Consolidated annual report of Echo Investment Capital Group for 2011

ECHO
investment

CONTENTS

I. LETTER TO SHAREHOLDERS, PARTNERS AND CUSTOMERS

Dear Ladies and Gentlemen

First, on behalf of the Management Board, I would like to express my gratitude for all who contributed to another excellent year at Echo Investment. It is very important and precious that the organisation we have created continues to successfully implement projects in an often difficult economic environment. This merits even more respect and acknowledgement of the achievements and results in the previous financial year.

In 2011, Echo Investment achieved very good consolidated financial results: revenue amounted to nearly PLN 407 million, while net profit amounted to PLN 176 million. At the end of December 2011, total value of the company's assets amounted to nearly PLN 5.4 million and equity amounted to PLN 2.1 billion, which means a year-on-year increase by more than PLN 189 million. In late 2011, the company held nearly PLN 561 million worth of cash.

Profit was mainly influenced by the sale of the Warsaw office building Park Postępu and commercial facilities in Bełchatów and Pabianice. Another positive factor was the good result on the lease of commercial areas in new and previously erected objects as well as the revaluation of the fair value of developments held by Echo Investment. The 2011 revenue indicates stability and a systematic growth in the value of the held property portfolio. We continue to optimise our portfolio: we sell completed objects, start new developments and expand the existing ones. We will continue this process in the years to come.

In 2011, we consolidated our market position by completing our largest project: Galeria Echo in Kielce. This investment has been appreciated at the international property trade show MAPIC in the French city of Cannes, where it won in the category "Best enlarged retail development". We have also completed several residential and office developments, including the prestigious apartments Klimt House in the Warsaw district of Mokotów. We have continued to purchase attractive land properties to ensure growth potential for our company.

For 2012, we plan some new projects in all our business sectors, which, according to the adopted growth strategy, will allow us to complete our main objective: to ensure a stable and long-term growth of goodwill. Implementing developments intended for sale (apartments and hotels) and continued expansion of the investment portfolio (offices and shopping centres for lease) remain our core priorities. In the years to come, there will be more important commercial developments, with particular emphasis on increasing the size and quality of the offered space. Echo Investment intends to be an active player on the residential property market and to increase its revenue in this sector.

2012 will surely be full of new challenges. Our success is guaranteed by Echo Investment's strong, stable and leading market position, a strong and recognisable brand, and diverse resources, which are constantly developed. A continued consolidation of these assets will allow us to grow in a competitive environment, irrespective of the economic ups and downs.

The main objective for the coming years is to increase the Company's value.

As it was the case in the previous years, all our actions are guided towards a superior yet very simple objective: to produce the best results, ensuring a constant growth in the value of assets and profit dynamics of the Echo Investment Group, which is expected by our Shareholders.

Yours faithfully

Piotr Gromniak

President of the Management Board

II. CONSOLIDATED FINANCIAL STATEMENTS OF THE ECHO INVESTMENT CAPITAL GROUP FOR 2011

CONSOLIDATED ANNUAL STATEMENT OF FINANCIAL POSITION (PLN '000)

	NOTE	31.12.2011	31.12.2010
ASSETS			
1. Non-current assets			
1.1. Intangible assets	2	1,428	1,227
1.2. Property, plant and equipment	3	55,866	24,952
1.3. Long-term receivables	4	7	39
1.4. Investment property	5	2,893,756	2,808,083
1.5. Investment property under construction	5	1,047,624	689,039
1.6. Financial investments	6	106,019	4
1.7. Borrowings granted	7	-	21
1.8. Deferred income tax assets	8	42,201	15,404
		4,146,901	**3,538,769**
2. Current assets			
2.1. Inventories	9, 10	500,938	474,593
2.2. Income tax receivables		1,345	1,839
2.3. Other tax receivables		82,925	42,111
2.4. Trade and other receivables	11	73,663	52,491
2.5. Borrowings granted	7	161	1,039
2.6. Derivative financial instruments	12	-	828
2.7. Cash and cash equivalents	13	561,385	379,289
		1,220,417	**952,190**
TOTAL ASSETS		**5,367,318**	**4,490,959**

	NOTE	31.12.2011	31.12.2010
EQUITY AND LIABILITIES			
1. Equity			
1.1. Equity attributable to shareholders of the parent		2,064,213	1,875,575
1.1.1. Share capital	14	21,000	21,000
1.1.2. Supplementary capital	15	1,857,464	1,709,726
1.1.3. Accumulated profit (loss)		176,493	147,738
1.1.4. Foreign exchange differences on translation		9,256	(2,889)
1.2. Equity of non-controlling shareholders	16	(59)	(59)
		2,064,154	**1,875,516**
2. Provisions			
2.1. Long-term provisions	20	8,613	7,247
2.2. Short-term provisions	20	4,773	4,318
2.3. Deferred income tax long-term provision	8	280,323	239,870
		293,709	**251,435**
3. Long-term liabilities			
3.1. Loans and borrowings	17	2,241,553	1,746,175
3.2. Derivative financial instruments	12	13,169	10,310
3.3. Security deposits and advances received		40,413	40,439
3.4. Lease liabilities (perpetual usufruct of land)	18	76,688	56,756
		2,371,823	**1,853,680**
4. Short-term liabilities			
4.1. Loans and borrowings	17	317,499	325,200
4.2. Derivative financial instruments	12	20,670	8,586
4.3. Income tax liabilities		3,481	2,839
4.4. Other tax liabilities		16,434	37,964
4.5. Trade liabilities	19	192,528	102,550
4.6. Other liabilities	19	10,004	11,908
4.7. Security deposits and advances received		77,016	21,281
		637,632	**510,328**
TOTAL EQUITY AND LIABILITIES		**5,367,318**	**4,490,959**

	31.12.2011	31.12.2010
Book value (PLN '000)	2,064,213	1,875,575
Number of shares (in thousands)	420,000	420,000
Book value per share	4,91	4,47
Diluted number of shares	420,000	420,000
Diluted book value per share	4,91	4,47

CONSOLIDATED ANNUAL PROFIT AND LOSS ACCOUNT (PLN '000)

	NOTE	01.01.2011-31.12.2011	01.01.2010-31.12.2010
Revenue	21	406,935	426,396
Prime cost of sale	22	(161,082)	(167,941)
Gross profit (loss) on sales		**245,853**	**258,455**
Profit (loss) on investment property	23	349,706	(38,812)
Selling costs		(26,358)	(22,088)
General administrative expenses		(52,380)	(40,333)
Other operating revenue	24	36,660	25,034
Other operating costs	24	(14,116)	(13,565)
Operating profit		**539,365**	**168,691**
Financial revenue	25	1,819	6,806
Financial costs	25	(147,602)	(125,136)
Profit (loss) on FX derivatives	26	(18,522)	45,933
Foreign exchange profit (loss)	27	(175,349)	40,876
Share in profit of associates		-	162
Gross profit (loss)		**199,711**	**137,332**
Income tax	28	(23,243)	10,312
- current portion		(7,519)	(10,437)
- deferred portion		(15,724)	20,749
Net profit (loss), including:		**176,468**	**147,644**
Net profit (loss) attributable to shareholders of the parent company		176,493	147,738
Minority profits (losses)		(25)	(94)

Net profit (loss) attributable to shareholders of the parent company	176,493	147,738
Average weighted number of ordinary shares (in thousands)	420,000	420,000
Earnings (loss) per ordinary share (in PLN)	0,42	0,35
Average weighted diluted number of ordinary shares (in thousands)	420,000	420,000
Earnings (loss) per ordinary share (in PLN)	0,42	0,35

CONSOLIDATED ANNUAL STATEMENT OF COMPREHENSIVE INCOME (PLN '000)

	NOTE	01.01.2011-31.12.2011	01.01.2010-31.12.2010
Net profit		**176,468**	**147,644**
Other comprehensive income:			
- foreign exchange differences on translation of foreign operations		12,145	(5,849)
Other net comprehensive income		**12,145**	**(5,849)**
Comprehensive income for 12 months, including:		**188,613**	**141,795**
Comprehensive income attributable to shareholders of the parent company		188,638	141,889
Minority comprehensive income		(25)	(94)

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY (in '000 PLN)

	SHARE CAPITAL	SUPPLEMENTARY CAPITAL	ACCUMULATED PROFIT FOR THE CURRENT YEAR	FOREIGN EXCHANGE GAINS/LOSSES ON TRANSLATION	EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY	EQUITY OF NON-CONTROLLING SHAREHOLDERS	TOTAL EQUITY
FOR THE PERIOD FROM 1 JANUARY 2011 TO 31 DECEMBER 2011							
Balance at the beginning of the period	21,000	1,709,726	147,738	(2,889)	**1,875,575**	(59)	**1,875,516**
Allocation of result from previous years	-	147,738	(147,738)	-	**-**	-	**-**
Sale of interests in subsidiaries	-	-	-	-	**-**	25	**25**
Other comprehensive income	-	-	-	12,145	**12,145**	-	**12,145**
Net profit (loss) for the period	-	-	176,493	-	**176,493**	(25)	**176,468**
Total comprehensive income	-	-	176,493	12,145	**188,638**	(25)	**188,613**
Balance at the end of the period	**21,000**	**1,857,464**	**176,493**	**9 256**	**2,064,213**	**(59)**	**2,064,154**
FOR THE PERIOD FROM 1 JANUARY 2010 TO 31 DECEMBER 2010							
Balance at the beginning of the period	21,000	1,597,501	112,225	2,960	**1,733,686**	(8)	**1,733,678**
Allocation of result from previous years	-	112,225	(112,225)	-	**-**	-	**-**
Purchase of interests in subsidiaries	-	-	-	-	**-**	43	**43**
Other comprehensive income	-	-	-	(5,849)	**(5,849)**	-	**(5,849)**
Net profit (loss) for the period	-	-	147,738	-	**147,738**	(94)	**147,644**
Total comprehensive income	-	-	147,738	(5,849)	**141,889**	(94)	**141,795**
Balance at the end of the period	**21,000**	**1,709,726**	**147,738**	**(2,889)**	**1,875,575**	**(59)**	**1,875,516**

CONSOLIDATED CASH FLOW STATEMENT (PLN '000)

NOTE	01.01.2011-31.12.2011	01.01.2010-31.12.2010
A. Operating cash flow – indirect method		
I. Net profit (loss)	**176,468**	**147,644**
II. Total adjustments		
1. Share in net profits (losses) of associates	-	(162)
2. Depreciation of PP&E	7,873	4,011
3. Foreign exchange (gains) losses	175,349	(40,875)
4. Interest and profit sharing (dividend)	125,214	106,765
5. Current income tax	23,243	(10,312)
6. Income tax paid	(8,451)	(10,067)
7. (Profit) loss on investing activities	(333,716)	(67,193)
8. Movement in provisions	1,821	(5,085)
9. Movement in inventories	(23,805)	(52,699)
10. Movement in receivables	(43,600)	31,823
11. Movement in short-term liabilities, excluding loans and borrowings	63,167	(3,927)
	(12,905)	**(47,721)**
III. Net operating cash flow (I+/-II)	**163,563**	**99,923**
B. Cash flow from investing activities		
I. Proceeds		
1. Sale of intangible assets and property, plant and equipment	1,515	957
2. Sale of investments in real property and intangible assets	591,602	248,373
3. From financial assets	21,401	9,811
4. Other investment proceeds	-	-
	614,518	**259,141**
II. Expenditures		
1. Purchase of intangible assets and property, plant and equipment	(40,503)	(11,483)
2. Investments in real property and intangible assets	(625,483)	(184,027)
3. For financial assets	(105,903)	(122)
4. Other capital expenditures	-	-
	(771,889)	**(195,632)**
III. Net cash flow from investing activities (I-II)	**(157,371)**	**63,509**

CONSOLIDATED CASH FLOW STATEMENT (PLN '000), CONTINUED

	NOTE	01.01.2011-31.12.2011	01.01.2010-31.12.2010
C. Cash flow from financing activities			
I. Proceeds	-	-	-
1. Net proceeds from issue of shares (interests) and other equity instruments and capital contributions			
2. Loans and borrowings		348,380	290,931
3. Issue of debt securities		365,000	150,000
4. Other financial proceeds	-	-	-
		713,380	**440,931**
II. Expenditures			
1. Purchase of equity shares (interests)		-	-
2. Dividends and other payments to equity holders		-	-
3. Profit share expenses, other than payments to equity holders		-	-
4. Repayment of loans and borrowings		(184,276)	(171,670)
5. Redemption of debt securities		(220,000)	-
6. Due to FX derivatives		(8,715)	(105,903)
7. Payment of liabilities under finance lease agreements		(6)	(211)
8. Interest		(136,623)	(110,543)
9. Other financial expenditures		-	-
		(549,620)	**(388,327)**
III. Net cash flow from financing activities (I-II)		**163,760**	**52,604**
D. Total net cash flow (A.III+/-B.III+/-C.III)		169,952	216,036
E. Balance sheet movement in cash, including:		182,096	210,188
- movement in cash due to foreign exchange differences		12,144	(5,848)
F. Cash at the beginning of the period	29	379,289	169,101
G. Cash at the end of the period (F+/- E), including:	29	**561,385**	**379,289**
- restricted cash		57,174	38,923

INTRODUCTION

GENERAL INFORMATION

Echo Investment S.A. Capital Group's (later referred to as the "Group") core activity consists in the construction and renting out or sale of space in commercial, shopping and entertainment, office, hotel and residential buildings as well as trade in real property.

The Group's parent company is Echo Investment S.A. (later referred to as "Echo" or the "Company") with registered office in Kielce at al. Solidarności 36. The Company, formerly Echo Press" Sp. z o.o., was registered in Kielce on 23 July 1992. Echo is a Joint Stock Company entered into the National Court Register under no. 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 on the regulated market – construction industry.

The Company was established for an unlimited period of time.

As at 31 December 2010 and 31 December 2011, the Management Board of Echo Investment S.A. was composed of: President of the Management Board Piotr Gromniak and Vice-President of the Management Board Artur Langner. As at 31 December 2010 and 31 December 2011, the Supervisory Board was composed of: Chairman Wojciech Ciesielski, Vice-Chairman Andrzej Majcher, Vice-Chairman Mariusz Waniołka and the following members: Tomasz Kalwat, Robert Oskard and Karol Żbikowski. As at 31 December 2011, the Audit Committee was composed of: Mariusz Waniołka – Chairman, Robert Oskard and Karol Żbikowski.

As at 31 December 2011 and 31 December 2010, the Capital Group employed 324 and 308 people respectively.

INFORMATION ON THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated statements of the Echo Investment S.A. Capital Group include consolidated financial data for the 12-month period closed on 31 December 2011 and comparative data for the 12-month period closed on 31 December 2010. Unless indicated otherwise, all financial data in the Group's consolidated financial statements has been presented in thousands of PLN.

The reporting currency for the Group's financial statements is Polish złoty ("PLN"), which is the reporting and functional currency of the parent company. The Group comprises entities which use a different functional currency than PLN. The comparative data of these companies comprising these statements was converted to the Polish złoty in accordance with the IAS 21 principles. The balance sheet items were converted at the rate as at the balance sheet date, while the items of the profit and loss account were converted at the average rate for this period. FX differences resulting from the conversion have been recognised in other comprehensive income, and the accumulated amounts are under a separate equity item.

The statements have been prepared in accordance with the International Accounting Standards and International Financial Reporting Standards approved by the European Commission. The financial statements have been drawn up in accordance with the historical cost principle with the exception of investment property and financial instruments, which were measured at fair value. The statements have been drawn up according to the going concern principle as there are no circumstances indicating a threat to further activity.

The Group's Management Board used its best knowledge in the application of the standards and interpretations, as well as measurement methods and principles for the individual items of the consolidated financial statements for 2011.

INFORMATION ON ACCOUNTING STANDARDS AND INTERPRETATIONS OF IFRIC EFFECTIVE FROM 2011

When preparing these statements, the Group used new standards, amendments to standards and interpretations released by the IFRS Interpretations Committee, which apply to the Group's reporting period starting on 1 January 2011. The introduced amendments have not had any material effect on the presentation of data and measurement in the financial statements.

The Group has introduced the following interpretations:

Amendments to IAS "Related party disclosures"

Amendments to IFRS 24 "Related Party Disclosures" were published by the International Accounting Standards Board on 4 November 2009 and are effective for annual periods beginning on or after 1 January 2011. The amendments simplify the requirements for the disclosure of information by parties related to state institutions and define a related party in more detail.

Amendments to IAS 32, "Classification of rights issues"

The amendments to IAS 32, "Classification of rights issues", were published by the International Accounting Standards Board on 8 October 2009 and are effective for annual periods beginning on or after 1 February 2010. The amendments apply to rights issue accounting (rights, options, and warrants) denominated in a currency other than the issuer's functional currency. The amendments require that, when certain conditions are met, the rights issue is classified as equity, irrespective of the currency in which the price of the right is specified.

Improvements to IFRS 2010

On 6 May 2010, the International Accounting Standards Board published "Amendments to IFRS 2010", which include 7 standards. The improvements include changes in the presentation, recognition and measurement as well as terminological and editorial changes. Most of the changes will be effective for annual periods beginning on 1 January 2011.

Amendments to IFRS 1, "Limited exemption from comparative IFRS 7 disclosures for first-time adopters of IFRS"

The amendments to IFRS 1, "Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters", were published by the International Accounting Standards Board on 28 January 2010 and are effective for annual periods beginning on or after 1 July 2010. The amendments introduce additional exemptions for first-time adopters of IFRS regarding the disclosure of information required under amendments to IFRS 7 released in March 2009, involving measurement at fair value and liquidity risk.

Amendments to IFRIC 14, "Prepayments of a minimum funding requirement"

The amendments to IFRIC Interpretation 14 were published by the International Financial Reporting Interpretations Committee on 26 November 2009 and are effective for annual periods beginning on or after 1 January 2011. This interpretation includes guidelines for recognising an earlier payment of contributions for minimum funding requirements as assets in the entity making the payment.

Interpretation IFRIC 19 "Extinguishing financial liabilities with equity instruments"

IFRIC Interpretation 19 was published by the International Financial Reporting Interpretations Committee on 26 November 2009 and is effective for annual periods beginning on or after 1 July 2010. The interpretation clarifies the accounting treatment applied to the situation where, after renegotiation of debt terms by the undertaking, the liability is extinguished by the issue of equity instruments to the creditor. The interpretation requires the measurement of equity instruments at fair value and the recognition of profit or loss in the amount of the difference between the book value of a liability and the fair value of an equity instrument.

INFORMATION ON ACCOUNTING STANDARDS AND IFRIC INTERPRETATIONS TO BE INTRODUCED

By the day of preparing these financial statements, the International Accounting Standards Board and the International Financial Reporting Interpretations Committee issued the following standards and interpretations which were not yet effective and were not adopted earlier by the Group:

Amendments to IAS 1 "Presentation of financial statements"

The amendments to IAS 1 "Presentation of financial statements", regarding the presentation of the items of other comprehensive income, were published by the International Accounting Standards Board in June 2011 and are effective for annual periods beginning on or after 1 July 2012. The amendments require entities to classify the items presented under other comprehensive income into two groups, based on which whether they can be recognised in the financial result in the future. In addition, the name of the statement of comprehensive income was changed to "statement of profit or loss and other comprehensive income".

As at the day of preparing of these financial statements, the amendments to IAS 1 were not yet approved by the European Union.

The Group plans to apply the amendments to IAS 1 as of 1 January 2013. The application of these regulations will not significantly affect the Group's financial results.

Amendments to IAS 12, "Recovery of underlying assets"

The amendments to IAS 12, "Recovery of underlying assets", were published by the International Accounting Standards Board in December 2010 and are effective for annual periods beginning on or after 1 January 2012. The amendments relate to the measurement of liabilities and assets due to deferred tax on investment property measured at fair value according to IAS 40 "Investment property", and introduce a refutable presumption that the value of investment property may be fully recovered through sale. This presumption may be refuted, when an investment property is held in a business model whose purpose is to use all economic benefits represented by the investment property over time rather than at the moment of sale. SIC-21 "Income taxes – recovery of revalued non-depreciable assets", similarly addressing non-depreciable assets measured according to the revaluation model presented in IAS 16 "Property, plant and equipment", was included in IAS 12, except for guidelines on investment property measured at fair value.

As at the day of preparing of these financial statements, the amendments to IAS 12 were not yet approved by the European Union.

The Group plans to apply the amendments to IAS 12 as of 1 January 2012. The application of these regulations will not significantly affect the Group's financial results.

Amendments to IAS 19 "Employee benefits"

The amendments to IAS 19 "Employee benefits" were published by the International Accounting Standards Board in June 2011 and are effective for annual periods beginning on or after 1 January 2013. The amendments introduce new requirements for the recognition and measurement of costs of defined benefit schemes and benefits from the termination of employment, and change the required disclosures for all employee benefits.

As at the day of preparing of these financial statements, the amendments to IAS 19 were not yet approved by the European Union.

The Group plans to apply the amendments to IAS 19 as of 1 January 2013. The application of these regulations will not significantly affect the Group's financial results.

Amendments to IAS 27 "Separate financial statements"

The amended IAS 27 "Separate financial statements" was published by the International Accounting Standards Board in May 2011 and is effective for annual periods beginning on or after 1 January 2013. IAS 27 was amended in connection with the publication of IFRS 10 "Consolidated financial statements". The purpose of the amended IAS 27 is to define the requirements for the recognition and presentation of investments in subsidiaries, jointly controlled entities and associates, when the entity prepares separate financial statements. The guidelines regarding control and consolidated financial statements were replaced by IFRS 10.

As at the day of preparing of these financial statements, the amendments to IAS 27 were not yet approved by the European Union.

The Group plans to apply the amendments to IAS 27 as of 1 January 2013. The application of these regulations will not significantly affect the Group's financial results.

Amendments to IAS 28 "Investments in associates and joint ventures"

The amended IAS 28 "Investments in associates and joint ventures" was published by the International Accounting Standards Board in May 2011 and is effective for annual periods beginning on or after 1 January 2013. The amendments to IAS 28 resulted from the IASB's draft on joint ventures. The Board decided to include the principles for recognising joint ventures using the equity method in IAS 28 because this method applies to joint ventures as well as associates. Except for this one, the remaining guidelines remained unchanged.

As at the day of preparing of these financial statements, the amendments to IAS 28 were not yet approved by the European Union.

The Group plans to apply the amendments to IAS 28 as of 1 January 2013. The application of these regulations will not significantly affect the Group's financial results.

