raport roczny

2009

annual report

Separate Annual Report of Echo Investment S.A.

echo INVESTMENT

Contents

Letter to Shareholders, Partners and Clients

Dear Sirs,

In 2009, which was one of the most difficult years in the history of property market, Echo Investment S.A. closed the year with a separate net profit of PLN 27.6 million and with separate earnings of PLN 329.8 million. The company's bottom line was slightly lower when compared to 2008, but given the reality of 2009, the result should be considered a success.

In 2009, in accordance with the adopted strategy of development, the Company focused on its main objective, i.e. ensuring stable and long-term growth of the corporate value through the execution of developer projects for sale (apartments) and regular expansion of the portfolio of investment projects for lease (offices and shopping centres). An unfavourable economic situation and breakdown of the housing market forced us to change the schedules of planned and already commenced projects, part of which had to be stopped. In spite of this, we continued work associated with the optimisation of developer process and preparation of previously commenced projects in Poland.

The main objective set by the Management Board of the Company in 2009 was to maintain as best condition as possible during the period of recession and to ensure a suitable starting point for the Company as soon as the crisis ended. The task was performed on all levels and in all areas of the Company's activity. In spite of pessimistic moods in the financial markets, the Company managed to carry out decisive transactions related to financing of the projects. Firstly, contracts on re-financing of office projects Park Postępu and Malta Office Park (for a total amount of EUR 82 million), and then a credit to finance Galeria Echo in Kielce, amounting to EUR 100 million, which was proclaimed 'a transaction of the year 2009' by the majority of property media. Owing to the execution of the agreement with Bank Eurohypo during EXPO REAL trade fair in Munich, Galeria Echo is still considered to be a symbol of the end of the crisis on the property market in Central Europe. According to the Jury of the Annual Warsaw Business Journal Award, as a justification of the granting of the title of Real Estate Investor of the Year 2009, Echo Investment Capital Group 'owing to its constant ability to obtain financing for big projects has attracted the attention of the public to Poland and the good condition of the Polish property market'.

Guidelines for future operations of the Company will remain unchanged - all its decisions are subordinate to the supreme and, at the same time, very simple goal: to achieve the best results, which in turn will guarantee growth of the corporate assets of Echo Investment, anticipated by our Shareholders and Partners.

On behalf of the Management Board, I would like to thank all of those who, with their perseverance, hard work and dedication, have contributed to the achievement of such good results in 2009.

Yours sincerely,

Piotr Gromniak
President of the Management Board

Annual financial statement [in thousands PLN]

Balance as at [in thousands PLN]	Note	31.12.2009	31.12.2008	01.01.2008
Assets				
1. Fixed assets				
1.1. Intangible fixed assets	1	1 051	1 001	524
1.2. Tangible fixed assets	2	10 669	11 636	13 982
1.3. Investment property	3	11 612	12 959	3 961
1.4. Investments in wholly and partially-owned subsidiaries	3	611 227	463 779	384 630
1.5. Investments in affiliated companies	3	50	62	10 650
1.6. Loans granted	3	359	12 909	131 015
1.7. Other financial assets	3	-	50	-
		634 968	**502 396**	**544 762**
2. Current assets				
2.1. Inventories	4	365 693	410 935	444 977
2.2. Deferred income tax receivables	5	2 195	1 890	8 034
2.3. Other tax receivables	5	57	4 000	11 404
2.4. Trade receivables and other receivables	5	122 731	138 599	31 107
2.5. Loans granted	6	124 363	192 772	92 457
2.6. Derivative financial instruments	6	-	295	6 720
2.7. Cash and cash equivalents	6	53 878	39 608	148 706
		668 917	**788 099**	**743 405**
Assets total		**1 303 885**	**1 290 495**	**1 288 167**
Liabilities				
1. Equity				
1.1. Issued capital	7	21 000	21 000	21 000
1.2. Supplementary capital	8	477 859	437 943	378 967
1.3. Profit (loss) carried forward		6 401	6 401	7 340
1.4. Profit (loss) net		27 641	39 916	58 037
		532 901	**505 260**	**465 344**
2. Provisions				
2.1.Provisions for liabilities	11	10 930	10 290	10 129
2.2. Provisions for deferred income tax	9, 18	8 300	2 919	3 599
		19 230	**13 209**	**13 728**
3. Non-current liabilities				
3.1Borrowings	10	513 948	509 151	511 405
		513 948	**509 151**	**511 405**
4. Current liabilities	11			
4.1. Borrowings		128 017	78 854	39 156
4.2.Derivative financial instruments		-	8 257	2 852
4.3.Deferred income tax liabilities		3 839	5 965	612
4.4.Trade liabilities		38 034	75 160	68 125
4.5.Advances received		53 759	85 508	174 440
4.6.Other liabilities		14 157	9 131	12 505
		237 806	**262 875**	**297 690**
Liabilities total		**1 303 885**	**1 290 495**	**1 288 167**

Total income statement [in thousands PLN]

	note	01.01.2009-31.12.2009	01.01.2008-31.12.2008
Revenue	13	329 873	408 167
Cost of sales	14	(260 835)	(286 814)
Sales profit (loss) before tax, interest and expenses		**69 038**	**121 353**
Profit (loss) on sales of property		145	82
Revaluation of non-financial assets		(900)	4 543
Costs of sales		(17 866)	(22 203)
Administrative costs		(27 066)	(36 807)
Other operating incomes	15	21 914	26 623
Other operating expenses	15	(7 391)	(2 720)
Profit before tax and financial incomes/expenses		**37 874**	**90 871**
Financial incomes	16	46 265	41 780
Financial expenses	17	(50 783)	(93 103)
Profit before tax		**33 356**	**39 548**
Income tax	18	(5 715)	368
Net profit	19	**27 641**	**39 916**
Net profit		27 641	39 916
Weighted average number of ordinary shares		420 000 000	420 000 000
Profit per ordinary share (in PLN)		0,07	0,10
Weighted average diluted number of ordinary shares		420 000 000	420 000 000
Diluted profit per ordinary share (in PLN)		0,07	0,10

	01.01.2009-31.12.2009	01.01.2008-31.12.2008
Net profit	27 641	39 916
Other comprehensive income:		
- Exchange differences on translation of foreign transactions		
Other comprehensive income, net of tax	-	-
Total comprehensive income for the period of 12 months, including:	27 641	39 916
Comprehensive income attributable to shareholders of the parent	27 641	39916
Comprehensive income attributable to minority shareholders	-	-

Annual cash flow statement [in thousands PLN]

	01.01.2009-31.12.2009	01.01.2008-31.12.2008
Cash flow on operating activities – indirect method		
I. Net profit (loss)	**27 641**	**39 916**
II. Adjustments		
1. Depreciation	3 613	4 384
2. Foreign exchange profits (losses)	-	-
3. Interest and share in profits (dividends)	(3 249)	(11 778)
4.Current income tax in the profit and loss statement	315	313
5.Income tax paid	(620)	5 831
6. Profit (loss) on investing activities	2 070	17 982
7. Change in provisions	(1 771)	2 318
8. Change in inventories	44 717	29 529
9. Change in receivables	18 511	(93 567)
10. Change in current liabilities, except for borrowings	(62 381)	(80 623)
	1 205	**(125 611)**
Net cash flows on operating activities	**28 846**	**(85 695)**
Cash flow on investing activities		
I. Incomes		
1. Sales of intangible and tangible fixed assets	182	260
2. Sales of investments in real property and in intangible assets	-	27
3. From financial assets:	226 132	105 440
a) in affiliated companies	226 132	105 382
- sales of financial assets	-	-
- dividends and shares in profits	36 299	41 663
- repayment of loans granted	168 659	54 307
- interest	21 173	9 411
- other income from financial assets	1	1
b) in other companies	-	58
- sales of financial assets	-	58
- dividends and shares in profits	-	-
- repayment of loans granted	-	-
- interest	-	-
- other income from financial assets	-	-
4 . Other financial income	332	-
	226 646	**105 727**

Annual cash flow statement [in thousands PLN] continued

	note	01.01.2009-31.12.2009	01.01.2008-31.12.2008
II. Expenditures			
1. Acquisition of intangible and tangible fixed assets		(1 732)	(2 724)
2. Investment in real property and in intangible assets		-	(20)
3. On financial assets, including:		(240 951)	(121 605)
a) in affiliated companies		(240 951)	(121 605)
- acquisition of financial assets		(143 650)	(91 131)
- loans granted		(97 301)	(30 474)
b) in other companies		-	-
- acquisition of financial assets		-	-
- loans granted		-	-
4. Other investment expenditures		-	(2 693)
		(242 683)	**(127 042)**
Net cash flows on investing activities		**(16 037)**	**(21 315)**
Cash flow on financial activities			
I. I			
1. Net income from issue of shares and of other equity instruments,		-	-
with additional payments to equity		90 482	39 132
2. Borrowings		100 897	-
3. Issue of debt securities		-	-
		191 379	**39 132**
II. Expenditures			
1. Acquisition of own shares (stocks)		-	-
2. Dividends and other payments to owners		-	-
3. Profit distribution expenses other than payments to owners		-	-
4. Repayment of loans and credits		(33 029)	(463)
5. Redemption of debt securities		(105 000)	-
6. Other financial liabilities		-	-
7. Payments of liabilities under financial lease contracts		-	-
8. Interest		(51 889)	(40 757)
9. Other financial expenses		-	-
		(189 918)	**(41 220)**
Net cash flows on financial activities		**1 461**	**(2 088)**
Net cash flows total		**14 270**	**(109 098)**
Cash balance change, including:		**14 270**	**(109 098)**
- change in cash balance through foreign exchange differences		**-**	**-**
Cash as at the beginning of the period		**39 608**	**148 706**
Cash as at the end of the period, including	20	**53 878**	**39 608**
- with limited disposability		**8 759**	**8 885**

Annual statement of changes in equity [in thousands PLN]

	Issued capital	Supplementary capital	Profit (loss) of the previous years	Profit (loss) of the current period	Total shareholders' equity
Balance as at January 1, 2009	21 000	437 943	46 317	-	505 260
Changes during the period:					
Distribution of profit/loss carried forward	-	39 916	(39 916)	-	-
Net profit (loss) of the current period	-	-	-	27 641	27 641
Total changes	-	39 916	(39 916)	27 641	27 641
Balance as at December 31, 2009	**21 000**	**477 859**	**6 401**	**27 641**	**532 901**
Balance as at January 1, 2008	21 000	378 967	65 377	-	465 344
Changes during the period:					
Distribution of profit/loss carried forward	-	58 976	(58 976)	-	-
Net profit (loss) of the current period	-	-	-	39 916	39 916
Total changes	-	58 976	(58 976)	39 916	39 916
Balance as at December 31, 2008	**21 000**	**437 943**	**6 401**	**39 916**	**505 260**

Introduction

General Information

The main objects of activity of Echo Investment S.A. include development and letting or sales of areas in commercial buildings, shopping & entertainment facilities, office buildings, hotels, residential buildings, and property trade.
The dominant company within the Group is Echo Investment S.A. (hereinafter referred to as 'Echo' or 'the Company'), having its registered seat in Kielce at al. Solidarności 36. The Company, formerly operating under the name of 'Echo Press' Sp. z o.o. , was registered in Kielce on July 23, 1992. Echo is a Joint Stock Company registered at the National Court Register with number 0000007025 by the District Court in Kielce, 10th Economic Department of the National Court Register.
The Company's shares are quoted at the Warsaw Stock Exchange, industry according to regulated market classification: construction.
The duration of the Company is unlimited.
The following persons were members of the Management Board of Echo Investment S.A. as at December 31, 2008 and as at December 31, 2009: Piotr Gromniak, President of the Management Board, and Artur Langner, Vice-President of the Management Board. The following persons were members of the Supervisory Board as at December 31, 2008 and as at December 31, 2009: Wojciech Ciesielski, Chairman; Andrzej Majcher, Deputy Chairman; and Members: Tomasz Kalwat, Robert Oskard, Mariusz Waniołka and Karol Żbikowski. As at December 31, 2009 the Audit Committee comprised of Mariusz Waniołka, the Chairman, Robert Oskard and Tomasz Kalwat.

Information about the financial statements

The financial statements of Echo Investment S.A. present financial data for the period of 12 months ended December 31, 2009 and comparable data for the period of 12 months ended December 31, 2008. The reporting currency of the Company's financial statements is the Polish zloty ('PLN'), which is also the reporting currency and the functional currency of the Company. Unless otherwise specified, all financial data in the Company's financial statements are given in thousands PLN.

The statements are prepared in accordance with the International Accounting Standards and the International Financial Reporting Standards as approved by the European Commission. Methods of assets and liabilities valuation and determination of the financial result were assumed as at the balance date. The financial statements were prepared according to historical cost methodology, with the exception of investment properties and financial instruments, which are recognized at fair value. The statement has been drawn up under the assumption of continued business activity in foreseeable future, considering non-existence of any circumstances that might indicate any risk for the continuation of operations. The Management Board of the Company used its best knowledge in applying standards, interpretations, methods and principles of valuating the particular items of the condensed consolidated financial statements for the year 2009. In preparing the present financial statement, the Company has applied new interpretations issued by the IFRS committee and applicable to the Company's reporting period starting as at January 1, 2009. The guidelines thus applied have not affected these financial statements to any significant extent.

The company has implemented the following interpretations:

Revised IAS 1 Presentation of Financial Statements

The revised IAS 1 was published by the International Accounting Standards Board on 6 September 2007 and applies to annual periods beginning on or after 1 January 2009. The changes mainly refer to the issues of equity presentation and the objective was to facilitate data analysis and comparison by users of the financial statements.

Revised IAS 32 Financial Instruments: Presentation, and IAS 1 Presentation of Financial Statements

Revisions to IAS 32 and IAS 1 were published by the International Accounting Standards Board on 14 February 2008 and apply to annual periods beginning on or after 1 January 2009. The changes relate to accounting approach to some financial instruments bearing certain similarity to capital instruments but classified as financial liabilities. According to the new Standard requirement, such financial instruments as financial instruments with sell option and instruments obligating the company to disburse the share in net assets only if the company is wound up, upon fulfilling certain conditions, are presented as equity.

Revised IAS 40 Investment Property

The revised IAS 40 shall apply to yearly periods beginning on or after 1 January 2009. The revisions involve a change concerning property being constructed or developed for future use as investment property. As a consequence of IAS 40 revision, such items will also be disclosed as investment property. If the company applies valuation of investment property to fair value, then such items shall also be evaluated to fair value according to the revised IAS. However, if fair value of investment property cannot be reliably estimated in a continuous manner, an investment property shall be evaluated according to historical cost model back to the earlier of the following two dates: construction or development process completion date, or the date on which it will be possible to reliably estimate the fair value. Application of these standards did not affect the Company's financial result.

Revised IFRS 1 First-time Adoption of International Financial Reporting Standards, and IAS 27 Consolidated and Separate Financial Statements

Revisions to IFRS 1 and IAS 27 were published by the International Accounting Standards Board on 22 May 2008 and apply to annual periods beginning on or after 1 January 2009. These revisions allow the use of either the fair value or balance sheet value determined according to existing accounting principles as the ‘assumed cost' for fully owned subsidiaries, associated companies and partially owned subsidiaries in a separate financial statement. In addition, the definition of cost-based approach has been eliminated and substituted by dividend-based revenue recognition in a separate financial statement.

Revised IFRS 2 Share-based Payment

The revised IFRS 2 was published by the International Accounting Standards Board on 17 January 2008 and applies to annual periods beginning on or after 1 January 2009. The revision of this Standard concerns the following two issues: explaining that the only requirements for effective vesting of rights is the service provision condition and the condition relating to the entity's operating results. Other qualities of share-based payment scheme are not acknowledged as vesting conditions. The standard clarifies that the accounting representation of scheme cancellation by the entity or other party to the transaction should be identical.

Revised IFRS 7 Financial Instruments: Disclosures

Revised IFRS 7 Financial Instruments: Disclosures were published by the International Accounting Standards Board on 5 March 2009 and apply as from 1 January 2009. This revision introduces a three step hierarchy for the purpose of disclosing valuation to fair value, and a requirement to publish additional disclosures regarding relative reliability of valuation to fair value. In addition, these revisions clarify and extend previously existing requirements as to disclosures concerning liquidity risk.

New IFRS 8 Operating Segments

IFRS 8 was issued by the International Accounting Standards Board on 30 November 2006 and applies to annual periods beginning on or after 1 January 2009. The IFRS 8 substitutes the IAS 14 - 'Segment Reporting'. The new standard sets forth the new requirements regarding posting of business segment data, product and service information, geographical range of activity, and key clients. IFRS 8 requires a 'management approach' to reporting financial results of segments of activity.

Revised IFRIC 9 and IFRS 7 Embedded Derivatives

Revisions to IFRIC 9 and IFRS 7 'Embedded Derivatives' were published by the International Accounting Standards Board on 12 March 2008 and apply to annual periods ending on or after 30 June 2009. These revisions specify the changes to IFRS 7 and IAS 39 issued in October 2008 regarding embedded derivatives. These revisions clarify that all derivatives must be assessed and separately presented in the financial statements as required in the course of reassessment of a financial asset classified to assets valuated to fair value through the income statement.

IFRIC Interpretation 13 Customer Loyalty Programmes

IFRIC interpretation 13 was issued by the International Financial Reporting Interpretations Committee on 27 June 2007 and applies to annual periods beginning on or after 1 July 2008. This interpretation contains guidelines as to the accounting recognition of transactions under loyalty programmes implemented by an entity for its customers, such as loyalty cards or loyalty award credits. Specifically, IFRIC 13 indicates a correct method of recognition of liabilities arising when the entity has to deliver certain products or services free of charge or for reduced prices to customers in exchange of their credits.

IFRIC Interpretation 15 Agreements for the Construction of Real Estate

IFRIC interpretation 15 was issued by the International Financial Reporting Interpretations Committee on 3 July 2008 and applies to annual periods beginning on or after 1 January 2010. This interpretation provides guidance on how to assess an agreement for construction of real estate in order to determine whether its results should be presented in a financial statement under IAS 11 Construction Contracts, or IAS 18 Revenue. In addition, IFRIC 15 indicates the point of recognition of income from construction service.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation

IFRIC interpretation 16 was issued by the International Financial Reporting Interpretations Committee on 3 July 2008 and applies to annual periods beginning on or after 1 October 2008. This interpretation contains guidelines on determining whether risk arises from the foreign currency exposure to the functional currency of the foreign operation and the presentation currency of the parent entity's consolidated financial statements. In addition, IFRIC 16 clarifies which entity within a group can hold a hedging instrument in a hedge of a net investment in a foreign operation and in particular whether the parent entity holding the net investment in a foreign operation must also hold the hedging instrument. IFRIC 16 also clarifies how an entity should determine the amounts to be reclassified from equity to profit or loss for both the hedging instrument and the hedged item when the entity disposes of the investment.

As at the date of preparation of these financial statements, the International Financial Reporting Interpretations Committee published the following standards and interpretations which had not gone into effect yet:

Revised IAS 24 Disclosure of related party transactions

Revised IAS 24 ***Disclosure of related party transactions*** was published by the International Financial Reporting Interpretations Committee on November 4, 2009 and applies to annual periods beginning on or after January 1, 2011. The revised IAS has simplified the previous disclosure requirements regarding the entities related to the government and specifies the definition of 'a related party'.

As at the date of preparation of these financial statements, Revised IAS 24 has not yet been approved by the European Union. The Company intends to apply the revised IAS 24 as from January 1, 2011. Application of these standards shall not affect the Company's financial result.

Revised IAS 27 Consolidated and separate financial statements

Revised IAS 27 was published by the International Financial Reporting Interpretations Committee on January 10, 2008 and applies to annual periods beginning on or after July 1, 2009. According to this interpretation, the amounts in transactions with subsidiaries are posted under the equity if a dominant company retains control over the subsidiary. This interpretation also specifies how the amounts should be disclosed if a dominant company loses control of a subsidiary, which means revaluation of the rest of shares at fair value and disclosing in the profit and loss account. The Capital group intends to Apple the revised IAS 27 from January 1, 2010. Application of these standards shall not affect the Company's financial result.

Revised IAS 32 Classification of rights issue

Revised IAS 32 'Classification of rights issue' was published by the International Financial Reporting Interpretations Committee on October 8, 2009 and applies to annual periods beginning on or after February 1, 2010. The amendment applied to the accounting of rights issues (rights, options, warrants) denominated in a currency different from that of the issuer's currency. Rights issue should be classified as equity regardless of the currency in which the exercise price of the right is denominated.
The Company intends to apply the revised IAS 32 as from January 1, 2011. Application of these standards shall not affect the Company's financial result.

Revised IAS 39 Financial Instruments: Recognition and Measurement - Hedged Item Classification Criteria

Revisions to IAS 39 Hedged Item Classification Criteria were published by the International Accounting Standards Board on July 31, 2008 and apply to annual periods beginning on or after July 01, 2009. These revisions include explanations on the methods of applying the principles of assessing compliance of hedged risk or cash flow with the criteria for assessment as hedged items in specific circumstances. Inflation is no more allowed to be established as a potentially hedged component of a fixed interest rate instrument. Under these changes, it is not allowed to incorporate a time value to one-sided hedged risk when options are considered as a hedging instrument. As at the date of preparation of these financial statements, the above specified changes to IAS 39 have not yet been approved by the European Union. The Company intends to apply the revised IAS 39 as from January 01, 2010. Application of these standards shall not affect the Company's financial result.

IFRS Corrections 2009

The International Accounting Standards Board has published the IFRS Corrections on April 16, 2009, amending 12 standards. These corrections involve changes in presentation, posting and valuation, as well as terminology and editorial changes. Most revisions shall apply for annual periods beginning on 1 January 2010.
The Group intends to apply IFRS Corrections 2009 from January 1, 2010. Application of these standards shall not affect the Company's financial result.

Revised IFRIC 1 First-time Adoption of International Financial Reporting Standards

a) Revised IFRIC 1 First-time Adoption of International Financial Reporting Standards, was published by the International Accounting Standards Board on July 23, 2009 and applies to annual periods beginning on or after January 1, 2010. Amendments introduce additional exemption from assets valuation as at a day of application of IFRS for companies operating in oil and gas industry. The Company intends to apply the revised IFRIC 1 from January 1, 2010. Application of these standards shall not affect the Company's financial result.

b) *Revised IFRS 1 Limited Exemption from Comparative IFRS 7 Disclosure for First-time Adopters* was published by the International Accounting Standards Board on January 28, 2010 and applies to annual periods beginning on or after July 1, 2010. The amendment relieves first-time adopters of IFRSs from providing the additional disclosures included in amendments to IFRS 7 published in March 2009 and concerning fair value measurements and liquidity risk.
The Company intends to apply the revised IFRS 1 as from January 1, 2011. Application of these standards shall not affect the Company's financial result.

Revised IFRS 2 Share-based payment

The revised IFRS 2 was published by the International Accounting Standards Board on January 17, 2008 and applies to annual periods beginning on or after January 01, 2009. The revision of this Standard concerns the following two issues: explaining that the only requirements for effective vesting of rights is the service provision condition and the condition relating to the entity's operating results. Other qualities of share-based payment scheme are not acknowledged as vesting conditions. The standard clarifies that the accounting representation of scheme cancellation by the entity or other party to the transaction should be identical.

The Company intends to apply the revised IFRS 2 as from January 01, 2010. Application of these standards shall not affect the Company's financial result.

Revised IFRS 3 Business Combinations

The revised IFRS 3 was published by the International Accounting Standards Board on January 10, 2008 and applies prospectively to business combinations with acquisition dates on or after July 01, 2009. The changes involve an option to recognize minority shares at fair value or according to proportion in fair value of identified net assets, conversion of shares previously held in the acquired entity to fair value and posting the difference to the income statement, and additional guidelines regarding application of acquisition methods, including recognition of transaction costs as the cost of a period in which it was incurred.
As at the date of preparation of these financial statements, the above specified revision of IFRS 3 has not yet been approved by the European Union. The Company intends to apply the revised IFRS 3 as from July 01, 2010. Application of these standards shall not have any significant impact on the Company's financial result.

Revised 9 Financial instruments

Revised IFRS 9 '*Financial instruments*' was published by the International Accounting Standards Board on November 12, 2009 and applies to annual periods beginning on or after January 1, 2013. IFRS 9 uses a single approach to determine whether a financial asset is valued at amortised cost or fair value. The approach in IFRS 9 is based on how the entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used. As at a day of preparation of these financial statements, revised IFRS 9 had not been approved yet by the European Union. The Company intends to apply IFRS 9 as from January 1, 2013. Application of these standards shall not affect the Company's financial result.

IFRIC Interpretation 14 Prepayments of a minimum funding requirement

Interpretation IFRIC 14 was published by the International Financial Reporting Interpretations Committee on November 26, 2009 and applies to annual periods beginning on or after January 1, 2011. The amendments apply in limited circumstances when an entity is subject to minimum funding requirements and makes an early payment of contributions to finance those requirements. The amendment permits such an entity to treat the benefit of such an early payment as an asset. As at a day of preparation of these financial statements, IFRIC 14 had not been approved yet by the European Union. The Company intends to apply IFRIC 14 from January 1, 2011. Application of these interpretations shall not affect the Company's financial result.

IFRIC Interpretation 17 Distribution of Non-cash Assets to Owners

IFRIC interpretation 17 was issued by the International Financial Reporting Interpretations Committee on 27 November 2008 and applies to annual periods beginning on or after November 1, 2009. This interpretation contains guidelines as to the point of recognition of dividend, valuation of dividend, and posting of differences between the value of dividend and the balance sheet value of distributed assets.
The Company intends to apply IFRIC 17 from January 1, 2010. Application of these interpretations shall not affect the Company's financial result.

IFRIC Interpretation 18 Transfers of Assets from Customers

IFRIC interpretation 18 was issued by the International Financial Reporting Interpretations Committee on 29 January 2009 and applies to annual periods beginning on or after November 1, 2009. This interpretation contains guidelines as to recognition of transfers of assets from customers, namely such situations in which the definition of assets is fulfilled, with identification of separately identifiable services (services provided in exchange for transferred assets), recognition of income and posting of cash obtained from customers.
The Company intends to apply IFRIC Interpretation 18 from January 1, 2010. Application of these interpretations shall not affect the Company's financial result.

IFRIC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments

IFRIC 19 was issued by the International Financial Reporting Interpretations Committee on November 26, 2009 and applies to annual periods beginning on or after July 1, 2010. IFRIC 19 addresses the accounting principles used by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor to extinguish all or part of the financial liability. IFRIC 19 requires that the equity instruments issued are measured at their fair value and any difference between the carrying amount of the financial liability extinguished

and the initial measurement amount of the equity instruments issued is disclosed in the entity's profit or loss for the period.
As at the date of preparation of these financial statements, IFRIC interpretation 19 had not yet been approved by the European Union. The Company intends to apply IFRIC Interpretation 19 as from January 1, 2011. Application of these standards shall not affect the Company's financial result

Key Accounting Principles

Intangible fixed assets

Intangible assets are recognized if it is probable that they will bring economic advantages in the future that may be directly related to such assets. Initially, intangible assets are recognized at acquisition prices or production costs. After initial recognition, intangible assets are valuated according to acquisition prices or production cost, less amortisation and impairment losses.
Intangible assets are amortised equally during their estimated useful lives, which are subject to quarterly reviews. Estimated useful life of an asset is as follows:
-for concessions, patents, licences, etc. -2 years
-For other assets - 2 years.
Intangible assets are checked for impairment if any events or changes in circumstances indicate that their balance sheet value can be irrecoverable. Impairment losses are disclosed as excess of balance sheet value of an asset over its recoverable value.

Tangible fixed assets

Tangible assets include fixed assets owned by the Group and fixed assets under construction.
Fixed assets owned by the Group include:
- property (not leased and not designated for trade) used by the Group,
- machinery and plant,
- means of transport,
- other complete and usable objects with anticipated usable life exceeding one year.

Fixed assets are evaluated and disclosed in the statements according to acquisition prices or production cost, less depreciation and impairment losses. The costs pertaining to a fixed asset, which were borne after putting such asset in operation, are recognised in the income statement, except where it is possible to evidence that such expenses resulted in an increase of anticipated future economic benefits of owning the given fixed asset. In such case, the yielded costs increase the initial value of the fixed asset.
Land owned by the Group is not depreciated. Other fixed assets are depreciated equally during their estimated usable lives, which are subject to quarterly reviews. Estimated useful life of an asset is as follows:
- for buildings and other civil engineering structures: 22 to 67 years;
- for machinery and plant items: 2 to 5 years;
- for means of transport: 1.5 to 10 years;
- for other equipment: 5 years.

Future investments are included in the balance sheet value of the given fixed asset or recognized as a separate fixed asset (if appropriate) only if it is probable that economic benefits will be obtained by the Group in relation to this item, and the cost of the given item can be reliably measured and assessed. All other expenses on repairs and maintenance are posted to the income statement in the financial period when they were incurred. Fixed assets under construction are investments in progress, developed by the Group and valuated according to acquisition price or production cost less impairment losses. Fixed assets under construction are not depreciated. Production costs include costs that are directly related to an investment not yet completed. These include expenses incurred on acquisition of land property, expenditures on design and execution of buildings and other civil engineering structures (mainly foreign services), activated and direct financial costs, and other expenses incurred during development, which are directly related to the investment.
After obtaining an occupancy permit, the completed projects are reclassified as fixed assets or investments in real property, depending on their designed use.
Tangible assets are checked for impairment if any events or changes in circumstances indicate that their balance sheet value can be unrealizable. Impairment losses are disclosed as excess of balance sheet value of an asset over its recoverable value, and they are recognized in the income statement. Recoverable value is the fair value of assets less costs of sales, or their usable value, whichever is higher.
Gains and losses on sale of fixed assets, constituting differences between sales incomes and balance sheet value of the sold fixed asset, are posted to the income statement under other operating incomes/ expenses.

Investment property

Investment property includes leased real estates, owned by the company, with land pertaining directly to such real estates, acquired and maintained for the purpose of achieving growth of value of land. Investment properties are initially disclosed according to acquisition prices/production costs. Land used by the Group under an operating lease contract is presented and valuated in the same way as investment property, under the assumption that the remaining criteria for classifying the given property as investment property are fulfilled. Specifically, perpetual usufruct of land is recognized and valuated as operating lease.

Properties erected by the Group are classified as investment property at the time of putting to use.
After initial recognition as at the first balance day, investment properties are presented according to their fair value. Fair value is revaluated at least once every three months. Profits or losses resulting from change in fair value of investment property are disclosed in the income statement in the period of their occurrence.
Fair value of land and buildings valuated to fair value is updated to illustrate the market conditions present as at the end of the reporting period. Fair value of investment property is the price that could be quoted at an arm's length transaction. Fair value of properties yielding regular income is determined by the company individually, with the investment method, using simple capitalization method as a result of net operating income (NOI) of the project and yield rate, with due consideration of the terms and conditions of valid lease or hire contracts and other agreements. Yield rate is reviewed by independent property appraisers at least yearly, net operating income (NOI) is updated quarterly on the basis of valid lease contracts, values expressed in EUR and USD are converted quarterly according to valid rates of exchange published by the National Bank of Poland. Fair value of properties maintained for the purpose of value increase is determined by independent property appraisers.
Differences on investment property valuation are applied to income statement under the item of immovable property revaluation.
The expenses pertaining to an investment property, which were borne after putting such property in operation, are recognized in the income statement, except where it is possible to evidence that such expenses resulted in an increase of anticipated future economic benefits of using the given property. In such case, the costs thus incurred add up to the balance sheet value of the investment property.
All repair and maintenance costs of investment properties are carried as expenses in the income statement in the period with which they are concerned.
Result on sales of investment properties is disclosed under a separate item of the income statement.

Investment properties under construction are investments designated for future lease. Investment properties under construction, in which a substantial part of risk associated with the construction has been eliminated and reliable valuation is possible, shall be evaluated at fair value.
The Group has specified the conditions that must be fulfilled before analysing whether important risk factors related to investment properties under construction have been eliminated. The conditions are as follows:

- obtaining the construction permission,
- contracting the construction works with a value of at least 30% of the investment budget,
- leasing of at least 20% of area of the project under construction.

It is crucial that risk analysis also includes the possibilities and methods of financing the project.
Each investment property under construction is subject to an individual analysis in terms of reliable valuation of fair value. Such an analysis takes into consideration the general economic situation, the availability of data for similar properties and the expectations regarding changes in factors on which the valuation is based. If the above conditions are fulfilled and if, in the Group's opinion, the risk factors have been eliminated, the given property is presented at its fair value. If it is impossible to obtain a reliable fair value valuation, investment properties under construction are presented at their acquisition price or production cost, with impairment deducted, if necessary.
When using a profit method while estimating the fair value of investment properties under construction, the Group takes into consideration the degree of the project implementation at the end of the accounting period and available reliable data concerning an anticipated state of the investment property on a final day of the construction. While using a cost of production method, the Group takes into consideration the costs directly related to the investment under construction. The costs include expenses related to the purchase of the land, the design and construction of the property (outsourcing), costs turned into assets and direct costs, as well as other costs incurred during the construction which are directly related to the investment.
If the designated use of the given property changes, such property is reclassified accordingly in the financial statements. Such property is transferred and disclosed under tangible fixed assets or inventories at the previously disclosed fair value.

Leases

Leases qualify as financial lease if the terms of contract generally transfer all the potential benefits and risks involved in holding ownership title of an asset to the lessee. Leases where the lessor (financing party) bears a significant part of risks and benefits of possession are classified as operating leases.
Operating lease charges are disclosed as costs (when the Group is the lessee) or incomes (when the Group is the lessor) in the income statement according to straight-line method during the term of lease agreement.
Profits earned by the lessee, due as encouragement to enter into an operating lease agreement, are posted to the income statement according to straight-line method during the term given in the lease agreement.
Where the details of a specific contract indicate that lease fees will be charged progressively during the term of agreement, annual payment instalments are linearised.

Shares and stocks in associated companies

Shares and stocks in associated companies are presented in the financial statements according to ownership rights method, at acquisition prices adjusted by future impairment losses. As at each consecutive balance day, the Group evaluates possible reasons justifying impairment of the Group's shares in associated companies, with due consideration of the associate companies' assets and liabilities at the time being, and reasonably anticipated cash flows generated by these companies.

In case of impairment losses, adjustments are made in the income statement and are presented as expenditure. Otherwise, they are presented as revenue.

Inventories

The following are disclosed under inventories: semi-finished products and work in process, finished products, goods, and advances on deliveries. Due to unique quality of operations, purchased land, or rights of perpetual usufruct of land, or fees paid for perpetual lease are classified as work in process if the land is designated for development, or as merchandise required for the purposes of housing activity if the land is designated for sale. Finished products mainly include housing and service premises sold through final contracts.
Inventories of non-current assets are valuated according to values equivalent to the acquisition price of land property and costs of production of development activity products increased by activated financial costs. Advances on deliveries are valuated according to cash expenditure.
Inventories are valuated not higher than obtainable net value. This value is obtained from information from the active market. Reversal of inventories value allowance is related to the sale of the given inventory or increase of net sales price. The amounts of write-downs on the value of inventories, recognized as expenditure in a given period, and amounts of reversals of write-downs of values decreasing the value of inventories recognized as revenue during the period are disclosed in the income statement as other operating incomes/expenses (incomes/expenses on account of revaluation of non-financial assets).

Financial instruments

The Group classifies its financial assets and liabilities to the following categories:
Financial assets or financial liabilities valuated at fair value through the income statement - assets and liabilities acquired or transacted primarily for the purpose of sale or repurchase in a short-term perspective; Investments held to maturity - financial assets other than derivatives, with predetermined or determinable payments and with predetermined maturity dates, which the Group intends strongly to maintain and is capable of maintaining until maturity. Loans and receivables - financial assets other than derivatives, with predetermined or determinable payments, which are not quoted on an active market,
Financial assets available for sale - non-derivative financial assets not classified as financial assets disclosed in fair value through the income statement, borrowings and receivables, and assets held to maturity.

Financial assets recognized at fair value through the profit and loss statement

Financial assets recognized at fair value through the profit and loss statement are:

- Financial assets for trade. A financial asset is classified to this category if it was acquired primarily for the purpose of short-term sale,
- Financial assets determined at the time of initial disclosure as recognized at fair value through the income statement.

Assets of this category are classified as current assets if they are designated for trade or their realization is envisaged within 12 months of the balance day. The Group classifies investments in securities to this category.
Assets are booked with the effective date of transaction and they are derecognized in the balance sheet at the time of expiry of contractual rights to cash flows from the given financial asset, or when the given financial asset is transferred together with all risks and benefits derived from possession of such asset.
Both as at the booking date and as at the balance date, financial assets valuated at fair value through the income statement are evaluated at fair value.

