ownership right to the aforementioned immovable property shall be transferred to the Buyer against payment of the last installment, i.e. within 180 days from the effective date of this Agreement.

Purchase of land in Brasov is in accordance with the assumed strategy, whereunder Echo Investment SA is expanding its range of operations on the real estate markets of Central and East European countries. An advanced shopping and entertainment center shall be built on the purchased land, total area in excess of 100,000 sq. m, rentable area of ca. 50,000 square meters.

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

An important factor affecting the financial result earned in the 3<sup>rd</sup> quarter of 2007 was the revaluation of the Capital Group's immovable properties, which is carried out every 3<sup>rd</sup> quarter of year, accounting for changes in capitalization rates and changes due to EUR and USD exchange rate gains/losses (q/q).

Another significant factor affecting the financial result was the clearing of the transaction of sale of two office projects and one shopping & entertainment center in Łódź, and of a Kielce mall. The contracts of sale of immovable property were executed on July 04, 2007. Total net price of transaction was USD 25,600,173 and EUR 47,373,902, i.e. an equivalent of PLN 248.7 million according to the exchange rate of the National Bank of Poland as on the transaction date. The book value of the assets in the books was PLN 222.6 million (balance as on June 30, 2007). Łączna powierzchnia na wynajem sprzedanych projektów to ok. 37.8 thousand sq. m

Still 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 estate management services. The structure of earned revenues is as follows:

#### - letting 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 3<sup>rd</sup> quarter of 2007 constituted 55.7% 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. 7.3% of all consolidated revenues 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 3<sup>rd</sup> quarter of 2007 constituted 34.1% of all net incomes from sales.

#### - other income:

Other sources of income include income earned on property management services and other services. Property trade also forms a portion of other incomes. As at the end of the 3<sup>rd</sup> quarter of 2007, this income made up 2.9% of the total.

Specification	Incomes for 3 quarters of 2007 [in millions PLN]	Incomes in 2006 [in millions PLN]	Incomes for 3 quarters of 2006 [in millions PLN]
Lease of areas in shopping centers and commercial and entertainment centers	158,9	150,9	110,7
Sale of residential space	20,7	111,5	94,6
Realization and lease of areas in office and hotel facilities	97,4	59,7	42,7
Other incomes	8,2	11,1	12,5
<b>Operating income total</b>	<b>285,2</b>	<b>333,2</b>	<b>260,5</b>

### 5.14 Selected consolidated financial data

	in thousands PLN		in thousands EURO	
	3 quarters accrued the period from 2007.01.01 to 2007.09.30	3 quarters accrued the period from 2006.01.01 to 2006.09.30	3 quarters accrued the period from 2007.01.01 to 2007.09.30	3 quarters accrued the period from 2006.01.01 to 2006.09.30
I. Operating income	285 228	260 497	74 445	66 503
II. Profit before tax and financial income/costs	351 267	345 107	91 681	88 103
III. Gross profit (loss)	335 314	299 001	87 517	76 332
IV. Net profit (loss)	268 237	239 548	70 010	61 154
V. Net cash flows on operating activity	70 391	45 513	18 372	11 619
VI. Net cash flows on investment activity	(29 291)	(136 460)	(7 645)	(34 837)
VII. Net cash flows on financial activity	279 441	131 506	72 934	33 572
VIII. Net cash flows total	320 541	40 559	83 661	10 354
IX Assets total	3 536 902	2 615 606	936 308	656 610
X. Equity capital allocated to shareholders of the dominant company	1 463 471	1 156 657	387 418	290 362
XI. Long-term debt	1 337 228	986 992	353 998	247 770
XII. Short-term debt	457 204	255 273	121 033	64 083
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)	7,31	6,39	1,91	1,63



XV. Diluted profit (loss) per one ordinary share (in PLN/EUR)	7,31	6,39	1,91	1,63
XVI. Book value per one share (in PLN/EUR)	34,84	27,54	9,22	6,91
XVII. Diluted book value per one share (in PLN/EUR)	34,84	27,54	9,22	6,91



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

The following shareholders, directly or indirectly through subsidiaries, held at least 5% of the total number of votes at the general meeting of Echo Investment S.A. as on November 14, 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	8,74%	3 669 661	8,74%
OFE PZU Złota Jesień*	2 790 915	6,65%	2 790 915	6,65%
Commercial Union OFE*	3 073 842	7,32%	3 073 842	7,32%
BZ WBK AIB Asset Management SA**, managing the funds of BZ WBK TFI 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

\*\* BZ WBK AIB Asset Management SA with its registered office in Poznań, managing the investment portfolios of BZ WBK TFI SA Funds, communicated its achievement of 5.05% threshold in the number of votes at the General Meeting of Shareholders of Echo Investment SA on November 30, 2006.