Amendments to IAS 32 "Financial Instruments: Presentation"

The amendments to IAS 32 "Financial instruments: presentation", regarding the compensation of financial assets and liabilities, were published by the International Accounting Standards Board in December 2011 and are effective for annual periods beginning on or after 1 January 2014. The amendments introduce additional explanations on the application of IAS 32 to clarify inconsistencies in the application of certain compensation criteria. They include an explanation of the phrase "*holding a valid legal title to compensation*" and explain that certain mechanisms for gross settlement may be regarded as a net settlement, when certain conditions are met.

As at the day of preparing of these financial statements, the amendments to IAS 32 were not yet approved by the European Union.

The Group plans to apply the amendments to IAS 32 as of 1 January 2014. The application of these regulations will not significantly affect the Group's financial results.

Amendments to IFRS 1 "First-time adoption of IFRS"

The amendments to IFRS 1 "First-time adoption of IFRS", regarding severe hyperinflation and removal of fixed dates for first-time adopters of IFRS, were published by the International Accounting Standards Board in December 2010 and are effective for annual periods beginning on or after 1 July 2011. The amendment regarding severe hyperinflation provides for an additional exemption, when an entity affected by severe hyperinflation resumes the preparation of its financial statements according to IFRS or adopts IFRS for the first time. The exemption allows an entity to select the measurement of assets and liabilities at fair value and to use the fair value as the default cost of these assets and liabilities at the opening balance in the first statement of financial position in line with IFRS. The IASB also amended IFRS 1 to exclude reference to fixed dates for a single exception and a single exemption in relation to financial assets and liabilities. The first amendment requires first-time adopters of IFRS to prospectively apply the requirements regarding the cancellation from the balance sheet as per IFRS as of the day of adoption of IFRS and not as of 1 January 2004. The second amendment applies to financial assets or liabilities disclosed at fair value during initial recognition, when the fair value is determined using measurement techniques in the absence of an active market, and allows for the application of guidelines prospectively as of the adoption of IFRS, i.e. as of 1 January 2004, and not as of 25 October 2002. This means that first-time adopters of IFRS do not have to determine the fair value of financial assets and liabilities before the adoption of IFRS. IFRS 9 was adjusted to these amendments as well.

As at the day of preparing of these financial statements, the amendments to IFRS 1 were not yet approved by the European Union.

The Group plans to apply the amendments to IFRS 1 as of 1 January 2012. The application of these regulations will not affect the Group's financial results.

Amendments to IFRS 7 "Financial Instruments: Disclosures" – transfer of financial assets

The amendments to IFRS 7, "Financial Instruments: Disclosures", regarding the transfer of financial assets, were published by the International Accounting Standards Board in October 2010 and are effective for annual periods beginning on or after 1 July 2011. The amendments require the disclosure of additional information on profit from the transfer of financial assets. They include the requirement to disclose, by types of assets, the nature, the carrying value and the description of risk and benefits related to financial assets which were transferred to another entity but still remain in the entity's balance sheet. It is also required to disclose information on the amount of a potential related liability and the relation between a given financial asset and the corresponding liability. In the event that financial assets are cancelled from the balance sheet but the entity is still exposed to certain risk and may obtain certain benefits related to the transferred asset, it is also required to disclose information allowing for the understanding of the effects of such risk.

The Group plans to apply the amendments to IFRS 7 as of 1 January 2012. The application of these regulations will not affect the Group's financial results.

Amendments to IFRS 7 "Financial Instruments: Disclosures" – compensation of assets and liabilities

The amendments to IFRS 7 regarding disclosures – compensation of financial assets and liabilities, were published by the International Accounting Standards Board in December 2011 and are effective for annual periods beginning on or after 1 January 2013. The amendments introduce the obligation of new disclosures to allow the users of financial statements to assess the actual or potential effects of arrangements allowing for a net settlement, including the rights to make a compensation.

As at the day of preparing of these financial statements, the amendments to IFRS 7 were not yet approved by the European Union.

The Group plans to apply the amendments to IFRS 7 as of 1 January 2013. The application of these regulations will not affect the Group's financial results.

IFRS 9 "Financial Instruments"

IFRS 9 "Financial Instruments" was published by the International Accounting Standards Board on 12 November 2009 and is effective for annual periods beginning on or after 1 January 2013. The standard introduces a single model with only two categories of classification: amortised cost and fair value. The approach of IFRS 9 is based on a business model use by an entity to manage assets, and on default characteristics of financial assets. IFRS 9 also requires that a single method is used for estimating the impairment of assets. Most of the requirements of IAS 39 regarding classification and measurement of financial liabilities were transferred unchanged to IFRS 9. The key change is that entities are required to present, in other comprehensive income, the effects of changes of their credit risk due to financial liabilities designated for measurement at fair value through the financial profit or loss.

As at the day of preparing of these financial statements, IFRS 9 was not yet approved by the European Union.

The Group plans to apply IFRS 9 as of 1 January 2015. The application of these regulations will not affect the Group's financial results.

IFRS 10 "Consolidated financial statements"

IFRS 10 was published by the International Accounting Standards Board in May 2011 and is effective for annual periods beginning on or after 1 January 2013. The new standard replaces control and consolidation guidance included in IAS 27 "Consolidated and separate financial statements" and in SIC-12 "Consolidation – special purpose entities". IFRS 10 changes the definition of control in such a way so that the same criteria for defining control apply for all entities. The amended definition is accompanied by comprehensive application guidance.

As at the day of preparing of these financial statements, IFRS 10 was not yet approved by the European Union.

The Group plans to apply IFRS 10 as of 1 January 2013. The application of these regulations will not affect the Group's financial results.

IFRS 11 "Joint arrangements"

IFRS 11 was published by the International Accounting Standards Board in May 2011 and is effective for annual periods beginning on or after 1 January 2013. The new standard supersedes IAS 31 "Interests in joint ventures" and SIC-13 "Jointly controlled entities – non-monetary contributions by venturers". The amendments to the definitions limit the number of joint arrangements to two instances: joint operations and joint ventures. At the same time, the existing option to select proportionate consolidation for jointly controlled entities was eliminated. All parties to joint ventures are currently obliged to recognise them using the equity method.

As at the day of preparing of these financial statements, IFRS 11 was not yet approved by the European Union.

The Group plans to apply IFRS 11 as of 1 January 2013. The application of these regulations will not affect the Group's financial results.

IFRS 12 “Disclosure of interests in other entities”

IFRS 12 was published by the International Accounting Standards Board in May 2011 and is effective for annual periods beginning on or after 1 January 2013. The new standard addresses entities holding interests in a subsidiary, a joint venture, an associate or in an unconsolidated entity managed under an agreement. The standard supersedes the requirements regarding the disclosures currently included in IAS 28 “Investments in associates”. IFRS 12 requires entities to disclose information that will help the users of financial statements assess the nature, risk and financial consequences of investments in subsidiaries, associates, joint ventures and unconsolidated entities managed under an agreement. To this end, the new standard introduces the requirement to disclose information regarding many areas, such as material judgements and assumptions adopted when determining whether an entity controls, jointly controls or has a significant influence on other entities; comprehensive information on the important of non-controlling interests on the business and the group’s cash flows; summarised financial data on subsidiaries with indication of significant non-controlling interests, and detailed information on interests in unconsolidated entities managed under an agreement.

As at the day of preparing of these financial statements, IFRS 12 was not yet approved by the European Union.

The Group plans to apply IFRS 12 as of 1 January 2013. The application of these regulations will not affect the Group’s financial results.

IFRS 13 “Fair value measurement”

IFRS 13 was published by the International Accounting Standards Board in May 2011 and is effective for annual periods beginning on or after 1 January 2013. The new standard is intended to improve the consistency and reduce the complexity by providing a more precise definition of fair value and include, in a single standard, the requirements for fair value measurement and the respective disclosures.

As at the day of preparing of these financial statements, IFRS 13 was not yet approved by the European Union.

The Group plans to apply IFRS 13 as of 1 January 2013. The application of these regulations will not affect the Group’s financial results.

IFRIC Interpretation 20 “Stripping costs in the production phase of a surface mine”

IFRIC 20 was published by the International Accounting Standards Board in October 2011 and is effective for annual periods beginning on or after 1 January 2013. The interpretation explains that stripping costs are recognised as current production costs according to the principles of IAS “Inventories”, if the benefit from stripping is the production of inventory. If stripping leads to improved access to mineral ore deposits, the entity should recognise these costs under non-current “stripping activity assets”, provided that specific interpretation criteria are met.

As at the day of preparing these financial statements, IFRIC 20 was not yet approved by the European Union.

The Group plans to apply IFRIC Interpretation 20 as of 1 January 2013. The application of these regulations will not affect the Group’s financial results.

MAIN ACCOUNTING PRINCIPLES

Intangible assets

Intangible assets are recognised, if it is likely that they will result in economic benefits directly attributable to these assets in the future. Intangible assets are initially recognised at the purchase price or the manufacturing cost. After the initial recognition, intangible assets are measured at the purchase price or the manufacturing cost, less amortisation and impairment losses.

Straight-line amortisation of intangible assets is applied over the expected useful life of intangible assets, which is verified on a quarterly basis. The estimated useful lives of assets are:

- for permits, patents, licenses, etc. – 2 years,
- for other items – 2 years.

Intangible assets are tested for impairment, if certain events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is disclosed in the amount by which the carrying value of an asset exceeds the recoverable value.

Goodwill of subsidiaries

Goodwill resulting from the purchase of interests or shares in subsidiaries is initially determined as a surplus of the purchase price of subsidiaries, plus any non-controlling interests in the acquired entity, and the fair value of previously held interests over the net fair value of identifiable assets, liabilities and contingent liabilities.

Following the initial recognition, goodwill is disclosed at the initial value less all accumulated impairment losses.

Goodwill is not amortised but it is tested for impairment. This verification involves an assignment of goodwill to specific assets of the Group (cash-generating centres – CGC – which are expected to produce synergies from the combination) and a comparison of these values with the measurement of such assets in the amounts recoverable.

Impairment is the surplus of the carrying value of CGCs, plus the portion of goodwill assigned to them, over the recoverable value, and is irreversibly recognised in the profit and loss account.

Impairment tests are conducted at least once a year, or more frequently, when certain events or changes indicate a potential impairment.

Property, plant and equipment

Property, plant and equipment include the Group's tangible assets.

The Group's tangible assets include:
- property (not leased and not intended for trading) used by the Group,
- machinery and equipment,
- means of transport,
- other.

PP&E is measured and presented in the statement at the purchase price or the manufacturing cost, less depreciation and impairment losses.

Land held by the Group is not depreciated and other PP&E is depreciated using straight-line method over their estimated useful life, which is verified on a quarterly basis. The estimated useful lives of assets are:
- for buildings and structures – 22 to 67 years,
- for machines and equipment – 2 to 5 years,
- for means of transport – 1.5 to 15 years,
- for other equipment – 5 years.

Further expenditures are recognised at the carrying value of a PP&E item or recognised as a separate tangible asset (where appropriate) only when it is probable that this item will result in economic benefits for the Group and the cost of a given item can be credibly measured. Any other expenditures on repairs and maintenance are recognised in the profit and loss account in the financial year in which they were incurred.

PP&E is tested for impairment, if certain events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is disclosed in the amount by which the carrying value of an asset exceeds the recoverable value, and is recognised in the profit and loss account. The recoverable value is one of the two amounts, whichever is higher: fair value of assets less selling costs or use value.

Profits and losses on the disposal of PP&E which constitute differences between sales revenue and the carrying value of a sold PP&E item are recognised in the profit and loss account under other operating revenue/costs.

Investment property

Investment properties include properties owned and leased out by the company along with land directly related to the properties as well as land purchased and held to increase value. Investment properties are initially recognised at purchase price/manufacturing cost. Land used by the Group under a finance lease agreement is disclosed and measured under investment property with the assumption that other criteria for classifying the property as investment property are met. In particular, perpetual usufruct of land is recognised and measured as finance lease.

In the process of erecting construction properties, the Group recognises them as investment property under construction and, once they are commissioned to use, it recognises them under investment property.

Following the initial recognition on the first balance sheet date, investment properties are disclosed at the fair value. Fair value is subject to a revaluation at least once every quarter. Profits or losses on changes in the fair value of investment property are recognised in the profit and loss account for the period in which they occurred.

Fair value of land and buildings measured at fair value is subject to a revaluation in such a way so that it reflects the market conditions at the end of the reporting period. Fair value of investment properties is the price for which a property could be subject to a transaction between well-informed, willing and unrelated parties. The fair value of real property generating constant income is determined by an entity with the investment method, by applying simple capitalisation technique as a division of a project's net operating income (NOI) and the capitalisation rate (Yield), taking into account the terms of lease, rent and other agreements in force. The yield is verified at least once a year by external property valuers. Net operating income (NOI) is revised every quarter based on the applicable lease agreements, and values expressed in EUR and USD are converted every quarter according to the applicable exchange rates published by the NBP. Fair value of property which is held for the purpose of increasing value and does not generate material income is determined by external property valuers using mainly the income approach.

The differences on the measurement of investment properties and the result on the sale of investment properties are recognised in the profit and loss account under profit (loss) on investment property.

All repair and maintenance costs of investment properties are disclosed as cost in the income statement for the period to which they pertain.

Investment property under construction includes the Group's investments which it intends to use in the future as investment properties for lease that are under construction. For investment property under construction where a significant portion of risks involved in the construction process is eliminated and a credible measurement is possible, the property is measured at fair value.

The Group has specified criteria which, when satisfied, lead to an analysis whether the material risks related to investment property under construction have been eliminated. These criteria include:

- procurement of a building permit,
- contracting construction works with a value of at least 30% of the investment's budget,
- at least 20% of area in the project under construction has been leased.

An important issue when analysing risks is the possibility and mode of funding the project.

Every investment property under construction is analysed individually for a possible fair value measurement, taking account of the overall economic situation, the availability of data for similar properties and expectations regarding the volatility of factors based on which measurement is conducted. Once the above criteria are satisfied, a given property is measured at fair value, provided that, according to the Group's estimates, materials risks involved in the construction of an investment property under construction have been eliminated.

In other situations, since it is not possible to conduct a credible fair value measurement, investment property under construction is measured at the purchase price or the manufacturing cost, less any impairment losses.

When measuring investment property under construction at fair value using the income approach, the Group takes account of the progress of a project at the end of the reporting period and the available credible data on the status of the real property when construction is completed. When measuring at the manufacturing cost, costs directly related to the unfinished investment are taken into consideration. They include expenditures on the purchase of land, design and construction of civil engineering objects (third party services mainly), capitalised and direct financial costs, and other costs incurred in the course of implementation that are directly related to the investment.

If the use of a property changes, the property is reclassified in the financial statements as appropriate. A property is reclassified and disclosed under PP&E or inventory at the previously disclosed fair value.

Lease

Lease is classified as finance lease, if the terms of the agreement essentially transfer all potential benefits and risks from holding an ownership title to an asset to the lessee. Operating lease is a lease arrangement where a significant portion of risks and benefits from the ownership title rests with the lessor (the financing party).

Operating lease payments are recognised as costs (if the Group is a lessee) or as revenue (if the Group is a lessor) in the profit and loss account, using the straight line method for the duration of the lease agreement.

Benefits received by the lessee and benefits due as incentive to conclude an operating lease agreement are recognised in the profit and loss account, using the straight-line method for the duration of the lease agreement

When the nature of the contract indicates that the lease payments will be accrued progressively for the duration of the agreement, the annual payments are depreciated with the straight line method.

Interests and shares in associates

Interests and shares in associates are disclosed in the financial statements according to the equity method, and are presented at the purchase price adjusted for the share in the profit/loss and other comprehensive income of an associate and subsequent impairment losses. On every balance sheet date, the Group verifies whether there are indications that interests in associates held by the Group are impaired, taking account of the current assts and liabilities of associates and probable expected cash flow generated by such entities. In the event of impairment, an impairment loss is recognised in the profit and loss account.

Inventories

The following items are recognised under inventories: semi-finished products and work-in-progress, finished products, goods and advances on deliveries. Given the specific nature of business, the purchased land or the incurred fees due to perpetual usufruct of land are classified as work-in-progress, if the land is intended for development and resale, or as goods, if the land is intended for sale. Work-in-progress also includes the incurred expenditures related to the process of implementing projects for sale (design costs, construction works, etc.). Finished products include mainly completed residential and commercial developments sold under final agreements.

Inventories of tangible current assets are measured at the purchase price of land and at the manufacturing costs of products in the property development business, plus capitalised financial costs.

Inventory is measured up to the net realisable value. This value is obtained based on information from the active market. A reversal of the inventory allowance is made due to the sale of an inventory item or increase in the net selling price. Inventory allowances disclosed in the period as cost and reversals of inventory write-downs disclosed in the period as a decrease of costs are presented in the income statement under prime cost of sale.

Financial instruments

The Group categorises its financial assets and liabilities as follows:

Financial assets or liabilities measured at the fair value through the profit and loss account – assets and liabilities purchased or incurred mainly for short-term sale or repurchase;

Investments held to maturity – financial assets which are not derivative instruments with fixed or determinable payments and fixed maturity which the Group has a strong intention and ability to hold to maturity;

Borrowings and receivables – financial assets which are not derivative instruments with fixed or determinable payments, not quoted on an active market;

Financial assets available for sale – non-derivative financial assets not classified as financial assets disclosed at the fair value through the profit and loss account, borrowings and receivables, and assets held to maturity.

Financial assets disclosed at the fair value through the profit and loss account

Financial assets disclosed at the fair value through the profit and loss account include:

- financial assets held for trade. A financial asset is included in this category, if it is purchased primarily for short-term sale.
- financial assets designated at initial recognition as measured at the fair value through the profit and loss account,
- derivatives which do not fulfil the criteria for hedge accounting.

These assets are classified as current assets, if they are intended for trade or are expected to be recovered within 12 months from the balance sheet date. In this category, the Group includes investments in securities.

Assets are entered into the books as at the transaction date and cancelled from the balance sheet when the contractual rights to cash flows from a financial asset expire, or when a financial asset is transferred along with all risks and benefits resulting from that asset.

Both at the entry date and at the balance sheet date, financial assets measured at the fair value through the profit and loss account are measured at their fair value.

Borrowings granted

Borrowings granted are non-derivative financial assets with a fixed or determinable payment, not quoted on an active market, and other than classified as financial assets disclosed at the fair value through the profit and loss account or other than available sale.

These assets are entered into the books as at the transaction date and cancelled from the balance sheet when the contractual rights to cash flows from a financial asset expire, or when a financial asset is transferred along with all risks and benefits resulting from that asset.

Borrowings granted are disclosed on the day of entry into the books at the fair value plus transaction costs and, subsequently, as at the balance sheet date, according to the amortised purchase price determined with the effective interest rate method.

Financial assets available for sale

Financial assets available for sale are entered into the books as at the transaction date and cancelled from the balance sheet when the contractual rights to cash flows from a financial asset expire, or when a financial asset is transferred along with all risks and benefits resulting from that asset.

As at the day of entry into the books, these assets are measured at the fair value plus transaction costs, while as at the balance sheet date, they are measured at the fair value, taking account of impairment losses recognised in other comprehensive income.

Profits or losses from movements in the fair value of an asset are recognised directly in other comprehensive income.

Assets available for sale include shares and interests in companies which are not subsidiaries and associates, are not quoted on an active market, and which comprise short-term or long-term assets.

Where it is not possible to determine their fair value, the assets are measured at the purchase price, less impairment losses, and the effects of the measurement are recognised in the financial profit or loss.

Trade receivables

Trade and other receivables are recognised in the balance sheet at the fair value and, subsequently, according to the amortised cost, less impairment losses. Receivables are revalued by creating a revaluation allowance, in consideration of how probable it is that the receivables will be repaid.

Revaluation allowances for trade and other receivables are created at the end of every quarter, if there is objective evidence that the Group will not receive all amounts due under the original terms of the receivables. Indications of impairment of receivables: severe financial problems of a debtor or delayed payments. The allowance amount is the difference between the carrying value of an item of receivables and the current value of the estimated prospective cash flows related to such an item. The amount of loss is recognised in the profit and loss account in “other operating costs”. Unrecoverable receivables are written down on the receivables provisions account. Subsequent repayments of the written-down receivables are recognised in “other operating revenue” in the profit and loss account.

Advances on deliveries are measured according to the expended cash and the received VAT invoices documenting the advances.

In principle, long-term trade receivables are measured according to the amortised cost. However, when the difference between the calculated value and the payable amount has no material effect on the Group’s financial results, such receivables are recognised in the balance sheet at the payable amount.

Cash and cash equivalents

Cash in bank and cash in hand, short-term deposits held to maturity and other financial assets (liquid debt instruments, easily convertible to cash) are measured at the nominal value.

Foreign currency cash is measured as at the reporting day. The same definition of cash applies to the cash flow statement.

Derivative instruments

Derivative instruments are recognised in the books when the Companies become a party to a binding agreement.

The Group uses derivatives to mitigate the FX or interest rate risk.

The Group does not apply hedge accounting.

As at the balance sheet date, derivatives are measured at their fair value. Derivatives with a positive fair value are financial assets, while derivatives with a negative fair value are financial liabilities.

Derivatives in the form of IRS contracts which are closely related to a concluded loan agreement and which cause a change of a variable interest rate to a fixed interest rate, with regard to the percentage loan volume defined in the agreement, are not separated from the base agreement but are included in the measurement of the loan liability using the amortised cost method (i.e. the loan is regarded as a fixed interest loan). Derivatives in the form of IRS contracts going beyond the volume specified in the loan agreement that are not closely related to the loan agreement are regarded as separate derivatives and are measured at the fair value through the financial result, separately from the loan liability.

The Group recognises the profit/loss from the measurement and settlement of derivatives which do not fulfil the hedge accounting criteria in operating revenue/costs, financial revenue/costs or profit/loss on FX derivatives respectively, depending on what a derivative involves, i.e.

- profit/loss on the measurement and settlement of IRS involving interest rates that change the loan interest from variable for fixed is recognised in financial costs;
- profit or loss on the measurement and settlement of derivatives involving FX rates (options, FX forwards) is recognised in profit (loss) on FX derivatives.

In the cash flow statement, this cash flow is disclosed as cash flow from investing or financing activities.

Financial guarantee agreements

Financial guarantee agreements are recognised as financial instruments, initially at the fair value (equal to a received bonus or estimated using measurement techniques) and, subsequently, at one of the two values, whichever is higher:

- amount of provision determined based on the estimated probable expenditure necessary to settle a liability under a guarantee agreement;
- initial value less amortisation allowances.

