



SEPARATE ANNUAL REPORT  
OF ECHO INVESTMENT S.A.  
2010

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## I. LETTER TO SHAREHOLDERS, PARTNERS AND CLIENTS

Dear Sirs,

Echo Investment closed the year 2010 with excellent consolidated income, with the earnings of PLN 426 million and a net profit of approximately PLN 148 million. At the end of December 2010 total company assets amounted to approximately PLN 4.5 billion, with equity capital of PLN 1.88 billion, which means an increase by PLN 142 million over the year. At the end of 2010 the company owned approximately PLN 380 million in cash.

The revenue in 2010 is a sign of stable and steady growth of the corporate value of the property portfolio. Our company portfolio is being constantly optimised: we are selling the mature projects; we are starting the new ones and are developing the already existing ones. This will be continued in the year 2011. The main influence on the profit were the revenues gained from the sales of office projects: Avatar in the Cracow market and Athina Park on the Warsaw market, the sales of residential buildings, the hire of commercial area in previously commenced projects, and the revaluation of fair value of the projects owned by Echo Investment.

In the year 2010 our position in the market became stronger, we completed several residential and office projects, we continued our biggest project Galeria Echo in Kielce, and, what is most important, we prepared new investments, which in the following years will be a source of steady income. In 2010 we also managed to provide the company with the opportunity of further development and continued acquiring attractive real estate.

In the year 2011 we are starting several new projects in all segments of our activities. According to the assumed growth strategy, this will allow us to achieve our main objective, which is to ensure stable and long-term growth of the corporate value. The implementation of developer projects for sale (apartments and hotels) and regular expansion of the portfolio of investment projects for lease (offices and shopping centres) remain the fundamental and invariable priorities for the company. Echo Investment intends to actively operate in the real estate market and increase the revenue gained in this sector. The implementation of new investment projects will be extremely important, with a focus on their expansion and the higher quality of offered space.

The Management Board estimates that in the year 2011 we will face several challenges related to the implementation of numerous projects and the expansion of the land bank. Echo Investment has a strong, stable and better position in the market and owns a strong and recognisable brand name. The company also owns wide, strong and constantly improved back-up facilities. All of the above guarantee success and help the company to develop in a competitive environment, independently of volatile economic trends. Our main objective for the upcoming years is steady growth in the corporate value.

Similarly to previous years, all our endeavours will focus on achieving a supreme and, at the same time, very simple goal: to achieve the best results, which in turn will guarantee that our Shareholders will witness steady growth of the corporate assets and a dynamic increase in profits of Echo Investment Group.

On behalf of the Management Board, I would like to thank all who have contributed to the achievement of such good results in 2010.

Yours sincerely,

Piotr Gromniak



President of the Management Board

## II. SEPARATE ANNUAL FINANCIAL STATEMENT ECHO INVESTMENT S.A.

## ANNUAL FINANCIAL STATEMENT [IN THOUSANDS PLN]

Balance as at [in thousands PLN]	note	31.12.2010	31.12.2009
<b>ASSETS</b>			
<b>1. Fixed assets</b>			
1.1. Intangible fixed assets	1	1 227	1 051
1.2. Tangible fixed assets	2	17 341	10 669
1.3. Investment property	3	11 631	11 612
1.4. Investments in wholly and partially-owned subsidiaries	3	769 746	611 227
1.5. Investments in affiliated companies	3	-	50
1.6. Loans granted	3	8	359
1.7. Other financial assets	3	13 785	-
1.7. Other receivables		12 079	-
		<b>825 817</b>	<b>634 968</b>
<b>2. Current assets</b>			
2.1. Inventories	4	327 002	360 986
2.2. Current income tax receivables	5	335	2 195
2.3. Other tax receivables	5	-	57
2.4. Trade receivables and other receivables	5	94 675	127 438
2.5. Loans granted	6	144 538	124 363
2.6. Cash and cash equivalents	6	65 827	53 878
		<b>632 377</b>	<b>668 917</b>
<b>Assets total</b>		<b>1 458 194</b>	<b>1 303 885</b>
<b>LIABILITIES</b>			
<b>1. Equity</b>			
1.1. Initial capital	7	21 000	21 000
1.2. Supplementary capital	8	511 901	477 859
1.3. Profit (loss) in previous years		-	6 401
1.4. Net profit (loss)		38 672	27 641
		<b>571 573</b>	<b>532 901</b>
<b>2. Provisions</b>			
2.1. Provisions for liabilities	11	6 700	10 930
2.2. Provision for deferred income tax	9, 18	12 007	8 300
		<b>18 707</b>	<b>19 230</b>
<b>3. Non-current liabilities</b>			
3.1. Borrowings	10	484 907	513 948
		<b>484 907</b>	<b>513 948</b>
<b>4. Current liabilities</b>			
4.1. Borrowings and bonds	11	285 043	128 017
4.2. Other tax liabilities		7 450	3 839
4.3. Trade liabilities		57 654	38 034
4.4. Advances received		24 111	53 759
4.5. Other liabilities		8 749	14 157
		<b>383 007</b>	<b>237 806</b>
<b>Liabilities total</b>		<b>1 458 194</b>	<b>1 303 885</b>

## INCOME STATEMENT [IN THOUSANDS PLN]

	note	01.01.2010- 31.12.2010	01.01.2009- 31.12.2009
Incomes	13	371 571	329 873
Costs to sell	14	(287 755)	(260 835)
<b>Gross profit (loss) on sales</b>		<b>83 816</b>	<b>69 038</b>
Profit (loss) on sales of property		15	145
Revaluation of non-financial assets		19	(900)
Costs to sell		(21 276)	(17 866)
Overheads		(26 819)	(27 066)
Other operating incomes	15	21 963	21 914
Other operating expenses	15	(2 515)	(7 391)
<b>Earnings before tax and financial incomes/expenses</b>		<b>55 203</b>	<b>37 874</b>
Financial incomes	16	33 731	46 265
Financial expenses	17	(46 555)	(50 783)
<b>Gross profit</b>		<b>42 379</b>	<b>33 356</b>
Income tax	18	(3 707)	(5 715)
<b>Net profit</b>	19	<b>38 672</b>	<b>27 641</b>
Net profit		38 672	27 641
Weighted average number of ordinary shares		420 000 000	420 000 000
Profit per ordinary share (in PLN)		0.09	0.07
Weighted average diluted number of ordinary shares		420 000 000	420 000 000
Diluted number per ordinary share (in PLN)		0.09	0.07

	01.01.2010- 31.12.2010	01.01.2009- 31.12.2009
<b>Net profit</b>	38 672	27 641
<b>Other total net incomes</b>	-	-
<b>Total income in 12 months, including:</b>	38 672	27 641
Total income of the shareholders of the dominant company	38 672	27 641
Total minority income	-	-



## ANNUAL CASH FLOW STATEMENT [IN THOUSANDS PLN]

	01.01.2010- 31.12.2010	01.01.2009- 31.12.2009
<b>Cash flows on operating activities — indirect method</b>		
<b>I. Net profit (loss)</b>	<b>38 672</b>	<b>27 641</b>
<b>II. Adjustments</b>		
1. Depreciation	3 356	3 613
2. Foreign exchange gains (losses)	-	-
3. Interest and shares in profits (dividends)	687	(3 249)
4. Current income tax in the income statement	-	315
5. Paid income tax	1860	(620)
6. (Profit) loss on investing activities	(13)	2 070
7. Change in provisions	(2 680)	(1 771)
8. Change in inventories	35 559	44 717
9. Change in receivables	32 229	18 511
10. Change in non-current liabilities, except for borrowings	(17 948)	(62 381)
	<b>53 090</b>	<b>1 205</b>
<b>Net cash flows on operating activity</b>	<b>91 762</b>	<b>28 846</b>
<b>Cash flows on investing activities</b>		
<b>I. Incomes</b>		
1. Sales of intangible and tangible fixed assets	505	182
2. Sales of investments in property and in intangible assets	-	-
3. On financial assets, including:	206 926	226 132
a) in affiliated companies	206 926	226 132
- dividends and shares in profits	31 622	36 299
- repayment of granted loans	162 766	168 659
- interest	12 538	21 173
- other incomes from financial assets	-	1
4. Other incomes from investments	227	332
	<b>207 658</b>	<b>226 646</b>
<b>II. Expenditures</b>		
1. Acquisition of intangible and tangible fixed assets	(10 701)	(1 732)
2. Investments in property and in intangible assets	-	-
3. On financial assets, including:	(361 147)	(240 951)
a) in affiliated companies	(361 147)	(240 951)
- acquisition of financial assets	(108 436)	(143 650)
- loans granted	(252 711)	(97 301)
4. Other investment expenditures	-	-
	<b>(371 848)</b>	<b>(242 683)</b>
<b>Net cash flows from investment activities</b>	<b>(164 190)</b>	<b>(16 037)</b>

## ANNUAL CASH FLOW STATEMENT [IN THOUSANDS PLN] CONT.

	01.01.2010- 31.12.2010	01.01.2009- 31.12.2009
<b>Cash flows on financial activities</b>		
<b>I. Incomes</b>		
1. Net income from issue of stocks (issue of shares) and other equity instruments and additional payments to capital	-	-
2. Borrowings	1 330	90 482
3. Issue of debenture bonds	150 000	100 897
	<b>151 330</b>	<b>191 379</b>
<b>II. Expenditures</b>		
1. Acquisition of own shares (stocks)	-	-
2. Dividends and other payments to owners	-	-
3. Expenses on account of profit distribution, other than payments to owners	-	-
4. Credit and loan repayments	(26 162)	(33 029)
5. Redemption of debenture bonds	-	(105 000)
6. On account of other financial liabilities	-	-
7. Payments of liabilities under financial lease contracts	-	-
8. Interest	(40 791)	(51 889)
9. Other financial expenses	-	-
	<b>(66 953)</b>	<b>(189 918)</b>
<b>Net cash flows on financial activities</b>	<b>84 377</b>	<b>1 461</b>
<b>Net cash flows total</b>	<b>11 949</b>	<b>14 270</b>
Cash balance change, including:	<b>11 949</b>	<b>14 270</b>
- change in cash balance due to foreign exchange gains/losses	-	-
<b>Cash as at the beginning of period</b>	<b>53 878</b>	<b>39 608</b>
<b>Cash as at the end of period, including:</b>	<b>65 827</b>	<b>53 878</b>
- with limited disposability	<b>7 600</b>	<b>8 759</b>



## ANNUAL STATEMENT OF CHANGES IN EQUITY [IN THOUSANDS PLN]

	Share capital	Supplementary capital	Profit (loss) of the previous years	Profit (loss) of the current year	Total shareholders' equity
<b>Balance as at January, 1 2010</b>	21 000	477 859	34 042		532 901
Changes during the period:					
Distribution of profit/loss carried forward	-	34 042	(34 042)	-	-
Net profit (loss) of the current period	-	-	-	38 672	38 672
Changes total	-	34 042	(34 042)	38 672	38 672
<b>Balance as at December, 31 2010</b>	<b>21 000</b>	<b>511 901</b>	<b>0</b>	<b>38 672</b>	<b>571 573</b>
<b>Balance as at January, 1 2009</b>	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
Changes total	-	39 916	(39 916)	27 641	27 641
<b>Balance as at December, 31 2009</b>	<b>21 000</b>	<b>477 859</b>	<b>6 401</b>	<b>27 641</b>	<b>532 901</b>

## INTRODUCTION

### GENERAL INFORMATION

The main activity of Echo Investment S.A. includes erection and letting or sale of space 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, 2010 and December 31, 2009: Piotr Gromniak, President of the Management Board; Artur Langner, Vice-President of the Management Board. The following persons were members of the Supervisory Board of Echo Investment S.A. as at December 31, 2010 and December, 2009: Wojciech Ciesielski, Chairman of the Supervisory Board, Andrzej Majcher and Mariusz Waniółka, Deputy Chairmen of the Supervisory Board and Members: Tomasz Kalwat, Robert Oskard and Karol Żbikowski. The following persons were members of the Audit Committee as at December 31, 2010: Mariusz Waniółka, Chairman, and Robert Oskard and Karol Żbikowski.

### INFORMATION ON THE FINANCIAL STATEMENT

Echo Investment S.A. financial statement presents consolidated financial data for the period of 12 months ended December 31, 2010, and comparable data for the period of 12 months ended December 31, 2009.

The reporting currency of the Group's financial statements is the Polish zloty ("PLN"), which is also the reporting currency and the functional currency of the holding company. Unless otherwise specified, all financial data in the Group's consolidated financial statements are given in thousands PLN.

The statement was prepared in accordance with the International Accounting Standards and the International Financial Reporting Standards as approved by the European Commission. The financial statement was prepared according to historical cost methodology, to the exception of investment properties and financial instruments, which are valued 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, interpretation, methods and principles of evaluating the particular items of the separate financial statement for the year 2010.

In preparing the present financial statement, the Group has applied new interpretations issued by the IFRS committee and applicable to the Group's reporting period starting as at January 1, 2010. The guidelines thus applied have not affected these financial statements to any significant extent.

### THE COMPANY HAS IMPLEMENTED THE FOLLOWING INTERPRETATIONS:

#### **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 accounted for on the basis of the direct equity interest if a dominant company retains control over the subsidiary. This interpretation also specifies how the amounts should be accounted for if a dominant company loses control of a subsidiary, which means revaluation at fair value and reclassification of gain or loss from equity to profit or loss.

#### **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. Under these changes, it is not allowed to incorporate time value to one-sided hedged risk when options are considered as a hedging instrument.

**IFRS Corrections 2009**

The International Accounting Standards Board published the IFRS Corrections on April 16, 2009, amending 12 standards. These corrections involve changes in the presentation, posting and valuation, as well as terminology and editorial changes. Most revisions shall apply to annual periods beginning on January 1, 2010.

**Revised IFRS 1 First-time Adoption of International Financial Reporting Standards**

Revisions to IFRS 1 First-time Adoption of International Financial Reporting Standards were published by the International Accounting Standards Board on 23 July 2009 and apply to annual periods beginning on or after January 01, 2010. Revisions introduce additional exemptions on valuation of assets for first-time adopters operating in oil and gas industry.

**Revised IFRS 2 - Share-based Payment**

Revisions to IFRS 2 were published by the International Accounting Standards Board on July 18, 2009 and apply to annual periods beginning on or after January 1, 2010. Revisions require a company to reflect in its profit or loss and financial position the effects of share-based payment transactions, including expenses associated with transactions in which share options are granted to employees. The revisions specify the range of IFRS 2 and regulate the joint application of IFRS 2 and other standards. The revisions include issues previously regulated by KIMSF 8 and KIMSF 11.

**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 1, 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.

**IFRIC Interpretation 12 Service Concession Arrangements**

IFRIC Interpretation 12 was published by the International Financial Reporting Interpretations Committee on November 30, 2006 and applies to annual periods beginning on or after March 29, 2009. The interpretation provides guidelines on the application of existing standards by entities participating in concession arrangements between the public and private sector. IFRIC 12 applies to agreements in which the grantor controls what sort of services are provided by the operator that uses the infrastructure, who is the recipient of the services and at what price the services are provided.

**IFRIC Interpretation 17 Distribution of Non-cash Assets to Owners**

IFRIC interpretation 17 was issued by the International Financial Reporting Interpretations Committee on November 27, 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.

**IFRIC Interpretation 18 Transfers of Assets from Customers**

IFRIC interpretation 18 was issued by the International Financial Reporting Interpretations Committee on January 29, 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 SHALL APPLY THE FOLLOWING REVISED STANDARDS AND INTERPRETATIONS FROM JANUARY, 1 2011:**

**Revised IAS 12 Recovery of underlying assets**

Revised IAS 12 Recovery of underlying assets was published by the International Financial Reporting Interpretations Committee in December 2010 and applies to annual periods beginning on or after January 1, 2012. The amendments require an entity to

measure deferred tax related to an asset and they apply to investment properties carried at fair value, as in IAS 40 Investment Property. The amendments introduce a presumption that total recovery of the carrying amount will be through sale. The presumption can be rebutted if investment property is part of a business model aiming to use all economic benefits displayed by the investment property in time, but not during its sale. SIC 21 **Income Taxes – Recovery of Revalued Non-Depreciable Assets** applies to similar issues regarding non-depreciable assets which are carried at revaluation under IAS 16 **Property, Plant and Equipment**. SIC 21 was included in IAS 12 after excluding guidelines concerning investment properties carried at fair value. The Group intends to apply the revised IAS 12 as from January 01, 2012. Application of these standards shall not affect the Group's financial result. As at the date of preparation of this financial statement, Revised IAS 12 had not yet been approved by the European Union.

#### **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'. The Group intends to apply the revised IAS 24 as from January 1, 2011. Application of these standards shall not affect the Group's financial result.

#### **Amendments to IFRS 2010**

Amendments to IFRS 2010 published on May 6, 2010 by the International Financial Reporting Interpretations Committee have revised 7 standards. Amendments include modifications of presentation, accounting and valuation and include changes in terminology and editing. The majority of amendments applied to annual periods beginning on January 1, 2011. The Group intends to apply the revised IFRS as from January 1, 2011. Application of these standards shall not affect the Group's financial result. As at the date of preparation of this financial statement, Revised IAS 12 had not yet been approved by the European Union.

#### **Revised IFRS 1 First-time Adopters**

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 additional disclosures included in amendments to IFRS 7 published in March 2009 and concerning fair value measurements and liquidity risk. The Group intends to apply the revised IFRS 1 as from January 1, 2011. Application of these standards shall not affect the Group's financial result.

#### **Revised IFRS 7 Transfer of Financial Assets**

Revised IFRS 7 **Transfer of Financial Assets** was published by the International Accounting Standards Board in October 2010 and applies to annual periods beginning on or after July 1, 2011. The amendments introduce new disclosure requirements about transfers of financial assets, concerning additional information about the risk associated with those assets. They require an entity to disclose those assets according to their class, character and carrying amounts and to describe the risk and rewards associated with the assets transferred to another entity, but still posted in the balance sheet of the entity. The amendments also require disclosing information about the amount of associated liabilities and the relationship between the transferred assets and the associated liabilities. If financial assets are no longer included in the balance sheet, but the entity is still exposed to a certain risk and may benefit from transferring the assets, additional disclosure about the effects of such a risk is required. The Group intends to apply the revised IFRS 7 as from January 1, 2011. Application of these standards shall not affect the Group's financial result. As at the date of preparation of this financial statement, Revised IFRS 7 had not yet been approved by the European Union.

#### **Revised IFRIC 14 Prepayments of a Minimum Funding Requirement**

Amendments to IFRIC 14 were issued by the International Financial Reporting Interpretations Committee on November 26, 2009 and apply 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 early payment as an asset. The Group intends to apply IFRS 9 as from January 1, 2011. Application of these standards shall not affect the Group's financial result.

#### **IFRIC 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 a 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 issued equity instruments is included in the entity's profit or loss for the given period. The Group intends to apply IFRIC Interpretation 19 as from January 1, 2011. Application of these standards shall not affect the Group's financial result.

**THE INTERNATIONAL ACCOUNTING STANDARDS BOARD AND THE INTERNATIONAL FINANCIAL REPORTING INTERPRETATIONS COMMITTEE PUBLISHED THE FOLLOWING STANDARDS AND INTERPRETATIONS WHICH, AS AT THE DATE OF PREPARATION OF THIS FINANCIAL STATEMENT, HAD NOT GONE INTO EFFECT YET:**

#### **Revised IAS 32 *Classification of Rights Issues***

Revised IAS 32 *Classification of Rights Issues* 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 rights issues (rights, options, warrants) denominated in a currency different from that of the issuer's currency. They should be classified as equity regardless of the currency in which the exercise price is denominated. The Group intends to apply the revised IAS 32 as from January 1, 2011. Application of these standards shall not affect the Group's financial result.

#### **IFRS 9 *Financial Instruments***

IFRS 9 *Financial Instruments* was published by the International Accounting Standards Board on November 12, 2009 and replaces the parts of IAS 39, which refer to the classification and valuation of financial assets. In October 2010 IFRS 9 was supplemented with the requirements for the classification and measurements of financial liabilities. The new standard applies to annual periods beginning on or after January 1, 2013. IFRS 9 uses a single approach and distinguishes only two categories in the classification of financial assets: either valued at amortised cost or at fair value. The classification takes place at the beginning of the reporting process and depends on how an entity manages its financial instruments (its business model) or the contractual cash flow characteristics of the financial assets. Most of the requirements for financial liabilities were carried forward unchanged from IAS 39 to IFRS 9. The crucial changes were made to the fair value option for financial liabilities to address the issue of own credit risk. The effects of changes in a liability's credit risk should be presented in the statement of comprehensive income and should be recycled to profit or loss. The Group intends to apply IFRS 9 as from January 1, 2013. To the best knowledge of the Management Board, application of these standards shall not affect the Group's financial result. As at the date of preparation of this financial statement, Revised IFRS 9 had not yet been approved by the European Union.

### **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 valued 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 valued 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 using a straight line method 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 valued according to acquisition price or production cost less impairment losses. 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. 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.

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.

Fair value of land and buildings valued 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. 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 valued 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.

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 valued according to values equivalent to the acquisition price of land property and costs of production of development activity products increased by activated financial costs. Advances on deliveries are valued according to cash expenditure.

Inventories are valued 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 valued 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 income statement***

Financial assets recognized at fair value through the income 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 valued at fair value through the income statement are valued 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.

Allowances for granted loans are created as at the end of each quarter where there is objective evidence that the Company will not be able to obtain all amounts receivable according to the original terms of granted loans.

### ***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 valued at fair value plus transaction costs. As at the balance day, these assets are valued 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.

Allowances for financial assets are created as at the end of each quarter where there is objective evidence that the Company will not be able to obtain all amounts receivable according to the original terms of the assets.

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 valued 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 valued 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.

Advances for deliveries are valued according to cash expenditure and in compliance with the received VAT invoices, which certify the advance has been made.

**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 valued in nominal values.

Cash in foreign currencies is valued at least on each reporting date according to the buy rate of the bank employed by the Company. 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 valued 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 valued 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 valued 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 valued according to the selling rate of the bank employed by the Company.

Financial liabilities are valued 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 valued 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.

**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 valued.

Specifically, incomes earned on sales by the Group of apartments and commercial space are recognized according to IAS 18 and IFRIC 15 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.

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 valued 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.

## ESTIMATIONS OF THE MANAGEMENT BOARD OF THE COMPANY

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 Boards' estimations have essential impact on the financial statements in the following key areas:

### ***Investment property***

Investment property includes leased real estates, owned by the company, with land pertaining directly to such real estates. Investment properties are initially disclosed according to acquisition prices/production costs.

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 valued 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.

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.

### ***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, 2010, 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, 2010 the Company did not own such instruments. The influence of changes in estimations on the value of instruments as at December 31, 2010 was considered to be insignificant.

### ***Deferred income tax***

The Company's Management Board must evaluate probability of realisation 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.

## **FINANCIAL RISK MANAGEMENT**

### **Pricing risk**

Pricing risk is insignificant. The Company does not participate in securities trade on any active market. The Company may carry out transactions using derivatives as hedged transactions against foreign exchange risk associated with future cash flows.

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

The Group'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 changes of interest rates on loans received and debt securities is presented in Note 21 B and 21C.

### **Currency risk**

Foreign exchange risk refers to investment credit facilities taken in foreign currencies (most commonly in Euros) within the Group. This risk occurs with the 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.

Sensitivity to foreign exchange risk (related to cash owned by the Company) is presented in Note 21A. As at a balance day and during the financial year, the Company did not have any foreign currency balances. Due to this fact, the risk was estimated as insignificant and no analysis of other balances exposure to foreign exchange risk was conducted.

### **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. In respect of affiliated companies, the risk is minimised through the control of their operations on a regular basis and through the evaluation of investment projects in the aforementioned companies. As regards cash and deposits in financial institutions and banks, the Group transacts business with well recognized institutions.

### **Liquidity risk**

Liquidity risk is the risk of the Group 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.

In the Management Board's opinion, 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 Group'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, debt securities, trade receivables and trade 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 31.12.2010	As at 31.12.2009
Credit facilities total	10,11	769 950	641 965
Cash and Cash equivalents	6	-65 827	-53 878
Net debt		704 123	588 087
Total shareholders' equity		571 573	532 901
Total equity		1 275 696	1 120 988
Debt ratio		55.20%	52.46%

The values of presented ratios were in accordance with the Group's financial assumptions as at December 31, 2010 and December 31, 2009, respectively.

## **ADDITIONAL EXPLANATIONS**

#### **Significant agreements executed with affiliated companies during the financial year**

As a result of the strategy applied by Echo Investment S.A. 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 year 2010 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. ['Projekt Echo - 65' Limited Liability Company] 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, at Malczewskiego Street.
- General Contracting of Investment and Project Management Agreement executed on April 16, 2008 with "Projekt Echo - 66" Sp. z o. o. ['Projekt Echo - 66' Limited Liability Company] 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, at 21 Postępu Street, until the time of delivery of the office complex to the Investor and to individual users.
- General Contracting of Investment and Project Management Agreement executed on August 29, 2008 with Echo-Galeria Kielce Sp. z o. o. [Echo - Kielce Gallery Limited Liability Company] 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, at al. Solidarności.
- General Contracting of Investment and Project Management Agreement executed on October 8, 2008 with "Projekt Echo - 63" Sp. z o. o. ['Projekt Echo – 63' Limited Liability Company] 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, at 210 Lea Street.
- General Contracting of Investment and Project Management Agreement executed on September 8, 2010 with Echo – Przy Słowiańskim Wzgórzu Spółka z ograniczoną odpowiedzialnością Sp.K. ['Echo – Przy Słowiańskim Wzgórzu Ltd' Limited Partnership] as the investor. Under the said agreement, Echo Investment S.A. (the Contractor) has agreed to carry out full-ranged development of an apartment building situated on immovable property in Wrocław, at Jedności Narodowej Street.
- General Contracting of Investment and Project Management Agreement executed on June 1, 2010 with "Echo – Klimt House Spółka z ograniczoną odpowiedzialnością" Sp.K. ['Echo – Klimt House Ltd' Limited Partnership] as the investor. Under the said agreement, Echo Investment S.A. (the Contractor) has agreed to carry out full-ranged development of an apartment building situated on immovable property in Warsaw, at 46/48 Kazimierzowska Street.

Transactions with affiliated companies presented in the financial report apply to subsidiaries.

**Significant events after the balance date:**

On January 31, 2011 the company Echo Investment S.A. and B.R.E. Bank S.A. (BRE Bank), with its registered seat in Warsaw, signed by circulation annexes (Annexes) to agreements on Debenture Issue Programme (Debentures) signed on April 15, 2004. Annexes to the aforementioned Agreements envisage the multiple issues of debentures in instalments by the company Echo Investment S.A. Annexes allow to increase the maximum total nominal value of all issued debentures by PLN 300 million to the amount of PLN 1 billion.

On February 11, 2011 the company Echo Investment S.A. issued coupon debentures of total value of PLN 145 million. The nominal value and issue price of one debenture is PLN 100 thousand. The debentures have been issued for five years, which means that the redemption day is on February 11, 2016. The interest is charged according to the floating WIBOR 6M rate plus investors' profit margin. Interest is paid in six-month intervals. Debenture redemption as at a redemption day shall be at a debenture nominal value. The issued debentures are not secured. Cash earned on the issue of the aforementioned debentures shall be used to pay off the debentures of PLN 150 million, with a redemption day in May 2011.

On March 23, 2011 the company Echo Investment S.A. and ORBIS Spółka Akcyjna, with its registered seat in Warsaw signed an annex to the provisional agreement on the general execution of the investment, signed on September 4, 2008. The annex contains a new schedule of the investment execution, with its final day on March 24, 2013.

On March 31, 2011 the company Echo Investment S.A. issued coupon bonds of total value of PLN 150 million. The nominal value and the issuing price of one bond is PLN 100 thousand. The bonds were issued for the period of two years, i.e. the redemption day is on March 29, 2013. The bond interest is determined on the basis of a variable WIBOR 6M rate plus the investors' profit margin. Interest earnings shall be disbursed in six-month intervals. The bonds shall be redeemed for the nominal value of the bonds. The issued bonds are not secured.

