

# Echo Investment Capital Group

Mid-year condensed consolidated financial statement as on and for the period of six months expiring on June 30,  
2008



Kielce, August 14, 2008

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

	balance as at 2008.06.30 end of quarter	balance as at 2007.12.31 end of previous year	balance as at 2007.06.30 end of quarter
<b>Assets</b>			
<b>1. Fixed assets</b>			
1.1. Intangible assets	417	525	201
1.2. Goodwill of subsidiaries	65 074	40 382	40 382
1.3. Tangible assets	558 318	463 167	247 154
1.4. Long-term receivables	52	54	5
1.5. Investment properties	1 960 518	2 034 700	2 186 416
1.6. Long-term financial assets	11 005	11 000	11 450
1.7. Deferred income tax assets	46 351	42 176	18 322
	<b>2 641 735</b>	<b>2 592 004</b>	<b>2 503 930</b>
<b>2. Current assets</b>			
2.1. Inventories	477 998	455 619	312 593
2.2. Tax receivables	25 949	46 246	24 440
2.3. Trade receivables, other receivables	10 380	13 442	68 872
2.4. Short-term financial investments	25 073	33 478	709
2.5. Accruals	7 263	3 212	5 012
2.6. Cash and cash equivalents	238 654	394 947	396 460
	<b>785 317</b>	<b>946 944</b>	<b>808 086</b>
<b>Assets total</b>	<b>3 427 052</b>	<b>3 538 948</b>	<b>3 312 016</b>
<b>Liabilities</b>			
<b>1. Equity</b>			
1.1. Equity attributed to the holding company's shareholders	1 557 744	1 510 535	1 406 140
1.1.1. Initial capital	21 000	21 000	21 000
1.1.2. Supplementary capital	1 598 785	985 994	985 994
1.1.3. Profit (loss) carried forward	(105 443)	188 247	188 247
1.1.4. Profit (loss) of the current year	54 099	319 039	210 899
1.1.5. Foreign exchange gains/losses arising from conversion of foreign companies' data	(10 697)	(3 745)	-
1.2. Minority capital	20 442	15 806	11 292
	<b>1 578 186</b>	<b>1 526 341</b>	<b>1 417 432</b>
<b>2. Reserves</b>			
2.1. Reserve for deferred income tax	267 519	252 836	220 536
2.2. Other reserves	23 441	70 441	34 886
	<b>290 960</b>	<b>323 277</b>	<b>255 422</b>
<b>3. Long-term debts</b>			
3.1. Financial debts	1 221 952	1 283 221	1 212 514
3.2. Other debts	30 256	32 180	36 125
	<b>1 252 208</b>	<b>1 315 401</b>	<b>1 248 639</b>
<b>4. Short-term debts</b>			
4.1. Financial debts	34 203	37 859	145 191
4.2. Tax debts	11 510	9 245	11 384
4.3. Trade debts	55 443	121 352	57 525
4.4. Other debts	204 542	205 473	176 423

	305 698	373 929	390 523
<b>Liabilities total</b>	<b>3 427 052</b>	<b>3 538 948</b>	<b>3 312 016</b>
Book value (in thousands PLN)	1 557 744	1 510 535	1 406 140
Number of shares	420 000 000	420 000 000	420 000 000
Book value per share (in PLN)	3,71	3,60	3,35
Diluted number of shares	420 000 000	420 000 000	420 000 000
Diluted book value per share (in PLN)	3,71	3,60	3,35
<b>OFF-BALANCE ITEMS</b>			
in thousands PLN	balance as at 2008.06.30 end of quarter	balance as at 2007.12.31 end of previous year	balance as at 2007.06.30 end of quarter
1. Off-balance receivables	-	-	-
2. Off-balance payables	23 581	22 501	28 140

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

	2nd quarter period from 2008.04.01 to 2008.06.30	2 quarters period from 2008.01.01 to 2008.06.30	2nd quarter period from 2007.04.01 to 2007.06.30	2 quarters period from 2007.01.01 to 2007.06.30
Operating revenues	91 213	182 845	125 598	190 991
Operating expenses	(50 811)	(91 728)	(70 044)	(95 293)
<b>Gross profit (loss) on sales</b>	<b>40 402</b>	<b>91 117</b>	<b>55 554</b>	<b>95 698</b>
Profit (loss) on sales of real estate	-	-	-	-
Revaluation of real estates	(23 518)	(22 627)	136 137	195 903
Costs of sales	(5 058)	(10 467)	(3 897)	(7 643)
Overheads	(13 193)	(22 610)	(11 968)	(18 177)
Other operating revenues (costs)	12 086	18 113	941	489
<b>Earnings before tax and financial revenues / costs</b>	<b>10 719</b>	<b>53 526</b>	<b>176 767</b>	<b>266 270</b>
Financial revenues	21 987	29 680	8 733	13 316
Financial costs	(26 575)	(48 532)	(20 648)	(36 044)
Foreign exchange gains/losses	33 083	39 118	23 147	19 197
Revaluation of goodwill of subsidiaries	-	-	(28)	(73)
Shares in profits of associated companies	(10)	(25)	(7)	(7)
<b>Gross profit (loss)</b>	<b>39 204</b>	<b>73 767</b>	<b>187 964</b>	<b>262 659</b>
Income tax	(8 041)	(15 015)	(37 629)	(51 052)
<b>Net profit (loss)</b>	<b>31 163</b>	<b>58 752</b>	<b>150 335</b>	<b>211 607</b>
Profit (loss) attributable to minority shareholders	3 296	4 653	130	708
Profit (loss) allocated to shareholders of the holding company	27 867	54 099	150 205	210 899
Net profit (loss) (annualized)		162 239		386 847
Weighted average number of ordinary shares		420 000 000		420 000 000
Annualized profit (loss) per ordinary share (in PLN)		0,39		0,92
Weighted average diluted number of ordinary shares		420 000 000		420 000 000

Diluted profit (loss) per ordinary share (in PLN)

0,39

0,39

**3. Condensed statement of changes in consolidated equity, 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 attributed to the holding company's shareholders	Minority capital	Total owner's equity
<b>For 2 quarters (current year), period from 2008.01.01 to 2008.06.30</b>								
Balance as at beginning of period	21 000	985 994	507 286		(3 745)	1 510 535	15 806	1 526 341
Corrections of basic errors						-		-
<b>Balance as at beginning of period, after reconciliation to comparable data</b>	<b>21 000</b>	<b>985 994</b>	<b>507 286</b>	<b>-</b>	<b>(3 745)</b>	<b>1 510 535</b>	<b>15 806</b>	<b>1 526 341</b>
Distribution of profit carried forward	-	612 791	(612 729)	-	-	62	-	62
Changes in minority shares	-	-	-	-	-	-	(17)	(17)
Net profit (loss) of current period	-	-	-	54 099	(6 952)	47 147	4 653	51 800
<b>Balance at end of period</b>	<b>21 000</b>	<b>1 598 785</b>	<b>(105 443)</b>	<b>54 099</b>	<b>(10 697)</b>	<b>1 557 744</b>	<b>20 442</b>	<b>1 578 186</b>
<b>For 4 quarters (previous year), period from 2007.01.01 do 2007.12.31</b>								
Balance as at beginning of period	21 000	538 319	635 922	-	2	1 195 243	10 584	1 205 827
Corrections of basic errors	-	-	-	-	-	-	-	-
<b>Balance as at beginning of period, after reconciliation to comparable data</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Distribution of profit carried forward	21 000	538 319	635 922	-	2	1 195 243	10 584	1 205 827
Changes in minority shares	-	447 675	(447 675)	-	-	-	-	-
Net profit (loss) of current period	-	-	-	-	-	-	-	-
<b>Balance as at end of period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>319 039</b>	<b>(3 747)</b>	<b>315 292</b>	<b>5 222</b>	<b>320 514</b>
<b>For 2 quarters (previous year), period from 2007.01.01 to 2007.06.30</b>								
Balance as at beginning of period	21 000	538 319	635 922		2	1 195 243	10 584	1 205 827
Changes in applied accounting principles (policy)	-	-	-	-	-	-	-	-
Corrections of basic errors	-	-	-	-	-	-	-	-
<b>Balance as at 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 carried forward	-	447 675	(447 675)	-	-	-	-	-
Changes in minority shares	-	-	-	-	-	-	-	-
Net profit (loss) of current period	-	-	-	210 899	(2)	210 897	708	211 605
<b>Balance as at end of period</b>	<b>21 000</b>	<b>985 994</b>	<b>188 247</b>	<b>210 899</b>	<b>-</b>	<b>1 406 140</b>	<b>11 292</b>	<b>1 417 432</b>

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

Cash flow statement	2 quarters the period from 2008.01.01 to 2008.06.30	2 quarters the period from 2007.01.01 to 2007.06.30
<b>A. Cash flows from operating activity – indirect method</b>		
<b>I. Net profit (loss)</b>	58 752	211 607
<b>II. Adjustments total</b>		
1. Share in net (gains) losses of associated companies	25	7
2. Depreciation of fixed assets	2 965	2 057
3. Revaluation of goodwill	-	73
4. Foreign exchange gains/losses	(43 031)	(31 124)
5. Interest and shares in profits (dividends)	10 009	25 051
6. (Profit) loss on investment activity	38 105	(178 441)
7. Change in reserves	18 110	43 613
8. Change in inventories	(31 604)	(82 972)
9. Change in receivables	8 200	(26 855)
10. Change in short-term debts, except for loans and credit facilities	(37 557)	41 574
11. Change in accruals	(6 237)	7 570
12. Other adjustments	69	-
	<b>(40 946)</b>	<b>(199 447)</b>
<b>III. Net cash flows from operating activity (I+/-II)</b>	<b>17 806</b>	<b>12 160</b>
<b>B. Cash flows from investment activity</b>		
<b>I. Incomes</b>		
1. Sales of intangible assets and fixed assets	836	38
2. Sales of investments in real estate and in intangible assets	-	-
3. From financial assets	41 798	38 376
4. Other revenues from investments	-	-
	<b>42 634</b>	<b>38 414</b>
<b>II. Expenditures</b>		
1. Acquisition of intangible assets and fixed assets	(79 106)	(80 903)
2. Investments in real estate and in intangible assets	(6 379)	(127 652)
3. On financial assets	(30 440)	(26 740)
4. Dividends and other shares in profits disbursed to minority	-	-
5. Other investment expenditures	(2 264)	(168)
	<b>(118 189)</b>	<b>(235 463)</b>
<b>III. Net cash flows from investment activity (I-II)</b>	<b>(75 555)</b>	<b>(197 049)</b>
<b>C. Cash flows from financial activity</b>		
<b>I. Incomes</b>		
1. Net revenues from issue of stocks (issue of shares) and other capital instruments, additional payments to capital	-	-
2. Loans and credit facilities	-	148 613
3. Issue of debenture bonds	-	347 559
4. Other financial incomes	-	-
	<b>-</b>	<b>496 172</b>



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

<b>Cash flow statement (continued)</b>	<b>2 quarters period from 2008.01.01 to 2008.06.30</b>	<b>2 quarters period from 2007.01.01 to 2007.06.30</b>
<b>II. Expenditures</b>		
1. Acquisition of own shares (stocks)	-	-
2. Dividends and other disbursements to owners	-	-
3. Expenses arising from profit distribution, other than disbursements to owners	-	-
4. Repayments of loans and credits	(55 305)	(122 883)
5. Redemption of debenture bonds	-	(50 000)
6. Arising from other financial obligations	-	-
7. Payments of obligations under financial lease contracts	-	-
8. Interest	(43 236)	(34 922)
9. Other financial expenses	-	-
	<b>(98 541)</b>	<b>(207 805)</b>
<b>III. Net cash flows from financial activity (I-II)</b>	<b>(98 541)</b>	<b>288 367</b>
<b>D. Net cash flow total (A.III+/-B.III+/-C.III)</b>	<b>(156 290)</b>	<b>103 478</b>
<b>E. Difference in cash balances, including:</b>	<b>(156 293)</b>	<b>98 668</b>
- change in cash balance due to foreign exchange gains/losses	(3)	(4 810)
<b>F. Cash at beginning of period</b>	<b>394 947</b>	<b>297 792</b>
<b>G. Cash at end of period (F+/-D), including:</b>	<b>238 654</b>	<b>396 460</b>
- with limited disposability	-	-

**5. Additional information to condensed consolidated report****5.1 Basic information**

Echo Investment S.A. (hereinafter the Company), formerly operating under the business name "Echo Press" Sp. z o.o., was registered in Kielce on July 23, 1992. The registered office of the Company is located in Kielce at Al. Solidarności 36.