\*\*\* BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych SA (hereinafter referred to as the Society), acting on behalf of Arka BZ WBK Akcji FIO, Arka BZ WBK Akcji Środkowej i Wschodniej Europy FIO, Arka BZ WBK Stabilnego Wzrostu FIO, ARKA BZ WBK Zrównoważony FIO and Lukas FIO (hereinafter called the „Funds”) and pursuant to Article 69 clause 1 item 1 with reference to Article 87 clause 1 item 2 of the Act on Public Quotations and Conditions of Introducing Financial Instruments to Organized Trade and on Public Companies as of July 29, 2005 (Journal of Laws No. 184 item 1539, as amended) notified that as a result of acquisitions of shares that were cleared on July 16, 2007, the Funds enumerated above have become joint holders of shares carrying more than 5% of the total number of votes at the general meeting of shareholders of Echo Investment SA.

Before the increase of that percentage, the Funds’ accounts contained 2,097,823 shares of Echo Investment S.A., constituting 4.99% of the Issuer’s share capital. These shares carried 2,097,823 votes at the general meeting of shareholders, i.e. 4.99% share in the total number of votes at the general meeting of shareholders of Echo Investment S.A.

As on July 16, 2007, a total of 2,108,623 shares were present in the Funds’ securities accounts, giving 5.02% of the Issuer’s share capital. These shares carried 2,108,623 votes at the general meeting of shareholders, i.e. 5.02% share in the total number of votes at the general meeting of shareholders of Echo Investment S.A.

The Society further informed that, in accordance with 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), it contracted the Funds’ investment portfolios management from BZ WBK AIB Asset Management SA of Poznań.

\*\*\* BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A. (BZ WBK AIB Investment Funds Society Joint Stock Company, hereinafter referred to as the Society), acting on behalf of Arka BZ WBK Open Stock Investment Fund, Arka BZ WBK Stable Growth Investment Fund, Arka BZ WBK Balanced Open Investment Fund, and Lukas Open Investment Fund (hereinafter referred to as the Funds) and pursuant to Article 69 clause 1 item 2 with reference to Article 87 clause 1 item 2 of the Act on Public Quotations and Conditions of Introducing Financial Instruments to Organized Trade and on Public Companies as of July 29, 2005 (Journal of Laws No. 184 item 1539, as amended) notified that as a result of sales of shares that were cleared on October 30, 2007, the Funds enumerated above have become joint holders of shares carrying less than 5% of the total number of votes at the general meeting of shareholders of Echo Investment SA.

Before the reduction of that percentage, the Funds’ accounts contained 2,100,144 shares of Echo Investment SA, constituting 5.0003% of the Issuer’s share capital. These shares carried 2,100,144 votes at the general meeting of shareholders, i.e. 5.0003% share in the total number of votes at the general meeting of shareholders of Echo Investment S.A.

As on October 30, 2007, a total of 2,091,144 shares were present in the Funds’ securities accounts, giving 4.9789% of the Issuer’s share capital. These shares carried 2,091,144 votes at the general meeting of shareholders, i.e. 4.9789% share in the total number of votes at the general meeting of shareholders of Echo Investment S.A.

The Society further informs that, in accordance with 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), it contracted the Funds’ investment portfolios management from BZ WBK AIB Asset Management SA of Poznań.

## 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 November 14, 2007, 42,000,000 shares of the Company are presently available for stock trade. All shares carry the same rights. Each share carries one vote at the General Meeting of Shareholders of the Company.