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

In 2010 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 818 thousand;
- Mr Artur Langner received compensation from Echo Investment S.A. in the total amount of PLN 774 thousand.

In 2010 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 Waniółka 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.



## EXPLANATORY NOTES

## EXPLANATORY NOTES TO THE BALANCE SHEET

## NOTE 1A

INTANGIBLE ASSETS (in thousands PLN)	31.12.2010	31.12.2009
a) acquired concessions, patents, licences and similar assets, including:	1 219	1 043
- software	1 041	895
b) other intangible assets	8	8
<b>Intangible assets total</b>	<b>1 227</b>	<b>1 051</b>

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 01.01.2010 to 31.12.2010	a) Obtained concessions, patents, licences and similar assets, including:	- software	b) other intangible assets	Intangible assets total
<b>a) gross value of intangible assets as at the beginning of period</b>	<b>4 136</b>	<b>3 740</b>	<b>8</b>	<b>4 144</b>
<b>b) increases (on account of)</b>	<b>778</b>	<b>507</b>	<b>-</b>	<b>778</b>
- purchase	778	507	-	778
<b>c) decreases (on account of)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
- sales	-	-	-	-
- liquidation	-	-	-	-
<b>d) gross value of intangible assets as at the end of period</b>	<b>4 914</b>	<b>4 247</b>	<b>8</b>	<b>4 922</b>
<b>e) accumulated amortisation as at the beginning of period</b>	<b>(3 093)</b>	<b>(2 845)</b>	<b>-</b>	<b>(3 093)</b>
<b>f) amortisation for the period (on account of)</b>				
- scheduled	(602)	(361)	-	(602)
- liquidation	-	-	-	-
	<b>(602)</b>	<b>(361)</b>	<b>-</b>	<b>(602)</b>
<b>g) accumulated amortisation (depreciation) as at the end of period</b>	<b>(3 695)</b>	<b>(3 206)</b>	<b>-</b>	<b>(3 695)</b>
<b>h) impairment losses as at the beginning of period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
- increases	-	-	-	-
-decreases	-	-	-	-
<b>i) impairment losses as at the end of period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>j) net value of intangible assets as at the end of period</b>	<b>1 219</b>	<b>1 041</b>	<b>8</b>	<b>1 227</b>

All intangible assets held by the Company 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, 2010.

## Change of intangible assets (by type groups) [in thousands PLN] cont.

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

## NOTA 2E

TANGIBLE FIXED ASSETS (in thousands PLN)	31.12.2010	31.12.2009
a) fixed assets, including:	17 341	10 100
- land (including the right of perpetual usufruct)	95	96
- buildings, premises and civil engineering structures	3 388	3 423
- plant and machinery	684	270
- means of transport	12 165	5 554
- other fixed assets	1 009	757
b) fixed assets under construction		-
c) advances for fixed assets under construction		569
<b>Total tangible fixed assets</b>	<b>17 341</b>	<b>10 669</b>

The Company did not make any adjustments to impairment losses in tangible fixed assets during the periods covered by the financial statement.

The Company does not hold any securities over fixed assets.

## NOTE 2B

## CHANGES OF TANGIBLE FIXED ASSETS (BY TYPE GROUPS) [in thousands PLN]

For the period from 01.01.2010 to 31.12.2010	Owned land and the right of perpetual usufruct	Buildings and structures	Plant and machinery	Means of transport	Other fixed assets	Fixed assets total
<b>a) gross value of fixed assets as at the beginning of period</b>	<b>100</b>	<b>3 886</b>	<b>4 680</b>	<b>14 276</b>	<b>2 966</b>	<b>25 908</b>
<b>b) increases (on account of):</b>						
- purchase	-	74	728	9 110	598	10 510
- transfer from fixed assets under construction	-	-	-	-	-	-
- transfer from investment property	-	-	-	-	-	-
- transfer from inventories	-	-	-	-	-	-
	-	74	728	9 110	598	10 510
<b>c) decreases (on account of):</b>						
- sale	-	-	(22)	(1 261)	(2)	(1 285)
- liquidation	-	(314)	(4)	-	(28)	(346)
	-	(314)	(26)	(1 261)	(30)	(1 631)
<b>d) gross value of fixed assets as at the end of period</b>	<b>100</b>	<b>3 646</b>	<b>5 382</b>	<b>22 125</b>	<b>3 534</b>	<b>34 787</b>
<b>e) accumulated depreciation (amortisation) as at the beginning of period</b>	<b>(4)</b>	<b>(463)</b>	<b>(4 410)</b>	<b>(8 722)</b>	<b>(2 209)</b>	<b>(15 808)</b>
<b>f) depreciation for the period (on account of)</b>						
- amortisation	(1)	(88)	(308)	(2 011)	(346)	(2 754)
- sale	-	-	(19)	(773)	(2)	(794)
- liquidation	-	(293)	(1)	-	(28)	(322)
	(1)	205	(288)	(1 238)	(316)	(1 638)
<b>g) accumulated depreciation (amortisation) as at the end of period</b>	<b>(5)</b>	<b>(258)</b>	<b>(4 698)</b>	<b>(9 960)</b>	<b>(2 525)</b>	<b>(17 446)</b>
<b>h) net value of fixed assets as at the end of period</b>	<b>95</b>	<b>3 388</b>	<b>684</b>	<b>12 165</b>	<b>1 009</b>	<b>17 341</b>

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

- own land - perpetual leasehold of land is depreciated equally, freehold of land is not depreciated;
- buildings and structures - equally, depreciation rate: residential 1.5%, service 2.5%, used 10%, structures 4.5%, investments in foreign facilities 10%
- machinery and plant - equally, rates from 10% to 20%, computers - accelerated method, rate 30% or 60%;
- means of transport - equally, rate 20%, for airplane 7%;
- other fixed assets - equally, rates from 10% to 20%.

The amount of contractual obligations incurred in relation to acquisition of tangible assets is: PLN 251 thousand.

## CHANGES OF TANGIBLE FIXED ASSETS (BY TYPE GROUPS) [in thousands PLN] cont.

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
<b>a) gross value of fixed assets as at the beginning of period</b>	<b>34</b>	<b>2 682</b>	<b>4 883</b>	<b>14 681</b>	<b>3 028</b>	<b>25 308</b>
<b>b) increases (on account of):</b>						
- 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	515	-	-	-	554
	66	1 204	70	105	192	1 637
<b>c) decreases (on account of):</b>						
- sale	-	-	(221)	(510)	(10)	(741)
- liquidation	-	-	(52)	-	(244)	(296)
	-	-	(273)	(510)	(254)	(1 037)
<b>d) gross value of fixed assets as at the end of period</b>	<b>100</b>	<b>3 886</b>	<b>4 680</b>	<b>14 276</b>	<b>2 966</b>	<b>25 908</b>
<b>e) accumulated depreciation (amortisation) as at the beginning of period</b>	<b>(2)</b>	<b>(334)</b>	<b>(4 189)</b>	<b>(6 994)</b>	<b>(2 152)</b>	<b>(13 671)</b>
<b>f) depreciation for the period (on account of)</b>						
- amortisation	(2)	(129)	(478)	(2 235)	(335)	(3 179)
- sale	-	-	(221)	(507)	(9)	(737)
- liquidation	-	-	(36)	-	(269)	(305)
	(2)	(129)	(221)	(1 728)	(57)	(2 137)
<b>g) accumulated depreciation (amortisation) as at the end of period</b>	<b>(4)</b>	<b>(463)</b>	<b>(4 410)</b>	<b>(8 722)</b>	<b>(2 209)</b>	<b>(15 808)</b>
<b>h) net value of fixed assets as at the end of period</b>	<b>96</b>	<b>3 423</b>	<b>270</b>	<b>5 554</b>	<b>757</b>	<b>10 100</b>

## NOTE 3A

CHANGE IN IMMOVABLE PROPERTIES (BY TYPE GROUPS) [in thousands PLN]	31.12.2010	31.12.2009
<b>A) gross value of investments in real estate as at the beginning of period</b>	<b>14 080</b>	<b>14 552</b>
<b>a) increases (on account of)</b>		
- expenditures during the year	-	-
- transfer from inventories	-	-
	-	-
<b>b) decreases (on account of)</b>		
- sale	-	-
- transfer to fixed assets	-	(472)
	-	(472)
<b>B) gross value of investments in real estate as at the end of period</b>	<b>14 080</b>	<b>14 080</b>
<b>C) valuation to fair value</b>	<b>(2 449)</b>	<b>(2 468)</b>
<b>Net value of investments in real estate as at the end of period</b>	<b>11 631</b>	<b>11 612</b>

The Company values 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, 2010 the Group 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 does not hold any securities over real property.

## NOTE 3B

Amounts recognized in the income statement [in thousands PLN]	31.12.2010	31.12.2009
a) lease rent incomes pertaining to investment property	1 292	1 351
b) direct operating expenses (including costs of repairs and maintenance) pertaining to the investment property that generated lease rent incomes during the given period	58	46
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 [in thousands PLN]	31.12.2010	31.12.2009
- in subsidiaries	766 798	609 457
- in partially-owned subsidiaries	1 818	1 770
- in affiliated companies	-	50
- investment certificates	1 130	-
- other non-current financial assets, according to type:	13 785	-
- advances for shares	13 785	-
<b>Shares or stocks total</b>	<b>783 531</b>	<b>611 277</b>

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 3H.



## NOTE 3D

Change in the balance of shares and stocks [in thousands PLN]	31.12.2010	31.12.2009
<b>a) balance as at the beginning of period, including:</b>	<b>611 277</b>	<b>463 891</b>
- shares and stocks	611 277	463 891
- advances for acquisition of shares	-	-
- other non-current financial assets	-	-
	-	-
<b>b increases (on account of)</b>		
- acquisition of shares	17 758	9 705
- increase in capital	140 259	139 856
- advances for acquisition of shares	13 785	-
- acquisition of investment certificates	1 130	-
- reversing of assets revaluation allowance	30	-
	<b>172 962</b>	<b>149 561</b>
<b>c) decreases (on account of)</b>		
- sale of shares	(558)	-
- liquidation of subsidiaries	(150)	(810)
- assets revaluation allowance	-	(1 315)
- settlement of advances for acquisition of shares	-	(50)
	<b>(708)</b>	<b>(2 175)</b>
<b>d) balance as at the end of period, including:</b>	<b>783 531</b>	<b>611 277</b>
- shares and stocks	783 531	611 277

In 2010 the Company increased its share capital in the following subsidiaries:

- Echo Investment Projekt Management SRL by way of a cash contribution amounting to PLN 2,301 thousand. In return for the contribution the Company took up shares with a total value of PLN 2,301 thousand.

- Barconsel Holdings Limited by way of a non-cash contribution amounting to EUR 100,317 thousand.

In return for the contribution the Company took up shares with a total value of EUR 100,317 thousand, with a nominal value of PLN 262,794 thousand.

- "Echo - Kasztanowa Aleja Sp. z o.o." Sp. K. [Echo - Kasztanowa Aleja Ltd Limited Partnership] by way of a non-cash contribution amounting to PLN 21,645 thousand.

In return for the contribution the Company took up shares with a total value of PLN 21,645 thousand, with a nominal value of PLN 15,890 thousand.

- "Echo - Klimt House Sp. z o.o." Sp. K. [Echo - Klimt House Ltd Limited Partnership] by way of a non-cash contribution amounting to PLN 490 thousand.

In return for the contribution the Company took up shares with a total value of PLN 490 thousand.

- "Echo - Przy Słowiańskim Wzgórzu Sp. z o.o." Sp. K. [Echo - Przy Słowiańskim Wzgórzu Ltd Limited Partnership] by way of a non-cash contribution amounting to PLN 22,663 thousand.

In return for the contribution the Company took up shares with a total value of PLN 22,663 thousand.

- "Projekt Echo -55" Sp. z o.o. [Projekt Echo -55 Limited Liability Company] by way of a non-cash contribution amounting to PLN 16,271 thousand.

In return for the contribution the Company took up shares with a total value of PLN 16,271 thousand.

- "Projekt Echo -58" Sp. z o.o. [Projekt Echo -58 Limited Liability Company] by way of a cash contribution amounting to PLN 15,100 thousand.

In return for the contribution the Company took up shares with a total value of PLN 15,100 thousand.

- "Echo Investment Hungary KFT by way of a cash contribution amounting to PLN 66,550 thousand.

In return for the contribution the Company took up shares with a total value of PLN 66,550 thousand.

- Echo Projekt Management KFT by way of a cash contribution amounting to PLN 762 thousand.

In return for the contribution the Company took up shares with a total value of PLN 762 thousand.

At the same time in 2010 the Company acquired shares in the following subsidiaries:

-PPR - Projekt Echo – 77' Sp. z o. o. S.K.A. [PPR - Projekt Echo – 77 Ltd' Limited Joint-Stock Partnership] with a value of PLN 4 797 thousand.

-Projekt Echo -58' Sp. z o.o. [Projekt Echo -58 Limited Liability Company] with a value of PLN 7 841 thousand.

-Projekt Echo -70' Sp. z o.o. [Projekt Echo -70 Limited Liability Company] with a value of PLN 5 026 thousand.

-Projekt Echo -67' Sp. z o.o. o.o. [Projekt Echo -67 Limited Liability Company] with a value of PLN 94 thousand.

On June 9, 2010 the Company sold its shares in the company WA - Hotele Sp. Z o.o. [WA – Hotels Limited Liability Company] at a price of PLN 1 023 thousand and carried out a write-down amounting to PLN 10 588 thousand.

In 2010 the Company acquired investment certificates of the following funds:

-Forum XXIX Towarzystwo Funduszy Inwestycyjnych S.A.' with a value of PLN 580 thousand,

-Forum XXXIV Towarzystwo Funduszy Inwestycyjnych S.A.' with a value of PLN 550 thousand.

In the second half of 2010 the Company transferred an advance for the increase in its share capital in the following companies:

- Zakład Ogrodniczy Naramowice Sp. z o.o. [Fruit Growing Facility Naramowice Limited Liability Company] amounting to PLN 5 000 thousand,

- Echo Investment Projekt Cyprus -1 Limited amounting to PLN 8 785 thousand.

On August 12 the subsidiary 'Echo - SPV 12' Sp. z o. o. [Echo – SPV 12 Limited Liability Company] with its registered seat in Kielce formed a merger with the following subsidiaries:

- 'Echo - SPV 6' Sp. z o.o. [Echo - SPV 6 Limited Liability Company] with its registered seat in Kielce,

- 'Echo - Centrum Tarnów' Sp. z o.o. [Echo - Centrum Tarnów Limited Liability Company] with its registered seat in Kielce,

- 'Echo - Centrum Jelenia Góra' Sp. z o.o. [Echo - Centrum Jelenia Góra Limited Liability Company] with its registered seat in Kielce,

- 'Echo Bau' Sp. z o.o. [Echo Bau Limited Liability Company] with its registered seat in Kielce,

-Projekt Echo – 46' Sp. z o.o. [Projekt Echo – 46 Limited Liability Company] with its registered seat in Kielce,

- 'Echo - Centrum Rzeszów' Sp. z o.o. [Echo - Centrum Rzeszów Limited Liability Company] with its registered seat in Kielce,

- 'Echo - Centrum Poznań' Sp. z o.o. [Echo - Centrum Rzeszów Limited Liability Company] with its registered seat in Kielce.

On December 30 the subsidiary 'Echo - SPV 7' Sp. z o. o. [Echo - SPV 7 Limited Liability Company] formed a merger with the following subsidiaries:

- 'Projekt Echo – 37' Sp. z o.o. [Projekt Echo – 37 Limited Liability Company] with its registered seat in Kielce,

- 'Projekt Echo – 54' Sp. z o.o. [Projekt Echo – 54 Limited Liability Company] with its registered seat in Kielce,

- 'Echo – Pasaż Grunwaldzki spółka z ograniczoną odpowiedzialnością' Sp. k. [Echo – Pasaż Grunwaldzki Limited Liability Company Limited Partnership] with its registered seat in Kielce,

- 'Echo – Galaxy spółka z ograniczoną odpowiedzialnością' Sp. k. [Echo – Galaxy Limited Liability Company Limited Partnership] with its registered seat in Kielce.

#### NOTE 3E

Granted long-term loans [in thousands PLN]	31.12.2010	31. 12.2009
- in subsidiaries	-	359
- in other companies	8	-
<b>Granted long-term loans total</b>	<b>8</b>	<b>359</b>

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
Other – non-affiliated companies	8	Wibor 3M rate+ profit margin	August 31, 2012	
<b>Total:</b>	<b>8</b>			

## NOTE 3F

## Registered pledge on shares

Registered pledge was established on the shares of the subsidiary "Wan - 11" Sp. z o.o. ['Wan – 11' Limited Liability Company] amounting to PLN 1,500 as a collateral of credit granted to the subsidiary "Wan - 11" Sp. z o.o. ['Wan – 11' Limited Liability Company] by Eurohypo AG amounting to EUR 48,000 thousand.

Registered pledge was established on the shares of the subsidiary "Echo - Pasaż Grunwaldzki" Sp. z o.o. ['Echo - Pasaż Grunwaldzki' Limited Liability Company] amounting to PLN 15 thousand as a collateral of credit granted to the subsidiary "Projekt Echo -62" Sp. z o.o. ['Projekt Echo -62' Limited Liability Company] by Eurohypo AG amounting up to EUR 150 million.

Registered pledge was established on the shares of the subsidiary "Projekt Echo -62" Sp. z o.o. ['Projekt Echo -62' Limited Liability Company] amounting to PLN 49 thousand as a collateral of credit granted to the subsidiary "Echo - Galeria Kielce" Sp. z o.o. ['Echo - Galeria Kielce' Limited Liability Company] by Eurohypo AG amounting up to EUR 150 million.

Registered pledge was established on the shares of the subsidiary "Projekt Echo -62" Sp. z o.o. ['Projekt Echo -62' Limited Liability Company] amounting to PLN 49 thousand as a collateral of credit granted to the subsidiary "Projekt Echo -62" Sp. z o.o. ['Projekt Echo -62' Limited Liability Company] by Eurohypo AG amounting up to EUR 23,250 thousand.

Registered pledge was established on the current and future shares of the subsidiary "Echo – Galeria Tarnów" Sp. z o.o. ['Echo – Galeria Tarnów' Limited Liability Company] amounting to PLN 50 thousand as a collateral of credit granted to the subsidiary "Echo – Galeria Tarnów" Sp. z o.o. ['Echo – Galeria Tarnów' Limited Liability Company] by Eurohypo AG amounting to EUR 8,873 thousand.

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

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

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

Registered pledge was established on the shares of the subsidiary "Echo - Oxygen" Sp. z o.o. ['Echo - Oxygen' Limited Liability Company] amounting to PLN 50 thousand as a collateral of credit granted to the subsidiary "Echo - Oxygen" Sp. z o.o. ['Echo - Oxygen' Limited Liability Company] by Nordea Bank Polska S.A. amounting to EUR 25,500 thousand.

Registered pledge was established on the shares of the subsidiary "Echo -Kasztanowa Aleja Sp. z o.o." Sp. K. ['Echo -Kasztanowa Aleja Ltd' Limited Partnership] amounting to PLN 21,656 thousand as a collateral of credit granted to the subsidiary "Echo - Kasztanowa Aleja Sp. z o.o." Sp. K. ['Echo -Kasztanowa Aleja Ltd' Limited Partnership] by Bank Polska Kasa Opieki S.A. amounting to EUR 71,597 thousand.

Registered pledge was established on the shares of the subsidiary "Echo -Kasztanowa Aleja" Sp. z o.o. ['Echo -Kasztanowa Aleja' Limited Liability Company] amounting to PLN 50 as a collateral of credit granted to the subsidiary "Echo -Kasztanowa Aleja Sp. z o.o." Sp. K. ['Echo -Kasztanowa Aleja Ltd' Limited Partnership] by Bank Polska Kasa Opieki S.A. amounting to EUR 71,597 thousand.

## NOTE 3G

Granted long-term loans (currency structure)  
[in thousands PLN]

31.12.2010

31. 12.2009

a) in the Polish currency

8

359

b) in foreign currencies (by currency type, after conversion to PLN)

-

-

**Granted long-term loans total****8****359**

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. [PHS Shopping Centre Joint-Stock Company]	Szczecin	trade activity	subsidiary	0				0	0.00400%	0.00400%	none
2	"M.D.P." Sp. z o.o. ['M.D.P.' Limited Liability Company]	Kielce	construction activity	subsidiary	22 492	-5 759	4 048	-1 711	20 781	99.99%	99.99%	none
3	"Projekt Echo - 93" Sp. z o.o. ['Projekt Echo' Limited Liability Company]	Kielce	developer activity	subsidiary	51	0		0	51	99.00%	99.00%	none
4	"Echo Aurus" Sp. z o.o. ['Echo Aurus' Limited Liability Company]	Kielce	construction activity	subsidiary	51	-51		-51	0	99.00%	99.00%	none
5	"Princess Investment" Sp. z o.o. ['Princess Investment' Limited Liability Company]	Kielce	developer activity	subsidiary	2 663	-2 575		-2 575	88	100.00%	100.00%	none
6	"Echo - Bełchatów" Sp. z o.o. ['Echo – Bełchatów' Limited Liability Company]	Kielce	construction activity and property management	subsidiary	0	0		0	0	0.00590%	0.00590%	none
7	"PPR - Projekt Echo - 77" Sp. z o.o. S.K.A. ['PPR – Projekt Echo – 77 Ltd' Limited Joint-Stock Partnership]	Kielce	construction activity and property management	subsidiary	0	0		0	0	0.00%	0.00%	none
8	"Echo - SPV 7 " Sp. z o.o. ['Echo - SPV 7' Limited Liability Company]	Kielce	construction activity and property management	subsidiary	148 603	0		0	148 603	99.98%	99.98%	none
9	"Echo - Centrum Przemysł - Projekt Echo 93" Sp. z o.o. S.K.A. ['Echo - Centrum Przemysł - Projekt Echo 93 Ltd' Limited Joint-Stock Partnership]	Kielce	construction activity and property management	subsidiary	0	0		0	0	0.01000%	0.01000%	none
10	"Echo - SPV 12 " Sp. z o.o. ['Echo - SPV 12' Limited Liability Company]	Kielce	construction activity and property management	subsidiary	85 180	-5 545	5 545	0	85 180	100.00%	100.00%	none
11	"Grupa Echo " Sp. z o.o. ['Grupa Echo' Limited Liability Company]	Kielce	construction activity and property management	subsidiary	52	0		0	52	100.00%	100.00%	none
12	"Echo - Property Poznań 1" Sp. z o.o. ['Echo - Property Poznań 1' Limited Liability Company]	Kielce	construction activity and property management	subsidiary	11 283	-2 797	278	-2 519	8 764	99.99%	99.99%	none
13	"Echo - Veneda" Sp. z o.o. ['Echo – Veneda' Limited Liability Company]	Kielce	construction activity and property management	subsidiary	0	0		0	0	99.99%	99.99%	none
14	"Echo - Kielce 1" Sp. z o.o. ['Echo - Kielce 1' Limited Liability Company]	Kielce	construction activity and property management	subsidiary	8 368	0		0	8 368	99.99%	99.99%	none
15	"Echo - Galeria Kielce " Sp. z o.o. ['Echo - Galeria Kielce' Limited Liability Company]	Kielce	construction activity and property management	subsidiary	16	0		0	16	0.02190%	0.02190%	none
16	"ACC - Grupa Echo" Sp. z o.o. Sp.K. ['ACC - Grupa Echo' Ltd Limited Joint-Stock Partnership]	Kielce	accounting and bookkeeping activity	subsidiary	51	0		0	51	99.99%	99.99%	none
17	"Athina Park" Sp. z o.o. ['Athina Park' Limited Liability Company]	Kielce	construction activity and property management	subsidiary	0	0		0	0	0.00830%	0.00830%	none
18	"Malta Office Park" Sp. z o.o. ['Malta Office Park' Limited Liability Company]	Kielce	construction activity and property management	subsidiary	7 508	0	-1 193	-1 193	6 315	99.98%	99.98%	none

NOTE 3H – cont.