Financial guarantee agreements are also disclosed in off-balance sheet liabilities and receivables. On every balance sheet date, the Group verifies whether a payment is likely.

Income tax

Income tax on the profit or loss for the financial year includes current and deferred income tax. Income tax is recognised in the profit and loss account, except for amounts related to items recognised directly in equity; in this case, income tax is disclosed in other comprehensive income.

The current portion of income tax is the expected amount of tax on taxable income for a given year, calculated based on the tax rates determined as at the balance sheet date along with any tax adjustments for previous years.

Deferred tax is calculated with the balance sheet method as tax to be paid or reimbursed in the future on the differences between the carrying values of assets and liabilities and the corresponding tax values used to calculate the tax base. Deferred tax is also calculated on temporary differences from investments in subsidiaries, associates and joint ventures. For the calculation of deferred income tax, a tax rate is used which will apply in the reporting periods in which assets will be settled or liabilities will be released.

A deferred income tax provision is created for all positive temporary differences, except when the difference results from:

- initial recognition of goodwill, or
- initial recognition of an asset or a liability from a transaction other than a business combination, provided that this does not affect the financial result or the tax base at the time of the transaction.

Deferred income tax assets are created for all negative temporary differences up to the amount to which it is probable that taxable income will be generated, allowing for the deduction of negative temporary differences. An exception is when this difference results from the initial recognition of an asset or a liability from a transaction other than a business combination, provided that this does not affect the financial result or the tax base at the time of the transaction.

Deferred income tax assets due to tax loss and due to negative temporary differences are created up to the amount to which it is probable that tax income will be generated, allowing for the settlement of these differences and losses.

Deferred income tax assets and provisions are compensated when they involve income tax imposed by the same tax authority on the same tax payer, or when the Group companies have an enforceable legal title to compensation.

Deferred tax is not created for temporary differences on investments in subsidiaries, jointly controlled entities and associates, if the Group controls the reversal of these differences and the Group has the certainty that they will not be reversed in foreseeable future.

Deferred income tax is estimated on every balance sheet date by recognising differences in the profit and loss account or other comprehensive income, depending on where the item to which the tax relates is recognised.

Equity

Share capital is measured at the nominal value disclosed in the National Court Register. Differences between the fair value of a payment and the nominal value of shares are recognised in the share premium.

Supplementary capital comprises share premium and the profits of consolidated companies approved by the Ordinary GSM. The issue costs of shares, incurred when increasing the share capital, decrease the company’s supplementary capital down to the amount of the share premium.

Provisions

Provisions are established when the Group has a present obligation as a result of past events and when it is probable that the fulfilment of that obligation will involve an outflow of assets representing economic benefits and the amount of such obligation can be credibly estimated.

Provisions are measured at the current value of costs estimated by the Group's management according to its best knowledge which must be incurred to settle a current liability as at the balance sheet date.

Provisions for retirement benefits

According to the adopted principle, no provisions are established for retirement gratuities. Potential provisions would not materially affect the presented financial statements. When they occur, they will be accounted for on a cash basis.

Financial liabilities (including trade liabilities)

Financial liabilities include loans, borrowings, debt securities, not payable interest on bank loans accounted for according to the accrual principle as well as the discount of debt securities to be settled in subsequent accounting periods. Foreign currency loans are measured at the selling rate of the bank serving the company.

Financial liabilities are measured with the amortised cost of a liability item, according to IAS 39 (taking account of transaction costs). Measurement takes account of the risk and the possibility of an early repayment of long-term liabilities.

Trade liabilities are initially measured at the fair value and, subsequently, long-term liabilities are measured at the amortised cost. When the difference between the calculated value and the amount payable does not significantly affect the Group's financial results, such liabilities are recognised in the balance sheet at the amount payable. Advances on deliveries include invoiced advances (including advances on apartments) and non-invoiced advances.

METHODS OF DETERMINING THE FINANCIAL RESULT

The financial result is determined using the calculation method.

Operating revenue

Revenue from the sale of goods and products is disclosed at the fair value of the received or due payment, less rebates, discounts and taxes on the sale, and recognised at the moment of the delivery of goods and products and the transfer of risks and benefits from the ownership title to the goods and products to the buyer, and when the amount of revenue can be credibly determined.

In particular, revenue from the sale of residential and commercial premises constructed by the Group is recognised according to IAS 18 at the time of the transfer of the ownership title to these premises in a sale agreement, after the development is completed and the right to use the premises has been acquired.

Revenue from the lease of residential and commercial areas is recognised on a straight line basis for the duration of the concluded agreements.

Revenue from erecting civil engineering structures under long-term agreements is recognised according to IAS 11, based on the progress of construction works. The percentage progress of a service is determined as the ratio of the completed work on a given day to all works to be executed (in terms of the incurred costs). Other revenue from the sale of services is recognised in the period in which the services are provided.

Operating costs

Manufacturing costs of goods, products and services sold include the incurred costs related to revenue for the financial year and the costs accrued (according to the cost and income matching principle) but not yet incurred.

The costs of goods and products sold are measured at the manufacturing costs, using strict identification of actual costs of the sold assets or the percentage share, e.g.: of the sold land, interests, etc. In particular, the prime cost of the sold premises and land is determined proportionately to their share in the overall construction cost of an object and in the whole land comprising a project.

Financial costs

The financial costs related to the current period are recognised in the profit and loss account, except for costs capitalised according to IAS 23. The Group capitalises this portion of the financial costs which are directly related to the purchase and manufacturing of items of assets recognised as inventories and commenced investments. Capitalisation includes financial costs determined using the effective interest rate, comprising interest, discounts and commissions, less revenue from the temporary investment of cash (i.e. interest on bank deposits, except for deposits resulting from blocked accounts, letter of credit agreements), in the event of special purpose funding raised for a construction project.

Cash flow statement

The cash flow statement is prepared using the indirect method. Liabilities due to overdraft facilities are presented as debt due to loan and not as cash equivalents.

Consolidation

These financial statements of the Echo Investment S.A. Capital Group include separate financial statements of Echo Investment S.A. and its subsidiaries. Subsidiaries are all companies over which the Group exercises control, which is usually the case when the Company – either directly or through its subsidiaries – holds more than one half of a subsidiary's voting rights. Control is also exercised when the Company is able to affect an entity's operating and financial activity. Subsidiaries are consolidated from the moment when control is taken over them to the moment when control is lost.

As at the day of acquisition of (control over) a subsidiary, its assets and liabilities are measured at fair value. The surplus of the acquisition price plus the fair value of previously held interests and the value of non-controlling interests over the fair value of identifiable acquired net assets of an entity is recognised under assets in the balance sheet as goodwill. If the acquisition price, plus the fair value of previously held interests and the value of non-controlling interests, is lower than the fair value of identifiable acquired net assets of an entity, the difference is recognised as profit in the profit and loss account for the period in which the acquisition took place. Non-controlling interest is recognised at the attributable fair value of net assets or at the fair value.

The most important entity in the Capital Group structure is Echo Investment S.A., which is the owner of other entities in the group and supervises, co-implements and raises funds for the implementation of construction projects carried out by the Group. Companies which form the Group have been established or purchased in order to perform certain investment tasks and do not conduct any business activities other than those which follow from the process of implementing a particular project and which are related to providing rent services regarding assets linked to completed projects or other services.

All intra-group transactions and settlement balances are eliminated during the consolidation process. Elimination also involves the value of interest held by the Company and other consolidated entities in subsidiaries, which corresponds to the share of the Company and other consolidated Capital Group companies in the equity of subsidiaries.

As at 31 December 2011, the Echo Investment Capital Group comprises 79 fully consolidated subsidiaries and one jointly controlled entity consolidated with the proportionate method. Basic information about the financial data of jointly controlled entities is presented in note 31.

SUBSIDIARIES:

NAME OF COMPANY	REGISTERED OFFICE	% CAPITAL HELD AS AT 31.12.2011	31.12.2010	PARENT COMPANY
47 - Grupa Echo Sp. z o.o. S.K.A.	Kielce	100%	100%	XXXIV FIZ Forum
53 - Grupa Echo Sp. z o.o. S.K.A.	Kielce	100%	100%	XXXIV FIZ Forum
Astra Park Sp. z o.o.	Kielce	100%	100%	XXXIV FIZ Forum
Avatar - Projekt Echo - 93 Sp. z o.o. S.K.A.	Kielce	100%	100%	XXIX FIZ Forum
Babka Tower - Projekt Echo - 93 Sp. z o.o. S.K.A.	Kielce	100%	100%	XXIX FIZ Forum
Barconsel Holdings Ltd	Nicosia	100%	100%	Echo - SPV 7
Bełchatów - Grupa Echo Sp. z o.o. S.K.A.	Kielce	100%	100%	XXIX FIZ Forum
Budivelnuy Soyuz Monolit LLC	Kiev	100%	100%	Yevrobudgarant LLC
Echo – Arena Sp. z o.o.	Kielce	100%	100%	Echo Investment S.A.
Echo – Arena Sp. z o.o. Sp. kom.	Kielce	100%	100%	Echo Investment S.A.
Echo – Aurus Sp. z o.o.	Kielce	100%	100%	Echo Investment S.A.
Echo - Centrum Przemyśl - Projekt Echo - 93 Sp. z o.o. S.K.A.	Kielce	100%	100%	XXIX FIZ Forum
Echo - Galaxy Sp. z o.o.	Kielce	100%	100%	Echo Investment S.A.
Echo - Galaxy Sp. z o.o. S.K.A.	Szczecin	100%	100%	XXIX FIZ Forum

NAME OF COMPANY	REGISTERED OFFICE	% CAPITAL HELD AS AT 31.12.2011	31.12.2010	PARENT COMPANY
Echo – Galeria Kielce Sp. z o.o.	Kielce	100%	100%	XXIX FIZ Forum / XXXIV FIZ Forum
Echo – Galeria Lublin Sp. z o.o.	Lublin	100%	100%	Echo Investment S.A.
Echo – Kasztanowa Aleja Sp. z o.o.	Kielce	100%	100%	Echo Investment S.A.
Echo – Kasztanowa Aleja Sp. z o.o. Sp. kom.	Kielce	100%	100%	Echo Investment S.A.
Echo – Klimt House Sp. z o.o.	Kielce	100%	100%	Echo Investment S.A.
Echo – Klimt House Sp. z o.o. Sp. z kom.	Kielce	100%	100%	Echo Investment S.A.
Echo – Metropolis Sp. z o.o.	Kielce	100%	100%	XXXIV FIZ Forum
Echo – Pasaż Grunwaldzki Sp. z o.o.	Kielce	100%	100%	Echo Investment S.A.
Echo – Project Management Ingatlanhasznosito Kft.	Budapest	100%	100%	Echo Investment S.A.
Echo – Przy Słowiańskim Wzgórzu Sp. z o.o.	Kielce	100%	100%	Echo Investment S.A.
Echo – Przy Słowiańskim Wzgórzu Sp. z o.o. Sp. kom.	Kielce	100%	100%	Echo Investment S.A.
Echo - SPV 7 Sp. z o.o.	Kielce	100%	100%	Echo Investment S.A.
Echo Investment ACC - Grupa Echo Sp. z o.o. Sp. kom.	Kielce	100%	100%	Echo Investment S.A.
Echo Investment Facility Management - Grupa Echo Sp. z o.o. Sp. kom.	Kielce	100%	100%	Echo Investment S.A.
Echo Investment Hungary Ingatlanhasznosito Kft.	Budapest	100%	100%	Echo Investment S.A.
Echo Investment Project 1 S.R.L.	Bucharest	100%	100%	Echo Investment S.A.
Echo Investment Project Management S.R.L.	Bucharest	100%	100%	Echo Investment S.A.
Echo Investment Property Management - Grupa Echo Sp. z o.o. Sp. kom.	Kielce	100%	100%	Echo Investment S.A.
Echo Investment Ukraine LLC	Kiev	100%	100%	Echo Investment S.A.
EI – Project Cyp - 1 Ltd	Nicosia	100%	100%	Echo Investment S.A.
Galeria Olimpia – Projekt Echo – 98 Sp. z o.o. S.K.A.	Kielce	100%	100%	XXXIV FIZ Forum
Galeria Sudecka - Projekt Echo - 43 Sp. z o.o. S.K.A.	Jelenia Góra	100%	100%	XXIX FIZ Forum
Galeria Tarnów – Projekt Echo – 43 Sp. z o.o. S.K.A.	Kielce	100%	100%	XXIX FIZ Forum
Grupa Echo Sp. z o.o.	Kielce	100%	100%	Echo Investment S.A.
Grupa Echo Sp. z o.o. – 1 S.K.A.	Kielce	100%	100%	XXIX FIZ Forum
Malta Office Park - Projekt Echo - 96 Sp. z o.o. S.K.A.	Kielce	100%	100%	XXXIV FIZ Forum
Oxygen - Projekt Echo - 95 Sp. z o.o. S.K.A.	Kielce	100%	100%	XXIX FIZ Forum
Pamiątkowo Sp. z o.o.	Kielce	100%	100%	Echo Investment S.A.
Park Postępu - Projekt Echo - 93 Sp. z o.o. S.K.A.	Kielce	100%	100%	XXIX FIZ Forum
Pasaż Grunwaldzki – Magellan West Sp. z o.o. S.K.A.	Kielce	99,95%	100%	XXIX FIZ Forum
PHS – Projekt CS Sp. z o.o. S.K.A.	Szczecin	100%	100%	XXIX FIZ Forum

NAME OF COMPANY	REGISTERED OFFICE	% CAPITAL HELD AS AT 31.12.2011	31.12.2010	PARENT COMPANY
Pod Klonami Sp. z o.o.	Kielce	100%	100%	Projekt Naramowice Poznań Sp. z o.o.
PPR - Projekt Echo - 77 Sp. z o.o. S.K.A.	Kielce	100%	100%	XXIX FIZ Forum
Princess Investment Sp. z o.o.	Kielce	100%	100%	Echo Investment S.A.
Projekt CS Sp. z o.o.	Szczecin	100%	100%	Echo Investment S.A.
Projekt Echo - 30 Sp. z o.o.	Kielce	100%	100%	Echo Investment S.A.
Projekt Echo - 39 Sp. z o.o.	Kielce	100%	100%	Echo Investment S.A.
Projekt Echo - 43 Sp. z o.o.	Kielce	100%	100%	Echo Investment S.A.
Projekt Echo - 58 Sp. z o.o.	Kielce	100%	100%	XXIX FIZ Forum / XXXIV FIZ Forum
Projekt Echo - 59 Sp. z o.o.	Kielce	100%	100%	Echo - Aurus Sp. z o.o.
Projekt Echo - 67 Sp. z o.o.	Kielce	100%	100%	Echo Investment S.A.
Projekt Echo - 67 Sp. z o.o. Sp. kom.	Kielce	100%	100%	Echo Investment S.A.
Projekt Echo - 69 Sp. z o.o.	Kielce	100%	100%	Echo Investment S.A.
Projekt Echo - 70 Sp. z o.o.	Kielce	100%	100%	Echo Investment S.A.
Projekt Echo - 77 Sp. z o.o.	Kielce	100%	100%	Echo Investment S.A.
Projekt Echo - 93 Sp. z o.o.	Kielce	100%	100%	Echo Investment S.A.
Projekt Echo - 94 Sp. z o.o. Sp. kom.	Kielce	100%	100%	Echo Investment S.A.
Projekt Echo - 95 Sp. z o.o.	Kielce	100%	100%	Echo Investment S.A.
Projekt Echo - 96 Sp. z o.o.	Kielce	100%	100%	Echo Investment S.A.
Projekt Echo - 97 Sp. z o.o.	Kielce	100%	100%	Echo Investment S.A.
Projekt Echo - 98 Sp. z o.o.	Kielce	100%	100%	Echo Investment S.A.
Projekt Echo - 99 Sp. z o.o.	Kielce	100%	100%	Echo Investment S.A.
Projekt Echo - 100 Sp. z o.o.	Kielce	100%	100%	Echo Investment S.A.
Projekt Naramowice Poznań Sp. z o.o.	Kielce	100%	100%	XXXIV FIZ Forum
Projekt S Sp. z o.o.	Kielce	95%	95%	Echo Investment S.A.
Projekt 3 - Grupa Echo Sp. z o.o. S.K.A.	Kielce	100%	100%	XXXIV FIZ Forum
Projekt 4 - Grupa Echo Sp. z o.o. S.K.A.	Kielce	100%	100%	XXXIV FIZ Forum
Projekt 5 - Grupa Echo Sp. z o.o. S.K.A.	Kielce	100%	100%	XXXIV FIZ Forum
Projekt 6 - Grupa Echo Sp. z o.o. S.K.A.	Kielce	100%	100%	XXIX FIZ Forum
Projekt 7 - Grupa Echo Sp. z o.o. S.K.A.	Kielce	100%	100%	XXIX FIZ Forum
SPV - 1 Sp. z o.o.	Kielce	100%	100%	XXIX FIZ Forum
Ultra Marina Sp. z o.o.	Kielce	100%	100%	XXIX FIZ Forum / XXXIV FIZ Forum
Veneda - Projekt Echo -97 Sp. z o.o. S.K.A.	Kielce	100%	100%	XXXIV FIZ Forum

NAME OF COMPANY	REGISTERED OFFICE	% CAPITAL HELD AS AT 31.12.2011	% CAPITAL HELD AS AT 31.12.2010	PARENT COMPANY
Yevrobudgarant LLC	Kiev	100%	100%	EI – Project Cyp - 1 Ltd
Zakłady Ogrodnicze Naramowice Sp. z o.o.	Poznań	100%	100%	XXXIV FIZ Forum

The jointly controlled entity is Wan 11 Spółka z o.o., with its registered office in Warsaw (50% of interests controlled).

All certificates issued by XXIX FIZ Forum and XXXIV FIZ Forum are held by companies from the Echo Investment Capital Group.

Segment reporting

The Group's business segments are presented according to data from internal management reporting, which is analysed by the key operating decision-maker. The key operating decision-maker responsible for allocating resources and evaluating the results of the operating segments is the Management Board of Echo Investment S.A.

The following reporting segments, which correspond to the operating segments, have been defined in the Capital Group, based on the type of the implemented projects:

- residential areas (leasing out and sale of residential and commercial space),
- shopping centres (leasing out and sale of commercial and entertainment space),
- office buildings and hotels (leasing out and sale of office and hotel space).

The rules for determining the revenue and costs, measuring a segment's results, assets and liabilities are the accounting principles adopted for preparing and presenting the Group's consolidated financial statements and they relate specifically to segment reporting.

The measure of an operating segment's result is "gross sales profit/loss".

Financial data of segments is disclosed in notes 30A-30E to the financial statements.

ESTIMATES BY THE GROUP COMPANIES' MANAGEMENT BOARDS

To prepare the financial statements, the Group's Management Board had to make certain estimates and assumptions, which are reflected in the statements. The actual results may differ from the estimates. Main areas where the Management Boards' estimates materially affect the financial statements:

Investment property

The fair value of real property generating constant income is determined by an entity with the investment method, by applying simple capitalisation technique as a division of a project's net operating income (NOI) and the capitalisation rate (Yield). The yield is verified at least once a year by external property valuers. Net operating income (NOI) is revised every quarter based on the applicable lease agreements, and values expressed in EUR and USD are converted every quarter according to the applicable exchange rates published by the NBP.

Since most rent agreements concluded by the Group are denominated in EUR, the valuations of investment properties have been prepared in EUR and converted to PLN according to the average exchange rate of the NBP as at the balance sheet day. According to the Group's measurements, the total value of investment properties, as at 31 December 2011, was EUR 655,170 thousand (EUR 709,058 thousand as at 31 December 2010). The yields used to estimate fair value as at 31 December 2011 ranged from 7.25% to 9.95%. (and from 7.15% to 9.8%, as at 31 December 2010). The yields have been estimated by independent valuers (with certified professional qualifications) individually for every material investment property, taking into consideration the property's location and type. Prospective net operating income has been estimated independently for every investment property based on rent agreements existing as at the balance sheet day, the contracted revenue and expected maintenance costs of real property. Details are presented in notes 5A-5C.

At the end of the reporting period, the project under construction Outlet Park in Szczecin was measured at the fair value using the income method. The estimated term of completion of investment processes for this property is 8 months. Other projects under construction were characterised by execution risk levels which – according to the Management Board – did not allow for a credible estimate of the properties' fair value. The value of properties under construction measured with the income method was PLN 31,887 thousand (as at 31 December 2010: 0), and the value of other properties was PLN 1,010,443 thousand (as at 31 December 2010: PLN 689,039 thousand).

Financial instruments measured at fair value

The fair value of financial instruments (level 2 in the hierarchy of fair value) not traded on an active market is determined using measurement techniques. The company uses its own judgement when selecting the measurement method and makes assumptions based on market conditions on each balance sheet day. In particular, the concluded forward contracts and option contracts are measured based on measurements provided by the banks (note 12), which use data such as current and historic exchange rates, and interest rates on deposits (WIBOR, EURIBOR).

Inventories

When estimating the revaluation allowance for inventory held by the Company as at the balance sheet day, information from the active market regarding the expected sales prices and current market trends as well as information from preliminary sales agreements concluded by the Company is analysed. Assumptions used when calculating the allowance mainly relate to market prices of property applicable in a given market segment or are based on the concluded sale agreements. In the case of land recognised under inventory, the value of the allowances is due to the usefulness of land for the Company's current and prospective business estimated by the Management Board.

Deferred income tax

The Company's Management Board is obliged to assess the probability of the settlement of the deferred income tax asset and provision. When preparing the financial statements, the Company estimates the value of the deferred income tax provision and asset based on, among other things, the value of prospective income tax burden. The process involves analysing current income tax burden and the value of temporary differences from different treatment of transactions in terms of fiscal and accounting aspects, resulting in the creation of deferred income tax assets and provisions.

A number of assumptions are adopted for determining the value of deferred income tax assets in the assessment process described above. The above estimates take account of fiscal forecasts, historic tax burden, currently available strategies for planning the Company's operating activity and timelines for realising the individual temporary differences. Since the above estimates may change due to external factors, the Company may periodically adjust the deferred income tax assets, which in turn may affect the Company's financial standing and performance (note 8).

FINANCIAL RISK MANAGEMENT

Price risk

The price risk is not material. The Company does not trade in securities on any active market. Objectives and information regarding the management of market risk of derivatives are described under note 12B. The types of the instruments used are listed in Basic accounting principles: Financial instruments (before).