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

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

As on June 30, 2008 and June 30, 2007, the Capital Group employed 370 and 321 persons, respectively.

The Capital Group runs its business in the territory of Poland, Hungary and Romania.

The presented statement refers to the six month period expiring on June 30, 2008, with comparative data referring to the six month period expiring on June 30, 2007. The statement is presented in thousands of Polish zlotys (PLN), in accordance with the International Financial Reporting Standards as approved by the European Commission.

Shares of Echo Investment S.A., which is the holding company, have been quoted on the Warsaw Stock Exchange since 1996. Volume of shares of Echo Investment SA: 420,000,000 ordinary bearer shares.

The organization authorized to audit the financial statements of Echo Investment SA is PricewaterhouseCoopers Sp. z o.o. with its registered office in Warsaw, registered as a company entitled to audit financial statements by the National Board of Chartered Accountants, with registration no. 144.



## 5.2 Principles applied during preparation of the quarterly report

The consolidated statement of Echo Investment S.A. for the second quarter of 2008 has been prepared in accordance with the International Financial Reporting Standards, as approved by the European Commission. Guidelines contained in IFRS 1 and IAS 34 have been applied in the course of drafting the statement. The rules for valuing assets and liabilities and determining the financial result were applied as on the balance day.

The Management Board of the Holding Company used its best knowledge in applying the standards, interpretation, methods and principles for valuing specific items of the condensed consolidated financial statement for Q2 2008. In order to draft the financial statements in accordance with the IFRS, the Company's Management Board had to make certain estimations and assumptions, 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 for valuation of assets and liabilities and determination of the financial result:

- Intangible assets are valued according to acquisition prices and their balance sheet values are given less current depreciation and write-downs due to permanent loss in value.
- Goodwill of subsidiaries results from the presence of a difference between the cost of acquiring the given organization and fair value of identifiable assets and liabilities of wholly and partially owned subsidiaries and associated companies. This difference is calculated as on the date of acquisition of the given organization. Goodwill is analyzed in terms of loss of value at least once a year.
- Fixed assets are valued and disclosed in the statements according to acquisition prices or production costs, less depreciation and write-downs due to permanent loss in value. The costs pertaining to a fixed asset, which were borne after putting the asset into operation, are applied to the profit and loss account, except where they can be proved to have rendered an increase in envisaged future economic advantage arising from the ownership of the given asset. In such case, the yielded costs increase the initial value of the fixed asset. Fixed assets are depreciated according to the declining balance method and equally through tax rates. Fixed assets with acquisition prices lower than 3,500 PLN are depreciated once at their full value as on date of purchase. For fixed assets that have permanently lost their economic usefulness, extraordinary depreciation write-downs are made.
- Fixed assets under construction are valued according to acquisition prices and production costs. This includes costs that are directly related to an investment not yet completed. These include expenses incurred in the acquisition of land, expenditure on erection of buildings (mainly third party services) and relevant financial costs.
- Investments in real estate refer to such investments that are considered a source of revenue from lease rent, and those maintained in view of anticipated increase in their value. Real estate is valued at fair value. Any difference arising from a change in fair value is applied to the profit and loss account for the given period.
- Shares in companies and other investments classified as fixed assets are valued according to acquisition prices less write-downs on account of permanent loss in value.
- Loans granted are posted according to depreciated acquisition price, determined using the effective interest rate method.
- The following items are posted under inventories: semi-finished products and work in process, finished products and advances on deliveries. Inventories of tangible current assets are valued according to equivalent prices for land acquisition and development, increased by activated financial costs but not exceeding the expected net sales price. Inventories related to long-term construction contracts are valued according to the guidelines of IAS No. 11 'Construction Contracts'.
- Receivables are disclosed in the balance sheet as amounts due and payable, with due caution. Revaluation write-downs on receivables are made according to the following criteria:
  - for receivables overdue in excess of one year – for the full value of the amount receivable,
  - for receivables overdue over six months but not longer than one year – at 50% of the value of the amount receivable.

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

- Short-term investments are valued according to acquisition prices, accounting for write-downs due to permanent loss in value. Cash and cash equivalents include assets in the form of local currency monies, foreign currencies and financial instruments, as well as other financial assets, in particular interest on loans granted if it falls due within 3 months of the statement date. This 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 reserve for income tax. These items are valued according to their reasonable estimated value. The reserve is calculated with the tax rate to be valid in the following accounting period. Deferred income tax assets on account of tax loss are established if the settlement of such a loss in the following years is certain.
- Share capital and supplementary capital is valued in its nominal value.
- Reserves are established if the Company is under an existing obligation arising from past events; where it is probable that compliance with this obligation will result in an essential outflow of funds representing economic benefits; and when the amount of such an obligation can be reasonably estimated. Specifically, reserves are 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 due during the current period, as well as for anticipated losses to be borne in future periods.
- Long-term financial debts are valued by the 'depreciated cost of debt' method, according to IAS 39. The risk and the possibility of early repayment of long-term debt is taken into consideration in valuation. Other debts are disclosed in the balance sheet as amounts due and payable.
- The level of the company social benefits fund is established on the basis of the Company Social Benefits Fund Act (Journal of Laws of 1994, no. 43, item 163, as amended) and disclosed in the balance sheet in its nominal value, in the amount to be brought forward.



- Accrued incomes and costs are disclosed in their nominal values.
- Foreign currencies are valued as on the balance day, applying the relevant exchange rates of Pekao SA bank, applicable as on the balance day.
- The 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 factors bearing on the financial result. The financial result (profit/loss) is determined using the multiple-step method.
  - a) The costs of production of products sold include costs borne 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, the financial result is affected by estimated income, taking into consideration advancement 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 proportion of costs borne as on the balance day to total estimated investment costs. Revenues of the current period are established in the same proportion to total estimated revenues. Own costs of sales of production consisting in execution of construction contracts are posted 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 type of project:
    - return ratio according to sales contract, or average (calculated) return ratio assumed by the company;
    - percentage of such items as, for instance, sold area of land, sold shares, etc. (according to average prices)
 Own cost of sold premises and land is settled in proportion to sold proportions of 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:
    - as regards other sales of products and services – revenues invoiced and due to the company, and corresponding costs,
    - costs borne of sales and overheads; costs not yet borne, booked according to the principle of matching revenues and costs,
    - gains and losses on sales of securities,
    - all financial revenues receivable by the company,
    - financial costs yielded and booked, pertaining to the current period, except for costs activated according to an alternative solution presented in IAS 23 'Borrowing Costs'. The company activates that part of financial costs that is directly related to the acquisition and production of assets disclosed as inventories and investments in progress. The following amount of costs is activated: interest, discount and commissions, less income yielded from temporary deposition of funds (i.e. amounts of interest on bank deposits, except for deposits resulting from the blocking of accounts, L/C contracts). The structure of expenditures at the company is calculated in the following subcategories: 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 value of activated financial costs corresponding to the latter item is calculated pro rata on the basis of the structure of expenditures in the company. It is divided among specific projects according to structure of expenses less advances.
    - realized extraordinary gains and losses, covering only items not occurring in the course of normal economic activity.
- The Cash flow statement is prepared by the indirect method.

### 5.3 Consequences of variation of applied accounting principles (conversion of financial statements for the preceding periods), with description

Echo Investment Capital Group did not change its accounting principles during the 2<sup>nd</sup> quarter of 2008.

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

Echo Investment S.A., which is the owner of companies forming part of the Group, 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 types of business activity other than those involved in the realization process of a specific project, followed by provision of lease services of already completed assets or other services.

As on June 30, 2008 Echo Investment Capital Group consists of 101 subsidiaries that are fully consolidated and 4 companies valued by the 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 Belchatów” Spółka z o.o. [‘Echo - Belchatów 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 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-Galaxy Szczecin” Sp. z o.o. [‘Echo-Galaxy Szczecin’ Limited Liability Company], having its registered seat in Szczecin (formerly “Projekt Echo - 60” Sp. z o.o. [‘Project Echo - 60’ Limited Liability Company], 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 Handlowo-Rozrywkowe Kielce” Spółka z o.o. [‘Echo Investment - Kielce Shopping & Entertainment 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 - Property Poznań 1” Spółka z ograniczoną odpowiedzialnością [‘Echo - Property Poznań 1’ Limited Liability Company’], having its registered seat in Kielce, formerly “Echo Centrum - Gdynia” Sp. z o.o. [‘Echo - Gdynia Center’ Limited Liability Company], having its registered seat in Kielce
- “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 Project Management” S.R.L., having its registered seat in Bucharest
- “Echo Investment Projekt 1” S.R.L., having its registered seat in Bucharest

- [illegible]



- "Projekt Echo - 90" Spółka z o.o. ['Project Echo - 90' Limited Liability Company], having its registered seat in Kielce
- "Projekt Echo - 91" Spółka z o.o. ['Project Echo - 91' Limited Liability Company], having its registered seat in Kielce
- "Projekt Echo - 92" Spółka z o.o. ['Project Echo - 92' 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
- „Ultra Marina” Sp. z o.o. ['Ultra Marina' Limited Liability Company], having its registered seat in Poznan
- "WAN 11" Spółka z o.o. ['WAN 11' Limited Liability Company], having its registered seat in Warsaw
- "Wygłędów" Spółka z o.o. ['Wygłędów' Limited Liability Company], having its registered seat in Kielce
- „Wlementor Holdings Limited”, having its registered seat in Nicosia,
- "Zakłady Ogrodnicze Naramowice" Spółka z o.o. ['Naramowice Gardening Enterprise' Limited Liability Company], having its registered seat in Kielce

Companies valued by the ownership rights method:

- "Projekt Echo - 23" Spółka z o.o. ['Project Echo - 23' Limited Liability Company], having its registered seat in Kielce
- "SPC" Spółka Akcyjna ['SPC' Joint Stock Company], having its registered seat in Warsaw,
- "W.A. Hotele" Spółka z o.o. ['W.A. Hotels' Limited Liability Company], having its registered seat in Warsaw
- "WAN Invest" Spółka z o.o. ['WAN Invest' Limited Liability Company], having its registered seat in Warsaw

All wholly and partially owned subsidiaries and affiliated companies are covered by consolidation. The holding company owns, directly or indirectly, 100% of the basic capital in all fully consolidated subsidiaries.