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
19	"Projekt Echo -30" Sp. z o.o. ['Projekt Echo -30' Limited Liability Company]	Kielce	construction activity and property management	subsidiary	51	0		0	51	99,00%	99,00%	none
20	"Echo - Arena" Sp. z o.o. ['Echo – Arena' Limited Liability Company]	Kielce	construction activity and property management	subsidiary	1 008	0		0	1 008	99,95%	99,95%	none
21	"Echo - Galaxy Sp. z o.o. ['Echo – Galaxy' Limited Liability Company]	Kielce	construction activity and property management	subsidiary	51	0		0	51	99,00%	99,00%	none
22	"Echo - Pasaż Grunwaldzki" Sp. z o.o. ['Echo - Galaxy Limited Liability Company]	Kielce	construction activity and property management	subsidiary	51	0		0	51	99,99%	99,99%	none
24	"Projekt Echo -39" Sp. z o.o. Limited Liability Company]	Kielce	construction activity and property management	subsidiary	51	-49		-49	2	99,00%	99,00%	none
25	Zakład Ogrodniczy "Naramowice" Sp. z o.o. [Fruit-growing Facility 'Naramowice' Limited Liability Company]	Poznan	fruit-growing activity	subsidiary	40 676	0		0	40 676	100,00%	100,00%	none
26	"EST-ON -Grupa Echo" Sp. z o.o. ['EST-ON -Grupa Echo' Limited Liability Company]	Kielce	property management	subsidiary	50	0		0	50	99,00%	99,00%	none
27	"Projekt S " Sp. z o.o. ['Projekt S' Limited Liability Company]	Kielce	construction activity and property management	subsidiary	20 419	-20 419		-20 419	0	63,00%	63,00%	none
29	"Echo - Arena Sp. z o.o." Sp. K. ['Echo - Arena Ltd' Limited Partnership]	Kielce	construction activity and property management	subsidiary	12	-12		-12	0	99,09%	99,09%	none
30	"Wan 11" Sp. z o.o. ['Wan 11' Limited Liability Company]	Warsaw	construction activity and property management	partially-owned subsidiary	1 500	0		0	1 500	50,00%	50,00%	none
31	"Echo -Kasztanowa Aleja" Sp. z o.o. ['Echo -Kasztanowa Aleja' Limited Liability Company]	Kielce	construction activity and property management	subsidiary	51	-15		-15	36	99,00%	99,00%	none
32	"Echo - Klimt House" Sp. z o.o. ['Echo - Kasztanowa Aleja' Limited Liability Company]	Kielce	construction activity and property management	subsidiary	51	-15		-15	36	99,00%	99,00%	none
33	"Projekt Echo -43" Sp. z o.o. ['Projekt Echo -43' Limited Liability Company]	Kielce	construction activity and property management	subsidiary	51	-10		-10	41	99,00%	99,00%	none
34	"Echo - Przy Słowiańskim Wzgórzu " Sp. z o.o. ['Projekt Echo -43' Limited Liability Company]	Kielce	construction activity and property management	subsidiary	51	-14		-14	37	99,90%	99,90%	none
36	"Echo Investment Hungary KFT	Budapest	construction activity and property management	subsidiary	89 130	0	-2 374	-2 374	86 756	100,00%	100,00%	none

## NOTE 3H – cont.

## 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
37	"Echo -Kasztanowa Aleja Sp. z o.o."Sp.K. ['Echo -Kasztanowa Aleja Ltd' Limited Partnership]	Kielce	construction activity and property management	subsidiary	15 901	-11		-11	15 890	99.90%	99.90%	none
38	"Echo - Klimt House Sp. z o.o." Sp.K. ['Echo - Klimt House Ltd' Limited Partnership]	Kielce	construction activity and property management	subsidiary	501	-11	-358	-369	132	99.90%	99.90%	None
39	"Echo - Przy Słowiańskim Wzgórzu Sp. z o.o." Sp.K. ['Echo - Przy Słowiańskim Wzgórzu Ltd' Limited Partnership]	Kielce	construction activity and property management	subsidiary	22 675	-11	-745	-756	21 919	99.00%	99.00%	None
40	Echo Projekt Management KFT	Budapest	construction activity and property management	subsidiary	2 126	-1 243	320	-923	1 203	100.00%	100.00%	None
41	"Projekt Echo -47" Sp. z o.o. ['Projekt Echo -47' Limited Liability Company]	Kielce	construction activity and property management	subsidiary	0			0	0	99.90%	99.90%	None
42	"Echo Investment Project 1 S.R.L.	Bucharest	construction activity and property management	subsidiary	23 997	-2 197	-10 079	-12 276	11 721	100.00%	100.00%	None
43	"Projekt Echo -53" Sp. z o.o. ['Projekt Echo -53' Limited Liability Company]	Kielce	construction activity and property management	subsidiary	50	0		0	50	0.05%	0.05%	None
44	"Projekt Echo -54" Sp. z o.o. ['Projekt Echo -54' Limited Liability Company]	Kielce	construction activity and property management	subsidiary	0	0		0	0	99.90%	99.90%	None
45	"Projekt Echo -55" Sp. z o.o. ['Projekt Echo -55' Limited Liability Company]	Kielce	construction activity and property management	subsidiary	0			0	0	99.90%	99.90%	None
46	"Echo - Galeria Sudecka" Sp. z o.o. ['Echo - Galeria Sudecka' Limited Liability Company]	Kielce	construction activity and property management	subsidiary	50	0		0	50	0.07%	0.07%	None
47	"Projekt Echo -57" Sp. z o.o. ['Projekt Echo -57' Limited Liability Company]	Kielce	construction activity and property management	subsidiary	50	-11		-11	39	99.90%	99.90%	None
48	"Projekt Echo -58" Sp. z o.o. ['Projekt Echo -58' Limited Liability Company]	Kielce	construction activity and property management	subsidiary	0			0	0	99.99%	99.99%	None
49	"Echo - Galaxy Szczecin" Sp. z o.o. ['Echo - Galaxy Szczecin' Limited Liability Company]	Kielce	construction activity and property management	subsidiary	50	0		0	50	0.01%	0.01%	None
50	"Echo - Galeria Tarnów" Sp. z o.o. ['Echo - Galeria Tarnów' Limited Liability Company]	Kielce	construction activity and property management	subsidiary	50	0		0	50	0.07%	0.07%	None
51	"Projekt Echo -62" Sp. z o.o. ['Echo - Galeria Tarnów' Limited Liability Company]	Kielce	construction activity and property management	subsidiary	49	0		0	49	0.01%	0.01%	None
52	"Avatar - Projekt Echo - 93" Sp. z o.o. Sp.K. ['Avatar - Projekt Echo - 93 Ltd' Limited Partnership]	Kielce	construction activity and property management	subsidiary	0	0		0	0	0.39%	0.39%	None
53	"Projekt Naramowice Poznań" Sp. z o.o. ['Projekt Naramowice Poznań' Limited Liability Company]	Kielce	construction activity and property management	subsidiary	53	0		0	53	0.03%	0.03%	None
54	"Echo - Oxygen" Sp. z o.o. ['Echo - Oxygen' Limited Liability Company]	Kielce	construction activity and property management	subsidiary	0	0		0	0	0.00%	0.00%	None

## NOTE 3H – cont.

## 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
55	"Echo - Park Postępu" Sp. z o.o. ['Echo - Park Postępu' Limited Liability Company]	Kielce	construction activity and property management	subsidiary	0	0		0	0	0.00%	0.00%	none
56	"Projekt Echo -67" Sp. z o.o. ['Projekt Echo -67' Limited Liability Company]	Kielce	construction activity and property management	subsidiary	94			0	94	99.90%	99.90%	none
57	"Projekt Echo -70" Sp. z o.o. ['Projekt Echo -70' Limited Liability Company]	Kielce	construction activity and property management	subsidiary	5 047	-7		-7	5 040	51.00%	51.00%	none
58	"Projekt Echo -77" Sp. z o.o. ['Projekt Echo -77' Limited Liability Company]	Kielce	construction activity and property management	subsidiary	50	-14		-14	36	99.90%	99.90%	none
59	"Echo - Metropolis" Sp. z o.o. ['Echo - Metropolis' Limited Liability Company]	Kielce	construction activity and property management	subsidiary	0	0		0	0	0.00%	0.00%	none
60	Princess Borysewska Sp. z o.o. [Princess Borysewska Limited Liability Company]	Kielce	construction activity and property management	subsidiary	2	0		0	2	99.94%	99.94%	none
61	Echo Investment Ukraina LLC	Kiev	construction activity and property management	subsidiary	666	-132	-187	-319	347	99.99%	99.99%	none
62	Ultra Marina Sp. z o.o. [Ultra Marina Limited Liability Company]	Kielce	construction activity and property management	subsidiary	10	0		0	10	100.00%	100.00%	none
63	Echo Investment Projekt Management SRL	Bucharest	construction activity and property management	subsidiary	2 448	-147	-2 301	-2 448	0	99.99%	99.99%	none
64	EI Projekt Cypr - 1 Limited	Cypr	construction activity and property management	subsidiary	40 329	0		0	40 329	99.95%	99.95%	none
65	Barconsel Holdings Limited	Cypr	construction activity and property management	subsidiary	262 794	-7 076	7 076	0	262 794	53.00%	53.00%	none
66	Projekt Echo - 95 Sp. Z o. o. [Projekt Echo - 95 Limited Liability Company]	Kielce	construction activity and property management	subsidiary	26	0		0	26	99.80%	99.80%	none
67	Projekt Echo - 96 Sp. Z o. o. [Projekt Echo - 96 Limited Liability Company]	Kielce	construction activity and property management	subsidiary	26	0		0	26	99.80%	99.80%	none
68	Projekt Echo - 97 Sp. Z o. o. [Projekt Echo - 97 Limited Liability Company]	Kielce	construction activity and property management	subsidiary	26	0		0	26	99.80%	99.80%	none
69	Projekt Echo - 98 Sp. Z o. o. [Projekt Echo – 98 Limited Liability Company]	Kielce	construction activity and property management	subsidiary	26	0		0	26	99.80%	99.80%	none
70	Projekt Echo - 99 Sp. Z o. o. [Projekt Echo - 99 Limited Liability Company]	Kielce	construction activity and property management	subsidiary	26	0		0	26	99.80%	99.80%	none
71	Projekt Echo - 94 Sp. Z o. o. [Projekt Echo - 94 Limited Liability Company]	Kielce	construction activity and property management	subsidiary	50	0		0	50	99.90%	99.90%	none
72	"Grupa Echo Sp. z o.o.1" S.A.K. ['Grupa Echo Ltd' Limited Joint-Stock Company]	Kielce	construction activity and property management	subsidiary	2	0		0	2	99.95%	99.95%	none

## NOTE 3H – cont.

## 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
73	"Grupa Echo Sp. z o.o.2" S.A.K. [Grupa Echo Ltd2' Limited Joint-Stock Partnership]	Kielce	construction activity and property management	subsidiary	2	0		0	2	99.95%	99.95%	none
74	Projekt Echo - 94 Sp. z o. o. Sp. K. [Projekt Echo – 94 Ltd Limited Partnership]	Kielce	construction activity and property management	subsidiary	10				10	99.00%	99.00%	none
75	SPV-1 Sp. z o.o. [SPV-1 Limited Liability Company]	Kielce	construction activity and property management	subsidiary	1	-1		-1	0	99.90%	99.90%	none
					816 708	-48 122	30	-48 092	768 616			
Shares / stocks in affiliated companies												
1	"SPC" S.A	Warsaw	management of other subsidiaries	affiliated company	34	(34)	-	(34)	-	34.00%	34.00%	none
					34	(34)	-	(34)	0			
Shares or stocks in subsidiaries and affiliates total					816 742	(48 156)	30	(48 126)	768 616			

The table above presents revaluation of shares and stocks held by the Company in its fully- and partially-owned subsidiaries and affiliated companies, which was carried out during the financial year.

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 2010 change in revaluation adjustments was posted as revaluation of investment under revenues/expenses.

Impairment loss amounting to PLN 30 thousand was posted under expenses.

Additionally, in Item 1.4 *Investment in fully- and partially-owned subsidiaries* the Company discloses unit certificates of Closed Investment Funds amounting to PLN 1,130 thousand.



## NOTE 4A

Inventories [in thousands PLN]	31.12.2010	31. 12.2009
a) semi-finished products and work in process	305 050	299 266
b) finished products	13 902	59 876
c) goods	8 050	1 844
d) advances for deliveries	-	-
<b>Inventories total</b>	<b>327 002</b>	<b>360 986</b>

Inventories are valued 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 profit/loss [in thousands PLN]	31.12.2010	31.12.2009
Value of inventories recognised as cost during the period	286 256	254 821
Amounts of inventories write-downs recognized as cost during the period	1 388	4 723
Amounts of reversal of inventories write-downs	8 396	7 462

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 in 2010 amounted to PLN 7,008 thousand (in 2009 – PLN 2,739 thousand).

## NOTE 5A

CURRENT RECEIVABLES (in thousands PLN)	31.12.2010	31. 12.2009
<b>a) from affiliated companies</b>	<b>86 831</b>	<b>119 222</b>
- due to deliveries and services, payable within:	86 831	119 222
- up to 12 months	86 831	119 222
<b>b) revaluation adjustments from affiliated companies</b>	<b>-</b>	<b>(1 750)</b>
<b>c) receivables from other companies</b>	<b>8 179</b>	<b>10 468</b>
- due to deliveries and services, payable within:	1 936	1 522
- up to 12 months	1 753	1 156
- over 12 months	183	366
- due to taxes, grants, customs, social securities, health insurance and other	335	2 252
- advances for deliveries	3 093	4 707
- other	2 815	1 987
<b>d) revaluation adjustments from other companies</b>	<b>(1 558)</b>	<b>(1 473)</b>
<b>Net current receivables total</b>	<b>95 010</b>	<b>129 690</b>
Revaluation adjustments total	(1 558)	(3 223)
<b>Gross current receivables total</b>	<b>96 568</b>	<b>132 913</b>

Maximum value of credit risk associated with trade receivables equals their balance sheet value.

Receivables from affiliated companies are not secured. As at December 31, 2010 receivables from affiliated companies were not written down.

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 lessees. Payments are secured with deposits.

As at December 31, 2010 the value of deposits amounted to PLN 296 thousand, and as at December 31, 2009 to PLN 242 thousand.

## NOTE 5B

CHANGE IN THE BALANCE OF REVALUATION ADJUSTMENTS ON CURRENT RECEIVABLES (in thousands PLN)	31.12.2010	31.12.2009
<b>Balance as at the beginning of period</b>	<b>3 223</b>	<b>5 761</b>
a) increases (on account of)	-	317
- creating an allowance	-	317
b) decreases (on account of)	(1 665)	(2 855)
- repayment	(1 259)	(2 819)
- release of provisions	(406)	(36)
<b>Balance of revaluation adjustments on current receivables as at the end of period</b>	<b>1 558</b>	<b>3 223</b>

Receivables revaluation adjustments were posted under *Other 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]	31.12.2010	31.12.2009
<b>a) in the Polish currency</b>	96 158	128 196
<b>b) in foreign currencies (by currency, after conversion into PLN)</b>	410	10
- unit/currency EUR	77	3
- thousands PLN	306	10
- unit/currency USD	35	-
- thousands PLN	104	-
<b>Current receivables total</b>	<b>96 568</b>	<b>128 206</b>

## NOTE 5D

Trade receivables (gross) days remaining to due date after the balance day [in thousands PLN]	31.12.2010	31. 12.2009
a) up to 1 month	24 412	88 076
b) over 1 month up to 3 months	62 917	26 863
c) over 3 months up to 6 months	-	-
d) over 6 months up to 1 year	183	183
e) over 1 year	183	366
f) receivables overdue	2 530	8 366
<b>Trade receivables total (gross)</b>	<b>90 225</b>	<b>123 854</b>
g) revaluation adjustments of trade receivables	(1 458)	(3 110)
<b>Trade receivables total (net)</b>	<b>88 767</b>	<b>120 744</b>

## NOTE 5E

Trade receivables overdue (gross) – divided into amounts not paid during the period [in thousands PLN]	31.12.2010	31.12.2009
a) up to 1 month	863	440
b) over 1 month up to 3 months	38	361
c) over 3 months up to 6 months	109	4 072
d) over 6 months up to 1 year	124	766
e) over 1 year	1 396	2 727
<b>Trade receivables overdue total (gross)</b>	<b>2 530</b>	<b>8 366</b>
f) revaluation adjustments of trade receivables overdue	(1 458)	(3 110)
<b>Trade receivables overdue total (net)</b>	<b>1 072</b>	<b>5 256</b>

## NOTE 5F

Trade receivables (gross) [in thousands PLN]	31.12.2010	31. 12.2009
a) current receivables without impairment	87 695	115 488
b) overdue receivables without impairment	1 072	5 256
c) overdue receivables with impairment	1 458	3 110
<b>Trade receivables total (gross)</b>	<b>90 225</b>	<b>123 854</b>

## NOTE 5G

Disputed and overdue receivables [in thousands PLN]	31.12.2010	31.12.2009
<b>Disputed receivables</b>	-	12
- other	-	12
- including ones not covered by a revaluation allowance	-	-
<b>Overdue receivables</b>	<b>2 530</b>	<b>8 366</b>
- on account of deliveries of works and services	2 530	8 366
- including ones not covered by a revaluation allowance	1 072	5 256

## NOTE 6A

Granted short-term loans [in thousands PLN]	31.12.2010	31.12.2009
<b>a) in subsidiaries</b>		
- granted loans	138 453	117 359
- interest	5 875	6 981
	<b>144 328</b>	<b>124 340</b>
<b>b) in other companies</b>		
- granted loans	210	-
- interest	-	23
	<b>210</b>	<b>23</b>
<b>Granted short-term loans total</b>	<b>144 538</b>	<b>124 363</b>

## NOTE 6B

Granted short-term loans (currency structure) [in thousands PLN]	31.12.2010	31.12.2009
a) in the Polish currency	144 538	124 363
b) in foreign currencies (by currency, after conversion into PLN)	-	-
<b>Granted short-term loans total</b>	<b>144 538</b>	<b>124 363</b>

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, 2011
Projekt Echo -58 Sp. z o. o.	400	Wibor 3M + margin	June 30, 2011
Echo - Galeria Kielce Sp. z o. o.	83 400	Wibor 3M + margin	December 31, 2011
Echo Investment Hungary KFT	17 125	Wibor 3M + margin	December 31, 2011
Projekt S Sp. z o.o.	960	Wibor 3M + margin	December 31, 2011
Projekt Naramowice Poznan Sp. z o. o.	24 000	Wibor 3M + margin	December 31, 2011
Echo Oxygen Sp. z o.o.	8 300	Wibor 3M + margin	June 30, 2011
Projekt Echo -53 Sp. z o.o. o.	4 800	Wibor 3M + margin	December 31, 2011
Echo Investment Project Management KFT	180	Wibor 3M + margin	December 31, 2011
Barconsel Holding Limited	86	Wibor 3M + margin	December 31, 2011
Echo Investment Project Management SRL	200	Wibor 3M + margin	December 31, 2011
other	209	Wibor 3M + margin	-
<b>Total:</b>	<b>139 887</b>		

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

Cash and cash equivalents [in thousands PLN]	31.12.2010	31.12.2009
a) cash in hand and at bank	65 827	53 878
b) other cash	-	-
<b>Cash and cash equivalents total</b>	<b>65 827</b>	<b>53 878</b>
<b>Cash of limited disposability</b>	<b>7 600</b>	<b>8 759</b>

As at 31.12.2010 the Company holds cash at renowned banks, mainly PKO S.A. and PKO BP.

The maximum value of credit risk involved with this cash equals its balance sheet value.

#### NOTE 6D

Cash and cash equivalents (currency structure) [in thousands PLN]	31.12.2010	31.12.2009
a) in the Polish currency	65 316	53 492
b) in foreign currencies (by currency, after conversion into PLN)	511	386
- unit/currency EUR	109	85
- thousands PLN	431	349
- unit/currency USD	12	12
- thousands PLN	35	34
- unit/currency HUF	3 151	170
- thousands	45	3
<b>Cash and cash equivalents total</b>	<b>65 827</b>	<b>53 878</b>

## 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 of series / issue by par value (thousands PLN)	Method of equity coverage	Date of registration	Right to dividend as from
A	bearer shares	ordinary shares	none	1 600 000	80	non-cash contribution	1994-06-30	1995-01-01
B	bearer shares	ordinary shares	none	38 400 000	1 920	cash	1994-06-30	1995-01-01
C	bearer shares	ordinary shares	none	20 000 000	1 000	cash	1995-11-13	1995-01-01
D	bearer shares	ordinary shares	none	60 000 000	3 000	cash	1997-02-18	1996-01-01
E	bearer shares	ordinary shares	none	20 000 000	1 000	cash	1997-12-30	1997-01-01
F	bearer shares	ordinary shares	none	280 000 000	14 000	cash	2002-11-26	2002-01-01
<b>Number of shares total</b>				<b>420 000 000</b>				
<b>Share capital total</b>					<b>21 000</b>			
<b>Par value of one share = 0.05 PLN</b>								

## Shareholders of Echo Investment S.A. holding more than 5% of share capital as at December 31, 2010.

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%
ING OFE*	37 528 063	8.94%	8.94%
Aviva OFE Aviva BZ WBK*	36 683 460	8.73%	8.73%
OFE PZU Złota Jesień OFE*	21 419 085	5.10%	5.10%
Other Shareholders	154 452 812	36.77%	36.77%
<b>Total</b>	<b>420 000 000</b>	<b>100.00%</b>	<b>100.00%</b>

\* As in OFE portfolio as at December 31, 2010.

## NOTE 8

SUPPLEMENTARY CAPITAL [in thousands PLN]	31.12.2010	31.12.2009
a) from sale of shares above par 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	410 856	376 814
d) other (by type)	22	22
<b>Supplementary capital total</b>	<b>511 901</b>	<b>477 859</b>

## NOTE 9

CHANGE IN THE BALANCE OF DEFERRED INCOME TAX ASSETS AND PROVISIONS [thousands PLN]	31.12.2010	31.12.2009
<b>1. Balance of deferred income tax assets and provisions as at the beginning of period:</b>	<b>(8 300)</b>	<b>(2 919)</b>
financial instruments	-	1 513
investment property	469	298
borrowing liabilities	(1 122)	(2 946)
credit and bonds liabilities	(958)	(294)
inventories	(1 596)	(1 014)
shares and stocks	(3 219)	(3 469)
limited partnership income tax	3 437	8 183
Other	(5 311)	(5 190)
<b>2. Increases</b>	<b>7 316</b>	<b>2 245</b>
financial instruments	-	-
investment property	-	171
borrowing liabilities	238	1 824
credit and bonds liabilities	611	-
tax loss	4 170	-
inventories	1 821	-
shares and stocks	-	250
other	476	-
<b>3. Decreases</b>	<b>(11 023)</b>	<b>(7 626)</b>
financial instruments	-	(1 513)
investment property	(4)	-
credit and bonds liabilities	-	(664)
inventories	-	(582)
shares and stocks	(2 196)	-
limited partnership income tax	(8 823)	(4 746)
other	-	(121)
<b>4. Balance of deferred income tax and provisions as at the end of period:</b>	<b>(12 007)</b>	<b>(8 300)</b>
financial instruments	-	-
investment property	465	469
borrowings liabilities	(884)	(1 122)
credit and bonds liabilities	(347)	(958)
tax loss	4 170	-
inventories	225	(1 596)
shares and stocks	(5 415)	(3 219)
limited partnership income tax	(5 386)	3 437
other	(4 835)	(5 311)

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

Tax loss in 2010 shall be settled by the Company until the end of 2015.

## NOTE 10A

Non-current liabilities (exclusive of provision for income tax) [in thousands PLN]	31.12.2010	31.12.2009
<b>a) to wholly-owned subsidiaries</b>	-	-
<b>b) to partially-owned subsidiaries</b>		
- credit and loans		
- on account of issue of debt securities	484 907	513 948
	<b>484 907</b>	<b>513 948</b>
<b>Non-current liabilities total</b>	<b>484 907</b>	<b>513 948</b>

## NOTE 10B

Non-current liabilities (exclusive of provision for income tax) days remaining to due date after the balance day [in thousands PLN]	31.12.2010	31.12.2009
a) over 1 year up to 3 years	203 635	234 188
b) over 3 years up to 5 years	281 272	279 760
c) over 5 years	-	-
<b>Non-current liabilities total</b>	<b>484 907</b>	<b>513 948</b>

Interest rates applied to discounted anticipated cash flows amounted to: 6.01% in 2010 and 6.38% in 2009.

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]	31.12.2010	31.12.2009
a) in the Polish currency	484 907	513 948
b) in foreign currencies (by currency, after conversion into PLN)	-	-
<b>Non-current liabilities total</b>	<b>484 907</b>	<b>513 948</b>

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		Amount of credit / loan remaining due		Interest rate arrangements	Due date	Collaterals
		in thousands PLN	currency	in thousands PLN	currency			
PeKaO S.A.	Warsaw	30 000	PLN	-	PLN	Wibor 1M + margin	2011-06-30	power of attorney to bank account, statement on submission to enforcement proceedings
PeKaO S.A.	Warsaw	100 000	PLN	69 916	PLN	Wibor 1M + margin	2011-06-30	power of attorney to bank account
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
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
<b>Total</b>		<b>210 000</b>		<b>69 916</b>				

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.)	115 000	Wibor 6M + margin	2012-05-18	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
bonds (BRE Bank S.A.)	35 000	Wibor 6M + margin	2011-03-02	none		none
<b>Total</b>	<b>700 000</b>					

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]	31.12.2010	31.12.2009
<b>a) to subsidiaries</b>		
- trade liabilities, payable:	631	9
- within 12 months	631	9
- over 12 months	-	-
	<b>631</b>	<b>9</b>
<b>b) to other companies</b>		
- trade liabilities, payable:	57 023	38 025
- within 12 months	53 505	33 492
- over 12 months	3 518	4 533
- advances received for deliveries	24 111	53 759
- on account of taxes, customs, insurance and other	7 450	3 839
- other liabilities	8 749	14 157
- on account of salaries and wages	4	3
- received hedging deposits	305	568
- insurance	17	4
- other	8 423	13 582
	<b>97 333</b>	<b>109 780</b>
<b>Trade liabilities and other total</b>	<b>97 964</b>	<b>109 789</b>

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]	31.12.2010	31.12.2009
a) in the Polish currency	97 324	109 272
b) in foreign currency (by currency, after conversion into PLN)	640	517
- unit/currency EUR	2	21
- thousands PLN	8	86
- unit/currency HUF	36 250	18 125
- thousands PLN	515	275
- unit/currency USD	39	55
- thousands PLN	117	156
<b>Current liabilities total</b>	<b>97 964</b>	<b>109 789</b>

## NOTE 11C

Credits, short-term loans and bonds [in thousands PLN]	31.12.2010	31.12.2009
<b>a) to subsidiaries</b>	-	-
<b>b) to other companies</b>		
- credit and loans	69 916	96 078
- on account of issue of debt securities	215 127	31 939
	<b>285 043</b>	<b>128 017</b>
<b>Credits and loans total</b>	<b>285 043</b>	<b>128 017</b>

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]	31.12.2010	31.12.2009
a) in the Polish currency	285 043	128 017
b) in foreign currency (by currency, after conversion into PLN)	-	-
<b>Credits and loans total</b>	<b>285 043</b>	<b>128 017</b>

## NOTE 11E

Change in the balance of short-term provisions (by title) [in thousands PLN]	31.12.2010	31.12.2009
<b>a) balance as at the beginning of period</b>		
- provisions for penalties	9 830	9 190
- guarantee repairs	1 100	1 100
- court proceedings	-	-
	<b>10 930</b>	<b>10 290</b>
<b>b) increases (on account of)</b>		
- provisions for penalties	170	3 579
	<b>170</b>	<b>3 579</b>
<b>c) utilisation (on account of)</b>		
- provisions for penalties	(4 400)	(2 939)
	<b>(4 400)</b>	<b>(2 939)</b>
<b>d) balance as at the end of period</b>		
- provisions for penalties	5 600	9 830
- guarantee repairs	1 100	1 100
	<b>6 700</b>	<b>10 930</b>

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 valued 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 valued 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]	31.12.2010	31.12.2009
a) granted guarantees and sureties, including:	472 718	830 937
- to subsidiaries	472 718	830 937
<b>Contingent liabilities to affiliated companies total</b>	<b>472 718</b>	<b>830 937</b>

## NOTE 12B

Off-balance items [in thousands PLN]	31.12.2010	31.12.2009
<b>1. Contingent receivables</b>	-	-
<b>2. Contingent liabilities</b>		
1.1. 2.1. To affiliates (on account of)	480 018	830 937
- granted guarantees and sureties	480 018	830 937
1.1. 2.2. To other companies (on account of)	-	3 880
- granted guarantees and sureties	-	3 880
	<b>480 018</b>	<b>834 817</b>
<b>3. Other (on account of)</b>		
- court proceedings against Echo Investment	65	31
	<b>65</b>	<b>31</b>
<b>Total</b>	<b>480 083</b>	<b>834 848</b>

**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. [Echo - Galeria Kielce Limited Liability Company] 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 396,030 thousand.
2. Surety of September 27, 2010 for the obligations of Echo - Oxygen Sp. z o.o. [Echo - Oxygen Limited Liability Company] under the credit agreement made with Bank Nordea Bank Polski S.A.. The surety was granted up to the amount of PLN 57,820 thousand.
3. Surety of June 22, 2009 r. for payment of costs exceeded for the obligations of Malta Office Park Sp. z o.o. [Malta Office Park Limited Liability Company] under the credit agreement made with Bank Westdeutsche ImmobilienBank AG with its registered seat in Mainz (Germany). The surety was granted up to the amount of PLN 7.3 million.
4. Guarantee of September 27, 2010 issued for Nordea Bank Polski S.A. to finance insufficient funding or exceeded costs of execution of an office building in Szczecin. The guarantee shall be in force until the completion day of the Investment but no later than December 31, 2013. The guarantee was granted up to the amount of PLN 17,768 thousand.
5. On November 3, 2009 Bank PKO BP S.A. issued a guarantee for Master Serwis Opon Sp. z o.o. [Master Serwis Opon Limited Liability Company] 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 INCOME STATEMENT

## NOTE 13A

Operating incomes (material structure – types of activities) [in thousands PLN]	01.01.2010- 31.12.2010	01.01.2009- 31.12.2009
<b>A. Sales of residential and commercial areas</b>	<b>63 306</b>	<b>62 447</b>
- including: from affiliated companies	-	-
<b>B. Investment execution services</b>	<b>199 143</b>	<b>210 604</b>
- including: from affiliated companies	199 143	210 604
from subsidiaries	199 143	210 604
from partially-owned subsidiaries	-	-
<b>C. Property trade</b>	<b>47 152</b>	<b>7 756</b>
- including: from affiliated companies	47 152	<b>3 533</b>
<b>D. Lease services</b>	<b>7 886</b>	<b>7 320</b>
- including: from affiliated companies	1 029	713
from subsidiaries	1 029	713
from the dominant company	-	-
<b>E. Legal, accounting, consulting and IT services</b>	<b>31 002</b>	<b>30 592</b>
- including: from affiliated companies	25 292	16 074
from subsidiaries	25 292	16 074
from partially-owned subsidiaries	-	-
<b>F. Other incomes</b>	<b>23 082</b>	<b>11 154</b>
- including: from affiliated companies	16 002	6 849
from subsidiaries	15 892	6 800
from key personnel	110	49
<b>Operating incomes total</b>	<b>371 571</b>	<b>329 873</b>
- including: from affiliated companies	288 618	237 773
from subsidiaries	288 508	237 724
from the dominant company	-	-
from key personnel	110	49

Minimum contracted lease revenues for 2011 amount to PLN 8 883 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]	01.01.2010- 31.12.2010	01.01.2009- 31.12.2009
a) Poland	368 681	323 125
- including: from affiliated companies	288 618	231 025
b) export	2 890	6 748
- including: from affiliated companies	2 890	6 748
<b>Net income from sale of products total</b>	<b>371 571</b>	<b>329 873</b>
- including: from affiliated companies	304 599	237 773

## NOTE 14

Operating expenses by type [in thousands PLN]	01.01.2010- 31.12.2010	01.01.2009- 31.12.2009
<b>Costs by type total</b>		
a) depreciation/amortisation	3 356	3 613
b) consumption of materials and energy	71 339	6 093
c) foreign services	227 990	231 201
d) taxes and charges	4 306	2 941
e) salaries and wages	20 762	18 723
f) social security and other	2 783	2 580
g) other prime costs (on account of)	1 746	2 998
- business trips	382	365
- other	1 364	2 633
	<b>332 282</b>	<b>268 149</b>
Change in the balance of inventories, products and accruals	3 568	38 131
Cost of manufacture of products for the company's own purposes (negative value)	-	(513)
Costs to sell (negative value)	(21 276)	(17 866)
Overheads (negative value)	(26 819)	(27 066)
<b>Production cost of sold products</b>	<b>287 755</b>	<b>260 835</b>

Salaries and wages include social securities (ZUS).