Loans granted

Loans granted are non-derivative financial assets with determined or determinable due date, which are not quoted on an active market, other than those recognized as financial assets disclosed at fair value through the income statement or available for sale.

These assets are booked with the effective date of transaction and they are derecognized in the balance sheet at the time of expiry of contractual rights to cash flows from the given financial asset, or when the given financial asset is transferred together with all risks and benefits derived from possession of such an asset.

Granted loans are disclosed as at the date of posting to the books, at fair value plus transaction costs, and afterwards as at the balance day according to depreciated acquisition price determined with the effective rate of interest method.

Financial assets available for sale

Financial assets available for sale are booked with the effective date of transaction and they are derecognized in the balance sheet at the time of expiry of contractual rights to cash flows from the given financial asset, or when the given financial asset is transferred together with all risks and benefits derived from possession of such an asset.

As at the date of posting to the books, these assets are evaluated at fair value plus transaction costs. As at the balance day, these assets are evaluated at fair value accounting for impairment losses, posted to revaluation capital.

Gains or losses arising from change in fair value of an asset are posted directly to equity.
Assets available for sale include shares and stocks in non-affiliated and non-associated companies, not quoted on an active market, classified as current or non-current assets.
Where fair value cannot be determined, these assets are evaluated at acquisition price less impairment losses, and the results of valuation are disclosed in the financial result.

Trade receivables

Trade receivables and other receivables are posted to the balance sheet at fair value and afterwards at adjusted acquisition price, using the effective rate of interest method, less impairment losses. The value of receivables is updated accounting for probability of their repayment through an allowance.

Allowances for trade receivables and other receivables are created as at the end of each quarter where there is objective evidence that the Group will not be able to obtain all amounts receivable according to the original terms of the receivables. The following factors are indicators of receivables impairment: serious financial difficulties of the debtor, or delayed repayments. The amount of impairment loss is the difference between the balance sheet value of the given receivable and the current value of estimated future cash flows generated thereby. *The value of loss is posted to the income statement as 'other operating expenses'.*

Allowances for irrecoverable receivables are made on the account of provisions for receivables. Future repayments of receivables previously written down are posted to 'other operating incomes' in the income statement.

Non-current trade receivables are by principle valuated at adjusted acquisition price using the effective rate of interest method. However, if the difference between value given as adjusted acquisition price and value given as amount due and payable has no significant impact on the Group's financial results, then such receivables are recognized in the balance sheet as amounts due and payable.

Cash and Cash Equivalents

Cash on bank accounts and in hand, short-term investments maintained up to their due dates and other financial assets (interest from granted loans if they fall due within 3 months from the statement date) are evaluated in nominal values.

Cash in foreign currencies is valuated at least on each reporting date according to the buy rate of the bank employed by the Company. Foreign exchange gains/losses pertaining to cash in foreign currencies and operations of sale of foreign currencies are classified as financial expenses or financial incomes, respectively. The same definition of cash applies to the cash flow statement.

Derivatives

Derivatives are recognized in the books at the time when the Companies become parties to a binding contract. The Group uses derivatives to limit foreign exchange or interest rate risk.

The Group does not use hedge accounting.
As at the balance day, derivatives are evaluated at fair value. Derivatives with fair value above zero are classified as financial instruments while derivatives with negative fair value are financial liabilities.
Gains or losses on derivatives are posted to financial incomes or costs, accordingly, and as cash flows from operating activities in the cash flow statement.

Financial guarantee agreements

Financial guarantee agreements are disclosed as off-balance liabilities and receivables. The Company assesses as at each consecutive balance day whether it is probable that a payment will have to be effected in respect of a financial guarantee agreement and whether a provision should therefore be established. If the amount of provision exceeds the current value of guarantee agreement, then the value of provision is adjusted accordingly and the resulting difference is shown in the income statement. Such guarantees are recognized as financial instruments. Such agreements are initially posted at fair value (equivalent to the amount of premium received or estimated using appropriate valuation techniques), then at one of the following values, whichever is higher:

- the amount of provision determined on the basis of estimated value of probable expenditure required for paying off the debt arising from the guarantee agreement, or

- the initial value less amortization/depreciation write-downs.

Income tax

Income tax on profit or loss for the financial year includes current and deferred income tax. Income tax is posted to the income statement, except for amounts concerning items recognized directly as equity, where income tax is posted under equity.
The current part of income tax is the envisaged amount of income tax charged on taxable base for the given year, calculated on the basis of tax rates agreed as at the balance day, including any tax adjustments carried forward. Deferred tax is calculated with the balance sheet method as tax payable or reimbursable in the future on differences between balance sheet values of assets and liabilities and corresponding tax values used for calculating the taxable base. The tax rate to be applicable in the reporting periods in which the given assets will be realized or liabilities will be released shall apply to calculation of relevant deferred tax.
Deferred income tax assets on account of tax loss are established if settlement of such loss in the following years is certain of occurring.
Deferred income tax is estimated as at each consecutive balance day and the difference is posted to the income statement.

Equity

Share capital and reserve capital is valuated in its nominal value. The differences between fair value of received payment and nominal value of shares are disclosed in supplementary capital from sale of shares above their nominal value.
The costs of shares issue, which are borne at the point of establishment of a joint stock company or increase in initial capital reduce the company's supplementary capital to the amount of surplus of issue value over nominal value of shares.

Provisions

Provisions are established if the Company is under an existing liability derived from past events, it is probable that fulfilment of this liability will require expending of funds that form economic benefits and it is possible to reliably estimate the value of such liability.
Provisions are evaluated at the current value of estimated costs, to the best knowledge of the Company's management, provided that these costs must be incurred in order to settle the existing liability as at the balance day.
According to the adopted principle, provisions for severance payments are not established. Such potential provisions would have no significant impact on the presented financial statements. At the point of occurrence they would be booked on a cash basis.

Financial liabilities and trade liabilities

Financial liabilities include in particular loans, credit facilities, debt bonds, not matured interest on bank credit facilities which are booked according to the accruals method, as well as discount on debt securities to be settled in the following accounting period. Foreign currency loans are valuated according to the selling rate of the bank employed by the Company.
Financial liabilities are evaluated at amortized cost, in accordance with IAS 39. Valuation accounts for the risk and possibility of early repayment of non-current liabilities.
Trade liabilities are initially carried at fair value. Afterwards, non-current liabilities are evaluated at adjusted acquisition price using the effective interest rate method. When the difference between value given as adjusted acquisition price and value given as amount due and payable has no significant impact on the Group's financial results, then such liabilities are disclosed in the balance sheet as amounts due and payable. The item of advances for deliveries covers both invoiced advances (including advances on apartments) and ones that have not been invoiced. Financial liabilities include deposits (note 5A)

Methods of determining the financial result

Financial result (profit/loss) is determined using the multiple-step method.

Operating incomes

Incomes from sales of goods and products are carried at fair value of payment received or receivable, less discounts, rebates and taxes associated with sales. These are recognized as at the time of delivery of such goods and services, with assignment on the buyer of risks and benefits arising from ownership of such goods, provided that the amount of such incomes can be fairly valuated.

Specifically, incomes earned on sales by the Group of apartments and commercial space are recognized according to IAS 18 at the time of transferring freehold of these premises through a sale agreement upon completion of facility development and obtaining use rights to these premises.

Incomes from lease of residential and commercial space are accounted for equally during the terms of respective contracts.

Revenues from construction on the basis of long-term contracts are posted according to IAS 11 according to advancement of works. Percentage of service performance advancement is determined as the proportion of works completed as at the given day with reference to the entire scope of works.

The remaining incomes from sales of services are carried to the period in which the given services were provided.

Operating expenses

The costs of production of products sold include yielded costs pertaining to the revenues of a given accounting year and costs not yet borne, booked according to the principle of matching revenues and costs.

The cost of goods and products sold is valuated at production cost on the basis of exact identification of actual costs of assets sold, or percentages of such items as sold area of land, sold shares, etc. In particular, own cost of sold premises and land is established in proportion to the percentage of such premises or land in the entire land resource constituting the given project.

Financial expenses

Financial expenses concerning the current period are recognized in the income statement, to the exception of costs activated according to the alternative solution presented in IAS 23 'Borrowing Costs'. The company activates such part of financial expenses that are directly related to acquisition and production of assets disclosed as inventories and investments in process. The following amount of costs is activated: interest, discount and commissions, less revenues earned on temporary deposition of cash (i.e. amounts of interest on bank deposits, except for deposits resulting from holds of accounts, t/C contracts).

Cash flow statement

Cash flow statement is prepared according to indirect method. Arranged overdraft obligations are presented as debt on account of credits and not as a cash equivalent.

Management Board estimations

Preparation of financial statements required making certain estimations and assumptions by the Management Board of the Company, which are reflected in these statements. Actual results may differ from these estimations. Management Board estimations have essential impact on the financial statements in the following key areas:

Investment property

Fair value of investment property generating regular incomes is determined by the company with the investment method, using simple capitalization method as a result of net operating income (NOI) of the project and yield rate. Yield rate is reviewed by independent property appraisers at least yearly, net operating income (NOI) is updated quarterly on the basis of valid lease contracts, values expressed in EUR and USD are converted quarterly according to valid rates of exchange published by the National Bank of Poland.

Inventories

When calculating inventory write-down as at a balance day, the company analyses active markets for information about anticipated sales prices and current market trends, as well as information about preliminary sale contracts signed by the company. Assumptions used at the calculation apply to property market prices concerning a given market segment. The Management Board claims that changes in those assumptions would not affect the inventory write-down as at a balance day. It is due to the fact that the assumptions and information concerning the inventory write-down were mainly based on signed sale contracts. If property is recorded as inventory, the value of inventory write-down is based on how useful a given property is and will be for the Company in the future

Impairment of shares in affiliated companies

The valuation of impairment of shares in affiliated companies is based on the analysis of fair value of assets and liabilities owned by particular entities and on anticipated cash flows from the activity of these entities. During the valuation, the Company estimates the time and extent to which the current value of shares is lower than their acquisition price, as well as the outlook and plans concerning the investment projects owned by a given entity. The Management Board considered all significant decreases in fair value of assets of the subsidiaries to be long-term. The decreases resulted in writing off shares in the subsidiaries. In particular, in case of significant subsidiaries which did not conduct significant operations as at December 31, 2009, the value of write-offs amounts to the total difference between the value of net assets of the given subsidiary and the acquisition price of the shares.

Financial instruments traded in the market

Fair value of financial instruments not traded in the active market is determined using valuation methods. When choosing valuation methods, the Company uses its judgment and makes assumptions based on market conditions as at each balance day. As at December 31, 2009 the Company did not own such instruments. The influence of changes in estimations on the value of instruments as at December 31, 2008 was considered to be insignificant.

Deferred income tax

The Company's Management Board must evaluate probability of realization of a deferred income tax asset. In the process of preparing the financial statement, the Company estimates the value of the deferred income tax asset on the basis of factors including the value of future income tax burdens. The process includes analysis of the existing levels of current income tax burdens and the values of transition differences arising from different treatment of a given transaction from the tax and accounting perspectives, resulting in creation of an asset and provision for deferred income tax. The above mentioned evaluation process is based on a number of assumptions concerning determination of the value of deferred income tax asset. The above estimations account for tax forecasts, historical values of tax burdens, currently available strategies for planning the Company's operating activities, and due dates for realization of specific timing differences. Because the aforementioned estimations may vary depending on external factors, the Company may periodically adjust its deferred income tax assets, which in turn may affect the Company's financial situation and results.

Impact of the financial crisis on the Company's activities

Noticeable lack of stability on financial markets in 2008 and 2009 leads to high variability and uncertainty on global equity markets. The current global liquidity crisis, which began in mid-2008, has led to such circumstances as, among others, decreasing percentages of financing via equity markets, lower level of liquidity in the financial sector, rising interest rates on inter-bank market, and extreme fluctuations on stock markets. In the United States, Western Europe, Russia and other countries, uncertainty on the global financial markets has led to banks' collapse and implementation of emergency rescue programs for banks. It is not possible to foresee all consequences of the global financial crisis or to secure an enterprise against these consequences today. Availability of credit facilities has become significantly limited since the 4th quarter of 2008, financial sector institutions are now much more restrictive in regard of granting credit facilities, and the costs of obtaining and handling external financing have increased largely. These circumstances may affect the Group's capacity of obtaining new credits or refinancing of the existing facilities on terms similar to those applicable to earlier transactions.
Low liquidity can be observed on the real estate market. As a result of reduced volume of transactions and limited transparency as to pricing levels and market controls, there is less certainty as to property appraisals. These appraisals may vary rapidly as a result of changes in current market circumstances. According to the Management Board, fair value of investment property owned by the Company has been correctly estimated, taking due account of all available information and considering the existing situation on the market. The Group anticipates that despite a major impact of the financial crisis on the market of housing properties and decreasing prices on the markets, the Group is still capable of completing its commenced housing projects due to guaranteed financing and advantageous structure of envisaged sales contracts for specific projects. At the same time, the Management Board believes that the value of inventories relating to the Group's housing projects is presented at recoverable value as at the balance day, and the expected sale prices for the particular housing projects correspond at least to their respective balance sheet values.

Financial risk management

Pricing risk

Pricing risk is insignificant. The Company does not participate in securities trade on any active market. Information regarding market risk management of derivatives is described in note 11E.

Risk of changes in cash flows and fair values in relation to interest rates

The Company's exposure to interest rate risk is concerned with financial assets and liabilities, particularly with loans granted, bank credit facilities obtained, and bonds issued. Variable interest rate loans, credits and bonds expose the Group to the risk of interest rate fluctuations while fixed-rate loans and credits expose the Group to fluctuations in fair value of financial instruments. Moreover, the Group is exposed to the risk of interest rate fluctuations in case of taking out a new credit, or refinancing the existing debt to long-term financing.
Sensitivity to change of interest rates - on loans received and debt securities have been presented in notes 21B and 21C.

Currency risk

Foreign exchange risk refers to investment credit facilities taken in foreign currencies (most commonly in Euro) within the Group. This risk occurs with the following types of financial events:

- repayment of credit instalments. In this case, the Group uses natural hedging: contracts with lessees are expressed in the currency of the loan taken out for financing the given investment. Thus obtained payments from lessees are assigned to repayment of the above mentioned loans. Such combination of financing with sources of income minimizes or eliminates foreign exchange risk.

Note 21A presents sensitivity to change of exchange rates on the assets held. As at the balance sheet date and during the financial year the Company did not hold any significant balances expressed in foreign currencies. As a result the risk connected with this was assessed as negligible and there were no foreign exchange sensitivity analyses made as regards other balance sheet items.

Credit risk

Credit risk occurs in the case of cash, derivatives and deposits in banks and financial institutions, as well as in respect of the Group's clients and lessees in the form of unpaid receivables. The Group has applied certain procedures for assessing the client's creditworthiness, and other security measures in the form of deposits and guarantees are also used with respect to lessees. No major concentration of risk exists in respect of any of the Group's clients. As regards financial institutions and banks, the Group transacts business with well recognized institutions.

Liquidity risk

Liquidity risk is the risk of the Company being unable to repay its financial liabilities in due time. The Company manages liquidity risk through maintaining appropriate reserve capital, taking advantage of the available choice of banking services and reserve overdraft facilities, and monitoring continuous forecasts and actual cash flows. Due to dynamic character of the Company's operations, it is capable of maintaining appropriate flexibility of financing through cash availability and diversification of financing sources.
The Company has sufficient funds to repay all debts in due time. Liquidity risk is minimized in the longer time perspective through availability of bank credit facilities. The Group can use sufficient financing at any time through activating funds from overdraft facilities allowed to it by banks. Analyses of the Company's financial liabilities and derivatives carried as net amounts, which will be settled in appropriate aging periods based on the time remaining to contractual maturity date as at the balance day, are presented in the following notes accordingly: credits, loans and debt securities, derivatives, trade liabilities and other liabilities.

Equity risk management

The Group's objective in equity risk management is to protect the Group's capability of continuous operation so that to properly realize the return for shareholders, advantages for other parties involved, as well as to maintain optimized structure of equity in order to reduce its cost.
In managing this risk, the Group takes decisions concerning financial leverage, dividend policy, issue of new stocks, or repurchase followed by redemption or resale of previously issued stocks, along with possible sales of assets in order to reduce debt level. Like other companies in the industry, the Group monitors its equity according to debt ratios. Debt ratio is calculated as net debt to total equity value. Net debt is calculated as a total of credit facilities and loans (including current and long-term credit facilities and loans disclosed in the balance sheet) less cash and cash equivalent. Total value of equity is calculated as equity shown in the balance sheet with net debt.

Debt ratios (in thousands PLN)

	Note	as at 31.12.2009	as at 31.12.2008
Credit facilities total	10B,11D	641 965	588 005
Cash and Cash equivalents	6E	-53 878	-39 608
Net debt		588 087	548 397
Total own equity		532 901	505 260
Total equity		1 120 988	1 053 657
Debt ratio		52,46%	52,05%

The values of ratios as at December 31, 2009 and December 31, 2008 were in accordance with the Company's financial assumptions.

Additional explanations

Significant contracts with affiliated companies

As a result of the strategy applied by Echo Investment Group, involving development of each shopping centre and office buildings by a separate subsidiary, and as a result of contribution by Echo Investment S.A. to target companies of real property on which the shopping centres are erected, a significant part of Echo Investment's transactions are executed with affiliated companies. The largest transactions during the 1st half of 2009 with affiliated companies were executed on the basis of the following contracts:

- General Contracting of Investment and Project Management Agreement executed on July 30, 2008 with Projekt Echo - 65 Sp. z o. o. as the investor. Under the said agreement, Echo Investment S.A. (the Contractor) has agreed to carry out full-ranged development of an office building situated on immovable property in Szczecin, Malczewskiego Street.
- General Contracting of Investment and Project Management Agreement executed on April 16, 2008 with 'Echo - Park Postępu' Sp. z o. o. with its registered seat in Kielce as the investor. Under the said agreement, Echo Investment S.A. (the Contractor) has agreed to carry out full-ranged development of a group of office buildings on a property located in Warsaw, 21 Postępu Street, until the time of delivery of the office complex to the Investor and to individual users.
- Investment Project Management Agreement executed on February 1, 2008 with Malta Office Park Sp. z o.o. as the investor. Under the said agreement, Echo Investment S.A. has agreed to execute advisory tasks, managing tasks, legal activities, engineering works, and other tasks and activities necessary for investment management, as well as to provide consulting services on all matters involved in development of the office buildings complex.
- General Contracting of Investment and Project Management Agreement executed on August 29, 2008 with Echo-Galeria Kielce Sp. z o. o. as the investor. Under the said agreement, Echo -Galeria Kielce Sp. z o. o. hired Echo Investment S.A. to carry out extension works on the existing shopping centre in Kielce, al. Solidarności.
- General Contracting of Investment and Project Management Agreement executed on October 8, 2008 with 'Projekt Echo - 63' as the investor. Under the said agreement, Echo Investment S.A. (the Contractor) has agreed to carry out full-ranged development of an office building situated on immovable property in Krakow, 210 Lea Street.

Transactions with affiliated companies specified in the financial statement concern subsidiaries.

Significant events after the balance date

On March 18, 2010 Echo Investment S.A. and BRE Bank S.A. with its registered seat in Warsaw, Poland signed new annexes to contracts concerning a Bonds Issue Programme (the Bonds) of April 15, 2004, which were communicated by the Issuer in current report. The annexes envisage multiple issues of bonds to be executed by the Issuer through tranche issue order. Under the Annexes, the maximum total nominal value of all issuable bonds was increased to 700 million PLN, and duration of the Contracts was changed into unlimited term. Until the day of publication of these financial statements the company had not issued any new bonds on the basis of the programme.

Information on Management Board's and Supervisory Board's remuneration

In 2009 the Management Board of Echo Investment S.A. received the following remuneration at Echo Investment S. A.

- Mr Piotr Gromniak received compensation from Echo Investment S.A. in the total amount of PLN 660 thousand.
- Mr Artur Langner received compensation from Echo Investment S.A. in the total amount of PLN 635 thousand.

In 2009 the Supervisory Board of Echo Investment S.A. received the following remuneration at Echo Investment S.A. respectively:

- Mr Wojciech Ciesielski received compensation from Echo Investment S.A. in the total amount of PLN 84 thousand.

- Mr Andrzej Majcher received compensation from Echo Investment S.A. in the total amount of PLN 60 thousand.
- Mr Mariusz Waniołka received compensation from Echo Investment S.A. in the total amount of PLN 45 thousand.
- Mr Robert Oskard received compensation from Echo Investment S.A. in the total amount of PLN 36 thousand.
- Mr Karol Żbikowski received compensation from Echo Investment S.A. in the total amount of PLN 36 thousand.
- Mr Tomasz Kalwat received compensation from Echo Investment S.A. in the total amount of PLN 36 thousand.

Below is a description of consequences of changes in applied accounting principles (in thousands PLN)

Statement of financial position	December 31, 2008		
	after adjustment	before adjustment	difference
Assets			
Deferred income tax assets	-	27 633	-27 633
Liabilities			
Provision for deferred income tax	2 919	30 552	-27 633

Statement of financial position	December 01, 2008		
	after adjustment	before adjustment	difference
Assets			
Deferred income tax assets	-	25 595	-25 595
Liabilities			
Provision for deferred income tax	3 599	29 194	-25 595

Restatement of comparable statements

In 2009 at the beginning of the comparative period, i.e. as at January 1, 2008) the Capital Group implemented retrospective changes in the presentation of deferred income tax assets and deferred income tax provisions in order to present the data in compliance with IAS 12 Item 74 (compensated assets and deferred tax provisions).

In accordance with Revised IAS 1, effective from January 1, 2009, when a retrospective change in accounting policy or disclosure in the financial statement was made, it is required to present the financial statement for the earliest of comparable periods.

A requirement to disclose additional data in the financial statement at the beginning of the earliest of comparable periods applies also to additional information and disclosures in the financial statement. In the Management Board's opinion, disclosure of data at the beginning of the earliest of comparable periods only with regard to deferred income tax is sufficient; given how significant were the adjustments of disclosure. Apart from disclosure in Notes 9 and 18B in the balance sheet, which includes adjustments from January 1, 2008, changes in presentation had no effect on disclosures included in the financial statement and, in the Management Board's opinion, no recognition of data as at the beginning of the earliest of comparable periods has no significant effect on the financial statement.

Explanatory notes

Explanatory notes to the balance sheet

Note 1A

Intangible assets (in thousands PLN)	31.12.2009	31.12.2008
a) acquired concessions, patents, licences and similar assets, including:	1 043	993
- computer software	895	811
b) other intangible assets	8	8
Intangible assets total	**1 051**	**1 001**

The Company did not make any adjustments for impairment losses in intangible fixed assets during the periods covered by the financial statements.

Note 1B

Change of intangible assets by type groups (in thousands PLN)

For the period from 01.01.2009 to 31.12.2009	Obtained concessions, patents, licences, and similar assets	Computer software	Other intangible assets	Intangible assets total
a) gross value of intangible assets at the beginning of period	**3 615**	**3 304**	**8**	**3 623**
b)) increases (on account of)	**521**	**436**	**-**	**521**
- purchase	521	436	-	521
c) decreases (on account of)	-	-	-	-
- sale	-	-	-	-
- liquidation	**-**	**-**	**-**	**-**
d) gross value of intangible assets at the end of period	**4 136**	**3 740**	**8**	**4 144**
e) accumulated amortisation at the beginning of period	**(2 622)**	**(2 494)**	**-**	**(2 622)**
f) amortisation for the period (on account of)				
- scheduled	(471)	(351)	-	(471)
- liquidation	-	-	-	-
	(471)	**(351)**	**-**	**(471)**
g) accumulated depreciation as at the end of the period (redemption)	**(3 093)**	**(2 845)**	**-**	**(3 093)**
h) write-offs on account of impairment losses at the beginning of the period	**-**	**-**	**-**	**-**
- increase	-	-	-	-
- decrease	-	-	-	-
i) write-offs on account of impairment losses at the end of period	**-**	**-**	**-**	**-**
j) net value of intangible assets as at the end of period	**1 043**	**895**	**8**	**1 051**

All intangible assets held by the entity have been acquired.
Applied methods of amortisation and assumed periods of utilisation or applied amortisation rates for:
- acquired concessions, patents, licences and similar value - amortized equally, 50%, amortisation booked under overheads
- other intangible assets, not put into use, were not amortised as at December 31, 2009.

Change of intangible assets by type groups (in thousands PLN) continued

For the period from 01.01.2008 to 31.12.2008	Obtained concessions, patents, licences, and similar assets	Computer software	Other intangible assets	Intangible assets total
a) gross value of intangible assets at the beginning of period	**2 698**	**2 544**	**8**	**2 706**
b)) increases (on account of)	**916**	**761**	**-**	**916**
- purchase	916	761		916
c) decreases (on account of)	-	-	-	-
- sale	-	-	-	-
- liquidation	**-**	**-**	**-**	**-**
d) gross value of intangible assets at the end of period	**3 615**	**3 304**	**8**	**3 623**
e) accumulated amortisation at the beginning of period	**(2 182)**	**(2 120)**	**-**	**(2 182)**
f) amortisation for the period (on account of)				
- planned	(440)	(374)	-	(440)
- liquidation	-	-	-	-
	(440)	**(374)**	**-**	**(440)**
g) accumulated depreciation as at the end of the period (redemption)	**(2 622)**	**(2 494)**		**(2 622)**
	-	**-**	**-**	**-**
h) write-offs on account of impairment losses at the beginning of the period	-	-	-	-
- increase	-	-	-	-
- decrease	**-**	**-**	**-**	**-**
i) write-offs on account of impairment losses at the end of period	**993**	**811**	**8**	**1 001**

Note 2A

Tangible fixed assets [in thousands PLN]	31.12.2009	31.12.2008
a) fixed assets, including	10 100	11 636
- land (including the right of perpetual usufruct)	96	32
- buildings, premises and civil engineering structures	3 423	2 348
- plant and machinery	270	694
- means of transport	5 554	7 686
- other fixed assets	757	876
b) fixed assets under construction	-	-
c) advances on account of fixed assets under construction	569	-
Total tangible fixed assets	**10 669**	**11 636**

The Company did not make any adjustments to impairment losses in tangible fixed assets during the periods covered by the financial statement. The Company has no collaterals established on fixed assets.

Note 2B

Changes of tangible fixed assets (by type groups) [in thousands PLN]

For the period from 01.01.2009 to 31.12.2009	Owned land and the right of perpetual usufruct	Buildings and structures	Plant and machinery	Means of transport	Other fixed assets	Fixed assets total
a) gross value of fixed assets as at the beginning of period	**34**	**2 682**	**4 883**	**14 681**	**3 028**	**25 308**
b) increases (on account of):						
- purchase	-	91	70	105	192	458
- transfer from fixed assets under construction	-	183	-	-	-	183
- transfer from investment property	27	415	-	-	-	442
- transfer from inventories	39	485	-	-	-	524
	66	1 174	70	105	192	1 607
c) decreases (on account of):						
- sale	-	-	(221)	(510)	(10)	(741)
- liquidation		-	(52)	-	(244)	(296)
	-	-	(273)	(510)	(254)	(1 037)
d) gross value of fixed assets as at the end of period	**100**	**3 856**	**4 680**	**14 276**	**2 966**	**25 878**
e) accumulated depreciation (amortisation) as at the beginning of period	**(2)**	**(334)**	**(4 189)**	**(6 994)**	**(2 152)**	**(13 671)**
f) depreciation for the period (on account of)						
- amortisation	(2)	(99)	(478)	(2 235)	(335)	(3 149)
- sale	-		(221)	(507)	(9)	(737)
- liquidation	-		(36)	-	(269)	(305)
	(2)	(99)	(221)	(1 728)	(57)	(2 107)
g) accumulated depreciation (amortisation) as at the end of period	**(4)**	**(433)**	**(4 410)**	**(8 722)**	**(2 209)**	**(15 778)**
h) net value of fixed assets as at the end of period	**96**	**3 423**	**270**	**5 554**	**757**	**10 100**

During the year the Company moved buildings and structures from inventories and investment properties to fixed assets.. The change resulted from a change of the purpose of the buildings and structures.

Applied methods of depreciation and assumed periods of utilisation or applied depreciation rates for:

- own land - perpetual leasehold of land is depreciated according to the straight-line depreciation method, freehold of land is not depreciated;
- buildings and structures – straight-line depreciation method, depreciation rate: residential 1.5%, service 2.5%, used 10%, structures 4.5%, investments in foreign facilities 10%
- machinery and plant - straight-line depreciation method, rates from 10% to 20%, computers - accelerated method, rate 30% or 60%;

- means of transport - straight-line depreciation method, rate 20%, for airplane 7%;
- other fixed assets - straight-line depreciation method, rates from 10% to 20%.

The amount of contractual obligations incurred in relation to acquisition of tangible assets is: PLN 24 thousand.

Changes of tangible fixed assets (by type groups) [in thousands PLN] continued

For the period from 01.01.2008 to 31.12.2008	Owned land and the right of perpetual usufruct	Buildings and structures	Plant and machinery	Means of transport	Other fixed assets	Fixed assets total
a) gross value of fixed assets as at the beginning of period	**34**	**2 598**	**4 651**	**14 735**	**3 035**	**25 053**
b) increases (on account of):						
- purchase	-	84	694	911	191	1 880
- transfer from investment property	-	-	-	-	-	-
	-	**84**	**694**	**911**	**191**	**1 880**
c) decreases (on account of):						
- sale	-	-	(278)	(965)	(190)	(1 433)
- liquidation		-	(184)	-	(8)	(192)
	-	**-**	**(462)**	**(965)**	**(198)**	**(1 625)**
d) gross value of fixed assets as at the end of period	**34**	**2 682**	**4 883**	**14 681**	**3 028**	**25 308**
e) accumulated depreciation (amortisation) as at the beginning of period	**(1)**	**(190)**	**(3 502)**	**(5 536)**	**(1 842)**	**(11 071)**
f) depreciation for the period (on account of)						
- amortisation	(1)	(144)	(1 062)	(2 413)	(370)	(3 990)
- sale	-	-	(278)	(954)	(52)	(1 284)
- liquidation	-	-	(97)	-	(8)	(105)
	(1)	**(144)**	**(687)**	**(1 459)**	**(310)**	**(2 601)**
g) accumulated depreciation (amortisation) as at the end of period	**(2)**	**(334)**	**(4 189)**	**(6 995)**	**(2 152)**	**(13 672)**
h) net value of fixed assets as at the end of period	**32**	**2 348**	**694**	**7 686**	**876**	**11 636**

Note 3A

Change in immovable properties (by type groups) [in thousands PLN]	31.12.2009	31.12.2008
A) gross value of investments in real estate as at the beginning of period	**14 552**	**10 105**
a) increases (on account of)		
- expenditures during the year	-	24
- transfer from inventories	-	4 513
	-	**4 537**
b) decreases (on account of)		

- sale	-	(90)
- transfer to fixed assets	(472)	-
	(472)	**(90)**
B) gross value of investments in real estate as at the end of period	**14 080**	**14 552**
C) valuation to fair value	**(2 468)**	**(1 593)**
Net value of investments in real estate as at the end of period	**11 612**	**12 959**

The Company valuates real property at fair value as at the end of each consecutive calendar quarter. Gains/losses from valuation are presented under 'Revaluation of immovable property' in the Income Statement. On December 31, 2009 the Company was in possession of 2 investment properties located in different Polish cities. Whereas most lease agreements include lease rent rates expressed in EUR (also USD), appraisals are prepared in these currencies and converted into PLN according to the average rate of exchange of the National Bank of Poland as at the balance date.
The Company has no collaterals established on its real property.

Note 3B

Amounts recognized in the income statement [in thousands PLN]	31.12.2009	31.12.2008
a) lease rent incomes pertaining to investment property	1 351	593
b) direct operating expenses (including costs of repairs and maintenance) pertaining to the investment property that generated lease rent incomes during the given period	46	67
c) direct operating expenses (including costs of repairs and maintenance) pertaining to the investment property that did not generate lease rent incomes during the given period	-	-

Note 3C

Shares or stocks [w thousands PLN]	31.12.2009	31.12.2008
- in subsidiaries	609 457	461 983
- in partially-owned subsidiaries	1 770	1 796
- in affiliated companies	50	62
- other non-current financial assets, according to type:	-	50
- advances for shares	-	50
Shares or stocks total	**611 277**	**463 891**

The Company is a holder of shares in the financial result of affiliated companies equivalent to the number of votes at the general meeting of the shareholders - note 3K

Note 3D

Change in the balance of shares and stocks [in thousands PLN]	31.12.2009	31.12.2008
a) balance as at the beginning of period, including:	**463 891**	**395 280**
- shares and stocks	463 891	395 280
- advances for acquisition of shares	-	-
- other non-current financial assets	-	
	-	
b increases (on account of)		
- acquisition of shares	9 705	25 938
- increase in capital	139 856	65 144
- advances for acquisition of shares	-	50
- acquisition of investment certificates	-	-
	149 561	**91 132**
c) decreases (on account of)		
- sale of shares	(810)	-
- liquidation of subsidiaries	(1 315)	(22 521)
- assets revaluation allowance	(50)	-
	(2 175)	**(22 521)**
d) balance as at the end of period, including:	**611 277**	**463 891**
- shares and stocks	611 277	463 891

On March 26, 2009 the Company increased its share capital in the Malta Office Park Sp. z o.o. subsidiary by way of a cash contribution amounting to PLN 5,500,000. In return for the contribution the Company took up shares with a total value of PLN 5,500,000.
On December 10, 2009 the Company increased its share capital in the Echo - Metropolis Sp. z o.o. subsidiary by way of a cash contribution amounting to PLN 60,612,000. In return for the contribution the Company took up shares with a total value of PLN 60,612,000.
On December 10, 2009 the Company increased its share capital in the Echo Projekt – 47 Sp. z o.o. subsidiary by way of a cash contribution amounting to PLN 49,950,000. In return for the contribution the Company took up shares with a total value of PLN 49,950,000.
On August 25 and November 18, 2009 the Company increased its share capital in the EI Projekt CYP -1 Limited Sp. z o.o. subsidiary by way of a cash contribution amounting to PLN 23,747,052. In return for the contribution the Company took up shares with a total value of PLN 23,747,052.
During the year the Company acquired shares in SPV -1 Sp. z o.o. with a value of PLN 50,000 and in Echo Investment – Centrum Handlowe Piotrków Trybunalski Sp. z o.o. with a value of PLN 9,550,000.

Moreover, as part of the restructuring of the Capital Group, the following companies were liquidated:

- ‘Projekt Echo – 23’ Spółka z o.o. in liquidation, with its registered seat in Kielce,
- ‘Projekt Echo - 71’ Spółka z o.o. in liquidation, with its registered seat in Kielce,
- ‘Projekt Echo - 72’ Spółka z o.o. in liquidation, with its registered seat in Kielce,
- ‘Projekt Echo - 73’ Spółka z o.o. in liquidation, with its registered seat in Kielce,
- ‘Projekt Echo - 74’ Spółka z o.o. in liquidation, with its registered seat in Kielce,
- ‘Projekt Echo - 75’ Spółka z o.o. in liquidation, with its registered seat in Kielce,
- ‘Projekt Echo - 76’ Spółka z o.o. in liquidation, with its registered seat in Kielce,
- ‘Projekt Echo - 83’ Spółka z o.o. in liquidation, with its registered seat in Kielce,
- ‘Projekt Echo - 84’ Spółka z o.o. in liquidation, with its registered seat in Kielce,
- ‘Projekt Echo - 85’ Spółka z o.o. in liquidation, with its registered seat in Kielce,
- ‘Projekt Echo - 86’ Spółka z o.o. in liquidation, with its registered seat in Kielce,
- ‘Projekt Echo - 87’ Spółka z o.o. in liquidation, with its registered seat in Kielce,
- ‘Projekt Echo - 88’ Spółka z o.o. in liquidation, with its registered seat in Kielce,
- ‘Projekt Echo - 89’ Spółka z o.o. in liquidation, with its registered seat in Kielce,
- ‘Projekt Echo - 90’ Spółka z o.o. in liquidation, with its registered seat in Kielce,
- ‘Projekt Echo - 91’ Spółka z o.o. in liquidation, with its registered seat in Kielce,
- ‘Projekt Echo - 92’ Spółka z o.o. in liquidation, with its registered seat in Kielce.