In subsidiaries partially owned by minority shareholders, the holding Company is the owner of the following respective shares:

- "WAN 11" Sp. z o.o. ['WAN 11' Limited Liability Company] - 50% of basic capital and 50% of voting rights at the general meeting of shareholders;
- "Projekt S" Sp. z o.o. ['Project S' Limited Liability Company] - 95% of basic capital and 95% of voting rights at the general meeting of shareholders.

Capital relationships within the Capital Group concern the following:

- "Piomot - Auto" Sp. z o.o., holding 5.53% of basic capital of "Echo Investment - Centrum Handlowe Piotrków Trybunalski" Sp. z o.o.;
- "Zakłady Ogrodnicze Naramowice" Sp. z o.o., holding 99.8% of basic capital of "Projekt Naramowice" Sp. z o.o.;
- „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.
- "Projekt Echo - 37" Sp. z o.o., holding 0.001% of basic capital of "Echo - SPV 6" Sp. z o.o.;
- "Echo - Pasaż Grunwaldzki" Sp. z o.o., holding 1% of share of "Echo - Pasaż Grunwaldzki Sp. z o.o." Spółka komandytowa;
- "Echo - Arena" Sp. z o.o., holding 1% of share of "Echo - Arena Sp. z o.o." Spółka komandytowa;
- "Echo - Galaxy" Sp. z o.o., holding 1% of share of "Echo - Galaxy Sp. z o.o." Spółka komandytowa;
- „Echo - Galaxy Szczecin" Sp. z o.o. (formerly „Projekt Echo - 60" Sp. z o.o.), holding 1% of share of „Echo - Galaxy Sp. z o.o." Spółka komandytowa;
- "Galeria Echo - Kielce" Sp. z o.o., holding 0.01% of basic capital of "Echo - Galeria Kielce" Sp. z o.o.;
- "Projekt Echo - 41" Sp. z o.o., holding 1% of share of "Projekt Echo - 41 Sp. z o.o." Spółka komandytowa;
- "Projekt Echo - 42" Sp. z o.o., holding 1% of share of "Projekt Echo - 42 Sp. z o.o." Spółka komandytowa;
- "Projekt Echo - 43" Sp. z o.o., holding 0.01% of share of "Echo - Galaxy Sp. z o.o." Limited Company;
- "Projekt Echo - 45" Sp. z o.o., holding 1% of share of "Projekt Echo - 45 Sp. z o.o." Spółka komandytowa;
- „Echo - Centrum Bankowości i Finansów Łódź" Spółka z o.o., holding 47.98% of basic capital of „Projekt Echo - 53" Sp. z o.o.;
- „Echo - Centrum Biznesu Łódź" Spółka z o.o., holding 51.96% of basic capital of „Projekt Echo - 53" Sp. z o.o.;
- „Echo - Centrum Tarnów" Sp. z o.o., holding 99.93% of basic capital of „Projekt Echo - 61" Sp. z o.o.;
- „Echo - Centrum Jelenia Góra" Sp. z o.o., holding 99.93% of basic capital of „Projekt Echo - 56" Sp. z o.o.;
- „Echo - Galaxy Sp. z o.o." Sp. k., holding 99.99% of basic capital of „Echo - Galaxy Szczecin" Sp. z o.o. (formerly „Projekt Echo - 60" Sp. z o.o.);
- „Echo - Pasaż Grunwaldzki Sp. z o.o." Sp. k., holding 99.99% of basic capital of „Projekt Echo - 62" Sp. z o.o.;
- „Echo - Centrum Poznań" Sp. z o.o., holding 99.87% of basic capital of „Projekt Echo - 81" Sp. z o.o.;
- „Echo Investment Ukraine" LLC, holding:
  - 99.99% of basic capital of „Echo - Projekt 1" LLC
  - 99.99% of basic capital of „Echo - Projekt 2" LLC
- „Echo - Projekt 1" LLC, holding 0.01% of basic capital of „Echo - Projekt 2" LLC;
- „Echo - Projekt 2" LLC, holding 0.01% of basic capital of „Echo - Projekt 1" LLC;
- „Echo Investment Project 1" SRL, holding 0.007% of basic capital of „Echo Investment Project Management" SRL;
- "Projekt Echo - 17" Sp. z o.o., holding the following respective shares of basic capital of:
  - 1.00% of capital of "Wygłędów" Sp. z o.o.,
  - 1.00% of capital of "Projekt Echo - 37" Sp. z o.o.,
  - 1.00% of capital of "Projekt Echo - 39" Sp. z o.o.,
  - 1.00% of capital of "Galeria Echo - Kielce" Sp. z o.o.,
  - 1.00% of capital of "Echo ACC" Sp. z o.o.,
  - 1.00% of capital of "Projekt Echo - 30" Sp. z o.o.,
  - 1.00% of capital of "Echo - Galaxy" Sp. z o.o.,
  - 1.00% of capital of "Echo - Pasaż Grunwaldzki" Sp. z o.o.,
  - 1.00% of capital of "Projekt Echo - 34" Sp. z o.o.,

- 1.00% of capital of "Est On Property Management" Sp. z o.o.,
- 1.00% of capital of "Projekt Echo - 41" Sp. z o.o.,
- 1.00% of capital of "Projekt Echo - 42" Sp. z o.o.,
- 1.00% of capital of "Projekt Echo - 43" Sp. z o.o.,
- 1.00% of capital of "Projekt Echo - 44" Sp. z o.o.,
- 1.00% of capital of "Projekt Echo - 45" Sp. z o.o.,
- 0.1% of capital of "Projekt Echo - 55" 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 - 64" 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 - 80" Sp. z o.o.,
- 0.1% of capital of "Projekt Echo - 83" Sp. z o.o.,
- 0.1% of capital of "Projekt Echo - 84" Sp. z o.o.,
- 0.1% of capital of "Projekt Echo - 85" Sp. z o.o.,
- 0.1% of capital of "Projekt Echo - 86" Sp. z o.o.,
- 0.1% of capital of "Projekt Echo - 87" Sp. z o.o.,
- 0.1% of capital of "Projekt Echo - 88" Sp. z o.o.,
- 0.1% of capital of "Projekt Echo - 89" Sp. z o.o.,
- 0.1% of capital of "Projekt Echo - 90" Sp. z o.o.,
- 0.1% of capital of "Projekt Echo - 91" Sp. z o.o.,
- 0.1% of capital of "Projekt Echo - 92" Sp. z o.o.,
- 0,05% of capital of "Echo - Arena" Sp. z o.o.,
- 0.05% of capital of "Wlementor Holdings Limited";
- 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 - Property Poznań 1” 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 "Echo - Galaxy Szczecin" Sp. z o.o. (formerly „Projekt Echo - 60” 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 - 56" Sp. z o.o.,
- 0.001% of capital of "Projekt Echo - 61" Sp. z o.o.,
- 0.001% of capital of "Projekt Echo - 62" Sp. z o.o.,
- 0.001% of capital of "Projekt Echo - 63" Sp. z o.o.,
- 0.001% of capital of "Projekt Echo - 65" Sp. z o.o.,
- 0.001% of capital of "Projekt Echo - 66" Sp. z o.o.,
- 0.001% of capital of "Projekt Echo - 81" 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 activities of the issuer during the presented period

The operations of Echo Investment Capital Group cover multiple segments of the real estate market. Therefore, seasonality or cyclicity of yielded income or results is highly diversified. Consolidated sales revenues are generated primarily from letting of commercial space (shopping centers, offices) and supplemented by other types of activity: sales of apartments, general contractor's services, real estate management and trade, other minor spheres of activity, which may be seasonal or cyclical in nature. The available portfolio of assets for lease, systematic execution and sale of residential projects, along with other spheres of activity guarantee, to a significant extent, comparable levels of income during each consecutive quarter. The Management Board cannot exclude other individual events that may affect the results earned in the given period.

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

Apart from own funds, loans and facilities, daily operations of the Capital Group are also financed through the issuance of debenture bonds. The dominant party – 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 obligations arising from the issued debenture bonds. The balance of these obligations as at the report submission date is presented in the table below:

Bank name	Type of instrument	Amount utilized [in thousands PLN]	Bonds redemption date
BRE Bank S.A.	Bonds	150.000	25.05.2011
BRE Bank S.A.	Bonds	100.000	25.05.2013
BRE Bank S.A.	Bonds	300.000	30.06.2014

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.

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

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

On May 12, 2008, the Management Board of the Company presented the Supervisory Board of Echo Investment SA with a proposal concerning allocation of net earnings disclosed in the Company's financial statement for the year expiring on December 31, 2007, and a proposal for allocation of the Company's profits carried forward.

The Management Board of the Company proposed that the net profit for 2007 and net earnings carried forward from the preceding years should be excluded from distribution to shareholders and allocated to supplementary capital of Echo Investment SA in its entirety for purposes of financing daily operations of the Company. The Supervisory Board of Echo Investment SA issued a positive opinion on the Management Board's proposal.

Under Article 395 paragraph 2 item 2 of the Polish Code of Commercial Partnerships and Companies, the aforementioned recommendation shall be ultimately considered by the General Meeting of Shareholders. On the basis of resolution no. 6 on distribution of profits carried forward, and resolution no. 7 on distribution of profit, the Ordinary General Meeting of Shareholders of Echo Investment SA decided to exclude the net profit earned by Echo Investment SA in the previous years and the net profit earned during the last financial year 2007 from distribution among shareholders and to allocate the whole amount of profit to supplementary capital for 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

On July 02, 2008, the Regional State Registration in Kiev registered changes in the amount and structure of initial capital of the Issuer's subsidiary "Echo Investment Ukraine" Limited Liability Company with its registered seat in Kiev (the Subsidiary). The Subsidiary's initial capital was raised to UAH 1,480,156 (an equivalent of PLN 680,131.68 according to the average rate of exchange of the National Bank of Poland as on the effective date of these changes in initial capital). The increased initial capital carries 91.2% votes at the company's general meeting of shareholders. As on the registration date, the Subsidiary's ownership structure has changed and is now as follows:

- Echo Investment S.A. with its registered seat in Kielce has taken up the increased capital and now holds 99.9997% share in the Subsidiary's initial capital, with a total value of UAH 1,480,151.80 (equivalent of PLN 680,129.75 as on the effective date of altering the initial capital, according to the average rate of exchange of the National Bank of Poland).
- Mr. Andriy Smetana holds 0.0003 % share in the Subsidiary's initial capital, with a total value of UAH 4.20 (an equivalent of PLN 1.93 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).