## NOTE 15A

Other operating incomes [in thousands PLN]	01.01.2010- 31.12.2010	01.01.2009- 31.12.2009
a) released provisions (on account of)	2 034	5 805
- receivables	2 034	2 855
- other	-	2 950
b) other, including:	6 907	4 676
- contractual penalties	205	908
- valuation of inventories	-	2 739
- other	6 702	1 029
c) interest on granted loans	11 285	10 416
from affiliated companies, including:	11 285	10 377
- from subsidiaries	11 285	10 377
- from other companies	-	39
d) other interest	1 737	1 017
- from other companies	1 737	1 017
<b>Other operating incomes total</b>	<b>21 963</b>	<b>21 914</b>

## NOTE 15B

Other operating expenses [in thousands PLN]	01.01.2010- 31.12.2010	01.01.2009- 31.12.2009
a) established provisions (on account of)	170	3 833
- for anticipated costs	170	3 590
- receivables	-	243
b) other, including:	2 345	3 558
- donations	335	42
- contractual penalties	617	1 507
- other	1 393	2 009
<b>Other operating expenses total</b>	<b>2 515</b>	<b>7 391</b>

## NOTE 16A

Financial incomes from dividends and shares in profits [in thousands PLN]	01.01.2010- 31.12.2010	01.01.2009- 31.12.2009
a) from affiliated companies, including:	31 622	36 299
- from subsidiaries	31 622	36 299
b) from other companies	-	-
<b>Financial incomes from dividends and shares in profits total</b>	<b>31 622</b>	<b>36 299</b>

## NOTE 16B

Interest income [in thousands PLN]	01.01.2010- 31.12.2010	01.01.2009- 31.12.2009
<b>a) other interest</b>		
- from other companies	227	303
<b>Interest income total</b>	<b>227</b>	<b>303</b>

## NOTE 16C

Other financial incomes [in thousands PLN]	01.01.2010- 31.12.2010	01.01.2009- 31.12.2009
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	1 882	-
<b>Other financial incomes total</b>	<b>1 882</b>	<b>9 663</b>

## NOTE 17A

Interest charge [in thousands PLN]	01.01.2010- 31.12.2010	01.01.2009- 31.12.2009
<b>a) a) on credit facilities</b>		
- to affiliated companies	-	-
- to other companies	40 713	41 013
	<b>40 713</b>	<b>41 013</b>
<b>b) other interest</b>		
- to other companies	2	4
	<b>2</b>	<b>4</b>
<b>c) interest on borrowings</b>		
- to affiliated companies, including:	-	469
- to subsidiaries	-	469
- to other companies	-	469
	<b>-</b>	<b>469</b>
<b>d) revaluation of borrowings</b>	<b>3 215</b>	<b>(4 650)</b>
<b>Interest charge total</b>	<b>43 930</b>	<b>36 836</b>

In 2010, the amount of activated borrowing costs was PLN 1,368 thousand.

The yield rate applied by the Company to determine the amount of activated borrowing costs was 3.14%.



## NOTE 17B

Other financial expenses [in thousands PLN]	01.01.2010- 31.12.2010	01.01.2009- 31.12.2009
a) foreign exchange losses, including:	241	411
- realised	231	389
- unrealised	10	22
b) investment revaluation	-	1 315
- shares	-	1 315
c) closing losses - foreign exchange options	-	11 322
- foreign exchange options	-	7 403
- forwards	-	3 919
d) other, including:	2 433	920
- commissions	1 589	710
- other	844	210
e) activated financial charges	(49)	(21)
<b>Other financial costs total</b>	<b>2 625</b>	<b>13 947</b>

## NOTE 18A

Current income tax [in thousands PLN]	01.01.2010- 31.12.2010	01.01.2009- 31.12.2009
<b>Gross Profit (loss)</b>	<b>42 879</b>	<b>33 356</b>
Income tax 19%	(8 147)	(6 338)
Dividends received	5 764	1 835
Release for provision of liabilities	1 223	541
Other non-deductible costs	(2 547)	(1 753)
<b>Total income tax charge of financial result</b>	<b>(3 707)</b>	<b>(5 715)</b>

## NOTE 18B

Deferred income tax, recovery ability structure [in thousands PLN]	01.01.2010- 31.12.2010	01.01.2009- 31.12.2009
<b>Deferred income tax liabilities</b>		
- settlement due date within 12 months	2 210	2 718
- settlement due date after 12 months	9 797	5 582
<b>Total</b>	<b>12 007</b>	<b>8 300</b>

## NOTE 19

## Distribution of profits

The net profit earned by Echo Investment S.A. in 2009, amounting to PLN 641 thousand, was allocated to supplementary capital through a resolution of May 26, 2010. The net profit earned by the company during the previous years, arising from the change of non-current liabilities valuation model adopted by the company, in the amount of PLN 6,401 thousand was allocated to supplementary capital through a resolution of May 26, 2010. The financial statement of Echo Investment S.A. for 2009 was approved through a resolution of the Ordinary General Meeting of Shareholders of May 26, 2010. The Company proposes to allocate the profit earned by Echo Investment S.A. in 2010 to supplementary capital.

## EXPLANATORY NOTES TO THE CASH FLOW STATEMENT

## NOTE 20

Cash presented in the cash flow statement [in thousands PLN]	31.12.2010	31.12.2009
<b>Balance as at the beginning of period, including</b>	<b>53 878</b>	<b>39 608</b>
- cash in hand and on bank accounts	53 878	39 608
- other cash	-	-
- other cash equivalents	-	-
<b>Balance as at the end of period</b>	<b>65 827</b>	<b>53 878</b>
- cash in hand and on bank accounts	65 827	53 878
- other cash	-	-
- other cash equivalents	-	-

## Additional explanations to the structure of cash flows

In the first half of the year the Company issued long-term bonds with a nominal value of PLN 115 000 thousand. 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 31.12.2010 in currency (in thousands)	Balance sheet valuation as at 31.12.2010 (in thousands PLN)	Estimated currency exchange rate change (%)	Consequences of foreign exchange rate variations for individual items (in thousands PLN)
Cash				
EUR	109	432	+/- 5 %	22
USD	12	36	+/- 5 %	2
HUF	3 151	45	+/- 5 %	2
Global impact on gross result of the period				26
Income tax				5
Global impact on net result of the period				21

To analyse the sensitivity to foreign exchange rate changes as at 31.12.2010, 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 31.12.2010 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 31.12.2009 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
Total impact on gross result of the period				19
Income tax				4
Total impact on net result of the period				15

#### NOTE 21B

#### Interest rate risk – loans granted [in thousands PLN]

Title	Value calculated for study purposes (in thousands PLN)	
	as at 31.12.2010	as at 31.12.2009
Balance of loans granted	144 546	124 722
Interest income on loans granted	11 285	10 416
Estimated variation of interest rates	+/- 1 p.p.	+/- 1 p.p.
Interest income on loans granted, accounting for interest growth	1 445	1 247
TOTAL impact on gross result of the period	1 445	1 247
Income tax	274	237
TOTAL impact on net result of the period	1 171	1 010

The Company granted loans in PLN with a variable interest rate associated with WIBOR rate + margin. If the interest rates as at 31.12.2010 were 1 percentage point higher or lower than the applicable interest rate, the Company's net result would be PLN 1,172 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 31.12.2010	as at 31.12.2009
Balance of liabilities arising from issue of debt securities	700 034	545 887
Interest charge on issue of debt securities	35 419	38 268
Estimated variation of interest rates	+/- 1 p.p.	+/- 1 p.p.
Interest charge on issue of debt securities, accounting for interest growth	7 000	5 459
TOTAL impact on gross result of the period	7 000	5 459
Tax income	1 330	1 037
TOTAL impact on net result of the period	5 670	4 422

## NOTE 21D

**Interest rate risk - cash**

Title	Value calculated for study purposes (in thousands PLN)	
	as at 31.12.2010	as at 31.12.2009
Balance of cash	65 827	53 878
Other interest incomes	1 580	920
Estimated variation of interest rates	+/- 1 p.p.	+/- 1 p.p.
Other interest incomes, accounting for variations in the interest	658	539
TOTAL impact on gross result of the period	658	539
Tax income	125	102
TOTAL impact on net result of the period	533	437

## NOTE 21E

**Interest rate risk – liabilities arising from credits**

Title	Value calculated for study purposes (in thousands PLN)	
	as at 31.12.2010	as at 31.12.2009
Balance of liabilities arising out of credits	69 916	96 078
Interest charge on credits	5 432	2 781
Estimated variation of interest rates	+/- 1 p.p.	+/- 1 p.p.
Interest charge on credits, accounting for interest growth	699	961
TOTAL impact on gross result of the period	699	961
Tax income	133	183
TOTAL impact on net result of the period	566	778

## NOTE 22

## Information on financial instruments

Item	Type of instrument	Note	Balance sheet value as at 31.12.2010  (in thousands PLN)	Balance sheet value as at 31.12.2009  (in thousands PLN)
Financial assets				
1.	Loans and receivables:			
	-long-term loans	3	8	359
	-short-term loans	6	144 538	124 363
	-trade receivables	5	88 767	120 744
2.	Cash and cash equivalents	6	65 827	53 878
Financial liabilities				
1.	Other financial liabilities			
	- liabilities arising from issue of debt securities	10 11	700 034	545 887
	- trade liabilities	11	57 654	38 034
	- credit and loans	11	69 916	96 078

The main financial instruments existing at the Company include:

- Loans granted are valued 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 valued 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 valued 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 valued 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 valued on the basis of valuations provided by banks.

## SEGMENT REPORTING - INDUSTRY SEGMENTS

## NOTE 23

ASSET TO SEGMENT ALLOCATION (thousands PLN)	01.01.2010- 31.12.2010	01.01.2009- 31.12.2009
shopping centres	160 089	79 595
office buildings	40 851	60 278
residential areas	310 127	306 310
non-allocated assets	947 127	857 702
<b>Assets total</b>	<b>1 458 194</b>	<b>1 303 885</b>

## NOTE 24

OPERATING INCOME TO SEGMENT ALLOCATION	01.01.2010- 31.12.2010	01.01.2009- 31.12.2009
shopping centres	131 383	55 002
office buildings	92 264	148 830
residential areas	126 062	62 471
non-allocated incomes	21 862	63 570
<b>Incomes total</b>	<b>371 571</b>	<b>329 873</b>

## NOTE 25

OPERATING EXPENSES TO SEGMENT ALLOCATION	01.01.2010- 31.12.2010	01.01.2009- 31.12.2009
shopping centres	(93 753)	(51 895)
office buildings	(78 160)	(141 036)
residential areas	(104 058)	(45 793)
non-allocated operating expenses	(11 784)	(22 111)
<b>Operating expenses total</b>	<b>(287 755)</b>	<b>(260 835)</b>

The Company analyses operating expenses to the level of pre-tax income.

Date: May 2, 2011

*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 account:*

Tomasz Sułek



*Chief Accountant*



MANAGEMENT REPORT  
ON THE OPERATIONS OF  
ECHO INVESTMENT S.A.  
IN 2010

### III. ECHO INVESTMENT S.A. MANAGEMENT REPORT ON THE OPERATIONS OF ECHO INVESTMENT S.A. IN 2010

Echo Investment S.A. 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 STATEMENT OF ECHO INVESTMENT S.A. FOR 2010

##### BALANCE SHEET

Balance total as at the end of 2010 amounted to PLN 1,458.2, showing an increase in value by 11.8%, as compared to a similar period in 2009.

##### Assets

The structure of assets as at the end of 2010 was the following:

- fixed assets constitute 56.6% of all assets, with investment in fully- and partially-owned subsidiaries as the dominant item – constituting 93.2% of fixed assets and investment property constituting 1.4% of total fixed assets,
- current assets constitute 43.4% of all assets, including inventories constituting 51.7% of total current assets, loans granted constituting 22.9% of total current assets, trade and other receivables constituting 10.4% of total current assets, and cash and other assets constituting 15.0% of total current assets.

##### Liabilities

- share capital of Echo Investment S.A., the dominant company as at December 31, 2010 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 par value of PLN **0.05** per share,
- the value of equity as at December 31, 2010 was **PLN 571.6 million**, showing an increase by **7.3%** in comparison with the balance as at the end of December 2009.
- non-current and current liabilities constituted **59.5%** of balance total and amounted to **PLN 967.9 million**.

##### Income statement

- As at the end of December 2010, net sales incomes reached the value of PLN 371.6 million, showing an increase by **12.6%** in comparison with the balance as at the end of December 2009,
- earnings before tax and financial incomes/expenses as at the end of December 2010 amounted to PLN 55.2 million, showing an increase by 45.8% in comparison with the profit as at the end of December 2009,
- gross profit amounted to PLN 42.4 million, showing an increase by 27.1% in comparison with the profit as at the end of December 2009,
- net profit amounted to PLN 38.7 million, showing an increase by 39.9% in comparison with the profit as at the end of December 2009,
- net profit per share was PLN 0.09.

##### Cash flow statement

- the reporting period began with cash balance of PLN 53.9 million,
- on operating activities, the Company recorded in 2010 income of cash in the amount of PLN (+) 91.8 million, including the biggest in:
  - change in inventories PLN (+) 35,6 million,
  - change in receivables PLN (+) 32.2 million,
- on investment activities the Company recorded income of cash amounting to PLN (-) 164.2 million, with a greatest influence on:
  - income and expenditure associated with loans granted PLN (-) 89.9 million,
- on financial activities, as at the end of December 2010, the Company recorded income of cash in the amount of PLN **(+) 84,4 million**, which was associated mainly with:
  - issue of debt securities PLN (+) 150 million,



- interest repayment PLN (-) 40,8 million,
- during the period from January 01, 2010 to December 31, 2010, cash balance increased by PLN 11.9 million,
- cash as at the end of December 2009 amounted to PLN 65.8 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 Echo Investment S.A.:

- **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.
- **interest rate risk** – associated with variability of interest rates, which is related to the economic situation. The Company operations rely mainly on external financing. The risk associated with variability of interest rates is minimised 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, the Company 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 associated with the Capital Group's lessees' financial standing** – associated with the lessees' loss of liquidity. In the Capital Group's operations most income is earned from lease of commercial and office space. The key aspect is selection of lessees with a stable economic and financial condition. In shopping centres, lessees include chain operators (Tesco, Carrefour, NOMI, brand clothing shops, multi-screen cinemas, etc.). Cooperation with lessees enables to undertake such activities which would continuously improve the attractiveness of leased areas and enhance the prestige of a given building, this way attracting new clients. The following companies can be mentioned among clients in office buildings: Polkomtel S.A., Tieto Poland Sp. z o.o., Lux Med Sp. z o.o., Abbott Laboratories Poland Sp. z o.o., Pekao Financial Services Sp. z o.o., Roche Polska Sp. z o.o., IKEA Shared Services Sp. z o.o., 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. The Group has been trying to minimise the risk through participation in administrative procedures and employment of experts from this area.

- **liquidity risk** – associated with insolvency risk. The Group manages its liquidity risk constantly through maintaining a sufficient amount of available funds in cash on bank accounts and/or funds assigned through available lines of credit, as well as through continuous monitoring of both anticipated and actual cash flows. It is of highest importance for Echo Investment Group to maintain a stable portfolio of long-term projects for lease, which tend to generate higher profits from letting of space every year.
- **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 associated with the impact of macroeconomic factors, which affect the achievements of the Group's business activity. The factors mainly include: inflation, overall condition of the Polish economy, change in economic situation, GNP, variations of realistic incomes of the community and tax policy adopted in the countries where the Group conducts its business. Changes in macroeconomic factors may contribute to a decrease of envisaged incomes or to an increase of operating costs. This is particularly important when the GNP growth is slower and the State budget deficit and unemployment are growing, which in the end might lead to a decrease in the actual income of the population. Social and economic reality may have an impact on Echo Group's revenues and its bottom line because 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. On the other hand, government programmes, such as „Rodzina na swoim” [A family in its own place] may lead to an increase in demand. This risk is limited by the cooperation with the lessees whose clients belong to various target groups, including those whose consumption expenditure is not sensitive to changes in the macroeconomic situation. The apartments offered by the Group are also addressed to potential buyers who are less sensitive to the changes in the macroeconomic situation.

### 3. 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, 2010 before the authority having jurisdiction for arbitrary court proceedings or statutory authority 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.

### 4. INFORMATION ABOUT KEY PRODUCTS, SPECIFICATION OF THEIR VALUES, AND PERCENTAGES OF SPECIFIC PRODUCT GROUPS IN OVERALL SALES VOLUME OF ECHO INVESTMENT S.A., INCLUDING CHANGES IN THIS RESPECT DURING THE FINANCIAL YEAR

#### 4.1. Operating segments

In 2010 Echo Investment S.A. and Capital Group companies were developing projects initiated in the previous years, and became involved in new investments.

To minimise the risk of adverse changes on the real estate market, the Company may execute investment projects in stages and adapt the pace of investment realisation to expectations, trends, demand and prices on local markets. The Group is carefully monitoring the developments on 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 AND SHOPPING/ 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, C&A, Douglas, Empik, Helios, H&M, Multikino, Nomi, Real, Rossmann, RTV Euro AGD, Tesco, Saturn, ZARA, and other chain brands.

**In its property portfolio the Capital Group has 11 shopping and shopping and entertainment centres. The centres owned by the group as at December 31, 2010 are shown in the table below:**

Project Location and Name	Leasable space [square m GLA]
Bełchatów – Galeria Echo	9 300
Jelenia Góra – Galeria Echo	19 000
Pabianice – Galeria Echo	13 500
Piotrków – Galeria Echo	17 400
Przemyśl – Galeria Echo	4 900
Radom – Galeria Echo	19 500
Tarnów – Galeria Echo	20 200
Warsaw – Alma	1 500
<b>Total shopping centres</b>	<b>105 300</b>
Kielce – Galeria Echo*	26 000
Szczecin – Galaxy	41 700
Wrocław – Pasaż Grunwaldzki	48 700
<b>Total shopping and entertainment centres</b>	<b>116 400</b>

\* Project in extension

Moreover, the Capital Group also owns land for the development of future projects.

Projects in progress and under preparation, in alphabetical order:

#### **Bełchatów, Galeria Olimpia 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 modernised 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 31,000 square metres (leasable area). More than 1,150 parking places will be made available to customers. The anticipated date of delivery of this project is 2012.

#### **Kalisz, Galeria Amber 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 28,000 square metres. The development is scheduled for completion for the first half of 2013.

**Katowice, Project at Kościuszki Street**

The Company plans to develop a shopping centre with a leasable area of approximately 50,000 sq m on the property situated in Katowice at Kościuszki Street with an area of over 54 thousand sq m. At present the process is underway of adopting a study on conditions and directions of spatial development for the area where the property is situated.

**Kielce, Galeria Echo shopping-entertainment centre (extension)**

During the 1st half of 2010, extension works were carried out for the Galeria Echo shopping & entertainment centre in Kielce, including the construction of the centre with a leasable area in excess of 65,000 square meters. The general contractor is EIFFAGE BUDOWNICTWO MITEX S.A. The new shopping centre will be opened in the third quarter of 2011.

**Koszalin, shopping-entertainment centre**

It is planned to develop a modern shopping & entertainment centre in Koszalin, at Krakusa i Wandy Street. The project is at the stage of agreeing a new architectural concept of the design. Development is scheduled for completion in 2013.

**Lublin, shopping-entertainment centre**

The Company's investment plans include the development of the Górki Czechowskie, Lublin.

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 15,000 square metres of floor space. The parking lot will offer 600 parking spaces. 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 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 Poznań, at Hetmańska Street, offering about 50,000 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. The Capital Group has obtained a building permit for the erection of the aforementioned centre. Implementation works are going to start as soon as financing is obtained.

**Szczecin, Outlet Park**

The Outlet Park 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 23,000 square metres. Administrative procedures are currently advancing in regard of obtaining the required permits and design works. The anticipated start date of the development is early 2011.

**Wrocław, Pasaż Grunwaldzki shopping-entertainment centre (extension)**

The Outlet Park 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 23,000 square metres. Administrative procedures are currently advancing in regard of obtaining the required permits and design works. The anticipated start date of the development is early 2011.

**Other shopping centres and shopping-entertainment centres**

Echo Capital Group also intends to extend some of its existing shopping and shopping and 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. The Group is preparing new investments and its offering comprises office buildings of various standards, including high-profile facilities.

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 Abbott Laboratories, BNP Paribas, Główny Inspektorat Transportu Drogowego, Grand Thornton Frąckowiak, Lux Med, Medcover, Polkomtel, Mentor Graphics, Pekao Financial Services, Polsoft, Pramerica, Roche, Tebodin-SAP, Tieto Poland, and many others.

**In its property portfolio the Capital Group has 6 office projects. The office projects owned by the Group as at December 31, 2010 are shown in the table below:**

Project Location and Name	Leasable space [square m. GLA]
Warsaw – Babka Tower	6 200
Warsaw – Postępu 3*	10 200
Warsaw – Park Postępu	33 800
Poznań – Malta Office Park, stage I	6 800
Poznań – Malta Office Park, stage II	15 200
Szczecin – Oxygen	14 100
<b>Office projects total</b>	<b>86 300</b>

*\* The Capital Group holds 50% of the project's shares (the figure indicated in the above table includes the 50% share)*

Projects in progress and under preparation, in alphabetical order:

### Gdańsk, Tryton project

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 22,000 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 second half of 2011, and the date of delivery of the building to lessees is the second half of 2013.

### Katowice, project at Francuska Street

A business park with a leasable area of ca. 45,000 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 first half of 2013.

### Cracow, 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 50,000 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

The construction of two class A office buildings, with a total leasable area of ca. 19,000 square metres, is planned on the property in Łódź, at Piłsudskiego Street. The project will be carried out in two stages. According to the plans, the execution of the first stage will finish in 2013.

**Poznań, Malta Office Park project**

In 2010 the second stage of an office complex with a total leasable area of over 15,000 square metres was completed. The first part was let in December 2009. In October 2010 the implementation of the third stage of investment was commenced. The handover is expected until the end of 2011. The anticipated leasable area of the whole complex is ca. 29,000 square metres.

**Warsaw, project at Beethovena Street**

The construction of an office park, with a total leasable area of ca. 60,000 square metres, is planned on the property bought in October 2010, which is located in Warsaw at Beethovena Street. The project will be carried out in three stages, with commencement of the first stage expected in the first half of 2012.

**Warsaw, project at Konstruktorska Street**

The construction of office buildings, with a total leasable area of ca. 34,000 square metres, is planned on the property bought in August 2010, which is located in Warsaw at Konstruktorska Street. The commencement is expected in the first half of 2012.

**Wrocław, project at Swobodna Street**

The Company intends to build office buildings with a total leasable area of ca. 24,000 sq m on the property, purchased in the 1st quarter of 2010, situated in Wrocław, at Swobodna Street. The project will be carried out in stages; the execution is planned to commence in the 1<sup>st</sup> half of 2011.

**THE HOTEL SEGMENT**

The Group'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, Poznań, Częstochowa, Zabrze, Gliwice. In the future, the Company is going to build hotels in cooperation with international hotel operators.

**Łódź, Novotel Hotel**

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 completion of the development is scheduled for the 1st half of 2013.

**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.

Projects in progress and under preparation, in alphabetical order:

**Vicinity of Kielce, estate of detached houses in Bilcza**

In 2010 the sale of land plots 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 122 (ca. 130,000 square metres) land plots with utility connections and finished house designs. 92% of the project has been sold.

**Vicinity of Kielce, estate of detached houses in Dyminy**

In 2010 the development of another housing estate on the immovable property situated in Dyminy near Kielce was started. The housing estate designed by StoMM Architektura Maciej Stoczkiewicz design office of Kielce will comprise about 180 land plots (ca. 160,000 square metres). The Company intends to sell these land plots with house designs. The company is selling the houses with house designs.

**Krakow, Dom Pod Słowikiem, project at Krasickiego Street**

In the 2nd half of 2010, the Company started the development of a housing and commercial facility to be erected in Krakow, at Krasickiego Street (area for sale around 5,200 square metres). The building, designed by Studio S - Biuro Architektoniczne Szymanowski design office of Krakow, will contain ca. 85 apartments. The investment is planned to commence at the beginning of the second half of 2010. Its completion is scheduled for mid 2012.

#### **Krakow, project at Korzeniowskiego Street**

The Company is going to commence the development of a housing project in Krakow, 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 launch of the project is expected in the 1<sup>st</sup> half of 2011 and its completion is planned for the end of 2012.

#### **Krakow, project at Tyniecka Street and Czarodziejska Street**

The Company intends to develop residential buildings on its land situated in Krakow, at Tyniecka Street. Area for sale will be about 4,600 square metres (ca. 50 apartments). The Company intends to obtain administrative decisions and start the investment in the 1<sup>st</sup> half of 2012.

#### **Krakow, project at Bronowicka Street**

The Company intends to develop a residential building on its land situated in Krakow, Bronowicka Street, for an approximate sale area of 3,000 square metres. The investment is scheduled to start at the beginning of 2012 and will be completed in 2013.

#### **Krakow, project at Kilińskiego Street**

The Company owns a plot of land (1,100 square metres) in Krakow, at Kilinskiego Street. The development concept assumes the construction of a small 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.

#### **Łódź, project at Okopowa Street**

Preparatory work continued in relation to the construction of residential buildings in Łódź, at Okopowa and Gornicza Streets. According to the current development concept the estimated area for sale will be about 45,000 square metres (ca. 700 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 first half of 2011.

#### **Łódź, project at 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 200 apartments, with a total area for sale exceeding 13,000 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 of 2011. The project will be executed in stages. It is scheduled to commence in the 2<sup>nd</sup> half of 2011 and to finish in 2014.

#### **Poznań, Osiedle Naramowice, Pod Klonami**

The Naramowice Housing Estate development (area to sell amounts to ca. 15,000 sq m), designed by Archikwadrat Sp. z o.o. of Poznan, continued in 2010. Preparation to commence an estate of detached houses under the same name was also finalized. The anticipated completion of the project is the second half of 2012. The work connected with the detached houses will take about two years, starting from the end of 2011. Echo Investment Capital Group's reserve of land in Poznan enables the Company to carry on with subsequent stages of the Naramowice Housing Estate project.

#### **Poznań, Kasztanowa Aleja (Chestnut Alley), Project at Wojskowa Street**

The decision was made to re-commence the Kasztanowa Aleja (Chestnut Alley) in Poznan, at Wojskowa Street (over 17,000 square metres, two stages). The project development started in early 2010. The completion of the first stage is planned for the second half of 2011. The second stage of the project will be probably completed by mid 2013.

#### **Poznań, Project at 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 ca. 14,000 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 2012 and will last for 16 months.