Their liquidation had no significant influence on the financial result of the Company

Note 3E

Granted long-term loans [in thousands PLN]	31.12.2009	31.12.2008
- in subsidiaries	359	12 909
- in other companies	-	-
Granted long-term loans total	**359**	**12 909**

The value of capital in long-term loans is presented in the table below:

Name of the other party	Amount	Interest rate	Due date	Other
Echo investment Hungary KFT	235	Wibor 3M rate + profit margin	December 31, 2011	
Total:	**235**			

Loans were granted to the affiliated companies with good financial condition.

Note 3F

Registered pledge on shares
Registered pledge was established on the shares of ‘Echo - Centrum Przemyśl’ Sp. z o.o., amounting to 1,279 thousand PLN, as a collateral of credit granted to the ‘Echo - Centrum Przemyśl’ Sp. z o.o. subsidiary by Bank Śląski S.A. in the amount of EUR 2,850 thousand.

Registered pledge was established on the shares of ‘Projekt Echo -62’ Sp. z o.o., amounting to 50 thousand PLN, as a collateral of credit granted to the ‘Projekt Echo -62’ Sp. z o.o. subsidiary by Eurohypo AG up to the amount of EUR 150 million.

Registered pledge was established on the shares of Echo Investment - Centrum Handlowe Piotrków Trybunalski Sp. z o.o. with a value of PLN 38 409 thousand. The registered pledge constitutes a collateral of the credit agreement signed by the aforementioned company with PKO S.A. The registered pledge was established up to the amount of EUR 72,600 thousand.

Registered pledge was established on the shares of 'Athina Park' Sp. z o.o. with a value of PLN 6,009 thousand as a collateral of the credit facility granted to 'Athina Park' Sp. z o.o. subsidiary by Eurohypo Aktiengesellschaft Europaische Hypothekenbank Der Deutschen Bank in the amount of EUR 30,600 thousand.

Registered pledge was established on the shares of 'Wan - 11' Sp. z o.o. amounting to PLN 1,500 thousand, as a collateral of a credit facility granted to the 'Wan - 11' Sp. z o.o. subsidiary by Eurohypo Aktiengesellschaft Europaische Hypothekenbank der Deutschen Bank in the amount of EUR 48,000 thousand.

Registered pledge was established on the shares of 'Echo - Pasaż Grunwaldzki' Sp. z o.o., amounting to PLN 51 thousand, as a collateral of credit facility granted to the 'Projekt Echo - 62' Sp. z o.o. subsidiary by Eurohypo AG to the maximum amount of EUR 150 million.

Registered pledge was established on the shares of 'Echo - Pasaż Grunwaldzki Spółka z ograniczoną odpowiedzialnością' Sp.K., amounting to PLN 11 thousand, as a collateral of credit facility granted to the 'Projekt Echo - 62' Sp. z o.o. subsidiary by Eurohypo AG to the maximum amount of EUR 150 million.

Registered pledge was established on the contributions of 'Projekt Echo - 62' Sp. z o.o., amounting to PLN 11 thousand, as a collateral of credit facility granted to the 'Projekt Echo - 62' Sp. z o.o. subsidiary by Eurohypo AG to the maximum amount of EUR 150 million.

Registered pledge was established on the contributions of 'Projekt Echo - 62' Sp. z o.o., amounting to PLN 11 thousand, as a collateral of credit facility granted to the 'Projekt Echo - 62' Sp. z o.o. subsidiary by Eurohypo AG to the maximum amount of EUR 23,250 million.

Registered pledge was established on current and future shares of 'Projekt Echo - 61' Sp. z o.o., amounting to PLN 50 thousand, as a collateral of credit facility granted to the 'Projekt Echo - 61' Sp. z o.o. subsidiary by Eurohypo Aktiengesellschaft Europaische Hypothekenbank Der Deutschen Bank in the amount of EUR 8,873 thousand.

Registered pledge was established on the current and future shares of the company 'Echo - Galaxy Szczecin' Sp. z o.o. amounting to PLN 50 thousand as a collateral of credit granted to the subsidiary 'Echo - Galaxy Szczecin' Sp. z o.o. by Eurohypo AG amounting to EUR 150,000 thousand.

Registered pledge was established on the shares of the company 'Echo - Park Postępu' Sp. z o.o. amounting to PLN 19,822 thousand as a collateral of credit granted to the subsidiary 'Echo - Park Postępu' Sp. z o.o.. by Eurohypo Aktiengesellschaft Europaische Hypothekenbank Der Deutschen Bank amounting to EUR 75,000 thousand.

Registered pledge was established on the shares of the company 'Malta Office Park' Sp. z o.o. amounting to PLN 7,508 thousand as a collateral of credit granted to the subsidiary 'Malta Office Park' Sp. z o.o. by Westdeutsch Immobilien Bank amounting to PLN 30,000 thousand.

Registered pledge was established on the shares of the company 'Malta Office Park' Sp. z o.o. amounting to PLN 7,508 thousand as a collateral of credit granted to the subsidiary 'Malta Office Park' Sp. z o.o. by Westdeutsch Immobilien Bank amounting to EUR 47,678 thousand.

Note 3G

Granted long-term loans (currency structure) [in thousands PLN]	31.12.2009	31.12.2008
a) in the Polish currency	359	12 909
b) in foreign currencies (by currency type, after conversion to PLN)	-	-
Granted long-term loans total	**359**	**12 909**

The maximum value of credit risk involved with these loans equals their balance sheet value. Estimated fair value of granted loans is the value of future anticipated discounted cash flows and is equivalent to the balance sheet value of granted loans.

The granted loans are not secured.

The granted loans are not overdue, and no loss of value occurred.

Note 3H Shares or stocks in subsidiaries

Item	Name (company name) of company specifying the legal status	Registered seat	Objects of the company	Type of relationship	Value of shares / stocks according to acquisition price	Revaluation adjustments to initial balance	Revaluation adjustments - change	Revaluation adjustments – end balance	Balance sheet value of shares / stocks	Percentage of initial /share capital held	Share in the total number of vote at the general meeting	Specification of other grounds for control
1	'Centrum Handlowe PHS' S.A.	Szczecin	trade activity	subsidiary	4 776				4 776	100,00%	100,00%	none
2	'M.D.P.' Sp. z o.o.	Kielce	construction activity	subsidiary	22 492	(16 196)	10 436	(5 760)	16 732	99,99%	99,99%	none
3	'Projekt Echo - 93' Sp. z o.o.	Kielce	development activity	subsidiary	51			-	51	99,00%	99,00%	none
4	'Echo Aurus' Sp. z o.o.	Kielce	construction activity	subsidiary	51	(51)	-	(51)	-	99,00%	99,00%	none
5	'Princess Investment' Sp. z o.o.	Kielce	development activity	subsidiary	2 663	(2 209)	(366)	(2 575)	88	100,00%	100,00%	none
6	'Echo - Centrum Tarnów' Sp. z o.o.	Kielce	construction activity and property management	subsidiary	13 329			-	13 329	99,99%	99,99%	none
7	'Echo - Centrum Jelenia Góra' Sp. z o.o.	Kielce	construction activity and property management	subsidiary	5 401			-	5 401	100,00%	100,00%	none
8	'Echo - Centrum Bełchatów' Sp. z o.o.	Kielce	construction activity and property management	subsidiary	2 083			-	2 083	99,99%	99,99%	none
9	'Echo Investment - Centrum Handlowe Piotrków Trybunalski' Sp. z o. o.	Kielce	construction activity and property management.	subsidiary	38 409			-	38 409	84,12%	84,12%	none
10	'Echo - Centrum Biznesu Łódź' Sp. z o.o.	Kielce	construction activity and property management	subsidiary	2 511			-	2 511	99,98%	99,98%	none
11	'Echo - Centrum Przemyśl' Sp. z o.o.	Kielce	construction activity and property management	subsidiary	1 279			-	1 279	100,00%	100,00%	none
12	'Echo - SPV 6' Sp. z o.o.	Kielce	construction activity and property management	subsidiary	18 370			-	18 370	99,99%	99,99%	none
13	'Echo - Centrum Bankowości i Finansów Łódź' Sp. z o. o.	Kielce	construction activity and property management.	subsidiary	3 008			-	3 008	100,00%	100,00%	none
14	'Echo - Centrum Rzeszów' Sp. z o.o.	Kielce	construction activity and property management.	subsidiary	4 969	(4 377)	(83)	(4 460)	509	99,99%	99,99%	none
15	'Projekt Echo -17' Sp. z o.o.	Kielce	construction activity and property management	subsidiary	52			-	52	100,00%	100,00%	none
16	'Echo - Property Poznań 1' Sp. z o.o.	Kielce	construction activity and property management	subsidiary	11 283	(4 200)	1 403	(2 797)	8 486	99,99%	99,99%	none
17	'Echo - Veneda' Sp. z o.o.	Kielce	construction activity and property management	subsidiary	6 133			-	6 133	99,99%	99,99%	none
18	'Echo - Kielce 1' Sp. z o.o.	Kielce	construction activity and property management.	subsidiary	8 369			-	8 369	99,99%	99,99%	none

Note 3H Shares or stocks in subsidiaries continued

Item	Name (company name) of company specifying the legal status	Registered seat	Objects of the company	Type of relationship	Value of shares / stocks according to acquisition price	Revaluation adjustments to initial balance	Revaluation adjustments - change	Revaluation adjustments – end balance	Balance sheet value of shares / stocks	Percentage of initial /share capital held	Share in the total number of vote at the general meeting	Specification of other grounds for control
19	'Echo ACC' Sp. z o.o.	Kielce	bookkeeping activity	subsidiary	51			-	51	99,99%	99,99%	none
20	'Athina Park' Sp. z o.o.	Kielce	construction activity and property management	subsidiary	6 009			-	6 009	99,99%	99,99%	none
21	'Malta Office Park' Sp. z o.o.	Kielce	construction activity and property management	subsidiary	7 508			-	7 508	99,99%	99,99%	none
22	'Projekt Echo -30' Sp. z o.o.	Kielce	construction activity and property management	subsidiary	51			-	51	99,00%	99,00%	none
23	'Echo - Arena' Sp. z o.o.	Kielce	construction activity and property management	subsidiary	1 008			-	1 008	99,99%	99,99%	none
24	'Echo - Galaxy Sp. z o.o.	Kielce	construction activity and property management	subsidiary	51			-	51	99,00%	99,00%	none
25	'Echo - Pasaż Grunwaldzki' Sp. z o.o.	Kielce	construction activity and property management	subsidiary	51	(17)	17	-	51	99,99%	99,99%	none
26	'Projekt Echo -37' Sp. z o.o.	Kielce	construction activity and property management	subsidiary	51			-	51	99,00%	99,00%	none
27	'Echo Bau' Sp. z o.o.	Kielce	construction activity and property management	subsidiary	52			-	52	100,00%	100,00%	none
28	'Projekt Echo -39' Sp. z o.o.	Kielce	construction activity and property management	subsidiary	51		(49)	(49)	2	99,00%	99,00%	none
29	Zakład Ogrodniczy 'Naramowice' Sp. z o.o.	Poznań	fruit-growing activity	subsidiary	40 676			-	40 676	100,00%	100,00%	none
30	'EST-ON Property Management' Sp. z o. o.	Kielce	property management	subsidiary	50			-	50	99,00%	99,00%	none
31	'Projekt S ' Sp. z o.o.	Kielce	construction activity and property management	subsidiary	20 419		(20 419)	(20 419)	-	63,00%	63,00%	none
32	'Echo - Pasaż Grunwaldzki Sp. z o.o.' Sp.K.	Kielce	construction activity and property management	subsidiary	11			-	11	99,00%	99,00%	none
33	'Echo - Arena Sp.z o. o.' Sp.K.	Kielce	construction activity and property management	subsidiary	12			-	12	99,00%	99,00%	none
34	'Wan 11' Sp. z o.o.	Warsaw	construction activity and property management	partially owned subsidiary	1 500	(12)	-	(12)	1 488	50,00%	50,00%	none
35	Wan - Invest Sp. z o.o.	Warsaw	construction activity and property management	partially owned subsidiary	447	(139)	(26)	(165)	282	50,00%	50,00%	none
36	'Projekt Echo -41' Sp. z o.o.	Kielce	construction activity and property management	subsidiary	51		(15)	(15)	36	99,00%	99,00%	none

Note 3H Shares or stocks in subsidiaries continued

Item	Name (company name) of company specifying the legal status	Registered seat	Objects of the company	Type of relationship	Value of shares / stocks according to acquisition price	Revaluation adjustments to initial balance	Revaluation adjustments - change	Revaluation adjustments – end balance	Balance sheet value of shares / stocks	Percentage of initial /share capital held	Share in the total number of vote at the general meeting	Specification of other grounds for control
37	'Projekt Echo -42' Sp. z o.o.	Kielce	construction activity and property management	subsidiary	51		(15)	(15)	36	99,00%	99,00%	none
38	'Projekt Echo -43' Sp. z o.o.	Kielce	construction activity and property management	subsidiary	51		(10)	(10)	41	99,00%	99,00%	none
39	'Projekt Echo -44' Sp. z o.o.	Kielce	construction activity and property management	subsidiary	51		(14)	(14)	37	99,00%	99,00%	none
40	'Projekt Echo -45' Sp. z o.o.	Kielce	construction activity and property management	subsidiary	51		(13)	(13)	38	99,00%	99,00%	none
41	'Echo - Galaxy Sp. z o.o.' Sp.K.	Kielce	construction activity and property management	subsidiary	35 882			-	35 882	99,99%	99,99%	none
42	'Echo Investment Hungary KFT	Budapest	construction activity and property management	subsidiary	22 580			-	22 580	100,00%	100,00%	none
43	'Projekt Echo -41 Sp. z o.o.'Sp.K.	Kielce	construction activity and property management	subsidiary	11		(11)	(11)	-	99,00%	99,00%	none
44	'Projekt Echo -42 Sp. z o.o.' Sp.K.	Kielce	construction activity and property management	subsidiary	11		(11)	(11)	-	99,00%	99,00%	none
45	'Projekt Echo -45 Sp. z o.o.' Sp.K.	Kielce	construction activity and property management	subsidiary	11		(11)	(11)	-	99,00%	99,00%	none
46	Echo - Centrum Poznań Sp. z o.o.	Kielce	construction activity and property management	subsidiary	40 418	(1 034)	-	(1 034)	39 384	100,00%	100,00%	none
47	Echo Projekt Management KFT	Budapeszt	construction activity and property management	subsidiary	1 364	(1 317)	73	(1 244)	120	100,00%	100,00%	none
48	'Projekt Echo -46' Sp. z o.o.	Kielce	construction activity and property management	subsidiary	51	(51)	-	(51)	-	99,90%	99,90%	none
49	'Projekt Echo -47' Sp. z o.o.	Kielce	construction activity and property management	subsidiary	50 001		(205)	(205)	49 796	99,90%	99,90%	none
50	'Echo Building KFT	Budapeszt	construction activity and property management	subsidiary	844	(694)	-	(694)	150			
51	'Echo Investment Project 1 S.R.L.	Bucharest	construction activity and property management	subsidiary	23 997		(2 197)	(2 197)	21 800	100,00%	100,00%	none
52	'Projekt Echo -53' Sp. z o.o.	Kielce	construction activity and property management	subsidiary	50			-	50	0,05%	0,05%	none
53	'Projekt Echo -54' Sp. z o.o.	Kielce	construction activity and property management	subsidiary	110 147			-	110 147	99,90%	99,90%	none
54	'Projekt Echo -55' Sp. z o.o.	Kielce	construction activity and property management	subsidiary	50		(11)	(11)	39	99,90%	99,90%	none

Note 3H Shares or stocks in subsidiaries continued

Item	Name (company name) of company specifying the legal status	Registered seat	Objects of the company	Type of relationship	Value of shares / stocks according to acquisition price	Revaluation adjustments to initial balance	Revaluation adjustments - change	Revaluation adjustments – end balance	Balance sheet value of shares / stocks	Percentage of initial /share capital held	Share in the total number of vote at the general meeting	Specification of other grounds for control
55	‘Projekt Echo -56’ Sp. z o.o.	Kielce	construction activity and property management	subsidiary	50			-	50	99,90%	99,90%	none
56	‘Projekt Echo -57’ Sp. z o.o.	Kielce	construction activity and property management	subsidiary	50	(11)	-	(11)	39	99,90%	99,90%	none
57	‘Projekt Echo -58’ Sp. z o.o.	Kielce	construction activity and property management	subsidiary	50		(11)	(11)	39	99,90%	99,90%	none
58	‘Projekt Echo -59’ Sp. z o.o.	Kielce	construction activity and property management	subsidiary	50		(11)	(11)	39	99,90%	99,90%	none
59	‘Echo - Galaxy Szczecin’ Sp. z o.o.	Kielce	construction activity and property management	subsidiary	50			-	50	99,90%	99,90%	none
60	‘Projekt Echo -61’ Sp. z o.o.	Kielce	construction activity and property management	subsidiary	50			-	50	99,90%	99,90%	none
61	‘Projekt Echo -62’ Sp. z o.o.	Kielce	construction activity and property management	subsidiary	50			-	50	99,90%	99,90%	none
62	‘Projekt Echo -63’ Sp. z o.o.	Kielce	construction activity and property management	subsidiary	12 794	(12 794)	10 327	(2 467)	10 327	99,90%	99,90%	none
63	‘Projekt Naramowice Poznań’ Sp. z o.o.	Kielce	construction activity and property management	subsidiary	53			-	53	99,90%	99,90%	none
64	‘Projekt Echo -65’ Sp. z o.o.	Kielce	construction activity and property management	subsidiary	4 368	(4 368)	-	(4 368)	-	99,90%	99,90%	none
65	‘Echo - Park Postępu’ Sp. z o.o.	Kielce	construction activity and property management	subsidiary	19 822			-	19 822	99,90%	99,90%	none
66	‘Projekt Echo -67’ Sp. z o.o.	Kielce	construction activity and property management	subsidiary	50		(14)	(14)	36	99,90%	99,90%	none
67	‘Projekt Echo -68’ Sp. z o.o.	Kielce	construction activity and property management	subsidiary	50		(14)	(14)	36	99,90%	99,90%	none
68	‘Projekt Echo -69’ Sp. z o.o.	Kielce	construction activity and property management	subsidiary	50		(14)	(14)	36	99,90%	99,90%	none
69	‘Projekt Echo -70’ Sp. z o.o.	Kielce	construction activity and property management	subsidiary	50		(14)	(14)	36	99,90%	99,90%	none
70	‘Projekt Echo -77’ Sp. z o.o.	Kielce	construction activity and property management	subsidiary	50		(14)	(14)	36	99,90%	99,90%	none
71	‘Echo - Metropolis’ Sp. z o.o.	Kielce	construction activity and property management	subsidiary	60 662			-	60 662	99,90%	99,90%	none
72	Echo Investment Ukraina LLC	Kiev	construction activity and property management	subsidiary	666	(67)	(65)	(132)	534	99,99%	99,99%	none

Note 3H Shares or stocks in subsidiaries continued

Item	Name (company name) of company specifying the legal status	Registered seat	Objects of the company	Type of relationship	Value of shares / stocks according to acquisition price	Revaluation adjustments to initial balance	Revaluation adjustments - change	Revaluation adjustments – end balance	Balance sheet value of shares / stocks	Percentage of initial /share capital held	Share in the total number of vote at the general meeting	Specification of other grounds for control
73	Ultra Marina Sp. z o.o.	Kielce	construction activity and property management	subsidiary	11 891			-	11 891	100,00%	100,00%	none
74	Echo Investment Projekt Management SRL	Bucharest	construction activity and property management	subsidiary	147	(147)	-	(147)	0	99,99%	99,99%	none
75	EI Projekt Cyp - 1 Limited	Cyprus	construction activity and property management	subsidiary	40 324			-	40 324	99,95%	99,95%	none
76	SPV-1 Sp. z o.o.				62		(20)	(20)	42			
					660 288	**(47 684)**	**(1 377)**	**(49 061)**	**611 227**			
Shares/stocks in affiliated companies												
1	W.A. Hotele Sp. z o.o.	Warsaw	construction activity and property management	affiliated company	10 639	(10 589)	-	(10 589)	50	43,45%	43,45%	none
2	‘SPC’ S.A	Warsaw	management of other subsidiaries	affiliated company	34	(34)	-	(34)	-	34,00%	34,00%	none
					10 673	**(10 623)**	**-**	**(10 623)**	**50**			
Shares or stocks in subsidiaries and affiliates total					**670 961**	**(58 307)**	**(1 377)**	**(59 864)**	**611 277**			

In the Company’s opinion, in the event of not carrying out revaluation, there were no preconditions for revaluation adjustments as at a balance sheet day.
In 2009 change in revaluation adjustments was posted as revaluation of investment under financial revenues/expenses.
Impairment loss amounting to PLN -1 377 thousand was posted under expenses.

Note 4A

Inventories [in thousands PLN]	31.12.2009	31.12.2008
a) semi-finished products and work in process	299 266	291 513
b) finished products	59 876	101 490
c) goods	1 844	3 458
d) advances for deliveries	4 707	14 474
Inventories total	**365 693**	**410 935**

Inventories are valuated no higher than obtainable net value. This value is obtained from information from the active market. Inventories write-downs and their reversals are related with a sale of the given inventory or with an increase of the net sales price. The amounts of inventories write-downs and their reversals in the given period are disclosed in the income statement as Cost of goods sold.
The item Finished products comprises complete apartments, ready for sale.
The item Semi-finished products and work in process comprises mainly property owned or held by the Company and expenditure on housing projects in preparation and in progress.
The item Goods comprises land.
The immovable property in Zabrze, disclosed under semi-finished products and work in progress, is encumbered with capped mortgage in the amount of PLN 3,700 thousand in favour of the Municipal Commune of Zabrze as a security of repayment of any possible claims that could occur due to payment of liquidated damages in case the Company fails to execute the investment project in due time.

Note 4B

Inventories – impact on profit/loss [in thousands PLN]	31.12.2009	31.12.2008
Value of inventories recognised as cost during the period	254 821	284 259
Amounts of inventories write-downs recognized as cost during the period	4 723	11 268
Amounts of reversal of inventories write-downs	7 462	12 388

Inventories write-downs and their reversals are concerned with housing projects where a time offset exists between sales of apartments and sales of garages associated with apartments. The purpose is to realistically present the sales margin during the period.
Amounts of inventories recognised as cost during the period are disclosed under *Cost of goods sold* in the income statement.
The value of inventories write-down as at December 31, 2009 amounted to PLN 2,739 (December 31, 2008: PLN 1,120).

Note 5A

Current receivables [in thousand PLN]	31.12.2009	31.12.2008
a) from affiliated companies	**119 222**	**133 932**
- due to deliveries and services, payable within:	119 222	133 932
- up to 12 months	119 222	133 932
b) revaluation adjustments from affiliated companies	-	-
c) receivables from other companies	**(1 750)**	**(4 569)**
- due to deliveries and services, payable within:	**5 761**	**10 557**
- up to 12 months	1 522	1 959
- over 12 months	1 156	1 410
- due to taxes, grants, customs, social securities, health insurance and other	366	549
- advances for deliveries	2 252	5 890
- other	1 987	2 708
d) revaluation adjustments from other companies	**(1 473)**	**(1 192)**
Net current receivables total	**124 983**	**144 489**
Revaluation adjustments total	(3 223)	(5 761)
Gross current receivables total	**128 206**	**150 250**

Maximum value of credit risk associated with trade receivables equals their balance sheet value.
Revaluation write down of the value of receivables from affiliated companies is a write down on receivables amounting to PLN 1,750 thousand. Receivables from affiliated companies are not secured.

Estimated fair value of trade receivables is the value of anticipated discounted future cash flows and equals the balance sheet value of these receivables.
Trade receivables are generated from lease of office space and apartments. The Company regularly controls the financial condition and payment capacity of its tenants. Payments are secured with deposits. As at December 31, 2009 the value of deposits amounts to PLN 242,000 and it amounted to PLN 232,000 as at December 2008. Receivables from affiliated companies were generated mostly on account of provision of general contractor services.

Note 5B

Change in the balance of revaluation adjustments on current receivables (in thousands PLN)	31.12.2009	31.12.2008
Balance as at the beginning of period	**5 761**	**8 090**
a) increases (on account of)	317	13
- creating an allowance	317	13
b) decreases (on account of)	(2 855)	(2 342)
- repayment	(2 819)	(1 716)
- release of provisions	(36)	(625)
Balance of revaluation adjustments on current receivables as at the end of period	-	(1)
Balance as at the beginning of period	**3 223**	**5 761**

Receivables revaluation adjustments were posted under O*ther operating incomes/expenses* in the Company's income statement.
Given the past experience and anticipated future cash flows, the Company establishes a receivables adjustments allowance:

- for receivables overdue by more than one year, for full value of receivables
- for receivables overdue by more than six months but not longer than one year, 50% of the value of receivables.

Note 5C

Gross current receivables (currency structure) [in thousands PLN]	31.12.2009	31.12.2008
a) in the Polish currency	128 196	149 474
b) in foreign currencies (by currency, after conversion into PLN)	10	776
- unit/currency EUR	3	147
- thousands PLN	10	611
- unit/currency USD	-	56
- thousands PLN	-	165
Current receivables total	**128 206**	**150 250**

Note 5D

Trade receivables (gross) days remaining to due date after the balance day [in thousands PLN]	31.12.2009	31.12.2008
a) up to 1 month	88 076	27 704
b) over 1 month up to 3 months	26 863	104 866
c) over 3 months up to 6 months	-	-
d) over 6 months up to 1 year	183	183
e) over 1 year	366	549
f) receivables overdue	8 366	8 238
Trade receivables total (gross)	**123 854**	**141 540**
g) revaluation adjustments of trade receivables	(3 110)	(5 649)
Trade receivables total (net)	**120 744**	**135 891**

Note 5E

Trade receivables overdue (gross) – divided into amounts not paid during the period [in thousands PLN]	31.12.2009	31.12.2008
a) up to 1 month	440	2 193
b) over 1 month up to 3 months	361	262
c) over 3 months up to 6 months	4 072	48
d) over 6 months up to 1 year	766	172
e) over 1 year	2 727	5 563
Trade receivables overdue total (gross)	**8 366**	**8 238**

Note 5E continued

Trade receivables overdue (gross) – divided into amounts not paid during the period [in thousands PLN]	31.12.2009	31.12.2008
f) revaluation adjustments of trade receivables overdue	(3 110)	(5 649)
Trade receivables overdue total (net)	**5 256**	**2 589**

Note 5F

Trade receivables (gross) [in thousands PLN]	31.12.2009	31.12.2008
a) current receivables without impairment	115 488	133 302
b) overdue receivables without impairment	5 256	2 589
c) overdue receivables with impairment	3 110	5 649
Trade receivables total	**123 854**	**141 540**

Note 5G

Disputed and overdue receivables [in thousands PLN]	31.12.2009	31.12.2008
Disputed receivables	**12**	12
- other	12	12
- including ones not covered by a revaluation allowance	-	-
Overdue receivables	**8 366**	**8 238**
- on account of deliveries of works and services	8 366	8 238
- including ones not covered by a revaluation allowance	5 256	2 589

Note 6A

Granted short-term loans [in thousands PLN]	31.12.2009	31.12.2008
a) in subsidiaries		
- granted loans	117 359	179 809
- interest	6 981	12 326
	124 340	**192 135**
b) in other companies		
- granted loans	-	538
- interest	23	99
	23	**637**
Granted short-term loans total	**124 363**	**192 772**

Note 6B

Granted short-term loans (currency structure) [in thousands PLN]	31.12.2009	31.12.2008
a) in the Polish currency	124 363	192 772
b) in foreign currencies (by currency, after conversion into PLN)	-	-
Granted short-term loans total	**124 363**	**192 772**

Note 6B comprises short-term loans with interest.

The basic data concerning the largest short-term loans is presented in the following table:

Name of the other party	Amount [in thousands PLN]	Interest	Due date
Princess Investment Sp. z o.o.	227	Wibor 3M + margin	December 31, 2010
Projekt Echo -54 Sp. z o. o.	24 500	Wibor 3M + margin	December 31, 2010
Projekt Echo -53 Sp. z o. o.	25 000	Wibor 3M + margin	December 31, 2010
Projekt Naramowice Poznań Sp. z o.o.	44 000	Wibor 3M + margin	December 31, 2010
Athina Park Sp. z o.o.	12 000	Wibor 3M + margin	December 31, 2010
Projekt S Sp. z o.o.	960	Wibor 3M + margin	December 31, 2010
Echo Investment Project Management SRL	2 301	Wibor 3M + margin	February 26, 2010
Echo - Centrum Biznesu Łódź Sp. z o.o.	7 000	Wibor 3M + margin	December 31, 2010
Centrum Bankowości i Finansów Łódź Sp. z o.o.	2 596	Wibor 3M + margin	December 31, 2010
Total:	**118 584**		

The maximum value of credit risk involved with these loans equals their balance sheet value.
The granted loans are not secured.
The loans granted are not overdue and no loss of value (impairment) occurred.
The loans were granted to affiliated companies in good financial standing.

Note 6C

Derivative financial instruments [in thousands PLN]	31.12.2009	31.12.2008
a) in the Polish currency - bonds	-	295
b) in foreign currencies (by currency after conversion into PLN)	-	-
Derivative financial instruments total	**-**	**295**

Note 6D

Derivative financial instruments (by transferability) [in thousands PLN]	31.12.2009	31.12.2008
With unlimited transferability, not officially listed on the regulated market (balance sheet value)	**-**	**-**
a) shares (balance sheet value):	**-**	**-**
b) bonds (balance sheet value);	**-**	**-**
c) other - options	-	295
- fair value	-	295
- market value	-	295
- value according to purchase prices	-	-
	-	**295**
Derivative financial instruments, total	**-**	**295**

During the reporting period, the Company recognized a gain / loss on valuation of derivative financial instruments in accordance with the notes 16C and 17B.

Note 6E

Cash and cash equivalents [in thousands PLN]	31.12.2009	31.12.2008
a) Cash in hand and at bank accounts	53 878	39 608
b) other cash	-	-
Cash and cash equivalents total	**53 878**	**39 608**
Cash with limited disposability	**8 759**	**8 885**

As at 31.12.2009 the Company holds cash at renowned banks, mainly PKO SA and PKO BP.
The maximum value of credit risk involved with this cash equals its balance sheet value.

Note 6F

Cash and cash equivalents (currency structure) [in thousands PLN]	31.12.2009	31.12.2008
a) in the Polish currency	53 492	39 154
b) in foreign currencies (by currency, after conversion into PLN)	386	454
- unit/currency EUR	85	84
- thousands PLN	349	352
- unit/currency USD	12	31
- thousands PLN	34	92
- unit/currency HUF	170	608
- thousands	3	10
Cash and cash equivalents total	**53 878**	**39 608**

Note 7

Share capital (structure)

Series of share	Class of share	Class of share privilege	Type of restriction of rights to shares	Number of shares	Value o series / issue by par value (thousands PLN)	Method of equity coverage	Date of registration	Right to dividend as from
A	bearer shares	ordinary	none	1 600 000	80	Non-cash contribution	1994-06-30	1995-01-01
B	bearer shares	ordinary	none	38 400 000	1 920	cash	1994-06-30	1995-01-01
C	bearer shares	ordinary	none	20 000 000	1 000	cash	1995-11-13	1995-01-01
D	bearer shares	ordinary	none	60 000 000	3 000	cash	1997-02-18	1996-01-01
E	bearer shares	ordinary	none	20 000 000	1 000	cash	1997-12-30	1997-01-01
F	bearer shares	ordinary	none	280 000 000	14 000	cash	2002-11-26	2002-01-01
Total number of shares				**420 000 000**				
Share capital total					**21 000**			
Nominal value per share = PLN 0.05								

Shareholders of Echo Investment S.A. holding more than 5% of share capital as at December 31, 2009.

Shareholders	Number of votes/ shares	% of share capital	% of votes at the General Meeting of Shareholders
Michał Sołowow – directly and indirectly	169 916 580	40,46%	40,46%
Aviva OFE Aviva BZ WBK*	47 340 018	11,27%	11,27%
ING OFE*	37 898 195	9,02%	9,02%
OFE PZU Złota Jesień OFE*	37 655 236	8,97%	8,97%
Other Shareholders	127 189 971	30,28%	30,28%
Total	**420 000 000**	**100,00%**	**100,00%**

*As per OFE port folio on December 31, 2009

Note 8

Supplementary capital [in thousands PLN]	31.12.2009	31.12.2008
a) from sale of shares above nominal value	100 943	100 943
b) established by force of law	80	80
c) established by force of articles/agreement above the (minimum) value required by law	376 814	336 898
d) other (by type)	22	22
Supplementary capital, total	**477 859**	**437 943**

Note 9

Change in assets / provisions on account of deferred income tax [in thousands PLN]	31.12.2009	31.12.2008	01.01.2008
1. Balance of assets/ provisions on account of deferred income tax as at the beginning of period:	**(2 919)**	**(3 601)**	**(6 361)**
financial instruments	1 513	3	1 175
investment property	298	1 161	822
borrowing liabilities	(2 946)	(1 798)	(665)
credit and bonds liabilities	(294)	(61)	(173)
inventories	2 203	2 494	1 948
shares and stocks	(6 686)	(10 963)	(16 756)
limited partnership income tax	8 183	8 223	7 420
Other	(5 190)	(2 660)	(132)
2. Increases	**2 245**	**5 788**	**7 593**
financial instruments	-	1 510	-
investment property	171	-	339
borrowing liabilities	1 824	-	-
credit and bonds liabilities	-	-	112
tax loss	-	-	546
inventories	250	4 278	5 793
shares and stocks	-	-	803
other	-	-	-
3. Decreases	**(7 626)**	**(5 106)**	**(4 833)**
financial instruments	(1 513)	-	(1 172)
investment property	-	(863)	-
credit and bonds liabilities	-	(1 148)	(1 133)
inventories	(664)	(233)	-
shares and stocks	(582)	-	-
limited partnership income tax	-	(291)	
other	(4 746)	(40)	
	(121)	(2 531)	(2 528)
4. Balance of assets/ provisions on account of deferred income tax as at the end of period:			
financial instruments	**(8 300)**	**(2 919)**	**(3 601)**
investment property	-	1 513	3
borrowings liabilities	469	298	1 161
credit and bonds liabilities	(1 122)	(2 946)	(1 798)
tax loss	(958)	(294)	(61)
inventories	1 621	2 203	2 494
shares and stocks	(6 436)	(6 686)	(10 963)
limited partnership income tax	3 437	8 183	8 223
other	(5 311)	(5 190)	(2 660)

In the Company balance sheet there are no items with unrecognised deferred income tax.

Note 10A

Non-current liabilities (exclusive of provision for income tax) [in thousands PLN]	31.12.2009	31.12.2008
a) to wholly-owned subsidiaries	-	-
b) to partially-owned subsidiaries		
- credit and loans		
- on account of issue of debt securities		
a) to wholly-owned subsidiaries	513 948	509 151
	513 948	**509 151**
Non-current liabilities total	**513 948**	**509 151**

Note 10B

Non-current liabilities (exclusive of provision for income tax) days remaining to due date after the balance day [in thousands PLN]	31.12.2009	31.12.2008
a) over 1 year up to 3 years	234 188	140 065
b) over 3 years up to 5 years	279 760	369 086
c) over 5 years	-	-
Non-current liabilities total	**513 948**	**509 151**

Interest rates applied to discounted anticipated cash flows amounted to: 6.38% in 2009 and 7.66% in 2008.
The Company has presented its non-current liabilities in nominal value in Note 10E.

Note 10C

Non-current liabilities (exclusive of provision for income tax) (currency structure) [in thousands PLN]	31.12.2009	31.12.2008
a) in the Polish currency	513 948	509 151
b) in foreign currencies (by currency, after conversion into PLN)	-	-
Non-current liabilities total	**513 948**	**509 151**

Financial liabilities due to debt financial securities are measured according to 'amortised cost of a liability' method, in compliance with IAS 39.
To the best knowledge and information of the Management Board of the Company, during the financial year and as at a day of signing this financial statement there was no breach of provisions of credit agreements or settled security levels.

Note 10D

Lines of credit

Name (company name) of the organisation, legal form	Registered seat	Amount of credit / loan Under the contract in thousands PLN	currency	Amount of credit / loan remaining due in thousands PLN	currency	Interest rate arrangements	Due date	Collaterals
PeKaO S.A.	Warsaw	30 000	PLN	-	PLN	Wibor 1M + margin	2010-06-30	power of attorney to bank account, statement on submission to enforcement proceedings
PeKaO S.A.	Warsaw	100 000	PLN	90 000	PLN	Wibor 1M + margin	2010-06-30	power of attorney to bank account,
PKO BP S.A.	Warsaw	25 000	PLN	6 078	PLN	Wibor 3M + margin	2012-08-19	surety clause from current account at PKO BP S.A., statement on submission to enforcement proceedings
PKO BP S.A.	Warsaw	40 000	PLN	-	PLN	Wibor 3M + margin	2012-08-19	surety clause from current account at PKO BP S.A., statement on submission to enforcement proceedings
Total		**195 000**		**96 078**				

The value of credit equals non-discounted cash flows.