On July 30, 2008 an agreement for project management and general contracting of investment (the General Contracting Agreement) was executed between the Issuer's subsidiary „Projekt Echo – 65” Spółka z ograniczoną odpowiedzialnością [‘Project Echo – 65’ Limited Liability Company] with its registered seat in Kielce (the Investor) and Echo Investment S.A. with its registered seat in Kielce (the Project Manager and the General Contractor of Investment).

Under the General Contracting Agreement, the Contractor agrees to carry out complete realization of an office building (the Office Complex) on a real estate in Szczecin, Malczewskiego Street, until handover of the Office Complex to the Investor and users of premises in the Office Complex and obtaining all permits from competent authorities as required for opening the Office Complex (the Investment Project).

Execution of the Investment Project will be completed not later than December 31, 2010.

For performance of the said agreement, the Contractor shall receive a fee based on investment budget, to be determined within 3 months of the effective date of the agreement. The Issuer shall publish the ultimate fee amount as soon as it is determined.



On July 30, 2008 an agreement for project management and general contracting of investment (the General Contracting Agreement) was executed between the Issuer's subsidiary „Wyględów” Spółka z ograniczoną odpowiedzialnością [„Wyględów” Limited Liability Company] with its registered seat in Kielce (the Investor) and Echo Investment S.A. with its registered seat in Kielce (the Project Manager and the General Contractor of Investment).

Under the General Contracting Agreement, the Contractor agrees to carry out complete realization of an office building (the Office Complex) on a real estate in Lodz, Piłsudskiego Street, until handover of the Office Complex to the Investor and users of premises in the Office Complex and obtaining all permits from competent authorities as required for opening the Office Complex (the Investment Project).

Execution of the Investment Project will be completed not later than December 31, 2011.

For performance of the said agreement, the Contractor shall receive a fee based on investment budget, to be determined within 3 months of the effective date of the agreement. The Issuer shall publish the ultimate fee amount as soon as it is determined.

On August 01, 2008, the Registration Court in Bucharest registered changes in the amount and structure of initial capital of the Issuer's subsidiary “Echo Investment Project 1” S.R.L. with its registered seat in Bucharest (the Subsidiary).

The Subsidiary's initial capital was increased to RON 26,004,000 (an equivalent of PLN 23,783,258.40 as on the effective date of changes to the initial capital according to the average rate of exchange of the National Bank of Poland) and is divided into 2,600,400 shares with nominal value of RON 10 each (equivalent of PLN 9.15 as on the effective date of changes to the initial capital according to the average rate of exchange of the NBP).

As on the registration date, Echo Investment SA took up the entire increased initial capital of the Subsidiary, constituting 99.9% of the current value of initial capital. As a consequence, Echo Investment SA now holds 100% of the initial capital, carrying the same proportion of votes at the general meeting of shareholders of the Subsidiary.

The increased initial capital of the Subsidiary has been considered significant on the basis of major financial assets criteria.

On August 07, 2008, the Issuer communicated in the current report no. 38/2008 that the prerequisites specified in the preliminary lease agreement (the Agreement) executed on November 27, 2007 between the Issuer's subsidiary Echo – Arena Spółka z ograniczoną odpowiedzialnością Spółka komandytowa [Echo – Arena Limited Liability Company Limited Partnership] with its registered seat in Kielce (the Landlord, the Subsidiary) and Tesco (Polska) Sp. z o.o. with its registered seat in Krakow (the Tenant) had been complied with. The preliminary lease agreement concerned letting of ca. 8,900 square meters of commercial surface in the Arena shopping and entertainment center that is being prepared for development in Słupsk at Grottgera Street (the Mall). The Tenant is going to engage in trade and service activity in the Mall in the form of a grocery and household goods store in unlimited range of standard commodities typically sold in such Tesco outlets in Poland. A precondition for signing the aforementioned lease contract was obtaining a final building permit decision for construction of the Mall in Słupsk, Grottgera Street (the Mall) by the Subsidiary or another organization contracted thereby and taking possession of the real estates dedicated to the development of the Mall not later than on July 31, 2008. The Subsidiary has obtained a final building permit decision for the Mall and took up the properties designated for the development site. The aforementioned condition was a condition precedent.

Under the foregoing agreement, the Landlord and the Tenant have agreed to enter into a proper lease agreement not later than December 31, 2010. Duration of lease of space in the contemplated Mall will be 30 years. The envisaged development of the Arena shopping and entertainment center in Słupsk is a part of strategy whereunder Echo Investment Capital Group executes projects in the sector of shopping and entertainment centers. The establishment will offer about 38,500 thousand square meters of area to let.

The Supervisory Board of Echo Investment SA, acting pursuant to paragraph 13 clause 1 letter b of the Company Articles, and paragraph 2 clause 1) chapter IV of the Regulations of the Supervisory Board of the Company, in accordance with valid laws and professional standards, selected a company certified to audit financial statements on August 05, 2008.

The company authorized to audit the Company's financial statements shall be PricewaterhouseCoopers Sp. z o.o. of Warsaw, ul. Armii Ludowej 14, registered as an organization certified to audit financial statements by the National Board of Chartered Accountants with number 144 (the Chartered Accountant). A contract was made with the Chartered Accountant for audit and review of Echo Investment's statements in 2008 through 2010. Echo Investment S.A. has not yet used the Chartered Accountant's services in respect of audit and review of financial statements. PricewaterhouseCoopers Sp. z o.o. has been providing consulting services for the Issuer.

## **5.9 Specification of results of changes in the structure of the organization, including changes arising out of mergers, acquisitions or sales of Capital Group companies, long-term investments, splits, restructuring or discontinuation of business activity**

1. The Capital Group was expanded with 1 new company:

On June 27, 2008, Echo Investment SA with its registered seat in Kielce and the Issuer's subsidiary “Projekt Echo – 17” Sp. z o.o. with its registered seat in Kielce (the Buyer) acquired shares in the initial capital of Wlementor Holdings Limited of Nicosia (the Subsidiary) from CCY Services Limited of Nicosia (the Seller).

The object of contract consists in 2,000 shares in the Subsidiary's initial capital, forming 100% of the initial capital, with nominal value of USD 2,000 (an equivalent of PLN 4,273.20 according to the average rate of exchange of the National Bank of Poland as on the effective date of acquisition of financial assets). The purchase price of the shares is EUR 3,600 (according to the average exchange rate of the National Bank of Poland as on the effective date of acquisition, the said amount is an equivalent of PLN 12,129.84). Acquisition of assets was financed with own funds of the Issuer and of “Projekt - Echo 17” Sp. z o.o.

With acquisition of the aforementioned assets, the Subsidiary's ownership structure is as follows:

- Echo Investment S.A. holds 99.95% shares in the Subsidiary's share capital, carrying 1,999 votes at the general meeting of shareholders,

- the Issuer's subsidiary “Projekt Echo – 17” Sp. z o.o. holds 0.05% share in the Subsidiary's share capital, carrying 1 vote at the general meeting of shareholders.

The Issuer and "Projekt Echo - 17" Sp. z o.o. intend to consider the shares thus taken up as a long-term capital investment.

On January 10, 2008 Echo Investment SA (the Buyer), as a consequence of signing a contract with Mr. Wiesław Prusiecki (the Seller), acquired shares in the initial capital of Ultra Marina Sp. z o.o. with its registered seat in Poznań (the Subsidiary).

The object of contract consists in 100% of shares in the Subsidiary's share capital. The nominal value of the Subsidiary's initial capital is PLN 1,250,000 and is divided into 1,250 shares with a nominal value of PLN 1,000 each. One share carries one vote at the Company's general meeting of shareholders. Acquisition price of the shares was PLN 11,770,455.

On February 18, 2008 the District Court for Poznań - Nowe Miasto and Wilda in Poznań, 8<sup>th</sup> Economic Department of the National Court Register, registered ownership changes in the initial capital of Ultra Marina Sp. z o.o. with its registered seat in Poznań (the Subsidiary). Echo Investment SA as a holder of 1,250 shares was registered in the National Court Register as the owner of 100% of the initial capital of the Subsidiary.

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

On July 11, 2008 the Issuer received a confirmation whereunder on July 02, 2008, the Regional State Registration in Kiev registered changes in the amount and structure of initial capital of the Issuer's subsidiary "Echo Investment Ukraine" Limited Liability Company with its registered seat in Kiev (the Subsidiary). The Subsidiary's initial capital was raised to UAH 1,480,156 (an equivalent of PLN 680,131.68 according to the average rate of exchange of the National Bank of Poland as on the effective date of these changes in initial capital). The increased initial capital carries 91.2% votes at the company's general meeting of shareholders.

As on the registration date, the Subsidiary's ownership structure has changed and is now as follows:

- Echo Investment S.A. with its registered seat in Kielce has taken up the increased capital and now holds 99.9997% share in the Subsidiary's initial capital, with a total value of UAH 1,480,151.80 (equivalent of PLN 680,129.75 as on the effective date of altering the initial capital, according to the average rate of exchange of the National Bank of Poland).

- Mr. Andriy Smetana holds 0.0003 % share in the Subsidiary's initial capital, with a total value of UAH 4.20 (an equivalent of PLN 1.93 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).

## III. Names of the following subsidiaries were changed:

- the name of "Projekt Echo - 60" Sp. z o.o. ['Project Echo - 60' Limited Liability Company], having its registered seat in Kielce, changed into "Echo - Galaxy Szczecin" Sp. z o.o. ['Echo - Galaxy Szczecin' Limited Liability Company'], having its registered seat in Szczecin.

- the name of "Echo Centrum - Ślchowice" Sp. z o.o. ['Echo Center - Ślchowice' 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

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

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

### 5.10.1 Surety agreements

Issuer's surety agreements in force as on June 30, 2008 are presented in the table below:

Surety in favor of	Value (in thousands)	Expiry date	On account of
Bank PeKaO SA	PLN 740	until the effective 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 2,885	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. On January 17, 2008 PKO BP SA Bank granted a bank guarantee to PKP SA with its registered seat in Warsaw as a security of payment of consulting costs, up to the amount of PLN 1.5 million. The guarantee shall expire on October 18, 2008.

Guarantee agreements in force as on June 30, 2008 are presented in the table below:

Guarantor	Value (in thousands PLN)	Expiry date	On account of
PKO BP S.A.	1.500	18.10.2008	Security of obligations in favor of PKP S.A.

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

During the 2nd quarter of 2008, Echo Investment S.A. and Capital Group companies were executing projects launched during the previous periods, 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, E.Leclerc, Nomi, IIT Neovision, RTV Euro AGD, Empik, Douglas, Saturn Planet, Supermarkety Drogerijne Rossman, and other tenants.

Development of the largest shopping and entertainment center in Słupsk, called ARENA, is scheduled 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 38,000 sq. m leasable area. Lease agreements were made with such companies as Tesco, Helios, Media Markt, BC Club, Rossmann, Ravel. The Capital Group has obtained a building permit for erection of the aforementioned establishment. The scheduled execution commencement date for the project is the 2<sup>nd</sup> half of 2008, and completion date – the 2<sup>nd</sup> half of 2010.