#### **Warsaw, Klimt House, project at Kazimierzowska Street**



In 2010 the work connected with the Klimt House project, situated in Warsaw at Kazimierzowska Street, re-commenced (area for sale 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 project will be completed by mid 2011.

#### **Warsaw, Rezydencje Leśne (estate of detached houses), Młociński Forest**

A development project of a housing estate in Warsaw, Bielany district (Młociński Forest) started at the end of 2010. 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 development will be completed in 2011.

#### **Warsaw, project at Konstruktorska Street**

In the 2nd half of 2010 a plot of land of square area of ca. 74,000 square metres was bought. The property is located in Warsaw, at Konstruktorska Street. The Company intends to develop office and residential buildings in the area. The anticipated area of apartments is ca. 44,000 square metres (over 700 apartments). The project will be carried out in three stages, with commencement of the first stage expected in the first half of 2011. The completion is planned in 2017.

#### **Warsaw, project at Puławska Street**

In 2010 design work continued in relation to the construction of the project located in Mokotów, in the vicinity of Puławska and Boryszewska Street. The anticipated area of this multi-storey, residential and commercial cascade building will be ca. 5,300 square metres. The commencement of the project is planned for the 1<sup>st</sup> half of 2012.

#### **Wrocław, Przy Słowiańskim Wzgórzu, Project at Jedności Narodowej Street**

In 2010 the Company commenced the development of a residential project comprising ca. 200 apartments with a total area of ca. 14,000 sq m. on the property situated in Wrocław, at Jedności Narodowej Street, of 7.4 thousand sq m. The completion of the project is planned for mid 2012.

#### **Wrocław, project at Grota – Roweckiego Street**

The Company plans to develop a residential project comprising almost 300 apartments with a living area of ca. 19,000 sq m. on the property situated in Wrocław, 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 second half of 2011 and the completion of the project is planned for 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 Zugló, 14th District of Budapest. The process of obtaining administrative permits and the commercialisation of the project are currently in progress. The project with a leasable area of ca. 40,000 sq m. will be handed over in the second half of 2013.

#### **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. 33,000 sq. m., in Brasov, at Stadionului Street. A building permit has already been obtained. The commercialisation process of the project is in progress. 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**



The Company plans to develop an office park, with a leasable area of about 100,000 sq. M., on the property in Kiev, at Dehtiarivska Street. The design works connected with the office park are carried out by Atelier design office in Kiev. The project will be executed in stages. Obtaining work permits is planned for mid 2012.

#### 4.2. Structure of net sales revenues

*Structure of net sales revenues (in millions PLN) earned by the Company during the years 2010-2009:*

Specification	01.01.2010 - 31.12.2010	percentage	01.01.2009 - 31.12.2009	percentage
Sale of residential and commercial areas	63.3	17.0%	62.5	18.9%
Development of investment	199.1	53.6%	210.6	63.8%
Property trade	47.2	12.7%	7.7	2.3%
Lease services	7.9	2.1%	7.3	2.4%
Legal, accounting and consulting services	31.0	8.3%	30.6	9.3%
Other Incomes	23.1	6.3%	11.2	3.4%
<b>Net income from sales of products total</b>	<b>371.6</b>	<b>100%</b>	<b>329.9</b>	<b>100%</b>

#### 5. INFORMATION ON THE SALES MARKETS, DIVIDED INTO DOMESTIC AND FOREIGN, AND CHANGES IN SOURCES 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 THE ISSUER.

##### Sales markets

All projects executed by the Company in 2010 were located on the Polish market only (Warsaw, Krakow, Poznan, Szczecin, Wroclaw and Kielce market).

##### Changes in sources of supply

With regard to purchase of services provided by Echo Investment S.A. companies, the dominant share measured as the proportion between purchases and income from sales total is held by companies partnering the Company in the range of execution of specific developer projects. In 2010, the value of trade with three parties exceeded the 10% threshold of the value of the Company's income. These parties are not related to Echo Investment Capital Group.

*Largest vendors of the Company in 2010:*

Contract party	Value of turnover [in millions PLN]	% in net sales income
Eiffage Budownictwo MITEX S.A.	103.4	27.8%
PBU Warszawa - Północ	63.2	17.0%

##### Changes among buyers

The clients of Echo Investment S.A. and of the subsidiaries include lessees of commercial space and buyers of investment development services. As far as sale of the whole projects is concerned, the clients of the Group include property investment companies.

In 2010 trade with three contract parties (related to the Capital Group) exceeded 10% of consolidated net income from sales. The transactions are presented in Chapter 7.1 of this report.

*The largest buyers of the Company in 2010:*

Buyer	Value of turnover [in millions PLN]	% in net sales income
„Echo – Galeria Kielce” Sp. z o.o.	107.2	28.8%
„Echo – Oxygen” Sp. z o.o.	53.1	14.3%
„Echo – Klimt House Sp. z o.o.” S. k.	41.8	11.2%

## 6. SIGNIFICANT CONTRACTS FOR THE ISSUER’S BUSINESS OPERATIONS, INCLUDING CONTRACTS KNOWN TO THE ISSUER MADE BETWEEN SHAREHOLDERS, AND INSURANCE CONTRACTS, PARTNERING AGREEMENTS OR COOPERATION AGREEMENTS MADE DURING THE YEAR 2010

### 6.1. Contracts significant for the economic activity of the Issuer

The Management Board of Echo Investment S.A. (the Issuer) hereby communicates that on March 18, 2010 Echo Investment S.A. and BRE Bank S.A. with its registered seat in Warsaw, Poland, signed new annexes (the Annexes) to contracts concerning a Bonds Issue Programme (the Bonds) of April 15, 2004 (the Contracts), which were communicated by the Issuer in current report no. 19/2004 on April 16, 2004.

The Annexes to the aforementioned Contracts 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 PLN 700 million, and duration of the Contracts was changed into unlimited term.

Under the aforementioned Annexes to the Contracts, BRE Bank S.A. shall organise and handle the issue of the Company’s bonds on unregistered market. The bonds will be straight debt, issued as bearer securities. Interest rates on the bonds can be fixed or variable. The bonds shall not yield any non-financial performances. The conditions of issue shall be set out prior to issue, during the term of the Bonds Issue Programme Contract.

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The Management Board of Echo Investment S.A. (the Issuer, the Company) hereby informs that, under the Bonds Issuance Programme signed with BRE Bank S.A., with its registered seat in Warsaw (Current Report no. 19/2004 of April 16, 2004, and Current Report no. 4/2010 of March 19, 2010), on May 19, 2010 the Company issued discount bonds for a total value of PLN 115 million.

Nominal value and issue price of one bond is PLN 100 thousand. The bonds were issued for a term of 2 years, i.e. the bonds redemption date shall be May 18, 2012. Interest rate has been determined on the basis of variable WIBOR 6M rate plus investors’ profit margin. Interest earnings will be disbursed in 6-month intervals. On the redemption date, the bonds shall be redeemed for the nominal value of the bonds. The issued bonds are not secured.

According to the Management Board of Echo Investment S.A., during the validity period of the issued bonds, Echo Investment S.A.’s general obligations will be maintained on a safe level. Funds from the issuance of bonds shall provide grounds for continued implementation of the Issuer’s and Echo Investment Capital Group’s development strategy.

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On June 30, 2010 Echo Investment S.A. (the Borrower) and Bank PeKaO S.A., with its registered seat in Warsaw, (the Lender, the Bank) signed the annexes to credit agreements.

In accordance with the aforementioned annex to the credit agreement in current account as at March 25, 2003, including later amendments, signed by Echo Investment S.A. (the Borrower) and Bank BPH PBK S.A. (the Lender, at present its legal successor is Bank PeKaO S.A.), operating credit in the current bank account amounting to PLN 30 million was granted until June 30, 2011.

Interest rate will be determined on the basis of variable WIBOR 1M rate plus the Bank's profit margin. The Issuer published information about the current account in Current Report number 7/2003 of March 26, 2003.

Under the annex of June 30, 2010 to the operating credit contract of March 07, 2002, later amendments included, signed by Echo Investment S.A. (the Borrower) and Bank Pekao S.A. (the Lender), the credit amounting to PLN 100 million was granted until June 30, 2011. Cash was granted to finance the purchase of real property and land plots related to new investment projects and finance the expenditure related to design, preparation, development and execution of investment projects developed by the Borrower. Interest rate will be determined on the basis of variable WIBOR 1M rate, plus the Bank's profit margin. The Issuer published information about the aforementioned contract in Current Report number 11/2002 of March 8, 2002.

The Issuer's Management Board informs that the total value of contracts and annexes signed in the last 12 months by the Issuer and the Issuer's subsidiary and the Bank and the Bank subsidiary amounted to PLN 131,170,691.75. The aforementioned contracts are the contracts of the highest value.

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The management board of Echo Investment S.A. (the Issuer, the Company) hereby informs that on August 3, 2010 the company AVATAR – Projekt Echo – 93 Limited Liability Company Joint-Stock Limited Partnership (the Vendor) and Kasteli Ltd with its registered seat in Warsaw (the Buyer) concluded a preliminary sales agreement (the Preliminary Agreement).

In accordance with the provisions of the Preliminary Agreement the parties undertake to conclude the sales agreement (the Final Agreement) on the basis of which the Vendor sells to the Buyer:

- ownership of the plot of land with an area of 248 sq m and the perpetual usufruct of the land with an area of 5,017 sq m located in Cracow on Armii Krajowej street, together with sole proprietorship of the AVATAR building located on it, including an underground garage (the Office Building) (hereinafter referred to as the Property),
- proprietary rights,
- building guarantees,
- rights and obligations resulting from lease agreement and service agreements.

The gross area of the Office Building amounts to approx. 21,000 sq m. The Office Building has been 100% leased by Fortis Bank Polska S.A. with its registered seat in Warsaw (the Tenant).

The value of the Final Agreement shall amount to approx. EUR 30.51 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 approx. PLN 121.66 million).

The Final Agreement will be concluded on December 22, 2010 at the latest after the following conditions have been fulfilled:

- entry of the Office Building in the Land and Mortgage Register,
- entry of the change of the Vendor's status of business in the Land and Mortgage Register with regard to the Property (before: Projekt Echo – 63 Sp. z o.o. with its registered seat in Kielce),
- settlement of the shared charges of the Seller and the Tenant for the period ending on June 30, 2010,
- carrying out the final measurement of the area for lease in the Office Building and presenting its results to the Tenant, in accordance with the lease agreement in force.

The aforementioned conditions are reserved for the Buyer, which means that the Buyer can demand conclusion of the Final Agreement in the event one or more of the conditions are not fulfilled.

In the event of failure to fulfil the aforementioned conditions and to conclude the Final Agreement, the Preliminary Agreement will be suspended.

The concluded Preliminary Agreement assumes contractual penalties on account of withdrawal from the Preliminary Contract by fault of any of the parties. The amount of the contractual penalty amounts to EUR 400,000 (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 approx. PLN 1.595 million). Payment of contractual penalties is without prejudice to claims for indemnity.

The concluded Preliminary Property Sales Agreement will allow acquiring funds that will be allocated to funding of projects planned on the property market in Poland.

The management board of Echo Investment S.A. (the Issuer) hereby reports that in connection with the current report no. 37/2010, on August 19, 2009 annex 2 (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 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.

In accordance with the provisions of the concluded Annex the completion of the Investment is to take place no later than June 8, 2012. The net price of completion of the Investment has been established at the level of PLN 40,583,760.00.

The management board of the Issuer reports at the same time that on August 19, 2010 the subsidiary of the Issuer, 'Echo – Kielce 1' Sp. z o.o. with its registered seat in Kielce (the Seller), handed over the offer (the Offer) concerning an amendment to the preliminary conditional contract of sale (the Contract) to Orbis S.A. with its registered seat in Warsaw (the Buyer) and the Buyer has accepted the Offer.

Pursuant to their respective statements made to that effect, the Parties established, among other things, that in the event the Seller fails to fulfil one of the conditions of concluding the Promised Contract until December 15, 2010 i.e. does not conclude respective contracts with owners of the neighbouring properties, which are necessary to complete the project, the Seller and the Buyer shall conclude the Promised Contract until January 15, 2011. The conditions of concluding the Promised Contract have been enumerated in the current report no. 44/2008 of September 5, 2008 and in the current report no. 37/2009 of October 16, 2009.

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The management board of Echo Investment S.A. (the Issuer, the Company) hereby announces that on September 10, 2010 there was a property sales agreement (the Agreement) signed between Athina Park – Projekt Echo – 93 Limited Liability Company Limited Joint-Stock Partnership with its registered seat in Kielce (the Vendor) and Pridehold Limited Liability Company Limited Joint-Stock Partnership with its registered seat in Warsaw (the Buyer).

The subject matter of the Agreement is sale of the perpetual usufruct right to the land located at Wybrzeże Gdynskie street (in Żoliborz district) in Warsaw with an area of 11,870 sq m including ownership of office buildings located on the land with a total net area of approx. 22,170 sq m. As a result of entering into the Agreement also all and any interest and obligations connected with them are transferred, including interest and obligations resulting from lease agreements of office buildings, rights and receivables from bank guarantees of tenants and rights from insurance policies.

The net sales price amounted to EUR 32,129,483.67 (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 126,320,278.00).

The bookkeeping value of the aforementioned assets in the account books of the Issuer's subsidiary amounts to PLN 60,141,593.20.

There are no ties present between the Issuer or persons managing or supervising the Issuer and the Buyer or persons managing it.

The funds acquired as a result of sales of the Athina Park office complex will be allocated to funding of purchase and construction of planned projects on the real estate market in Poland.

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On September 29, 2010 the Issuer received a credit facility agreement (the Agreement) signed by correspondence by the Issuer's subsidiary „Echo – Oxygen” Sp. z o.o., with its registered seat in Kielce (the Subsidiary, the Borrower) and Nordea Bank Polska S.A., with its registered seat in Gdynia (the Bank, the Lender) on September 27, 2010.

Under the provisions of the Agreement, the Lender grants the Borrower with a credit amounting to EUR 17 million (as at a day of signing of the Agreement, the corresponding amount in PLN was PLN 67,289,400, as at average NBP rate). The credit facility shall be in two instalments:

- building instalment to the maximum amount of EUR 14,6 million (as at a day of signing of the Agreement, the corresponding amount in PLN was PLN 57,789,720, as at average NBP rate),
- investment instalment to the maximum amount of EUR 17 million (as at a day of signing of the Agreement, the corresponding amount in PLN was PLN 67,289,400, as at average NBP rate).

The interest rate of the credit has been determined on the basis of annual EURIBOR rate plus the Bank's profit margin. The final repayment day of the credit is March 27, 2017.

Cash granted under the Agreement shall finance and refinance the development of office and residential complex Oxygen in Szczecin (the Investment), with a letting space of ca. 14,119 square metres, including 181 parking lots (Office building), located on land at Malczewskiego Street in Szczecin (the Property). The subsidiary company owns the aforementioned building and has the right of perpetual usufruct of the aforementioned land.

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.;
- a guarantee issued by Echo Investment (the Guarantor) for the Bank, amounting up to EUR 14, 6 million (as at a day of signing of the Agreement, the corresponding amount in PLN was PLN 57,789,720, as at average NBP rate), which shall be in force until the completion day of the Investment and the issue of the certificate of occupancy of the Office building, however, no later than on December 31, 2013. Under the issued guarantee, the Company shall receive from the Borrower (a direct subsidiary) a remuneration, which shall be based on the percentage rate charged on the issued guarantee;
- an assignment of receivables under the Borrower's lease contracts and insurance policies;
- a registered pledge on the Borrower's bank accounts;
- a registered pledge on the collection of the Borrower's items and rights;
- 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, which will serve as a basis for swap and cap transactions and other similar financial instruments. This will serve as a security against the risk of changes in interest rates for the whole credit or for the part of the remaining instalments.

The management board of Echo Investment S.A. (Public Limited Company) (the Issuer, the Company) hereby announces that due to the conclusion of the agreement for general contractorship of the facility – Residential Complex – Cracow, Krasickiego street between the Issuer and Eiffage Budownictwo Mitex S.A. with its registered seat in Warsaw (the Contractor) on October 22nd, 2010, the total value of agreements concluded by the Issuer and its subsidiaries with the Contractor within the last 12 months exceeded the value of 10% of the Issuer's equity and amounted to PLN 64,570,991.44 million net. The agreement with the highest value is the agreement dated on July 2, 2010 concluded between the Company and the Contractor for the general contractorship of the facility – Residential Complex – Wrocław, Jedności Narodowej Street (the Agreement).

On the basis of the concluded Agreement the Contractor undertook to carry out construction work consisting of general construction of the residential complex including external infrastructure, underground utilities, car parks and land development on the property located in Wrocław at Jedności Narodowej Street (the Facility), including among others:

- general construction of the Facility,
- acquiring all necessary technical acceptance from relevant services,
- acquiring a legally binding certificate of occupancy of the Facility.

The area of the Facility that is to be for sale will amount to approx. 14,200 sq m. Construction of the Facility is to finish by April 9th, 2012. The Contractor's remuneration for construction of the Facility is a lump sum amounting to PLN 43, 19 million net. The agreement includes provisions that permit to calculate contractual penalties of the value no higher than the amount expressed in PLN which is an equivalent of 200,000 EUR which, however, cannot exceed 10% of the net remuneration value for construction of the Facility. The grounds for calculation of contractual penalties will be failure to carry out or inadequate execution of work connected with construction of the Facility. Payment of contractual penalties is without prejudice to claims for indemnity.

Due to the conclusion of lease agreement (the Agreement) between the subsidiary company Echo-Veneda Sp. z o.o., with its registered seat in Kielce (the Landlord) and Tesco (Polska) Sp. z o.o., with its registered seat in Krakow (the Tenant) on October 28, 2010, the total value of agreements concluded and annexed between the Issuer's subsidiaries and the Tenant within the last 12 months exceeded the total value of 10% of the Issuer's entity and amounted to PLN 121,740,285 net (including EUR 17,69 million, which at a day of conclusion of the Agreement, at average NBP rate equals to PLN 70,273,525). The agreement with the highest value is the aforementioned Agreement signed on October 28, 2010 between the Landlord and the Tenant.

On the basis of the concluded Agreement the Landlord shall let the area of ca. 7,591 square metres of commercial space in Galeria Veneda shopping centre, located in Lomża at Zawadzka Street and at Gen. W. Sikorskiego Street (the Centre), which is under the preparation to be developed. The Tenant shall conduct in the Centre its trade and/or services business as a grocery and general merchandise hypermarket with an unlimited range of products, as in other Tesco chain shops in Poland.

The Tenant leases the Centre from the Landlord for a term of 10 years, beginning on the day of the Centre opening. An estimated value of the Agreement amounts to PLN 26, 03 million. The Centre shall be opened no later than 22 months from the day of receiving by the Landlord the construction permit and obtaining funds for the development of the project.

In the event of the Landlord not obtaining funds necessary to finance the Centre development or not receiving the construction permit until June 30, 2012, the Tenant has the right to withdraw from the Agreement until July 30, 2012. The Tenant may terminate the Agreement if the Landlord does not obtain the final construction permit until November 30, 2012. The Agreement shall be terminated if the Landlord does not obtain the building permission until June 30, 2013.

The Agreement includes the provision on contractual penalties, which may amount up to PLN 1, 5 million. Contractual penalties are calculated by the Tenant if the Tenant has to withdraw from the Agreement due to the Landlord's fault, and vice versa. Payment of contractual penalties does not exclude the right to indemnity claims, which may exceed the value of the aforementioned penalties.

The aforementioned Agreement has been considered significant on the basis of Issuer's equity criteria.

The development of Galeria Veneda shopping Centre in Lomża results from the strategy adopted by the Group, according to which Echo Investment Capital Group develops projects in the shopping and entertainment sector. The Project will have ca. 15,400 square metres of space to let.

The management board of Echo Investment S.A. (the Issuer) hereby reports with reference to the current report no. 23/2010 of August 20, 2010 that on December 10, 2010 a subsidiary of the Issuer, Echo – Kielce 1 Sp. z o.o. with its registered seat in Kielce (the Seller), handed over the offer (the Offer) concerning an amendment to the preliminary conditional agreement on sale of property (the Agreement) to Orbis S.A. with its registered seat in Warsaw (the Buyer) and the Buyer accepted it on December 13, 2010.

Pursuant to the respective statements made to that effect, the contracting parties have agreed, inter alia, that the Final Contract will be concluded on January 15, 2011 and in the event the Seller fails to fulfil one of the conditions for concluding the Final Contract by January 15, 2011 i.e. fails to conclude required agreements with the owners of the neighbouring properties, which are necessary for execution of the project, the Seller and the Buyer will conclude the Final Contract by January 31, 2011. Moreover, in the event the Seller fails to conclude the aforementioned property purchase agreements by January 31, 2011, the Contract will expire without any consequences for any of the parties, subject to decisions concerning contractual indemnities.

The management board of Echo Investment S.A. [Public Limited Company] (the Issuer, the Company) hereby reports with reference to the current report no. 21/2010 of August 4, 2010 that the conditions stipulated in the conditional preliminary sales agreement (the Preliminary Agreement) concluded on August 3, 2010 by Avatar – Projekt Echo – 93 Limited Liability Company Limited Joint-Stock Partnership with its registered seat in Kielce (the Vendor) and Kasteli Limited Liability Company with its registered seat in Warsaw (the Buyer) have been fulfilled.

In accordance with the provisions of the Preliminary Agreement the parties undertake to conclude the sales agreement (the Final Agreement) including:

- the perpetual usufruct of the land with an area of 5,017 sq m located in Cracow on Armii Krajowej street, together with sole proprietorship of the seven-storey office building located on it, including an underground garage (the Office Building),
- ownership of a plot of land with an area of 248 sq m located at Armii Krajowej Street in Cracow,
- proprietary copyrights to the documentation and Office Building designs.

With reference to the fulfilment of the conditions stipulated in the Preliminary Agreement i.e.:

- entry of the Office Building in the Land and Mortgage Register,
- entry of the change of the Vendor's status of business in the Land and Mortgage Register with regard to the Property (before: Projekt Echo – 63 Limited Liability Company with its registered seat in Kielce),
- settlement of the shared charges between the Vendor and the tenant for the period ending on June 30, 2010,
- carrying out the final measurement of the area for lease in the Office Building and presenting its results to the tenant, in accordance with the lease agreement in force,
- completion of the finishing work in the Office Building and filing a notice with a relevant administrative authority,

On December 21, 2010 there was the Final Agreement concluded between Avatar – Projekt Echo – 93 Limited Liability Company Limited Joint-Stock Partnership with its registered seat in Kielce (the Subsidiary) and Kasteli Limited Liability Company.

On the basis of the Final Agreement the Vendor sold to the Buyer:

- the perpetual usufruct of the land with an area of 5,017 sq m located in Cracow at Armii Krajowej Street, together with sole proprietorship of the seven-storey office building located on it, including an underground garage,
- ownership of a plot of land with an area of 248 sq m located at Armii Krajowej Street in Cracow,
- proprietary copyrights to the documentation and Office Building designs.

The gross area of the Office Building amounts to 20,984.31 sq m; the office area has 11,239.83 sq m and has been 100% leased by Fortis Bank Polska S.A. [Public Limited Company] with its registered seat in Warsaw.

The value price of the aforementioned assets amounts to EUR 30,410,362.88 net, which according to the average exchange rate of the National Bank of Poland as at the date of conclusion of the Final Agreement is an equivalent of approx. PLN 121,471,153.48). The book value of the assets sold in the books of the Subsidiary, kept in accordance with the Polish Accounting Standards, amounts to PLN 77,634,950.06 while the value of the assets in the consolidated financial report of Echo Investment Capital Group amounts to PLN 110,411,070, as valued in accordance with the International Accounting Standards.

There are no ties present between the Issuer or persons managing or supervising the Issuer and the Buyer or persons managing it. The Final Agreement has been considered significant on the basis of Issuer's equity criteria. The concluded Final Agreement will allow acquiring funds that will be allocated to funding of projects planned on the property market in Poland.

## 6.2. Contracts made between shareholders

The Company does not know about any significant for its business contracts made between shareholders during the year 2010.

## 6.3. Insurance contracts

Range of coverage	Underwriter	Insurance amount [in thousands PLN]
property insurance - buildings	TU Compensa S.A., Allianz	31 802
property insurance - equipment	TU Compensa S.A., Generali TU S.A.	8 000
third-party liability insurance	STU Ergo Hestia S.A., PZU S.A., WARTA TUiR, Compensa	11 303
construction and assembly risk insurance policies	TU Compensa S.A., Generali S.A.	103 047
<b>Insurance TOTAL:</b>		<b>154 152</b>

## 6.4. Partnering or cooperation agreements

The Company did not conclude any significant partnering or cooperation agreements during 2010.

## 7. INFORMATION ABOUT CHANGES IN ORGANISATIONAL 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

### 7.1. Information on organisational and capital relationships of Echo Investment S.A.

Echo Investment S.A., which is the owner of the Capital Group companies, plays the major part in the structure of the Capital Group through supervising, partnering in execution and providing funds for execution of current developer projects. The Group companies have been established or acquired for the purpose of performing certain investment tasks. They do not engage in any



type of business activity other than that involved with the development of a specific project, followed by the provision of lease services of already completed property components or other services.

Echo Investment Capital Group, as at December 31, 2010, consists of 71 fully consolidated subsidiaries and one proportionately consolidated subsidiary.

#### Subsidiaries:

Company name	Registered seat	% of owned capital	Dominant company
„ACC - Grupa Echo Sp. z o.o.” Sp. kom. [‘ACC - Grupa Echo Ltd’ Limited Partnership] (previously ‘ACC - Projekt Echo – 17 Ltd’ Limited Partnership)	Kielce	100%	Echo Investment S.A.
„Athina Park - Projekt Echo – 93 Sp. z o.o.” S.k.a. [‘Athina Park - Projekt Echo – 93 Ltd’ Joint-stock Limited partnership]	Kielce	100%	XXIX FIZ Forum
„Avatar - Projekt Echo – 93 Sp. z o.o.” S.k.a. [‘Avatar - Projekt Echo – 93 Ltd’ Joint-stock limited partnership]	Kielce	100%	XXIX FIZ Forum
„Barconsel Holdings” Ltd	Nicosia	100%	Echo Investment S.A.
„Budivelnuy Soyuz Monolit” LLC	Kiev	100%	Yevrobudgarant LLC
„Centrum Handlowe PHS” S.A. [PHS Shopping Centre]	Szczecin	100%	XXIX FIZ Forum
„Echo – Arena” Sp. z o.o. [‘Echo – Arena Limited Liability Company’]	Kielce	100%	Echo Investment S.A.
„Echo – Arena Sp. z o.o.” Sp. kom. [‘Echo – Arena Ltd’ Limited partnership]	Kielce	100%	Echo Investment S.A.
„Echo – Aurus” Sp. z o.o. [‘Echo – Aurus’ Limited Liability Company]	Kielce	100%	Echo Investment S.A.
„Echo – Bełchatów” Sp. z o.o. [‘Echo – Bełchatów’ Limited Liability Company] (previously „Echo – Galeria Olimpia” Sp. z o.o. [‘Echo – Galeria Olimpia’ Limited Liability Company])	Kielce	100%	XXIX FIZ Forum
„Echo – Centrum Przemysł - Projekt Echo – 93 Sp. z o.o.” S.k.a. [‘Echo – Centrum Przemysł - Projekt Echo – 93 Ltd’ Joint-Stock Limited Partnership]	Kielce	100%	XXIX FIZ Forum
„Echo – Galaxy” Sp. z o.o. [‘Echo – Galaxy’ Limited Liability Company]	Kielce	100%	Echo Investment S.A.
„Echo – Galaxy Szczecin” Sp. z o.o. [‘Echo – Galaxy Szczecin’ Limited Liability Company]	Szczecin	100%	Echo – SPV 7 Sp. z o.o.
„Echo – Galeria Kielce” Sp. z o.o. [‘Echo – Galeria Kielce’ Limited Liability Company]	Kielce	100%	Barconsel Holdings Ltd
„Echo – Galeria Sudecka” Sp. z o.o. [‘Echo – Galeria Kielce’ Limited Liability Company]	Jelenia Góra	100%	XXIX FIZ Forum
„Echo – Galeria Tarnów” Sp. z o.o. [‘Echo – Galeria Tarnów’ Limited Liability Company]	Kielce	100%	XXIX FIZ Forum
„Echo – Kasztanowa Aleja” Sp. z o.o. [‘Echo – Kasztanowa Aleja’ Limited Liability Company]	Kielce	100%	Echo Investment S.A.
„Echo – Kasztanowa Aleja” Sp. kom. [‘Echo – Kasztanowa Aleja’ Limited Partnership]	Kielce	100%	Echo Investment S.A.
„Echo – Kielce 1” Sp. z o.o. [‘Echo – Kielce 1’ Limited Liability Company]	Kielce	100%	Echo Investment S.A.
„Echo – Klimt House” Sp. z o.o. [‘Echo – Klimt House’ Limited Liability Company]	Kielce	100%	Echo Investment S.A.
„Echo – Klimt House” Sp. z o.o.” Sp. z kom. [‘Echo – Klimt House Ltd’ Limited Partnership]	Kielce	100%	Echo Investment S.A.
„Echo – Metropolis” Sp. z o.o. [‘Echo – Metropolis’ Limited Liability Company]	Kielce	100%	Barconsel Holdings Ltd
„Echo – Oxygen” Sp. z o.o. [‘Echo – Oxygen’ Limited Liability Company]	Kielce	100%	XXIX FIZ Forum
„Echo – Park Postępu” Sp. z o.o. [‘Echo – Park Postępu’ Limited Liability Company]	Kielce	100%	XXIX FIZ Forum
„Echo – Pasaż Grunwaldzki” Sp. z o.o. [‘Echo – Pasaż Grunwaldzki’ Limited Liability Company]	Kielce	100%	Echo Investment S.A.
„Echo – Project Management Ingatlanhasznosító” Kft.	Budapest	100%	Echo Investment S.A.