Information about issues of Echo Investment's shares:

Series	Number of shares	Nominal value total	Class of shares	Date of shares registration by court	Date of listing on the Warsaw Stock Exchange
A	160.000	80.000	Ordinary bearer shares	30.06.1994	10.08.2006
B	3.840.000	1.920.000	Ordinary bearer shares	30.06.1994	21.02.1996
C	2.000.000	1.000.000	Ordinary bearer shares	13.11.1995	21.02.1996
D	6.000.000	3.000.000	Ordinary bearer shares	18.02.1997	27.03.1997
E	2.000.000	1.000.000	Ordinary bearer shares	30.12.1997	02.03.1998
F	28.000.000	14.000.000	Ordinary bearer shares	26.11.2002	20.12.2002
Total:	42.000.000	21.000.000			


On October 18, 2007 the Extraordinary General Meeting of Shareholders of Echo Investment SA passed Resolution no. 6 on split of the Company's shares with appropriate amendment of the Company Articles (split of shares in proportion 1:10). The former nominal value of each share of PLN 0.50 has now been determined as PLN 0.05. As a result of such change in the nominal value of shares, the number of issued shares will grow from 42 million to 420 million shares. The date of shares replacement at the National Deposit of Securities and split at the Warsaw Stock Exchange shall be determined after the competent District Court has registered the changes in the National Court Register and in the Company Articles of Echo Investment SA.

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 2007-11-14	balance as on 2007-08-14
Jarosław Grodzki, 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 14.11.2007	balance as on 14.08.2007
Wojciech Ciesielski, Chairman of the Supervisory Board,	144,000 shares	144,000 shares
Andrzej Majcher, Deputy Chairman of the Supervisory Board	10,080 shares	10,080 shares
Mariusz Waniolka, Member 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
Tomasz Kalwat, Member of the Supervisory Board	did not hold any shares	did not hold any shares

## 5.17 Information about court proceedings



During the period from January 01, 2007 to September 30, 2007, 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**

On August 31, 2007, a contract of transfer of establishment was made between the Issuer's subsidiaries: „Echo – Centrum Tarnów” Sp. z o.o. [‘Echo – Tarnów Center’ Limited Liability Company] with its registered seat in Kielce („the Seller”) and „Projekt Echo – 61” Sp. z o.o. [‘Project Echo – 61’ Limited Liability Company] with its registered seat in Kielce („the Buyer”).

The object of the enterprise transfer contract is an establishment comprising right of perpetual usufruct of immovable property situated in Tarnów, with an area of 55,797 sq. m, including ownership of a shopping center building erected thereon and forming a separate object of ownership, with all rights and obligations pertaining thereto. The value of contract is PLN 76,655,350 and the accounting value of the transferred establishment in the books of accounts of the Issuer's subsidiaries is PLN 74,742,798.66 (as on June 30, 2007).

The aforementioned establishment forms a non-cash contribution for coverage of newly established 1,533,107 shares in the initial capital of “Projekt Echo – 61” Sp. z o.o. [‘Project Echo – 61’ Limited Liability Company] with total nominal value of PLN 76,655,350. These shares form 99.93% of the Company's initial capital, giving 1,533,107 votes at the meeting of shareholders.

The assets mentioned above used to be exploited before transfer in development and financial operations. “Projekt Echo – 61” Sp. z o.o. intends to continue their present manner of utilization.

The Issuer holds 999 shares in the initial capital of “Projekt Echo – 61” Sp. z o.o., forming 0.07% of the initial capital and carrying 999 votes at the general meeting of shareholders, while the Issuer's subsidiary “Projekt Echo – 17” Sp. z o.o. of Kielce holds 1 share that carries 1 vote at the general meeting of shareholders.

Apart from the aforementioned agreement, 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.

##### Events following the balance date:

On October 31, 2007, a contract of transfer of establishment was made between the Issuer's subsidiaries: „Echo – Centrum Jelenia Góra” Sp. z o.o. [‘Echo – Jelenia Góra Center’ Limited Liability Company] with its registered seat in Kielce („the Seller”) and „Projekt Echo – 56” Sp. z o.o. [‘Project Echo – 56’ Limited Liability Company] with its registered seat in Kielce („the Buyer”).