Risk of changes in cash flows and fair value related to interest rate

The Group's exposure to the interest rate risk is related to financial assets and liabilities, in particular the granted borrowings, the acquired bonds, the received bank loans (taking account of the concluded interest rate swaps) and the issued bonds. Borrowings, loans and bonds bearing a variable interest rate expose the Group to the interest rate risk, while borrowings and loans with a fixed interest rate expose the Group to variations of the fair value of financial instruments. In addition, the Group is exposed to the risk of interest rate variations when raising a new loan or refinancing an existing long-term debt.

Based on various scenarios, the Group manages its risk of changes in cash flows as a result of interest rate variations, using interest rate swaps which convert the interest rate for selected loans or loan tranches from variable to fixed. The economic effect of these swaps is the conversion of debt instruments with a variable interest rate into debt instruments with a fixed interest rate. Based on arrangements regarding interest rate swaps, the Group and other parties undertake to swap, at specified intervals (typically every month), the difference between the fixed and variable interest rates determined based on a specified base amount. The Company uses these financial instruments only to hedge against risk and does not use them for speculation; however, no hedge accounting is used.

As at 31 December 2011, 44.0% of liabilities due to loans and debt securities had fixed interest rates (swaps), and the remaining portion had variable rates.

EXPOSURE TO VARIATIONS OF INTEREST RATES ON THE PURCHASED BONDS (PLN '000):	
Bonds as at 31.12.2011	106,018
Estimated change of interest rates	+/- 1 pp
Change in revenue due to interest rate variations (in a year)	1,060
Estimated (deferred) income tax	201
Net effect on the result	859
In 2010, the Group did not hold any bonds.	

EXPOSURE TO VARIATIONS OF INTEREST RATES ON THE RECEIVED LOANS AND DEBT SECURITIES (PLN '000):	
Liabilities due to loans and debt securities as at 31.12.2011	1,433,069
Financial costs due to interest	79,171
Estimated change of interest rates	+/- 1 pp
Change in financial costs due to interest rate variations (in a year)	14,331
Estimated (deferred) income tax	2,723
Net effect on the result	11,608
Liabilities due to loans and debt securities as at 31.12.2010	956,975
Financial costs due to interest	41,872
Estimated change of interest rates	+/- 1 pp
Change in financial costs due to interest rate variations (in a year)	9,570
Estimated (deferred) income tax	1,818
Net effect on the result	7,752

EXPOSURE TO VARIATIONS OF INTEREST RATES ON CASH AND DEPOSITS (PLN '000):	
Cash and deposits as at 31.12.2011	561,385
Revenue from interest on deposits	20,168
Estimated change of interest rates	+/- 1 pp
Change in revenue due to interest rate variations (in a year)	5,614
Estimated (deferred) income tax	1,067
Net effect on the result	4,547
Cash and deposits as at 31.12.2010	379,289
Revenue from interest on deposits	8,093
Estimated change of interest rates	+/- 1 pp
Change in revenue due to interest rate variations (in a year)	3,793
Estimated (deferred) income tax	721
Net effect on the result	3,072

FX risk

Foreign exchange risk is related to investment loans raised in foreign currencies (mostly in euro) in the Group. This risk occurs in two types of financial operations:

- Conversion of the received loans (loan tranches) from EUR to PLN:

  To reduce the risk related to the conversion of loans, the Group concludes forwards on the future FX market in the value of the planned cash flows.

- Repayment of loan instalments:

  In this case, the Group uses natural hedge: Agreements with tenants are denominated in the currency of the loan that was raised to fund a given investment. Payments from tenants are used to repay the loans. This relation between funding and the sources of revenue reduces the FX risk to a minimum or eliminates it completely.

In 2011, to hedge against the FX risk, the Group established a hedge on the future FX market by opening positions in derivatives, hedging the EUR/PLN exchange rate. As a result of opening these positions, a portion of the Group's cash flow in 2012 is hedged (EUR 77.0 million). The transactions concluded under agreements with banks were not of a speculative nature and were concluded as part of the hedge policy (however, the Group did not treat them as hedge accounting, as stipulated by IAS 39) in order to secure prospective cash flows from the conversion of loan tranches in EUR and from operating revenue.

The Group runs a consistent policy for managing the FX risk and constantly monitors the risk areas, using the available strategies and mechanisms, to minimise any negative effects of market volatility and to secure the cash flow.

EXPOSURE TO VARIATIONS OF THE EUR EXCHANGE RATE ON LOANS GRANTED (PLN '000):	
Liabilities due to loans in EUR as at 31.12.2011	1,632,879
Estimated change of the EUR exchange rate	+/- 1 pp
FX differences due to FX variations	16,329
Estimated (deferred) income tax	3,103
Net effect on the result	13,226
Liabilities due to loans in EUR as at 31.12.2010	1,301,425
Estimated change of the EUR exchange rate	+/- 1 pp
FX differences due to FX variations	13,014
Estimated (deferred) income tax	2,473
Net effect on the result	10,541

Credit risk

The credit risk occurs in relation to cash, financial derivatives which are financial assets, the purchased bonds and deposits in banks and financial institutions as well as, in relation to the Group's customers and tenants, in the form of unsettled amounts due (insolvency risk). The Group has procedures in place to protect the credit worthiness of its customers and tenants; security deposits and guarantees are also used for tenants. There is no significant concentration of risk in relation to any of the Group's customers. The Group uses services provided by renowned financial institutions and banks; it keeps its cash mainly in PKO BP S.A.. (rating "A" according to Standard and Poor's) and Pekao S.A. (rating "BBB+" according to Standard and Poor's). The bonds were purchased from companies with whom the Group cooperates, and it constantly monitors their financial standing.

Liquidity risk

The liquidity risk occurs when the Group is unable to settle its financial liabilities in due time. The Group manages the liquidity risk by maintaining an adequate amount of reserve capital, using bank services and reserve loan facilities, and by constantly monitoring the forecast and actual cash flows. Given the dynamic nature of its business, the Company ensures flexible funding through the availability of cash and by diversifying the sources of funding.

The Company has sufficient cash to settle all liabilities in due time. In the long term, the liquidity risk is minimised by the available bank loans. At any time, the Group may use funds from the loan facilities granted by banks.

The analyses of the Group's financial liabilities and derivatives settled in the net amount which will be settled at specific maturities, based on the period remaining until the contractual maturity as at the balance sheet date, have been presented in the respective notes: loans, borrowings and debt securities – note 17B, derivative financial instruments – note 12B, trade and other liabilities – note 19.

EQUITY RISK MANAGEMENT

The Group's objective in terms of capital management is to protect the Group's ability to continue its business, allowing for the generation of returns for the shareholders and benefits for other stakeholders, and to maintain an optimal structure of capital to reduce its cost.

When managing this risk, the Group makes decisions on the financial leverage, the dividend policy, the issue of new shares, the repurchase and subsequent redemption or resale of the issued shares, or the sale of assets to reduce debt. Similarly to other businesses in this industry, the Group monitors equity using, for instance, debt ratios. This ratio is calculated as the relation between net debt and total equity. The net debt is calculated as the sum of loans and borrowings (including current and long-term loans and borrowings disclosed in the balance sheet) less cash and cash equivalents. The total value of capital is calculated as equity disclosed in the balance sheet along with the net debt.

DEBT RATIOS AS AT 31 DECEMBER 2010 AND 31 DECEMBER 2011:

	31.12.2011	31.12.2010
Total loans (note 17C)	2,559,052	2,071,375
Cash and cash equivalents (note 13A)	-561,385	-379,289
Net debt	1,997,667	1,692,086
Total equity	2,064,213	1,875,575
Total capital (equity and loans/borrowings)	4,061,880	3,567,661
Debt ratio	49.18%	47.43%

The values of the presented ratios were in line with the Group's financial assumptions.

INFORMATION ON MATERIAL POST-BALANCE SHEET EVENTS

On 18 January 2012, the Management Board of Echo Investment S.A. passed a resolution on adopting Echo Investment S.A.'s equity share redemption programme.

On 19 January 2012, the Management Board of Echo Investment S.A., via its subsidiary Park Postępu - Projekt Echo - 93 Spółka z ograniczoną odpowiedzialnością spółka komandytowo – akcyjna, with its registered office in Kielce ("Calling Party") decided, pursuant to article 72, section 1 of the Act of 29 July 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and on Public Companies, to call for subscription for the sale of the Company's shares, intended for the redemption and/or resale of 42,000,420 (forty-two million, four hundred and twenty) equity shares of Echo Investment S.A. with a nominal value of PLN 0.05 (five grosz) each, for a price of PLN 3.90 (three złoty and ninety grosz) per share.

On 24 February 2012, as part of the call to subscribe for the sale of the shares of Echo Investment S.A., Park Postępu-Projekt Echo-93 Spółka z ograniczoną odpowiedzialnością spółka komandytowo – akcyjna (Company, Calling Party), a subsidiary of the Issuer, concluded purchase transactions for 7,309,418 (seven million, three hundred and nine thousand, four hundred and eighteen) of Echo Investment S.A.'s shares for a price of PLN 3.9 per share, which represent 1.74% of the share capital of Echo Investment S.A. and are vested with 7,309,418 votes, representing 1.74% of the overall number of votes at the General Meeting of Echo Investment S.A.

On 15 March 2012, entities from Echo Investment S.A.'s group signed lease agreements for commercial area in shopping centres in Jelenia Góra, Radom, Piotrków Trybunalski and Tarnów for a period of 10 years with real,- Spółka z ograniczoną odpowiedzialnością i Spółka, Spółka komandytowa, with its registered office in Warsaw (02-183), Al. Krakowska 61 (Tenant).

TRANSACTIONS WITH RELATED PARTIES

In 2011, as a result of transactions with related parties, the Echo Investment S.A. Capital Group purchased bonds of a jointly controlled entity for PLN 60 million via a major investor, held receivables from jointly controlled entities in the amount of PLN 2,531 thousand and generated revenue on jointly controlled entities in the amount of PLN 6,046 thousand.

In 2010, the Group did not conclude transactions with related parties.

INFORMATION ON REMUNERATION OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

Managers of Echo Investment S.A. received remuneration in Echo Investment S.A. and for exercising functions in the bodies of subsidiaries, jointly controlled entities and associates:

- Piotr Gromniak received remuneration in Echo Investment S.A. in a total amount of PLN 793 thousand in 2011 (PLN 818 thousand in 2010); he did not receive remuneration for exercising functions in the bodies of subsidiaries, jointly controlled entities and associates;
- Artur Langner received remuneration in Echo Investment S.A. in a total amount of PLN 753 thousand in 2011 (PLN 774 thousand in 2010); he did not receive remuneration for exercising functions in the bodies of subsidiaries, jointly controlled entities and associates.

Supervisory staff of Echo Investment S.A. received the following remuneration in Echo Investment S.A. for holding supervisory functions in the Company:

- Wojciech Ciesielski received remuneration in Echo Investment S.A. in a total amount of PLN 84 thousand in 2011 (PLN 84 thousand in 2010); he did not receive remuneration for exercising functions in the bodies of subsidiaries, jointly controlled entities and associates;
- Andrzej Majcher received remuneration in Echo Investment S.A. in a total amount of PLN 60 thousand in 2011 (PLN 60 thousand in 2010); he did not receive remuneration for exercising functions in the bodies of subsidiaries, jointly controlled entities and associates;
- Mariusz Waniołka received remuneration in Echo Investment S.A. in a total amount of PLN 60 thousand in 2011 (PLN 60 thousand in 2010); he did not receive remuneration for exercising functions in the bodies of subsidiaries, jointly controlled entities and associates;
- Robert Oskard received remuneration in Echo Investment S.A. in a total amount of PLN 36 thousand in 2011 (PLN 36 thousand in 2010); he did not receive remuneration for exercising functions in the bodies of subsidiaries, jointly controlled entities and associates;
- Karol Żbikowski received remuneration in Echo Investment S.A. in a total amount of PLN 36 thousand in 2011 (PLN 36 thousand in 2010); he did not receive remuneration for exercising functions in the bodies of subsidiaries, jointly controlled entities and associates;
- Tomasz Kalwat received remuneration in Echo Investment S.A. in a total amount of PLN 36 thousand in 2011 (PLN 36 thousand in 2010); he did not receive remuneration for exercising functions in the bodies of subsidiaries, jointly controlled entities and associates.

EXPLANATORY NOTES

EXPLANATORY NOTES TO THE BALANCE SHEET

NOTE 1

OFF-BALANCE SHEET ITEMS (PLN '000)	31.12.2011	31.12.2010
1. Contingent liabilities		
1.1 Due to related parties:	-	-
1.2 Due to other entities:		
a) guarantees and sureties granted	-	600
b) court cases	-	-
	-	600
Total contingent liabilities	**-**	**600**

Contingent liabilities are presented at nominal value, which does not deviate from the fair value.

As at 31 December 2011, the Group held investment liabilities due to the concluded contracts for prospective implementation of commenced and planned construction projects in the amount of PLN 410,564 thousand (PLN 162,259 thousand as at 31 December 2010). It is estimated that these liabilities will be funded from the available cash as part of current funding or special purpose borrowed funds or as part of existing and new sale agreements.

NOTE 2A

INTANGIBLE ASSETS (PLN '000)	31.12.2011	31.12.2010
a) purchased permits, patents, licences and similar assets, including:	1,428	1,219
b) other intangible assets	-	8
Total intangible assets	**1,428**	**1,227**

NOTE 2B

MOVEMENTS IN INTANGIBLE ASSETS (BY TYPES) (PLN '000)			
FOR THE PERIOD 01.01.2011 - 31.12.2011	PURCHASED PERMITS, PATENTS, LICENSES AND SIMILAR ASSETS	OTHER INTANGIBLE ASSETS	TOTAL INTANGIBLE ASSETS
a) gross intangible assets			
at the beginning of the period	4,926	17	4,943
b) movement (due to)			
- purchase	845		845
- liquidation	-525	-15	-540
c) gross intangible assets			
at the end of the period	5,246	2	5,248
d) accumulated amortisation at the beginning of the period	3,707	9	3,716
e) amortisation for the period (due to)			
- amortisation	449		449
- liquidation	-338	-7	-345
f) accumulated amortisation (depreciation) at the end of the period	3,818	2	3,820
g) net intangible assets at the end of the period	1,428	-	1,428

NOTE 2B, CONTINUED

FOR THE PERIOD 01.01.2010 - 31.12.2010	PURCHASED PERMITS, PATENTS, LICENSES AND SIMILAR ASSETS	OTHER INTANGIBLE ASSETS	TOTAL INTANGIBLE ASSETS
a) gross value of intangible assets at the beginning of the period	4,148	17	4,165
b) movement (due to)			
- purchase	778	-	778
c) gross value of intangible assets at the end of the period	4,926	17	4,943
d) accumulated amortisation at the beginning of the period	3,105	9	3,114
e) amortisation for the period (due to)			
- amortisation	602	-	602
f) accumulated amortisation (depreciation) at the end of the period	3,707	9	3,716
g) net intangible assets at the end of the period	1,219	8	1,227

NOTE 3A

PROPERTY, PLANT AND EQUIPMENT (PLN '000)	31.12.2011	31.12.2010
a) land (including the right of perpetual usufruct of land)	7,781	5,777
b) buildings, premises, civil and maritime engineering structures	34,042	4,817
c) plant and machinery	1,719	1,005
d) means of transport	10,708	12,203
e) other PP&E	1,616	1,150
Total property, plant and equipment	**55,866**	**24,952**

NOTE 3B

MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT (BY TYPES) (PLN '000)						
FOR THE PERIOD 01.01.2011 - 31.12.2011	OWN LAND	BUILDINGS AND STRUCTURES	PLANT AND MACHINERY	MEANS OF TRANSPORT	OTHER	TOTAL PP&E
a) gross value of PP&E at the beginning of the period	12,135	5,786	7,329	26,345	4,011	55,606
b) increases due to:						
- purchase	2,146	30,174	1,991	1,824	943	37,078
c) decreases due to:						
- sale	(142)	(520)	(243)	(7,416)	(36)	(8,357)
- liquidation	-	(15)	(1,230)	-	(427)	(1,672)
- consolidation adjustments						
d) gross value of PP&E at the end of the period	**14,139**	**35,425**	**7,847**	**20,753**	**4,491**	**82,655**
e) accumulated depreciation at the beginning of the period	69	969	6,324	14,142	2,861	24,365
f) depreciation for the period (due to)						
- depreciation	1	455	1,151	1,919	477	4,003
- liquidation	-	(12)	(1,121)	(2,934)	(427)	(4,494)
- sales adjustment	(1)	(29)	(226)	(3,082)	(36)	(3,374)
g) accumulated depreciation at the end of the period	**69**	**1,383**	**6,128**	**10,045**	**2,875**	**20,500**
h) impairment losses	**6,289**	**-**	**-**	**-**	**-**	**6,289**
i) net PP&E at the end of the period	**7,781**	**34,042**	**1,719**	**10,708**	**1,616**	**55,866**

NOTE 3B, CONTINUED

MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT (BY TYPES) (PLN '000)						
For the period 01.01.2010 - 31.12.2010	OWN LAND	BUILDINGS AND STRUCTURES	PLANT AND MACHINERY	MEANS OF TRANSPORT	OTHER	TOTAL PP&E
a) gross value of PP&E at the beginning of the period	12,135	6,018	6,591	18,289	4,011	47,044
b) increases due to:						
- purchase	-	82	764	9,631	30	10,507
c) decreases due to:						
- sale	-	-	(22)	(1,261)	(2)	(1,285)
- liquidation	-	(314)	(4)	-	(28)	(346)
- consolidation adjustments	-	-	-	(314)	-	(314)
d) gross value of PP&E at the end of the period	**12,135**	**5,786**	**7,329**	**26,345**	**4,011**	**55,606**
e) accumulated depreciation at the beginning of the period	67	1,061	5,796	12,729	2,487	22,140
f) depreciation for the period (due to)						
- depreciation	2	204	548	2,186	404	3,344
- liquidation	-	(296)	(1)	-	(28)	(325)
- sales adjustment	-	-	(19)	(773)	(2)	(794)
g) accumulated depreciation at the end of the period	**69**	**969**	**6,324**	**14,142**	**2,861**	**24,365**
h) impairment losses	**6,289**	**-**	**-**	**-**	**-**	**6,289**
i) net PP&E at the end of the period	**5,777**	**4,817**	**1,005**	**12,203**	**1,150**	**24,952**

NOTE 3C

BALANCE SHEET PP&E (OWNERSHIP STRUCTURE) (PLN '000)	31.12.2011	31.12.2010
a) owned	55,866	24,952
b) used under lease, leasehold or similar agreements	-	-
Total balance-sheet PP&E	**55,866**	**24,952**

The Group has no securities established on PP&E.

NOTE 4

LONG-TERM RECEIVABLES (PLN '000)	31.12.2011	31.12.2010
Receivables from unrelated parties, due to:		
- security deposits paid	7	39
Gross long-term receivables	7	39
- revaluation allowances for receivables	-	-
Net long-term receivables	**7**	**39**

NOTE 5A

MOVEMENT IN INVESTMENT PROPERTY (BY TYPES) (PLN '000)	31.12.2011	31.12.2010
Balance at the beginning of the period	**2,808,083**	**2,781,447**
a) increases (due to)		
- capital expenditures incurred	310,490	119,471
- reclassification from investment property under construction	6,762	213,008
- revaluation of property	344,427	104,289
	661,679	**436,768**
b) decreases (due to)		
- sale	473,364	195,470
- revaluation of property	67,503	213,981
- reclassification to investment property under construction	29,658	-
- reclassification to inventory	-	679
- repayment of perpetual usufruct	5,481	2
	576,006	**410,132**
Property at the end of the period	**2,893,756**	**2,808,083**
- including value of perpetual usufruct	30,915	36,395

The company measures property at the fair value at the end of every calendar quarter.

Profit/loss on measurement is disclosed under "Profit (loss) on investment property" in the profit and loss account.

As at 31 December 2011, the Group held 15 investment properties located in cities in Poland. Since most lease agreements contain rents denominated in EUR, the measurements have been prepared in these currencies and converted to PLN according to the exchange rate of the NBP as at the balance sheet date. As at 31 December 2011, the value of properties according to the measurement was EUR 655,170 thousand (31 December 2010: EUR 709,058 thousand – 19 properties).

In 2011, the Group sold its investment properties in Bełchatów (CH Echo), Pabianice (CH Echo), Warsaw (Park Postępu and Market Alma) and in Rzeszów, purchased an investment property in Kielce (Astra Park) and commissioned to use a new part of Galeria Echo in Kielce (following expansion).

Investment properties worth PLN 2,718,026 thousand are encumbered with capped mortgages up to EUR 653,358 thousand and PLN 30,000 to the benefit of banks funding individual projects.

NOTE 5B

INVESTMENT PROPERTY – EFFECT ON THE RESULT (PLN '000)	01.01.2011 – 31.12.2011	01.01.2010 - 31.12.2010
a) revenue from investment property rents	333,015	312,518
b) direct operating expenses (including repair and maintenance costs) on investment property generating rent revenue in the period	115,428	104,115
c) direct operating expenses (including repair and maintenance costs) on investment property not generating rent revenue in the period	-	-

NOTE 5C

MOVEMENT IN PROPERTY (BY TYPES) (PLN '000)

MOVEMENT IN INVESTMENT PROPERTY UNDER CONSTRUCTION (BY TYPES) (PLN '000)	31.12.2011	31.12.2010
Balance at the beginning of the period	689,039	705,577
a) increases (due to)		
- capital expenditures incurred	351,283,-	181,650,18,605
- measurement of investment property under construction		
- exchange rate differences	14,785	-
- measurement of lease payments for perpetual usufruct	28,434	-
- reclassification from inventory	7,631	-
- reclassification from investment property	29,658	-
	431,791	**200,255**
b) decreases (due to)		
- reclassification to investment property	6,762	213,008
- sale	-	1,284
- measurement of investment property under construction	63,809	998
- decrease of lease payments for perpetual usufruct	4	-
- liquidation	131	-
- exchange rate differences	2,500	1,503
	73,206	**216,793**
Property under construction at the end of the period	**1,047,624**	**689,039**

All properties under construction, except for the project Outlet Park in Szczecin, have been measured using the manufacturing costs model.

Investment properties under construction worth PLN 94,904 thousand are encumbered with capped mortgages up to EUR 21,525 thousand and PLN 33,500 thousand.