Company name	Registered seat	% of owned capital	Dominant company
"Echo - Property Poznań 1" Sp. z o.o. ['Echo - Property Poznań 1' Limited Liability Company]	Kielce	100%	Echo Investment S.A.
„Echo – Przy Słowiańskim Wzgórzu” Sp. z o.o. ['Echo – Przy Słowiańskim Wzgórzu' Limited Liability Company] (previously "Projekt Echo - 45" Sp. z o.o. ['Projekt Echo – 45' Limited Liability Company])	Kielce	100%	Echo Investment S.A.
„Echo – Przy Słowiańskim Wzgórzu Sp. z o.o.” Sp. kom. ['Echo – Przy Słowiańskim Wzgórzu Ltd' Limited Liability Company] (previously "Projekt Echo - 45 Sp. z o.o." Sp. kom. ['Projekt Echo – 45 Ltd' Limited partnership])	Kielce	100%	Echo Investment S.A.
"Echo – SPV 7" Sp. z o.o. ['Echo – SPV 7' Limited Liability Company] (previously „Echo – Centrum Biznesu Łódź” Sp. z o.o.[ Echo – Business Centre Lodz Limited Liability Company])	Kielce	100%	Echo Investment S.A.
"Echo – SPV 12" Sp. z o.o. ['Echo – SPV 12' Limited Liability Company]	Kielce	100%	Echo Investment S.A.
"Echo – Veneda" Sp. z o.o. ['Echo – Veneda' Limited Liability Company]	Kielce	100%	Barconsel Holdings Ltd
"Echo Investment Hungary Ingatlanhasznosító" Kft.	Budapest	100%	Echo Investment S.A.
"Echo Investment Project 1" S.R.L.	Bucharest	100%	Echo Investment S.A.
"Echo Investment Project Management" S.R.L.	Bucharest	100%	Echo Investment S.A.
"Echo Investment Ukraine" LLC	Kiev	100%	Echo Investment S.A.
"EI – Project Cypr - 1" Ltd	Nicosia	100%	Echo Investment S.A.
"Est-On – Grupa Echo Sp. z o.o.” Sp. kom. ['Est-On – Echo Group – 17 Ltd' Limited Partnership] (previously " Est-On - Projekt Echo – 17 Sp. z o.o.” Sp. kom.[' Est-On - Projekt Echo – 17 Ltd' Limited Partnership])	Kielce	100%	Echo Investment S.A.
"Grupa Echo" Sp. z o.o. ['Grupa Echo' Limited Liability Company] (previously "Projekt Echo - 17" Sp. z o.o.[' Projekt Echo – 17' Limited Liability Company])	Kielce	100%	Echo Investment S.A.
"Malta Office Park" Sp. z o.o. ['Malta Office Park' Limited Liability Company]	Kielce	100%	Echo Investment S.A.
"MDP" Sp. z o.o. ['MDP' Limited Liability Company]	Kielce	100%	Echo Investment S.A.
„PPR - Projekt Echo – 77 Sp. z o.o. „ S.k.a. ['PPR - Projekt Echo – 77 Ltd' Joint Stock Limited Partnership]	Kielce	100%	XXIX FIZ Forum
"Princess Boryszewska" Sp. z o.o. ['Princess Boryszewska' Limited Liability Company]	Kielce	100%	Echo Investment S.A.
"Princess Investment" Sp. z o.o. ['Princess Investment' Limited Liability Company]	Kielce	100%	Echo Investment S.A.
"Projekt Echo - 30" Sp. z o.o. ['Projekt Echo – 30' Limited Liability Company]	Kielce	100%	Echo Investment S.A.
"Projekt Echo - 39" Sp. z o.o. ['Projekt Echo – 39' Limited Liability Company]	Kielce	100%	Echo Investment S.A.
"Projekt Echo - 43" Sp. z o.o. ['Projekt Echo – 43' Limited Liability Company]	Kielce	100%	Echo Investment S.A.
"Projekt Echo - 47" Sp. z o.o. ['Projekt Echo – 47' Limited Liability Company]	Kielce	100%	Barconsel Holdings Ltd
"Projekt Echo - 53" Sp. z o.o. ['Projekt Echo – 53' Limited Liability Company]	Kielce	100%	Barconsel Holdings Ltd
"Projekt Echo - 55" Sp. z o.o. ['Projekt Echo – 55' Limited Liability Company]	Kielce	100%	Barconsel Holdings Ltd
"Projekt Echo - 57" Sp. z o.o. ['Projekt Echo – 57' Limited Liability Company]	Kielce	100%	Echo Investment S.A.
"Projekt Echo - 58" Sp. z o.o. ['Projekt Echo – 58' Limited Liability Company]	Kielce	100%	Barconsel Holdings Ltd
"Projekt Echo - 62" Sp. z o.o. ['Projekt Echo – 62' Limited Liability Company]	Kielce	100%	Echo – SPV 7 Sp. z o.o.
"Projekt Echo - 67" Sp. z o.o. ['Projekt Echo – 67' Limited Liability Company]	Kielce	100%	Echo Investment S.A.

Company name	Registered seat	% of owned capital	Dominant company
"Projekt Echo - 70" Sp. z o.o. ['Projekt Echo -70' Limited Liability Company]	Kielce	100%	Echo Investment S.A.
"Projekt Echo - 77" Sp. z o.o. ['Projekt Echo -77' Limited Liability Company]	Kielce	100%	Echo Investment S.A.
"Projekt Echo - 93" Sp. z o.o. ['Projekt Echo -93' Limited Liability Company]	Kielce	100%	Echo Investment S.A.
"Projekt Echo - 94" Sp. z o.o. ['Projekt Echo - 94' Limited Liability Company]	Kielce	100%	Echo Investment S.A.
"Projekt Echo - 94 Sp. z o.o." Sp. kom. ['Projekt Echo - 94 Ltd.' Joint Stock Limited Partnership]	Kielce	100%	Echo Investment S.A.
"Projekt Echo - 95" Sp. z o.o. ['Projekt Echo - 95' Limited Liability Company]	Kielce	100%	Echo Investment S.A.
"Projekt Echo - 96" Sp. z o.o. ['Projekt Echo - 96' Limited Liability Company]	Kielce	100%	Echo Investment S.A.
"Projekt Echo - 97" Sp. z o.o. ['Projekt Echo - 97' Limited Liability Company]	Kielce	100%	Echo Investment S.A.
"Projekt Echo - 98" Sp. z o.o. ['Projekt Echo - 98' Limited Liability Company]	Kielce	100%	Echo Investment S.A.
"Projekt Echo - 99" Sp. z o.o. ['Projekt Echo - 99' Limited Liability Company]	Kielce	100%	Echo Investment S.A.
"Projekt Naramowice" Sp. z o.o. ['Projekt Naramowice' Limited Liability Company]	Kielce	100%	Zakłady Ogrodnicze Naramowice Sp. z o.o.
"Projekt Naramowice Poznań" Sp. z o.o. ['Projekt Naramowice Poznań' Limited Liability Company]	Kielce	100%	Projekt Naramowice Sp. z o.o.
"SPV - 1" Sp. z o.o. ['SPV - 1' Limited Liability Company]	Kielce	100%	Barconsel Holdings Ltd
"Projekt S" Sp. z o.o. ['Projekt S' Limited Liability Company]	Kielce	95%	Echo Investment S.A.
"Ultra Marina" Sp. z o.o. ['Ultra Marina' Limited Liability Company]	Kielce	100%	Barconsel Holdings Ltd
"Yevrobudgarant" LLC	Kiev	100%	EI - Project Cypr - 1 Ltd
"Zakłady Ogrodnicze Naramowice" Sp. z o.o. ['Zakłady Ogrodnicze Naramowice' Limited Liability Company]	Poznań	100%	Echo Investment S.A.

WAN 11" Spółka z o.o. ['WAN 11' Limited Liability Company] with its registered seat in Warsaw is a partially-owned subsidiary. All certificates issued by XIX FIZ Forum are owned by companies in the Echo Investment Capital Group.

## 7.2. Main foreign and domestic investment

### Property

The Management Board of Echo Investment S.A. (the Issuer, the Company) hereby informs that on April 8, 2010 a preliminary sale agreement (the Preliminary Agreement) was executed between Projekt Echo - 58 Sp. z o.o. with its registered seat in Kielce (a controlled company in which the Issuer holds 51% of share capital) (the Buyer), and BRJ Invest - Panikowski, Kubiak with its registered seat in Warsaw, with Drozd - Sp. J. i BP Inwestycje - Panikowski i Przybylski Sp. J. with its registered seat in Warsaw (the Seller).

The purpose of the aforementioned Preliminary Agreement is the acquisition of freehold title to properties constituting undeveloped plots of land situated in Warsaw, within the quarter of Sikorskiego and Witosa Streets, with a total area of 34,271 square metres (the Property). The purchase price of the Property was determined as PLN 70 million net. Payment shall be effected in 4 instalments, payable until April 1, 2013 at the latest.

The Parties to the preliminary agreement agreed to execute the promised contract until October 1, 2010 (the Promised Contract), provided that all of the following conditions are fulfilled until September 29, 2010:

- the Property is not encumbered with any debt or limited rights in rem, whether or not these are disclosed in the land and mortgage register,

- no claims are raised with respect to the Property by previous owners,

- no lease contracts, hire contracts or any other similar contracts exist in relation to the Property,
- the Seller has presented appropriate certificates of no arrears with payments of tax and other public charges.

The aforementioned conditions are conditions precedent.

The Preliminary Agreement does not contain any provisions would allow charging of liquidated damages in excess of a total PLN equivalent of EUR 200,000, which corresponds to the amount of PLN 770,520 as at the effective date of the Preliminary Agreement according to the average rate of exchange of the National Bank of Poland). Notwithstanding the liquidated damages, either party may pursue indemnity to compensate for any loss incurred.

The preliminary property acquisition agreement is in accordance with the strategy adopted by Echo Investment Capital Group, where under the Group is expanding its range of operations on the real estate market in Poland. Development of a group of office buildings is envisaged on the above specified property, with gross leasable area of approximately 60,000 sq. m, with an above-ground and underground car park. The project is intended to be developed in three stages.

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The Management Board of Echo Investment S.A. (the Issuer, the Company) hereby informs that on June 24, 2010 a preliminary sale agreement (the Preliminary Agreement) was executed between Projekt Echo – 70 Sp. z o.o. with its registered seat in Kielce (a controlled company in which the Issuer holds 51% of share capital) (the Buyer) and Accor Polska Sp. z o.o. [Limited Liability Company] with its registered seat in Warsaw.

The purpose of the aforementioned Preliminary Agreement is the execution of the sale agreement (the Promised Agreement) on the basis of which the Seller shall sell the Buyer the perpetual usufruct right to the property located in Warsaw at Grzybowska and Jana Pawła II Streets, consisting of a plot of land, with a total area of 3,260 sq. m., including the ownership of the hotel building located on the land and constituting a property separate from the land (the Property).

The purchase price has been established at the level of at least EUR 31 million (which according to the average exchange rate of the National Bank of Poland as at the date of conclusion of the aforementioned Preliminary Agreement is an equivalent of PLN 126,718,700). The Buyer shall pay the Seller an advance of EUR 6.25 million net (which according to the average exchange rate of the National Bank of Poland as at the date of conclusion of the aforementioned Preliminary Agreement is an equivalent of PLN 25,548,125). The advance shall be accounted for the sale price and shall be effected in two instalments, i.e. EUR 1.25 million net (which according to the average exchange rate of the National Bank of Poland as at the date of conclusion of the aforementioned Preliminary Agreement is an equivalent of PLN 5,109,625) at the date of conclusion of the aforementioned Promised Agreement and EUR 5 million net (which according to the average exchange rate of the National Bank of Poland as at the date of conclusion of the aforementioned Preliminary Agreement is an equivalent of PLN 20,438,500) until December 31, 2011 at the latest.

The Parties to the preliminary agreement agreed to execute the promised agreement until December 31, 2012 at the latest, provided that all of the following conditions are fulfilled:

- the Buyer shall obtain a final planning permission until June 30, 2011, which shall enable to develop on the aforementioned Property an office building with an underground parking space, with an area of ca. 63,000 sq m, 1 parking lot per 100 sq m of an office area,
- a positive technical and legal due diligence report on the Property shall be obtained until December 31, 2011,
- the Seller shall acquire the perpetual usufruct right to the Property (land) and the ownership right of the hotel building located on the land,
- the contractual ordinary mortgage on the Property shall be re-conveyed until July 31, 2012.

In the event of not fulfilling the aforementioned conditions and not concluding the Promised Agreement, the Preliminary Agreement shall be terminated.

The Preliminary Agreement contains certain provisions that allow charging of liquidated damages in the event of not concluding the Promised Agreement (including not fulfilling the aforementioned conditions of the Preliminary Agreement):

- due to reasons attributable to the Buyer to the benefit of the Seller up to the maximum amount of EUR 8 million (which according to the average exchange rate of the National Bank of Poland as at the date of conclusion of the aforementioned Preliminary Agreement is an equivalent of PLN 32,701,600), or
- due to reasons attributable to the Seller to the benefit of the Buyer up to the amount of EUR 6.25 million (which according to the average exchange rate of the National Bank of Poland as at the date of conclusion of the aforementioned Preliminary Agreement is an equivalent of PLN 25,548,125).

Payment of liquidated damages shall not exclude the right of either party to claim indemnity to compensate for any loss incurred.

The preliminary property acquisition agreement is in accordance with the strategy adopted by Echo Investment Capital Group, where under the Group is expanding its range of operations on the real estate market in Poland. Development of an office building is envisaged on the above specified property, with gross leasable area of approximately 45,000 sq. m, with and underground car park.

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The management board of Echo Investment S.A. (the Issuer, the Company) hereby announces that on July 22, 2010, as was decided by the Tender Committee of Przedsiębiorstwo Budownictwa Uprzemysłowego Warszawa Północ, with its registered seat in Warsaw (the Seller), Echo Investment S.A. (the Buyer) shall acquire the perpetual usufruct right to the developed land located in Warsaw at Konstruktorska Street with an area of 73,596 sq m, and the ownership of the buildings, structures and other equipment located on the land (the Property). The price of the property amounts to PLN 63 million. The sale agreement shall be concluded within 30 days from the date of tender completion.

Development of an office and residential building is envisaged on the above specified property, with gross selling and letting space of approximately 60,000 sq m.

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The management board of Echo Investment S.A. (the Issuer, the Company) hereby announces in connection to the current report nr 20/2010 of July 23, 2010 that on August 20, 2010 there was a property sales agreement (the Agreement) concluded between Echo Investment S.A. (the Buyer) and Przedsiębiorstwo Budownictwa Uprzemysłowego Warszawa Północ with its registered seat in Warsaw (the Seller).

The subject-matter of the Agreement is the acquisition of the perpetual usufruct right to the developed land located in Warsaw at Konstruktorska Street with an area of 73,596 sq m including the ownership of the buildings, structures and other equipment located on the land (the Property) by the Company. The price of the property amounts to PLN 63 million. The sources of financing the Property purchase are the Issuer's own funds.

There are no ties present between the Issuer or persons managing or supervising the Issuer and the Seller or persons managing it.

Before entering into the Agreement the Property was used for service business. Development of buildings fulfilling residential and office functions is planned on the aforementioned property. The total area allotted for sale (apartments) and lease (offices) will amount to approx. 60,000 sq m.

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In connection to the current report 5/2010 of April 9, 2010 the management board of Echo Investment S.A. (Public Limited Company) (the Issuer, the Company) hereby informs that on September 29, 2010 the conditions of a preliminary property sales agreement (the Preliminary Agreement) were fulfilled. The Agreement was signed on April 8, 2010 between Projekt Echo – 58 Sp. z o.o. (Limited Liability Company) with its registered seat in Kielce (an entity in which the Issuer holds 100% shares in the share capital) (the Buyer) and BRJ Invest - Panikowski, Kubiak with its registered seat in Warsaw, Drozd – Sp. J. (General Partnership) and BP Inwestycje – Panikowski i Przybylski Sp. J. (General Partnership) with its registered seat in Warsaw (the Seller).

The subject matter of the Agreement is purchasing the title to the property consisting of undeveloped plots of land located in Warsaw limited by the streets of Sikorskiego and Witosa, with a total area of 34,271 sq m (the Property).

The Parties to the preliminary agreement agreed to execute the promised agreement until October 1, 2010 at the latest, provided that all of the following conditions are fulfilled:

- the Property is not encumbered with any debt or limited rights in rem, whether or not these are disclosed in the land and mortgage register,
- no claims are raised with respect to the Property by previous owners,
- no lease contracts, hire contracts or any other similar contracts exist in relation to the Property,
- the Seller has presented appropriate certificates of no arrears with payments of tax and other public charges.

All of the aforementioned conditions were fulfilled.

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In connection to the current report 5/2010 of April 9, 2010 the management board of Echo Investment S.A. (Public Limited Company) (the Issuer, the Company) hereby informs that on October 4, 2010 the Issuer has become aware of the conclusion of a property sales agreement (the Agreement) between Projekt Echo – 58 Sp. z o.o. (Limited Liability Company) with its registered seat in Kielce (an entity in which the Issuer holds 100% shares in the share capital) (the Buyer) and BRJ Invest - Panikowski, Kubiak with

its registered seat in Warsaw, Drozd – Sp. J. (General Partnership) and BP Inwestycje – Panikowski i Przybylski Sp. J. (General Partnership) with its registered seat in Warsaw (the Seller) on October 1, 2010.

The subject matter of the Agreement is purchasing the title to the property consisting of undeveloped plots of land located in Warsaw limited by the streets of Sikorskiego and Witosa, with a total area of 34,271 sq m (the Property). The purchase price has been established at the level of PLN 69,915,000 net. The payment will be made in four instalments paid until April 1, 2013. The Buyer shall secure the payment of the final selling price by contractual capped mortgages on the Property up to a total amount of PLN 26 million. The source of financing of the Property purchase will be funds acquired from loan agreements concluded by the subsidiary Company.

In accordance with provisions of the Agreement the Buyer has the right to withdraw from the Agreement until July 22, 2011 in the event the Council of the Capital City of Warsaw does not pass the resolution on a change of the local land utilisation plan that would enable development of office and administration buildings with services and a permissible residential function, with a useable area of over 50,000 sq m until March 31, 2011. In order to execute its right of repudiation the Buyer shall inform the Vendor about the intent of withdrawing from the Agreement until April 15, 2011 and shall at the same time call in the amount paid towards the price until then, including the interest.

Before conclusion of the Agreement the property was not used for any business activity.

The Agreement does not include provisions enabling calculation of contractual penalties whose total value could exceed the amount of EUR 200,000 expressed 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 789,300). Lack of contractual penalties is without prejudice to claims for indemnity.

There are no ties present between the Issuer or persons managing or supervising the Issuer and the Vendor selling assets or persons managing it.

The purchase of the aforementioned property results from the assumed strategy, according to which the Capital Group Echo Investment develops its activities on the property market in Poland. There is an office building complex with an office area of approx. 60,000 sq m planned to be developed on the aforementioned property including an underground and above-ground car park. According to the plans the project is to be carried out in three stages.

## Financial instruments

The Management Board of Echo Investment S.A. (the Issuer, the Company) hereby reports that on June 17, 2010 its subsidiary Barconsel Holdings Limited with its registered seat in Nicosia (Barconsel, the Subscriber) made a subscription for investment certificates issued by FORUM XXIX Fundusz Inwestycyjny Zamknięty [FORUM XXIX Closed Investment Fund] with its registered seat in Cracow (Issuer FIZ). Barconsel has acquired 6,672 B series investment certificates of FORUM XXIX Fundusz Inwestycyjny Zamknięty (FIZ) as part of the subscription. The total certificate issue price amounts to PLN 166,809,984. Barconsel has made the payment for the above specified certificates by way of non-cash contribution to FIZ in the form of shares in the share capital of the below listed subsidiary companies in the following amounts:

- 11,998 in the share capital of Athina Park Sp. z o.o. [Limited Liability Company] with its registered seat in Kielce (Company I) with a nominal value of PLN 500 each and a total nominal value of PLN 5,999,000, constituting 99.98% of the share capital of Company I. The book value of the above specified shares amounts to EUR 5,202,812, which according to the average exchange rate of the National Bank of Poland as at the effective date of transaction, is an equivalent of PLN 21,233,196.05.
- 75,673 in the share capital of Echo – Centrum Przemysł Sp. z o.o. [Limited Liability Company] with its registered seat in Kielce (Company II) with a nominal value of PLN 50 each and a total nominal value of PLN 3,783,650, constituting 99.99% of the share capital of Company II. The book value of the above specified shares amounts to EUR 2,709,093, which according to the average exchange rate of the National Bank of Poland as at the effective date of transaction, is an equivalent of PLN 11,056,079.44.
- 255,886 in the share capital of Projekt Echo – 63 Sp. z o.o. [Limited Liability Company] with its registered seat in Kielce (Company III) with a nominal value of PLN 50 each and a total nominal value of PLN 12,794,300, constituting 99.99% of the share capital of Company III. The book value of the above specified shares amounts to EUR 1,322,930, which according to the average exchange rate of the National Bank of Poland as at the effective date of transaction, is an equivalent of PLN 5,399,009.62.
- 655,321 in the share capital of Echo Investment – Centrum Handlowe Piotrków Trybunalski Sp. z o.o. [Limited Liability Company] with its registered seat in Kielce (Company IV) with a nominal value of PLN 50 each and a total nominal value of PLN 32,766,050, constituting 99.98% of the share capital of Company IV. The book value of the above specified shares

amounts to EUR 34,444,165, which according to the average exchange rate of the National Bank of Poland as at the effective date of transaction, is an equivalent of PLN 140,570,081.78.

Barconsel intends to treat the acquired FIZ certificates as long-term equity investment.

There are no ties present between the Issuer or persons managing or supervising the Issuer and the Issuer FIZ or persons managing it.

The Proxy of the Issuer executes managing functions in Barconsel.

There were transactions concluded between the Issuer and the subsidiary of the Issuer at a total value of PLN 167,389,984 within the last 12 months. The above specified transaction is the one with the highest value.

Transfer of the above specified assets is an element of Echo Investment Capital Group's restructuring, which shall allow for optimal management of the projects from Echo Investment Capital Group's portfolio with regard to costs and taxes as well as acquisition and execution of new projects. It is the assumption of the management board of the company that the closed investment fund will be an attractive platform for acquisition of external investors interested in funding current and new projects.

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On October 19, 2010 the subsidiary company Barconsel Holdings Limited with its registered seat in Nicosia (Barconsel, the Subscriber) made a subscription for investment certificates issued by FORUM XXIX Fundusz Inwestycyjny Zamknięty [FORUM XXIX Closed Investment Fund] with its registered seat in Cracow (Issuer FIZ).

Barconsel has acquired 5,018 C series investment certificates of FORUM XXIX Fundusz Inwestycyjny Zamknięty (FIZ) as part of the subscription. The total certificate issue price amounts to PLN 250,930,108. Barconsel has made the payment for the above specified certificates by way of non-cash contribution to FIZ in the form of shares in the share capital of the below listed subsidiary companies in the following amounts:

- 17,045 shares in the share capital of Echo – Galeria Olimpia Sp. z o.o. [Echo – Galeria Olimpia Limited Liability Company] with its registered office in Kielce, Poland (Company I) with a nominal value of PLN 500 each and a total nominal value of PLN 8,522,500, constituting 99.99% of the share capital of Company I. The book value of the above specified shares amounts to EUR 6,575,660.17 in Barconsel's accounting books, which according to the average exchange rate of the National Bank of Poland as at the effective date of transaction, is an equivalent of PLN 25,853,523.09.

- 1,483,000 shares in the share capital of Echo – Galeria Sudecka Sp. z o.o. [Echo – Galeria Sudecka Limited Liability Company] with its registered office in Jelenia Góra, Poland (Company II) with a nominal value of PLN 50 each and a total nominal value of PLN 74,150,000, constituting 99.93% of the share capital of Company II. The book value of the above specified shares amounts to EUR 21,423,032.08 in Barconsel's accounting books, which according to the average exchange rate of the National Bank of Poland as at the effective date of transaction is an equivalent of PLN 84,228,935.23.

- 192,399 shares in the share capital of Echo – Oxygen Sp. z o.o. [Echo – Oxygen Limited Liability Company] with its registered office in Kielce, Poland (Company III) with a nominal value of PLN 50 each and a total nominal value of PLN 9,619,950, constituting 99.99% of the share capital of Company III. The book value of the above specified shares amounts to EUR 1,620,309.89 in Barconsel's accounting books, which according to the average exchange rate of the National Bank of Poland as at the effective date of transaction is an equivalent of PLN 6,370,572.39.

- 1,065,655 shares in the share capital of Echo – Centrum Park Postępu Sp. z o.o. [Echo – Park Postępu Limited Liability Company] with its registered office in Kielce, Poland (Company IV), with a nominal value of PLN 50 each and a total nominal value of PLN 53,282,750, constituting 99.99% of the share capital of Company IV. The book value of the above specified shares amounts to EUR 5,466,282.43 in Barconsel's accounting books, which according to the average exchange rate of the National Bank of Poland as at the effective date of transaction is an equivalent of PLN 21,491,782.63.

- 1,533,107 shares in the share capital of Echo – Galeria Tarnów Sp. z o.o. [Echo – Galeria Tarnów Limited Liability Company] with its registered office in Kielce, Poland (Company V), with a nominal value of PLN 50 each and a total nominal value of PLN 76,655,350, constituting 99.93% of the share capital of Company V. The book value of the above specified shares amounts to EUR 22,003,104.42 in Barconsel's accounting books, which according to the average exchange rate of the National Bank of Poland as at the effective date of transaction is an equivalent of PLN 86,509,605.65.



- 25,184 shares in the share Centrum Handlowe PHS S.A. [Centrum Handlowe Public Limited Company] with its registered office in Szczecin, Poland (Company VI), with a nominal value of PLN 100 each and a total nominal value of PLN 2,518,400, constituting 100% of the share capital of Company VI. The book value of the above specified shares amounts to EUR 4,514,840.57 in Barconsel's accounting books, which according to the average exchange rate of the National Bank of Poland as at the effective date of transaction is an equivalent of PLN 17,750,998.67.