The object of the establishment transfer contract is an establishment comprising right of perpetual usufruct of immovable property situated in Jelenia Góra, with an area of 48,209 sq. m, including ownership of a shopping center building erected thereon and forming a separate object of ownership, with all rights and obligations pertaining thereto. The value of contract is PLN 74,150,000 and the accounting value of the transferred establishment in the books of accounts of the Issuer's subsidiary is PLN 73,327,760.14 (as on June 30, 2007).

The aforementioned establishment forms a non-cash contribution for coverage of newly established 1,483,000 shares in the initial capital of “Projekt Echo – 56” Sp. z o.o. [‘Project Echo – 56’ Limited Liability Company] with total nominal value of PLN 74,150,000. These shares form 99.93% of the Company's initial capital, giving 1,483,000 votes at the meeting of shareholders.

On November 7, 2007, in the course of execution of Resolution no. 4, which was passed on October 18, 2007 by the Extraordinary General Meeting of Shareholders of Echo Investment SA, an agreement of transfer of an organized part of enterprise – an establishment preparing an individual balance sheet was signed between Echo Investment SA with its registered seat in Kielce and a subsidiary „Projekt Echo – 65” Sp. z o.o. [‘Project Echo – 65’ Limited Liability Company] with its registered seat in Kielce. The object of the foregoing agreement is an organized part of company in the form of a Branch operating under company name “Echo Investment SA – Oddział Szczecin” [‘Echo Investment Joint Stock Company – Szczecin Branch’] (the “Branch”), forming an organized part of Echo Investment SA's enterprise within the meaning of Article 4a clause 4 of the Corporate Income Tax Act as of February 15 (Journal of Laws of 2000, No. 54 item 694), being an establishment preparing its individual balance sheet within the meaning of Article 6 clause 1 of the Tax on Goods and Services (VAT) Act as of March 11, 2004 (Journal of Laws No. 54 item 535), covering a group of tangible and intangible assets that are necessary and related to the operations carried out within the Branch. These assets include, among other, ownership right to immovable property situated in Szczecin at Malczewskiego Street, with an area of 5,242 square meters, with all rights and obligations pertaining thereto. The value of contract was PLN 9,570,500. The aforementioned organized part of enterprise forms a non-cash contribution for coverage of newly established 191,401 shares in the initial capital of “Projekt Echo – 65” Sp. z o.o. [‘Project Echo – 65’ Limited Liability Company] with a total value of PLN 9,570,500. All newly established shares will be taken up by Echo Investment SA.



#### **5.20 Information about sureties or guarantees granted**

During the 3<sup>rd</sup> quarter of 2007, Echo Investment Capital Group did not grant any sureties of loans or credits, or any guarantees combined to a single subsidiary organization or company that would exceed a total of at least 10% of the Issuer's equity.



## **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 October 18, 2007 the Extraordinary General Meeting of Shareholders of Echo Investment SA passed a Resolution no. 4 on expressing consent to transfer of the following branches of the Company, constituting organized parts of the Company's enterprise, namely:

- Echo Investment SA – Oddział Kraków (Echo Investment Joint Stock Company – Krakow Branch),
- Echo Investment SA – Oddział Szczecin (Echo Investment Joint Stock Company – Szczecin Branch),
- Echo Investment SA – Oddział Warszawa (Echo Investment Joint Stock Company – Warsaw Branch)

through a non-cash contribution to Echo Investment SA's subsidiaries.

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 of Echo Capital Group. In execution of the resolution thus enacted, agreements of transfer of the aforementioned assets will be signed in the perspective of the consecutive quarter of year.

During the consecutive period, the results will be affected by signing of final agreements of sale of the housing project in Warsaw, Inflancka Street, and clearing of the fee payable to Echo Investment S.A. under General Contracting Agreement signed with Ustra Sp. z o.o. with its registered seat in Kielce concerning erection of a complex of office buildings in Kielce, al. Solidarności Street.

In the perspective of at least one consecutive quarter of year, the results achieved by the Echo Capital Group will be affected by quarterly revaluation of fair value of real estates, considering such factors as currency rates fluctuations (EUR, USD).