NOTE 6

FINANCIAL INVESTMENTS (PLN '000)	31.12.2011	31.12.2010
Balance at the beginning of the period	4	337
a) increases/decreases (due to)		
- sale of interests	-	(337)
- advances on purchase of interests	-	4
- settlement of advances on purchase of interests	(3)	-
- purchase of long-term bonds	106,018	-
	106,015	(333)
Financial investments at the end of the period	**106,019**	**4**

Bonds classified according to IAS 39 as "borrowings and receivables" are measured at the adjusted purchase price, which does not deviate significantly from the fair value.

NOTE 7

BORROWINGS GRANTED (CURRENCY STRUCTURE) (PLN '000)	31.12.2011	31.12.2010
a) in the Polish currency (PLN)	161	1,060
b) in foreign currencies (after translation into PLN)	-	-
Total borrowings granted	**161**	**1,060**
- long-term portion	-	21
- short-term portion	161	1,039
Interest rates applied for discounting the expected cash proceeds	-	-

The maximum value of lending risk related to the borrowings is equivalent to their carrying value. The estimated fair value of the borrowings granted is the amount of the expected future discounted cash flows and is equivalent to the carrying value of the borrowings granted.

The granted borrowings are not secured.

The granted borrowings are not overdue and they have not been impaired.

NOTE 8A

MOVEMENT IN DEFERRED INCOME TAX ASSETS (+) AND PROVISIONS (-) (PLN '000)	31.12.2011	31.12.2010
1. Deferred income tax at the beginning of the period:		
- measurement of financial instruments	(12,755)	23,354
- measurement of investment properties	(199,778)	(256,187)
- interests in subsidiaries, jointly controlled entities and associates*	(8,021)	(8,561)
- tax loss	17,935	13,591
- liabilities due to loans and borrowings (measurement, FX differences, etc.)	3,677	21,555
- other	(23,456)	(38,967)
	(222,398)	**(245,215)**
2. Changes in the period		
- measurement of financial instruments	(571)	(36,109)
- measurement of investment properties	(50,275)	56,409
- interests in subsidiaries, jointly controlled entities and associates*	1,142	540
- tax loss	(11,219)	4,344
- liabilities due to loans and borrowings (measurement, FX differences, etc.)	7,705	(19,946)
- other	37,494	15,511
	(15,724)	**20,749**
3. Total deferred income tax at the end of the period:		
- measurement of financial instruments	(13,326)	(12,755)
- measurement of investment properties	(250,053)	(199,778)
- interests in subsidiaries, jointly controlled entities and associates*	(6,879)	(8,021)
- tax loss	6,716	17,935
- liabilities due to loans and borrowings (measurement, FX differences, etc.)	11,382	1,609
- other	14,038	(23,456)
	(238,122)	**(224,466)**
- including:		
Deferred income tax assets	**42,201**	**15,404**
- movement in the course of the year	24,729	(27,141)
Deferred income tax provision	**280,323**	**239,870**
- movement in the course of the year	40,453	(47,890)

* Estimated tax burden related to the expected changes in the Group's structure resulting from the difference between the tax value and the carrying value of interests of subsidiaries.

The Group estimates that it will use tax losses in the following years: 2012 – PLN 5,506 thousand; 2013 – PLN 1,210 thousand

In 2011, the Group did not recognise deferred income tax assets in the amount of PLN 9,978 thousand due to tax losses (in 2010: PLN 14,570 thousand) because it is uncertain whether these losses will be settled in the years to come.

The right to reduce the income tax expires in 2012 (PLN 213 thousand), 2013 (PLN 472 thousand), 2014 (PLN 2,427 thousand) and 2015 (PLN 6,866 thousand).

NOTE 8B

DEFERRED INCOME TAX ASSETS (+) AND PROVISIONS (-)	31.12.2011	31.12.2010
a) assets to be settled within 12 months	3,051	5,868
b) provision to be settled within 12 months	(6,845)	(17,113)
c) assets to be settled after 12 months	39,150	9,536
d) provision to be settled after 12 months	(273,478)	(222,757)
	(238,122)	**(224,466)**

NOTE 9

INVENTORIES (PLN ‘000)	31.12.2011	31.12.2010
a) materials	180	203
b) semi-finished products and work-in-progress	398,538	446,895
c) finished products	100,145	24,296
d) goods	2,075	3,199
Total inventories	**500,938**	**474,593**

Land properties in Poznań and in Wrocław recognised in inventories are encumbered with capped mortgages up to the joint amount of PLN 146,597 thousand, as a security for bank loans (in 2010, no mortgages were established on inventories).

“Finished products” include finished residential apartments for sale. “Semi-finished products and products in progress” mainly include the Group’s property and expenditures on housing developments in the course of planning and execution.

Inventory is measured up to the net realisable value. This value is obtained based on information from the active market. A reversal of the inventory allowance is made due to the sale of an inventory item or increase in the net selling price. Inventory allowances disclosed in the period as cost and reversals of inventory write-downs disclosed in the period as a decrease of costs are presented in the income statement under prime cost of sale.

NOTE 10

INVENTORIES – EFFECT ON THE RESULT (PLN ‘000)	01.01.2011 – 31.12.2011	01.01.2010 - 31.12.2010
a) value of inventory recognised as cost in the period	29,904	61,730
b) allowances for inventory recognised as cost in the period	10,393	1,388
c) reversed write-downs on inventory recognised as revenue in the period	4,273	8,396

Write-downs on inventories and their reversals involve housing developments where garages are not sold together with residential apartments, and are intended to write down the value to the realisable price.

The movement in the revaluation allowance for inventory in 2011 amounted to PLN 6,120 thousand (in 2010: PLN -7,008 thousand) and is included in the income statement under “Prime cost of sale”.

NOTE 11A

SHORT-TERM RECEIVABLES (PLN '000)	31.12.2011	31.12.2010
a) trade receivables with a maturity of:		
- up to 12 months	39,765	18,994
- over 12 months	183	202
b) bank deposits	-	-
Total financial assets	**39,948**	**19,196**
c) other receivables	6,296	5,425
d) prepayments	27,419	27,870
Total non-financial assets	**33,715**	**33,295**
Total net short-term receivables	**73,663**	**52,491**
- revaluation allowances for receivables	5,715	4,008
Total gross short-term receivables	**79,378**	**56,499**

Trade receivables result from the lease of office space and residential apartments. There is no significant concentration of trade receivables in the Echo Investment Group.

The Company constantly monitors its tenants' financial situation and solvency. Payments are secured with security deposits or guarantees. At the end of 2011 and 2010, collaterals securing receivables amounted to PLN 40,058 thousand and PLN 40,452 thousand respectively.

NOTE 11B

MOVEMENT IN REVALUATION ALLOWANCES FOR SHORT-TERM RECEIVABLES (PLN '000)	31.12.2011	31.12.2010
Balance at the beginning of the period	4,008	4,144
a) increases (due to)		
- creation of an allowance	4,095	2,058
	4,095	2,058
b) decreases (due to)		
- release of a provision	1,855	1,864
- cancellation of enforcement proceedings	533	330
	2,388	2,194
Revaluation allowances for short-term receivables at the end of the period	**5,715**	**4,008**

The revaluation allowance for receivables has been disclosed under "Other operating revenue/costs" in the Group's consolidated profit and loss account.

Impairment of receivables is due to the fact that they are overdue by more than 6 months (50% impairment) or 12 months (100% impairment). Receivables for continued lease of commercial space that are overdue by more than 3 months indicate the risk of potential impairment of receivables.

NOTE 11C

GROSS SHORT-TERM RECEIVABLES (CURRENCY STRUCTURE) (PLN '000)	31.12.2011	31.12.2010
a) in the Polish currency (PLN)	59,106	55,544
b) in foreign currencies (by currency and after translation into PLN)		
b1. in thousand of USD	-	39
b1. converted to PLN '000	-	116
b2. in thousand of EUR	4,375	81
b2. converted to PLN '000	19,133	322
b3. in thousand of RON	81	110
b3. converted to PLN '000	83	102
b4. in thousand of HUF	1,684	17,802
b4. converted to PLN '000	24	253
b5. in thousand of UAH	1,409	436
b5. converted to PLN '000	1,032	162
	20,272	**955**
Total short-term receivables	**79,378**	**56,499**

NOTE 11D

(GROSS) TRADE RECEIVABLES, WITH A MATURITY TO THE BALANCE SHEET DATE OF (PLN '000)	31.12.2011	31.12.2010
a) up to 1 month	4,563	7,740
b) between 1 month and 3 months	1,157	2,558
c) between 3 months and 6 months	131	121
d) between 6 months and 1 year	232	183
e) over 1 year	1,195	360
f) overdue receivables	38,385	12,242
Total (gross) trade receivables	**45,663**	**23,204**
g) revaluation allowances for trade receivables	(5,715)	(4,008)
Total (net) trade receivables	**39,948**	**19,196**

NOTE 11E

OVERDUE (GROSS) TRADE RECEIVABLES – DIVISION INTO RECEIVABLES UNPAID IN THE PERIOD (PLN '000)	31.12.2011	31.12.2010
a) up to 1 month	10,748	6,883
b) between 1 month and 3 months	4,143	1,291
c) between 3 months and 6 months	19,318	386
d) between 6 months and 1 year	2,144	1,257
e) over 1 year	2,032	2,425
Total overdue (gross) trade receivables	**38,385**	**12,242**
f) revaluation allowances for overdue trade receivables	(5,715)	(4,008)
Total overdue (net) trade receivables	**32,670**	**8,234**

NOTE 11F

(GROSS) TRADE RECEIVABLES – DIVISION INTO RECEIVABLES UNPAID IN THE PERIOD (PLN '000)	31.12.2011	31.12.2010
a) unimpaired current receivables	7,278	10,962
b) unimpaired overdue receivables	32,670	8,234
c) impaired overdue receivables	5,715	4,008
Total (gross) trade receivables	**45,663**	**23,204**

The maximum value of lending risk related to receivables is equivalent to the carrying value of every balance sheet group of receivables. The estimated fair value of trade receivables is the amount of the expected future discounted cash flows and is equivalent to the carrying value of these receivables.

Trade receivables are homogenous and result mainly from the lease of commercial and office space. The Group constantly monitors its tenants' financial standing and solvency. Payments are secured with security deposits and bank guarantees.

The Group has securities established on receivables in the form of the assignment of amounts due under lease agreements to the banks lending funds for particular investments.

NOTE 12A

FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH THE PROFIT AND LOSS ACCOUNT (PLN '000)	31.12.2011	31.12.2010
a) FX forwards	-	828
Total investment in derivatives	**-**	**828**
with maturities:		
- up to 1 year	-	828
- 1 to 3 years	-	-
- 3 to 5 years	-	-
- over 5 years	-	-

NOTE 12B

FINANCIAL LIABILITIES MEASURED AT FAIR VALUE THROUGH THE PROFIT AND LOSS ACCOUNT (PLN '000)	31.12.2011	31.12.2010
a) Interest Rate Swap	13,169	8,020
b) FX options	-	8,478
c) FX forwards	20,670	2,398
Total investment in derivatives	**33,839**	**18,896**
with maturities:		
- up to 1 year	20,670	8,586
- 1 to 3 years	-	2,290
- 3 to 5 years	13,169	4,366
- over 5 years	-	3,654

During the reporting period, the Group recognised profit/loss on the measurement of financial derivatives according to note 26.

As at 31 December 2011, the total nominal value of unsettled FX forwards amounted to EUR 77 million. These contracts involve the sale (EUR 67 million) and purchase (EUR 10 million) of EUR in 2012 and are intended to hedge a portion of the Group's forecast cash flows against FX risk.

IRS transactions hedge a portion of prospective interest payments in the Group against interest rate risk.

Information on other financial assets is presented in note 13A (cash) and in note 11A (receivables).

NOTE 13A

CASH – FINANCIAL ASSETS (PLN '000)	31.12.2011	31.12.2010
a) cash in hand and cash in bank	561,385	379,289
Total cash and cash equivalents	**561,385**	**379,289**
- including restricted cash		
- on escrow accounts	44,318	36,620
- securing the repayment of interest and principal instalments	-	1,151
- securing renovation costs (according to loan agreements)	186	1,152
- proceeds from residential customers released by the bank in the course of the progress of investment	12,670	-
	57,174	**38,923**

The Group deposits its cash surplus in renowned Polish banks (mainly Pekao S.A. and PKO BP S.A.).

The maximum credit risk of cash is equivalent to the carrying value of cash.

NOTE 13B

CASH AND CASH EQUIVALENTS (CURRENCY STRUCTURE) (PLN '000)	31.12.2011	31.12.2010
a) in the Polish currency (PLN)	525,413	265,475
b) in foreign currencies (by currency and after translation into PLN)		
b1. in thousand of USD	356	60
b1. converted to PLN '000	1,239	178
b2. in thousand of EUR	6,736	27,628
b2. converted to PLN '000	29,737	109,416
b3. in thousand of RON	992	1,399
b3. converted to PLN '000	1,015	1,292
b4. in thousand of HUF	162,117	105,623
b4. converted to PLN '000	2,302	1,500
b5. in thousand of UAH	3,945	3,837
b5. converted to PLN '000	1,679	1,428
	35,972	**113,814**
Total cash and cash equivalents	**561,385**	**379,289**

NOTE 14A

SHARE CAPITAL (STRUCTURE)

SERIES OF SHARES	TYPE OF SHARES	TYPE OF SHARE PREFERENCE	TYPE OF LIMITATION OF RIGHTS TO SHARES	NUMBER OF SHARES	VALUE OF SERIES/ISSUE ACCORDING TO NOMINAL VALUE (PLN '000)	TYPE OF CONTRIBUTION TO EQUITY	REGISTRATION DATE	RIGHT TO DIVIDEND, AS OF
A	bearer	ordinary	none	1,600,000	80	contribution in-kind	1994-06-30	1995-01-01
B	bearer	ordinary	none	38,400,000	1,920	cash	1994-06-30	1995-01-01
C	bearer	ordinary	none	20,000,000	1,000	cash	1995-11-13	1995-01-01
D	bearer	ordinary	none	60,000,000	3,000	cash	1997-02-18	1996-01-01
E	bearer	ordinary	none	20,000,000	1,000	cash	1997-12-30	1997-01-01
F	bearer	ordinary	none	280,000,000	14,000	cash	2002-11-26	2002-01-01
Total number of shares				**420,000,000**				
Total share capital					**21,000**			
Nominal value per share = PLN 0.05								

Note 14B

SHAREHOLDERS OF ECHO INVESTMENT S.A. HOLDING MORE THAN 5% OF THE SHARE CAPITAL AS AT 31 DECEMBER 2011			
SHAREHOLDERS	NUMBER OF VOTES/SHARES	% OF SHARE CAPITAL	% OF VOTES AT THE GSM
Michał Sołowow – directly and indirectly	185,286,775	44.12%	44.12%
ING OFE*	54,488,467	12.97%	12.97%
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	122,122,213	29.08%	29.08%

*According to the status of OFE portfolios as at 31 December 2010

NOTE 15

SUPPLEMENTARY CAPITAL (PLN '000)	31.12.2011	31.12.2010
a) share premium	100,943	100,943
b) created from generated profit	1,756,521	1,608,783
Total supplementary capital	**1,857,464**	**1,709,726**

Echo Investment S. A.'s 2010 net profit in 2010, amounting to PLN 38,672 thousand, was earmarked for a contribution to the supplementary capital, pursuant to the resolution of the Ordinary GSM of 2 June 2011.

NOTE 16

MOVEMENT IN CAPITAL OF NON-CONTROLLING SHAREHOLDERS (PLN '000)	31.12.2011	31.12.2010
Balance at the beginning of the period	(59)	(8)
a) increases (due to)		
- movements in interests	25	43
	25	**43**
b) decreases (due to)		
- net result of companies	25	94
	25	**94**
Capital of non-controlling shareholders at the end of the period	**(59)**	**(59)**

NOTE 17A

LOANS, BORROWINGS AND BONDS (BY TYPE) (PLN '000)	31.12.2011	31.12.2010
a) loans	1,704,761	1,371,341
b) debt securities	854,291	700,034
c) interest on loans and borrowings	-	-
Total loans, borrowings and bonds	**2,559,052**	**2,071,375**
- long-term portion	2,241,553	1,746,175
- short-term portion	317,499	325,200

Note 17B

LOANS, BORROWINGS AND BONDS WITH REMAINING MATURITIES FROM THE BALANCE SHEET DATE (PLN '000)	31.12.2011	31.12.2010
a) up to 12 months	317,499	325,200
b) over 1 year to 3 years	822,805	371,109
c) 3 to 5 years	322,603	519,455
d) over 5 years	1,096,145	855,611
Total loans, borrowings and bonds	**2,559,052**	**2,071,375**

NOTE 17C

LOANS, BORROWINGS AND BONDS (CURRENCY STRUCTURE) (PLN '000)	31.12.2011	31.12.2010
a) in the Polish currency (PLN)	926,173	769,950
b) in foreign currencies (by currency and after translation into PLN)		
b1. in thousand of EUR	373,198	332,046
b1. converted to PLN '000	1,632,879	1,301,425
	1,632,879	**1,301,425**
Total loans, borrowings and bonds	**2,559,052**	**2,071,375**
Interest rates applied for discounting the expected cash flows:		
a) for bonds in PLN	7.14%	6.01%
b) for loans in EUR	4.99%	4.97%

According to the best knowledge and information of the Group's Management Board, there have been no violations of loan agreements and the established security levels during the financial year and by the day of signing the financial statements.

The fair value of liabilities due to loans, borrowings and bonds does not differ materially from the carrying value.

NOTE 17D

LIABILITIES DUE TO LOANS AND BORROWINGS

BUSINESS NAME AND LEGAL FORM	REGISTERED OFFICE	LOAN AMOUNT ACCORDING TO THE AGREEMENT		OUTSTANDING LOAN AMOUNT AS AT 31.12.2011		OUTSTANDING LOAN AMOUNT AS AT 31.12.2010		INTEREST RATE TERMS	REPAYMENT DATE	COLLATERAL
		PLN '000	CURRENCY	PLN '000	CURRENCY	PLN '000	CURRENCY			
PKO Bank Polski S.A.	Warsaw	35,663	-	17,900	-	-	-	Wibor 3M + margin	2012-03-31	- sola bill of exchange, - transfer of rights under sale agreements
Pekao S.A.	Warsaw	65,540	-	32,774	-	69,916	-	WIBOR 1M + margin	2012-06-30	- sola bill of exchange, - authorisation to account
ING Bank Śląski S.A.	Katowice	18,683	EURO 4,230 thousand	1,373	EURO 310 thousand	1,499	EURO 383 thousand	EURIBOR 1M + margin	2012-06-30	- capped mortgage on real property in the amount of EUR 3,420 thousand, - assignment of amounts due under lease and management agreements, - assignment of amounts due to guarantees and sureties, - assignment of amounts due under insurance policies, - assignment of amounts due under execution agreements, - registered pledge on the shares of Echo - Centrum Przemyśl – Projekt Echo – 93 Spółka z ograniczoną odpowiedzialnością S. k. a., - surety of Echo - Aurus Sp. z o.o., - assignment of amounts due under bank account agreement
Pekao S.A.	Warsaw	35,798	-	2,453	-	-	-	WIBOR 1M + margin	2013-07-31	- caped mortgage on property - registered pledges on borrower's accounts, - registered pledge on the interests of Echo - Kasztanowa Aleja Sp. z o.o. - transfer of rights under sale agreements, policies and borrowings
Pekao S.A.	Warsaw	160,330	EURO 36,300 thousand	89,836	EURO 20,142 thousand	90,594	EURO 22,981 thousand	Fixed interest rate IRS; EURIBOR 1M + margin	2014-02-15	- capped mortgage on real property up to the amount of EUR 72,600 thousand, - registered pledge on the shares of PPR – Projekt Echo - 77 Spółka z ograniczoną odpowiedzialnością S. k. a., - assignment of amounts due under lease agreements, - assignment of amounts due under insurance agreements for the financed property, - registered pledge on amounts due under bank account agreements

BUSINESS NAME AND LEGAL FORM	REGISTERED OFFICE	LOAN AMOUNT ACCORDING TO THE AGREEMENT		OUTSTANDING LOAN AMOUNT AS AT 31.12.2011		OUTSTANDING LOAN AMOUNT AS AT 31.12.2010		INTEREST RATE TERMS	REPAYMENT DATE	COLLATERAL
		PLN '000	CURRENCY	PLN '000	CURRENCY	PLN '000	CURRENCY			
Raiffeisen Bank Polska S.A.	Warsaw	50,000	-	18,755	-	-	-	WIBOR 1M + margin	2014-05-30	- capped mortgage on real property up to the amount of PLN 75,000 thousand, - assignment of amounts due under preliminary agreements for the sale of apartments, - assignment of the Borrower's rights under General Contractor Agreement (GCA) with Echo Investment S.A., - assignment of amounts due under a construction risk insurance agreement, - voluntary submission to enforcement proceedings, - authorisation for the Bank to use all of the Borrower's bank accounts, - guarantee in the event of exceeded investment costs, - security assignment of rights agreements, - subordination agreements, - registered and financial pledge agreements on the project's accounts.
Westdeutsche ImmobilienBank A.G.	Mainz	140,388	EURO 31,785 thousand	91,622	EURO 20,629 thousand	66,085	EURO 16,761 thousand	IRS, EURIBOR + margin	2014-08-20	- caped mortgage on property - assignment of amounts due under rent agreements, - assignment of amounts due under insurance policy, - registered pledges on the shares of Malta Office Park – Projekt Echo – 96 Spółka z ograniczoną odpowiedzialnością S.k.a., - pledge on the bank accounts of Malta Office Park – Projekt Echo – 96 Spółka z ograniczoną odpowiedzialnością S.k.a.
Eurohypo A.G.	Eschborn	89,151	EURO 13,840 thousand USD 8,200 thousand	30,402	EURO 6,860 thousand	29,051	EURO 7,340 thousand	IRS, EURIBOR 1M + margin	2014-09-30	- capped mortgage on real property in the amount of EUR 11,250 thousand, - assignment of amounts due under rent agreements, - assignment of amounts due under guarantee, - assignment of amounts due under insurance policies, - assignment of amounts due under execution agreements, - assignment of amounts due under hedge agreements, - assignment of amounts due under rent revenues and security deposits, - registered pledge on the shares of Athina Park – Projekt Echo - 93 Spółka z ograniczoną odpowiedzialnością S. k. a.