Note 10E

Liabilities due to debt instruments issued

Debt instruments by type	Nominal value	Interest rate	Redemption	Guarantees/ sureties	Additional rights	Quotation market
bonds (BRE Bank S.A.)	150 000	Wibor 6M + margin	2011-05-25	none		none
bonds (BRE Bank S.A.)	100 000	Wibor 6M + margin	2013-05-25	none		none
bonds (BRE Bank S.A.)	300 000	Wibor 6M + margin	2014-06-30	none		none
Total	**550 000**					

The value of bonds equals non-discounted cash-flows, not including the value of interest rates.

Note 11A

Trade liabilities, taxes, advances received and other liabilities (excluding provisions) [in thousands PLN]	31.12.2009	31.12.2008
a) to subsidiaries		
- trade liabilities, payable:	9	61
- within 12 months	9	61
- over 12 months	-	-
	9	**61**
b) to other companies		
- trade liabilities, payable:	38 025	75 099
- within 12 months	33 492	69 165
- over 12 months	4 533	5 934
- advances received for deliveries	53 759	85 508
- on account of taxes, customs, insurance and other	3 839	5 965
- other liabilities	14 157	9 131
- on account of salaries and wages	3	9
- received hedging deposits	14 154	9 122
- insurance	568	559
- other	4	-
a) to subsidiaries	13 582	8 563
	109 780	**175 703**
Trade liabilities and other total	**109 789**	**175 764**

Fair value of trade and other liabilities does not significantly differ from their balance sheet value.

Note 11B

Trade liabilities, taxes, advances received and other liabilities (excluding provisions) [in thousands PLN]	31.12.2009	31.12.2008
a) in the Polish currency	109 547	175 717
b) in foreign currency (by currency, after conversion into PLN)	242	47
- unit/currency EUR	21	8
- thousands PLN	86	31
- unit/currency HUF	18 125	-
- thousands PLN	275	-
- unit/currency USD	55	5
- thousands PLN	156	16
Current liabilities total	**109 789**	**175 764**

Note 11C

Credits, short-term loans and bonds [in thousands PLN]	31.12.2009	31.12.2008
a) to subsidiaries	-	-
- credits and loans	**-**	**-**
b) to other companies		
- credits and loans	96 078	38 382
- on account of issue of debt securities	31 939	40 415
- accrued interest	-	57
	128 017	**78 854**
Credits and loans, total	**128 017**	**78 854**

To the best knowledge and information of the Management Board of the Company during the financial year and as at a day of signing this financial statement there was no breach of provisions of credit agreements or settled security levels.

.

Note 11D

Credits, short-term loans and bonds (currency structure) [in thousands PLN]	31.12.2009	31.12.2008
a) in the Polish currency	128 017	78 854
b) in foreign currency (by currency, after conversion into PLN)	-	-
Credits and loans total	**128 017**	**78 854**

Note 11E

Derivative financial instruments [in thousands PLN]	31.12.2009	31.12.2008
a) options	-	5 213
b) forwards	-	3 044
Derivative financial instruments, total	**-**	**8 257**

The transactions presented in the table were concluded in order to secure some of the future cash flows in the Company against the currency risk.

As at December 31, 2008 current financial instruments were not listed on the market and were valued on the basis of evaluations of the banks participating in the transactions.

Note 11F

Derivative financial instruments (currency structure) [in thousands PLN]	31.12.2009	31.12.2008
a) in the Polish currency	-	8 257
b) in foreign currency (by currency, after conversion into PLN)	-	-
Derivative financial instruments, total	**-**	**8 257**

Note 11G

Change in the balance of short-term provisions (by title) [in thousands PLN]	31.12.2009	31.12.2008
a) balance as at the beginning of period		
- provisions for penalties	9 190	8 588
- guarantee repairs	1 100	1 100
- court proceedings	-	441
	10 290	**10 129**
b) increases (on account of)		
- provisions for penalties	3 579	961
	3 579	**961**
c) utilisation (on account of)		
- provisions for penalties	-	(441)
	-	**(441)**
d) balance as at the end of period		
- provisions for penalties	(2 938)	(359)
- guarantee repairs	-	-
a) balance as at the beginning of period	**(2 938)**	**(359)**
- provisions for penalties		
- guarantee repairs	9 830	9 190
- court proceedings	1 100	1 100
	10 930	**10 290**

The provision for penalties covers the value of potential penalties that can be imposed on the Company in relation to contracts signed, where the probability of imposing such penalties exceeds 50%.
The amount of provision was valuated to the best knowledge of the Management Board.
The provision for envisaged guarantee repairs covers the value of such repairs or compensation regarding the premises and projects sold, where the probability of charging such costs exceeds 50%.
The amount of provision was valuated to the best knowledge of the Company and its past experience.
It is impossible to determine when the provisions for penalties and losses, envisaged costs of guarantee repairs and court proceedings are payable. However, it is highly likely that they are payable within 12 months from the balance sheet date.

Note 12A

Contingent liabilities to affiliated companies (on account of) [in thousands PLN]	31.12.2009	31.12.2008
a) granted guarantees and sureties, including:	830 937	19 547
- to subsidiaries	830 937	19 547
Contingent liabilities to affiliated companies total		**19 547**

Note 12B

Off-balance items [in thousands PLN]	31.12.2009	31.12.2008
1. Contingent receivables	**-**	**-**
2. Contingent liabilities	830 937	19 547
2.1. To affiliates (on account of)	830 937	19 547
- granted guarantees and sureties	3 880	4 032
2.2. To other companies (on account of)	3 880	4 032
	834 817	**23 579**
3. Other (on account of)		
- court proceedings against Echo Investment	31	31
	31	**31**
Total	**834 848**	**23 610**

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

1. Surety of October 6, 2009 for the obligations of Echo - Galeria Kielce Sp. z o. o. under the credit agreement made with Bank Eurohypo AG, with its registered seat in Eschborn (Germany). The surety was granted up to the amount of PLN 821,640 thousand.

2.Surety of November 15, 2000 for liabilities of 'Echo - Centrum Bełchatów' Sp. z o.o. under the credit agreement of June 28, 2000, made with PeKaO Spółka Akcyjna Bank, concerning a facility for financing an investment project consisting in purchase and development of a shopping centre in Bełchatów, in the amount of PLN 740 thousand.

3.Surety of July 4, 2007 for the obligations of 'Projekt - Echo 49' Sp. z o.o. concerning repair of damage up to the amount of PLN 3,880 thousand.

4.Guarantee of June 22, 2009, granted in favour of Westdeutsche ImmobilienBank AG as a collateral securing coverage of possible excess of costs of development of the 2nd stage of Malta Office Park in Poznań. The guarantee shall remain in force until the effective date of repayment of all liabilities arising from the credit agreement signed between Malta Office Park Sp. z o.o. and Westdeustche ImmobilienBank AG (Germany) in the amount of PLN 7,300 thousand.

5.On October 22, 2009 Bank PKO BP SA granted a bank guarantee in favour of J&P Sp. z o.o. as a collateral for fulfilling all required liabilities by Centrum Handlowe PHS SA (a subsidiary), resulting from lease contract of business premises dated September 24, 2009. The value of the guarantee amounts to PLN 157 thousand.

6.On November 3, 2009 Bank PKO BP SA issued a guarantee for Master Serwis Opon Sp. z o.o. as collateral for payment of amounts awarded in favour of the Beneficiary. The guarantee amounts to PLN 1,100 thousand.

According to the Company's estimations, fair value of sureties and guarantees is close to zero, due to a low risk of their payment.

Explanatory notes to the profit and loss statement

Note 13A

Operating incomes (material structure – types of activities) [in thousands PLN]	01.01.2009-31.12.2009	01.01.2008-31.12.2008
A. Sales of residential and commercial areas	**62 447**	**165 636**
- including: from affiliated companies	**-**	**-**
B. Investment execution services	**210 604**	**194 116**
- including: from affiliated companies	210 604	194 116
from subsidiaries	210 604	194 116
from partially-owned subsidiaries	-	-
C. Property trade	**7 756**	**6 711**
- including: from affiliated companies	**3 533**	**-**
D. Lease services	**7 320**	**6 338**
- including: from affiliated companies	713	1 237
from subsidiaries	713	1 237
from the dominant company	-	-
E. Legal, accounting, consulting and IT services	**30 592**	**31 286**
- including: from affiliated companies	16 074	27 986
from subsidiaries	16 074	27 986
from partially-owned subsidiaries	**-**	**-**
F. Other incomes	**11 154**	**4 080**
- including: from affiliated companies	6 849	1 322
from subsidiaries	6 800	1 321
from key personnel	49	1
Operating incomes total	**329 873**	**408 167**
- including: from affiliated companies	237 773	224 661
from subsidiaries	237 724	224 660
from the dominant company	-	-
from key personnel	49	1

Minimum contracted lease revenues for 2009 amount to PLN 7,840 thousand.
The Company did not enter into any transactions with affiliated companies on different terms than arm's length transactions.

Note 13B

Operating incomes (territorial structure) [in thousands PLN]	01.01.2009-31.12.2009	01.01.2008-31.12.2008
a) Poland	323 125	408 167
- including: from affiliated companies	231 025	224 661
b) export	6 748	-
- including: from affiliated companies	6 748	-
Net income from sale of products total	**329 873**	**408 167**
- including: from affiliated companies	237 773	224 661

Note 14

Operating expenses by type [in thousands PLN]	01.01.2009-31.12.2009	01.01.2008-31.12.2008
Costs by type total		
a) depreciation/amortisation	3 613	4 384
b) consumption of materials and energy	6 093	7 856
c) foreign services	231 201	268 723
d) taxes and charges	2 941	3 362
e) salaries and wages	18 723	24 714
f) social security and other	2 580	3 952
g) other prime costs (on account of)	2 998	3 113
- business trips	365	1 080
- other	2 633	2 033
	268 149	**316 104**
Change in the balance of inventories, products and accruals	38 131	33 198
Cost of manufacture of products for the company's own purposes (negative value)	(513)	(3 478)
Costs to sell (negative value)	(17 866)	(22 203)
Overheads (negative value)	(27 066)	(36 807)
Production cost of sold products	**260 835**	**286 814**

Salaries and wages include social securities (ZUS).

Note 15A

Other operating incomes [in thousands PLN]	01.01.2009-31.12.2009	01.01.2008-31.12.2008
a) released provisions (on account of)	5 805	4 828
- receivables	2 855	4 028
- other	2 950	800
b) other, including:	4 676	2 258
- contractual penalties	908	852
- valuation of inventories	2 739	1 120
- other	1 029	286
c) interest on granted loans	10 416	15 458
from affiliated companies, including:	10 377	9 614
- from subsidiaries	10 377	9 614
- from other companies	39	5 844
d) other interest	1 017	4 079
- from other companies	1 017	4 079
Other operating incomes total	**21 914**	**26 623**

Note 15B

Other operating expenses [in thousands PLN]	01.01.2009-31.12.2009	01.01.2008-31.12.2008
a) established provisions (on account of)	3 833	973
- for anticipated costs	3 590	964
- receivables	243	9
b) other, including:	3 558	1 747
- donations	42	354
- contractual penalties	1 507	-
- other	2 009	1 393
Other operating expenses total	**7 391**	**2 720**

Note 16A

Financial incomes from dividends and shares in profits [in thousands PLN]	01.01.2009-31.12.2009	01.01.2008-31.12.2008
a) from affiliated companies, including:	36 299	41 663
- from subsidiaries	36 299	41 663
b) from other companies	-	-
Financial incomes from dividends and shares in profits total		**41 663**

Note 16B

Interest income [in thousands PLN]	01.01.2009-31.12.2009	01.01.2008-31.12.2008
a) other interest		
- from other companies	303	117
Interest income total	**303**	**117**

Note 16C

Other financial incomes [in thousands PLN]	01.01.2009-31.12.2009	01.01.2008-31.12.2008
a) foreign exchange gains	-	-
b) valuation gains - foreign currency exchange rate options	4 918	-
c) valuation gains - forward	3 044	-
d) closing gains - foreign currency exchange rate options	1 701	
e) investment revaluation - shares	-	-
Other financial incomes total	**9 663**	**-**

Note 17A

Interest charge [in thousands PLN]	01.01.2009-31.12.2009	01.01.2008-31.12.2008
a) **a) on credit facilities**		
- to affiliated companies	-	-
- to other companies	41 013	37 114
	41 013	**37 114**
b) other interest		
- to other companies	4	2
	4	**2**
c) interest on borrowings		
- to affiliated companies, including:	469	9
- to subsidiaries	469	9
- to other companies		
	469	**9**
d) revaluation of borrowings	**(4 650)**	**(1 225)**
Interest charge total	**36 836**	**35 900**

As at December 31, 2009 the amount of activated borrowing costs was PLN 1,332 thousand.
The yield rate applied by the Company to determine the amount of activated borrowing costs was 3.06%.

Note 17B

Other financial expenses [in thousands PLN]	01.01.2009-31.12.2009	01.01.2008-31.12.2008
a) foreign exchange losses, including:	411	3 043
- realised	389	3 001
- unrealised	22	42
b) investment revaluation	1 315	22 520
- shares	1 315	22 520
c) closing losses - foreign exchange options	11 322	21 633
- foreign exchange options	7 403	21 633
- forwards	3 919	-
d) other, including:	-	9 474
- commissions	-	6 430
- other	-	3 044
e) activated financial charges	920	631
	710	627
Other financial costs total	210	4
a) foreign exchange losses, including:		
- realised	(21)	(98)
- unrealised		
	13 947	**57 203**

Note 18A

Current income tax [in thousands PLN]	01.01.2009-31.12.2009	01.01.2008-31.12.2008
Gross Profit (loss)	33 356	39 548
Income tax 19%	(6 338)	(7 514)
Dividends received	1 835	7 916
Release for provision of liabilities	542	765
Other non-deductible costs	(1 754)	(799)
Total income tax charge of financial result	**(5 715)**	**368**

Note 18B

Deferred income tax, recovery ability structure [in thousands PLN]	01.01.2009-31.12.2009	01.01.2008-31.12.2008	01.01.2007-31.12.2007
Deferred income tax liabilities			
- settlement due date within 12 months	2 718	6 966	(6 428)
- settlement due date after 12 months	5 582	(4 047)	10 029
Total	**8 300**	**2 919**	**3 601**

Note 19

Distribution of profits
The net profit earned by Echo Investment S.A. in 2008, amounting to PLN 39,916 thousand, was allocated to supplementary capital through a resolution of May 28, 2009. The financial statement of Echo Investment S.A. for 2008 was approved through a resolution of the Ordinary General Meeting of Shareholders of May 28, 2010.

Explanatory notes to the cash flow statement

Note 20

Cash presented in the cash flow statement [in thousands PLN]	01.01.2009-31.12.2009	01.01.2008-31.12.2008
Balance as at the beginning of period, including	**39 608**	**148 706**
- cash in hand and on bank accounts	39 608	148 706
- other cash	-	-
- other cash equivalents	-	-
Balance as at the end of period	**53 878**	**39 608**
- cash in hand and on bank accounts	53 878	39 608
- other cash	-	-
- other cash equivalents	-	-

Additional explanations to the structure of cash flows
During the year the Company issued short-term bonds with a nominal value of PLN 105,000 thousand, which were also redeemed during 2009 and consequently were not presented in the report on the financial situation as at 31.12.2008 or 31.12.2009. The Company discloses the interest on loans granted under its investment activity.

Note 21A

Foreign, currency risk - sensitivity to changes *

Item by currency	Balance as at 31.12.2009 in currency (in thousands)	Balance sheet valuation as at 31.12.2009 (in thousands PLN)	Estimated currency exchange rate change (%)	Consequences of foreign exchange rate variations for individual items (in thousands PLN)
Cash				
EUR	85	349	+/5 %	17
USD	12	34	+/5 %	2
HUF	170	3	+/5 %	0
Global impact on gross result of the period				19
Income tax				4
Global impact on net result of the period				15

To analyse the sensitivity to foreign exchange rate changes as at 31.12.2009, the range of foreign currency fluctuations was assumed as -/+ 5% (on the basis of historical data and available information). If the rate of exchange of the Company's major currencies, i.e. EUR, USD and HUF, as at 31.12.2009 was 5% higher or lower, then the Company's net bottom line would be PLN 21 thousand higher or lower – as a consequence of foreign exchange losses or gains arising out of revaluation of cash on bank accounts.

Currency risk – sensitivity to changes*

Item by currency	Balance as at 31.12.2008 in currency (in thousands)	Balance sheet valuation as at 31.12.2008 (in thousands PLN)	Estimated currency exchange rate change (%)	Consequences of foreign exchange rate variations for individual items (in thousands PLN)
Cash				
EUR	84	350	+/5 %	18
USD	31	92	+/5 %	5
HUF	608	10	+/5 %	0
Total impact on gross result of the period				23
Income tax				4
Total impact on net result of the period				19

Note 21B

Interest rate risk – loans granted [in thousands PLN]

Title	Value calculated for study purposes (in thousands PLN) as at 31.12.2009	as at 31.12.2008
Balance of loans granted	124 722	205 681
Interest income on loans granted	10 416	15 061
Estimated variation of interest rates	+/- 1 p.p.	+/- 1 p.p.
Interest income on loans granted, accounting for interest growth	1 247	2 057
TOTAL impact on gross result of the period	1 247	2 057
Income tax	237	391
TOTAL impact on net result of the period	1 010	1 666

The Company granted loans in PLN with a variable interest rate associated with WIBOR rate + margin. If the interest rates as at 31.12.2009 were 1 percentage point higher or lower than the applicable interest rate, the Company's net result would be PLN 1,010 thousand higher or lower on account of higher or lower interest on loans granted in PLN.

Note 21C

Interest rate risk – liabilities arising from issue of debt securities [in thousands PLN]

Title	Value calculated for study purposes (in thousands PLN)	
	as at 31.12.2009	as at 31.12.2008
Balance of liabilities arising from issue of debt securities	545 887	549 566
Interest charge on issue of debt securities	38 268	42 850
Estimated variation of interest rates	+/- 1 p.p.	+/- 1 p.p.
Interest charge on issue of debt securities, accounting for interest growth	5 459	5 496
Balance of liabilities arising from issue of debt securities		
TOTAL impact on gross result of the period	5 459	5 496
Tax income	1 037	1 044
TOTAL impact on net result of the period	4 422	4 451

Note 21D

Interest rate risk - cash

Title	Value calculated for study purposes (in thousands PLN)	
	as at 31.12.2009	as at 31.12.2008
Balance of cash	53 878	39 608
Other interest incomes	920	3 178
Estimated variation of interest rates	+/- 1 p.p.	+/- 1 p.p.
Other interest incomes, accounting for variations in the interest	539	396
TOTAL impact on gross result of the period	539	396
Tax income	102	75
TOTAL impact on net result of the period	436	321

Note 21E

Interest rate risk – liabilities arising from credits

Title	Value calculated for study purposes (in thousands PLN)	
	as at 31.12.2009	as at 31.12.2008
Balance of liabilities arising out of credits	96 078	38 382
Interest charge on credits	2 781	997
Estimated variation of interest rates	+/- 1 p.p.	+/- 1 p.p.
Interest charge on credits, accounting for interest growth	961	384
TOTAL impact on gross result of the period	961	384
Tax income	183	73
TOTAL impact on net result of the period	778	311

Note 22

Information on financial instruments

Item	Type of instrument	Note	Balance sheet value as at 31.12.2009 (in thousands PLN)	Balance sheet value as at 31.12.2008 (in thousands PLN)
Financial assets				
1.	**Adjusted to fair value through profit and loss account**			
	-derivatives	6C, 6D	-	295
2.	**Loans and receivables:**			
	-long-term loans	3	359	12 909
	-short-term loans	6	124 363	192 772
	-trade receivables	5	120 744	135 891
3	**Cash and cash equivalents**	6E	53 878	39 608
Financial liabilities				
1.	**Adjusted to fair value through profit and loss account**			
	-derivatives	11E, 11C	-	8 257
2	**Other financial liabilities**			
	- liabilities arising from issue of debt securities	10 11	545 887	549 566
	- trade liabilities	11	38 034	75 160
	- credit and loans	11	96 078	38 382

The main financial instruments existing at the Company include:
- Loans granted are evaluated at an amortised acquisition price determined according to the effective interest rate method.
- Financial liabilities, i.e. liabilities arising from issue of debt securities, bank credits, other liabilities (loans and trade liabilities).

Financial liabilities are evaluated at an amortised cost, in compliance with IAS 39.

Fair value of financial instruments (on level 3 in fair value hierarchy), which are not traded in the active market, is valuated with valuation techniques. The Company applies its judgement when choosing the valuation method and adopts assumptions based on market conditions as at each balance sheet day. Forward contracts, in particular, are valuated as a difference in products of a transaction nominal value in the given currency times a spot price and transaction nominal value in the given currency at an average NBP exchange rate as at a valuation day, whereas options contracts are evaluated on the basis of valuations provided by banks.

Segment reporting – industry segments

Note 23

Asset to segment allocation	01.01.2009-31.12.2009	01.01.2008-31.12.2008
shopping centres	79 595	36 915
office buildings	60 278	107 695
residential areas	306 310	355 961
non-allocated assets	857 702	789 924
Assets total	**1 303 885**	**1 290 495**

Note 24

Operating income to segment allocation	01.01.2009-31.12.2009	01.01.2008-31.12.2008
shopping centres	55 002	51 047
office buildings	148 830	141 346
residential areas	62 471	167 358
non-allocated assets	63 570	48 416
Assets total	**329 873**	**408 167**

Note 25

Operating expenses to segment allocation	01.01.2009-31.12.2009	01.01.2008-31.12.2008
shopping centres	(51 895)	(41 830)
office buildings	(141 036)	(137 515)
residential areas	(45 793)	(84 574)
non-allocated assets	(22 111)	(22 895)
Assets total	**(260 835)**	**(286 814)**

The Company analyses operating expenses to the income before tax level.

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

Piotr Gromniak President of the Management Board	Artur Langner Vice-President of the Management Board

Person in charge of keeping books of accounts

Tomasz Sułek

Chief accountant

Kielce, April 30, 2010

raport roczny

2009

annual report

MANAGEMENT REPORT
ON THE OPERATIONS OF ECHO INVESTMENT S.A
IN 2009

echo INVESTMENT

Report on the operations of Echo Investment S.A. in 2009

Echo Investment S.A. (the Issuer, the Company) has been operating on the real estate market since 1996. As a dominant company in the Capital Group, Echo Investment S.A. organises the entire investment process for the given project, to begin with real property purchase, through obtaining administrative decisions, financing, and supervision over the execution and to end with the handover of the completed facility. The Company acts either on its behalf or, as usually is the case, through providing general execution of projects for a subsidiary established for that particular purpose. The Company also provides general execution for external investors. Furthermore, the Company provides general services for its subsidiaries, including secretarial, legal and financial services.
The Company runs its business activities in the territory of Poland and other Central and Eastern European countries.
Echo Investment S.A. has been quoted at the Warsaw Stock Exchange since March 1996.

1. Description of Basic economic and financial values presented in the annual financial statements of Echo Investment S.A. for 2009

Balance sheet
Balance total as at the end of 2009 amounted to PLN **1,303.88 million**, showing an increase in value by **1.04%** as compared to a similar period in 2009**.**

Assets
The structure of assets as at the end of 2009 was the following:

- Fixed assets constitute **48.7%** of all assets , with investment in fully- and partially-owned subsidiaries as the dominant item – constituting **96.3%** of fixed assets and investment property constituting **1.8%** of total fixed assets,
- Current assets constitute **51.3%** of all assets, including inventories constituting **54.7%** of total current assets, loans granted constituting **18.6%** of total current assets, trade and other receivables constituting **18.3%** of total current assets and cash and other money assets constituting **8.1%** of total current assets.

Liabilities
- share capital of Echo Investment S.A as at December 31, 2009 amounted to PLN **21.0 million** and was divided into 420,000,000 ordinary bearer shares series A, B, C, D, E and F with nominal value of PLN **0.05** each,
- the value of equity as at December 31, 2009 amounted to PLN **532.9 million**, showing an increase of **5.5%** in comparison with the balance as at the end of December 2008.
- the structure of equity as at December 31, 2009 was as follows:
  - share capital – **3.9%,**
  - supplementary capital – **89.7%,**
- liabilities constituted **57.7%** of balance total and amounted to PLN **751.7 million.**

Profit and loss statement

- As at the end of December 2010, net sales incomes reached the value of PLN **329,9 million**, showing a decrease by **19.2%** in comparison with the balance as at the end of December 2008.
- operating profit at the end of 2009 amounted to PLN **37.9 million** and was **58.3%** Lower than the profit generated in the previous financial year,
- gross profit amounted to PLN **33,4 million** showing a decrease by **15.7%** in comparison with the profit as at the end of December **2008,**
- net profit amounted to PLN **27.6 million** showing a decrease by **30.8%** in comparison to 2008,
- net profit per share was PLN **0.07.**

Cash flow statement

- the reporting period began with cash balance of PLN **39.6 million**,
- the Company recorded an income of cash in the amount of PLN (+) **28.8 million** on its operating activities, including the biggest in:
  - change in current liabilities, excluding borrowings PLN **(-) 62.4 million**,
  - change in inventories PLN **(+) 44.7 million**,
  - change in receivables PLN **(+) 18.5 million**,
- the Company recorded an income of cash in the amount of PLN (+) **16.0 million** on its investment activities, including the biggest in:
  - income from financial assets PLN **(+) 226.1 million**,
  - expenditure on financial assets PLN **(-) 240.9 million,**
- the Company recorded an income of cash in the amount of PLN (+) **1.5 million** on its financial activities, including the biggest in:
  - issue of debt securities **PLN (+) 100.9 million,**
  - redemption of debt securities PLN **(-) 105,0 million,**
- during the period from January 01, 2009 to December 31, 2009, cash balance increased by PLN **14.3 million**;
- Cash as at the end of December 2009 amounted to PLN **53.9 million**.

2. Description of major risk factors and threats, specifying the extent of the Issuer's exposure

The following should be classified among major risk factors and threats for the operations of the Company

- **competition risk** – associated with conducting business among other developers and the ability to win new customers. One of the advantages of foreign companies operating on the domestic market is their financial resources, which account for their competitive advantage over domestic developer companies. The advantage of Echo Investment S.A. is its extensive experience in execution of developer projects in various market segments and its recognised position on the real estate market in Poland. Experience, knowledge of the market, quality and the contractors' trust contribute to the competitive advantage of the Group. That advantage proved crucial during the last economic crisis, when the Group continued the execution and successful financing of developer projects. The experience gained on the Polish market allows the Group to compete successfully on foreign markets. The Capital Group's rapid growth in recent years and its portfolio of assets indicate that Echo Investment S.A. is capable of efficient functioning on a competitive market.

- **risk of operations on foreign markets** - related to the economic and political situation in the country where the Company operates. The Company's policy relies on diversification of geographic locations (Central and Eastern Europe) and sector-based diversification of its portfolio.

- **interest rate risk** - the activities of Echo Investment S.A. and its subsidiaries are based on external financing. The risk related to changes in interest rates is limited through diversification of interest on loans taken and hedging instruments (fixed rates, IRS).

- **foreign exchange risk** – associated with changes in currency exchange rates. In the Company this risk concerns loans in foreign currencies (most often in Euros) taken by special purpose vehicles. Changes in currency exchange rates increase the Company’s foreign exchange exposure. Contracts with lessees are in the currency of a loan taken to finance a project. Payments obtained from lessees are allocated to the repayment of the aforementioned loan. A combination of financing the project with sources of income significantly minimises foreign exchange risk (natural hedging). Moreover, by reason of a significant impact of changes in foreign exchange rates on the value of future cash flows, Echo Capital Group uses other available financial instruments that can minimise currency risk (forwards and options). These instruments are used to secure future cash flows associated with new loans in a foreign currency.

- **risk of tenants' financial condition** - most of incomes are earned within the range of the capital group's operations from lease of commercial and office space. The key aspect is selection of lessees with stable economic and financial condition. In shopping centre, tenants include chain operators (Tesco, Carrefour, NOMI, brand clothing shops, multi-screen cinemas, etc.). Cooperation with tenants enables undertaking such activities that would continuously improve the attractiveness of leased areas and emphasize the prestige of a given building, thus attracting new clients. The following companies can be mentioned among clients in office buildings: Polkomtel S.A., Deutsche Leasing, and others.

- **risk associated with external contractors –** associated with the quality of services provided by the contractors and their financial standing. When acting as an investor in a given project, Echo Investment S.A. or its subsidiary contracts the project’s execution from third party companies. Execution of these facilities, their timely completion and quality depend largely on these companies. Risk associated with this factor is eliminated to a significant extent through various types of protective measures included in the contracts of buildings execution and through studying the financial standing and technical possibilities of the contractor. Moreover, the company hires inspectors who supervise the execution of projects or outsources specialist supervising companies, and this significantly lessens the risks described above.

- **risk of administrative procedures** – associated with legal changes and time-consuming administrative procedures. Time- consuming procedures of administrative authorities, both home and abroad, determine the date of commencement of the Company's planned investments and may lead to delays in their completion. At the same time, extensive rights of third parties to interfere with administrative procedures frequently extend the duration of investment process, which affects its completion date and profitability.

- **liquidity risk** - the Company manages its liquidity risk through constantly maintaining a sufficient amount of available funds in the form of cash on bank accounts and/or funds assigned through available lines of credit, as well as through monitoring continuously forecast and actual cash flows.

- **risk of adverse changes in the real estate market** – associated with adverse changes in supply and demand and cyclical factors on the market. Echo Investment S.A. tries to minimise the risk of adverse changes on the real estate market through the execution of investment projects in stages and adaptation of the pace of investment realisation to the anticipated demand and prices on local markets.

- **social and economic risks** - risks related to impacts of macro-economic factors beyond Echo Investment S.A. control, affecting achievement of the Company's strategic goals and financial results. Such factors include mainly: inflation, overall condition of the Polish economy, change of economic situation, GNP, variations of realistic incomes of the community, and tax policies. Changes of macroeconomic factors may contribute to a decrease of envisaged incomes or to an increase of operating costs. This is particularly important considering lower GNP growth, deepening State budget deficit, and growing unemployment, which should ultimately lead to a decrease in actual incomes of the population. Social and economic reality may have an impact on Echo Group's revenues and financial result as operating the developed facilities, both in the housing sector and the office, shopping & entertainment sectors, depends on consumers and funds they are able to assign to expenditures

3. Information about key products, specification of their values, quantities and percentages of specific product groups in overall sales volume of Echo Investment Capital Group. Information about changes in the above fields during the financial year.

3.1. Operating segments

During 2009, Echo Investment S.A. and Capital Group companies were developing projects initiated in the previous years, and became involved in new investments in the segments described below.

To minimise the risk of adverse changes in the real estate market, Echo Capital Group may execute investment projects in stages and adapt the pace of investment realisation to expectations, trends, demand and prices in local markets. The Group is carefully monitoring the developments in the real estate market and therefore, decisions concerning implementation of specific projects are taken on an individual basis, according to the assessment of current market conditions. All project completion dates are flexibly and reasonably adapted to actual circumstances.

The Polish market

Segment of shopping centres and shopping and entertainment centres

The stability of the market of shop floor areas results from high market demand, adaptability to specific clients' requirements, and high diversification of sectors and industries.
Tenants of commercial areas in these buildings are domestic and international shopping chains, as well as local companies. Key tenants in shopping centres include: Carrefour, Tesco, Real, Nomi, RTV Euro AGD, Empik, Douglas, Rossmann and other chain brands. As at December 31, 2009 the Company had one retail project in its portfolio – Alma, located in Warsaw, on Zwycięzców street, with GLA of 1,500 sqm.

Projects in progress and under preparation in alphabetical order:

Bełchatów, shopping-entertainment centre (extension of Echo shopping centre)

An extension of the existing Echo shopping centre is planned in Bełchatów, at Kolejowa Street. The existing facility will be modernized and a new building with extra commercial space will be erected on the neighbouring plot of land. Following the extension the Centre will operate under the name Galeria Olimpia. Its total floor area will be about 26,000 square metres (leasable area). More than 750 parking places will be made available to customers. The anticipated date of delivery of this project is 2012.

Kalisz, shopping-entertainment centre

Echo Capital Group intends to develop a modern regional shopping and entertainment centre on its immovable property located in Kalisz. The facility will be built at Górnośląska Street and the Amber Route. A leasable area is about 32,000 square metres. The development is scheduled for completion for the first half of 2013.

Kielce, Galeria Echo shopping-entertainment centre (extension)

During 2009, extension works were carried out for the Galeria Echo shopping & entertainment centre in Kielce, including the construction of the seven-storey parking lot with an area of 45,000 square metres. The parking lot was designed by Pracownia Architektoniczna Detan (Architectonic Design Office) from Kielce, and the construction of the building was designed by JORDAHL & PFEIFER Technika Budowlana Sp. z o.o. The general contractor is EIFFAGE BUDOWNICTWO MITEX S.A. The development of the multi-storey parking lot was completed in August 2009. A shopping-entertainment centre with an area three times bigger than the parking lot (ca. 65,000 square metres of a leasable area) will be opened in 2011.

Koszalin, shopping-entertainment centre

It is planned to develop a modern shopping & entertainment centre in Koszalin, on Krakusa i Wandy Street. The total leasable area will amount to ca. 22,500 square metres. The development is scheduled for completion in the first half of 2013.

Lublin, shopping-entertainment centre

The Company's investment plans include the development of Park Echo in Górki Czechowskie, Lublin. The Company plans to develop the following projects on the aforementioned property:

- a shopping-entertainment centre (Centre), with a total selling area up to 80,000 sq m, execution of which will be accompanied by the re-construction of the roads network around the planned Centre as an indispensable part of the service of the Centre,
- service and office complex as a supplement to the functional portfolio of the Centre,
- amusement and landscape park with an urban character.

The Management Board of the Company is trying to reach an agreement with the Lublin Municipality on the details concerning the investment project scheduled by Echo Investment Group.

Łomża, VENEDA shopping-entertainment centre

Erection of the shopping centre in Łomża is going to supplement the Company's portfolio of retail space. The centre will be built at the crossing of Zawadzka and Sikorskiego Streets. The shopping centre will have approximately 14,000 square metres of floor space. In mid-2009, the City Council adopted a Local Spatial Development Plan for the centre, which enabled the Company to take further steps in project execution. The Galeria Veneda development is scheduled for completion in the first half of 2012.

Poznań, METROPOLIS shopping-entertainment centre

Echo Capital Group is planning to build a modern shopping and entertainment centre called METROPOLIS on its property situated in Poznan, at Hetmańska Street, offering about 80,000 sq m of space for rent. The Group is currently determining the architectural concept of the design. The development is scheduled for completion in the second half of 2013.

Słupsk, ARENA shopping-entertainment centre

The Company is planning to build a shopping and entertainment centre called Arena on its immovable property situated in Słupsk, at Grottgera Street. The facility will offer about 38,000 sq. m of leasable area. 94% of the area has already been let. The Capital Group obtained a building permit for the erection of the aforementioned centre. Implementation works are going to start as soon as financing is obtained.

Szczecin, ASTRA shopping Centre

Astra shopping centre will be developed in the place of the facility operating at A. Struga Street in Szczecin. Total leasable area of the shopping centre will be about 25,000 square metres. The next stage of the project, which is to be commenced in the future, includes also a development of an entertainment centre. Astra shopping Centre will be delivered in the second half of 2011.

Wrocław, PASAŻ GRUNWALDZKI shopping-entertainment centre (extension)

Pasaż Grunwaldzki is a shopping-entertainment centre located at Plac Grunwaldzki in Wrocław. Currently, nearly 200 shops and service outlets operate on the approximate area of 52,000 square metres. Echo Capital Group intends to expand this project. When completed the centre will have over 68,000 square metres of leasable area. Almost 50 new shops will be opened in the shopping section, and nearly 1,600 parking places will be made available to customers. The extended centre will be delivered in 2012.

Other shopping centres and shopping-entertainment centres

Echo Capital Group also intends to extend some of its existing shopping and shopping-entertainment centres. These projects are currently in the phase of obtaining additional land and administrative decisions.
Future operations of Capital Group companies will focus on the execution of new projects, also including projects in smaller Polish towns, as well as the increasing of the portfolio of commercial areas for lease, including the extension of existing projects.