Other factors include regular incomes from lease contracts, progress of execution, lease and sale of currently built commercial and housing investments, and quality improvement and value increase of the available investment portfolio. Other important aspects shall include the situation in the financial market and general economic trends in Poland, Hungary and Romania, 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 nine months expiring on September 30, 2007

	balance as on 2007.09.30 end of quarter	balance as on 2006.12.31 end of preceding year	balance as on 2006.09.30 end of quarter
<b>Assets</b>			
<b>1. Fixed assets</b>			
1.1. Intangible assets	444	89	101
1.2. Tangible assets	46 638	45 475	52 243
1.3. Long-term receivables	-	-	-
1.4. Long-term investments	491 807	376 975	296 862
1.4.1. Investment immovable property	3 635	102 834	48 258
1.4.2. Long-term financial assets	488 172	274 141	248 604
1.5. Deferred income tax assets	16 391	16 908	18 011
	<b>555 280</b>	<b>439 447</b>	<b>367 217</b>
<b>2. Current assets</b>			
2.1. Inventories	365 243	230 090	301 258
2.2. Short-term receivables	69 360	191 563	74 973
2.2.1. Tax receivables	12 207	6 069	21 841
2.2.2. Receivables on account of deliveries and services, other receivables	57 153	185 494	53 132
2.2.2.1. In affiliated companies	29 141	158 615	33 447
2.2.2.2. In other companies	25 749	26 879	7 827
2.3. Short-term financial investments	59 590	47 768	65 589
2.3.1. In affiliated companies	48 910	47 258	65 241
2.3.2. In other companies	10 679	510	348
2.4. Cash and cash equivalents	299 215	131 909	173 199
2.5. Accruals	459	277	109
	<b>793 867</b>	<b>601 607</b>	<b>615 128</b>
<b>Assets total</b>	<b>1 349 147</b>	<b>1 041 054</b>	<b>982 345</b>
<b>Liabilities</b>			
<b>1. Equity</b>			
1.1. Initial capital	21 000	21 000	21 000
1.2. Supplementary capital	378 967	298 213	298 213
1.3. Profit (loss) carried forward	4 083	4 083	4 083
1.4. Profit (loss) of the current year	52 453	80 754	52 631
	<b>456 503</b>	<b>404 050</b>	<b>375 927</b>
<b>2. Reserves</b>			
2.1. Reserve for deferred income tax	24 782	22 548	12 937
2.2. Other reserves	21 034	17 929	17 547
	<b>45 816</b>	<b>40 477</b>	<b>30 484</b>
<b>3. Long-term debt</b>			
3.1. Financial liabilities	556 765	252 049	370 044
3.1.1. To affiliated companies	157	6 088	111 645
3.1.2. To other companies	556 608	245 961	258 399
3.2. Other liabilities	-	-	-
	<b>556 765</b>	<b>252 049</b>	<b>370 044</b>
<b>4. Short-term debt</b>			
4.1. Financial liabilities	50 453	145 650	65 717
4.1.1. To affiliated companies	386	37 075	13 521
4.1.2. To other companies	50 067	108 575	52 196
4.2. Tax liabilities	1 790	2 974	3 993
4.3. Liabilities on account of deliveries and services	61 800	84 365	49 265
4.3.1. To affiliated companies	14	1 412	3 567
4.3.2. To other companies	61 786	82 952	45 699
4.4. Other liabilities	175 934	111 481	86 863
4.5. Special funds	86	9	52



	290 063	344 478	205 890
<b>Liabilities total</b>	<b>1 349 147</b>	<b>1 041 054</b>	<b>982 345</b>
Book value	456 503	404 050	375 927
Number of shares	42 000 000	42 000 000	42 000 000
Book value per one share (in PLN)	10,87	9,62	8,95

Off-balance liabilities (in thousands PLN)	balance as on 2007.09.30 end of quarter	balance as on 2006.12.31 end of previous year	balance as on 2006.09.30 end of quarter
1. Off-balance receivables	-	-	-
2. Off-balance liabilities	24 137	464 593	130 012
<b>Off-balance items total</b>	<b>24 137</b>	<b>464 593</b>	<b>130 012</b>