Echo Capital Group intends to build a modern shopping and entertainment center called METROPOLIS on the Company's immovable property situated in Poznań, Hetmańska Street, offering about 80,000 square meters leasable area. The mall has been designed by Studio ADS architects' firm of Poznań. The anticipated commencement date of the investment falls in the 2<sup>nd</sup> half of 2009 and completion date in the 2<sup>nd</sup> half of 2011.

Echo Capital Group intends to develop a modern regional shopping and entertainment center on its immovable property located in Kalisz. The facility will be built at Górnosłaska Street and Trasa Bursztynowa (the Amber Route). Gross floor area of the contemplated center shall be ca. 100,000 square meters, with gross leasable area of about 40,000 sq. m. The launching of the project is scheduled for 2009 and completion in 2011.

**Development of a modern shopping & entertainment center is planned in Koszalin, Krakusa i Wandy Street.** Area to let in the building will be about 35 thousand square meters. The anticipated commencement date of investment falls in the 1<sup>st</sup> half of 2010 and completion date in the 1<sup>st</sup> half of 2012.

**The Company's investment plans include development of the so-called Echo Park in Górki Czechowskie, Lublin.** Under the agreement signed with the Company in November 2007, the City of Lublin has agreed to alter of the spatial development plan within 36 months of the effective date of agreement, thus enabling commencement of development activities on the scheduled investment. **The Company shall at its own expense reconstruct the traffic system in the neighborhood of the contemplated shopping and entertainment center Park Echo and the existing crossing of al. Solidarności with al. Sikorskiego and ul. Gen. Bolesława Ducha. The estimated value of this investment project shall be about 80 million zlotys.** The Company intends to develop the following establishments on the aforementioned property:

- a shopping, entertainment and service center (the Mall) with a total shopping area reaching 80,000 square meters, developed in combination with reconstruction of the traffic system around the contemplated building as a necessary Mall service component,
- a complex of service and office establishments complementing the functions offered by the Mall,
- a city-style recreation and landscape park.

Unless a building permit for the Mall can be obtained within 24 months from the date of entry into force of the aforementioned Resolution of the Lublin City Council, approving of the amendments to the local spatial development plan, Echo Investment SA shall be entitled to terminate the agreement. Specific terms and conditions of reconstruction of the traffic system shall be stipulated in a separate agreement (Road Agreement). Should the parties to the agreement fail to execute the Road Agreement within 9 months from the effective date of the present agreement, either party may terminate the agreement.

Erection of a shopping center in Łomża supplements the portfolio of commercial space, with simultaneous improvement of quality and advancement of the Company's offering. As on June 22, 2008, the agreement executed between the Issuer's subsidiary "Echo Veneda" Sp. z o.o. with its registered seat in Kielce (the Financing Party) (formerly "Echo Investment - Centrum Handlowe Łomża" Sp. z o.o. with its registered seat in Kielce) and "real,- Sp. z ograniczoną odpowiedzialnością i Spółka" Spółka komandytowa (the Beneficiary), concerning erection by the Financing Party of commercial space in the envisaged Shopping Center in Łomża and offering the said space to the Beneficiary for exploitation, was terminated.

A condition precedent for termination of the agreement was the Financing Party's failure to purchase a real estate situated in Łomża before June 22, 2008. The condition was fulfilled as the Financing Party did not acquire title to the aforementioned property within the said deadline. In addition, the concept of the scheduled "Veneda" Center was amended through increasing gross leasable area in the mall.

The Łomża City Council agreed to an amendment of the spatial development conditions and directions study in order to allow development of a shopping center exceeding 2,000 square meters in size. The Company is expecting completion of administrative procedures.

Anticipated development date falls in 2011.

Echo Capital Group also intends to expand some of its existing shopping and shopping/entertainment centers. The plans concern extension of the Galeria Echo shopping and entertainment center in Kielce. Target area of the building will be 64,000 square meters. Echo Capital Group has obtained a building permit for extension of the aforementioned establishment. Anticipated completion date of this development falls in the 1<sup>st</sup> quarter of 2010. The company responsible for carrying out the design works on extension of Galeria Echo in Kielce is Detan Sp. z o.o. of Kielce.

The process of designing the 2<sup>nd</sup> stage of Pasaż Świętokrzyski in Kielce has also commenced. Echo Investment SA intends to complete development of additional mall space for the Catalyst Capital fund of London in the 1<sup>st</sup> half of 2009 (ca. 4 thousand square meters of area to let).

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.

#### Office space segment

In the office investments segment, Echo Investment Capital Group has facilities to let in Warsaw. The Group is executing new investments and acquiring projects already functioning in the market. Its offering covers office buildings of various standards, including top class.

Although this market segment is highly competitive, the projects contained in the portfolio of Echo Capital Group ensure stable income from long-term lease contracts due to proper location conditions and appropriate standards. Office space is let to such recognized companies as Polkomtel SA, Deutsche Leasing, Impel SA, Colgate-Palmolive, Porr Polska, Modzelewski & Rodek, Roche Diagnostic Polska, and many others.

#### The Warsaw market

Execution works on a set of office buildings with multi-storey underground parking lot were continued on the real estate situated in Warsaw at 21 Postępu Street. The project, comprising leasable area of ca. 34,000 square meters, consisting of four office buildings, was designed by APA Wojciechowski studio of Warsaw. The contractor of core and shell construction and the general contractor and manager of the investment is Modzelewski & Rodek Sp. z o.o. of Warsaw. During the 2<sup>nd</sup> quarter of 2008, the scope of project management agreement in respect of the above mentioned office complex was extended and therefore, the Contractor's fee will increase to ca. 193 million PLN. Anticipated completion date of the 1<sup>st</sup> stage falls in the 2<sup>nd</sup> half of 2009.

#### The Poznan market

Realization of the 'Malta Office Park' office complex in Poznan was progressing (leasable area is about 31,000 square meters). Core and shell of the first and second stage has been completed by Fakt Budownictwo Sp. z o.o. construction company of Kielce. Contractor's fee for execution of the 2<sup>nd</sup> stage of investment will be about **24.35 million PLN**. Commercialization of the project also began. About 98% of the area of the 1<sup>st</sup> stage of this complex has been let to tenants. The six office buildings designed by Litoborski-Marciniak design office of Poznań shall be executed in three stages. First stage of construction is expected to complete in the 2<sup>nd</sup> half of 2008.

#### The Krakow market

The Company is preparing to the development of a modern class A office building in Krakow, Lea Street, with above-ground and underground car parks. The architectural concept was developed by DDJM Biuro Architektoniczne Sp. z o.o., a designing office of Krakow. 100% of the project has been leased by Fortis Bank (Polska) SA with its registered seat in Krakow. Area to let is about 10,500 sq. m. 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 an advanced class A office project on its property situated in Krakow, Opolska and 29 Listopada Streets, with area to let exceeding 60 thousand square meters. The anticipated commencement date of investment will be in the 1<sup>st</sup> half of 2009, and completion date – in the 2<sup>nd</sup> half of 2010.

#### The Gdansk 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 firm of Gdynia shall comprise ca. 22,000 square meters of area to let. The anticipated commencement date of the development process falls in the 1<sup>st</sup> half of 2009 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 establishment has been developed at Arch Deco, a design office of Gdynia. The anticipated project implementation 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 Katowice market

A business park with rentable area of ca. 50,000 square meters is planned on the Company's land in Katowice at the crossing of al. Górnośląska and Francuska Street. This establishment, designed by DDJM Biuro Architektoniczne design office, will be executed in two stages. 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 2<sup>nd</sup> half of 2010.



### The Lodz market

The process of preparing development of an advanced complex of class A office buildings was commenced on a land plot in Lodz, Piłsudskiego Street. Area to let will be about 28,000 square meters. The launch of this investment project is planned for the 2<sup>nd</sup> half of 2008 and completion for the 1<sup>st</sup> half of 2010.

### 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 project manager and 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, Lodz, Poznan, Czestochowa, Zabrze, Gliwice.

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

### Housing segment

In the housing segment, Echo Capital Group realizes investment projects ranging from luxury apartment complexes, through high- and medium-standard residential buildings, to estates of single-family houses.

### The Warsaw market

During the 2<sup>nd</sup> quarter of 2008, 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 stage of this housing estate (130 apartments) falls in the 3<sup>rd</sup> quarter of 2008.

2<sup>nd</sup> 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 2<sup>nd</sup> half of 2008.

In the 1<sup>st</sup> half of 2008, implementation of projects in Warsaw, Kazimierzowska Street, was commenced (net area of ca. 5,300 square meters). The general contractor and project manager of construction of this development is Vectra S.A. with its registered seat in Plock. Contractor's fee for execution of this housing complex will be 34.3 million PLN. Design of this residential building, developed by Mąka Sojka Architekci Sp. J. designing firm of Warsaw, comprises 60 apartments. Anticipated completion date of this development falls in the 1<sup>st</sup> half of 2010.

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 commencement date for construction of this project designed by W.M. Musiał Architekci Sp. z o.o. design office of Warsaw and StoMM Architektura Maciej Stoczkiewicz of Kielce falls in the 2<sup>nd</sup> half of 2008 and completion date in the 2<sup>nd</sup> half of 2010.

### The Poznan market

Construction works were also performed in Poznan. 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 scheduled for the 2<sup>nd</sup> half of 2011.

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

Development works were carried out on the housing project called Kasztanowa Aleja in Poznan, Wojskowa Street. The General Contractor of this residential complex is Weko Prof Sp. z o.o. of Warsaw. About 282 apartments will be built in the residential buildings designed by Studio Lisiak Sp. z o.o. of Poznan (area for sale exceeds 17,200 sq. m). The anticipated date of completion of the 1<sup>st</sup> stage (141 apartments) falls in the 1<sup>st</sup> half of 2010.

The process of preparing execution of an estate of city-like multi-family houses was in progress on the immovable property situated in Poznań at Litewska Street and Grudzieniec Street (area for sale is about 1,600 square meters). Approx. 8 apartments will be built within this estate designed by Arpa Pracownia Autorska architects' firm of Poznan. Anticipated completion date falls in the 1<sup>st</sup> half of 2011.

### The Krakow market

A 2.5-storey building with an area of 535 square meters will be built in Krakow, Kilińskiego Street, (8 apartments). The launch of this investment is anticipated in the 1<sup>st</sup> half of 2010. The building was designed by Oleksy&Polaczek design studio.

In the first half of 2010, the Company is also going to commence a housing investment at Korzeniowskiego Street, Krakow, Wola Justowska district. This building, designed by The Blok office, will have an area of about 2,000 sq. m (10 apartments).

The Company continued preparation for development of a housing and commercial establishment to be erected in Krakow, Krasickiego Street (area for sale exceeds 5,600 square meters). The building designed by Studio S – Biuro Architektoniczne Szymanowski design office of Krakow will contain 84 apartments. The anticipated commencement date of investment falls in the 2<sup>nd</sup> half of 2010 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 5,900 sq. m (55 apartments). The launch of this investment project is anticipated in the 2<sup>nd</sup> half of 2009 and completion in the 1<sup>st</sup> half of 2011.