Segment of office space

In the office space segment Echo Investment Capital Group has facilities to let in Warsaw, Poznan, and Szczecin. In the office space segment Echo Investment Capital Group has facilities to let in Warsaw, Poznan, and Szczecin.
Although this market segment is highly competitive, due to their proper location and appropriate standards, the projects in Echo Capital Group's portfolio ensure stable income from long-term lease contracts. Office space is rented to recognized companies such as: Polkomtel SA, Deutsche Leasing, Impel SA, Colgate-Palmolive, Porr Polska, Modzelewski & Rodek, Roche Diagnostic Polska and others.

Projects in progress and under preparation, in alphabetical order:

Gdansk, project on Jana z Kolna Street

The Company intends to develop office space on the immovable property in Gdańsk, at Jana z Kolna Street. The class A building designed by Arch-Deco design studio of Gdynia shall comprise over 23,000 sq m of leasable area. Administrative procedures are currently advancing in regard of obtaining the required permits and design works. The anticipated start date of development is the first half of 2011, and the date of delivery of the building to lessees is the second half of 2012.

Katowice, project on Francuska Street

A business park with a leasable area of ca. 50,000 square metres is planned on the Company's land in Katowice at the crossing of al. Górnośląska and Francuska Street. This facility, designed by DDJM Biuro Architektoniczne design office, will be executed in three stages. Administrative procedures are now in progress for obtaining a building permit for the planned office complex. The commencement of the first stage of this development is scheduled for the first half of 2011. The whole facility will be ready for opening in the second half of 2012.

Kraków, AVATAR project

In 2009 a modern class A office building with an above-ground and underground parking lot was being developed at Lea Street in Kraków. The architectonic concept was designed by DDJM Biuro Architektoniczne Sp. z o.o. design office in Kraków. The contractor of the raw state will be the company Modzelewski & Rodek Sp. z o.o. from Warsaw. 100% of space in the building was rented by Fortis Bank Polska SA with its registered seat in Kraków. The rented area amounts to ca. 11,000 sq m. In January 2010 about one-third of the building area was delivered. The completion of the whole project is scheduled in the second quarter of 2010.

Kraków, project at Opolska Street

A modern class A office project is scheduled for development on the land property in Krakow, at Opolska and 29 Listopada Streets, with a leasable area in excess of 60,000 sq m. Administrative procedures are now in progress for obtaining a building permit for the planned office complex. The project will be executed in three stages, with commencement expected in the first half of 2011 and the first stage is planned to be finished in the second half of 2012.

Łódź, AURUS project

In order to optimise the investment project, the design of two class A office buildings located on the property in Łódź, at Piłsudskiego Street is undergoing changes at the moment. The redesigning will allow for a more flexible adaptation to the situation on the property market and will let the Group execute and sell the project in stages. A total leasable area of the project is ca. 20,000 square metres. According to the plans, the execution of the first stage will finish in the first half of 2012.

Poznań, Malta Office Park

During 2009, development works were carried out on the consecutive second stage of that complex, incorporating about 15,000 square meters of leasable area. The first part was handed over to operators in December 2009, the next one will be ready in the second half of 2010. In June 2009 a legally-binding building permit was obtained for the 3rd stage of investment, with start date scheduled for the second half of 2010 and date of delivery to users before the end of 2011. The envisaged leasable area of the entire complex shall be about 31,000 square metres.

Szczecin, Oxygen project

In July 2009 execution of a modern office building Oxygen project was re-commenced on the property located in Szczecin at Malczewskiego Street. Around 14,000 square metres of the building area are scheduled for lease to companies specialising in advanced information and telecommunications technologies. The building was designed by Arch-Deco design office in Gdansk. The completion of the whole project is scheduled in the second half of 2010.

Warsaw, Park Postępu

Development of an office complex with a multi-storey underground parking lot located in Warsaw at Postepu 21 Street was continued in 2009. The project with a leasable area of nearly 34,000 square metres consists of four office buildings and was designed by APA Wojciechowski design office in Warsaw. The raw state contractor and the general contractor of the investment is the company Modzelewski & Rodek Sp. z o.o. based in Warsaw. This year in September a legally-binding permit for the use of 3 of 4 office park buildings was obtained. The completion of the II stage of the project is scheduled in the second half of 2010.

The hotel segment

The Company's long experience and recognised partners provide good grounds for the Company's operations in the hotel market. During the previous years Echo Investment S.A. provided complex development services related to hotels as key clients, acting as a project manager and general contractor of such investments. The Capital Group's projects in the hotel segment were executed in cooperation with the operators of international hotel chains: Accor and Envergue groups of France, and the Qubus group of Norway. Its complete hotels operate in Warsaw, Kielce, Krakow, Szczecin, Łódź, Poznan, Czestochowa, Zabrze, Gliwice. In the future, the Company is going to build hotels in cooperation with international hotel operators.

Łódź, hotel Novotel

In the third quarter of 2009 the Capital Group finished the negotiations with Orbis SA and decided on the final schedule of the investment. In line with the General Contracting Agreement signed in 2009 a Novotel-class hotel will be built on the property in Łódź at Piłsudskiego Street, with an area ca. 7,200 square metres. The conditions of the property sale had been established in a separate preliminary sale agreement. The completion of the development is scheduled for the 1st half of 2012.

Housing segment

In the housing segment, Echo Capital Group carries out investment projects ranging from luxury apartment complexes, through high and medium standard residential buildings, to estates of single-family houses.
In relation to adverse market conditions on the housing market, the Capital Group does not exclude the execution of planned investments in stages, stopping of the development of housing projects and adaptation of the investment schedules to the actual situation on the market.

Projects in progress and under preparation, in alphabetical order:

Vicinity of Kielce, estate of detached houses in Bilcza

In 2009 the sale of land plots, located in Bilcza near Kielce, was continued within an estate of single-family houses (Bilcza II) designed by Konsorcjum Pisarczyk & Tracz Architekci design studio of Kielce. The offering concerns the sale of land plots with utility connections and finished house designs, with an initial area of ca. 125,000 square metres.

Vicinity of Kielce, estate of detached houses in Dyminy

In 2009 preparation for the development of another housing estate on the immovable property situated in Dyminy near Kielce took place. The housing estate designed by StoMM Architektura Maciej Stoczkiewicz design office of Kielce will comprise land plots with an area of ca. 160,000 square metres. The Company intends to sell these land plots with house designs. At present, administrative procedures are in progress for obtaining a building permit, and the commencement of the project is scheduled for the second half of 2010. The completion of the project is planned for the end of 2013.

Kraków, project on Kilińskiego Street

The Company owns a plot of land (1,000 square metres) in Kraków, at Kilinskiego Street. The development concept assumes the construction of a small 2,5-storey residential building. Due to a low scale of the project, the Company has resigned from its execution and decided to sell the property after obtaining relevant administrative decisions.

Kraków, project on Korzeniowskiego Street

The Company is going to commence the development of a housing project in Kraków, at Korzeniowskiego Street. This building, designed by The Blok design office, will have an area of about 3,000 square metres (40 apartments). The project is in the phase of obtaining administrative permits. The permits are expected to be obtained in the second half of 2010. The launch of the project is expected in the end of 2010 and its completion is planned for the mid 2012.

Kraków, project on Krasickiego Street

In 2009 preparation for the development of a housing and commercial facility to be erected in Krakow, at Krasickiego Street (area for sale around 4,700 square metres) took place. The building, designed by Studio S - Biuro Architektoniczne Szymanowski design office of Krakow, will contain ca. 80 apartments. The investment is planned to commence at the beginning of the second half of 2010. Its completion is scheduled no later than the beginning of 2012.

Kraków, project on Tyniecka Street

The Company intends to develop residential buildings on its land situated in Krakow, at Tyniecka Street. Area for sale will be about 4,300 square metres (43 apartments). The Company intends to obtain administrative decisions in the second half of 2010. The commencement is planned for the beginning of 2010 and the completion for the beginning of 2012.

Kraków, project on Bronowicka Street

The Company intends to develop a residential building on its land situated in Krakow, Bronowicka Street, for an approximate sale area of 3,300 square metres. Due to a low scale of the project, the Company is considering the sale of the property after obtaining relevant administrative decisions.

Łódź, project on Okopowa and Górnicza Street

Preparatory work continued in relation to the construction of residential buildings in Łódź, at Okopowa and Gornicza Streets. According to two current development concepts the estimated area for sale will be about 40,000 square metres (ca. 650 apartments). The Company is at the stage of obtaining administrative decisions relating to the development of the project. The project will be executed in stages. The duration of the project is scheduled for five years, starting from the second half of 2010.

Łódź, project on Wodna Street

The Company is also going to develop residential buildings on its real estate in Łódź, at Wodna Street. The new development concept provides for the construction of about 300 apartments, with a total area for sale exceeding 20,000 sq. m. The Company has already obtained the zoning decision allowing for the development of the project. The project is in the phase of concept agreement and the obtaining of a construction permit, which should take place in the first half of 2010. The project will be executed in stages. It is scheduled to commence in the 1st half of 2011 and to finish in 2014.

Poznań, Osiedle Naramowice

The preparatory work in relation to Stage IV was completed and the preparatory work in relation to Stage V was continued. Both stages relate to the Naramowice Housing Estate development, designed by Archikwadrat Sp. z o.o. of Poznan. Area to sell in stage IV will amount to ca. 18,000 sq m. Stage IV will be commenced in the end of the first half of 2010 and completed in the second half of 2012. Stage V will last approximately 2 years, starting from the end of 2010.
Echo Investment Capital Group's reserve of land in Poznan enables the Company to carry on with subsequent stages of the Naramowice Housing Estate project.

Poznań, project on Wojskowa Street, Kasztanowa Aleja (Chestnut Alley)

The decision was made to re-commence the project Kasztanowa Aleja (Chestnut Alley) in Poznan, at Wojskowa Street (over 17,000 square metres, two stages). The project development starts in early 2010. The completion of the first stage is planned for mid 2011. The second stage of the project will be probably completed by the end of 2012.

Poznań, project on Litewska and Grudzieniec Street

Preparatory works connected with the sale of land plots within the property situated in Poznan at Litewska Street and Grudzieniec Street took place. The total area of plots of land for sale is 11,000 sq m. The Company plans to sell the plots of land with house designs. The sale is scheduled to commence in the first half of 2011 and will last for 12 months.

Warsaw, Project on Kazimierzowska Street, Klimt House

In relation to the changes on the market, a decision to change the schedule of development and sale of the Klimt House project, situated in Warsaw at Kazimierzowska Street, was made (net area is about 5,200 square metres). The design of this residential building, developed by Mąka Sojka Architekci Sp. J. Design Company from Warsaw, assumes the development of ca. 60 apartments with several service outlets. The re-commencement took place at the beginning of 2010 and is going to last until the end of 2010.

Warsaw, Bielany housing estate

A development project of a housing estate in Warsaw, Bielany district (Młociński Forest) is under preparation. 31 plots of land have been detached from the property 6.3 hectares in size. The anticipated area of plots of land for sale is nearly 53,000 square metres. The project was designed by W.M. Musiał Architekci Sp. z o.o. architectural design studio from Warsaw, and StoMM Architektura Maciej Stoczkiewicz from Kielce. The Company assumes that the building permit will be obtained until the end of 2010. The development will be completed in about one year.

Wrocław, project on Jedności Narodowej Street

The Company plans to develop a residential project comprising about 200 apartments with a living area of ca. 14, 000 sq m on the property situated in Wroclaw at Jedności Narodowej Street, with a total area of 7.4 thousand sq m. The Company obtained a planning permission allowing the development of the investment. Design works have been started. The project will be carried out in stages. The first stage of the project will commence at the end of 2010 and the completion of the project is planned for the first half of 2012.

Wroclaw, project on Grota – Roweckiego Street

The Company plans to develop a residential project comprising almost 280 apartments with a living area of ca. 20.000 sq. m. on the property situated in Wroclaw, at Grota Roweckiego Street, with a total area of ca. 3 ha. The project will be carried out in stages. The first stage of the project will commence in the first half of 2011 and the completion of the project is planned for the first half of 2015.

Foreign market

Hungary

Segment of shopping centres and shopping-entertainment centres

Budapest, MUNDO shopping-entertainment centre

A modern, multifunctional shopping and entertainment centre called MUNDO will be erected on the Company's property, about 6.84 hectares in size, situated in Zuglo, 14th District of Budapest. The building was designed by Mofo Architekci Sp. z o.o. design office of Kraków. A preliminary building permit has been obtained. The project has a leasable area of ca. 35,000 sq m. The commercialisation of the project is currently in progress and the commencement will take place as soon as the appropriate lease ratio is achieved and relevant external financing is secured.

Segment of office building projects

Budapest, MUNDO project

The development of an office park belonging to MUNDO project in Budapest is under preparation. The leasable space will amount to ca. 37,000 sq m. The office park was designed by Mofo Architekci Sp. z o.o. design office of Kraków. A preliminary building permit for the office complex has been obtained.

Romania

Segment of shopping centres and shopping-entertainment centres

Brasov, KORONA shopping-entertainment centre

Echo Capital Group intends to develop a modern shopping and entertainment centre, with a leasable area of ca. 40,000 sq. m., on its property in Brasov, at Stadionului Street. The centre was designed by IMB Asymetria design office of Poland in cooperation with a Romanian design office Dico si Tiganas. A building permit has already been obtained. The commercialisation process of the project has been started by the experts of Echo Investment S.A. in close cooperation with a Romanian branch of Jones Lang LaSalle agency. The development is scheduled to commence as soon as the appropriate lease ratio is achieved and relevant external financing is secured.

Ukraine

Segment of office building projects

Kiev, project at Dehtiarivska Street

In October 2009 the subsidiary of Echo Investment S.A. acquired the right to administer the property located in Kiev, at Dehtiarivska Street. In the first quarter of the current year the subsidiary obtained the ownership title to the aforementioned property. The Company plans to develop an office park, with a leasable area of about 100,000 sq m on the property. The design works connected with the office park will start in the current year. The project will be executed in stages. The commencement of Stage I is scheduled for mid 2011 and its completion for the second half of 2012.

3.2. Structure of net sales revenues

Structure of net sales revenues (in millions PLN) earned by Echo Investment S.A. *Capital Group during the years 2009-2008:*

Specification	01.01.2009 - 31.12.2009	share %	01.01.2008 - 31.12.2008	share %
Sale of residential and commercial space	62.5	18.9%	165.6	40.6%
Project implementation services	210.6	63.8%	194.1	47.6%
Property trade	7.7	2.3%	6.7	1.6%
Lease services	7.3	2.4%	6.4	1.6%
Legal, bookkeeping and consulting services	30.6	9.3%	31.3	7.7%
Other incomes	11.2	3.4%	4.1	1.0%
Net income from sale of products, total	**329.9**	**100%**	**408.2**	**100%**

4. Information on the sales markets, divided into domestic and foreign, and changes isources of supply of materials for production, specifying dependency on one or several clients or suppliers and if the share of a single client or supplier reaches at least 10% of income from sales total - specifying the name of such supplier or client, his share in sales or purchases and his formal relationships with Echo Investment S.A.

Sales markets
All projects executed by the Company in 2009 were located in the Polish market only (Warsaw, Kraków, Poznan, Lodz, Szczecin and Kielce).

Changes in sources of supply
With regard to purchase of services provided by Echo Investment S.A., the dominant share measured as the proportion between purchases and income front sales total is held by companies partnering the Company in the range of execution of specific developer projects. In 2009, the value of trade with one party exceeded the 10% threshold of the value of the Capital Group's income. There are no ties present between Modzelewski & Rodek Sp. z o.o. and Echo Investment S.A.

Largest vendors of the Company in 2009:

Contracting party	Value of turnover [in million PLN]	% in net sales income
Modzelewski & Rodek Sp. z o.o.	89.0	27.0%
Eiffage Budownictwo MITEX S.A.	28.7	8.7%
PB Calbud Sp. z o.o.	15.0	4.5%

Changes among buyers
The clients of Echo Investment S.A. are buyers of investment development services.
In 2009 trade with three contract parties, related to the Capital Group, exceeded 10% of consolidated net income from sales. The transactions are presented in item 1 of this report.

Largest buyers of Echo Investment Capital Group in 2009:

Contracting party	Value of turnover [in million PLN]	% in net sales income
Echo – Park Postępu Sp. z o.o.	87.6	26.6%
Echo – Galeria Kielce Sp. z o.o.	52.2	15.8%
Echo – Projekt 63 Sp. z o.o.	37.2	11.3%
Echo – Oxygen Sp. z o.o.	18.3	5.5%

5. Significant contracts for Echo Investment S.A. business operations, including known to the Company contracts made between shareholders and insurance contracts, partnering agreements or cooperation agreements made during the year 2009.

5.1. Contracts significant for the economic activity of Echo Investment S.A.

Credit agreements

On June 15, 2009 the Issuer received the Credit Agreement (the Agreement) executed by correspondence on June 10, 2009 between the Issuer's subsidiary 'Echo – Park Postępu' Sp. z o.o. with its registered seat in Kielce (the Subsidiary, the Borrower) and Bank Eurohypo AG with its registered seat in Eschborn (Germany) (the Bank, the Lender). Under the aforementioned Agreement, the Lender grants the Borrower a credit facility amounting to EUR 50 million (which according to the average exchange rate of the National Bank of Poland as at the date of conclusion of the Agreement amounts to PLN 223,645,000). The credit facility will be in five tranches until September 30, 2010 included. Interest rate will be determined on the basis of variable EURIBOR 3M plus the Bank's profit margin. The ultimate debt repayment date is January 31, 2020. The cash obtained under the Agreement will be used to re-finance the completion of buildings of Postępu Office Park in Warsaw, consisting of four seven-storey office buildings with a total lease area amounting to ca. 33,400 sq m including 811 parking lots, situated on a plot of land with an area of over 11,800 sq m. (the Property). The Subsidiary owns the aforementioned complex of office buildings, and in relation to the Property, the Subsidiary holds the right of perpetual usufruct.

The credit is secured by the following:
- capped mortgage on the Borrower's Property;
- a registered pledge on the shares of share capital of the Subsidiary, belonging to the Issuer and the Issuer's Subsidiary 'Projekt Echo – 17' Sp. z o.o.
- an assignment of receivables under the Borrower's lease contracts, sureties and guarantees and insurance policies, as well as GRI Contracts and Management Contracts
- a registered and financial pledge on the Borrower's bank accounts;
- a statement of the Borrower on voluntary submission to enforcement proceedings.
At the same time, the parties to the Agreement shall sign a security agreement against exchange rate risk, which will serve as a basis for swap and forward swap transactions or derivatives transactions for the whole credit or for the part of the remaining tranches.

On June 22, 2009 a credit agreement (the Agreement) was executed between the Issuer's subsidiary, Malta Office Park Sp. z o.o. with its registered seat in Kielce (the Subsidiary, the Borrower) and Bank Westdeutsche ImmobilienBank AG with its registered seat in Mainz (Germany), (the Bank, the Lender). Under the aforementioned Agreement, the Lender grants the Borrower with a credit facility amounting to EUR 31.785 million (which according to the average exchange rate of the National Bank of Poland as at the date of conclusion of the Agreement amounts to PLN 143,150,104.50). Interest rate will be determined on the basis of annual fixed or variable EURIBOR 3M rate plus the Bank's profit margin. The credit facility will be in two tranches. Part of the Credit will be used to refinance expenses related to the development of Stage I of Malta Office Park in Poznan (the Project); the remaining cash will finance the development of Stage II of the Project and to finance the Borrower's current operations. The complex Malta Office Park in Poznan (stage I and II) consists of five office buildings with a total lease area amounting to ca. 22,640 sq m including 458 parking lots, situated on a plot of land with an area of 30,800 sq m. (the Property). At the same time, in accordance with the aforementioned Agreement, the Bank grants the Borrower with a credit facility amounting up to PLN 20 million to finance VAT tax related to the development of the aforementioned investment. Interest rate of the credit facility in PLN will be determined on the basis of WIBOR 1M plus the Bank's profit margin. The ultimate debt repayment date is 63 months from the day of signing of this Agreement.

The credit is secured by the following:
- capped mortgage on the Borrower's Property;
- a registered pledge on the shares of share capital of the Subsidiary, belonging to the Issuer and the Issuer's Subsidiary 'Projekt Echo – 17' Sp. z o.o.
- an assignment of receivables under the Borrower's lease contracts, sureties and guarantees, insurance policies and execution contracts;
- a registered and financial pledge on the Borrower's bank accounts;
- a statement of the Borrower on voluntary submission to enforcement proceedings.

At the same time the Borrower shall sign a hedging agreement with the Bank or other banks, under which hedging transactions against the interest rate risk shall be carried out.

On August 20, 2009 an Annex to an agreement of August 21, 2006 (the Agreement) was signed between Echo Investment SA with its registered seat in Kielce (the Borrower) and Powszechna Kasa Oszczędności Bank Polski SA with its registered seat in Warsaw (the Lender, PKO BP SA) for a multi-purpose credit limit up to a total amount of PLN 80 million. Under the aforementioned Annex the credit period was extended until August 19, 2012. Under the credit agreement the Lender grants the Borrower with the following:

- a credit facility in the current account in PLN;
- a revolving credit facility in PLN;
- bank guarantee limit.

Interest rate of funds acquired under the Agreement will be determined on the basis of variable 3M WIBOR rate plus the PKO BP SA profit margin. The debt repayment will be secured by the Borrower's blank promissory note including a declaration, a power of attorney to the Borrower's bank accounts in PKO BP SA and the Borrower's statement of submission to enforcement proceedings.

On September 14, 2009 an annex was signed to the credit agreement in current account from March 25, 2003, amendments included, between Echo Investment SA (the Borrower) and Bank BPH PBK SA (the Lender, currently Bank PeKaO SA as the legal successor). Under the aforementioned annex, the amount of the revolving credit facility in current account was decreased to PLN 30 million. The credit was granted to finance the current operations of the Borrower, excluding the financing of the subsidiaries. Other provisions of the agreement remain unchanged.

According to an annex from September 14, 2009 to a revolving credit agreement from March 07, 2002 amendments included, signed between Echo Investment SA (the Borrower) and Bank PeKaO SA (the Lender), the amount of credit was increased to PLN 100 million. The date of credit availability was also amended and was extended until June 30, 2010. The credit was granted to finance the acquisition of property and plots of land associated with new investment projects. Other provisions of the agreement remain unchanged.

On October 6, 2009 a credit agreement (the Agreement) was signed between the subsidiaries of Echo Investment SA, 'Echo – Galeria Kielce' Sp. z o.o. with its registered seat in Kielce (the Borrower), 'Projekt Echo – 62' Sp. z o.o. with its registered seat in Kielce (the Guarantor) and Bank Eurohypo AG with its registered seat in Eschborn (Germany), (the Bank, the Lender). Under the aforementioned Agreement, the Lender grants the Borrower with a credit facility amounting to EUR 100 million (which according to the average exchange rate of the National Bank of Poland as at the date of conclusion of the Agreement amounts to PLN 417.8 million). The credit facility will be in two tranches until March 31, 2012 included. Interest rate will be determined on the basis of EURIBOR 3M rate plus the Bank's margin. The ultimate debt repayment date is March 31, 2020. The funds obtained under the Agreement shall finance the extension of Galeria Echo shopping-entertainment in Kielce at the crossing of Al. Solidarności and

Świętokrzyska Street (the Centre). The total lease area of the Centre after the extension shall amount to ca. 67,000 sq m including around 2,200 parking lots.

The credit is secured by the following:
- capped mortgage on the Borrower's Property located in Kielce at Świętokrzyska Street, with a total area of ca. 5.7951 hectares;
- registered and financial pledge on the shares in the share capital of the Borrower held by the subsidiaries of Echo Investment SA, 'Echo Kielce 1' Sp. z o.o. and 'Projekt Echo – 93' Sp. z o.o.,
- assignment of receivables due to the Borrower under the lease contracts, guarantees, General Execution Contract, insurance policies and Management Contracts;
- registered and financial pledge on the Borrower's bank accounts;
- capped mortgage established by the Guarantor on the Property located in Wrocław at Plac Grunwaldzki with a total area of ca. 3.4758 ha, which shall be valid until no later than March 31, 2012;
- registered pledge on shares in the share capital of the Guarantor, held by the subsidiaries of Echo Investment SA, 'Echo – Pasaż Grunwaldzki Spółka z Ograniczoną Odpowiedzialnością' Sp.k. and 'Projekt Echo – 17' Sp. z o.o., which shall be valid until no later than March 31, 2012;
- pledge on the Borrower's and Guarantor's bank accounts, which shall be valid until no later than March 31, 2012;
- surety of Echo Investment SA, which shall be valid from the day of using of the first tranche of the credit facility until the validation of the entry of the registered pledge;
- the Borrower's statement of submission to enforcement proceedings.

At the same time the Borrower is obliged to sign surety agreements with the Bank as collateral against the exchange rate risk and interest rate risk, on the basis of which swap transactions, forward swap transactions or derivatives transactions shall be carried out, either for the whole credit or the outstanding tranches.

On November 26, 2009 an annex to the credit agreement from March 10, 2006, amendments included was signed between the Issuer's subsidiary Projekt Echo – 62 Sp. z o.o. with its registered seat in Kielce (the Subsidiary, the Borrower) and Bank Eurohypo AG with its registered seat in Eschborn (Germany) (the Lender, the Bank).

Under the aforementioned Annex the Lender grants the Borrower with an additional credit amounting to EUR 15.5 million (which according to the average exchange rate of the National Bank of Poland as at the date of conclusion of the Agreement amounts to PLN 64,078,550.00). The credit shall finance the Subsidiary's current operations. The ultimate debt repayment date is September 30, 2022.

Interest rate will be determined on the basis of variable EURIBOR rate, plus the Bank's profit margin.

The credit is secured by the following:

- capped mortgage on the Borrower's ownership right to the property located in Wroclaw at the confluence of Piastowska, Grunwaldzka, M. Reja, M. Curie-Skłodowskiej Streets and Pl. Grunwaldzki;
- registered and financial pledge on the shares in the share capital of the Subsidiary.

At the same time the Borrower shall sign a hedging agreement with the Bank or other banks under which hedging transactions against the interest rate risk shall be carried out.

Property trade

On January 21, 2009 a final purchase agreement was concluded between Echo Investment S.A. (the Buyer) and TBS Nash Dom Sp. z o.o. with its registered seat in Poznan (the Seller). Under the aforementioned agreement, the Buyer acquired the ownership title to an undeveloped property located in Poznan at Katowicka Street, for the amount of PLN 3.16 million.

On February 21, 2009 a sale agreement was signed between Echo Investment S.A. (the Seller) and Echo-Property Poznań 1 Sp. z o.o. (the Buyer). Under the aforementioned agreement, the Seller sells the ownership title to a property located in Kraków at Tyniecka Street, with an area of ca. 10,060 sq m. The value of the agreement amounts to PLN 4.3 million.

On April 29, 2009 an agreement of sale of the perpetual usufruct of land right was signed between Echo Investment S.A. (the Seller) and Eiffage Budownictwo Mitex S.A. (the Buyer). Under the aforementioned agreement, the Seller sells the perpetual usufruct of land right of an area of over 800 sq m located at Lodzka Street in Kielce. The value of the agreement amounts to PLN 167 thousand net.

On June 8, 2009 a final purchase agreement was concluded between Echo Investment S.A. (the Seller) and Malta Office Park Sp. z o.o. (the Buyer). Under the aforementioned agreement, the Buyer acquired the ownership title to a plot of land with an area of 1,379 sq m, located in Poznan at Katowicka Street for an amount of PLN 3.27 million net.

Shopping centres and shopping-entertainment centres

On May 14, 2009 Echo Investment S.A. and Studio A4 Sp. z o.o. with its registered seat in Szczecin signed a design work agreement related to Astra Shopping Centre in Szczecin. The value of the agreement amounts to PLN 750 thousand.

In June 2009 the building works of a sports hall developed as part of stage II of the extension of Galeria Echo shopping-entertainment centre in Kielce started. On June 1, 2009 the Company Echo Investment signed an agreement of the development of a sports hall, which general contractor shall be Fakt Budownictwo Sp. z o.o. of Kielce. The net value of the agreement amounts to PLN 9.9 million. The investment will be completed on December 31, 2009. Currently ground works are in progress. The area of the sports hall shall be ca. 3500 sq m.

On June 24, 2009 the City Council of Lomza adopted a Local Zoning Plan. The adoption allows the development of Galeria Veneda shopping centre planned by Echo Investment. The centre shall be located at the confluence of Zawadzka and Sikorskiego Streets in Lomza. Around 90 shops and a hypermarket will be built on the area of ca. 39,000 sq m. The architectural concept was developed by Mąka Sojka Architekci design office of Warsaw in co-operation with the architects of Echo Investment.

On July 29, 2009 Echo Investment S.A. and its subsidiary Projekt Echo – 56 Sp. z o.o. signed an agreement of the preparation of investment. Under the concluded agreement, Echo Investment SA shall perform all activities related to the preparation of the extension of the shopping centre in Jelenia Gora at Jana Pawła II Street. The value of agreement shall amount to no more than PLN 2 million.

On October 8, 2009 Echo Investment SA and Eiffage Budownictwo Mitex SA with its registered seat in Warsaw (the General Contractor of Investment) signed the General Realisation of Investment Agreement (the Agreement). Under the General Realisation of Investment Agreement, the General Contractor of Investment shall perform all work related to the extension of Galeria Echo shopping-entertainment Centre (the Centre) including the external infrastructure and zoning, on a property located in Kielce at the confluence of Świętokrzyska Street and Aleja Solidarności (the Facility). The works include among others:

- the demolition and modernisation of the part of existing Centre;
- the general realisation of extension of the Facility;
- all necessary site acceptance testing by relevant services;
- obtaining a legally-binding permit of use of the Facility;

After the extension the total lease area of the Centre shall amount to ca. 67,000 sq m. The building shall be completed until May 2011. The Contractor's remuneration for the realisation of the Facility is a lump sum of PLN 161.3 million net. The Agreement envisages contractual penalties, which total value may exceed the equivalent of EUR 200,000 in PLN, but no higher than 10% of net remuneration on the realization of the Building. The grounds for calculation of contractual penalties will be failure to carry out or inadequate execution of work connected with construction of the Facility, including the delays or termination of the Agreement by Echo Investment SA or the Contractor for reasons for which the other party to the Agreement is responsible. Payment of contractual penalties does not exclude claims for indemnity, which may exceed the value of contractual penalties.

Offices and Hotels

On January 6, 2009 the Issuer's subsidiary 'Projekt Echo - 63' Spółką z ograniczoną odpowiedzialnością with its registered seat in Kielce (the Investor) and Echo Investment S.A. with its registered seat in Kielce (the General Contractor) signed an annex 1 (the Annex) to the agreement of general realisation of the facility of October 8, 2008 (GRI Agreement), in which the parties agreed on the remuneration under the aforementioned GRI Agreement. Under the Annex, the General Contractor shall receive remuneration based on the investment budget, which estimated value amounts to about PLN 78.4 million net. On the basis of the concluded Agreement the Contractor undertakes to carry out construction work consisting of general construction of the Office building including the underground car park and necessary infrastructure on the property located in Kraków at Lea Street (the Office building, the Investment) until its completion, i.e. the handover of the Office building to the Investor and other users of space in the Office building and acquiring all necessary technical acceptance from relevant services necessary for the Building's handover.

On February 16, 2009 Echo Investment S.A. with its registered seat in Kielce (the Investor) and Modzelewski & Rodek Sp. z o.o. with its registered seat in Warsaw (the Contractor) signed an annex no. 2 of February 12, 2009 (Annex) to the agreement for the contraction of raw state of the facility of September 8, 2008 (the Agreement).
Under the concluded Agreement, the Contractor shall carry out all works related to the development of the raw state of an office and commercial complex (the Facility) located on a property in Lodz at Piłsudskiego Street (the Subject of the Agreement). The Contractor shall also obtain a decision on all relevant amendments to the building permit, in the event of amendments introduced by the Contractor which make the obtaining of such a decision necessary. The Subject of the Agreement shall be completed until July 24, 2009.
Under the concluded Annex, the parties to the Agreement decide that on the day of signing of the Annex, the Agreement shall be terminated by the agreement of the parties. The reason of termination of the Agreement is the suspension of the development of the Facility due to the necessity to redesign the Facility in order to optimize the investment process. The scheduled amendments will allow for more flexible adaptation to the current situation on the property market and will enable to develop and sell the project in stages.
As a result of termination of the Agreement, the Contractor's remuneration for the execution of the Subject of the Agreement shall amount to PLN 10,839,703.00 net. The amount includes the remuneration for the execution of the Subject of the Agreement until the day of its termination and the cost of securing the works already carried out and other activities indispensable to complete the project and leave the building site by the Contractor. The parties to the Annex decide that the aforementioned remuneration is sufficient to cover all mutual claims related to the settlement of basic works and works and activities performed in relation to the necessity to finish the works and the termination of this Agreement. At the same time, the Issuer's Management Board informs that due to the aforementioned amendments, the scheduled completion of stage I of the Facility is the second half of 2010.

On April 17, 2009 the Issuer received an annex no. 1 of April 15, 2009 (the Annex) to the agreement for the contraction of zero state of the facility of December 18, 2008 (the Agreement), signed by way of circulation by 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 concluded Agreement, the Contractor shall carry out all works related to the development of zero state of an office complex located on a property in Kraków at Lea Street (the Subject of the Agreement, the Facility), including, among others, ground works, construction of zero state including all necessary installations. The Contractor shall also obtain all necessary amendments to decisions in the building permit, in the event of amendments introduced by the Contractor which make obtaining of such a decision necessary.
Under the signed Annex, the scope of works was expanded by the execution of SRC above-ground structure of the Facility. Due to the amendments of the scope of the Agreement, the Contractor's remuneration is increased by the amount of PLN 3.92 million net to the amount of PLN 11.47 million net. Currently the deadline of the completion of the Subject of the Agreement is August 17, 2009.

On June 3, 2009 Echo Investment S.A. and Metalplast Stolarka Sp. z o.o. of Bielsko-Biala concluded an agreement for the execution of the elevation of the facility (an office building in Kraków at Lea Street). The value of agreement is PLN 6.215 million. The execution shall be completed on November 27, 2009.

On October 16, 2009 the Management Board of Echo Investment SA, within the meaning of Article 57 Part 3 of the Act on Public Quotations and Conditions of Introducing Financial Instruments to Organized Trade and on Public Companies as of July 29, 2005 (Journal of Laws no. 184 item 1539 amendments included), published confidential information, which was communicated to the public with delay under the Minister of Finance Regulation of April 13, 2006 on the kind of information that may undermine the legitimate interest of the issuer and on the issuer's conduct in relation to the delay in the publishing of the confidential information (Journal of Laws of 2006, No. 67 item 476).

On July 28, 2008 a subsidiary of Echo Investment SA, Wlementor Holdings Limited with its registered seat in Nicosia (Cyprus) – currently known as EI Project Cyp-1 Limited (the Subsidiary or the Buyer) and Janisola Investments Limited with its registered seat in Limassol (Cyprus) (the Seller) concluded a preliminary agreement with suspending conditions (the Preliminary agreement).

The Subject of the Preliminary agreement was the acquisition of 100% shares in the share capital of Budivelnuy Soyuz 'Monolit' LLC with its registered seat in Kiev (Ukraine) (the Company Monolit) by the Buyer, with a total nominal value of UAH 52,000 (which according to the average exchange rate of the National Bank of Poland as at the date of conclusion of the Preliminary agreement amounted to PLN 25,261.60), constituting 100% votes at the general meeting of shareholders. The provision to conclude a final agreement for acquisition of shares in the Company Monolit was, among others:

- the acquisition by the Company Monolit the ownership right to a property located in Kiev with an area of ca. 43,000 sq m. (the Property);
- obtaining by the Buyer positive results of legal, financial and technical due diligence process of the Company Monolit and the Property. The parties to the Preliminary agreement decide that the conclusion of the final agreement for shares acquisition shall be after fulfilling the aforementioned conditions until March 31, 2009.

The above conditions are suspending conditions.

The acquisition price of 100% shares in the share capital of the Company Monolit was an equivalent of USD 1,000 per sq m of the Property (which according to the average exchange rate of the National Bank of Poland as at the date of conclusion of the Preliminary agreement is an equivalent of PLN 2,268.80 PLN per sq m.), decreased by USD 1 million (which according to the average exchange rate of the National Bank of Poland as at the date of conclusion of the Preliminary agreement is an equivalent of PLN 2,268,800 PLN). The Seller was entitled to additional remuneration in the event of the acquisition by the Company Monolit of the ownership right to the Property at a price lower than UAH 2 000 per sq m of the Property (which according to the average exchange rate of the National Bank of Poland as at the date of conclusion of the Preliminary agreement is an equivalent of PLN 971.60 per sq m). Under the Preliminary agreement, the Buyer paid an advance to the Seller amounting to USD 8 million (which according to the average exchange rate of the National Bank of Poland as at the date of conclusion of the Preliminary agreement is an equivalent of PLN 18,150,400).