BUSINESS NAME AND LEGAL FORM	REGISTERED OFFICE	LOAN AMOUNT ACCORDING TO THE AGREEMENT		OUTSTANDING LOAN AMOUNT AS AT 31.12.2011		OUTSTANDING LOAN AMOUNT AS AT 31.12.2010		INTEREST RATE TERMS	REPAYMENT DATE	COLLATERAL
		PLN '000	CURRENCY	PLN '000	CURRENCY	PLN '000	CURRENCY			
Pekao S.A.	Warsaw	79,502	EURO 18,000 thousand	64,988	EURO 14,790 thousand	-	-	IRS, EURIBOR 3M + margin	2015-12-31	- capped mortgage on real property in the amount of EUR 36,000 thousand, - assignment of amounts due under rent agreements, - assignment of amounts due under insurance policies, - assignment of amounts due under rent revenues and security deposits, - registered pledge on the shares and interests of Galeria Sudecka – Projekt Echo - 43 Spółka z ograniczoną odpowiedzialnością S. k. a.
Eurohypo A.G.	Eschborn	70,890	EURO 16,050 thousand	56,113	EURO 12,764 thousand	52,092	EURO 13,262 thousand	IRS, EURIBOR 1M + margin	2016-01-29	- capped mortgage on real property in the amount of EUR 48,000 thousand, - assignment of amounts due under rent agreements, - registered pledge on the interests of WAN 11 Sp. z o.o., - subordination of the borrower's liabilities towards partners to the borrower's liabilities towards the bank under the granted loan.
Nordea Bank Polski S.A.	Gdynia	75,086	EURO 17,000 thousand	64,291	EURO 14,600 thousand	-	-	IRS, EURIBOR 3M/1M + margin	2017-03-27	- caped mortgage on property, - registered pledges on interests, - registered pledges on bank accounts, - registered pledges on items and rights, - surety of Echo Investment S.A., - guarantee to cover own funds, - transfer of rights under agreements and policies.
Eurohypo A.G.	Eschborn	106,003	EURO 24,000 thousand	95,181	EURO 21,586 thousand	-	-	IRS, EURIBOR 1M + margin	2017-12-31	- capped mortgage on real property in the amount of EUR 36,000 thousand, - assignment of rights under lease agreements, - assignment of payment guarantee under lease agreements, - assignment of execution agreements, - assignment of payment guarantee under execution agreements, - assignment of property policy, - assignment of bank account agreements, - registered pledge on the company's interests.

BUSINESS NAME AND LEGAL FORM	REGISTERED OFFICE	LOAN AMOUNT ACCORDING TO THE AGREEMENT		OUTSTANDING LOAN AMOUNT AS AT 31.12.2011		OUTSTANDING LOAN AMOUNT AS AT 31.12.2010		INTEREST RATE TERMS	REPAYMENT DATE	COLLATERAL
		PLN '000	CURRENCY	PLN '000	CURRENCY	PLN '000	CURRENCY			
Raiffeisen Bank Polska S.A.	Warsaw	68,381	EURO 14,350 thousand PLN 5,000 thousand.	635	EURO 143 thousand	-	-	IRS, EURIBOR 3M + margin; WIBOR 3M + margin	2019-09-30 (for tranche in EUR) 2013-09-30 (for tranche in PLN)	- caped mortgage on property, - registered pledges on interests, - statement on submission to enforcement proceedings.
Eurohypo AG	Eschborn	198,015	EURO 50,000 thousand	-	-	195,750	EURO 49,885 thousand	EURIBOR + margin	2019-11-17	the loan was repaid in 2011.
Eurohypo AG	Eschborn	441,680	EURO 100,000 thousand	277,364	EURO 64,508 thousand	73,788	EURO 19,442 thousand	IRS, EURIBOR 3M + margin	2020-02-22	- caped mortgage on property, - assignment of amounts due under rent agreements, - assignment of amounts due under guarantee, - assignment of amounts due under insurance policies, - assignment of amounts due under execution agreements, - registered pledge on the interests of Echo - Galeria Kielce Sp. z o.o., - authorisation to bank accounts of Echo – Galeria Kielce Sp. z o.o.
Eurohypo AG	Eschborn	441,680	EURO 100,000 thousand	381,861	EURO 87,230 thousand	354,598	EURO 90,380 thousand	IRS, EURIBOR 1M + margin	2022-09-30	- capped mortgage on real property in the amount of EUR 150,000 thousand, - assignment of amounts due under lease and management agreements, - assignment of amounts due to guarantees and sureties, - assignment of amounts due under insurance policies, - assignment of amounts due under execution agreements, - registered pledge on the interests of Galaxy – Grupa Echo Spółka z ograniczoną odpowiedzialnością S.K.A., - assignment of amounts due under bank account agreement, - assignment of amounts due under CAP transaction, - assignment of amounts due under plot lease agreement, - obligation by Echo Investment S.A. to submit to enforcement proceedings.

BUSINESS NAME AND LEGAL FORM	REGISTERED OFFICE	LOAN AMOUNT ACCORDING TO THE AGREEMENT		OUTSTANDING LOAN AMOUNT AS AT 31.12.2011		OUTSTANDING LOAN AMOUNT AS AT 31.12.2010		INTEREST RATE TERMS	REPAYMENT DATE	COLLATERAL
		PLN '000	CURRENCY	PLN '000	CURRENCY	PLN '000	CURRENCY			
Eurohypo AG	Eschborn	510,140	EURO 115,500 thousand	479 213	EURO 109,390 thousand	437,968	EURO 111,611 thousand	Fixed interest rate IRS; EURIBOR 1M + margin	2022-09-30	- capped mortgage on real property in the amount of EUR 150,000 thousand, - registered pledge on the interests of Pasaż Grunwaldzki – Grupa Echo Spółka z ograniczoną odpowiedzialnością S.K.A., - assignment of amounts due under agreements, - statement on submission to enforcement proceedings, - obligation by Echo Investment S.A. to cover additional execution costs exceeding the loan amount.
Total		**2,586,930**		**1,704,761**		**1,371,341**				

NOTE 17E

OPEN FACILITIES

BUSINESS NAME AND LEGAL FORM	REGISTERED OFFICE	LOAN AMOUNT ACCORDING TO THE AGREEMENT PLN '000	OUTSTANDING LOAN AMOUNT, PLN '000		INTEREST RATE TERMS	REPAYMENT DATE	COLLATERAL
			AS AT 31.12.2011	AS AT 31.12.2010			
Pekao S.A.	Warsaw	30,000	-	-	WIBOR 1M + margin	2012-06-30	- sola blank bill of exchange, - authorisation to bank account, - statement on submission to enforcement proceedings.
PKO BP S.A.	Warsaw	40,000	-	-	WIBOR 3M + margin	2012-08-19	- sola blank bill of exchange, - authorisation to bank account, - statement on submission to enforcement proceedings.
PKO BP S.A.	Warsaw	40,000	-	-	WIBOR 3M + margin	2012-08-19	- sola blank bill of exchange, - authorisation to the bank account, - statement on submission to enforcement proceedings.
Alior Bank S.A.	Warsaw	20,000	-	-	WIBOR 3M + margin	2013-01-30	- sola blank bill of exchange, - authorisation to bank account, - statement on submission to enforcement proceedings.
Total		**130,000**	**-**		**-**		

NOTE 17F

LIABILITIES DUE TO DEBT FINANCIAL INSTRUMENTS ISSUED (PLN '000)

DEBT FINANCIAL INSTRUMENTS BY TYPE	NOMINAL VALUE	INTEREST RATE TERMS	MATURITY	GUARANTEES/COLLATERALS
Bonds (BRE S.A.)	35,000	WIBOR 1M + margin	2012-01-25	-
Bonds (BRE S.A.)	115,000	WIBOR 6M + margin	2012-05-18	-
Bonds (BRE S.A.)	150,000	WIBOR 6M + margin	2013-03-29	-
Bonds (BRE S.A.)	100,000	WIBOR 6M + margin	2013-05-25	-
Bonds (BRE S.A.)	300,000	WIBOR 6M + margin	2014-06-30	-
Bonds (BRE S.A.)	145,000	WIBOR 6M + margin	2016-02-11	-
Total	**845,000**			

NOTE 18

LEASE (PERPETUAL USUFRUCT OF LAND) WITH REMAINING TERM OF REPAYMENT FROM THE BALANCE SHEET DATE (PLN '000)	31.12.2011	31.12.2010
a) up to 12 months	15	95
b) over 1 year to 3 years	34	192
c) 3 to 5 years	39	194
d) over 5 years	76,600	56,275
Total lease (perpetual usufruct of land)	**76,688**	**56,756**

NOTE 19

TRADE AND OTHER LIABILITIES (PLN '000)	31.12.2011	31.12.2010
a) trade liabilities, payable:		
- up to 12 months	190,493	75,032
- over 12 months	2,035	27,518
	192,528	**102,550**
b) other liabilities:		
- security deposits and deposits received	150	13
- liabilities due to remunerations	55	73
- enterprise social benefits funds	160	-
- accruals	8,528	10,522
- other liabilities	1,111	1,300
Total trade and other liabilities	**202,532**	**114,458**

The fair value of trade and other liabilities does not differ materially from their carrying value.

NOTE 20

MOVEMENT IN PROVISIONS BY TYPE (PLN '000)	31.12.2011	31.12.2010
a) at the beginning of the period		
- provision for expected penalties and losses	5,701	9,830
- provision for expected costs of guarantee repairs, renovations, etc.	5,364	6,000
- provision for court cases	500	820
	11,565	**16,650**
b) increases (due to)		
- provision for expected penalties and losses	4,966	271
- provision for expected costs of guarantee repairs, renovations, etc.	-	2,153
- provision for court cases	1,173	-
	6,139	**2,424**
c) use (due to)		
- penalties and losses incurred	4,318	4,400
- provision for expected costs of guarantee repairs, renovations, etc.	-	2,789
- incurred costs of court cases	-	320
	4,318	**7,509**
d) at the end of the period		
- provision for expected penalties and losses	6,349	5,701
- provision for expected costs of guarantee repairs, renovations, etc.	5,364	5,364
- provision for court cases	1,673	500
	13,386	**11,565**

The provision for penalties includes the value of potential penalties which may be imposed on the Company under the concluded agreements with a probability higher than 50%.

The provision for court cases includes court cases against the company where the probability of success is lower than 50%.

The provision for the expected costs of guarantee repairs includes the value of repairs or compensation for the sold premises and designs with a probability higher than 50%.

The amounts of provisions were estimated to the best of the Company's knowledge and based on past experience.

The dates for the recovery of the provisions for penalties and losses, guarantee costs and court proceedings are impossible to estimate and it is highly probable that they will be recovered within 12 months from the balance sheet date.

The provisions for court cases relate to cases filed by HW Pietrzak Holding Sp. z o.o. (PLN 1,173 thousand) and Master Serwis Opon Sp. z o.o. (PLN 500 thousand).

EXPLANATORY NOTES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

NOTE 21A

NET SALES REVENUE, DUE TO: (PLN '000)	01.01.2011-31.12.2011	01.01.2010-31.12.2010
a) lease of space in shopping centres, and in shopping and entertainment centres	289,277	248,204
b) sale and lease of residential space	29,435	82,889
c) construction and lease of space in office and hotel objects	78,040	71,291
d) trade in real property	1,935	-
e) other revenue	8,248	24,012
Total net sales revenue	**406,935**	**426,396**

NOTE 21B

NET SALES REVENUE (TERRITORIAL STRUCTURE) (PLN '000)	01.01.2011-31.12.2011	01.01.2010-31.12.2010
a) domestic	406,891	426,396
b) abroad	44	-
Total net sales revenue	**406,935**	**426,396**

NOTE 21C

PROSPECTIVE REVENUE FROM RENT IN THE PERIOD FOLLOWING THE BALANCE SHEET DATE (PLN '000)	01.01.2011-31.12.2011	01.01.2010-31.12.2010
a) up to 12 months	247,234	163,493
b) over 1 year to 5 years	657,787	423,756
c) 5 to 10 years	382,045	155,731
Total prospective revenue	**1,287,066**	**742,980**

Under the concluded agreements, these amounts will be increased by the incurred costs of operation related to the activity of the tenants.

Agreements are concluded for 10 years (shopping centres) or for shorter periods (offices).

NOTE 22A

COSTS BY TYPE (PLN '000)	01.01.2011-31.12.2011	01.01.2010-31.12.2010
a) amortisation/depreciation	(7,873)	(4,011)
b) consumption of materials and energy	(66,858)	(138,746)
c) third party services	(360,228)	(264,850)
d) taxes and charges	(28,658)	(24,883)
e) remunerations	(31,068)	(27,887)
f) social security and other benefits	(4,853)	(4,011)
g) other costs by type	(18,686)	(8,030)
h) value of goods and materials sold	(445)	(447)
Total costs by type	**(518,669)**	**(472,865)**
Movements in inventories, products, and prepayments and accruals	(28,568)	(70,754)
Own work capitalised	(250,281)	(171,749)
Selling costs	(26,358)	(22,088)
General administrative expenses	(52,380)	(40,333)
Manufacturing cost of products sold	**(161,082)**	**(167,941)**

NOTE 22B

PRIME COST OF SALE DUE TO: (PLN '000)	01.01.2011-31.12.2011	01.01.2010-31.12.2010
a) lease of space in shopping centres, and in shopping and entertainment centres	(86,055)	(64,468)
b) sale and lease of residential space	(25,326)	(64,006)
c) construction and lease of space in office and hotel objects	(40,259)	(26,211)
d) trade in real property	(3,734)	-
e) other	(5,708)	(13,256)
Total prime cost of sale	**(161,082)**	**(167,941)**

NOTE 23

NET PROFIT (LOSS) ON INVESTMENT PROPERTY (PLN '000)	01.01.2011-31.12.2011	01.01.2010-31.12.2010
Revenue from the sale of property	609,955	248,743
Property selling costs	(473,364)	(195,470)
Revaluation of property	213,115	(92,085)
Net profit (loss) on investment property	**349,706**	**(38,812)**

NOTE 24A

OTHER OPERATING REVENUE (PLN '000)	01.01.2011-31.12.2011	01.01.2010-31.12.2010
- profit from sale of non-financial non-current assets	1,585	544
- revaluation of receivables	-	270
- release of provisions and allowances	4,085	5,220
- interest on operating activities (deposits, etc.)	20,168	8,093
- contractual penalties	1,192	990
- subsidies	592	519
- compensations and penalty fees	575	6,200
- extraordinary profits	276	-
- other	8,187	3,198
Total other operating revenue	**36,660**	**25,034**

NOTE 24B

OTHER OPERATING COSTS (PLN '000)	01.01.2011-31.12.2011	01.01.2010-31.12.2010
- loss on sale of non-financial non-current assets	(99)	(1,368)
- revaluation of receivables	(2,162)	-
- revaluation of other non-financial assets	(36)	-
- created provisions	(4,355)	(4,434)
- contractual penalties	(1,369)	(750)
- donations	(1,143)	(344)
- bad debt write-off	(354)	(92)
- costs of court cases	(3)	-
- costs of tax on civil law transactions	(39)	(116)
- extraordinary damage and losses	(367)	(410)
- non-deductible VAT	(121)	(237)
- compensations	-	(617)
- revaluation of goodwill of subsidiaries	(647)	(61)
- discontinued investments	-	(2,303)
- other	(3,421)	(2,833)
Total other operating costs	**(14,116)**	**(13,565)**

NOTE 25A

FINANCIAL REVENUE (PLN '000)	01.01.2011-31.12.2011	01.01.2010-31.12.2010
- revenue from interest on investing activities (borrowings, etc.)	1,144	16
- profit on sale of investments	617	5,649
- revenue from revaluation of financial instruments (interests)	-	852
- other financial revenue	58	289
Total financial revenue	**1,819**	**6,806**

Revenue from interest is generated mainly from investing surplus cash in bank deposits (mainly O/N).

NOTE 25B

FINANCIAL COSTS (PLN '000)	01.01.2011-31.12.2011	01.01.2010-31.12.2010
- costs due to interest	(141,376)	(90,631)
- measurement of loans and bonds	5,342	(1,168)
- financial commissions	(2,654)	(3,964)
- loss on sale of investments	(1,459)	(23,258)
- costs of revaluation of other financial instruments (IRS)	(5,150)	(4,774)
- other financial costs	(2,305)	(1,341)
Total financial costs	**(147,602)**	**(125,136)**

In 2011 and 2010, capitalised borrowing costs amounted to PLN 2,540 thousand and PLN 1,369 thousand respectively.

NOTE 26

PROFIT (LOSS) ON FX DERIVATIVES (PLN '000)	01.01.2011-31.12.2011	01.01.2010-31.12.2010
- profit/loss on settlement of forwards	(7,900)	(105,903)
- revenue/costs due to revaluation of forwards	(18,486)	147,730
- revenue/costs due to revaluation of FX options	7,864	4,106
Total profit (loss) on FX derivatives	**(18,522)**	**45,933**

NOTE 27

FOREIGN EXCHANGE PROFIT (LOSS) (PLN '000)	01.01.2011-31.12.2011	01.01.2010-31.12.2010
- unrealised foreign exchange gains	-	41,184
- realised foreign exchange losses	(6,327)	(308)
- unrealised foreign exchange losses	(169,022)	-
Total foreign exchange profit (loss)	**(175,349)**	**40,876**

NOTE 28

CURRENT INCOME TAX (PLN '000)	01.01.2011-31.12.2011	01.01.2010-31.12.2010
1. Gross profit	199,711	137,332
2. Tax calculated according to national rates	37,969	26,232
3. Differences:		
Non-taxable income	(8,057)	(15,269)
Non-deductible costs	11,851	11,819
Use of tax losses not recognised earlier	(420)	(1,457)
Tax losses due to which deferred income tax was not recognised	9,978	14,570
Result of partnerships for the period, not resulting in temporary differences	(34,603)	(47,372)
Consolidation adjustments due to which deferred income tax was not recognised	6,525	1,165
	(14,726)	**(36,544)**
Charges on the financial result due to deferred income tax	**23,243**	**(10,312)**

EXPLANATORY NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

NOTE 29

CASH INCLUDED IN THE CASH FLOW STATEMENT (PLN '000)	01.01.2011-31.12.2011	01.01.2010-31.12.2010
As at the beginning of the period, including:		
- cash in hand and cash in bank	379,289	169,101
	379,289	**169,101**
Balance at the end of the period		
- cash in hand and cash in bank	561,385	379,289
	561,385	**379,289**

In operating activities, Echo Investment S.A. includes revenue and costs in connection with property development, i.e. providing a wide range of services related to the real property market. Investing activities include payment for non-current assets purchased and sold, i.e. PP&E, intangible assets, financial deposits, the granting and repayment of borrowings, and benefits from deposits and borrowings granted. Financing activities involve procuring own and borrowed funds in the form of short-term and long-term loans and borrowings, their repayment and service (interest paid).

Differences between individual items of cash flow from operating activities and movements in corresponding balance sheet items in the financial statements result from a static reclassification between the balance sheet items (no cash flow involved) and from balance sheet adjustments for cash flows from investing and financing activities.

SEGMENT REPORTING

NOTE 30A

ASSIGNMENT OF ASSETS TO SEGMENTS (PLN '000)	31.12.2011	31.12.2010
- shopping centres	3,203,159	2,716,435
- office buildings	1,179,903	1,104,574
- residential space	508,152	439,201
- non-assigned assets	476,104	230,749
Total assets	**5,367,318**	**4,490,959**

NOTE 30B

ASSIGNMENT OF LIABILITIES TO SEGMENTS (PLN '000)	31.12.2011	31.12.2010
- shopping centres	1,450,188	1,091,290
- office buildings	464,645	412,006
- residential space	120,137	38,973
- non-assigned liabilities	1,268,194	1,073,174
Total liabilities	**3,303,164**	**2,615,443**

NOTE 30C

ASSIGNMENT OF OPERATING REVENUE TO SEGMENTS (PLN '000)	01.01.2011-31.12.2011	01.01.2010-31.12.2010
- shopping centres	289,277	248,204
- office buildings and hotels	78,040	71,291
- residential space	29,435	82,889
- other	10,183	24,012
Total operating revenue	**406,935**	**426,396**

NOTE 30D

ASSIGNMENT OF OPERATING COSTS TO SEGMENTS	01.01.2011-31.12.2011	01.01.2010-31.12.2010
- shopping centres	(86,055)	(64,468)
- office buildings	(40,259)	(26,211)
- residential space	(25,326)	(64,006)
- other	(9,442)	(13,256)
Total operating costs	**(161,082)**	**(167,941)**

NOTE 30E

ASSIGNMENT OF GROSS SALES RESULT TO SEGMENTS	01.01.2011 -31.12.2011	01.01.2010-31.12.2010
- shopping centres	203,222	183,736
- office buildings and hotels	37,781	45,080
- residential space	4,109	18,883
- other	741	10,756
Total gross sales result	**245,853**	**258,455**

The share of foreign revenue and costs is not material.

Unassigned assets and liabilities include items which cannot be clearly assigned to specific segments.

Note 31

BASIC DATA OF JOINTLY CONTROLLED ENTITIES (BY GROUP SHARE)	01.01.2011-31.12.2011	01.01.2010-31.12.2010
- non-current assets	100,404	86,779
- current assets	3,322	4,560
- liabilities	70,618	63,378
- operating revenue	9,872	10,680
- operating costs	2,731	2,908

Date: 27 April 2012

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

Piotr Gromniak

Artur Langner

President of the Management Board

Vice-President of the Management Board

Signature of the individual entrusted with bookkeeping:

Tomasz Sułek

Chief Accountant

Management Report of Echo Investment Capital Group for 2011

ECHO
investment

III. ECHO INVESTMENT S.A.'S MANAGEMENT REPORT OF ECHO INVESTMENT CAPITAL GROUP FOR 2011

The Echo Investment Capital Group (Capital Group, Group) has been operating on the real property market since 1996. The Capital Group's parent company is Echo Investment S.A. (Issuer, Company), which has been quoted at the WSE since March 1996.

Echo Investment S.A. manages the whole investment process of a given project, starting from the purchase of property, through obtaining administrative permits, financing, implementation, supervision to putting the facility into service. It performs the activities on its own behalf or by providing services as a general contractor or a project manager to a special purpose subsidiary. Implementation of construction projects by subsidiaries significantly facilitates the management of conducted processes and ensures transparency of Group structure. These entities are mainly responsible for the renting out of commercial property (shopping and entertainment centres, offices), and, to a lesser extent, project implementation and sales of apartments as well as provision of property management services. The Company also provides general investment contractor services to foreign investors.