Barconsel intends to treat the acquired FIZ certificates as a long-term equity investment.

There are no ties present between the Issuer or persons managing or supervising the Issuer and the Issuer FIZ or persons managing it.

The Proxy of the Issuer executes managing functions in Barconsel.

There were transactions concluded between the Issuer and the subsidiary of the Issuer at a total value of PLN 418,320,092 within the last 12 months. The above specified transaction is the one with the highest value.

Transfer of the above specified assets is an element of Echo Investment Capital Group's restructuring, which shall allow for optimal management of the projects from Echo Investment Capital Group's portfolio with regard to costs and taxes as well as acquisition and execution of new projects. It is the assumption of the management board of the company that the closed investment fund will be an attractive platform for acquisition of external investors interested in funding current and new projects.

#### 8. INFORMATION ON SIGNIFICANT TRANSACTIONS EXECUTED BY THE ISSUER OR THE ISSUER'S SUBSIDIARY WITH AFFILIATED COMPANIES ON DIFFERENT TERMS THAN ARM'S LENGTH TRANSACTIONS, SPECIFYING THE AMOUNT AND CHARACTER OF SUCH TRANSACTIONS

Neither Echo Investment S.A. nor its subsidiaries entered into any transactions with affiliated companies on different terms than arm's length transactions in 2010.

#### 9. INFORMATION ABOUT CREDITS AND LOANS TAKEN IN THE FINANCIAL YEAR

##### 9.1. Credit agreements

Echo Investment S.A.'s liabilities on account of credits taken as at the end of 2010 are presented in the table below:

Bank name	Type of obligation	Credit currency	Credit amount according to contract	Credit used as at 31.12.2010	Interest rate type %	Final repayment date
PeKaO S.A.	Working capital facility	PLN	100 000	69 916	1M WIBOR + margin	30.06.2011
PeKaO S.A.	Advance on current account	PLN	30 000	0	1M WIBOR + margin	30.06.2011
PKO BP S.A.	Advance on current account	PLN	40 000	0	3M WIBOR + margin	19.08.2012
PKO BP S.A.	Working capital facility	PLN	40 000	0	3M WIBOR + margin	19.08.2012
<b>TOTAL</b>			<b>210 000</b>	<b>69 916</b>		

## 9.2. 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 is currently implementing active programmes of issuance of long-term and short-term financial instruments (bonds).

Pursuant to contracts made in respect of the Bonds Issuance Programme 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 S.A. as at December 31, 2010 shall not exceed PLN 700 million. Under the Sale Guarantee Agreement and Guarantee Rate Agreement signed in respect of the Bonds Issuance Program with BRE Bank S.A., the bank is obliged to purchase bonds issued by the Company, which are not taken up by other investors, up to the amount of PLN 35 million.

The balance of these liabilities as at the end of 2010 is shown in the table below:

Bank name	Type of instrument	Amount utilised [thousands PLN]	Bonds redemption date	Interest conditions
BRE Bank S.A.	Bonds	150 000	25.05.2011	WIBOR 6 M + margin
BRE Bank S.A.	Bonds	100 000	25.05.2013	WIBOR 6 M + margin
BRE Bank S.A.	Bonds	300 000	30.06.2014	WIBOR 6 M + margin
BRE Bank S.A.	Bonds	115 000	18.05.2012	WIBOR 6 M + margin
BRE Bank S.A.	Bonds*	35 000	02.03.2011	WIBOR 3 M + margin

\* from guaranteed PLN 35 million.

On January 27, 2011 in accordance with provisions of an annex to the agreement made in respect of the Bonds Issuance Programme with BRE Bank in 2004 between Echo Investment S.A. and BRE Bank S.A., the maximum total nominal value of all bonds issued by Echo Investment S.A. was increased to the amount of PLN 1 billion.

Under the agreement made in respect of the Bonds Issuance Programme with BRE Bank S.A., with its registered seat in Warsaw, on February 11, 2011 Echo Investment S.A. issued coupon bonds with a total nominal value PLN 145 million. The issue price of one bond is PLN 100 thousand. The bonds were issued for 5 years, which means that bonds redemption date is on February 11, 2016. The bonds interest was determined on the basis of a variable WIBOR 6M rate, plus investors' profit margin. The interest shall be paid in six-month intervals. The bonds shall be redeemed for the nominal value of the bonds. The issued bonds are not secured.

On March 31, 2011 under the agreement made in respect of the Bonds Issuance Programme with BRE Bank S.A. with its registered seat in Warsaw, Echo Investment S.A. issued bonds with a total value of PLN 150 million. The issue price of one bond is PLN 100 thousand. The bonds were issued for 2 years, which means that bonds redemption date is on March 29, 2013. The bonds interest was determined on the basis of a variable WIBOR 6M rate, plus investors' profit margin. The interest shall be paid in six-month intervals. The bonds shall be redeemed for the nominal value of the bonds. The issued bonds are not secured.

## 9.3. Loan agreements

As at December 31, 2010 Echo Investments S.A. did not take out any loans.

## 10. INFORMATION ON LOANS GRANTED DURING THE FINANCIAL YEAR

### I. Loans granted to legal persons

Organisation	Outstanding loan amount [thousands PLN] as at 31.12.2010	Interest	Final repayment day
Projekt Naramowice Poznań Sp. z o.o.	24 000	Wibor 3M+margin	January 31, 2011
Echo – Projekt 53 Sp. z o.o.	4 800	Wibor 3M+ margin	December 31, 2011
Echo – Projekt 58 Sp. z o.o.	400	Wibor 3M+ margin	June 30, 2011



Barconsel Holdings Limited	86	Wibor 3M+ margin	December 31, 2011
Echo – Oxygen Sp. z o.o.	8 300	Wibor 3M+ margin	December 31, 2011
Echo Investment Hungary KFT	17 125	Wibor 3M+ margin	December 31, 2011
Echo Investment Project Management SRL	200	Wibor 3M+ margin	December 31, 2011
Princess Investment Sp. z o.o.	227	Wibor 3M+ margin	December 31, 2011
Echo - Galeria Kielce Sp. z o.o.	83 400	Wibor 3M+ margin	December 31, 2011
Projekt S Sp. z o.o.	960	Wibor 3M+ margin	December 31, 2011
Echo - Project - Management KFT	180	Wibor 3M+ margin	December 31, 2011
Other non-affiliated organisations	200	Fixed interest rate	December 31, 2011
<b>Total</b>	<b>139 878</b>		

## II. Loans granted to individuals

Person	Outstanding loan amount [thousands PLN] as at 31.12.2010	Interest	Final repayment day
Person 1	9	WIBOR 3M + margin	December 31, 2011
Person 2	8	WIBOR 3M + margin	August 31, 2012
<b>Total</b>	<b>17</b>		

## 11. SURETIES AND GUARANTEES GRANTED DURING THE FINANCIAL YEAR

### 11.1. Surety agreements

#### I. Sureties granted as at December 31, 2010 are presented in the table below:

Surety in favour of	Value [in thousands]	Expiry date	On account of
EUROHYPO AG	PLN 396,030	Valid until obtaining a legally binding occupancy permit of the expanded shopping and entertainment centre Galeria Echo in Kielce	Surety for the obligations of a subsidiary Echo – Galeria Kielce Sp. z o.o. related to the credit agreement signed on October 6, 2009 with Bank Eurohypo AG with its registered seat in Eschborn (Germany)
NORDEA BANK POLSKA S.A.	PLN 57,820	Valid until obtaining a final occupancy permit of an office building, but no later than on December 31, 2013	Surety for the obligations of a subsidiary Echo-Oxygen Sp. z o.o. related to the credit agreement signed on September 27, 2010 with Bank Nordea Bank Polska S.A.

#### II. Changes in sureties granted by Echo Investment S.A. in 2010:

On April 30, 2010 in relation to the repayment of credit granted by Bank PeKaO S.A. to the subsidiary which is the owner of the commercial building in Belchatow, a surety of PLN 740 thousand for the aforementioned transaction expired.

In 2010 a legally binding entry of a registered pledge was made in the pledge register. As a result, a surety of PLN 100 million for the obligations of a subsidiary Echo-Galeria Kielce Sp. z o.o. expired. The surety was granted in relation to the Credit Agreement signed on October 6, 2009 with Bank Eurohypo AG.

On July 4, 2010 a surety of USD 1,361 thousand expired. The surety was granted for the damages obligations of a subsidiary Projekt Echo 49 Sp. z o.o.

Under the credit agreement signed on September, 27 2010, a surety of PLN 57,820 thousand was granted in favour of Nordea Bank Polska S.A. for the obligations of Echo – Oxygen Sp. z o.o. The surety shall be valid until the Day of Investment Completion specified in this credit agreement, however, no later than December 31, 2013.

As at December 31, 2010, the value of valid surety agreements obtained by Echo Investment S.A. under the signed lease contracts and on account of the execution of projects amounted to PLN 0.

## 11.2. Guarantee agreements

I. Guarantee agreements as at December 31, 2010 are presented in the table below:

Guarantor	Value [in thousands]	Expiry date	On account of
Echo Investment S.A.	PLN 7,300	Until the repayment of obligations related to 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 S.A.	PLN 1,100	Until 31.12.2011	Security of payment of amounts awarded in favour of Master Serwis Opon Sp. z o.o.
Echo Investment S.A.	PLN 17,768	Until the Investment completion but no later than December 31, 2013	Security of payment in the event of insufficient funds or overspending during the execution of office building Oxygen in Szczecin

II. Changes in guarantee agreements granted by Echo Investment S.A. in 2010:

On February 15, 2010 Bank PKO BP S.A. granted a guarantee of PLN 200 thousand in favour of Nova Technologie Obiektowe R. Niemyjski & P. Aninowski Sp. J. as a security of payment in relation the agreement signed on September 15, 2009. The aforementioned agreement concerns the delivery and instalment of carpets in the office building Malta Office Park. The guarantee is valid until 30.06.2010.

On September 30, 2010 a bank guarantee of EUR 38 thousand expired. The guarantee was granted by Bank PKO BP S.A. in favour of J&P Sp. z o.o. as a security for not fulfilling obligations under the lease contract of business premises, signed on September 24, 2009.

On September 27, 2010 Echo Investment S.A. granted a guarantee of PLN 17,768 thousand in favour of Nordea Bank Polska S.A. as a security in the event of insufficient funds or overspending during the implementation of an office building Oxygen in Szczecin. The guarantee shall be valid until the Day of Investment Completion specified in this credit agreement, but no later than December 31, 2013.

III. The value of guarantees received, valid as at December 31, 2010:

- Under the lease contracts PLN 0,
- Under the execution contracts: PLN 45.19 million and USD 71.36 thousand.

## 12. IN CASE OF ISSUE OF SECURITIES DURING THE REPORTING PERIOD – DESCRIPTION OF THE USE OF REVENUES FROM THE ISSUE BY ECHO INVESTMENT S.A.

The dominant company - Echo Investment S.A. did not issue any securities (shares) in 2010.

Description of the use of revenues from the issue of bonds is presented in Chapter 9.2 of the Annual Report.

### 13. CLARIFICATION OF DIFFERENCES BETWEEN FINANCIAL RESULTS DISCLOSED IN THE ANNUAL REPORT AND PREVIOUSLY PUBLISHED FORECASTS FOR 2010

Echo Investment S.A. did not publish any forecasts of financial results for the year 2010.

### 14. EVALUATION OF FINANCIAL RESOURCES MANAGEMENT, WITH SPECIAL CONSIDERATION OF DEBT REPAYMENT CAPACITY AND DESCRIPTION OF POSSIBLE THREATS AND ACTIONS THE ISSUER HAS TAKEN OR INTENDS TO TAKE IN ORDER TO COUNTERACT THEM

Management of financial resources of Echo Investment Capital Group in 2010 in relation to the acquisition of new land for investment and the investment process (erection of commercial facilities and apartments) was mainly focused on obtaining sources of financing for realised projects, bridge financing (until its subsidiaries obtained funds) and maintaining safe liquidity ratios and assumed financial structure. This year the Group also started obtaining targeted funding for apartments, which has substantially added to the Group's financial standing.

According to the Management Board, the property and financial condition of the Company, as at the end of December 2010 indicates the Company's stable financial standing, which can be seen in the ratios below.

#### YIELD RATIOS

- Operating profit margin ratio** (operating profit/net sales income) – the ratio was higher than in a corresponding period last year. This was associated with the more rapid growth of operating profit versus net sales income growth. An increase in this ratio reflects a change in the structure of sales. Income on sales of apartments contributed more to sales income during this period. Sales of apartments are more profitable than income from the execution of investments (lower contribution of shopping centres and office buildings). A high and positive value of the ratio proves that the Company is making a profit at the sales of apartments and, even though the critical period ended only recently, the Company conducts the execution of projects for lease, which in comparison with its competitors, is a positive sign.
- Net balance profit margin ratio** (net profit/net sales income) – the ratio was higher than in a corresponding period last year. This was associated with the more rapid growth of net profit versus the growth of net sales income as compared to a corresponding period last year.
- Return on assets ROA** (net profit/assets total) – the ratio was higher than in a corresponding period last year because of the more rapid growth of net profit than the growth of assets total.
- Return on equity ROE** (net profit /equity)– a decrease in the ratio, as compared to a corresponding period last year, was caused by the more rapid growth of net profit versus the growth of equity.

Values of ratios are presented in the table below.

Yield ratios	2010	2009
Operating margin ratio	14.9%	11.5%
Net balance profit margin ratio	10.4%	8.4%
Return on assets (ROA)	2.7%	2.1%
Return on equity (ROE)	6.8%	5.2%

#### 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 Company 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.

- Inventories cycle in days** (average balance of inventories \*360 / net sales revenues)– a decrease of the ratio, as compared to the previous year, is associated with a decline in inventories value, accompanied by a simultaneous increase in net sales

revenues. This proves that the Company successfully continues sales of its own products (apartments), which are still being bought, hence their lower level in inventories. This also proves that the Company revenues are growing.

2. **Current receivables cycles in days** (balance of current receivables\* 360 / net sales income) - a decrease of this ratio is related to a more rapid decline in receivables versus decline in net sales income, as compared to a corresponding period last year. Part of the decline is due to internal factors, which means that the receivables from the Group's subsidiaries (loans and receivables on account of the execution of investments) constitute a substantial part of receivables. Thus, the decrease of this ratio shows that the Company applies shorter financing of its special purpose vehicles in comparison with the previous year. It should be borne in mind that the Company's aim is to secure the financing of special purpose vehicles until the payment of instalments of special-purpose credit and to secure the subsidiary's own contribution, which is regained as soon as an instalment of LMV credit is paid, after the building handover. (The instalment is determined on the basis of the market value, not the building turnover minus own contribution) The fall of the ratio shows that the Company does not experience any problems with debt collection.
3. **Current trade liabilities cycle in days** (balance of current trade liabilities \*360 / net sales income) – an increase of this ratio is caused by current liabilities growth accompanied by lower sales income, as compared to a corresponding period last year. The increase proves that the Company increases the execution of investments, and that the Company is knowledgeable as far as commercial credits are concerned. The use of foreign capital funding and maintaining secure liquidity levels indicate effective management through financial leverage, which in turn improves the Company's profitability.

Values of cycle ratios are presented in the table below:

Cycle ratios	2010	2009
Inventories cycle in days	317	399
Current receivables cycle in days	232	277
Current trade liabilities cycle in days	56	42

## LIQUIDITY RATIOS

**Current ratio (current assets / current liabilities)**– a decrease of this ratio is caused by a more rapid growth of liabilities in relation to a decline in current assets, as compared to a corresponding period last 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. In the year 2010, which was a year of development, maintaining high liquidity ratios, as in the critical year 2009, would have proved ineffective.

**Quick ratio ((current assets – inventories) / current liabilities)** – similarly to the current ratio, a decrease of this ratio is associated with the increase of liabilities with a simultaneous fall 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 the Company's disposable resources.

**Cash ratio (cash / current liabilities)** – a decrease of the ratio is associated with more rapid growth of liabilities versus cash growth. Maintaining the ratio at ideal levels is related to the Company's liquidity policy. 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.

Values of liquidity ratios are presented in the table below:

Liquidity ratios	2010	2009
Current ratio	1.65	2.81
Quick ratio	0.80	1.28
Cash ratio	0.17	0.23

## DEBT RATIOS:

1. **Equity to assets ratio** (equity / assets total) – the ratio was at a level similar to the previous year, which is associated with a similar rate of equity growth in relation to the rate of total assets growth.
2. **Equity to fixed assets ratio** (equity / fixed assets) – a decrease of the ratio is associated with slower growth of equity in relation to the fixed assets growth (increase of shares in subsidiaries).
3. **Overall debt ratio** (liabilities total / assets total) – a slight increase of the ratio is associated with less rapid growth of assets total versus the growth of liabilities total. Both rates of growth are similar, thus, the ratio is maintained at a similar level. Levels of ratios are similar to those during the previous year.
4. **Debt to equity ratio** (liabilities total / equity) – an increase of the ratio is associated with slower growth of equity versus the growth of liabilities total, as compared to last year. Such a level is still safe, however, and the growth of liabilities (financial liabilities), together with high and ideal liquidity ratios, is the effect of improved Company's efficiency and the use of financial leverage, which in turn led to higher levels of ROE profitability, as described in the ratios above.

Values of debt ratios are presented in the table below:

Debt ratios	2010	2009
Equity to assets ratio	39.2%	40.9%
Equity to fixed assets ratio	69.2%	83.9%
Overall debt ratio	59.5%	57.7%
Debt to equity ratio	151.8%	141.1%

#### 15. 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 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. As a rule, projects designated for lease (shopping centres, shopping and entertainment centres and offices) are financed by way of raising funds (special purpose credits) by special purpose vehicles.

In 2010 big housing projects were included in the group of projects financed by a special purpose credit. In accordance with the Company's policy, these projects are financed in subsidiaries established especially for that purpose.

Acquisition of plots of land for future projects is financed by the Group's own funds or by non-earmarked credits (credit facilities in bank accounts, working capital credits, bonds) obtained by the Company.

#### 16. ASSESSMENT OF FACTORS AND UNUSUAL EVENTS AFFECTING THE FINANCIAL RESULTS IN 2010, 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 2010:

- posting the incomes earned under final agreements of sale of the housing projects in Warsaw (Bemowo residential area at Inflancka and Zwycięzców Street, Poznań Naramowice Rynek), plots of land with house designs (Bilcza near Kielce),
- contracts of General Investment Execution, Investment Preparation, etc. made with Subsidiaries, Contracts of Contribution or Sale of plots of land to a Subsidiary for the project execution,
- steady income from letting of space in offices and shopping centres,
- Agreements with subsidiaries: framework agreements, computer equipment lease agreements, real estate agency agreements, trademark agreements, security agreements, agreements of marketing services,
- sales costs and overheads,
- appraisal of liabilities arising out of bonds and loans at an adjusted acquisition price,
- revaluation of inventories,
- redemption of dividends and profits,
- interest on deposits and loans granted,
- discounts and interest on credit, bonds and loans.

There were no unusual events affecting the financial results of the Company in 2010.

The Company executes hedging transactions against foreign exchange risks on the basis of contracts signed with banks. The transactions 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.

As at December 31, 2010 the Company did not have any open positions hedged against foreign Exchange risks.

## **17. DESCRIPTION OF EXTERNAL AND INTERNAL FACTORS SIGNIFICANT FOR THE DEVELOPMENT OF THE ISSUER'S COMPANY AND DESCRIPTION OF DEVELOPMENT PERSPECTIVES FOR THE ISSUER'S ECONOMIC ACTIVITY UNTIL THE END OF YEAR**

### **17.1. Description of external and internal factors significant for the development of Echo Investment S.A.**

Key external factors affecting the development of the Company include:

#### **Positive factors:**

- constantly increasing 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 1,000 inhabitants in Poland, Romania, Hungary and Ukraine than in Western Europe,
- shortage of residential areas,
- constant economic growth in Poland,
- good condition of the Polish financial sector,
- government campaigns supporting the economic growth, such as a programme 'A Family in its own Place'.

#### **Negative factors:**

- unclear legal status of numerous real properties, which is due to such issues as reprivatization or lack of precise spatial development plans in many towns and communities,
- 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,
- increase of VAT rates,
- uncertainty about key assumptions of the fiscal and monetary policies in Poland and countries where the Group performs its operations.

Key **internal** factors significant for the development of the Company include:

#### **Positive factors:**

- clear and precise development strategy,
- stable structure of shareholders of the dominant company - Echo Investment S.A., 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,
- regulated legal status (no court actions threatening the Company).
- numerous plots of land designed for future investment.

#### **Negative factors:**

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

## 17.2. Development perspectives for economic activities of Echo Investment S.A.

In 2010 Echo Capital group was much more active than last year. 4 office projects were executed: subsequent stages of Park Postępu in Warsaw and the 2<sup>nd</sup> stage of Malta Office Park in Poznan, Avatar in Cracow, and Oxygen in Szczecin. 6 housing projects were commenced: Osiedle Południowe in Dyminy near Kielce, Dom Pod Słowikiem in Cracow, Kasztanowa Aleja and Pod Klonami in Poznan, Przy Słowiańskim Wzgórzu in Wrocław and Rezydencje Leśne in Warsaw. The 3rd stage of the implementation of an office project was commenced in Malta in Poznan.

Additionally, the development of an apartment building Klimt House was continued in Warsaw, as well as the expansion of a shopping and entertainment centre Galeria Echo in Kielce.

The Company not only intends to continue the commenced projects, but also, having observed reinvigoration in the market, it envisages more investments.

In 2011 the Group intends to commission 1 office project, 1 shopping and entertainment centre and 6 housing projects, with a letting space of 52 thousand sq m, and a selling space of 119 thousand sq m, and to commence 5 office projects, 1 hotel, 5 shopping centres and 9 housing projects, with a letting space of 200 thousand sq m and a selling space of 59 thousand sq m.

In 2010 the Company was monitoring the market in order to acquire new plots of land for investment, which culminated in the expansion of the 'land bank' by land acquired in 2010 and at the beginning of 2011, respectively. The Company intends to search actively for good locations for investment projects.

## 18. CHANGES IN THE BASIC PRINCIPLES OF MANAGING THE ISSUER'S ENTERPRISE AND ITS CAPITAL GROUP

No significant changes in the basic rules of management of Echo Investment S.A. and its Capital Group took place during the year 2010.

## 19. 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

As at December 31, 2009 and in 2010, no agreements existed between the Issuer and members of managing bodies that would stipulate compensation.

## 20. VALUE OF REMUNERATION, REWARDS AND BENEFITS, INCLUDING ONES RESULTING FROM MOTIVATION OR BONUS PROGRAMMES BASED ON BONDS WITH PREEMPTIVE 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.

### 20.1. 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 2010, respectively:

- Mr Piotr Gromniak received compensation from Echo Investment S.A. in the total amount of PLN 818 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 774 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 285 thousand for performance of their functions in the bodies of the wholly- and partially-owned subsidiaries and affiliated companies.

## 20.2. Remuneration paid to members of supervisory bodies

Supervisors of Echo Investment S.A. received the following compensation from Echo Investment S.A. on account of their supervisory functions for the Company during 2010:

- 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 Waniółka received compensation from Echo Investment S.A. in the total amount of PLN 45 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.

## 21. 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

### 21.1. Total number and nominal value of all shares of Echo Investment S.A. held by managing and supervising persons

Shares of Echo Investment S.A. held by supervising persons as at December 31, 2010 are illustrated in the table below:

Supervising person	Balance as at 31.12.2010 [pes.]	Par value of one share	Total par value	Percentage of share capital
<b>Wojciech Ciesielski</b> – Chairman of the Supervisory Board	1,200,000	PLN 0.05	PLN 60,000	0.29%
<b>Andrzej Majcher</b> - Deputy Chairman of the Supervisory Board	98,800	PLN 0.05	PLN 4,940	0.02%
<b>Mariusz Waniółka</b> – Member of the Supervisory Board	did not hold any shares	PLN 0.05	-	-
<b>Robert Oskard</b> – Member of the Supervisory Board	did not hold any shares	PLN 0.05	-	-
<b>Karol Żbikowski</b> – Member of the Supervisory Board	did not hold any shares	PLN 0.05	-	-
<b>Tomasz Kalwat</b> – Member of the Supervisory Board	did not hold any shares	PLN 0.05	-	-

### 21.2. Shares of Echo Investment S.A. held by managing persons

Shares of Echo Investment S.A. held by managing persons as at December 31, 2010 are illustrated in the table below:

Managing person	Balance as at 31.12.2010	Par value of one share	Total par value	Percentage of share capital
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[pes.]				
<b>Piotr Gromniak</b> – President of the Management Board	did not hold any shares	PLN 0.05	–	–
<b>Artur Langner</b> – Vice-President of the Management Board	did not hold any shares	PLN 0.05	-	-

## 22. 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

The Company has no knowledge of agreements which in the future may result in changes of the structure of shares held by present shareholders.

## 23. INFORMATION ABOUT A SYSTEM OF CONTROL OF MATCHING SHARES PROGRAMMES

No matching share programme is functioning in the company.

## 24. 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 2009 and 2010.

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 2010: PLN 120,000; fee paid for audit of the same statements for 2009: PLN 115,000.
2. for other certification services, including the fee payable for review of separate and consolidated financial statements for 2010: PLN 105,000, and fee paid for review of separate and consolidated financial statements for 2009: PLN 95,000.
3. for tax consulting services, including PLN 0 paid in 2010, and PLN 0 in 2009.
4. for other services, including PLN 0 paid or payable in 2010 and PLN 0 paid or payable in 2009.

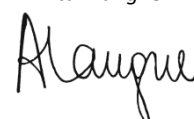
*Signatures of the Management Board of Echo Investment S.A.*

*Piotr Gromniak*



*President of the Management Board*

*Artur Langner*



*Vice-President of the Management Board*

*Kielce, May 2, 2011*

## IV. STATEMENT OF THE MANAGEMENT BOARD

We, the Management Board of Echo Investment S.A., hereby state that to the best of our knowledge, the separate annual financial statement for the year 2010, including the comparative figures, has been prepared in compliance with the International Financial Reporting Standards and that it is a true, fair and transparent presentation of the financial and economic standing of Echo Investment S.A. and its profit/loss. The report concerning the activities of Echo Investment S.A. 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 separate annual 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 separate annual financial statement, as required by applicable regulations and professional standards.

*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*

*Kielce, May 2, 2011*



STATEMENT OF  
THE MANAGEMENT BOARD OF  
ECHO INVESTMENT S.A.  
ON APPLICATION OF  
CORPORATE GOVERNANCE PRINCIPLES  
IN 2010

## V. STATEMENT OF THE MANAGEMENT BOARD OF ECHO INVESTMENT S.A. ON APPLICATION OF CORPORATE GOVERNANCE PRINCIPLES IN 2010

**1. A collection of corporate governance principles applicable to the Issuer and location where the collection can be accessed by the general public, or a collection of corporate governance principles applied by the Issuer voluntarily, location where the collection can be accessed by the general public, or any other relevant information concerning corporate governance practices applied by the Issuer, which exceed the regulations of the Polish law including information on corporate governance practices applied by the Issuer.**

Echo Investment S.A. (the Issuer) shall apply corporate governance principles under the obligation stipulated by Best Practices of Public Companies Listed at the Warsaw Stock Exchange, enacted under the Resolution No 17/1249/2010 of the Warsaw Stock Exchange Supervisory Board of May 19, 2010. A collection of the aforementioned principles is available at the Warsaw Stock Exchange website at [www.corp-gov.gpw.pl](http://www.corp-gov.gpw.pl).

[www.corp-gov.gpw.pl](http://www.corp-gov.gpw.pl) is an official website of the Warsaw Stock Exchange, containing information on corporate governance of public companies quoted on the Main Market of the Warsaw Stock Exchange and NewConnect Market.

At the same time, the Issuer states that the Company does not apply any other principles of best practices than the aforementioned principles, including the principles exceeding the regulations of the Polish law.