The Preliminary agreement envisages contractual penalties, which total value may exceed the equivalent of EUR 200,000 as expressed in PLN (which according to the average exchange rate of the National Bank of Poland as at the date of conclusion of the Preliminary agreement is an equivalent of PLN 641,60) and 10% of the value of the Preliminary agreement. Failure to conclude the Final agreement entitles the Buyer to demand a contractual penalty amounting to USD 10 million (which according to the average exchange rate of the National Bank of Poland as at the date of conclusion of the Preliminary agreement is an equivalent of PLN 22,688,000). Failure to conclude the Final agreement due to the Buyer's fault entitles the Seller to keep the advance payment and demand a contractual penalty amounting to USD 2 million (which according to the average exchange rate of the National Bank of Poland as at the date of conclusion of the Preliminary agreement is an equivalent of PLN 4,537,600).

On October 28, 2008 in relation to unsatisfactory results of financial calculations of the planned investment caused by an economic decline in the world, the Buyer terminated the Preliminary agreement, which was terminated as a result of the Buyer's statement. The termination of the Preliminary agreement did not have any negative financial effects for the Subsidiary.

In relation to the termination of the Preliminary agreement the parties started a negotiation process aimed at concluding a sale agreement of shares in the Company Monolit under new provisions. Due to the circumstances and confidentiality of the negotiations carried out between the parties to the Preliminary agreement, the Management Board of Echo Investment SA decides that publishing information on the conclusion and termination of the Preliminary agreement could have an negative effect on the further course and result of the negotiations, and in the end undermine the legitimate interest of the Issuer.

On October 15, 2009 the subsidiary of Echo Investment SA, EI Project Cyp-1 Limited with its registered seat in Nicosia (Cyprus) (the Subsidiary or the Buyer) and Janisola Investments Limited with its registered seat in Limassol (Cyprus) (the Seller) concluded an agreement of acquisition of shares in 'YEVROBUDGARANT' LLC with its registered seat in Kiev (Ukraine) (the Company YBG) (the Agreement).

The Subject of the aforementioned Agreement is the acquisition of 99% shares in the share capital of the Company YBG, with a nominal value of UAH 62,370 (which according to the average exchange rate of the National Bank of Poland as at the date of conclusion of the Agreement is an equivalent of PLN 21,810.79 PLN), carrying 99% of votes at the general meeting of shareholders.

The remaining 1% of shares of the Company YBG, with a nominal value of UAH 630 (which according to the average exchange rate of the National Bank of Poland as at the date of conclusion of the Agreement is an equivalent of PLN 220.31), carrying 1% of votes at the general meeting of shareholders was acquired by a subsidiary of Echo Investment SA – Echo Investment Ukraine LLC with its registered seat in Kiev (Ukraine).

The Company YBG holds 100% of shares in the Company Monolit. As at the date of conclusion of the Agreement, the Company Monolit obtained from the City of Kiev a guarantee of the right to acquire the ownership right to the Property and the right to sign a lease agreement of the Property to the Company Monolit. The ownership right to the Property shall give the Company Monolit the right to build an Office park on the Property.

The acquisition price of shares in the Company YBG is USD 26 million (which according to the average exchange rate of the National Bank of Poland as at the date of conclusion of the Agreement is an equivalent of PLN 72,995,000), but it will be decreased by the price of acquisition of the ownership right to the

Property by the Company Monolit expressed in USD and the equivalent of any outstanding liabilities of the Company YBG and the Company Monolit. An advance for the price of shares in the Company YBG, amounting to USD 8 million (which according to the average exchange rate of the National Bank of Poland as at the date of conclusion of the Agreement is an equivalent of PLN 22.46 million), which the Buyer made under the Preliminary agreement, shall be calculated.

Echo Investment SA issued a corporate surety for the payment of price for the shares in the Company YBG up to the amount of USD 13 million (which according to the average exchange rate of the National Bank of Poland as at the date of conclusion of the Agreement is an equivalent of PLN 36,497,500). At the same time, the Company YBG made a pledge on the shares of the Company Monolit in favour of the Seller until the Buyer pays the whole price for the shares in the Company YBG.

The acquired assets shall be financed with the Buyer's and Echo Investment Ukraine LLC's own funds. The Companies intend to treat the acquired assets as a long-term financial investment.

The Agreement does not envisage contractual penalties, which total value may exceed the equivalent of EUR 200,000 in PLN (which according to the average exchange rate of the National Bank of Poland as at the date of conclusion of the Agreement is an equivalent of PLN 839,160) or 10% of the value of the Agreement.

The acquisition of shares in the share capital of the Company YBG, which holds 100% of shares in the Company Monolit owning the Property in Kiev is associated with the strategy adopted by Echo Investment SA to develop its activities in the countries of Central and Eastern Europe. A development of a complex of office buildings with a leasable area of ca. 100,000 sq m is planned on the purchased property.

On October 16, 2009 an annex 1 (the Annex) to the conditional agreement on general realisation of investment of September 4, 2008 (the General Realisation of Investment Agreement) was signed between Orbis S.A. with its registered seat in Warsaw (the Investor) and Echo Investment S.A. with its registered seat in Kielce (the General Contractor of Investment).

Under the Annex, the General Realisation of Investment Agreement enters into force on October 16, 2009. Under the General Realisation of Investment Agreement, the General Contractor of Investment shall build a Novotel-class hotel to ACCOR standards, with a net area of approximately 7,200 sq m, and deliver the same to the Investor in turnkey condition (the Investment). The Investment shall be executed on the real property owned by the Issuer's subsidiary 'Echo – Kielce 1' Sp. z o.o. with its registered seat in Kielce. The property is located in Łódź, at Piłsudskiego Street. The General Contractor of Investment shall take all legal, administrative and financial action aimed at the completion of the investment, among others:

- obtaining a building permit and perpetual usufruct of land permit for the developed hotel;
- obtaining a decision issued by a relevant administrative organ regarding the transfer of the decision on land development conditions to the Investor;
- conclusion of a promised agreement of sale of the right of perpetual usufruct of the property (the Promised Agreement) between the Investor (the Buyer) and a subsidiary of Echo Investment SA, 'Echo – Kielce 1' Sp. z o.o. with its registered seat in Kielce (the Seller).

The Investment shall be completed no later than on December 12, 2012. In the event of not obtaining by GRI a final building permit for the Investment until April 14, 2011, this Agreement shall be terminated. Moreover, the Investor has the right to terminate the GRI Agreement in the event of not delivering the Investment until the aforementioned date or its improper development. The net price of the Investment development is PLN 40.32 million. GRI Agreement envisages contractual penalties, which total value may exceed the equivalent of EUR 200,000 in PLN (which according to the average exchange rate of the National Bank of Poland as at the date of conclusion of the Annex is an equivalent of PLN 841,560) or may exceed 10% of the net remuneration under the Agreement. Payment of contractual penalties does not exclude the right to indemnity claims, which may exceed the value of the aforementioned penalties. The penalties shall be calculated in the event of, among others: not obtaining the building permit, delays in the completion of the Investment or termination of the GRI Agreement.

On October 16, 2009 an annex to a preliminary conditional agreement of property sale (The Preliminary Conditional Agreement of Sale) was signed between a subsidiary of Echo Investment SA, 'Echo – Kielce 1' Sp. z o.o. with its registered seat in Kielce (the Seller) and Orbis Spółka Akcyjna with its registered seat in Warsaw (the Buyer). Under the declaration the parties decide that the Seller and the Buyer shall conclude a Promised agreement after fulfilling, apart from the conditions enumerated in the current report no. 44/2008 of September 5, 2008, until December 15, 2010 an additional condition, i.e. submitting to the Buyer by the Seller a final decision on the building permit for the Investment and all administrative decisions concerning the technical infrastructure, transport network and indispensable fire escape route required for the development of the Investment. The subject of the Preliminary Conditional Agreement of Sale is the right of perpetual usufruct of the property – plots of land located in Lodz at Piłsudskiego Street, with a total area of ca. 1,450 sq m. (the Property). The value of Agreement is PLN 5 million net. Moreover, the parties to the annexed Preliminary Conditional Agreement of Sale decide that if the development of the Investment under the GRI Agreement will prove to be impossible, the Buyer may not sign the Promised Agreement, and if the Buyer obtains information that the development of the Investment is impossible after the conclusion of the Promised Agreement, the Buyer has the right to terminate the Promised Agreement and/or demand to buy back the Property until May 31, 2011.

On November 25, 2009 an agreement of the implementation of the sanitary installations in Oxygen office complex in Szczecin was signed between Echo Investment SA and Imptech Polska Sp. z o.o., with its registered seat in Warsaw. The value of the agreement is PLN 9.05 million.

Apartments

On March 2, 2009 an agreement of the execution of design works concerning a planned residential building in Kraków at Tyniecka Street was signed between Echo Investment SA and XY Studio S.C. Filip Domaszyński, Marta Nowosielska, Dorota Sibińska, with its registered seat in Warsaw. The value of the agreement is PLN 715.5 thousand net.

On December 23, 2009 an agreement of the general construction of the facility, a housing complex in Warsaw at Kazimierzowska Street, was signed by Echo Investment SA and Modzelewski & Rodek Sp. z o.o., with its registered seat in Warsaw. The value of the agreement is PLN 19.8 million. The delivery day is December 31, 2010.

Other agreements

On July 30, 2009 the District Court in Kraków Srodmiescie 7th Division of Pledge Register in Kraków, registered pledges on 14,999 shares of a subsidiary of Echo Investment - Malta Office Park Sp. z o.o. A nominal value of shares is PLN 500 per share. Registered pledges are collateral against liabilities under the credit agreement signed on June 22, 2009 between Malta Office Park Sp. z o.o. and bank Westdeutsche ImmobilienBank AG with its registered seat in Mainz (Germany) the highest amount up to EUR 47,677,500 and PLN 30 million.

On September 9, 2009 the Management Board of Echo Investment SA received a notification of a court's decision for the District Court in Warsaw– Mokotow in Warsaw 7th Division of Land and Mortgage Register of August 25, 2009 about an entry in the Land and Mortgage Register of a contractual capped mortgage on a property whose perpetual lessee is a subsidiary of Echo Investment SA, Echo – Park Postępu Sp. z o.o. with its registered seat in Kielce (the Subsidiary).
The assets under the capped mortgage comprise a land property with an area of 1.1823 hectares, located in Warsaw at Postępu 21 Street, on which a complex of office buildings Park Postępu is situated, constituting a separate property from the land.
The capped mortgage is a collateral in favour of bank Eurohypo AG, with its registered seat in Eschborn (Germany) against liabilities under the credit agreement signed on June 10, 2009 up to the amount of EUR 75 million (which according to the average exchange rate of the National Bank of Poland as at the date of entry in the register is an equivalent of PLN 307.47 million). The bookkeeping value of assets under the capped mortgage in the books of the Subsidiary is PLN 53,203,922.86 (as of June 30, 2009)

On September 29, 2009 the Management Board of the Issuer received a decision of the District Court for Krakow - Śródmieście District in Krakow, 7th Economic Department of Pledge Registry, concerning an entry made in the Pledge Registry on September 21, 2009 of a lien on shares in the issuer's subsidiary 'Echo - Park Postępu' Sp. z o.o. with its registered seat in Kielce (the Subsidiary).

The lien was established on 1,065,656 shares of the Subsidiary, held by Echo Investment S.A. with its registered seat in Kielce, with a par value of PLN 53,282,800, constituting 99.99% of issued capital and carrying 1,065,656 votes at the general meeting of shareholders.

The value of the encumbered shares as registered in the accounting books of Echo Investment S.A. is PLN 53,282,800. Echo Investment S.A. considers these shares as a long-term equity investment.

The lien established on these shares is a collateral in favour of Bank Eurohypo AG, seated in Eschborn, Germany, concerning repayment of obligations under a credit facility agreement, which the Issuer reported in the current report no. 24/2009 on June 15, 2009. The lien on shares was established pursuant to the registered pledge agreement made on June 24, 2009 between Echo Investment S.A. (the Pledger) and Eurohypo AG Bank (the Pledgee). The value of receivables secured by the said registered pledge is EUR 75 million which, according to the average rate of exchange of the National Bank of Poland as at the date of lien, corresponds to PLN 311.24 million).

On December 17, 2009 the District Court for Kraków– Srodmiescie in Kraków 7th Division of Pledge Register in Kraków made an entry in the Pledge Register of a registered pledge on 999 shares of Projekt Echo - 62 Sp. z o.o., held by Echo Investment SA, with a nominal value of PLN 50 each, with a total nominal value of PLN 49,950, constituting 0.013% of the share capital carrying 999 votes at the general meeting of shareholders. The bookkeeping value of the shares under the registered pledge in the books of Echo Investment S.A., is PLN 49,950. Echo Investment S.A. treats the shares as a long-term capital investment. The registered pledge is a collateral in favour of Bank Eurohypo AG, with its registered seat in Eschborn (Germany) against liabilities under the credit agreement signed between a subsidiary Projekt Echo – 62 Sp. z o.o, with its registered seat in Kielce (the Borrower) and Bank Eurohypo AG, with its registered seat in Eschborn (Germany) (the Bank, the Lender), reported by Echo Investment SA in the current report no. 41/2009 of November 26, 2009. The amount of liabilities under the registered pledge is EUR 23.25 million.

5.2. Contracts made between shareholders

The Company does not know about any contracts made between shareholders during the year 2009.

5.3. Insurance contracts

Range of coverage	**Underwriter**	**Insurance amount** [in thousands PLN]
property insurance - buildings	TU Compensa S.A., STU Ergo Hestia S.A.	24 983
property insurance - equipment	STU Ergo Hestia S.A., TU Compensa S.A., PTU SA	7 021
third-party liability insurance	PTU S.A., STU Ergo Hestia S.A.	5 244
construction and assembly risk insurance policies	TU Compensa S.A., Generali S.A.	86 800
insurance against loss of profit	PTU S.A.	10
	TOTAL	**124 058**

5.4. Partnering or cooperation agreements

The Company did not conclude any significant partnering or cooperation agreements during 2009.

6. Information about changes in organizational or capital relationships of Echo Investment S.A. with other companies, indicating its key domestic and foreign investments (securities, financial instruments and real estate), including capital investments made outside its capital group and a description of methods of their financing.

6.1. Changes in organisational or capital relationships

I. The Capital Group was expanded with 3 subsidiaries:

On August 31, 2009 the company Echo Investment SA acquired 100% of shares in the share capital of a subsidiary 'SPV - 1' Sp. z o.o. The share capital amounts to PLN 50,000 and is divided into 1,000 shares with a nominal value PLN 50 per share. The acquisition price is PLN 50,000.

On October 15, 2009 as a consequence of acquiring the shares in the company 'YEVROBYDGARANT' LLC with its registered seat in Kiev (Ukraine) by a subsidiary EI Project Cyp-1 Limited with its registered seat in Nicosia (Cyprus) (99% of shares in the share capital) and a subsidiary of Echo Investment Ukraine LLC, with its registered seat in Kiev (Ukraine), 100% of shares in the share capital of a company BUDIVELNUY SOYUZ MONOLIT LLC with its registered seat in Kiev (Ukraine) were acquired. See description item 6.1. Significant agreements for Echo Investment Capital Group.

II. The Capital Group was decreased by 23 subsidiaries:

The following subsidiaries were liquidated:
- 'Projekt Echo – 23' Spółka z o.o. in liquidation, with its registered seat in Kielce,
- 'Projekt Echo - 71' Spółka z o.o. in liquidation, with its registered seat in Kielce,
- 'Projekt Echo - 72' Spółka z o.o. in liquidation, with its registered seat in Kielce,
- 'Projekt Echo - 73' Spółka z o.o. in liquidation, with its registered seat in Kielce,
- 'Projekt Echo - 74' Spółka z o.o. in liquidation, with its registered seat in Kielce,
- 'Projekt Echo - 75' Spółka z o.o. in liquidation, with its registered seat in Kielce,
- 'Projekt Echo - 76' Spółka z o.o. in liquidation, with its registered seat in Kielce,
- 'Projekt Echo - 83' Spółka z o.o. in liquidation, with its registered seat in Kielce,
- 'Projekt Echo - 84' Spółka z o.o. in liquidation, with its registered seat in Kielce,
- 'Projekt Echo - 85' Spółka z o.o. in liquidation, with its registered seat in Kielce,
- 'Projekt Echo - 86' Spółka z o.o. in liquidation, with its registered seat in Kielce,
- 'Projekt Echo - 87' Spółka z o.o. in liquidation, with its registered seat in Kielce,
- 'Projekt Echo - 88' Spółka z o.o. in liquidation, with its registered seat in Kielce,
- 'Projekt Echo - 89' Spółka z o.o. in liquidation, with its registered seat in Kielce,
- 'Projekt Echo - 90' Spółka z o.o. in liquidation, with its registered seat in Kielce,
- 'Projekt Echo - 91' Spółka z o.o. in liquidation, with its registered seat in Kielce,
- 'Projekt Echo - 92' Spółka z o.o. in liquidation, with its registered seat in Kielce,
-

The Structure of the Capital Group was decreased as a result of a merger of a company MDP Sp. z o.o. (the Acquiring company) and subsidiaries (the acquired companies):

– ‘Piomot Auto’ Spółka z o.o. with its registered seat in Kielce,
– ‘Projekt Echo - 28’ Spółka z o.o. with its registered seat in Kielce,
– ‘Projekt Echo – 34’ Sp. z o.o. with its registered seat in Kielce,
– ‘Projekt Echo – 48’ Spółka z o.o. with its registered seat in Kielce,
– ‘Projekt Echo - 80’ Spółka z o.o. with its registered seat in Kielce,
– ‘Echo – Property Poznań 2’ Sp. z o.o. with its registered seat in Kielce,

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

On February 26, 2009 the Issuer obtained information that on February 24, 2008 the District Court in Kielce 10th Commercial Division of National Court Register, registered amendments in the amount and structure of the share capital of a subsidiary ‘Projekt Naramowice Poznań’ Sp. z o.o., with its registered seat in Kielce (the Subsidiary).
The share capital of the Subsidiary was increased by PLN 156,930,000 and amounts to PLN 156,980,000 and is divided into 3,139,600 shares with a nominal value of PLN 50 each, carrying a total number of 3,139,600 votes at the general meeting. As at the day of registry, the ownership structure of ‘Projekt Naramowice Poznań’ Sp. z o.o. changed and is as follows:

- the Issuer’s subsidiary ‘Projekt Naramowice’ Sp. z o.o., with its registered seat in Kielce holds 3,138,600 shares with a total nominal value of PLN 156,930,000, carrying 3,138,600 votes at the general meeting, constituting 99.97% of the share capital.
- Echo Investment SA, with its registered seat in Kielce holds 1.000 shares in the Subsidiary with a nominal value of PLN 50.000, carrying 1.000 votes at the general meeting, constituting 0.03% of the share capital.

The amendments in the share capital ‘Projekt Naramowice Poznań’ Sp. z o.o. were registered as a consequence of making a non-cash contribution by ‘Projekt Naramowice’ Sp. z o.o., including tangible and intangible components destined for conducting the business activity, in particular:

- the workplace in view of the regulations of Article 231 of the Polish Labour Code;
- the ownership right to property located in Poznan, the area of Naramowice, including:
  a) developed plot of land with an area of 12,971 sq m, with multi-use buildings;
  b) non-developed plots of land with a total area of 428,527 sq m;
  c) 3/18 of share in commercial premises – multi-lot garage, located in a building in Poznan at. Rubież Street,
- all rights and obligations under the concluded agreements.

The value of the company specified in the agreement of transfer of ownership amounts to PLN 156.93 million, and the bookkeeping value of the transferred company disclosed in the accounting books of the Issuer’s subsidiary ‘Projekt Naramowice’ Sp. z o.o., calculated at a cost of acquisition and production, amounts to PLN 10.74 million (as of June 30, 2008).
The acquired assets, before the sale, were used in the developer’s operations. The subsidiary ‘Projekt Naramowice Poznań’ Spółka z ograniczoną odpowiedzialnością intends to continue their previous use.
The aforementioned non-cash contribution was made on the basis of an agreement of transfer of the company ownership concluded on October 31, 2008 between the Issuer’s subsidiaries, ‘Projekt Naramowice’ Sp. z o.o. (the Seller), and ‘Projekt Naramowice Poznań’ Sp. z o.o., with its registered seat in Kielce (the Buyer).
The company ‘Projekt Naramowice’ Sp. z o.o., with its registered seat in Kielce, intends to treat the acquired shares in the Subsidiary as a long-term capital investment.
The acquired shares in the Subsidiary were considered to be significant on the basis of significant financial assets criteria.

On March 26, 2009 the District Court in Kielce 10th Commercial Division of National Court Register, registered amendments in the amount and structure of the share capital of a subsidiary, 'Malta Office Park' Sp. z o.o. with its registered seat in Kielce. The amount of share capital in the Subsidiary was increased by PLN 5,500,000 and currently amounts to PLN 7,500,000 PLN and is divided into 15,000 shares with a nominal value of PLN 500 per share. The increase in the capital was made by creating 11,000 shares with a nominal value of PLN 500. One share carries 1 vote at the general meeting of shareholders of the Subsidiary. As at a day of the registration, the company Echo Investment S.A. took up the whole increased share capital of the Subsidiary, constituting 73.34% of the present share capital. The newly created shares were financed by way of cash contribution. The source of financing of taken up shares are the own funds of Echo Investment S.A. Echo Investment SA intends to treat the taken up shares as a long-term capital investment. The ownership structure after the registration of the amendments in the Subsidiary's share capital is as follows:

- Echo Investment S.A. currently holds 13,999 shares, constituting 99.99% of the share capital, carrying 99.99% of votes at the general meeting of shareholders;
- the Issuer's subsidiary 'Projekt Echo – 17' Sp. z o.o. holds 1 share, constituting 0.01% of the share capital, carrying 0.01% of votes at the general meeting of shareholders.

On July 30, 2009 the following sale agreements were concluded:

- Echo Investment SA (the Buyer) and a subsidiary 'Projekt Echo – 17' Sp. z o.o. (the Seller) concluded a sale agreement of 1 share in the share capital of 'Echo Property Poznań 2' Sp. z o.o. at a price of PLN 500;
- Echo Investment SA (the Buyer) and a subsidiary 'Projekt Echo – 17' Sp. z o.o. (the Seller) concluded a sale agreement of 1 share in the share capital of 'Projekt Echo – 34' Sp. z o.o. at a price of PLN 500;
- Echo Investment SA (the Buyer) and a subsidiary 'Projekt Echo – 17' Sp. z o.o. (the Seller) concluded a sale agreement of 1 share in the share capital of 'Projekt Echo – 48' Sp. z o.o. PLN 50;
- Echo Investment SA (the Buyer) and a subsidiary 'Projekt Echo – 17' Sp. z o.o. (the Seller) concluded a sale agreement of 1 share in the share capital of 'Projekt Echo – 80' Sp. z o.o. at a price of PLN 50;
- Echo Investment SA (the Buyer) and a subsidiary 'Projekt Echo – 17' Sp. z o.o. (the Seller) concluded a sale agreement of 1 share in the share capital of 'Projekt Echo – 28' Sp. z o.o. at a price of PLN 630.

On August 25, 2009 the company Echo Investment SA took up 1,000 newly created shares in the share capital of EI Project Cyp – 1 Limited, with its registered seat in Nicosia. The nominal value of 1 share is USD 1. The acquisition price of the aforementioned shares was USD 3.999 per 1 share. As a consequence of the increase in the share capital of the subsidiary EI Project Cyp – 1 Limited, the share capital currently amounts to USD 4,000 and is divided into 4,000 shares with a nominal value of USD 1 per share. After taking up the aforementioned shares Echo Investment SA currently holds 3,999 shares and the subsidiary Projekt Echo – 17 Sp. z o.o. holds 1 share.

On November 18, 2009 the company Echo Investment SA took up 1,000 newly created shares in the share capital of EI Project Cyp – 1 Limited, with its registered seat in Nicosia. The nominal value of 1 share is USD 1. The acquisition price of the aforementioned shares was USD 4.500 per share. As a consequence of the increase in the share capital of the subsidiary EI Project Cyp – 1 Limited, the share capital currently amounts to USD 5,000 USD and is divided into 5,000 shares with a nominal value of USD 1 per share. After taking up the aforementioned shares, Echo Investment SA currently holds 4,999 shares and the subsidiary Projekt Echo – 17 Sp. z o.o. holds 1 share.

On December 10, 2009 the District Court in Kielce 10th Commercial Division of National Court Register, registered amendments in the amount of the share capital of the Issuer's subsidiary, 'Echo - Metropolis' Sp. z o.o., with its registered seat in Kielce (the Subsidiary). The amount of share capital in the Subsidiary was increased by PLN 60,612,000 and currently amounts to PLN 100,500,000 and is divided into 2,010,000 shares with a nominal value of PLN 50 per share. The increase in the capital was made by creating 1,212,240 new shares with a nominal value of PLN 50. One share carries 1 vote at the general meeting of shareholders of the Subsidiary. As at a day of the registration, the company Echo Investment S.A. took up the whole increased share capital of the Subsidiary, constituting 60.31% of the present share capital. The newly created shares were financed by way of a cash contribution. The source of financing of taken up shares are the own funds of Echo Investment S.A. Echo Investment SA intends to treat the taken up shares as a long-term capital investment.
The ownership structure after the registration of the amendments in the Subsidiary's share capital is as follows:

- Echo Investment S.A. currently holds 1,213,239 shares, constituting 60.36% of the share capital, carrying 60.36% of votes at the general meeting of the Subsidiary's shareholders;
- the Issuer's subsidiary 'Echo – Centrum Poznań' Sp. z o.o., holds 796,760 shares constituting 39.64% of the share capital, carrying 39.64% at the general meeting of the Subsidiary's shareholders;
- the Issuer's subsidiary 'Projekt Echo – 17' Sp. z o.o. holds 1 share, constituting 0.00005% of the share capital, carrying 0.00005% of votes at the general meeting of the Subsidiary's shareholders.

On December 10, 2009 the District Court in Kielce 10th Commercial Division of National Court Register, registered amendments in the amount of the share capital of the Issuer's subsidiary 'Echo Projekt - 47' Sp. z o.o., with its registered seat in Kielce (the Subsidiary). The amount of share capital in the Subsidiary was increased by PLN 49,950,000 and currently amounts to PLN 50,000,000 and is divided into 1,000,000 shares with a nominal value of PLN 50 per share. The increase in the capital was made by creating 999,999 new shares with a nominal value of PLN 50. One share carries 1 vote at the general meeting of shareholders of the Subsidiary. As at a day of the registration, the company Echo Investment S.A. took up the whole increased share capital of the Subsidiary, constituting 99.9% of the present share capital. The newly created shares were financed by way of a cash contribution. The source of financing of taken up shares are the own funds of Echo Investment S.A. Echo Investment SA intends to treat the taken up shares as a long-term capital investment.
The ownership structure after the registration of the amendments in the Subsidiary's share capital is as follows:

- Echo Investment S.A. currently holds 999,999 shares, constituting 99.99% of the share capital, carrying 99.99% of votes at the general meeting of the Subsidiary's shareholders;
- the Issuer's subsidiary 'Projekt Echo – 17' Sp. z o.o. holds 1 share, constituting 0.00001% of the share capital, carrying 0.00001% of votes at the general meeting of the Subsidiary's shareholders..

On December 10, 2009 the District Court in Kielce 10th Commercial Division of National Court Register, registered amendments in the amount of the share capital of the Issuer's subsidiary 'Echo Projekt – 81' Sp. z o.o., with its registered seat in Kielce (the Subsidiary). The amount of share capital in the Subsidiary was increased by PLN 39,838,000 and currently amounts to PLN 39,838,000 and is divided into 797,760 shares

with a nominal value of PLN 50 per share. The increase in the capital was made by creating 999,999 new shares with a nominal value of PLN 50. One share carries 1 vote at the general meeting of shareholders of the Subsidiary. As at a day of the registration, the company ‘Echo – Centrum Poznań’ Sp. z o.o. took up the whole increased share capital of the Subsidiary, constituting 99.87% of the present share capital. The newly created shares were financed by way of a non-cash contribution of an enterprise of ‘Echo – Centrum Poznań’ Sp. z o.o. in view of Article 55.1 of the Polish Civil Code, which includes a set of tangible and intangible components, at the same time constituting an enterprise in view of Article 23.1 of the Polish Labour Code, amounting to PLN 39,838,000 PLN, which in particular includes the ownership rights to undeveloped plots of land located in Poznan at Krauthofera Street, with an area of 90,655 sq m and at Dmowskiego Street with an area of 9,832 sq m. ‘Echo – Centrum Poznań’ Sp. z o.o. intends to treat the taken-up shares as a long-term capital investment.
The ownership structure after the registration of the amendments in the Subsidiary’s share capital is as follows:

- the subsidiary ‘Echo – Centrum Poznań’ Sp. z o.o. holds 796,760 shares, constituting 99.87% of the share capital, carrying 99.87% of votes at the general meeting of the Subsidiary’s shareholders;
- Echo Investment SA currently holds 999 shares, constituting 0.12% of the share capital, carrying 0.12% of votes at the general meeting of the Subsidiary’s shareholders;
- the Issuer’s subsidiary ‘Projekt Echo – 17’ Sp. z o.o. holds 1 share, constituting 0.00002% of the share capital, carrying 0.00002% of votes at the general meeting of the Subsidiary’s shareholders.

On December 29, 2009 the District Court in Kielce 10th Commercial Division of National Court Register, registered amendments in the amount and structure of the share capital of the Issuer’s subsidiary MDP Sp. z o.o., with its registered seat in Kielce.
As at a day of registration, the subsidiary MDP Sp. z o.o. (the Acquiring company) Merced with the subsidiaries: Piomot Auto Sp. z o.o., Projekt Echo – 28 Sp. z o.o., Projekt Echo – 34 Sp. z o.o., Projekt Echo – 48 Sp. z o.o., Projekt Echo – 80 Sp. z o.o. and Echo – Property Poznań 2 Sp. z o.o. (the Acquired companies).
The merger took place by way of transfer of the property of the Acquired companies to the Acquiring company, accompanied by an increase in the share capital of the Acquiring company, by way of creating shares, which were awarded to the current shareholders of the Acquired companies in return of their previous shares in the Acquired companies.
As at a day of the aforementioned registration, newly created shares in MDP Sp. z o.o. were handed over to Echo Investment SA, in the amount of 14,465 shares with a total nominal value of PLN 7,232,500, carrying 14,464 votes at the general meeting of shareholders, constituting 31.13% of the share capital after the registration of the aforementioned merger.
Newly created shares will be a long-term capital investment.
The property of the Acquired companies was used in developer and financial activities. The Acquiring company shall continue the activities of the Acquired companies and previous use of the transferred assets. As at a day of the registration of the aforementioned amendments, the share capital of MDP Sp. z o.o. amounts to PLN 23,236,500 and is divided into 46,473 shares with a nominal value of PLN 500 per share. The shares carry 46,473 votes at the general meeting of shareholders.
The ownership structure of the company MDP Sp. z o.o. was changed and is as follows:

- Echo Investment SA holds 46,472 shares, with a total value of PLN 23,236,000, carrying 46,472 votes at the general meeting of shareholders, constituting 99.99% of the share capital after the registration of the aforementioned merger;
- A subsidiary ‘Projekt Echo - 17’ Sp. z o.o. , with its registered seat in Kielce, holds 1 share in the Acquiring company with a total value of PLN 500, carrying 1 vote at the general meeting of shareholders, constituting 0.0022% of the share capital.

On December 30, 2009 a subsidiary MDP Sp. z o.o. (the Seller) and Echo Investment SA (the Buyer) concluded a sale agreement of 24,227 shares in the share capital of a subsidiary of Echo Investment – Centrum Handlowe Piotrków Trybunalski Sp. z o.o., with a nominal value PLN 50 per share. The sale price is PLN 9.55 million.

IV. The names of the following subsidiaries were changed:
- 'Echo Investment - Centrum Handlowo-Usługowo - Rozrywkowe Gliwice' Spółka z ograniczoną odpowiedzialnością [Echo Investment Shopping-Commercial-Entertainment Centre Limited Liability Company], with its registered seat in Kielce was changed into 'Echo - Property Poznań 2' Spółka z ograniczoną odpowiedzialnością [Echo - Property Poznań 2 Limited Liability Company], with its registered seat in Kielce,
- 'Projekt Echo - 65' Spółka z ograniczoną odpowiedzialnością [Projekt Echo – 65 Limited Liability Company], with its registered seat in Kielce was changed into 'Echo - Oxygen' Spółka z ograniczoną odpowiedzialnością [Echo - Oxygen Limited Liability Company], with its registered seat in Kielce.

6.2. Investments in stocks and shares of listed companies

Echo Investment S.A. did not make any investments in stocks and shares of listed companies in 2009 in the account of securities.

6.3. Capital investment made outside the Capital Group

See item 6.1. of this Report.

7. Information on significant transactions executed by the Company or the Company's subsidiary with affiliated companies on different terms than arm's length transactions, specifying the amount and character of such transactions

7.1. Transactions with Capital Group entities

Echo Investment SA did not enter into any transactions with affiliated companies on different terms than arm's length transactions in 2009.

7.2. Transactions with persons managing or supervising Echo Investment S.A.

In 2009 there were no transactions made between Echo Investment S.A. and managing or supervising persons on other than market conditions.

8. Information about credits taken and contracts of loan, specifying their amount, kind and interest rates, currency and due dates, and surety and guarantee contracts

8.1. Credit agreements

Echo Investment S.A.'s liabilities on account of credits taken as at the end of 2009 are presented in the table below:

Bank name	Type of obligation	Credit currency	Credit amount according to contract [in thousands PLN]	Credit used as at 31.12.2009 [in thousands PLN]	Interest rate type %	Final repayment date
PeKaO SA	Working capital facility	PLN	100 000	90 000	1M WIBOR + margin	30.06.2010
Bank name	**Type of obligation**	**Credit currency**	**Credit amount according to contract [in thousands PLN]**	**Credit used as at 31.12.2009 [in thousands PLN]**	**Interest rate type %**	**Final repayment date**
PeKaO S.A.	Advance on current account	PLN	30 000	0	1M WIBOR + margin	30.06.2010
PKO BP SA	Advance on current account	PLN	25 000	6 078	3M WIBOR + margin	19.08.2012
PKO BP SA	Working capital facility	PLN	40 000	0	3M WIBOR + margin	19.08.2012
TOTAL			**195 000**	**96 078**		

The following credit agreements have expired:

1. Agreement concerning credit advance in current account, executed between Echo Investment S.A. and Bank Handlowy in Warsaw S.A. in the amount of PLN 20 million. The final repayment date was March 6, 2009.

2. Agreement concerning credit advance in current account, executed between Echo Investment S.A. and Bank Zachodni WBK S.A. in the amount of PLN 20 million. The final repayment date was October 31, 2009.

3. Agreement concerning a credit line executed between Echo Investment S.A. and Bank BPH SA (currently Bank PeKaO S.A. as a legal successor of Bank BPH SA) in the amount of PLN 30 million. The final repayment date was May 30, 2009.

8.2. Loan agreements

8.2.1. Loans incurred

As at December 31, 2009 Echo Investment S.A. had no loans.

8.2.2. Short-term loans granted

Entity	Outstanding loan amount [in thousands PLN] as at December 31, 2009	Interest rate	Final repayment date
Projekt Naramowice Poznań Sp. z o.o.	44 000	Wibor 3M+margin	December 31, 2010
Echo – Projekt 53 Sp. z o.o.	25 000	Wibor 3M+margin	December 31, 2010
Echo – Projekt 54 Sp. z o.o.	24 500	Wibor 3M+margin	December 31, 2010
Athina Park Sp. z o.o	12 000	Wibor 3M+margin	December 31, 2010
Entity	**Outstanding loan amount [in thousands PLN] as at December 31, 2009**	**Interest rate**	**Final repayment date**
Echo – Centrum Biznesu Łódź Sp. z o.o.	7 000	Wibor 3M+margin	December 31, 2010
Centrum Bankowości i Finansów Łódź Sp. z o.o.	2 596	Wibor 3M+margin	December 31, 2010
Echo Investment Project Management SRL	2 301	Wibor 3M+margin	February 26, 2010
Projekt S Sp. z o.o.	960	Wibor 3M+margin	December 31, 2010
Princess Investment Sp. z o.o.	227	Wibor 3M+margin	December 31, 2010
Total	**118 584**		

8.2.3. Long-term loans granted

Entity	Outstanding loan amount [in thousands PLN] as at December 31, 2009	Interest rate	Final repayment date
Echo Investment Hungary KFT	235	WIBOR 3M + margin	December 31, 2011
Total	**235**		

8.3. Debt instruments contracts

Apart from own funds, loans and credit facilities, current operations of Echo Investment S.A. are also financed through issuance of debt instruments. The dominant company - Echo Investment S.A. - is currently implementing active programs of issuance of long-term and short-term financial instruments (bonds).
Pursuant to contracts made in respect of the Bonds Issuance Program with BRE Bank in 2004 Echo Investment S.A. has certain liabilities under issued debenture bonds. Maximum total par value of all bonds thus issued by Echo Investment SA shall not exceed PLN 600 million.