The Capital Group's core business is divided into three segments:

- construction and lease of space in shopping and shopping and entertainment centres,
- construction and sale of residential apartments,
- construction and lease of space in office and hotel facilities.

The Capital Group conducts business activity in Poland, Hungary, Romania and Ukraine.

1. DISCUSSION OF BASIC ECONOMIC AND FINANCIAL FIGURES DISCLOSED IN THE FINANCIAL STATEMENTS OF ECHO INVESTMENT CAPITAL GROUP FOR 2011

CONSOLIDATED BALANCE SHEET

As at the end of 2011, the Capital Group's balance sheet total amounted to **PLN 5,367,318 thousand**, which means a **19.5%** increase in value compared to the balance at the end of 2010.

Assets

At the end of 2011, the assets structure was as follows:

- Non-current assets make up 77.3% of total assets, of which the main item is investment property, 69.8% of non-current assets, investment property under construction makes up 25.3% of non-current assets;
- Current assets represent 22.7% of total assets, of which inventories account for 41.0% of total current assets, receivables make up 12.9% of current assets and cash accounts for 46.0% of total current assets.

Equity and liabilities

- As at 31 December 2011, Echo Investment S.A.'s (parent company) share capital amounted to PLN 21.0 million and was divided into 420,000,000 series A, B, C, D, E and F ordinary bearer shares with a nominal value of PLN 0.05 each;
- As at 31 December 2011, consolidated equity attributable to the shareholders of the parent company amounted to PLN 2,064,213 thousand, which means a 10.1% increase compared to the end of December 2010;
- Consolidated net book value per share is PLN 4.91;
- Liabilities accounted for 56.1% of the balance sheet total, and had a closing balance of PLN 3,009,455 thousand.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

- In 2011, consolidated net sales revenue amounted to PLN 406,935 thousand;
- Consolidated operating profit at the end of December 2011 amounted to PLN 539,365 thousand;
- Consolidated gross profit amounted to PLN 199,711 thousand and was higher than in 2010 by 45.4%;
- Consolidated net profit attributable to the shareholders of the parent company amounted to PLN 176,493 thousand, which is a 19.5% increase compared to the 2010 profit;
- Consolidated net profit per share for 12 months of 2011 was PLN 0.42.

CONSOLIDATED CASH FLOW STATEMENT

- At the beginning of the reporting period, cash amounted to PLN 379,289 thousand;
- In 2011, the Capital Group recorded a positive cash flow from operating activities, amounting to PLN 163,563 thousand;
- At the end of December 2011, the Capital Group recorded a positive cash flow from investing activities, amounting to PLN 157,371 thousand;
- The Group recorded a positive cash flow from financing activities, in the amount of PLN 163,760 thousand;
- Between 1 January and 31 December 2011, the balance of cash increased by PLN 182,096 thousand, while the increase in cash due to foreign exchange differences was PLN 12,144 thousand;
- At the end of December 2010, cash amounted to PLN 561,385 thousand.

2. DESCRIPTION OF MATERIAL RISKS AND THREATS AND INDICATION OF THE CAPITAL GROUP'S LEVEL OF EXPOSURE TO SUCH RISKS AND THREATS

Material risks and threats to the Company's business:

- The **competition risk** is related to the company's operation alongside other property development companies, and the ability to attract customers. On the Polish real property market, in addition to domestic companies, there is a strong presence of foreign investors, whose competitive advantage consists in greater capital resources. However, the Group has the advantage of extensive experience in property development projects in all market segments and has, therefore, a well-established position on the market. Experience, familiarity with the market, quality and trust of counterparties give the Group an important competitive edge, which was noticeable during the recent economic crisis. The Group continued its projects and was successful in obtaining the funds. Dynamic growth, the increasing number of completed and current projects, and its asset portfolio indicate that the Group is capable of operating effectively in a competitive market situation.

- The **interest rate risk** involves variations of percentage rates as a result of the economic situation. The Group's business involves a great deal of borrowing. The interest rate risk is limited by hedging instruments (fixed rates, IRS).

- The **foreign exchange risk** involves FX variations. In the Group, this risk is linked primarily to loans in foreign currencies (mainly in the euro) raised by special purpose vehicles. To minimise this risk, agreements with tenants of a specific object are denominated in the currency of the loan obtained for funding this object. Payments from tenants are used to repay the loans. This relation between funding and the sources of revenue significantly reduces the FX risk (natural hedge). In addition, since variations of exchange rates significantly affect the value of prospective cash flows (purchase of foreign currencies, sale of developments, disbursement of loan tranches), the Group uses the available derivatives, such as forwards or FX options.

- The **risk of the financial standing of the Capital Group's tenants** is related to the tenants' loss of liquidity. Most of the Capital Group's revenue is generated from renting out commercial and office areas. The key aspect is to select tenants with a stable economic and financial situation. Areas in shopping centres are rented out to retail chains (Tesco, Real, Carrefour, NOMI, brand clothing outlets, cinemas, etc.). Thanks to cooperation with the tenants, actions are taken to constantly improve the attractiveness of the rented areas and enhance the prestige of a given object, which attracts customers. Counterparties in office facilities include: Polkomtel, Tieto Poland, Medicover, Tebodin, Roche Polska, IKEA Shared Services and more.

- The **risk related to external contractors** involves the quality of the contractors' services and their financial standing. The Company, as the investor of a development, commissions external entities. Punctuality and quality of execution are largely the responsibility of these contractors. This risk is largely limited using various securities included in agreements for the execution of construction works, and by examining a contractor's financial standing and technical capabilities before commissioning it with works. In addition, the Company uses inspectors to supervise the execution of projects or supervisory services of specialist external contractors, which reduces the risk significantly.

- The **risk of administrative procedures** involves changes in the laws and indolence of authorities. Time-consuming administrative procedures at home and abroad determine the execution dates of the Company's projects. This may result in delays. In addition, third parties have significant powers to interfere with administrative procedures, which often leads to delays in the implementation of investments, affecting their profitability. The Group attempts to mitigate this risk by using its experience in administrative procedures and by employing staff specialised in this area.

- The **liquidity risk** involves the loss of solvency. The Group manages the liquidity risk by maintaining a constant supply of funds in the form of cash on bank accounts and/or by using the available loan limits granted. It constantly monitors the forecast and the actual cash flows. To maintain liquidity, it is essential that the Capital Group maintains a stable portfolio of leasable objects, which, year by year, continues to generate growing rent proceeds.

- The **risk of unfavourable changes in the property market** involves changes in demand and the market situation. The Capital Company attempts to minimise the risk of unfavourable changes in the property market by implementing investments in steps and adjusting the implementation pace to the expected demand and price trends on local markets.

- The **social and economic risk** involves the effects of social and macroeconomic factors on business activity. They include inflation, overall condition of the economy, changes of the economic situation, changes in real income and tax policies in countries where the Group operates, and the global situation. Changes of macroeconomic indicators may result in a decrease in the planned revenues or an increase the costs of doing business. This is particularly significant in the event of a slower GDP growth, an increasing budget deficit and increase in unemployment, leading to a drop in real income. The social and economic situation may affect the Company's revenue and financial results because new housing, office, shopping and entertainment developments depend on consumers and the funds they are able to spend. On the other hand, social schemes such as "Rodzina na swoim" (a Polish governmental housing scheme) may cause the demand to increase. This risk is limited by working with tenants who target their offer at various groups, including groups whose consumption expenditures are not strongly affected by a change of the macroeconomic situation. Apartments offered by the Group are mainly targeted at affluent consumers, whose spending decisions are less effected by the macroeconomic situation.

3. INFORMATION ON BASIC PRODUCTS WITH SPECIFICATION OF THEIR VALUE AND VOLUME AND SHARE OF INDIVIDUAL PRODUCT GROUPS IN SALES OF ECHO INVESTMENT CAPITAL GROUP AS WELL AS THE RELATED CHANGES IN THE FINANCIAL YEAR

3.1. Business segments

In 2011, Echo Investment S.A. and companies of the Capital Group implemented projects launched in previous years and were involved in new investments.

In order to minimise the risk of unfavourable changes on the real estate market, the Company, being responsible for the whole project implementation process, has taken into account a possibility that planned investments may be implemented in stages and that the pace of implementation may be adjusted to market expectations and local market prices. The Management Board attentively follows developments on the real estate market and makes individual decisions regarding the implementation of particular projects based on the assessment of current market conditions. All project implementation deadlines are flexible and sensibly adjusted to the actual situation.

POLISH MARKET

SHOPPING AND ENTERTAINMENT CENTRES SEGMENT

The stability of the shopping area market results from large demand, adaptability to particular customers' requirements and considerable diversity of industries.

Lessees of commercial area are both national and international shopping chains as well as local companies. Key lessees of shopping centres are: Carrefour, C&A, Douglas, Empik, Helios, H&M, Multikino, Nomi, Real, Rossmann, RTV Euro AGD, Tesco, Saturn, ZARA and other chain brands.

CENTRES HELD AS AT 31 DECEMBER 2011

PROJECT LOCATION AND NAME	LEASABLE AREA [SQ. M GLA]
Jelenia Góra – Galeria Echo	19,000
Piotrków – Galeria Echo	17,400
Przemyśl – Galeria Echo	4,900
Radom – Galeria Echo	19,500
Tarnów – Galeria Echo	20,200
Total shopping centres	**81,000**
Kielce – Galeria Echo	70,500
Szczecin - Galaxy	41,700
Wrocław – Pasaż Grunwaldzki	48,700
Total shopping and entertainment centres	**160,900**
TOTAL SHOPPING PROJECTS	**241,900**

The Capital Group also owns land on which further projects will be developed.

In March 2011, Echo Investment and Orbis entered into sale-purchase agreements in Szczecin and Kraków of a total value of PLN 59.5 million.

The land purchased in Szczecin (ul. Jana Matejki, formerly: the Neptune Hotel) will be used to extend the neighbouring shopping and entertainment centre Galaxy owned by Echo Investment.

The property in Kraków (al. Marszałka Ferdinanda Focha 1, formerly: the Cracovia hotel) will be used to construct a complex of residential buildings. The detailed scope of functions, relation between them and the size of area shall be established together with representatives of the Kraków City Office.

Details of planned projects, their size, cost and implementation schedules shall be provided once market analyses have been performed and architectural concepts prepared.

Alphabetical list of projects in implementation and preparation stages:

Bełchatów, shopping and entertainment centre Galeria Olimpia

In Q3 2011, the construction of Galeria Olimpia began on the property situated in ul. Kolejowa in Bełchatów. The shopping and entertainment centre with leasable area of approx. 20,700 sq. m is due to be commissioned to use in H2 2012.

Kalisz, shopping and entertainment centre Galeria Amber

The Echo Capital Group is going to use its property in Kalisz to construct a modern, regional shopping and entertainment centre. The centre will be constructed in ul. Górnośląska and Trasa Bursztynowa. The leasable area is approx. 34,000 sq. m. Completion is planned for H2 2013.

Katowice, project in ul. Kościuszki

The property in ul. Kościuszki in Katowice was purchased in 2010. This area of 54,000 sq. m will be used to construct a shopping centre with a leasable area of approx. 49,000 sq. m. The Study of Conditions and Directions of Land Development is currently being developed for the area where the property is located.

Koszalin, shopping and entertainment centre

A new investment in ul. Krakusa i Wandy in Koszalin will be a modern shopping and entertainment centre with a leasable area of approx. 27,000 sq. m. The project is to be completed in 2014.

Lublin, shopping and entertainment centre

Investment plans include construction of a shopping and entertainment centre in Górki Czechowskie in Lublin. The Company's Management Board intends to establish the details regarding the investment planned by the Echo Investment Group together with the authorities of Gmina Lublin.

Łomża, shopping and entertainment centre Veneda

In Q3 2011, the construction of the shopping centre Galeria Veneda in Łomża was started. The object will be constructed at the corner of ul. Zawadzka and ul. Sikorskiego. The shopping area in the facility will be approx. 15,000 sq. m. There will be a car park with 600 parking places. The Galeria Veneda project is to be completed in H1 2013.

Poznań, shopping and entertainment centre Metropolis

The property in ul. Hetmańska in Poznań will be used to construct a modern shopping and entertainment centre Metropolis, which will offer approx. 73,000 sq. m of leasable area. Currently, the project is at the architectural concept stage. The project is to be completed in 2015.

Słupsk, shopping and entertainment centre Arena

The property in ul. Grottgera in Słupsk will be used to construct a shopping and entertainment centre Arena. The facility will have the leasable area of approx. 20,000 sq. m. Implementation will begin after funding has been raised.

Szczecin, Outlet Park

The construction of Outlet Park in Szczecin was started in Q3 2011. It is being developed on the land formerly occupied by a facility in ul. A.Struga. The leasable area of the outlet developed in stages will total at approx. 24,000 sq. m. The first stage will be put into service in H2 2012.

Wrocław, shopping and entertainment centre Pasaż Grunwaldzki (expansion)

Pasaż Grunwaldzki is a shopping and entertainment centre located in Plac Grunwaldzki in Wrocław. The leasable area available at present is approx. 48,700 sq. m, including nearly 200 shops and service outlets. The Echo Capital Group intends to expand the facility. After the expansion is completed, the facility will offer approx. 62,500 sq. m of leasable area. The shopping area will include nearly 50 new shops. The expanded facility will be put into service in 2013.

Other shopping and shopping and entertainment centres

The Echo Capital Group also intends to extend some of currently owned shopping and entertainment centres. These projects are at the stage of purchasing new land and obtaining administrative permits.

In the future, the Capital Group will focus on implementing new projects, including projects in smaller towns in Poland, and increasing the portfolio of commercial leasable area, including expansion of existing facilities.

OFFICE AREA SEGMENT

As to the office investment segment, the Capital Group is currently constructing and commercialising leasable facilities in Warsaw, Szczecin, Poznań and Wrocław. The Capital Group also plans new investments, and its offer includes office buildings of various standard, including top class facilities.

In spite of strong competition in this market segment, projects in the Capital Group's investment portfolio have appropriate location and accurate standard, ensuring stable revenue from long-term lease agreements. Office area is leased to renowned companies, including: IKEA, Grand Thornton Frąckowiak, McKinsey, Medicover, Polkomtel, Mentor Graphics, Nordea Bank, Polsoft, Pramerica, Roche, Tieto Poland, Tebodin SAP-Projekt and more.

The Capital Group holds 5 office developments in its property portfolio.

OFFICE FACILITIES HELD AS AT 31 DECEMBER 2011

PROJECT LOCATION AND NAME	LEASABLE AREA [SQ. M GLA]
Warsaw – Babka Tower	6,200
Warsaw – Postępu 3*	10,200
Poznań – Malta Office Park, stage I	6,700
Poznań – Malta Office Park, stage II	15,200
Poznań – Malta Office Park, stage III	6,500
Kielce – Astra Park**	11,200
Szczecin - Oxygen	14,100
Total office developments	**70,100**

* The Capital Group holds a 50% interest in the development (area indicated in the table corresponds to the 50% interest)

** Excluding area occupied by the Echo Investment Capital Group

Alphabetical list of projects in implementation and preparation stages:

Gdańsk, Tryton project

The property in ul. Jana z Kolna in Gdańsk will be used to construct office space. An A-class building designed by the Arch-Deco architectural design studio will provide approx. 22,000 sq. m of leasable area. At present, there are administrative procedures aimed at obtaining required permits and design works. The investment is to start in H2 2012 and the building will be made available to the lessees in H1 2014.

Katowice, project in ul. Francuska

The property in Katowice, near the crossroads of ul. Górnośląska and Francuska, will be used to construct a business park with a leasable area of approx. 32,500 sq. m. The facility, designed by the DDJM architectural design studio, will be constructed in three stages. In December 2011, the company obtained a valid construction permit for stage I of the investment along with the required traffic system. The implementation of stage I of the investment is to be launched in H2 2012. The first stage of the investment will be put into service in H1 2014.

Kraków, project in ul. Opolska

The property in ul. Opolska and 29 Listopada in Kraków will be used to construct a modern class A office building with a leasable area of approx. 58,000 sq. m. At present, there are administrative procedures aimed at obtaining a building permit for the office complex. The facility will be constructed in three stages; project implementation will begin in H2 2012, and stage I is to be completed in H1 2014.

Łódź, Aurus project

The property in ul. Piłsudskiego in Łódź will be used to construct two A-class office buildings with total leasable area of approx. 19,000 sq. m. The project is to be implemented in two stages. The first stage is to be completed in 2014. A decision to start the execution will be made in consideration of the situation on the office space market in Łódź.

Warsaw, project in ul. Beethovena

The property located in ul. Beethovena in Warsaw will be used by the Company to construct an office park with a total leasable area of approx. 54,000 sq. m. The project is to be implemented in three stages. The construction of the first stage is to start in H2 2013.

Warsaw, project in al. Jana Pawła II

In December 2011, the final agreement for the purchase of the perpetual usufruct title to the real property located at the junction of ul. Jana Pawła II and ul. Grzybowska was signed. The construction of the office building with a leasable area of approx. 53,000 sq. m is planned to start in mid 2013.

Warsaw, project in ul. Konstruktorska

The property located in ul. Konstruktorska in Warsaw will be used by the Company to construct office buildings with a total leasable area of approx. 34,000 sq. m. Stage one of the investment is planned to start in mid 2012.

Wrocław, project in ul. Swobodna

In Q2 2011, the construction of office buildings on the property located in ul. Swobodna in Wrocław was started. The execution of stage I of the investment with a leasable area of approx. 15,700 sq. m will be completed in H2 2012. The leasable area of the whole project will be approx. 25,200 sq. m.

Wrocław, project in ul. Lotnicza

In November 2011, the final agreement was signed for the purchase of the perpetual usufruct title to the real property located at the junction of ul. Lotnicza and ul. Na Ostatnim Groszu, where an office building with a leasable area of approx. 16,000 sq. m is planned. Investment implementation is planned to start in H1 2013.

HOTEL SEGMENT

Many years' experience and renowned partners form a stable basis for the company's activity on the hotel market. In recent years, Echo Investment S.A. has been involved in comprehensive construction of hotels for key customers, acting as the general contractor. The Capital Group carried out projects in the hotel segment in partnership with international hotel chains: the French groups Accor and Envergure and the Norwegian group Qubus. Hotels constructed by the Group are currently operated in Warsaw, Kielce, Kraków, Szczecin, Łódź, Poznań, Częstochowa, Zabrze and Gliwice. In the future, the Company plans to execute hotel developments in partnership with international hotel operators.

Łódź, Novotel hotel

Pursuant to a general contractor agreement entered into in 2009, the property located in ul. Piłsudskiego in Łódź will be used to construct a Novotel class hotel with a total area of approx. 7,200 sq. m. In Q3 2011, the construction of the building was started, and it is to be completed in H1 2013.

HOUSING SEGMENT

In the housing segment, the Capital Group carries out investments in various categories: from luxurious apartment buildings, through top and medium standard residential buildings, to complexes of detached houses.

Alphabetical list of projects in implementation and preparation stages:

Vicinity of Kielce, complex of detached houses in Dyminy

The Company completed the construction of infrastructure for the first stage of the complex of detached houses on a property located in Dyminy near Kielce. The construction of infrastructure for stage two was started. The complex was designed by an architectural design studio StoMM Architektura Maciej Stoczkiewicz from Kielce, and it will consist of approx. 200 plots (approx. 160,000 sq. m) for sale. The Company sells the plots together with house designs.

Kraków, Dom Pod Słowikiem, project in ul. Krasickiego

The construction of the residential and service facility developed on the property situated in Kraków in ul. Krasickiego (area for sale: approx. 5,200 sq. m) continued in 2011. The building, designed by the architectural design studio Studio S – Biuro Architektoniczne Szymanowski from Kraków, will comprise approx. 85 apartments. The project is to be completed in early 2012.

Kraków, project in ul. Korzeniowskiego

A new housing investment will be implemented in ul. Korzeniowskiego in Kraków. The building was designed by The Blok design studio, and it will have an area of approx. 3,000 sq. m. (40 apartments). Currently, the project is in the phase of obtaining administrative permits. The execution of the investment is due to start in H2 2012 and it is to be completed in early 2014.

Kraków, project in ul. Tyniecka and ul. Czarodziejska

The property in ul. Tyniecka in Kraków will be used by the Company for the planned construction of residential buildings. The area for sale will be approx. 4,600 sq. m (approx. 50 apartments). The procurement of administrative permits and the start of project execution are due in early 2013.

Kraków, project in ul. Bronowicka

The property in ul. Bronowicka in Kraków will be used to construct a residential building with area for sale of approx. 3,000 sq. m. Construction works are to be started in H2 2012. Project implementation is to be completed in 2014.

Kraków, project in ul. Kilińskiego

The Company owns a plot of 1,100 sq. m in ul. Kilińskiego in Kraków. The plot development concept involves the construction of an intimate residential facility. However, due to the small scale of the project, the Company abandoned its execution and decided to sell the property after administrative permits have been obtained.

Łódź, Osiedle Jarzębinowe, project in ul. Okopowa

The preparation process for constructing residential buildings continued. The buildings will be erected on a property located in ul. Okopowa and ul. Górnicza in Łódź. According to the present architectural concept, the area for sale will reach approx. 45,000 sq. m (approx. 700 apartments). This project will be implemented in stages. The investment is planned to be completed within five years. Stage 1 started in late 2011 and is to be completed in H2 2013. A decision to start the execution of subsequent stages will be made in consideration of the situation on the residential apartments market in Łódź.

Łódź, project in ul. Wodna

The Company is planning to develop residential buildings on the property owned by the Company and situated in Łódź in ul. Wodna. The new concept involves the construction of approx. 200 apartments with a total area for sale of nearly 14,000 sq. m. The Company obtained a land development permit, allowing for the investment to be implemented. The project is at the stage of obtaining the building permit, which should be completed in early 2012. The project will be implemented in stages. The execution of stage I is planned for early 2013 and it is to be completed in late 2014. A decision to start the execution will be made in consideration of the situation on the residential apartments market in Łódź.

Poznań, Osiedle Naramowice, Pod Klonami

The construction of a multi-family facility Pod Klonami continued in 2011. The company also completed preparation works before implementing a single-family project of the same name. The residential complex was designed by an architectural design studio Archikwadrat Sp. z o.o. from Poznań, and it will offer an area for sale of approx. 15,000 sq. m. The multi-family project will be completed in H2 2012. The single-family project will be carried out for approx. two years, starting in early 2012.

The Echo Investment Capital Group owns reserve land in Poznań, which will allow for constructing further stages of Osiedle Naramowice.