The Company intends to develop a residential building on its land situated in Krakow, Bronowicka Street, for an approximate area of 3,400 sq. m. The establishment designed by Studio S Michał Szymanowski designing firm of Krakow will contain about 45 apartments. The launch of this investment project is anticipated in the 2<sup>nd</sup> half of 2009 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 designed by StoMM Architektura Maciej Stoczkiewicz design office of Kielce will cover about 200,000 square meters total area of land plots for sale. The Company intends to sell plots of land with designs of houses. Anticipated completion date of this development falls in the 1<sup>st</sup> half of 2010.

Land plots are still being sold within an estate of single-family houses (Bilcza II) designed by Konsorcjum Pisarczyk & Tracz Architekci design studio of Kielce and located in Bilcza near Kielce. The offering concerns sales of land plots with utility connections and finished designs of houses. Total area of land plots for sale is about 130,000 sq. m. The anticipated completion date of this investment project falls in the 2<sup>nd</sup> half of 2008.

#### The Lodz market

The process of preparing construction of residential buildings to be developed on real estate in Lodz, Okopowa and Gornicza Streets, was in progress. The estimated area for sale will be about 51,000 sq. m (800 apartments). 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 2014.

The Company is also going to develop residential buildings with 320 apartments on its real estate in Lodz, Wodna Street (approx. 20,000 square meters of area for sale). The launch of this investment project is anticipated in the 1<sup>st</sup> half of 2011 and completion in the 1<sup>st</sup> half of 2013.

#### The Wroclaw market

The Company intends to execute a housing project in Wroclaw, on a property 7.4 thousand square meters in size, located at Jedności Narodowej Street. 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 14,000 sq. m. Design works are going to commence as early as in 2008, and launching of development is anticipated for 2009.

A housing project will be developed on the Company's property in Wroclaw, Grota Roweckiego Street, about 3 hectares in size, with usable area of approximately 20 thousand square meters, including almost 19 thousand square meters to be allocated to apartments (over 300 apartments) and about 1 thousand square meters for service outlets. The anticipated realization commencement date will be the 2<sup>nd</sup> half of 2010, and completion date will fall in the 1<sup>st</sup> half of 2013.

#### Foreign markets

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 building has been designed by Mofo Architekci Sp. z o.o. architectural design firm of Krakow. A preliminary building permit has been obtained for the center. Leasable area of this shopping and entertainment project shall be about 65,000 sq. m. The anticipated project implementation commencement date will be in the 2<sup>nd</sup> half of 2008, and completion date – in the 2<sup>nd</sup> half of 2010.

##### 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 sq. m. The park has been designed by Mofo Architekci Sp. z o.o. architectural design firm of Krakow. Further plans include location of **the Zuglo District Mayor's Office in the complex**. A preliminary building permit has been obtained for erection of the office complex. The project is scheduled for commencement in the 2<sup>nd</sup> half of 2008 and for completion in the 2<sup>nd</sup> half of 2011.

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

Echo Capital Group intends to develop a modern shopping & entertainment center in Brasov, Romania, Stadionului Street, with gross leasable area of ca. 60,000 sq. m. The anticipated project commencement date will be in the 1<sup>st</sup> half of 2009, and completion date – in the 2<sup>nd</sup> half of 2010.

### 5.12 Factors and events, particularly extraordinary in nature, having a major impact on the achieved financial results

The following factors had a major impact on the financial result of the 2<sup>nd</sup> quarter of 2008:

- booking of revenues under final agreements of sale of a housing project in Warsaw at Inflancka Street (stage 2),
- revenues earned from letting of commercial space,
- revaluation of fair value of four projects from Echo Capital Group's portfolio, accounting for variations of yield rates, partially upon request of banks with regard to the envisaged project re-financing process,
- quarterly revaluation of Echo Investment Capital Group's real estates, accounting for such changes as those arising out of EUR/USD (q/q) foreign exchange gains/losses.
- appraisal of credit obligations and cash in foreign currencies,
- valuation of hedging instruments for foreign currencies,
- revaluation of non-financial assets.

Other factors influencing the achieved results include:

- regular revenues earned on lease agreements of office and commercial space owned by Echo Capital Group,
- execution of commercial and housing investments,
- quality improvement and value increase of available investment portfolio,
- situation on the financial market and general economic trends in Poland, Hungary and Romania, where Echo Capital Group is going to launch its operations.

### 5.13 Structure of revenues

Echo Investment Capital Group earns revenues on letting commercial space, sales of apartments, development of buildings and provision of property management services. Earnings structure is as follows:

- letting of space in shopping centers and shopping/entertainment centers:

Revenues from lease services are generated through letting of areas in shopping centers and shopping/entertainment centers. Consolidated revenues earned on this account as at the end of the 2<sup>nd</sup> quarter of 2008 constituted 57.4% of net sales revenues.

- sales of residential space:

The main source of revenues in this segment is the sale of apartments and, to a lesser extent, sale of commercial areas (shop floors, offices and other premises situated within multifunctional housing projects). Revenues earned on this account constituted approx. **24.6%** of all consolidated revenues from sales of products.

- development and letting 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 earned on this account and on account of realization of investments as at the end of the 2<sup>nd</sup> quarter of 2008 constituted 10.8% of all net sales revenues.

- other revenues:

Other sources of revenues include revenues earned on property management services and other services. Property trade also forms a portion of other revenues. As at the end of the 2<sup>nd</sup> quarter of 2008, this income made up 7.2% of the total.



Specification	Revenues for 2 quarters of 2008 [in millions PLN]	Revenues in 2007 [in millions PLN]	Revenues for 2 quarters of 2007 [in millions PLN]
Letting of space in shopping centers and shopping/entertainment centers	104,9	215,2	73,2
Sales of residential space	45,0	32,0	75,3
Development and letting of areas in office and hotel facilities	19,8	125,7	28,1
Other revenues	13,1	7,9	7,8
<b>Operating revenues total</b>	<b>182,8</b>	<b>380,8</b>	<b>184,4</b>

#### 5.14 Selected consolidated financial data

	in thousands PLN		in thousands EURO	
	2 quarters accrued, the period from 2008.01.01 to 2008.06.30	2nd quarter accrued, the period from 2007.01.01 to 2007.06.30	1 <sup>st</sup> quarter accrued, the period from 2008.01.01 to 2008.06.30	1 <sup>st</sup> quarter accrued, the period from 2007.01.01 to 2007.06.30
I. Operating revenues	182 845	190 991	52 578	49 626
II. Earnings before tax and financial revenues / costs	53 526	266 270	15 392	69 186
III. Gross profit (loss)	73 767	262 659	21 212	68 248
IV. Net profit (loss)	54 099	210 899	15 556	54 799
V. Net cash flows on operating activity	17 806	12 160	5 120	3 160
VI. Net cash flows on investment activity	(75 555)	(197 049)	(21 726)	(51 200)
VII. Net cash flows on financial activity	(98 541)	288 367	(28 336)	74 928
VIII. Net cash flow total	(156 290)	103 478	(44 942)	26 887
IX. Assets total	3 427 052	3 312 016	1 021 720	879 499
X. Equity attributable to shareholders of the holding company	1 557 744	1 406 140	464 416	373 397
XI. Long-term debts	1 252 208	1 248 639	373 325	331 573
XII. Short-term debts	305 698	390 523	91 139	103 703
XIII. Number of shares	420 000 000	420 000 000	420 000 000	420 000 000
XIV. Annualized profit (loss) per one ordinary share (in PLN/EUR)	0,39	0,92	0,11	0,24
XV. Diluted profit (loss) per one ordinary share (in PLN/EUR)	0,39	0,92	0,11	0,24
XVI. Book value per one share (in PLN/EUR)	3,71	3,35	1,11	0,89
XVII. Diluted book value per one share (in PLN/EUR)	3,71	3,35	1,11	0,89

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

The following shareholders, directly or indirectly through subsidiaries, had at least 5% of the total number of votes at the general meeting of Echo Investment S.A. as on August 14, 2008:

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 votes at the General Meeting of Shareholders of Echo Investment S.A.
Michał Solowow (directly and indirectly)	164 809 630	39,24%	164 809 630	39,24%
Commercial Union OFE*	37 850 690	9,01%	37 850 690	9,01%
OFE PZU Złota Jesień*	35 430 620	8,44%	35 430 620	8,44%
OFE ING Nationale – Nederlanden Polska*	35 259 850	8,40%	35 259 850	8,40%

\*balance of shares according to annual structure of investment portfolios of the OFEs (Open Pension Funds) as on December 29, 2007

### 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 publication of the previous quarterly report

Shares of Echo Investment S.A. have been quoted on the Warsaw Stock Exchange since March 1996.

As on August 14, 2008, 420,000,000 shares of the Company are presently available for stock trade (.ISIN PLECHPS00019). All shares carry the same rights. Each share carries one vote at the General Meeting of Shareholders of the Company. Nominal value of one share is PLN 0.05.

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 at the Warsaw Stock Exchange
A	1.600.000	80.000	Ordinary bearer shares	30.06.1994	10.08.2006
B	38.400.000	1.920.000	Ordinary bearer shares	30.06.1994	21.02.1996
C	20.000.000	1.000.000	Ordinary bearer shares	13.11.1995	21.02.1996
D	60.000.000	3.000.000	Ordinary bearer shares	18.02.1997	27.03.1997
E	20.000.000	1.000.000	Ordinary bearer shares	30.12.1997	02.03.1998
F	280.000.000	14.000.000	Ordinary bearer shares	26.11.2002	20.12.2002
Total:	420.000.000	21.000.000			

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:

Managing persons	balance as on 2008-08-14	balance as on 2008-05-15
Jarosław Grodzki, President of the Management Board*	did not hold any shares*	did not hold any shares
Piotr Gromniak, President of the Management Board**	did not hold any shares	did not hold any shares
Artur Langner, Vice-President of the Management Board**	did not hold any shares	did not hold any shares

\* Mr. Jarosław Grodzki was holding the position of Board President at the Company until May 28, 2008. As on that date, he did not hold any shares of Echo Investment SA.

\*\* With respect to approval by the Ordinary General Meeting of Shareholders of the Company of the financial statements for the last year of the Management Board's term of office and expiry of the Management Board members' term of office, acting pursuant to Article 368 paragraph 3 of

the Code of Commercial Partnerships and Companies, and paragraph 13 clause 1 letter a) of the Company Articles, on May 28, 2008 the Supervisory Board of the Company appointed Mr. Piotr Gromniak and Mr. Artur Langner as new members of the Management Board for the 3<sup>rd</sup> joint 3-year term of office.

In addition, on June 27, 2008 the Supervisory Board, acting pursuant to paragraph 14 article 1 of the Company Articles, appointed Mr. Piotr Gromniak President of the Board and Mr. Artur Langner Vice-President of the Board.

Supervising persons	balance as at 14.08.2008	balance as at 15.05.2008
Wojciech Ciesielski, Chairman of the Supervisory Board	1,440,000 shares	1,440,000 shares
Andrzej Majcher, Deputy Chairman of the Supervisory Board	100,800 shares	100,800 shares
Mariusz Waniółka, 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	14,860 shares	14,860 shares

### 5.17 Information about court proceedings

During the period from January 01, 2008 to June 30, 2008, 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 would constitute at least 10% of Echo Investment S.A.'s equity.