Pursuant to Sale Guarantee Contract and Contract of Guarantee Rate Valuation made in respect of the Bonds Issuance Program with BRE Bank, the bank is obliged to acquire bonds issued by the Company, and not taken-up by other investors, up to the amount of PLN 35 million.

The balance of these liabilities as at the end of 2009 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

On February 13, 2009, in respect of the Bonds Issuance Program with BRE Bank S.A. with its registered seat in Warsaw, the Company Echo Investment SA issued discount bonds with a total value of PLN 35 million. The nominal value of one bond is PLN 100 thousand. On May 14, 2009 the Company redeemed and discontinued the bonds. The redemption was at the nominal value. The issue price and interest were determined on the basis of a variable WIBOR 3M rate, plus investors' profit margin. The issued bonds were not secured.

On May 14, 2009, in respect of the Bonds Issuance Program with BRE Bank S.A. with its registered seat in Warsaw, the Company Echo Investment SA issued discount bonds with a total value of PLN 35 million. The nominal value of one bond is PLN 100 thousand. On June 17, 2009, the issuance of bonds was rolled. On July 20, 2009 the Company redeemed and discontinued the bonds. The redemption was at the nominal value. The issue price and interest were determined on the basis of a variable WIBOR 1M rate, plus investors' profit margin. The issued bonds were not secured.

On May 30, 2009 an agreement of the Bonds Issuance Program (the Agreement), signed on April 03, 2003 between Echo Investment S.A. and Bank BPH SA (currently Bank PeKaO S.A. as a legal successor of Bank BPH SA), expired. Under the Agreement the Bank organized and provided the services of the issuance of coupon bonds Echo Investment S.A. on the private market. The maximum total value of all bonds did not exceed the amount of PLN 250. The maturity date programme was not used.

8.4. Surety agreements

I. Sureties granted as at December 31, 2009 are presented in the table below:

Surety in favour of	Value (in thousands)	Expiry date	On account of
Bank PeKaO SA	PLN 740	Valid until the conclusion of an agreement of transfer of the rights of bank performance bond in favour of Bank PeKaO SA	surety for the obligations of Echo Investment – Centrum Bełchatów Sp. z o.o. as a collateral for credit granted by Bank PeKaO SA
Projekt – Echo 49 Sp. z o.o.	PLN 3,880	July 4, 2010	Surety for liabilities concerning remediation of damage regarding Projekt – Echo 49 Sp. z o.o.

EUROHYPO AG	PLN 821,640	Valid until a legally-binding entry of a capped mortgage and registered pledges on a property in the pledge register (with regard to the amount of EUR 100 million) and obtaining a legally-binding perpetual usufruct permit of an extended shopping-entertainment centre Galeria Echo in Kielce (with regard to the amount of EUR 100 million).	surety for the obligations of Echo – Galeria Kielce Sp. z o.o under the credit agreement signed on October 6, 2009 with Bank Eurohypo AG, with its registered seat in Eschborn (Germany)

On November 25, 2009 the Company Echo Investment SA granted a surety for the obligations of its subsidiary 'Echo – Galeria Kielce' Sp. z o.o., with its registered seat in Kielce (the Borrower) under the credit agreement signed on October 6, 2009 with Bank Eurohypo AG, with its registered seat in Eschborn (Germany) (the Lender). The Mount of credit granted is EUR 100 million (which according to the average exchange rate of the National Bank of Poland as at the date of credit granting is an equivalent of PLN 411.43 million). The surety was granted up to the amount of EUR 200 million (which according to the average exchange rate of the National Bank of Poland as at the date of credit granting is an equivalent of PLN 822.86 million, and as at 31.12.2009 is PLN 821.64 million) and shall be valid until a legally-binding entry of a capped mortgage on a property and registered pledges in the pledge register (with regard to the amount of EUR 100 million) and until obtaining a legally-binding perpetual usufruct of land permit for an extended shopping-entertainment centre Galeria Echo in Kielce (with regard to the amount of EUR 100 million). Under the surety granted, the Company shall receive remuneration from the Borrower, which shall be determined on the basis of a percentage rate calculated from the amount of surety granted. The Issuer is directly and indirectly tied with the Borrower through its subsidiaries 'Echo – Kielce 1' Sp. z o.o. and 'Projekt Echo – 93' Sp. z o.o.

On December 15, 2009 an individual surety for the obligations of a subsidiary for the amount of PLN 18,807 thousand expired.

II. The value of sureties obtained on account of lease contracts, valid as at December 31, 2009 was PLN 0.

8.5. Guarantee agreements

I. As at December 31, 2009 Echo Investment SA granted three bank guarantees.

On June 22, 2009 Echo Investment S.A. granted a guarantee to Westdeutsche ImmobilienBank AG as a security in the event of overspending during the execution of stage II of Malta Office Park in Poznan. The guarantee shall be valid until the repayment of all obligations on account of the credit agreement signed on June 22, 2009 between Malta Office Park Sp. z o.o. and Bank Westdeustche ImmobilienBank AG (Germany). The value of the guarantee was PLN 7.3 million.

On October 22, 2009 Bank PKO BP SA granted a bank guarantee to J&P Sp. z o.o. as a security in the event of not fulfilling by Centrum Handlowe PHS SA (a subsidiary) obligations due under the Lease contract of premises of September 24, 2009. The value of the guarantee was EUR 38.19 thousand (which according to the average exchange rate of the National Bank of Poland as at 31.12.2009 is an equivalent of PLN 157 thousand).

On November 03, 2009 Bank PKO BP SA granted a bank guarantee to Master Serwis Opon Sp. z o.o. as a security of payment of the amount awarded in favour of the Beneficiary. The value of the guarantee was PLN 1.1 million.

Guarantee agreements valid as at December 31, 2009 are presented in the table below:

Guarantor	Value (in thousands)	Expiry date	On account of
Echo Investment SA	PLN 7,300	Until the repayment of obligations under a credit agreement signed on June 22, 2009	Security of payment in the event of overspending during the execution of stage II of Malta Office Park
PKO BP SA	PLN 157	until 30.09.2010	Security in the event of not fulfilling obligations towards J&P Sp. z o.o. due under the Lease contract of premises of September 24, 2009. Guarantee issued in EUR.
PKO BP SA	PLN 1,100	until 31.12.2011	Security of payment of the amount awarded in favour of Master Serwis Opon Sp. z o.o.

On January 13, 2009 Bank PKO BP SA granted a guarantee in favour of PKP SA with its registered office in Warsaw as a security of payment of consultation costs of up to PLN 1.8 million. On November 09, 2009 the guarantee expired.

II. The value of guarantees received, valid as at December 31, 2009:
- Under the lease contracts PLN 0,
- Under the execution contracts: PLN 42.71 million and EUR 118.95 thousand.

9. In case of issue of securities during the reporting period – description of the use of revenues from the issue by Echo Investment S.A.

Echo Investment S.A. did not issue any securities (shares) in 2009.

10. Clarification of differences between financial results disclosed in the annual report and previously published forecasts for 2009

Echo Investment S.A. did not publish any forecasts of financial results for the year 2009.

11. Evaluation of financial resources management at Echo Investment, with special consideration of debt repayment

Management of financial resources of Echo Investment in 2009, in relation to the investment process in progress of erection of commercial facilities and apartments was mainly focused on obtaining sources of financing for realized projects, bridge financing (until the point of obtaining financing by subsidiaries) and maintaining safe liquidity ratios and assumed financing structure.

According to the Management Board, Echo Investment's property and financial condition at the end of 2009 indicates the Company's stable financial standing.

YIELD RATIOS

1. **Operating profit margin ratio** (operating profit/sales revenue) - a decline in the index compared to the same period the previous year was due to a lower rate of operating profit growth compared to the growth of net sales. The decrease of this index reflects only the change in the structure of sales. Incomes from realization of projects for Subsidiaries had a much bigger share in total sales. They are characterized by lower profitability than incomes from sale of apartments (new projects have not been introduced for sale and the current ones are being sold out). Although there was a decrease of this index, its value is still positive and at a relatively high level, which illustrates that the Company makes profitable sales of apartments and despite the crisis continues to develop projects for lease, which is a positive factor compared to the activities of the competition.

2. **Net balance profit margin ratio** (net profit/net sales income) – a decline of the index in comparison with the same period the previous year was due to a fall in net profit and a decline in sales compared to the same period the previous year. However, this decline is small - 1.4 percentage points. The factor causing a lower net result is a different revenue structure (higher share of revenue from GRI services than from sales of apartments) and slightly lower dividends from subsidiaries (a decrease by approx. PLN 5 million). The same ratio calculated at the consolidated level, in which case all transactions within the Group are excluded, is maintained at a similar level, which proves that the decrease of the ratio is caused by lower dividends and higher share of revenues from sales of GRI services in the structure, not by competitive-market factors.

3. **Return on assets ROA** (net profit/assets total) – a decline of the ratio in comparison with the same period the previous year was caused by a decrease in net income while increasing the value of assets, but at a slower rate than the rate of the decline in net income. The reason for the lower net profit in the current period has been described above, and it results mainly from internal transactions within the Group.

4. **Return on equity ROE** (net profit /equity) – a decline of the ratio in comparison with the same period the previous year was caused by the decrease in net income while increasing the equity, but at a slower rate than the rate of the decline in net income. The reason for lower net profit in the current period has been described above, and it results mainly from internal transactions within the Group.

Yield ratios are presented in the table below:

Yield ratios	2009	2008r.
Operating profit margin ratio	11.5%	22.3%
Net balance profit margin ratio	8.4%	9.8%
Return on assets (ROA)	2.1%	3.1%
Return on equity (ROE)	5.2%	7.9%

CYCLE RATIOS

Before analysing the changes in these ratios, a few characteristic features should be mentioned, which are independent of the period the ratios apply to. The rotation of key items of assets and liabilities is associated with the unique qualities of performed operations. They are related to a relatively long cycle of execution of specific investment projects and the value and volume increase of the 'portfolio' of executed investments. Due to the fact that the Capital Group inventories include acquired ownership rights and perpetual usufruct of land, together with all building expenses and costs pertaining to executed developer projects designated for sale, the cycle of execution will be long as compared to other businesses, e.g. the producers of FMCG.

1. **Inventories cycle in days** (average balance of inventories *360 / net sales revenues) – growth of the ratio in comparison with the previous year is due to the slower pace of the decline in the value of inventories in relation to the rate of decline in sales revenues. This means that despite the ever-present crisis, the Group is doing well regarding the sale of its products (apartments), which buyers are still interested in, hence their reduction in inventories. On the other hand, it shows further preparatory work in 2009 for the development of next apartments. The work increases the inventories until a project is ready to be used and the duration of their construction naturally translates into the rate of inventory turnover, extending it. When a project is finished, final contracts start to be signed and profits are entered into books, the value of this ratio will naturally be reduced. This is a result of the specificity of this industry.

2. **Current receivables cycles in days** (balance of current receivables* 360 / net sales income) – the decrease o this ratio is due to a higher rate of decline of receivables than the rate of the decline of revenue from net sales compared to the same period the previous year. Part of this decline is an internal indicator within the Group, namely a substantial portion of receivables are receivables from the Group Companies (loans and receivables arising from development of the project), so the decline of this indicator proves that the Company invests more in its SPV companies compared to the previous year. However, it should be remembered that this is the purpose of the Company - to provide funding until the Company's special purpose tranches are paid out and to provide an initial own contribution of the company, which is recovered when a tranche of LMV credit (tranche based on market value rather than construction throughput reduced by the own contribution) is paid out on making a project available for use. Due to the fact that in the second half of 2009 SPV companies signed credit agreements, they repaid some liabilities, which shortened the period of their financing by the Company.

3. **Current trade liabilities cycle in days** (balance of current trade liabilities *360 / net sales income) – the decline of this ratio is caused by a faster rate of the decline in current liabilities in relation to the rate of the decline in sales revenue compared to the corresponding period the previous year.

Cycle ratios are presented in the table below:

Activity indicators	2009	2008
Inventories cycle in days	405	367
Current receivables cycle in days	276	302
Current trade receivables cycle in days	42	67

LIQUIDITY RATIOS

1. **Current ratio (current assets / current liabilities)**– – a decrease of this ratio is cause by a slower pace of decline in liabilities in comparison with the pace of decline in current assets in comparison with the corresponding period the previous year. The decline in assets is associated with the repayment of short-term loans by the subsidiaries and a decrease of inventories value (execution of final agreements on the sale of apartments). The decrease of the ratio from high to safe, or even ideal levels (between 1.2 and 2.0) proves that the Company has improved its efficiency at the management of disposable financial resources and its liquidity, so that, while securing the repayment of liabilities, the disposable resources are not unnecessarily high and excessive liquidity is eliminated.

2. **Quick ratio ((current assets – inventories) / current liabilities)** similarly to the current ratio, a decrease of this ratio is associated with the slower pace of the decline in liabilities compared to the pace of decline in current assets minus inventories, as compared to a corresponding period last year. The decline of the ratio to ideal levels is a result of improved management of the Company's disposable resources.

3. **Cash ratio (cash / current liabilities)** – a growth of this ratio results from the growth of cash and a decrease in current liabilities. Maintaining this ratio at ideal levels results from Company's policy as regards liquefy. Maintaining the ratio above ideal levels would be aimless because the Company holds a very big cash buffer in its free credit lines on its current bank accounts and in its instantly accessible revolving credit facilities (renewable operating credits). Such high balance is associated with the economy, i.e. it is more effective from the point of management to maintain free credit lines for free than to block cash on the bank accounts.

Liquidity ratios of the entity are at levels higher than the theoretical. This intentional slight excess liquidity is dictated by the company's readiness to respond to emerging purchasing market opportunities quickly. The second reason for maintaining slight excess in liquidity is the fact that the entity carries out all investment as a general contractor and the entity signs and settles liabilities on account of construction expenditures with external companies. In order for these processes to be carried out smoothly, there is a payment security buffer left in the entity in the form of slight excess liquidity.

Liquidity ratios are presented in the table below:

Liquidity ratio	2009	2008
Current ratio	2.81	3.00
Quick ratio	1.28	1.43
Cash ratio	0.23	0.15

DEBT RATIOS:

1. **Equity to assets ratio (equity / assets total) –** the ratio remained at a level similar to the previous year and this was due to a similar rate of equity growth in relation to the rate of assets growth in general.
2. **Equity to fixed assets ratio (equity / fixed assets)** – a decline of this ratio results from a slower growth of equity in relation to the growth of fixed assets (increase of shares in subsidiaries)
3. **Overall debt ratio (liabilities total / assets total)** – a slight decline in this ratio results from a slower growth of liabilities in relation to the assets total growth. Because both the growth and the

decline are minor the ratio stays at a similar level. The ratios remain at levels similar to the ones registered in the previous year.

4. **Debt to equity ratio (liabilities total / equity) -** a decline of this ratio results from the growth of equity and a simultaneous decline of liabilities compared to the corresponding period in the previous year. The fact that there was no significant change in the assets and the change of the structure of liabilities increasing the equity signifies that the Company generates good profit from its assets, which was allocated to lower the liabilities.

Debt ratios are presented in the table below:

Debt ratios	**2009**	**2008**
Equity to assets ratio	40.9%	39.2%
Equity to fixed assets ratio	83.9%	100.6%
Overall debt ratio	57.7%	59.8%
Debt to equity ratio	141.1%	152.8%

12. Evaluation of the possibility of realisation of investment plans, including capital investments, as compared to the volume of available resources, accounting for possible changes in the structure of financing of the these operations

The Company is fully capable of financing the currently executed investment projects. While executing projects in all areas of activity, the Company intends to finance these projects using funds from equity capitals, bank loans, issue of debt securities. The projects intended for lease (shopping centres, shopping-entertainment centres and offices) are most often financed using obtained financing (purpose credits) in subsidiaries established for that particular purpose.

13. Assessment of factors and unusual events affecting the financial results in 2009, including the extent to which the factors or unusual events have affected the earned results

The following factors had a major impact on the bottom line of 2009:
-posting the incomes earned under final agreements of sale of the housing projects:
in Warsaw area at Inflancka Street Stage II and III and Zwycięzców Street Stage II;
-plots of land with house designs in estate Bilcza II near Kielce;
-steady income from letting of space in offices and shopping centres;
-quarterly revaluation of Echo Investment's properties, accounting for such changes as those arising out of foreign exchange gains/losses, indexation of rents, change of the level of net operating revenue.
- appraisal and adjustment of credit and cash in foreign currencies;
- appraisal and adjustment of hedge instruments in foreign currencies;
- revaluation of intangible assets.

In the 4th quarter of 2009, pursuant to the revoking of the decision on granting the right of perpetual usufruct of land to 'Projekt S' Sp. z o.o. and in connection with the unknown date of adjudication of the substance of the case, Echo Investment S.A. made an allowance for the shares of a subsidiary issuing a claim ('Projekt S' Sp. z o.o.) and all receivables and expenditures, which results in a decreased separate gross profit by approximately PLN 23 million.

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. The transactions are executed on the basis of contracts signed with banks and are effected within the scope of the applicable hedging policy to secure future levels of cash flows on operating activity and currency conversion of EUR- denominated credit facility tranches.

January 6 and 15, 2009 the Company closed part of its open currency positions: forwards with a nominal value of EUR 35 million (cost of closing PLN 59 thousand).
On March 16, 2009 the Company closed part of its open currency positions: call option with a nominal value of EUR 2.8 million (cost of closing PLN 2,509 thousand) and put option with a nominal value of EUR 4.0 million (option expired naturally, without costs).
On June 10, 2009 the Company closed the part of its open currency positions: forwards with a nominal value of EUR 2 million (cost of closing PLN 1 840 thousand).
On June15, 2009 the Company closed the part of its open currency positions: forwards with a nominal value of EUR 1 million (cost of closing PLN 639 thousand).
On June 16, 2009 the Company closed the part of its open currency positions: forwards with a nominal value of EUR 1.5 million (cost of closing PLN 1 440 thousand).
On September 30, 2009 the Company made a settlement of the part of its open currency positions: call option with a nominal value of EUR 2.1 million (cost of closing PLN 1 675 thousand) and put option with a nominal value of EUR 3.0 million (option expired without any costs).
On December 29, 2009 the Company made a settlement of its open currency positions: call option with a nominal value of EUR 2.1 million (cost of closing PLN 1 459 thousand) and put option with a nominal value of EUR 3.0 million (option expired without any costs).
As at December 31, 2009, the Company did not hold any open positions securing foreign exchange fluctuations.

14. Description of external and internal factors significant for the development of Echo Investment S.A. and description of development perspectives for the Company's economic activity.

14.1. Description of external and internal factors significant for the development of Echo Investment S.A.

Key external factors affecting the development of the Capital Group include:

Positive factors:

- maintained investment activity of Polish and foreign business entities and resulting demand for services provided by Capital Group companies;
- lower proportion of office and shop floor per 1000 inhabitants in Poland than in Western Europe,
- shortage of residential areas
- economic growth in Poland, maintained in spite of the world crisis;
- good condition of the Polish financial sector

Government's activities supporting the economic growth, among others, a programme 'Rodzina na swoim'[Family's Own Home].

Negative factors:

- unclear legal status of numerous real properties, which is due to such issues as reprivatisation or lack of precise spatial development plans in many towns and communes;
- time-consuming court and administrative proceedings related to legal status regulation and acquisition of rights to real property;
- market entry of large international investment & developer companies;
- legislation causing major difficulties in construction of large-size establishments; protests by local merchants' organizations, limiting the potential for investing in construction of malls;
- decreasing rate of economic growth, deteriorated economic situation in Poland and in other countries where Echo Group operates;
- variability of foreign exchange rates (EUR and USD);
- variability of interest rates;
- uncertainty about key assumptions of the fiscal and monetary policies in Poland.

Key internal factors significant for the development of Echo Investment S.A. include:

Positive factors:

- clear and precise development strategy;
- stable structure of shareholders with clear and consistent owners' policy towards the company;
- well-defined product group;
- recognized position of the capital group in the developer market and high reliability, acknowledged by Echo Investment S.A.'s presence in the Stock Exchange and obtained Developer's Certificate;
- active partnership cooperation with largest banks in terms of financing current activities and specific projects;
- good cooperation with stable and recognized partners;
- organizational structure accounting for the existence of profit centres, which are responsible for the specific segments of activity of Echo Investment S.A.;
- regulated legal status (no court actions threatening the Company)
- a lot of land for future investments.
-

Negative factors:

- unique quality of the operations, involving high level of dependency on complicated and time-consuming legal procedures,
- high demand for current assets, particularly related to the high number of executed projects.

14.2. Description of development perspectives for the Capital Group's economic activity at least until the end of 2010, including its market strategy

The strategy adopted by the Company takes into consideration the changing economic conditions and opportunities for development. It assumes strengthening of the Company's position on the developer's market and its development in the countries of Central and Eastern Europe. Its main objective is a consistent increase of the property portfolio and building the corporate value based on steady growth of profitability of the Capital Group's operations. Owing to the Capital Group's previous experience, successive use of its competitive advantage and building an optimum property portfolio, the Company is well-prepared for its further development in a changing market environment.
In 2009 the Management Board of the Company, in connection with an observed global economic crisis, verified its investment plans in order to adapt them to the economic forecasts for next year. Re-structuring and cost-cutting were implemented, including overheads, among others, through adapting the

employment levels to the anticipated involvement in the execution of projects and activities on the property market.
Next year the activities of Echo Investment Capital Group shall focus on the optimisation of developer's processes of particular investments. The Company monitors closely the developments on the property market and its decisions concerning the development of particular projects are taken individually and are based on current studies. In order to minimize the risk of adverse market changes, the Company adapts the schedules of the execution of projects to the actual situation on the market and does not exclude developing the planned investments in stages.
The subsidiaries of the Capital Group will focus on the preparation, realisation and commercialisation of office and commercial projects destined for lease, as well as on the preparation of new projects.
The development of the planned apartment buildings will depend on demand-and-supply factors, among other things, on the purchasing power, availability of credits, salaries, market price of the apartments and others. About 20 housing projects are under preparation.
The development of hotels largely depends on the situation in the tourist industry and the willingness of the hotel chains to undertake new investments. The current activity of Echo Investment S.A. is focused on the Polish market, where the Company co-operates with the international operators of hotel chains.
The Management Board of the Company is planning to develop its activities on the foreign markets in Central and Eastern Europe. At present, a development of a multi-purpose shopping, commercial and office centre in Budapest and a shopping-entertainment centre in Brasov in Romania are being prepared. The Capital Group has also started its activities in Ukraine, where it is planning to develop an office park.

15. Changes in the basic principles of managing the Capital Group

No significant changes in the basic rules of management took place during the year 2009.

16. Agreements made between the issuer and members of managing bodies, stipulating compensation in case of their resignation or dismissal from their positions without an important reason, or if their removal or dismissal results from the issuer's merger through takeover

During 2009 and as at December 31, 2009 there were no contracts stipulating the aforementioned compensation concluded between the Company and its managing persons. that stipulated the aforementioned compensation.

17. . Value of remuneration, rewards and benefits, including ones resulting from motivation or bonus programmes based on bonds with pre-emptive rights, convertible bonds, subscription warrants, paid, due or potentially due, separately for each member of the issuer's managing and supervisory bodies, as well as values of remuneration and rewards received for performance of functions in the bodies of subsidiaries

17.1 Remuneration paid to members of managing bodies

Managers of Echo Investment S.A. received the following remuneration at Echo Investment S.A. and for exercising their functions in the bodies of wholly and partially owned subsidiaries and associated companies in 2009, respectively:

- Mr Piotr Gromniak received compensation from Echo Investment S.A. in the total amount of PLN 660 thousand. He did not receive compensation for his functions held in the bodies of wholly- and partially-owned subsidiaries and affiliated companies.

- Mr Artur Langner received compensation from Echo Investment S.A. in the total amount of PLN 635 thousand. He did not receive compensation for his functions held in the bodies of wholly and partially owned subsidiaries and affiliated companies.
Other persons involved in management of wholly- and partially-owned subsidiaries and affiliated companies of Echo Investment S.A. (apart from the persons enumerated above) received a total compensation of PLN 255 thousand for performance of their functions in the bodies of the wholly and partially owned subsidiaries and affiliated companies.

17.2 Remuneration paid to members of supervisory bodies

Supervisors of Echo Investment SA received the following compensation from Echo Investment S.A. on account of their supervisory functions for the Company during 2009:

- Mr Wojciech Ciesielski received compensation from Echo Investment S.A. in the total amount of PLN 84 thousand. He did not receive compensation for his functions held in the bodies of wholly- and partially-owned subsidiaries and affiliated companies.
- Mr Andrzej Majcher received compensation from Echo Investment S.A. in the total amount of PLN 60 thousand. He did not receive compensation for his functions held in the bodies of wholly- and partially-owned subsidiaries and affiliated companies.
- Mr Mariusz Waniołka received compensation from Echo Investment S.A. in the total amount of PLN 36 thousand. He did not receive compensation for his functions held in the bodies of wholly- and partially-owned subsidiaries and affiliated companies.
- Mr Robert Oskard received compensation from Echo Investment S.A. in the total amount of PLN 36 thousand. He did not receive compensation for his functions held in the bodies of wholly- and partially-owned subsidiaries and affiliated companies.
- Mr Karol Żbikowski received compensation from Echo Investment S.A. in the total amount of PLN 36 thousand. He did not receive compensation for his functions held in the bodies of wholly- and partially-owned subsidiaries and affiliated companies.
- Mr Tomasz Kalwat received compensation from Echo Investment S.A. in the total amount of PLN 36 thousand. He did not receive compensation for his functions held in the bodies of wholly- and partially-owned subsidiaries and affiliated companies.

Other persons involved in supervision over the wholly- and partially-owned subsidiaries and affiliated companies of Echo Investment S.A. (apart from the persons enumerated above) did not receive compensation for performance of their functions in the bodies of the wholly- and partially-owned subsidiaries and affiliated companies.

18. Total number and nominal value of all shares of the issuer and shares in the issuer's Capital Group companies held by managing and supervising persons

Shares of Echo Investment SA have been quoted on the Warsaw Stock Exchange Since March 1996. As at December 31, 2009 420,000,000 shares of the Company are traded on the Stock Exchange. The nominal value of one share is PLN 0.05. All shares carry the same rights. One share carries one vote at the General Meeting of Shareholders.

Information on the issue of shares of the company Echo Investment:

Series	Number of shares	Total nominal value	Type of share	Date of registration in Court	Date of issue on 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			

18.1. Shares of Echo Investment S.A. held by supervising persons

Shares of Echo Investment S.A. held by supervising persons as at December 31, 2009 are illustrated in the table below:

Supervising person	Balance as at 31.12.2009 [pes.]	Par value of one share	Total par value	Percentage of share capital
Wojciech Ciesielski – Chairman of the Supervisory Board	1,440,000	PLN 0.05	PLN 72,000	0.34%
Andrzej Majcher - Deputy Chairman of the Supervisory Board	100,800	PLN 0.05	PLN 5,040	0.02%
Mariusz Waniołka – Member of the Supervisory Board	did not hold any shares	PLN 0.05	–	–
Robert Oskard – Member of the Supervisory Board	did not hold any shares	PLN 0.05	–	–
Karol Żbikowski – Member of the Supervisory Board	did not hold any shares	PLN 0.05	–	–
Tomasz Kalwat – Member of the Supervisory Board	14,860	PLN 0.05	PLN 743	0.004%

On November 20, 2009 the Issuer received notifications in which three members of the Supervisory Board of the Issuer inform that on November 20, 2009 a person closely related to them, as a consequence of an off-session block transaction, carried out on December 19, 2009 on the Warsaw Stock Exchange, acquired 17,884,050 ordinary bearer shares of Echo Investment SA on the regulated market, at a price of PLN 4.39 per share. The informing persons requested that the personal details of that person be kept confidential, in compliance with Paragraph 3 Law 2 of the Minister of Finance Decision of November 15, 2005 on the transferring and publishing information on certain financial instruments transactions and the principles of preparation and maintaining a list of persons who have access to certain confidential information (Journal of Laws No. 229 item 1950).

18.2. Shares of Echo Investment S.A held by managing persons

Shares of Echo Investment S.A. held by managing persons as at December 31, 2009 are illustrated in the table below:

Managing person	Balance as at 31.12.2009 [pes.]	Par value of one share	Total par value	Percentage of share capital
Piotr Gromniak – President of the Management Board	did not hold any shares	PLN 0.05	–	–
Artur Langner – Vice-President of the Management Board	did not hold any shares	PLN 0.05	-	-

19. Agreements known to the Issuer (including those made after a balance sheet date) which in the future may result in changes of the structure of shares held by present shareholders and bondholders

The company has no knowledge of the aforementioned agreements.

20. Information about a system of control of matching shares programmes

The Company does not operate a programme of employee shares.

21. Contracts with certified auditor of financial statements for audit or review of the financial statements or consolidated financial statements

On August 5, 2008, the Issuer's Supervisory Board, 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.
The company authorised to audit the Company's financial statements is PricewaterhouseCoopers Sp. z o.o. of Warsaw, ul. Armii Ludowej 14, registered on the list of certified auditors of financial statements maintained by the National Board of Chartered Accountants with registration number 144 (Chartered Accountant), who has signed a contract for audit and review of the financial statements of Echo Investment in 2008 and 2009.

The fee paid or payable to the certified auditor of financial statements of the Issuer and Echo Investment Capital Group for the financial year is:

1. payable for audit of separate and consolidated annual statements for 2009: PLN 115,000; fee paid for audit of the same statements for 2008: PLN 160.000.
2. for other certification services, including the fee payable for review of separate and consolidated financial statements for 2009: PLN 95,000, and fee paid for review of separate and consolidated financial statements for 2008: PLN 95,000.
3. for tax consulting services, including PLN 0 paid in 2009, and PLN 6,560 in 2008.
4. for other services, including PLN 0 paid or payable in 2009 and PLN 0 in 2008.

22. Information on court proceedings before the authority having jurisdiction for arbitrary court proceedings or statutory authority, including information on the proceeding or two or more proceedings related to the debts or receivables of Echo Investment S.A. or any of its subsidiaries with a value amounting to at least 10% of the Company equity

During the period from January 1 to December 31, 2009 there were no court proceedings related to the debts or receivables of Echo Investment S.A. or any of its subsidiaries with a value amounting to at least 10% of the Company equity before the authority having jurisdiction for arbitrary court proceedings or statutory authority.

23. Significant events after the balance sheet date

On January 20, 2010 the Management Board of Echo Investment S.A. received a decision issued by the District Court for Kraków Srodmiescie 7th Division of Pledge Register in Kraków of January 12, 2010 about an entry in the Pledge Register of a registered pledge on shares of a subsidiary of Echo Investment 'Projekt Echo – 62' Sp. z o.o., with its registered seat in Kielce (the Subsidiary). The pledge is on shares of the Subsidiary belonging to the Issuer's subsidiary Echo – Pasaż Grunwaldzki Spółka z Ograniczoną Odpowiedzialnością Sp.k., with its registered seat in Kielce in the amount of 7,731,000 shares, with a total nominal value of PLN 386,550,000, constituting 99.99% of the share capital, carrying up to 7,731,000 at the general meeting of shareholders.
The bookkeeping value of shares under the registered pledge in the accounting books of Echo – Pasaż Grunwaldzki Spółka z Ograniczoną Odpowiedzialnością Sp.k. amounts to PLN 386,550,000. Echo – Pasaż Grunwaldzki Spółka z Ograniczoną Odpowiedzialnością Sp.k. treats the shares as a long-term capital investment.
The registered pledge is a collateral in favour of Bank Eurohypo AG, with its registered seat in Eschborn (Germany) against liabilities under the credit agreement signed between the Issuer's subsidiaries Echo – Galeria Kielce Sp. z o.o., with its registered seat in Kielce (the Borrower) and Projekt Echo – 62 Sp. z o.o., with its registered seat in Kielce (the Guarantor) and Bank Eurohypo AG, with its registered seat in Eschborn (Germany) (the Bank, the Lender), about which by Echo Investment SA reported in the current report no. 32/2009 of October 6, 2009. The pledge on shares was made on the basis of an agreement for a registered pledge on shares signed on November 25, 2009 between Echo – Pasaż Grunwaldzki Spółka z Ograniczoną Odpowiedzialnością Sp.k. (the Pledger) and Bank Eurohypo AG (the Pledgee). The amount of liabilities under the registered pledge is EUR 150 million, which according to the average exchange rate of the National Bank of Poland as at the date of entry in the register is an equivalent of PLN 612.21 million.

On February 8, 2010 sale agreements were signed between the Company Echo Investment S.A. (the Seller) and a subsidiary 'Projekt Echo – 17' Sp. z o.o. (the Seller) and Mr Michał Sołowow (the Buyer). Under the aforementioned agreements, Echo Investment S.A. sold 999 and its subsidiary 'Projekt Echo – 17' Sp. z o.o. sold 1 share in the share capital of a subsidiary Projekt Echo – 68 Sp. z o.o., with its registered seat in Kielce. The total sale price of shares amounted to PLN 35,571.

On March 15, 2010 the Company Echo Investment S.A. and the Company Warbud S.A., with its registered seat in Warsaw (the Contractor) signed a general agreement of execution of a complex of apartment buildings, located in Poznań at Wojskowa Street (the Facility). Under the concluded agreement, the Contractor shall complete the general execution of the Facility until July 31, 2011. The value of the agreement was PLN 20.65 million net.

On March 18, 2010 the company Echo Investment S.A. and BRE Bank S.A., with its registered seat in Warsaw, signed by circulation annexes (the Annexes) to the agreements in respect of the Bonds Issuance Program (the Bonds) concluded on April 15, 2004, mentioned by the Issuer in the current report no. 19/2004 on April 16, 2004 (the Agreements).

Under the Annexes to the aforementioned Agreement, the Issuer shall carry out a multiple issuance of bonds within the issuance of tranches. Under the Annexes, the total maximum nominal value of all bonds possible to issue was increased up to PLN 700 million and the term of the Agreements was changed into permanent. Pursuant to the Annexes concluded, BRE Bank S.A. shall organise and provide a complex service of the issuance of the Company bonds on the private market. The bonds shall not be secured and issued as bearer securities. The interest on bonds may be fixed or variable. The bonds shall not entitle to any non-cash obligations. The conditions of the issuance shall be determined before the issuance, during the term of the Agreement the Bonds Issuance Program.

On March 23, 2010 Echo Investment S.A. and the Municipality of Wroclaw concluded an agreement of purchase of a property located in Wroclaw at Swobodna and Borowska Street, with a total area of 1.0362 hectares. The value of agreement is PLN 5.62 million net.

On March 30, 2010 Echo Investment S.A. (the Seller) and Mr Tomasz Kwiecien (the Buyer) concluded a sale agreement of 99 shares in the share capital of a subsidiary 'Projekt Echo – 44' Sp. z o.o. with a total nominal value of PLN 49,500, constituting 99% of the share capital. The sale price is PLN 35,543.69.

On April 7, 2010 the company Echo Investment SA (the Seller) and Projekt Echo – 93 Sp. z o.o. (the Buyer) concluded a sale agreement of 1 share in the share capital of a subsidiary Echo Investment – Centrum Handlowe Przemyśl Sp. z o.o with a nominal value of PLN 50, constituting 0.001% of the share capital. The sale price is PLN 202.08.

On April 7, 2010 the company Echo Investment S.A. (the Seller) and Magellan Holding Sarl with its seat in Luxembourg (the Buyer) concluded a sale of 490 shares in the share capital of Projekt Echo – 58 Sp. z o.o. with its seat in Kielce, with a total nominal value of PLN 24,500, constituting 49% of the share capital. The sale price is PLN 18.514,71.