**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.**

The Management Board of Echo Investment S.A. (the Company) hereby states that the Company does not apply any of the corporate governance principles listed below, included in Best Practices of Public Companies Listed at the Warsaw Stock Exchange, enacted under the Resolution No 17/1249/2010 of the Warsaw Stock Exchange Supervisory Board of May 19, 2010.

### **Part I Recommendations on best practices of listed companies**

**Principle 1** "A Company should pursue a transparent and effective information policy using both traditional methods and modern technologies and latest communication tools ensuring fast, secure and effective access to information. Using such methods to the broadest extent possible, a Company should in particular"

Point 1 "A company should maintain a corporate website whose scope and method of presentation based on the model investor relations service available at <http://naszmodel.gpw.pl/>;"

Partial deviation from principle 1 point 1. The Company does not maintain its website based on the model indicated on <http://naszmodel.gpw.pl/>; The Company states that the information displayed in its internet service contains the majority of information required by the model service. In the nearest future, the Company intends to gradually modify its website, so that the scope and method of presentation are in accordance with the model website of corporate governance.

Point 3 "enable online broadcasts of General Meetings over the Internet, record General Meetings, and publish the recordings on the company website".

The Issuer does not and will not apply the principle in the nearest future. The Company does not enable online broadcasts of General Meetings over the Internet because the Company Statutory Rights and the Rules and Regulations of the General Meeting of Shareholders envisage participation in person or a representation by a proxy during the general meeting, and do not impose any restrictions in that respect. Resolutions passed during the general meeting are promptly published as current reports and put on the website.

**Principle 5** "A company should have a remuneration policy and rules of defining the policy. The remuneration policy should in particular determine the form, structure, and level of remuneration of members of supervisory and management bodies. Commission Recommendation of 14 December 2004 fostering an appropriate regime for the remuneration of directors of listed companies (2004/913/EC) and Commission Recommendation of 30 April 2009 complementing that Recommendation (2009/385/EC) should apply in defining the remuneration policy for members of supervisory and management bodies of the company."

The principle is not and will not be applied. In accordance with the Company corporate documents, the form, structure and level of remuneration of members of The Management Board is determined by the Supervisory Board, whereas the remuneration of the Supervisory Board is within the authority of the General Meeting and is adopted by way of resolution.

**Principle 9** “The WSE recommends to public companies and their shareholders that they ensure a balanced proportion of women and men in management and supervisory functions in companies, thus reinforcing the creativity and innovation of the companies’ economic business.”

The principle is not and will not be applied. The choice of candidates for members of supervising and managing bodies is determined by the best interest of the Company and its shareholders. The bodies entitled to appoint candidates take into consideration their qualifications in relation to the specific activity of the Company and no woman is discriminated in the process.

## **Part II      *Best Practice for Management Boards of Listed Companies***

**Principle 1** „A company should operate a corporate website and publish on it, in addition to information required by legal regulations:”

Point 7 „Shareholders’ inquiries concerning issues put on the agenda, raised before and during the general meeting, with responses given.”

The principle is not and shall not be applied. 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 the 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.

Point 11 „A company should operate a corporate website and publish on it information known to the management Board based on a statement by a member of the Supervisory Board on any relationship of a member of the Supervisory Board with a shareholder who holds shares representing not less than 5% of all votes at the company’s General Meeting.”

The above principle was not applied by the Management Board of Echo Investment S.A. because the Management Board of the Company did not receive such statements from members of the Supervisory Board.

**Principle 3** „Before a company executes a significant agreement with a related entity, its Management Board shall request the approval of the transaction/agreement by the Supervisory Board. This condition does not apply to typical transactions made on market terms within the operating business by the company with a subsidiary where the company holds a majority stake. For the purpose of this document, related entity shall be understood within the meaning of the Regulation of the Minister of Finance issued pursuant to Article 60.2 of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies (Journal of Laws No. 184, item 1539, as amended).”

This principle was not applied in 2010. 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.

## **Part III      *Best Practice for Supervisory Board Members***

**Principle 1** „In addition to its responsibilities laid down in legal provisions the Supervisory Board should:”

**Principle 2** „A member of the Supervisory Board should submit to the company’s Management Board information on any relationship with a shareholder who holds shares representing not less than 5% of all votes at the General Meeting. This obligation concerns financial, family, and other relationships which may affect the position of the member of the Supervisory Board on issues decided by the Supervisory Board.”

The above principle is not and shall not be applied by the Supervisory Board of Echo Investment S.A.. The above principle is redundant in the context of excluding a member of the Supervisory Board from the decision-making process of the Board if the conflict of interests occurs. The only criterion appropriate and sufficient in view of valid laws is the criterion of purpose and the intended and actual consequence of the actions of a Supervisory Board member. Such a criterion means 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 meet the criteria of being independent from the company and entities with significant connections with the company. The independence criteria should be applied under Annex 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*. Irrespective of the provisions of point (b) of the said Annex, a person who is an employee of the company or an associated company cannot be deemed to meet the independence criteria described in the Annex. In addition, a relationship with a shareholder precluding the independence of a member of the Supervisory Board as understood in

this rule is an actual and significant relationship with any shareholder who has the right to exercise at least 5% of all votes at the General Meeting."

The Supervisory Board of Echo Investment S.A. did not apply the principle in 2010. According to the regulations, members of the Supervisory Board are appointed at the sovereign discretion by the Company General Meeting. In view of the foregoing, no grounds exist for restricting the Meeting's freedom in electing members of the Supervisory Board. Furthermore, the independence criteria do not properly specify the position and criteria that should be applied by the Supervisory Board member in taking their decisions in the course of performing their actions. The Board member may be appointed and possibly recalled by shareholders and the essence of their function is to represent the shareholders and for this reason this criterion is unrealistic and unclear. In the opinion of the Company, "independence" of members of the Company's bodies should mean the opportunity and necessity to act within the limits of valid laws and to the Company's benefit. Only such independence may be respected by the Company.

**Principle 8** „Annex I to the *Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors...* should apply to the tasks and the operation of the committees of the Supervisory Board."

The above principle was not applied in 2010. Audit Committee exists within the Supervisory Board and its tasks and functions are specified in the Audit Committee Rules and Regulations.

**Principle 9** „Execution by the company of an agreement/transaction with a related entity which meets the conditions of section II.3 requires the approval of the Supervisory Board."

The above principle was not applied in 2010. 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.

#### **Part IV „ Best Practices of Shareholders"**

**Principle 1** „Presence of representatives of the media should be allowed at General Meetings."

The above principle is not and shall not be applied. Persons who take part in General Meetings of Shareholders include entitled persons and persons providing the service of meetings. The Company does not deem necessary to impose additional obligations on its shareholders with regard to allowing representatives of the media at General Meetings. The regulations contained in valid provisions of the law are sufficient in the execution of an obligation of listed companies to provide clear and transparent information on the issues which are on the agenda during General Meetings. As concerns queries about General Meetings made by the media representatives, the Company shall promptly give an appropriate answer to them.

**Principle 9** „A resolution of the General Meeting to split the nominal value of shares should not set the new nominal value of the shares at a level which could result in a very low unit market value of the shares, which could consequently pose a threat to the correct and reliable valuation of the company listed on the Exchange."

The above principle is not and shall not be applied. Current nominal value of one share of Echo Investment S.A. amounts to PLN 0.05 (five grosz). Application of the above principle could make it impossible to split the nominal value of shares of Echo Investment S.A. in the future, which is against the regulations contained in valid provisions of the law.

**Principle 10** „A company should enable its shareholders to participate in a General Meeting using electronic communication means through:

- 1) real-life broadcast of General Meetings;
- 2) real-time bilateral communication where shareholders may take the floor during a General Meeting from a location other than the General Meeting;
- 3) exercise their right to vote during a General Meeting either in person or through a plenipotentiary.

The above principle is not and shall not be applied. According to the regulations contained in the Code of Commercial Partnerships and Companies, the opportunity to participate in a General Meeting using electronic communications means must be allowed by the Company Articles. The Company Articles of Echo Investment S.A. do not envisage such participation.

### **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**

#### **I. Description of the main features of internal controlling and risk management applied at the Issuer's enterprise**

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 and transparent organisational structure,
- competent, knowledgeable and qualified persons participating in the process of internal controlling,
- management supervision of the system and regular evaluation of the Company's activity,
- verification of financial statements by an independent chartered accountant.

The features of the internal controlling permeate and overlap each other in the following areas:

- operational activity,
- financial activity,
- reporting process (including the preparation of financial statements),
- analysis of projects expenses, business expenses and overheads,
- risk management

This not only guarantees the efficiency of the internal controlling system, but also enhances the management of the whole Group. In order to optimise the process and make it more effective, the Company implemented an automatised process of internal controlling, which includes:

- decision limits (the acceptance of expenditure, overheads, payments, contractor's choice, bookkeeping of expenditure),
- supervision of limits concerning the employees who are independent of persons holding the limits, configuration of accounts (no possibility of manual booking in automatic accounts, transparency and ease of transferring information to be reported),
- automatic payments (generating a payment plan from the bookkeeping system into electronic banking systems),
- edc system (electronic document circulation) facilitating the process of circulation of expenditure invoices, expenditure acceptance and initial decrement.

## **II. Detailed description of the internal controlling system and risk management in the Issuer's company, with respect to the preparation of financial statements and consolidated financial statements**

The internal controlling system and risk management with regard to the preparation of financial statements and consolidated financial statements can be mainly characterised by:

- clear organisational structure,
- qualified employees,
- direct management supervision,
- verification of financial statements by an independent chartered accountant.

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.

During the financial year economic events are registered by the Registration Department in the Accounting Department. Their work is internally audited by the employees of the Reporting Department in the Accounting Department, all of whom hold the Minister of Finance certificates of professional bookkeeping (the so-called independent accountants). When all the predetermined book closing processes are completed, financial reports are developed.

Valuations recorded in the reports are prepared and submitted by the Budgeting and Forecasting Department to the Reporting Department. Employees of the Budgeting and Forecasting Department have knowledge of financial accounting (part of them are also independent accountants), management accounting and financial analysis. They also control the correct bookkeeping of the aforementioned valuations.

The whole process of completing the financial statements is supervised by the managers of the Accounting Department and Budget and Analysis Department. The Insurance and Payment Department is responsible for balance reconciliation with the banks. Internal controlling is an extensive process which involves employees of specific departments. This and the fact that it is supervised by the managers of the Financial Division allows for immediate correction of errors in the Company's books, in compliance with the accounting policy adopted by the Company.

The complete financial statements are reviewed by the Company's Financial Director before a submission to an independent auditor. In compliance with current legal regulations, the Company submits its financial reports for a review or analysis to a renowned and highly-qualified independent chartered accountant. The employees of the Departments involved in the financial statement preparation willingly provide any necessary explanations to the independent auditor.

## **III. Description of other systems of internal controlling and risk management in the Company with respect to the significance of financial and accounting system**

Internal controlling is a basic and significant part of the controlling process in the Company, which in turn is based on a budget system. 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.

The Company uses the budgets to update financial statement forecasts and cash flow forecasts, which are indispensable in risk management process. This process is based on formal principles existing within the Company and closely supervised by the Financial Director. The process involves the Management Board and middle and senior management of the Company, responsible for specific budgets. The Financial Division is responsible for the preparation and presentation, and the Property Management team is responsible for operation and maintenance costs. The same team is in turn responsible for internal controlling of expenditure and reporting on the budget implementation. Project Analysis and Controlling Team is responsible for a budget for construction projects, EST-ON financial analysts are responsible for a budget for operation & maintenance projects and the Budgeting and Forecasting Department is responsible for a budget related to overheads. The latter are also responsible for the forecasts of financial statements and cash flow. Next year budget is prepared every year and submitted for the approval of the Management Board of the Company.

The financial and accounting system of the Company is the source of data for the whole reporting system of the Company, i.e.:

- for the process of financial statement preparation,
- for periodical reports,
- for the management reporting system.

The whole reporting system applies the principles of financial and management accounting based on the accounting policy adopted by the Company (International Financial Reporting Standards). As a result, management reporting remains closely related to financial statements and accounts for the format and details of data presented in financial statements. The process of financial statements preparation has been described above, whereas periodical and management reporting derives from the process described above. As soon as the books are closed, reports on budget implementation and forecasts are prepared. The Company analyses in detail the financial results in comparison to the budget assumptions and forecasts made in a month prior to the analysed reporting period.

The key element of this process is monitoring any deviations from the plan and explaining their reasons. The monitoring and discovering of the reasons enables to optimise the Company's activity and to minimise the potential risks. During the first stages, reports on monthly implementation are analysed in detail by the middle and senior management of particular units of the Accounting Department and Budget and Analysis Department. Due to a specific character of the industry, analyses are conducted on many levels, i.e. not only particular expenditure groups are analysed, but also separate investment projects, segments and results. During the year, the Management Board of the Company analyses the current financial results and compares them with the budgets.

#### IV. Risk management in the Company

Effective internal controlling and reporting system, together with the reporting process, is a basic stage of risk identification and changes management. A correct evaluation of potential risks and control of current investments are crucial in minimising the Company's exposure to the risks. With this end in view, the Project Analysis and Controlling Department, the Financial Director of the Company and the Management Board of the Company apply and strictly follow investment models and decision-making procedures. Furthermore, all proposals and possible amendments to investment project budgets are transferred to the models of results forecast and cash flow forecast in order to look at the problem from a global perspective and eliminate risks not only related to the projects, but also to liquidity, exchange rates, etc. Such global risk management and monitoring, as well as internal controlling of all areas crucial to the Company eliminates considerably the majority of risks to which the Capital Group is exposed.

#### 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

Shareholder	Number of shares [pes.]	Percentage of share capital of Echo Investment S.A.	Number of votes at the General Meeting of Shareholders of Echo Investment S.A.	Percentage of the total number of votes at the General Meeting of Shareholders of Echo Investment S.A.
Michał Sołowow	169 916 580	40.46%	169 916 580	40.46%



(directly and indirectly)

ING OFE*	37 528 063	8.94%	37 528 063	8.94%
AVIVA OFE AVIVA BZ WBK*	36 683 460	8.73%	36 683 460	8.73%
PZU Złota Jesień OFE*	21 419 085	5.1%	21 419 085	5.1%

\* Balance according to annual structure of investment portfolios of the OFEs (Open Pension Funds) as at December 31, 2010

**Information obtained by Echo Investment in 2010 in relation to significant stakes**

On August 19, 2010 the Issuer obtained information from Aviva Powszechnie Towarzystwo Emerytalne [Aviva Universal Pension Fund] Aviva BZ WBK S.A. (AVIVA PTE). In accordance with Article 69 of Law 1 and Paragraph 4 of Public Offering Act of July 29, 2005 on public offer and the conditions for introducing financial instruments to the organised trading system, and on public companies (Journal of Laws 2009 No. 184 item. 1539, as amended), the Issuer hereby reports that Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK (AVIVA OFE), as a consequence of a sale of shares of Echo Investment S.A., decreased the number of shares held in the Company below 10% of votes in the General Meeting of Shareholders of Echo Investment S.A.

As at August 12, 2010, prior to the aforementioned sale transactions, AVIVA OFE held 42,680,018 shares of Echo Investment S.A., constituting 10.16% shares of the Issuer's share capital. These shares carried 42,680,018 votes constituting 10.16% of the total number of votes in the General Meeting of Shareholders of the Issuer.

After the conclusion and settlement of the aforementioned transactions, as at August 13, 2010, AVIVA OFE held 39,140,018 shares of Echo Investment S.A., constituting 9.32% in the share capital of the Issuer. These shares carried 39,140,018 votes constituting 9.32% of the total number of votes in the General Meeting of Shareholders of the Issuer.

On November 5, 2010 a Member of the Supervisory Board reported to the Issuer that on October 29, 2010 a closely-related person to him, a company FTF Galleon S.A., with its registered seat in Luxembourg at Charles de Gaulle 2-8, L-1635 Luxembourg, registered in the Commercial Companies Register in Luxembourg under number B 154340, where the aforementioned member holds a managing position, purchased ordinary bearer shares of Echo Investment S.A.. The Issuer's shares were purchased in the over-the-counter sale, in Luxembourg, as a result of an increase in the share capital of the closely-related person, by way of non-cash contribution of the Issuer's shares and in Poland as a result of an appropriate entry on the securities account. The Issuer's shares in a total number of 10,120,850 were purchased by an in-kind contribution at their market value, determined on the basis of an average-weighted price of the shares listed on the Warsaw Stock Exchange within the last six months, calculated until October 22, 2010, i.e. PLN 4.58 per share.

On November 10, 2010 the Issuer received notification in which the company Barcocal Investment Limited, with its registered seat at Agiou Pavlou 15 Street, Ledra House, Agios Andreas, 1105 Nicosia, the Republic of Cyprus, registered in the Department of Companies Registry and the Liquidator of the Republic of Cyprus (Companies Registry) at number HE 145969, reports that on November 4, 2010 it received from the District Court of Nicosia, with its registered seat in Nicosia, a notification dated on October 29, 2010 on the approval, with the effect on November 1, 2010, of a merger of Barcocal Investment Ltd. (Acquiring company) and Magellan Pro-Equity Fund I S.A., with its registered seat in Kielce (Acquired company), as a consequence of which Barcocal Investment Ltd. took over assets and liabilities of Magellan Pro-Equity Fund I S.A. by universal succession. Both companies are subsidiaries of Mr Michał Sołowow. As a consequence of the aforementioned merger, Barcocal Investment Ltd. increased the number of votes held to over 33 1/3% of the total number of votes in the General Meeting of Shareholders of Echo Investment S.A. Before November 1, 2010 Barcocal Investment Ltd. held 502,000 shares of Echo Investment S.A, constituting 0.12% in the share capital and 502,000 votes in the General Meeting of Shareholders constituting 0.12% of the total number of votes in the General Meeting of Shareholders of Echo Investment S.A.

As at a day of preparation of the aforementioned notification, after the approval of the merger of the aforementioned companies, Barcocal Investment Ltd. holds 141,911,680 of shares of Echo Investment S.A, constituting 33.79% in the share capital and 141,911,680 votes in the General Meeting of Shareholders constituting 33.79% votes in the General Meeting of Shareholders constituting.

Barcocal Investment Ltd. does not intend to acquire shares of Echo Investment S.A. in the next 12 months.

**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 assignment of ownership rights to 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 S.A..

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](http://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 therewithin

### THE MANAGEMENT BOARD OF ECHO INVESTMENT S.A. – MEMBERS IN 2010

As at December 31, 2010 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 2010

The Management Board of Echo Investment S.A. 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 S.A. 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 in 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 whereunder 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 2010 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, 2010 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 Waniółka Deputy Chairman 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

On May 26, 2010 the Ordinary General Meeting of the Shareholders of Echo Investment S.A. appointed six members of the Supervisory Board for the new term of office, on the basis of its Resolution No 18 on the appointment of the members of the Supervisory Board for the new term of office. As at May 26, 2010 the following supervising persons were appointed for a three-year term of office:

- Mr Wojciech Ciesielski
- Mr Andrzej Majcher
- Mr Mariusz Waniółka
- Mr Robert Oskard
- Mr Tomasz Kalwat
- Mr Karol Żbikowski

The composition of the Supervisory Board of the Echo Investment S.A. remained the same as during the previous term of office.

Members of the Supervisory Board of Echo Investment S.A.:

**Wojciech Ciesielski**

Age 48. Master's Degree in Law, graduate of the Department of Law and Administration of the Jagiellonski University, solicitor. A court trainee in the District Court in Kielce from 1987 to 1990, in 1990 passed the judge's exam. Head of legal team, procurator, member of board, member of supervisory boards in the companies owned by Michał Sołowow from 1991. Member of the supervisory board of „Orbis” from 2002 to 2004. Currently member of the supervisory board of Synthos S.A. On June 25, 2003 appointed as member of the Supervisory Board of Echo Investment S.A.

Mr Wojciech Ciesielski does not perform any functions not related to Echo Investment S.A. which might be competitive in relation to the Company's activity. He is neither a partner in a competitive civil law partnership or any other partnership, nor a member of a body in any corporation, or a member of a body in any other competitive company of a legal personality. Not entered in the Register of Insolvent Debtors kept in compliance with the National Court Register Act.

**Andrzej Majcher**

Age 48. Master's Degree in Engineering, graduate of the Department of Mechanics of Swietokrzyska Polytechnic in Kielce. Chief Mechanic in the Agricultural Building Company in Białobrzegi from 1987 to 1991. Head of group works in MITEX Building Company in Kielce from June 1991. Vice-president of ECHO PRESS Sp. z o.o. [ECHO PRESS Limited Liability Company] in Kielce from September 1993, Director from November 1993. President of the Management Board of Echo Investment S.A. from June 30, 1994 to March 26, 2007. On May 29, 2007 appointed as member of the Supervisory Board of Echo Investment S.A.

Since June 2007 has performed the function of the president of management board of the Polish Association of Developers.

Mr Andrzej Majcher does not perform any functions not related to Echo Investment S.A. which might be competitive in relation to the Company's activity. He is neither a partner in a competitive civil law partnership or any other partnership, nor a member of a body in any corporation, or a member of a body in any other competitive company of a legal personality. Not entered in the Register of Insolvent Debtors kept in compliance with the National Court Register Act.

**Mariusz Waniółka**

Age 44. Master's Degree in Economics, graduate of School of Economics in Cracow. Financial director in PepsiCo Trading Limited Liability Company from 1994 to 1996. Financial director in NOMI S.A. in Kielce from November 1996 to June 2001. Vice-president of the management board of NOMI S.A. from December 1997. Currently Administrative Director in Magellan Pro-Service Sp. z o.o. [Magellan Pro-Service Limited Liability Company], member of supervisory boards of: Cersanit S.A., Barlinek S.A., Sythnos S.A. On April 6, 2004 appointed as member of the Supervisory Board of Echo Investment S.A.

Mr Mariusz Waniółka does not perform any functions not related to Echo Investment S.A. which might be competitive in relation to the Company's activity. He is neither a partner in a competitive civil law partnership or any other partnership, nor a member of a body in any corporation, or a member of a body in any other competitive company of a legal personality. Not entered in the Register of Insolvent Debtors kept in compliance with the National Court Register Act.

**Robert Oskard**

Age 49. Graduate of the department of Technical Physics and Applied Mathematics of the Warsaw Polytechnic. Responsible for the design and programming of IT systems in the Factory of Rolling Bearings Iskra from 1987 - 1990, and Provincial IT Specialist in the Province Office in Kielce from 1990 to 1992. From 1992 to 2000 worked for Exbud S.A., among other things, as the Director of the Office of Planning and Economic Analysis, the Director of the Development Office and the Director of Office for Management Systems. From 2000 to 2002 Director of Strategic Projects in Echo Investment S.A, Managing Director in Columbus Pro-Equity Fund II Sp. z o.o. [Columbus Pro-Equity Fund II Limited Liability Company], and at present Managing Director in Magellan Pro-Equity Fund I S.A.

Currently a member of supervisory boards of:

- Echo Investment S.A. with its registered seat in Kielce,
- Synthos Kralupy a.s. with its registered seat in Kralupy-upon-Veltava (chairman),
- Barlinek S.A. with its registered seat in Kielce,
- North-Fish Polska S.A. with its registered seat in Kielce,
- Synthos S.A. with its registered seat in Oswiecim.

From 1996 to 2007 chairman and member of several other supervisory boards, including some publicly-owned companies.

Mr Robert Oskard does not perform any functions not related to Echo Investment S.A. which might be competitive in relation to the Company's activity. He is neither a partner in a competitive civil law partnership or any other partnership, nor a member of a body in any corporation, or a member of a body in any other competitive company of a legal personality. Not entered in the Register of Insolvent Debtors kept in compliance with the National Court Register Act.

**Tomasz Kalwat**

Age 34. Solicitor, graduate of the Department of Law of Warsaw University, the Department of Banking and Finance of Warsaw School of Economics and University of Ottawa. Winner of Edward Berry McDougall Scholarship. Author of a publication „Consolidated Financial Statements” and articles in the *Commercial Law Review* and the *Notary*. Lecturer in the Department of Law of Warsaw University from 2001 to 2006. Worked for, among others, Althimer&Gray (2001-2002), Baker&McKenzie (2004-2006). On May 30, 2006 appointed as member of the Supervisory Board of Echo Investment S.A.



Mr Tomasz Kalwat does not perform any functions not related to Echo Investment S.A. which might be competitive in relation to the Company's activity. He is neither a partner in a competitive civil law partnership or any other partnership, nor a member of a body in any corporation, or a member of a body in any other competitive company of a legal personality. Not entered in the Register of Insolvent Debtors kept in compliance with the National Court Register Act.

#### **Karol Żbikowski**

Age 40. Graduate of Warsaw School of Economics, Foreign Trade and Post-Graduate Studies in Investment Banking, London Guildhall University Programme at Gdansk School of Banking and Gdansk University. In 1994 obtained a broker's license. From 1994 to 1997 employed by Bank Handlowy in Warsaw S.A. Centre of Capital Operations. From 1997 to 2003 worked for Societe Generale Securities Polska S.A., where in 1997-1998 performed the functions of Member of Management Board – Trade Director, and since 1999 the functions of the President of the Management Board. From 2003 to 2005 advisor in Enterprise Investors, and in 2004-2005 partner in Investor Relations Partners. In 2005 consultant in the Management Board of Orbis S.A. President of the Management Board of IR Services Sp. z o.o. [IR Services Limited Liability Company] from December 2005. Managing Director in Unicredit CA IB Polska - Markets and Investment Banking from November 2006 to November 2007.

From April 2008 member of the management board of Wydawnictwa Szkolne i Pedagogiczne S.A.. Mr Karol Żbikowski was member of Supervisory Boards of Fasing S.A., Elektrim Telekomunikacja Sp. z o.o. and Cersanit S.A. At present member of the Supervisory Board of Echo investment S.A., and vice-president of the Supervisory Board of Elektrobudowa S.A..

Mr Karol Żbikowski does not perform any functions not related to Echo Investment S.A. which might be competitive in relation to the Company's activity. He is neither a partner in a competitive civil law partnership or any other partnership, nor a member of a body in any corporation, or a member of a body in any other competitive company of a legal personality. Not entered in the Register of Insolvent Debtors kept in compliance with the National Court Register Act.

On July 20, 2010, the Supervisory Board, in compliance with Paragraph 1 section 2 of the Rules and Regulations of the Supervisory Board of Echo Investment S.A., passed a resolution on the appointment of the Chairman and Vice-Chairmen of the Supervisory Board of Echo Investment S.A..

Mr Wojciech Ciesielski was appointed the Chairman of the Supervisory Board of Echo Investment S.A. and Mr Andrzej Majcher and Mr Mariusz Waniółka were appointed as Vice-Chairmen of the Supervisory Board of Echo Investment S.A.. Their term of office starts on July 20, 2010.

At present the Supervisory Board consists of the following members:

- Mr Wojciech Ciesielski	Chairman of the Supervisory Board
- Mr Andrzej Majcher	Deputy Chairman of the Supervisory Board
- Mr Mariusz Waniółka	Deputy Chairman 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

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

The Supervisory Board of Echo Investment S.A. 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 S.A. 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 thereof 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 the 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.

During the reporting period, from January 1 May 26, 2010 the Audit Committee consisted of the following persons:

- Mr Mariusz Waniółka – Chairman of the Audit Committee,
- Mr Robert Oskard – Member of the Audit Committee,
- Mr Tomasz Kalwat – Member of the Audit Committee.

The Supervisory Board of Echo Investment S.A. in relation to the expiry of term of office of its present members on May 26, 2010 decided that the Audit Committee should consist of three members and, on July 20, 2010, the Board appointed the following persons as members of the Audit Committee:

- Mr Mariusz Waniółka – Chairman of the Audit Committee,
- Mr Karol Żbikowski – Member of the Audit Committee,
- Mr Robert Oskard – Member of the Audit Committee.

A member of the Audit Committee, Mr Mariusz Waniółka, 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.



*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*

*Kielce, May 2, 2011 roku*

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