### 5.18 Opinion of the management board concerning the possibilities of realizing the previously published forecasts for the given year, in view of results presented in the quarterly report as compared to forecasts

The Management Board of Echo Investment S.A. did not publish any financial forecasts referring to the holding company or to the Capital Group.

### 5.19 Information about transactions with affiliated companies

Neither Echo Investment S.A. nor its subsidiaries entered into any transaction in the 2<sup>nd</sup> quarter of 2008 with affiliated companies that would be considered extraordinary, not conforming to market conditions, or not resulting from the Capital Group companies' current operating activities, the value of such transactions exceeding the PLN equivalent of EUR 500,000 during the period from the beginning of the financial year.

### 5.20 Information about granted sureties or guarantees

During the 2<sup>nd</sup> quarter of 2008, 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 Other information that the issuer considers important for assessment of its HR, property and financial standing, earnings and profit variations, and important data for assessing the issuer's solvency.

On April 7, 2008, Echo Investment SA received a decision from the District Court, 7<sup>th</sup> Department in Krakow, whereunder on March 25, 2008 an entry was made to the pledge registry concerning registration of pledge on 999 shares of the Issuer's subsidiary "Echo - Galaxy Szczecin" Sp. z o.o. ["Echo - Galaxy Szczecin" Limited Liability Company] (formerly „Echo Projekt - 60" Sp. z o.o. ["Echo Project - 60" Limited Liability Company]), owned by Echo Investment SA. These shares constitute 0.01% of initial capital of "Echo - Galaxy Szczecin" Sp. z o.o. Nominal value of these shares is PLN 49,950. The said pledge is a collateral of the credit facility granted to "Echo - Galaxy Szczecin" Sp. z o.o. by EUROHYPO AG Bank of Eschborn, Germany. The amount of debt secured by the said registered pledge is EUR 100 million.

On April 16, 2008 an agreement for project management and general contracting of investment was executed between the Issuer's subsidiary „Projekt Echo - 66" Sp. z o.o. ["Project Echo - 66" Limited Liability Company] with its registered seat in Kielce (the Investor) and Echo Investment S.A. with its registered seat in Kielce (the General Contractor of Investment). Under the said agreement, Echo Investment S.A. (the Contractor) agrees to carry out full-ranged development of a complex of office buildings on immovable property situated in Warsaw, 21 Postępu Street, until the time of delivery of the office complex to the Investor and to individual users. At the same time, the Contractor agrees and covenants to obtain all permits from competent authorities as required for commencement of operation of that office complex.

Execution of this investment will be completed not later than December 31, 2009. The Contractor shall receive a fee for execution of the aforementioned agreement, based on the investment budget. The estimated net value of the agreement is PLN 218.7 million. The contract does not contain any provisions regarding contractual penalties.

On April 16, 2008 the Issuer's subsidiary called Malta Office Park Sp. z o.o. and Fakt Budownictwo Sp. z o.o. with its registered seat in Kielce entered into a contract for development of core and shell construction of the 2<sup>nd</sup> stage of the Malta Office project in Poznan, to be executed until May 8, 2009. The contract value is PLN 24.35 million net.

On April 29, 2008 the Issuer received an Annex dated April 23, 2008 (the Annex) amending the contract for core & shell construction of a development, which the Issuer communicated in the current report no. 5/2008 of January 4, 2008 (the Contract), signed by correspondence by and between Echo Investment S.A. with its registered seat in Kielce (the Company) and Modzelewski&Rodek Sp. z o.o. with its registered seat in Warsaw (the Contractor).

Under the said Annex, the scope of Contract was extended by general contracting of the Park Postępu office complex in Warsaw (the Development). The said scope includes:

- general contracting of the development consisting of four seven-storey office buildings with above-ground garage and two-level underground garage,
- obtaining necessary acceptances by competent authorities,
- obtaining a valid occupancy permit for the Development on behalf of the Company,
- as-is inventory taking of the premises within the Development, according to valid laws.

Considering the aforementioned extension of the range of cooperation, the Contractor's fee is raised by PLN 128,596,469, to reach PLN 192,796,469. The anticipated Development completion date is July 20, 2009. Other provisions of the contract shall remain unchanged.

On May 5, 2008 Echo Investment SA and Vectra S.A. with its registered seat in Plock signed a general contracting agreement for a housing complex in Warsaw, Kazimierzowska Street. The value of contract was PLN 34.3 million. The development completion date is January 05, 2010.

On May 12, 2008 an Annex was signed between the Issuer's subsidiaries - "Echo - Pasaż Grunwaldzki Spółka z ograniczoną odpowiedzialnością" Sp. k. ["Echo - Grunwaldzki Arcade Limited Liability Company" Limited Partnership] with its registered seat in Kielce (the Original Borrower), "Projekt Echo - 62" Sp. z o.o. ["Project Echo - 62" Limited Liability Company] with its registered seat in Kielce (the New Borrower) and EUROHYPO AG Bank with its registered seat in Eschborn, Germany (the Lender), the said Annex amending the Credit Agreement as of March 10, 2006, reported by the Issuer in current report no. 15/2006 on March 10, 2006 (the Credit Agreement). The aforementioned Annex was signed in respect of signing an agreement of transfer of ownership of an enterprise between the Issuer's subsidiaries: „Echo - Pasaż Grunwaldzki spółka z ograniczoną odpowiedzialnością” Sp. k. with its registered seat in Kielce („the Seller”) and „Projekt Echo - 62” Sp. z o.o. with its registered seat in Kielce („the Buyer”). The aforementioned agreement was reported by the Issuer in current report no. 87/2007 on December 1, 2007. Under the aforementioned annex, "Projekt - Echo 62" Sp. z o.o. with its registered seat in Kielce has become the new borrower.

An additional collateral securing repayment of debt to the Lender will be a registered pledge on the shares of the New Borrower, taken up by the Original Borrower as a consequence of increasing the value of the New Borrower's initial capital. All other provisions of the Credit Agreement shall remain unchanged.

With respect to approval by the Ordinary General Meeting of Shareholders of the Company of the financial statements for the last year of the Management Board's term of office and expiry of the Management Board members' term of office, acting pursuant to Article 368 paragraph 3 of the Code of Commercial Partnerships and Companies, and paragraph 13 clause 1 letter a) of the Company Articles, on May 28, 2008 the Supervisory Board of the Company appointed Mr. Piotr Gromniak and Mr. Artur Langner as new members of the Management Board for the 3<sup>rd</sup> joint 3-year term of office.

In addition, on June 27, 2008 the Supervisory Board, acting pursuant to paragraph 14 article 1 of the Company Articles, appointed Mr. Piotr Gromniak President of the Board and Mr. Artur Langner Vice-President of the Board.

On June 27, 2008, an annex (Annex) to the revolving credit facility agreement of March 25, 2003 (Agreement) was executed by Echo Investment SA with its registered seat in Kielce (the Borrower) and Bank Polska Kasa Opieki S.A. with its registered seat in Warsaw (the Lender), acting as a successor of Bank BPH SA of Krakow.

Under the executed annex, the amount of credit has been changed to PLN 40 million. The amounts utilized and not repaid under the operating advance in current account agreement of July 15, 1999, as amended, between Echo Investment SA as the Borrower and Bank Polska Kasa Opieki SA as the Lender, will be applied to the aforementioned credit, which the Issuer communicated in the current report no. 41/99 on July 15, 1999. As on the effective date of the said Annex, the operating advance in current account agreement of July 15, 1999, as amended, was terminated.

The Borrower may use the aforementioned credit amount as an overdraft facility or in the form of bank guarantees. The ultimate debt repayment date for the credit facility with interest, and the deadline for issuance of guarantees is September 30, 2009. Other provisions of the Contract shall remain unchanged.

The value of agreements and annexes executed during the last 12 months between the Issuer or the Issuer's subsidiaries and Bank Polska Kasa Opieki SA or the Bank's subsidiaries was PLN 54.92 million (including EUR 3.38 million, equivalent to PLN 11.40 million according to average rate of exchange of the National Bank of Poland as on the effective date of the said Annex). The Annex constitutes an agreement of highest value. The Annex has been considered significant in terms of Issuer's equity criteria.

On July 08, 2008, the Management Board of Echo Investment SA granted a procurator's power of attorney to Mr. Rafał Kwiatkowski.

As a security against foreign exchange risks on the currency futures market, the Company opened a position in derivatives hedging the EUR/PLN exchange rate,

With opened positions, the Company remains secured for part of cash flows scheduled in the 2<sup>nd</sup> half of 2008 (91 million EUR), in 2009 (25 million EUR) and in 2010 (11 million EUR). Valuation of hedging instruments is posted under financial revenues/costs in the profit and loss account.

**5.22 Issuer's specification of factors capable of affecting the issuer's results in the perspective of at least the nearest quarter of a year**

The following factors are going to influence the financial result during the consecutive periods:

- signing final contracts of sale of housing projects:
  - in Warsaw, Inflancka Street (stage 3), and Zwycięzców Street (stage 2),
  - in Poznań – the Naramowice housing project (stage 3), and
  - land plots with designs of houses, consisted in the Biczna II housing estate near Kielce;
- fair value appraisal of the Malta Office Park project (stage 1) in Poznań, which is scheduled for opening in the 2<sup>nd</sup> half of 2008;
- quarterly revaluation of fair value of owned properties, accounting for factors such as foreign exchange rate fluctuations (EUR and USD).
- yearly (3<sup>rd</sup> quarter) fair value revaluation of real estates in Echo Investment Capital Group's portfolio, accounting for yield rate variations.

Other key factors that will affect the financial result in the perspective of at least the following quarter of year include:

- regular revenues from lease contracts,
- advancement of execution, letting and sales of currently built commercial and housing projects,
- possible purchasing and sales of real estates,
- quality improvement and value increase of available investment portfolio,
- appraisal of financial and non-financial assets,
- overall trends on the real estate market,
- situation on the financial market and general economic trends in Poland, Hungary and Romania, where Echo Capital Group is going to launch its operations.