Kielce, April 30

Piotr Gromniak President of the Management Board	Artur Langner Vice-President of the Management Board

MANAGEMENT BOARD STATEMENT

We, the Management Board of Echo Investment S.A., hereby state that to the best of our knowledge, the annual consolidated financial statements for the year 2009, including the comparative figures, have been prepared in compliance with the International Financial Reporting Standards and that they are a true, fair and transparent presentation of the financial and economic standing of Echo Investment S.A. Capital Group and its profit/loss. The report concerning the activities of Echo Investment S.A. Capital group contains a true presentation of the development and achievements as well as the standing of the Group, including a description of fundamental risks and hazards.

We, the Management Board of Echo Investment S.A., hereby state that an entity authorised to audit financial statements, reviewing the annual consolidated financial statement for the year 2010 was selected in a lawful manner. This entity and the chartered accountants performing the review satisfied the conditions required to issue an impartial and autonomous opinion on the audited consolidated annual financial statement, as required by applicable regulations and professional standards.

Kielce, April 30, 2010

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

Piotr Gromniak President of the Management Board	Artur Langner Vice-President of the Management Board

REPORT OF
THE MANAGEMENT BOARD OF
ECHO INVESTMENT S.A.
ON APPLICATION OF
CORPORATE GOVERNANCE PRINCIPLES

April 30, 2010

1. A collection of corporate governance principles applicable to the Issuer and location where the collection can be accessed by the general public

Echo Investment S.A. (the Issuer) shall apply corporate governance principles under the obligation stipulated by 'Best Practices of Warsaw Stock Exchange Listed Companies', enacted under the Resolution No 13/1170/2007 of the Warsaw Stock Exchange Supervisory Board of July 4, 2007 and the amended Resolution No 18/1176/2007 of October 23, 2007 and No 20/1178/2007 of October 26, 2007. A collection of the aforementioned principles is available at the Warsaw Stock Exchange website and at the Issuer's website, in the part concerning relationships between investors: www.echo.com.pl .

2. Scope of the Issuer's deviation from the provisions of corporate governance principles, indication of the provisions not followed and explanation of reasons for deviation

BEST PRACTICES FOLLOWED BY MANAGEMENTS OF LISTED COMPANIES

Principle 1.
'A company should maintain a corporate website and should publish the following:
4) notice of the time and venue of a general meeting, agenda, draft resolutions with justifications, other available materials relating to the company's general meetings of shareholders, at least 14 days before the specified date of meeting'.

This principle was not followed in 2009 in the part concerning 14-day term for publication of materials related to general meetings of shareholders on the corporate website. The company publishes notice of time and venue of each general meeting, the agenda, draft resolutions with justifications, and other available materials related to general meetings of shareholders on its corporate website within such times as stipulated in the regulations of the Minister of Finance of February 19, 2009 on current and periodical information published by issuers of securities and principles of recognizing as equivalent information required by non-Member State legislations. The deadlines set out in the aforementioned Regulations are satisfactory for anyone willing to acquaint themselves with the respective materials.

Principle 1.
'A company should maintain a corporate website and should publish the following:
6) Annual reports on the activity of the supervisory board, accounting for the works of its committees, including evaluation of supervisory board's work, internal controlling system and significant company risk management system as submitted by the supervisory board'.

This principle was not applied in 2009 in the part regarding reports on the committees' works and evaluation of the internal controlling system and significant company risk management system. As there is no internal controlling system or a significant corporate risk management system in the Supervisory Board's range of competence, the Supervisory Board has not presented an assessment of such systems in the annual report of the supervisory board.
On December 17, 2009 the Supervisory Board of Echo Investment S.A. in accordance with Article 86 of Act on chartered accountants and their self-governance, entities entitled to study financial reports and public supervision, as of May 7, 2009 (further called ' Act on chartered accountants ') appointed an Audit Committee consisting of three persons.
1. Mr Mariusz Waniołka – Chairman of the Audit Committee;

2. Robert Oskard;
3. Tomasz Kalwat.

A member of the Audit Committee, Mr Mariusz Waniołka, meets the provisions stipulated by Article 56 Section 3 of Act on chartered accountants, as he is not related to the company or any other companies significantly related to the Company, and he holds qualifications in the area of financial audit and accounting. In the opinion of the Supervisory Board, all appointed members of the Audit Committee have knowledge of accounting and finance.

By appointing the Audit Committee, the Issuer adopted one of the corporate governance principles, Principle 7 of Part III 'Best Practices of Warsaw Stock Exchange Listed Companies' enacted under the Resolution No 12/1170/2007 of the Warsaw Stock Exchange Supervisory Board of July 4, 2007.

Principle 1.
'The company should maintain a corporate website and publish the following data:
7) Shareholders' inquiries concerning issues put on the agenda, raised before and during the general meeting, with responses given'.

This principle was not followed in 2009. The Company did not maintain a detailed record of General Meetings of Shareholders that would include all statements and inquiries. The chairperson of the given General Meeting of Shareholders decides about including particular issues in minutes, acting in pursuance of the law, according to importance of the given issue and on the basis of shareholders' reasonable demands. Participants of the General Meeting of Shareholders, in compliance with the Code of Commercial Partnerships and Companies and the Regulations of the General Meeting of Shareholders, may lodge written statements further attached to minutes of meetings. The Company concedes that such rules ensure sufficient transparency of general meetings.

Principle 1.
'The company should maintain a corporate website and publish the following data:
11) Information obtained by the management board on the basis of a supervisory board member's statement on a supervisory board member's affiliation to the shareholder holding a stake of not less than 5% of the total number of votes at the general meeting of the company'.

The above principle was not followed by the Management Board of Echo Investment SA in 2009 because the Management Board of the Company did not receive any such representations from members of the Supervisory Board.

Principle 3.
'Before the company executes a significant contract with an affiliated entity, the management board shall request the supervisory board's approval of such transaction/contract. The above obligation shall not apply to typical transactions executed at arm's length in the range of the company's operating activities with a subsidiary where the company holds a majority capital share. For purposes of this collection of principles, definition of an affiliated company shall apply within the meaning of the Regulation of the Minister of Finance as of October 19, 2005, on current and periodical information published by issuers of securities.'

This principle was not followed in 2009. In the opinion of the Management Board of the Company, the regulations contained in valid provisions of the law, in combination with the Articles and Regulations of the Supervisory Board of the Company concerning transactions/contracts made with affiliated organizations, are sufficient. Moreover, the Supervisory Board's range of competence includes continuous monitoring of the Company's operations, including decisions concerning all significant contracts of the Company, in application of such contracts' value criteria as specified in the Company Articles.
In 2009 all transactions carried out by Echo Investment S.A. were at arm's length.

Principle 5.
'Draft resolutions of the general meeting should be justified, except for technical and formal resolutions and typical resolutions enacted in the course of proceeding by the general meeting. In consideration of the foregoing, the Management Board should present the justification or request such justification from the party requesting that the given issue be put on the agenda of the general meeting.'

The above principle was not followed in 2009. The obligation of justifying resolutions of the General Meeting of Shareholders introduced by way of the above principle makes potential claims of the justification inappropriate, too short or otherwise unsatisfactory to a shareholder. In order to minimize the risks related to non-application of the above principle, the Management Board of the Company is going to present justifications of draft resolutions before and during the General Meeting of Shareholders to all the shareholders of the Company that are interested.

BEST PRACTICES FOLLOWED BY SUPERVISORY BOARD MEMBERS

Principle 1.
'Apart from activities stipulated by valid laws, the supervisory board should:
1) prepare and present to the ordinary general meeting of shareholders a yearly concise evaluation report on the condition of the company, including assessment of the internal controlling system and the important company risk management system'

This principle was not applied in 2009 in the part concerning evaluation of systems, due to the fact that Principle 1 item 6 of Best Practices of the Supervisory Boards of Listed Companies is not applied. As there is no internal controlling system or a significant corporate risk management system in the competence of the Supervisory Board, the Supervisory Board is not going to present an assessment of such systems to the ordinary general meeting of shareholders.

Principle 2.
'Each supervisory board member should communicate to the management board of the company the scope of their affiliation to a shareholder holding a stake of not less than 5% of the total number of votes at the general meeting. The above obligation refers to economic, family and other relationships that might affect the supervisory board member's opinion on the issue being resolved by the board.'

The above principle was not applied by the Supervisory Board of Echo Investment SA in 2009. The above principle is redundant in the context of exclusion of a Supervisory Board member from participation in the Board's decisions in case conflicting interests occur. The only criterion appropriate and sufficient in view of valid laws is the criterion of purpose and intended and actual consequence of the actions of a Supervisory Board member. Such criterion is the acting for the benefit of the Company and the shareholders and responsibility for any possible actions to the detriment of the Company or the shareholders.

Principle 6.
'At least two members of the supervisory board should fulfil the criteria of independence on the company and entities in significant affiliation to the company. Regarding the supervisory board members' independence criteria, Appendix II to the Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board should apply. Notwithstanding the provisions of sub-clause b) of the aforementioned Appendix, a person employed by the company, its subsidiary or associated company cannot be considered compliant with the independence criteria mentioned in the Appendix. Another

type of affiliation to shareholder precluding the supervisory board member's independence attribute within the meaning of this principle is a true and significant relationship with a shareholder entitled to execute 5% or more of the total number of votes at the general meeting of shareholders.'

The above principle was not applied by the Supervisory Board of Echo Investment SA in 2009. In accordance with valid laws, Supervisory Board members are appointed at the sovereign discretion by the General Meeting of Shareholders of the Company. In view of the foregoing, no grounds exist for restricting the Meeting's freedom in electing members of the Supervisory Board of the Company. In addition, the 'independence' criterion does not properly determine the positions and criteria that should be followed by a Supervisory Board member in taking their decisions in the course of performing their functions. For the very reason of the Board member being appointed and possibly recalled by shareholders and the essence of their function of representing the shareholders, this criterion is unrealistic and unclear. In the opinion of the Company, 'independence' of members of the Company's bodies should mean their opportunity and necessity to act within the limits of valid laws and for the Company's interests, such independence being fully respected by the Company.

Principle 7.
'At least one audit committee should operate within the supervisory board. At least one member of such committee should be independent on the company or entities remaining significantly affiliated to the company, competent in accounting and finance. In those companies where the supervisory board comprises the minimum number of members required by law, duties of this committee may be executed by the supervisory board.'

The principle was not applied until December 17, 2009, as there were no committees operating within the Supervisory Board. On December 17, 2009 the Supervisory Board of Echo Investment S.A. in accordance with Article 86 of Act on chartered accountants and their self-governance, entities entitled to study financial reports and public supervision, as of May 7, 2009 (further called ' Act on chartered accountants ') appointed an Audit Committee consisting of three persons.
1. Mr Mariusz Waniołka – Chairman of the Audit Committee;
2. Robert Oskard;
3. Tomasz Kalwat.
A member of the Audit Committee, Mr Mariusz Waniołka, meets the provisions stipulated by Article 56 Section 3 of Act on chartered accountants, as he is not related to the company or any other companies significantly related to the Company, and he holds qualifications in the area of financial audit and accounting. In the opinion of the Supervisory Board, all appointed member of the Audit Committee have knowledge of accounting and finance.
By appointing the Audit Committee, the Issuer adopted the corporate governance Principle 7 of Part III 'Best Practices of Warsaw Stock Exchange Listed Companies' enacted under the Resolution No 12/1170/2007 of the Warsaw Stock Exchange Supervisory Board of July 4, 2007.

Principle 8.
'Regarding the tasks and functioning of committees operating within the supervisory board, Appendix I to the Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors (...) should apply.

The above principle was not followed in 2009 by the Supervisory Board of Echo Investment SA because principle no. 7 of Part III 'Good practices applied by supervisory board members' did not apply. No committees existed within the Supervisory Board until December 17, 2009.

Principle 9.

‘Effecting by the company of a contract/transaction with an affiliated company complying with the conditions mentioned in Section II clause 3 shall require the supervisory board's approval.’

The above principle was not followed in 2009. The regulations contained in valid provisions of the law, in combination with the Articles and Regulations of the Supervisory Board of the Company concerning transactions/contracts made with affiliated organizations, are sufficient. The Supervisory Board's range of competence includes continuous monitoring of the Company's operations, including decisions concerning all significant contracts of the Company, in application of such contracts' value criteria as specified in the Company Articles.

The Corporate Governance Principles contained in the document entitled ‘Best Practices of Warsaw Stock Exchange Listed Companies’, which have been accepted by the Company and which the Company was ready to follow, were duly complied with by the Company in 2009.

3. Description of the main features of internal controlling and risk management applied at the Issuer’s enterprise with respect to the process of preparing financial reports and consolidated financial reports

The Management Board of the Company is responsible for the internal controlling system at the Company and for efficient operation of that system in the process of preparing periodical financial statements and reports, which are developed and published in accordance with the Regulation of the Minister of Finance as of February 19, 2009 on current and periodical information published by issuers of securities (Journal of Laws of 2009 no. 33 item 259).
Efficient and correct functioning of the internal controlling system and risk management can be guaranteed by the following features:

- determined structures, ranges of competence and assignment of tasks during preparation of financial statements,
- determined ranges of competence and scope of financial reporting,
- regular evaluation of the Company's activity on the basis of financial reports,
- verification of the Company's financial statements by an independent chartered accountant,
- analysis, process controlling and risk management process.

The persons responsible for preparing financial statements, periodical financial reports and daily management reports of the Company belong to a highly qualified team of the Financial Division, headed by the Financial Director, the Managing Director, and the Management Board of the Company. The Company's financial statements are prepared by a team of Financial Division employees, supported by persons in charge of reporting and reports control issues. The entire process is supervised by medium level management of the Financial Division. The complete financial statements are reviewed by the Company's Financial Director before submission to an independent auditor.
According to valid laws, the Company has its financial statements reviewed or audited accordingly by an independent chartered accountant with recognized high qualifications.
The Company's financial and accounting system provides a source of data for the financial statements and periodical reports, as well as monthly management and operating reports used in the Company. When all the predetermined book closing processes are completed at the end of each consecutive month, detailed financial and operating management reports are developed. These are analyzed in detail by middle and senior management of individual units of organization of the Accounting Department and afterwards by the Budgeting and Forecasting Department. In respect of completed reporting periods, the Company's financial results are studied in detail in comparison with budgetary assumptions and forecasts developed during the month before the reporting period under consideration. Because of certain trade specific

qualities of the industry, not only particular cost groups are analyzed, but also individual investment projects, separately and against the background of the entire segment.
Any deviations found are properly clarified and any possible errors are corrected on a regular basis in the Company's ledgers, in accordance with the applied accounting policy.

The key activity for the Company, reducing its exposure to market risk, is the proper assessment of potential investments along with control over running investments on the basis of investment models and decision-making procedures developed by the Company, the compliance wherewith is under special scrutiny of the Project Analysis and Controlling Department and the Financial Director of the Company.

The Company updates its mid-term plan every year. A detailed operating budget and financial budget is also created every year, including in particular:

- a budget for construction projects,
- a budget for operation & maintenance projects,
- a budget related to overheads,
- Financial statements forecast.

This process, based on formal principles existing within the Company and led by the Management Board, involves middle and senior management of the Company. The annual budget prepared for the consecutive year is approved by the Management Board of the Company.
The above mentioned budgets and forecasts are regularly controlled and any deviations from plan are duly monitored.
During the year, the Management Board of the Company analyzes the current financial results and compares them with the budget using management reporting system applied by the Company, which is based on the Company's accounting policy (the International Financial Reporting Standards), accounting for the format and detail of financial data presented in the Company's and the Group's periodical financial statements.
The Company applies consistent accounting principles in presenting the financial data in financial reports, periodical financial reports and management reports.
Risk management takes place in the Company through identification and assessment of risk areas for all sectors of the Company's and the Group's activity, involving defining of activities necessary for reducing or eliminating that risk.

4. Indication of shareholders holding significant stakes of Echo Investment S.A., whether directly or indirectly, including the number of shares held by these shareholders, their percentages in the share capital, the number of votes carried by these shares and percentages of these votes in overall number of votes in the general meeting of the shareholders

The following shareholders, directly or indirectly through subsidiaries, held at least 5% of the total number of votes at the general meeting of Echo Investment S.A., as at December 31, 2009:

Shareholder	Number of shares [pcs.]	Percentage of share capital of	Number of votes at the General Meeting of Shareholders of	Percentage of the total number of votes at the
Michał Sołowow (directly and indirectly)	169 916 580	40.46%	169 916 580	40.46%
Aviva OFE Aviva BZ WBK*	47 340 018	11.27%	47 340 018	11.27%
ING OFE*	37 898 195	9.02%	37 898 195	9.02%
PZU Złota Jesień OFE*	37 655 236	8.97%	37 655 236	8.97%

** Balance according to annual structure of investment portfolios of the OFEs (Open Pension Funds) as at December 31, 2009.*

5. Holders of any securities carrying special controlling privileges, including a description of such privileges

Securities issued by Echo Investment S.A. do not carry any special controlling privileges for the holders.

6. Specification of any restrictions as to exercising of voting rights, such as limitation on exercising of voting rights by the holders of a specific percentage and number of votes, time limitations applicable to exercising of voting rights or regulations where equity rights involved in securities are distinguished from holding securities, with the Company's cooperation

Echo Investment S.A. does not know of any limitations as to exercising of voting rights by holders of the Issuer's securities.

7. Specification of any restrictions concerning assignment of ownership rights to the issuer's securities

Echo Investment S.A. does not know of any limitations as to exercising of voting rights by holders of the Issuer's securities.

8. Rules of appointing and dismissing managing and supervising persons. Ranges of authority, specifically including the right to take decisions on issue or redemption of shares

8.1. Rules of appointing and dismissing members of managing bodies

These principles are regulated by the Polish Code of Commercial Partnerships and Companies, and by Company Articles of Echo Investment S.A. The Management Board as a whole and the individual members thereof shall be appointed and suspended by the Supervisory Board, who shall elect the President of the Management Board and the Vice-President of the Management Board. The term of office of the first Management Board shall last two years and the terms of office of the subsequent Management Boards shall last three years, where management board members shall be appointed for a common term of office, which shall not preclude the right to early dismissal of each of the Management Board members. The terms of office of the Management Board members shall elapse on the day of a General Meeting of Shareholders that is held for the purpose of approving of a financial statement for the final year of the term of the Management Board. The Management Board or its individual members can be dismissed by the Supervisory Board before expiry of their terms of office, including specifically upon a written request of shareholders representing at least 1/3 of the share capital or if the Ordinary General Meeting of Shareholders passes a resolution on refusal to grant a vote of acceptance to the Management Board on account of the performance of its duties during the completed financial year.

8.2. Authorisations of members of managing bodies

Authorisations of members of managing bodies are regulated by the Company Articles of Echo Investment SA.
The members of the Management Board shall represent the Company in front of authorities, offices and third parties, during proceedings in court, state authorities and offices. Statements shall be made in the name of the Company by two members of the Management Board acting jointly, or by one Management Board member acting jointly with the Procurator. Incurring liabilities by persons authorised to make statements in the name of the Company for amounts exceeding 20% of the Company's ownership capitals shall require prior written consent of the Supervisory Board. The Management Board shall handle all current issues of the Company in the range not reserved by the provisions of the Commercial Code or the Company Articles for the General Meeting of Shareholders or the Supervisory Board.
Decisions regarding issue and redemption of shares are regulated by the provisions of the Polish Commercial Code.

9. Rules of amending the Company Articles or the Company Deed of the Issuer

The rules of amending the Company Articles or Company Deed are regulated by the provisions of the Polish Code of Commercial Partnerships and Companies.
The amendment to the company articles shall require a resolution of a general meeting of shareholders of Echo Investment S.A. and registration at the National Court Register (KRS). The Management Board of the Company shall notify such change to the registration court within not more than three months of enacting the relevant resolution by the general meeting of shareholders.
Together with entry of amendment of Company Articles, any change of Company data notified to the registration court shall also be recorded at the National Court Register.

The general meeting of shareholders shall authorize the Supervisory Board to put together the uniform text of amended company articles or to make such other editorial changes as may be defined by the resolution of a general meeting.

10. Functioning of the general meeting of shareholders, substantial range of authority of the general meeting and description of shareholders rights and methods of exercising these rights, with special considerations of rules arising from the regulations of the general meeting

The functioning of the general meeting of shareholders, the range of authority of the general meeting and the shareholders rights and methods of exercising these rights are regulated by the Company Articles and the Code of Commercial Partnerships and Companies. The Company Articles are available on the Company's website www.echo.com.pl under the bookmark Company Articles and Rules and Regulations.
The agenda of the General Meetings of Shareholders, including the preparation of materials presented during the General Meeting, is planned so that the obligations towards the shareholders are fulfilled and the shareholders' rights are exercised.

11. Composition and changes in the composition during the last financial year and description of functioning of managing bodies, supervising bodies or administrative bodies of the Issuer, including any committees operating there within

THE MANAGEMENT BOARD OF ECHO INVESTMENT S.A. – MEMBERS IN 2009

As at December 31, 2009 and as at a day of submitting of this report, the Management Board consisted of the following members:

- Mr Piotr Gromniak – President of the Management Board
- Mr Artur Langner – Vice-President of the Management Board

THE MANAGEMENT BOARD OF THE COMPANY – RULES OF OPERATION IN 2009

The Management Board of Echo Investment SA acts pursuant to the provisions of the Act of Code of Commercial Partnerships and Companies (Journal of Laws No 94, item 1037, as amended), the Company Articles, the Regulations of the Management Board of Echo Investment SA as approved by way of Resolution of the Supervisory Board of the Company of May 14, 2005 and in compliance with generally applicable rules of 'Best Practices of Listed Companies 2005'.
The Management Board of the Company may consist of one or more members. The Management Board as a whole and the individual members thereof shall be appointed and suspended by the Supervisory Board, who shall elect the President of the Management Board and the Vice-President of the Management Board.
The term of office of the first Management Board shall last two years and the terms of office of the subsequent Management Boards shall last three years, where Management Board members shall be appointed for a common term of office, which shall not preclude the right to early dismissal of each of the Management Board members. The terms of office of the Management Board members shall elapse on the day of a General Meeting of Shareholders that is held for the purpose of approving of a financial statement for the final year of the term of the Management Board. Members of the Management Board can be re-elected to the Management Board for consecutive terms of office. The Supervisory Board may dismiss the

Management Board or its individual members before the expiry of their terms of office, including specifically upon a written request of the shareholders representing at least 1/3 of the share capital, or if the Ordinary General Meeting of Shareholders passes a resolution on refusal to grant a vote of acceptance to the Management Board on account of performance of its duties during the completed financial year.
Persons that are not shareholders of the Company can be appointed as members of the Management Board of the company.
The Management Board shall represent the Company in front of authorities, offices and third parties, during proceedings in court, state authorities and offices. A Procurator can also be appointed on behalf of the Company in the said range. Statements shall be made in the name of the Company by two members of the Management Board acting jointly, or by one Management Board member acting jointly with the procurator. Members of the Management Board shall perform their functions only in person.
The detailed methods of functioning of the Management Board shall be set out in the Regulations for the Work of the Management Board, adopted by the Management Board and approved by the Supervisory Board.
The Management Board shall manage all current issues of the Company, subject to restrictions under the provisions of the Polish Code of Commercial Partnerships and Companies and under these Articles. The powers of the Management Board shall include acquisition or sale of a real property or a share in a real property, or a share in perpetual usufruct, subject to the provisions of Clause 13 section 1 letters d) and e) of the Articles. When executing the rights of the Meeting of Shareholders in subsidiaries, the Management Board shall be obliged to obtain prior consent of the Supervisory Board of the Company, also in case incurred liability or disposal of right by the subsidiary is supposed to exceed the limits set out in paragraph 13 clause 1 letter d) or letter e) of the Articles where under contracting debt by the Company in the amount exceeding 20% of the Company's equity shall require consent of the Supervisory Board.
While making decisions regarding matters of the Company, the Management Board must specifically act within the limits of justified economic risk, upon proper analysis and due consideration of all available information, studies and opinions, which, in the opinion of the Management Board, should be taken into account in view of the Company's interest.
In addition, the Management Board shall submit to the Supervisory Board of the Company motions regarding issues to be discussed by the General Meeting of Shareholders so that the Supervisory Board issues relevant opinions thereon. The Company shall publish information concerning such opinions immediately after receiving them from the Supervisory Board of the Company.
In communications with the mass media, members of the Management Board may only give such information about the Company that is in the public domain. All announcements for the mass media regarding financial forecasts and strategies of the Company or the Management Board are reserved for the sole competence of the President of the Management Board or the Vice-President of the Management Board. All Members of the Management Board or other duly authorised persons may communicate with the media regarding any other business.
Meetings of the Management Board shall be held no less than once a month. These are chaired by the President of the Management Board. If the President is absent, then the meeting shall be chaired by the Vice-President of the Management Board and if both the President and the Vice-President are absent, then the meeting shall be chaired by that Member of the Management Board whose term of office in the Management Board of Echo Investment S.A. is the longest of all Members present. Meetings of the Management Board shall be held at the Company's registered office unless all members of the Management Board consent to the meeting being held at some other location. A meeting of the Management Board can be held as long as all Management Board Members have been notified thereof and at least two members of the Management Board are present.
Meetings of the Management Board shall be convened by the President of the Management Board or any other member of the Management Board who considers it necessary.
Each Management Board member should be duly notified of the date and venue of meeting and of the agenda, at least 2 days before the envisaged session. The aforementioned notice may be delivered by phone, through the Office of the Management Board of the Company, or by e-mail, by facsimile, or in writing.

Management Board meetings may be held, even if not formally convened, when all members of the Management Board are present and none of those present have objected to holding the meeting or putting certain matters on the agenda.
It shall be permissible for the Management Board to adopt resolutions under the in-writing procedure or by using means of direct communication over distance, save that the work of the Management Board shall then be headed by the Management Board Member requesting enactment of the given resolution. This method shall not be acceptable if at least one Management Board Member objects thereto.
The Management Board takes decision by way of resolutions. The Management Board shall adopt resolutions by an absolute majority of votes. Should an equal number of votes be cast when passing resolutions of the Management Board, the President of the Management Board shall have the casting vote. If the President of the Management Board is absent, then the Vice-President of the Management Board shall have the casting vote. If both the President and the Vice-President of the Management Board are absent, then the Management Board member with the longest experience in the Management Board of the Company shall have the casting vote.
Management Board meetings shall be recorded in minutes if and as required. Resolutions of the Management Board are recorded in minutes as attachments, or contained in the wording of the minutes. Minutes should further include: the agenda, date and venue of the Management Board's meeting, full names of Management Board members present, number of votes cast for individual resolutions. Minutes must be signed by all Management Board members present at the meeting. Any possible different opinions of present members should be attached to minutes. Minutes shall be stored at the Office of the Management Board of the Company.
In 2009, when determining the strategic objectives and daily goals, the Management Board of the Company considered the Company's best interest in compliance with valid laws, also accounting for the interests of other stakeholders, namely the shareholders, partners, clients, employees and creditors of the Company. While striving to ensure transparency and efficiency of the management system, the Management Board complied with the rules of professional conduct within the limits of justified economic risk, accounting for extensive ranges of available information, studies and opinions. Salaries of Members of the Management Board were determined by the Supervisory Board on the basis of the responsibility and competence ranges of individual Management Board Members, accounting for the financial results earned by the Company while remaining in reasonable proportion to salaries paid to Management Boards of similar companies operating on the real estate market in Poland.

THE SUPERVISORY BOARD OF ECHO INVESTMENTS S.A. – MEMBERS IN 2010

As at December 31, 2009 and as at the day submitting this report, the Supervisory Board consisted of the following members:

-	Mr Wojciech Ciesielski	Chairman of the Supervisory Board
-	Mr Andrzej Majcher	Deputy Chairman of the Supervisory Board
-	Mr Mariusz Waniołka	Member of the Supervisory Board
-	Mr Robert Oskard	Member of the Supervisory Board
-	Mr Tomasz Kalwat	Member of the Supervisory Board
-	Mr Karol Żbikowski	Member of the Supervisory Board

In 2009 members of the Supervisory Board remained the same.

The Supervisory Board of the company - rules of operation in 2010

The Supervisory Board of Echo Investment SA acts pursuant to the provisions of the Act on Code of Commercial Partnerships and Companies (Journal of Laws No. 94, item 1037, as amended), the Company Articles, the Regulations of the Supervisory Board of Echo Investment SA of June 26, 2003, and in compliance with generally applicable 'Best Practices in Listed Companies 2005'.

The Supervisory Board shall be composed of no less than 5 (five) members appointed and recalled by the General Meeting for a period of three years, whereas the members of the Supervisory Board are appointed for a joint term, which shall not exclude the right to early dismissal of each member of the Supervisory Board. Members of the Supervisory Board can be re-elected to the Supervisory Board for consecutive terms of office. The members of the Supervisory Board, the number and the names thereof, shall be individually determined through a resolution of the General Meeting. Unless the General Meeting of Shareholders determines the function of the given Board member at the time of appointment, the Supervisory Board shall elect the Chairperson and Deputy Chairperson of the Supervisory Board from among its members, through secret ballot. Members of the Supervisory Board shall perform their functions only in person.
Members of the Supervisory Board delegated to permanent individual supervision may not, without consent of the Company, involve themselves in a competitive business or participate in a competitive partnership or company, whether as partner in such partnership or as member of a body of such a company, nor shall he be involved with another competitive legal person by sitting on its body. This prohibition shall apply equally to having interests in a competitive company, in the event that the Supervisory Board member should hold 10 per cent or more shares in it or have the right of appointing at least one member of the management board.
Members of the Supervisory Board may be recalled by the General Meeting of Shareholders at any time.
A Supervisory Board member may resign from his/her post before expiry of his or her term of office through filing a relevant statement to the Chairperson of the Supervisory Board. Should the Chairperson of the Supervisory Board wish to resign, he or she must file the relevant statement to his or her Deputy. A Board member should not resign from his or her function during a term of office if this could render the functioning of the board impossible, and, in particular, if it could hinder the timely adoption of an important resolution.
The term of office of a Supervisory Board member shall expire no later than on the day on which the General Meeting was convened to approve financial statements of the Company for the last full financial year in which the member served on the Supervisory' Board (last year of the Board member's term of office). The term of office shall also expire if the Board member is deceased or dismissed, at the time of such an event taking place. If, for reason of expiry of the terms of office of Supervisory Board members, the Board is composed of less than 3 persons, then the Supervisory Board may not pass any legally binding resolutions and the Chairperson of the Board or, if the Chairperson is absent, the Deputy Chairperson shall apply to the Management Board of the Company for immediately convening an Extraordinary General Meeting of Shareholders and including election of Board members in the agenda of the General Meeting.
A Supervisory Board member should most of all bear in mind the interests of the Company, in communications with the mass media, members of the Supervisory Board may only give such information about the Company that is in the public domain. All official announcements for the mass media in relation to the Company or to the Board are reserved for the Chairperson of the Board or, if the Chairperson is absent, for the Deputy Chairperson of the Board.
The powers of the Supervisory Board shall include continuous supervision over the operations of the Company and other activities under the provisions of the Code of Commercial Partnerships and Companies and other acts of law. The Supervisory Board shall pass resolutions and issue opinions in matters reserved for its exclusive competence, pursuant to the provisions of the Company Articles and as stipulated by the Articles or other applicable legislation.
The Supervisory Board shall be specifically entitled to:
- assessment of the Company's financial statement for the last financial year,
- assessment of the Company's Management Report and Management Board's suggestions with respect to allocation of profit or coverage of loss,
- submission of written reports on the outcomes of the foregoing activities to the General Meeting of Shareholders,
- issuing opinions on the Management Board's motions to the General Meeting of Shareholders and expressing opinions and resolutions on any other business presented by the Management Board of the Company,

- appointment, dismissal or suspension of the Management Board of the Company as a whole, or individual members thereof,
- election of a chartered accountant to audit financial statements of the Company, with whom the Management Board shall sign an appropriate agreement,
- consent to the Management Board entering into an agreement with a sub-issuer, as mentioned in Article 433 paragraph 3 of the Code of Commercial Partnerships and Companies,
- giving a consent to incurring liabilities and disposal of rights in the field of issues incorporated in the range of current operations of the Company if the value of such liabilities exceeds 20% of the Company's equity, in case of doubt on whether a given issue is incorporated in the range of current operations of the Company, the Supervisory Board shall be entitled to provide an interpretation thereabout upon the Management Board's request. Such interpretation shall be binding upon the Management Board. The issues related to property trade shall be incorporated in the range of current operations of the Company,
- giving a consent to incurring liabilities and disposal of rights in the field of issues in excess of the range of current operations of the Company if the value of such liabilities exceeds 10% of the Company's equity capitals.

The Supervisory Board shall meet as required and at least three times in a single financial year. Meetings of the Supervisory Board shall be summoned by the Chairperson or his Deputy and shall take place at the registered office of the Company or in another location stipulated by the Chairperson or his Deputy. Meetings of the Supervisory Board shall be convened upon the Chairperson's initiative or upon written request of the Management Board or a member of the Supervisory Board.

Meetings of the Supervisory Board summoned upon a request of the Management Board or a member of the Supervisory Board must be held within two weeks from the date of request.

Meetings are chaired by the Chairperson or, if absent, the Deputy Chairperson of the Board. If neither the Chairperson of the Board nor his deputy is present at a meeting, then a member of the Board elected by those present shall preside over the meeting. Chairperson of the Board or his Deputy shall notify the other members of meetings of the Supervisory Board and invite them to the meeting by phone, by facsimile or in writing so that the invitation reaches each member no later than 7 (seven) days before the scheduled date of meeting, in urgent cases, the above deadline may be shortened.

The Supervisory Board can meet without being formally convened if all members of the Board are present and none of the persons present objects to holding a meeting and including specific issues in the agenda. Meetings of the Supervisory Board can be attended by third parties invited by the Chairperson of the Supervisory Board, including Management Board Members, but such invited persons shall not have voting rights.

Board Members take decisions related to the exercise of supervisory and controlling rights through resolutions of the Supervisory Board. For Supervisory Board's resolutions to be valid all members of the Board must be invited to meeting and at least 50% of members must be present at the meeting. The Supervisory Board may adopt resolutions in writing or using direct remote communication means, save that resolutions thus adopted may not relate to election of the Chairperson and Deputy Chairperson of the Supervisory Board, appointment of a Management Board Member, or dismissing and suspending these persons, in such case, members of the Board must be previously notified of the wording of such draft resolutions in order for these resolutions to take effect.

The Supervisory Board shall adopt resolutions by an absolute majority of votes, in the event of an equal number of votes cast when passing resolutions by the Supervisory Board, the Chairperson of the Supervisory Board shall have the casting vote.

Each supervisory board meeting shall be recorded in minutes. Resolutions of the Management Board are recorded in the minutes as attachments, or contained in the wording of the minutes. Minutes should further include: the agenda, date and venue of the Board's meeting, full names of Board members present, number of votes cast for individual resolutions. Minutes must be signed by all Board members present at the meeting. Any possible different opinions of present members should be attached to minutes. Minutes shall be stored at the Office of the Management Board of the Company.

For purposes of exercising its functions, the Supervisory Board shall be entitled to control the entire range of the Company's operations, particularly:

- demand presentation of documents and other materials related to the Company's operations from the Management Board,
- verify the Company's files and documentation,
- demand reports and explanations from tire Management Board and employees,
- revise the balance of the Company's assets.

The Supervisory Board may apply to the General Meeting of Shareholders with motions in respect of all issues constituting the Board's functions and powers. The Supervisory Board shall discharge its duties collectively, but it may assign its members to carry out certain supervisory activities by themselves. The Supervisory Board may appoint committees for managing individual issues.
Secretarial services for the Supervisory Board shall be provided by the secretary's office of the Management Board of the Company. The range of secretarial services comprises, among other tasks: preparation of invitations to meetings of the Board, sending the invitations to individual Board members in compliance with this statute, providing premises for the meeting of the Supervisory Board, taking minutes of meetings, handling of meetings, archiving Supervisory Board's documentation.
On December 17, 2009 the Supervisory Board of Echo Investment S.A. in accordance with Article 86 of Act on chartered accountants and their self-governance, entities entitled to study financial reports and public supervision, as of May 7, 2009 (further called ‘ Act on chartered accountants ’) appointed an Audit Committee consisting of three persons:
1. Mariusz Waniołka – Chairman;
2. Robert Oskard;
3. Tomasz Kalwat.
A member of the Audit Committee, Mr Mariusz Waniołka, meets the provisions stipulated by Article 56 Section 3 of Act on chartered accountants, as he is not related to the company or any other companies significantly related to the Company, and he holds qualifications in the area of financial audit and accounting.

Kielce, April 30, 2010

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

Piotr Gromniak President of the Management Board	Artur Langner Vice-President of the Management Board

echo INVESTMENT

Echo Investment S.A.
al. Solidarności 36
25-323 Kielce
tel. (41) 33-33-333
www.echo.com.pl