Profit and loss account (in thousands PLN)	3 <sup>rd</sup> quarter the period from 2007.07.01 to 2007.09.30	3 quarters the period from 2007.01.01 to 2007.09.30	3 <sup>rd</sup> quarter the period from 2006.07.01 to 2006.09.30	3 quarters the period from 2006.01.01 to 2006.09.30
Operating income	46 255	196 278	28 346	112 553
Operating costs	(33 807)	(157 438)	(16 363)	(58 727)
<b>Gross profit (loss) on sales</b>	<b>12 448</b>	<b>38 840</b>	<b>11 983</b>	<b>53 826</b>
Profit (loss) on sales of immovable property	(11)	-	8	6 576
Revaluation of immovable property	-	12 431	8 486	(2 961)
Costs of sales	(4 587)	(16 055)	(2 220)	(6 686)
Overheads	(7 245)	(21 494)	(6 175)	(24 042)
Pozostałe przychody / koszty operating	(567)	9 634	3 737	3 541
<b>Profit before tax and financial income/costs</b>	<b>38</b>	<b>23 356</b>	<b>15 819</b>	<b>30 254</b>
Financial income	15 186	59 562	(1 384)	47 163
Financial costs	(9 345)	(24 627)	(5 601)	(23 725)
including foreign exchange losses	(363)	326	(3 492)	1 412
<b>Gross profit (loss)</b>	<b>5 879</b>	<b>58 291</b>	<b>8 834</b>	<b>53 692</b>
Income tax	1 177	(5 838)	(898)	(1 061)
<b>Net profit (loss)</b>	<b>7 056</b>	<b>52 453</b>	<b>7 936</b>	<b>52 631</b>
Net profit (loss) (annualized)		80 576		54 229
Weighted average number of ordinary shares		42 000 000		42 000 000
Profit (loss) per one ordinary share (in PLN)		1,92		1,29
Weighted average diluted number of ordinary shares		42 000 000		42 000 000
Diluted profit per one ordinary share (in PLN)		1,92		1,29

Statement of changes in equity (in thousands PLN)	Initial capital	Supplementary capital	Profit brought forward	Net profit in the period	Capitals total
<b>For 3 quarters (current year), period from 2007.01.01 to 2007.09.30</b>					
<b>Balance at the beginning of period</b>	<b>21 000</b>	<b>298 213</b>	<b>84 837</b>	<b>0</b>	<b>323 296</b>
Corrections of basic errors	-	-	-	-	-
<b>Balance at the beginning of period, after reconciliation to comparable data</b>	<b>21 000</b>	<b>298 213</b>	<b>84 837</b>	<b>0</b>	<b>404 050</b>
Distribution of profit/loss carried forward	-	80 754	(80 754)	-	0
Net profit (loss) of the current period	-	-	-	52 453	52 453
Changes total	0	80 754	(80 754)	52 453	52 453
<b>Balance at the end of period</b>	<b>21 000</b>	<b>378 967</b>	<b>4 083</b>	<b>52 453</b>	<b>456 503</b>
<b>For 4 quarters (previous year), period from January 1, 2006 to December 31, 2006</b>					
<b>Balance at the beginning of period</b>	<b>21 000</b>	<b>288 690</b>	<b>13 606</b>	<b>-</b>	<b>323 296</b>
Changes in applied accounting principles (policy)	-	-	-	-	-
Corrections of basic errors	-	-	-	-	-
<b>Balance at the beginning of period, after reconciliation to comparable data</b>	<b>21 000</b>	<b>288 690</b>	<b>13 606</b>	<b>-</b>	<b>323 296</b>
Distribution of profit/loss carried forward	-	9 523	(9 523)	-	-
Net profit (loss) of the current period	-	-	-	80 754	80 754
Changes total	-	9 523	(9 523)	80 754	80 754
<b>Balance at the end of period</b>	<b>21 000</b>	<b>298 213</b>	<b>4 083</b>	<b>80 754</b>	<b>404 050</b>
<b>For 3 quarters (previous year), period from 2006.01.01 to 2006.09.30</b>					
<b>Balance at the beginning of period</b>	<b>21 000</b>	<b>288 690</b>	<b>13 606</b>	<b>-</b>	<b>323 296</b>
Changes in applied accounting principles (policy)	-	-	-	-	-
Corrections of basic errors	-	-	-	-	-
<b>Balance at the beginning of period, after reconciliation to comparable data</b>	<b>21 000</b>	<b>288 690</b>	<b>13 606</b>	<b>-</b>	<b>323 296</b>
Distribution of profit/loss carried forward	-	9 523	(9 523)	-	-
Net profit (loss) of the current period	-	-	-	52 631	52 631
Changes total	-	9 523	(9 523)	52 631	52 631
<b>Balance at the end of period</b>	<b>21 000</b>	<b>298 213</b>	<b>4 083</b>	<b>52 631</b>	<b>375 927</b>