**6. Mid-year individual financial statement, in thousands PLN, as on and for a period of six months expiring on June 30, 2008**

	balance as at 2008.06.30 end of quarter	balance as at 2007.12.31 end of preceding year	balance as at 2007.06.30 end of quarter
<b>Assets</b>			
<b>1. Fixed assets</b>			
1.1. Intangible assets	416	524	200
1.2. Tangible assets	48 735	49 693	46 577
1.3. Long-term receivables	-	-	-
1.4. Long-term investments	557 671	526 737	456 962
1.4.1. Investment properties	442	442	13 069
1.4.2. Long-term financial assets	557 229	526 295	443 892
1.5. Deferred income tax assets	27 459	26 254	14 651
	<b>634 281</b>	<b>603 208</b>	<b>518 390</b>
<b>2. Current assets</b>			
2.1. Inventories	426 681	408 394	311 397
2.2. Short-term receivables	36 855	48 970	212 266
2.2.1. Tax receivables	5 013	19 438	7 898
2.2.2. Trade receivables, other receivables	31 842	29 532	204 368
2.2.2.1. In affiliated companies	28 420	19 475	125 777
2.2.2.2. In other companies	3 147	4 073	54 393
2.3. Short-term financial investments	114 281	99 144	49 148
2.3.1. In affiliated companies	92 502	85 165	48 629
2.3.2. In other companies	21 779	13 979	519
2.4. Cash and cash equivalents	92 460	148 739	260 248
2.5. Accruals	1 548	1 575	114
	<b>671 825</b>	<b>706 822</b>	<b>833 173</b>
<b>Total assets</b>	<b>1 306 106</b>	<b>1 310 030</b>	<b>1 351 563</b>
<b>Liabilities</b>			
<b>1. Equity</b>			
1.1. Initial capital	21 000	21 000	21 000
1.2. Supplementary capital	437 943	378 967	378 967
1.3. Profit (loss) carried forward	0	4 083	4 083
1.4. Profit (loss) of the current year	31 576	54 893	45 397
	<b>490 519</b>	<b>458 943</b>	<b>449 447</b>
<b>2. Reserves</b>			
2.1. Reserve for deferred income tax	32 921	28 395	27 086
2.2. Other reserves	19 672	21 122	19 691
	<b>52 593</b>	<b>49 517</b>	<b>46 777</b>
<b>3. Long-term debts</b>			
3.1. Financial debts	558 894	553 488	546 844
3.1.1. To affiliated companies	-	-	155
3.1.2. To other companies	558 894	553 488	546 689
3.2. Other debts	-	-	-
	<b>558 894</b>	<b>553 488</b>	<b>546 844</b>
<b>4. Short-term debts</b>			
4.1. Financial debts	200	3 394	108 812
4.1.1. To affiliated companies	0	463	386
4.1.2. To other companies	200	2 931	108 426
4.2. Tax debts	760	612	64
4.3. Trade debts	33 617	68 123	48 801
4.3.1. To affiliated companies	89	2 949	50
4.3.2. To other companies	33 528	65 174	48 751
4.4. Other debts	169 369	175 919	150 720
4.5. Special funds	154	34	98
	<b>204 100</b>	<b>248 082</b>	<b>308 495</b>
<b>Total liabilities</b>	<b>1 306 106</b>	<b>1 310 030</b>	<b>1 351 563</b>

Book value	490 519	458 943	449 447
Number of shares	420 000 000	420 000 000	420 000 000
Book value per one share (in PLN)	1,17	1,09	1,07

Off-balance liabilities (in thousands PLN)	balance as at 2008.06.30 end of quarter	balance as at 2007.12.31 end of previous year	balance as at 2007.06.30 end of quarter
1. Off-balance receivables	-	-	-
2. Off-balance payables	22 820	23 241	28 879
<b>Off-balance items total</b>	<b>22 820</b>	<b>23 241</b>	<b>28 879</b>

Profit and loss account (in thousands PLN)	2nd quarter the period from 2008.04.01 to 2008.06.30	2 quarters the period from 2008.01.01 to 2008.06.30	2nd quarter the period from 2007.04.01 to 2007.06.30	2 quarters the period from 2007.01.01 to 2007.06.30
Operating revenues	67 916	104 016	91 235	150 023
Operating expenses	(52 912)	(72 301)	(73 645)	(123 631)
<b>Gross profit (loss) on sales</b>	<b>15 004</b>	<b>31 715</b>	<b>17 590</b>	<b>26 392</b>
Profit (loss) on sales of real estates	33	34	6	11
Revaluation of real estates	(3)	(3)	345	(97)
Costs of sales	(4 988)	(10 391)	(7 784)	(11 468)
Overheads	(8 651)	(16 643)	(9 837)	(14 249)
Other operating revenues / costs	7 690	13 029	9 986	22 728
<b>Earnings before tax and financial revenues / costs</b>	<b>9 085</b>	<b>17 741</b>	<b>10 306</b>	<b>23 317</b>
Financial revenues	29 182	44 394	36 621	44 376
Financial costs	(14 512)	(27 238)	(8 825)	(15 281)
including those arising from foreign exchange gains/losses	(1 210)	(3 172)	(307)	689
<b>Gross profit (loss)</b>	<b>23 755</b>	<b>34 897</b>	<b>38 102</b>	<b>52 412</b>
Income tax	(2 604)	(3 321)	(4 119)	(7 015)
<b>Net profit (loss)</b>	<b>21 151</b>	<b>31 576</b>	<b>33 983</b>	<b>45 397</b>
Net profit (loss) (annualized)		41 072		45 397
Weighted average number of ordinary shares		420 000 000		420 000 000
Profit (loss) per one ordinary share (in PLN)		0,10		0,11
Weighted average diluted number of ordinary shares		420 000 000		420 000 000
Diluted profit per one ordinary share (in PLN)		0,10		0,11



Statement of changes in equity (in thousands PLN)	Initial capital	Supplementary capital	Profit brought forward	Net profit during the period	Capitals total
<b>For 2 quarters (current year), the period from 2008.01.01 to 2008.06.30</b>					
<b>Balance as at the beginning of period</b>	<b>21 000</b>	<b>378 967</b>	<b>58 976</b>	<b>-</b>	<b>458 944</b>
Corrections of basic errors					
<b>Balance as at the beginning of period, after reconciliation to comparable data</b>	<b>21 000</b>	<b>378 967</b>	<b>58 976</b>	<b>-</b>	<b>458 943</b>
Distribution of profit carried forward		58 976	(58 976)		0
Net profit (loss) of the current period				31 576	31 576
Changes total	-	58 976	(58 976)	31 576	31 576
<b>Balance as at the end of period</b>	<b>21 000</b>	<b>437 943</b>	<b>0</b>	<b>31 576</b>	<b>490 519</b>
<b>For 4 quarters (previous year), period from 2007.01.01 do 2007.12.31</b>					
<b>Balance as at the beginning of period</b>	<b>21 000</b>	<b>298 213</b>	<b>84 837</b>	<b>-</b>	<b>404 050</b>
Changes in applied accounting principles (policy)	-	-	-	-	-
Corrections of basic errors					
<b>Balance as at the beginning of period, after reconciliation to comparable data</b>	<b>21 000</b>	<b>298 213</b>	<b>84 837</b>	<b>-</b>	<b>404 050</b>
Distribution of profit carried forward		80 754	(80 754)		-
Net profit (loss) of the current period				54 893	54 893
Changes total	-	80 754	(80 754)	54 893	54 893
<b>Balance as at the end of period</b>	<b>21 000</b>	<b>378 967</b>	<b>4 083</b>	<b>54 893</b>	<b>458 943</b>
<b>For 2 quarters (previous year), period from 2007.01.01 to 2007.06.30</b>					
<b>Balance as at the beginning of period</b>	<b>21 000</b>	<b>298 213</b>	<b>84 837</b>	<b>-</b>	<b>404 050</b>
Changes in applied accounting principles (policy)	-	-	-	-	-
Corrections of basic errors					
<b>Balance as at the beginning of period, after reconciliation to comparable data</b>	<b>21 000</b>	<b>298 213</b>	<b>84 837</b>	<b>-</b>	<b>404 050</b>
Distribution of profit carried forward		80 754	(80 754)		-
Net profit (loss) of the current period				45 397	45 397
Changes total		80 754	(80 754)	45 397	45 397
<b>Balance as at the end of period</b>	<b>21 000</b>	<b>378 967</b>	<b>4 083</b>	<b>45 397</b>	<b>449 447</b>

Cash flow statement (in thousands PLN)	2 quarters the period from 2008.01.01 to 2008.06.30	2 quarters the period from 2007.01.01 to 2007.06.30
<b>Cash flows on operating activity – indirect method</b>		
<b>I. Net profit (loss)</b>	<b>31 576</b>	<b>45 397</b>
<b>II. Adjustments:</b>		
1. Share in net (gains) losses of associated companies	-	-
2. Amortization / Depreciation	2 664	1 766
3. Foreign exchange gains/losses	3	4 810
4. Interest and shares in profits (dividends)	(4 428)	(24 849)
5. Current income tax in the profit and loss account	-	220
6. Income tax paid	7 116	(3 550)
7. (Profit) loss on investment activity	50	(12 642)
8. Change in reserves	3 076	6 300
9. Change in inventories	(18 287)	(81 853)
10. Change in receivables	(9 173)	(19 916)
11. Change in short-term debts, except for loans and credit facilities	(38 833)	2 249
12. Change in accruals	(1 178)	3 720
13. Other adjustments	-	-
	<b>(58 990)</b>	<b>(123 745)</b>
<b>Net cash flows on operating activity</b>	<b>(27 414)</b>	<b>(78 347)</b>
<b>Cash flows on investment activity</b>		
<b>I. Incomes</b>		
1. Sales of intangible assets and fixed assets	41	35
2. Sales of investments in real estate and in intangible assets	-	-
3. From financial assets	25 235	37 821
4. Other revenues from investments	-	-
	<b>25 276</b>	<b>37 856</b>
<b>II. Expenditures</b>		
Acquisition of intangible assets and tangible assets	(1 688)	(2 425)
2. Investments in real estates and in intangible assets	-	(8 947)
3. On financial assets	(31 787)	(57 535)
4. Other investment expenditures	(2 228)	(168)
	<b>(35 703)</b>	<b>(61 075)</b>
<b>Net cash flows on investment activity</b>	<b>(10 427)</b>	<b>(31 220)</b>
<b>Cash flows on financial activity</b>		
<b>I. Incomes</b>		
Net revenues from issue of stocks (issue of shares) and other capital instruments, additional payments to capital	-	-
2. Loans and credit facilities	397	1 720
3. Issue of debenture bonds	-	347 559
4. Other financial incomes	-	-
	<b>397</b>	<b>349 279</b>

Cash flow statement, in thousands PLN (continued)	2 quarters the period from 2008.01.01 to 2008.06.30	2 quarters the period from 2007.01.01 to 2007.06.30
<b>II. Expenditures</b>		
1. Acquisition of own shares (stocks)	-	-
2. Dividends and other disbursements to owners	-	-
3. Expenses arising from profit distribution, other than disbursements to owners	-	-
4. Repayments of loans and credits	(463)	(42 622)
5. Redemption of debenture bonds	-	(50 000)
6. Interest	(18 369)	(13 940)
	<b>(18 832)</b>	<b>(106 563)</b>
<b>Net cash flows on financial activity</b>	<b>(18 435)</b>	<b>242 716</b>
<b>Net cash flow total</b>	<b>(56 276)</b>	<b>133 149</b>
Difference in cash balances, including:	(56 279)	128 339
- change in cash balance due to foreign exchange gains/losses	(3)	(4 810)
<b>Cash at the beginning of period</b>	<b>148 739</b>	<b>131 909</b>
<b>Cash at the end of period, including:</b>	<b>92 460</b>	<b>260 248</b>
- with limited disposability	-	-

Kielce, August 14, 2008

**Representatives of the Company:****Person in charge of bookkeeping:**President of the  
Management Board

Vice-President of the Management Board

Chief Accountant

Piotr Gromniak

Artur Langner

Tomasz Sulek