Cash flow statement (in thousands PLN)	3 quarters period from 2007.01.01 to 2007.09.30	3 quarters period from 2006.01.01 to 2006.09.30
<b>Cash flows on operating activity – indirect method</b>		
<b>I. Net profit (loss)</b>	<b>52 453</b>	<b>52 631</b>
<b>II. Adjustments:</b>		
1. Share in net (profits) losses of associated companies	-	-
2. Amortization / Depreciation	3 137	2 297
3. Foreign exchange gains/losses	5 123	3 357
4. Interest and shares in profits (dividends)	(29 427)	(25 418)
5. Current income tax in the profit and loss account	3 088	4 713
6. Income tax paid	(4 438)	(826)
7. (Profit) loss on investment activity	(11 948)	4 952
8. Change in reserves	5 338	1 006
9. Change in inventories	(135 699)	(130 778)
10. Change in receivables	121 750	170 824
11. Change in short-term debt, except for loans and credits	41 593	(28 136)
12. Change in accruals	3 929	(1 143)
13. Other adjustments	-	55
	<b>2 446</b>	<b>903</b>
<b>Net cash flows on operating activity</b>	<b>54 899</b>	<b>53 534</b>
<b>Cash flows on investment activity</b>		
<b>I. Income</b>		
1. Sales of intangible assets and fixed assets	39	182
2. Sales of investments in immovable property and in intangible assets	717	15 568
3. From financial assets	75 975	64 173
4. Other income from investments	-	-
	<b>76 731</b>	<b>79 923</b>
<b>II. Expenditure</b>		
1. Acquisition of intangible assets and tangible assets	(4 070)	(4 654)
2. Investments in immovable property and in intangible assets	(947)	(3 185)
3. On financial assets	(135 915)	(74 858)
4. Other investment expenditure	(268)	3 052
	<b>(141 200)</b>	<b>(79 645)</b>
<b>Net cash flows on investment activity</b>	<b>(64 469)</b>	<b>278</b>
<b>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	11 602	77 615
3. Issue of debenture bonds	346 405	268 665
4. Other financial income	-	-
	<b>358 007</b>	<b>346 280</b>



Cash flow statement (in thousands PLN) ctd.	3 quarters period from 2007.01.01 to 2007.09.30	3 quarters period from 2006.01.01 to 2006.09.30
<b>II. Expenditure</b>		
1. Acquisition of own shares (stocks)	-	-
2. Dividends and other disbursements to owners	-	-
3. Expenses on account of profit allocation, other than payments to owners	-	-
4. Repayments of loans and credits	(42 635)	(14 000)
5. Redemption of debenture bonds	(110 000)	(265 000)
6. Interest	(23 374)	(16 768)
	<b>(176 009)</b>	<b>(295 768)</b>
<b>Net cash flows on financial activity</b>	<b>181 998</b>	<b>50 512</b>
<b>Net cash flows total</b>	<b>172 428</b>	<b>104 324</b>
Balance change of cash balance, including:	167 306	100 967
- change in cash balance due to foreign exchange gains/losses	(5 123)	(3 357)
<b>Cash at the beginning of period</b>	<b>131 909</b>	<b>72 231</b>
<b>Cash at the end of period, including:</b>	<b>299 215</b>	<b>173 198</b>
- with limited disposability	-	-

Kielce, dated November 14, 2007

**Representatives of the Company:**

**Person in charge of keeping the books of accounts:**

President of the Management Board

Member of the Management Board

Chief Accountant

Jarosław Grodzki

Artur Langner

Tomasz Sulek