Poznań, Kasztanowa Aleja, project in ul. Wojskowa

The construction of stage I of the project Kasztanowa Aleja in Poznań in ul. Wojskowa was completed. At this stage, an area of approx. 8,600 sq. m is available for sale. The decision to start a second, similar stage of the investment will be made in mid 2012.

Poznań, project in ul. Litewska and ul. Grudzieniec

Measures were implemented aimed at preparing the sale of plots comprising the property in ul. Litewska and ul. Grudzieniec in Poznań. The total area of the plots to be sold is nearly 14,000 sq. m. The Company plans to sell the plots together with the prepared designs. It has been assumed that the sale will begin in early 2013 and will be carried out for sixteen months.

Warsaw, Klimt House, project in ul. Kazimierzowska

The sale of Klimt House in ul. Kazimierzowska in Warsaw continued (with an area for sale of approx. 5,200 sq. m.) The building designed by Mąka Sojka Architekci Sp. J. from Warsaw houses 60 apartments and service premises.

Warsaw, Rezydencje Leśne, Las Młociński

The Company continued the construction of the infrastructure for a complex of houses in Bielany district in Warsaw (Las Młociński). 31 plots were outlined on the property with an area of 6.3 ha. The estimated area of the plots for sale is nearly 53,000 sq. m. The project was designed by the architectural design studio W.M. Musiał Architekci Sp. z o.o. from Warsaw and StoMM Architektura Maciej Stoczkiewicz from Kielce. The project is to be completed in mid 2012.

Warsaw, project in ul. Konstruktorska

Conceptual and design works are underway related to the planned construction of an office and residential complex on an approx, 74,000 sq. m large plot purchased in H2 2010. The apartments will have the total area of approx. 45,000 sq. m. (over 700 apartments). According to the preliminary concept, the project is to be executed in four stages. The first stage is to begin in H1 2012. The whole project is to be completed in 2019.

Warsaw, project in ul. Puławska

In 2011, design works related to a project located in Mokotów, in the region of ul. Puławska and ul. Boryszewska, were carried out. The area of this multi-floor building is intended to reach approx. 5,000 sq. m. The facility will be built in cascade form and will serve residential and service purposes. The investment is planned to start in late 2012.

Wrocław, Przy Słowiańskim Wzgórzu, project in ul. Jedności Narodowej

The execution of a residential housing project located in ul. Jedności Narodowej in Wrocław continued. The property of 7.4 thousand sq. m will be used to construct approx. 200 apartments with a total area of approx. 14,000 sq. m. The project is to be completed in mid 2012.

Wrocław, project in ul. Grota – Roweckiego

The Company's property in ul. Grota-Roweckiego in Wrocław, with an area of approx. 3 ha, will be used to construct a residential facility offering nearly 300 apartments with a usable area of approx. 18,000 sq. m. This project will be implemented in stages. The first stage will be launched in H2 2012, while the whole investment will be completed in 2016.

FOREIGN MARKET

Hungary

SHOPPING AND ENTERTAINMENT CENTRES SEGMENT

Budapest, shopping and entertainment centre Mundo

The property in the 14th district of Budapest - Zuglo (area of approx. 6.84 ha) will be used to construct a modern shopping and entertainment facility MUNDO. At present, the Company is obtaining administrative permits and works on commercialising the project. In connection with the introduction of Hungarian legislation limiting the possibility to construct shopping centres and the economic situation in the country, it is uncertain whether the project will start within the next three years.

ROMANIA

SHOPPING AND ENTERTAINMENT CENTRES SEGMENT

Brasov, shopping and entertainment centre Korona

The property in ul. Stadionului in the Romanian city of Brasov will be used by the Echo Capital Group to construct a modern shopping and entertainment centre with a leasable area of approx. 30,000 sq. m. A building permit has already been obtained. Commercialisation of the project is still in progress. The execution of the project will begin once appropriate level of lease has been achieved and external funding has been obtained.

UKRAINE

OFFICE PROJECTS SEGMENT

Kiev, project in ul. Dehtiarivska

The property in ul. Dehtiarivska in Kiev will be used to construct an office park with a leasable area of approx. 110,000 sq. m. Design works relating to the office park are conducted by an architectural design studio from Kiev - Atelier. The project will be implemented in stages. It is planned that the building permit will be obtained in H2 2012.

3.2. Revenue structure

STRUCTURE OF THE GROUP'S NET SALES REVENUE (IN MILLIONS OF PLN) BETWEEN 2010 AND 2011:

ITEM	01.01.2011-31.12.2011	% SHARE	01.01.2010-31.12.2010	% SHARE
Shopping centres segment	289.3	71.1%	248.2	58.2%
Housing segment	29.4	7.2%	82.9	19.5%
Offices and hotels segment	78.0	19.2%	71.3	16.7%
Trade in real property	2.0	0.5%	-	-
Other revenue	8.2	2.0%	24.0	5.6%
TOTAL NET REVENUE FROM SALE OF PRODUCTS	406.9		426.4	

4. INFORMATION ON SALES MARKETS, GROUPED INTO DOMESTIC AND FOREIGN MARKETS, INFORMATION ON SOURCES OF SUPPLY OF MANUFACTURING MATERIALS, INDICATION OF OVERDEPENDENCE ON ONE OR MORE CUSTOMERS AND SUPPLIERS, AND, WITH A SHARE OF A SINGLE CUSTOMER OR SUPPLIER EQUAL TO AT LEAST 10% OF TOTAL SALES REVENUE, NAME OF SUCH CUSTOMER OR SUPPLIER, THEIR SHARE IN SALES OR SUPPLY AND FORMAL RELATIONS WITH THE CAPITAL GROUP

SALES MARKETS

In 2011, all projects implemented by the Capital Group were located in the Polish market only.

Changes in sources of supply

In terms of purchase of services by entities from the Capital Group, the main share, measured by the share of purchases in total sales revenue, was attributable to entities with whom the Capital Group works together as part of specific property developments. In 2011, turnover with three counterparties exceeded 10% of the Capital Group's revenue. None of the listed companies has capital relations with the Group.

MAJOR SUPPLIERS OF THE CAPITAL GROUP IN 2011:

COUNTERPARTY	TURNOVER (IN MILLIONS OF PLN)	% SHARE OF NET SALES REVENUE
Eiffage Budownictwo MITEX S.A.	215.82	53.03%
Ravenna Warszawa Sp. z o.o.	171.03	42.02%
ORBIS S.A.	72.93	17.92%

Changes among customers

The customers of the Capital Group include tenants leasing commercial space and entities to which property development services are provided. Where whole projects are sold, the Group's customers include companies investing in real property.

MAJOR CUSTOMERS OF THE CAPITAL GROUP IN 2011:

COUNTERPARTY	TURNOVER (IN MILLIONS OF PLN)	% SHARE OF NET SALES REVENUE
CARREFOUR POLSKA SP. Z O.O.	42.39	10.41%

In 2011, turnover with three counterparties (unrelated with the Group) exceeded 10% of the Capital Group's revenue. These counterparties were: Immopoland Sp. z o.o. (549.17 million), PH 3 Sp. z o.o. (124.07 million) and Vousoka Polska Sp. z o.o. (54.35 million). These transactions involved the sale of the project "Park Postępu" and of Shopping Centres in Bełchatów and Pabianice, and are disclosed in the income statement under "Profit/loss on investment property".

5. INFORMATION ON AGREEMENTS THAT ARE SIGNIFICANT FOR THE CAPITAL GROUP'S BUSINESS, INCLUDING AGREEMENTS BETWEEN SHAREHOLDERS AS WELL AS INSURANCE, PARTNERSHIP OR COOPERATION AGREEMENTS CONCLUDED IN 2011 AND KNOWN TO THE COMPANIES OF THE CAPITAL GROUP

5.1. Agreements significant for the Capital Group's business

Addenda to Bond Issue Programme Agreements

On 31 January 2011, Echo Investment S.A. and BRE Bank S.A. with its registered office in Warsaw (BRE Bank) signed, by way of document circulation, Addenda to agreements regarding the Bond Issue Programme (Bonds) of 15 April 2004, which the Issuer announced in Current Report no. 19/2004 of 16 April 2004 (Agreements).

The Addenda to those Agreements stipulate multiple bond issue performed by the Issuer in the form of a tranche issue order. Pursuant to the Addenda, the maximum total face value of all issuable bonds was increased by PLN 300 million, up to PLN 1 billion.

Pursuant to the Addenda to the Agreements, BRE Bank shall manage and perform comprehensive services relating to the issue of the Company's bonds on the non-public market. The bonds shall not be hedged and shall be issued as bearer securities. The interest rate on the bonds may be fixed or variable. The bonds shall not guarantee any benefits in kind. Issue terms and conditions shall be established before the issue is performed, within the time scope of the Bond Issue Programme Agreement.

Obtaining cash from the bond issue will supplement currently held loan facilities and will allow the Company to finance the planned investments and the development of current areas of its business on the Polish property market.

Bond issue as part of the Bond Issue Programme

The Bond Issue Programme (Current Report no. 7/2011 of 1 February 2011) entered into with BRE Bank S.A. with its registered office in Warsaw stipulated that, on 11 February 2011, the Company would issue coupon bonds of a total value of PLN 145 million.

The nominal value and the issue price of one bond is PLN 100 thousand. The bonds were issued for a period of 5 years, i.e. the bonds mature on 11 February 2016. The bond interest rate was established based on the variable WIBOR 6M rate increased by investors' profit margin. Interest shall be paid in 6-month periods. On the redemption day, the bonds shall be redeemed based on their nominal value. The issued bonds are not hedged.

In the opinion of the Management Board of Echo Investment S.A., during the validity period of issued bonds, the general liabilities of Echo Investment S.A. will be maintained on a safe level, while debt service ratios will ensure that the Company is capable to settle its liabilities following from the issued bonds.

The bonds do not guarantee any benefits in kind from the Issuer.

Cash obtained through the issue of bonds will be used to repay debt due to bonds of PLN 150 million with redemption date in May 2011.

As part of the Bond Issue Programme (Current Report no. 7/2011 of 1 February 2011) entered into with BRE Bank S.A., with its registered office in Warsaw, the Company issued coupon bonds in the total amount of PLN 150 million.

The nominal value and the issue price of one bond is PLN 100 thousand. The bonds were issued for a 2-year period. The bond interest rate was established based on the variable WIBOR 6M rate increased by investors' profit margin. Interest shall be paid in 6-month periods. On the redemption day, the bonds shall be redeemed based on their nominal value. The issued bonds are not hedged. In the opinion of the Management Board of Echo Investment S.A., during the validity period of issued bonds, the general liabilities of Echo Investment S.A. will be maintained on a safe level, while debt service ratios will ensure that the Company is capable to settle its liabilities following from the issued bonds.

The bonds do not guarantee any benefits in kind from the Issuer.

Cash obtained through the issue of bonds shall be used to continue the development strategy of the Issuer and the Echo Investment S.A. Capital Group.

Amendment to the preliminary contingent property sales agreement and the investment agreement entered into with Orbis S.A.

In Q2 2011, the Issuer and ECHO-KIELCE 1 Spółka z ograniczoną odpowiedzialnością, with its registered office in Kielce (the Issuer's subsidiary), and ORBIS Spółka Akcyjna, with its registered office in Warsaw, amended many times the provisions of the Contingent Preliminary Sales Agreement entered into on 4 September 2008 (Current Report no. 44/2008 of 5 September 2008) to the effect that the date of signing the Final Agreement was determined to be 25 July 2011 at the latest.

Furthermore, on 23 March 2011, Echo Investment S.A. (the Issuer) and ORBIS Spółka Akcyjna, with its registered office in Warsaw, signed an addendum to the contingent general investment execution agreement of 4 September 2008 (Current Report no. 44/2008 of 5 September 2008), which established a new investment implementation schedule with the investment completion day set for 24 March 2013.

Addendum to the agreement for the purchase of property in Warsaw

On 14 April 2011, an addendum was signed to the agreement for the purchase of property located in Warsaw, which the Issuer announced in Current Report No. 31/2010 of 4.10.2010.

Pursuant to the signed addendum:

1/ Projekt Echo - 58 Spółka z ograniczoną odpowiedzialnością, with its registered office in Kielce (the Issuer's subsidiary), waived its right, enforceable by 22 July 2011, to withdraw from the property sale agreement.

2/ Payment terms and conditions regarding the final instalment were established in more detail, and were made dependent on obtaining appropriate administrative permits regarding the property in question.

Loan agreement

On 20 April 2011, GALERIA SUDECKA – Projekt Echo – 43 Spółka z ograniczoną odpowiedzialnością S.K.A., with its registered office in Jelenia Góra, the Issuer's subsidiary, (the Borrower) and BANK POLSKA KASA OPIEKI S.A., with its registered office in Warsaw, (the Lender) entered into a loan agreement (the Agreement).

Pursuant to the Agreement and in accordance with the Borrower's application, the Lender provided the Borrower with a loan (the Loan) of not more than the lowest of the following amounts:

EUR 18 million (eighteen million euro) or 70% of the market value of the property, provided that, as at the day of entering into the agreement and at the average exchange rate of the National Bank of Poland, EUR 18 million is equivalent to PLN 71.33 million. The interest rate on the loan will be variable, calculated as the three-month EURIBOR rate (3M EURIBOR) increased by the bank's margin.

The funds obtained pursuant to the Agreement will be used by the Borrower exclusively to fund expenditures incurred for the implementation of the project: Centrum Handlowe Echo in Jelenia Góra, by repaying borrowings granted by partners or granting borrowings to companies from the Issuer's capital group intended to finance current projects.

Collaterals for the repayment of all amounts due to the Lender include:

- establishment of a capped mortgage on the Borrower's property, up to the double amount of the Loan throughout the credit period;
- registered and financial pledge agreements on: 1/ Issuer's shares in the Borrower's share capital, 2/ Forum XXIX FIZ shares in the Borrower's share capital, 3/ interests in the share capital of the general partner, 4/ Borrower's bank accounts;
- authorisation for the bank regarding the Borrower's bank accounts within the scope set forth by the bank;
- security assignment of rights agreement;
- agreement on subordinating the amounts due from the Borrower's other creditors, being the Borrower's partners, to the Bank under the Agreement;
- Borrower's declaration, pursuant to article 97 of the Bank Law, regarding a voluntary submission to enforcement proceedings.

The Borrower has undertaken to repay the Loan to the Bank in the following manner:

a) part in quarterly instalments calculated on the basis of fixed payment scheme i.e. equal principal and interest payments,

b) remaining part in a balloon payment on the last of the credit period,

provided that full repayment is made by the Borrower by the last day of the credit period, i.e. 31 December 2015. The Repayment Schedule shall be updated after each Loan Disbursement.

Sale of a shopping centre in Bełchatów

The Echo Investment Group sold Centrum Handlowe ECHO erected in 2000 in Bełchatów. The object's new owner is a subsidiary of Vousoka Ltd, with registered office in Nicosia (Cyprus).

On 26 May 2011, the parties concluded the final agreement for the sale of the shopping centre in Bełchatów. The transaction's value exceeds PLN 44 million net.

Establishment of a mortgage

The District Court in Jelenia Góra, 6^{th} Land and Mortgage Register Department, has registered a contractual mortgage on perpetual usufruct and ownership title to a building, which constitutes a separate property, in Jelenia Góra. The Issuer operates a Shopping Centre on that property.

The mortgage was established for the benefit of BANK POLSKA KASA OPIEKI S.A., with registered office in Warsaw, to the amount of EUR 36 million, i.e. PLN 142.87 million as at the day of submitting the report, as a security for any amounts due to the bank under the granted loan, which the Issuer announced in Current Report No. 20/2011 of 21 April 2011.

General contractor agreement – Shopping Centre in Bełchatów

On 8 June 2011, Projekt Echo – 55 Sp. z o.o. (Echo), with registered office in Kielce (Issuer's subsidiary), and Polimex – Mostostal S.A. (Contractor), with registered office in Warsaw, signed a General Contractor Agreement for Centrum Handlowe OLIMPIA in Bełchatów.

Under the agreement, the Contractor obliged to conduct general construction and additional works included in the agreement as well as to procure, in the name of Echo, the final permit to use the shopping centre Olimpia in Bełchatów at ul. Kolejowa and ul. Armii Krajowej.

The Contractor' lump-sum remuneration for the performance of the subject of the Agreement amounts to: PLN 80,300,000.00 (in words: eighty million and three hundred thousand złoty) net.

The completion date for the subject of the Agreement is 14 August 2012.

The agreement contains provisions allowing Echo to calculate contractual penalties in the event of non-performance or ill-performance of the Agreement. The total value of the penalties may not exceed 10% of the remuneration for the performance of the subject of the Agreement.

Loan agreement

On 9 June 2011, ECHO – PRZY SŁOWIAŃSKIM WZGÓRZU Spółka z ograniczoną odpowiedzialnością Sp. k., with its registered office in Kielce (the Issuer's subsidiary), as the Borrower, and RAIFFEISEN BANK POLSKA S.A., with its registered office in Warsaw, as the Lender, signed a loan agreement.

Under the terms of the Agreement, the Bank provided the Borrower with cash up to a maximum amount of PLN 50,000,000 (fifty million złoty).

The Borrower will use the Loan to fund the costs of an ongoing project and to refinance the incurred expenditures.

The Borrower has undertaken to repay the loan to the bank by 30 May 2014.

Addenda to loan agreements

On 29 June 2011, Echo Investment S.A. (Borrower) and the Bank Polska Kasa Opieki S.A., with registered office in Warsaw (Lender, Bank), concluded addenda to loan agreements.

According to the provisions of the addendum of 29 June 2011 to the working capital facility agreement of 7 March 2002, as amended, the Bank granted to the Borrower a non-renewable working capital loan for funding the purchase of real properties, land for investment projects and funding capital expenditures related to the design, preparation, execution and use of investment projects executed by the Borrower.

The loan has been granted for the period ending 30 June 2012.

The Borrower's debt due to the working capital facility may not exceed PLN 65.54 million.

The working capital facility's interest rate is variable and determined based on 1M WIBOR plus the Bank's margin.

The Issuer announced the conclusion of the agreement in its current report no. 11/2002 on 08.03.02.

Based on the addendum of 29 June 2011 to the overdraft facility agreement of 25 March 2003, as amended, concluded between Echo Investment S.A. (Borrower) and the Bank BPH PBK S.A. (Lender, its current legal successor is Bank Polska Kasa Opieki S.A.), an overdraft working capital facility in the amount of PLN 30 million was granted until 30 June 2012.

The interest rate will be calculated based on variable interest rate 1M WIBOR plus the Bank's margin.

The Issuer announced the conclusion of the agreement in its current report no. 7/2003 on 26.03.03.

Fulfilment of the condition for investment execution agreement

On 25 July 2011, the Issuer and ECHO-KIELCE 1 Spółka z ograniczoną odpowiedzialnością, with its registered office in Kielce (the Issuer's subsidiary), and ORBIS Spółka Akcyjna, with its registered office in Warsaw, signed – as part of the performance of the Contingent Preliminary Sales Agreement concluded on 4 September 2008 (Current Report no. 44/2008 of 5 September 2008) – the Final Agreement, under which the Issuer sold the right of perpetual usufruct of property to Orbis S.A.

The conclusion of the above-mentioned agreement was one of the conditions precedent for the agreement signed on 4 September 2008 for the Issuer's general execution of a Novotel class hotel for Orbis S.A. (Current Report No. 44/2008 of 5 September 2008). Łódź municipal commune did not exercise its right of pre-emption and the above-mentioned agreement was executed.

Agreement for the purchase of interests

On 11 August 2011 the Issuer and the company "Ustra" Sp. z o.o. (Seller) with its registered office in Kielce in al. Solidarności 36, entered into the Register of Entrepreneurs kept by the District Court in Kielce, 10th Economic Department of the National Court Register (KRS) under KRS number 224675, concluded an initial agreement for the sale of interests in Astra Park Sp. z o.o. ("Company") with its registered office in Kielce in al. Solidarności 36 entered into the Register of Entrepreneurs of the National Court Register kept by the District Court in Kielce, 10th Economic Department of the National Court Register under KRS number 271678. The agreement involves all interests of the company Astra Park Sp. z o.o., i.e. 738,801 (seven hundred thirty-eight thousand, eight hundred and one) interests of the Company, with a total nominal value of PLN 36,940,050 (thirty-six million, nine hundred forty-five thousand and fifty). The final agreement will be concluded on the condition that, among other things, Eurohypo Aktiengesellschaft, with registered office in Eschborn, Germany, a bank in which Astra Sp. z o.o. has raised a loan of EUR 21.8 million, approves the sale of the interests. The final sale agreement will be concluded after the terms and conditions have been duly satisfied, though not later than by 30 September 2011. In the case these terms and conditions are not duly satisfied by the above-mentioned deadline, the agreement shall be cancelled. The parties agree the interests' sale price to be PLN 67.50 million. The price for the interests shall be paid within 3 days from the conclusion of the final sale agreement. The value of the assets acquired was recognised as significant on the basis of the Issuer's equity criteria. The acquisition of the assets will be financed with the Issuer's equity and the assets acquired will constitute a long-term investment. The Seller is a subsidiary of Mr. Michał Sołowow, a major shareholder of the Issuer. Astra Park Sp. z o.o. owns a modern office complex in Kielce in al. Solidarności 36, comprising three office buildings with a total leasable area of 16,300 sq. m and adjacent land properties intended for the development of the office park. The Issuer holds a legally binding permit for the construction of the fourth office building with a total area of 10,000 sq. m. The Issuer, in addition to increasing the portfolio of office space as a result of acquiring the Company, plans to use the acquired Company's land property potential to expand the existing office complex and thus to increase the project's NOI.

The final agreement for the acquisition of interests in Astra Park Sp. z o.o. was signed on 9 September 2011. As a result of signing the final agreement, the Issuer acquired 738,800 interests in the company Astra Park Sp. z o.o. while the Issuer's subsidiary Grupa Echo Sp. z o.o. with its registered office in Kielce acquired 1 interest in the Company. Both the Issuer and Grupa Echo Sp. z o.o. acquired a total of 738,801 interests in Astra Park Sp. z o.o., i.e. all interests representing 100% of capital and votes at the shareholders' meeting.

Investment loan agreement

On 14 September 2011, Projekt Echo – 5 Spółka z ograniczoną odpowiedzialnością S.K.A. with its registered office in Kielce, the Issuer's subsidiary, (the Borrower) and Powszechna Kasa Oszczędności Bank Polski S.A., with its registered office in Warsaw (the Lender), entered into an investment loan agreement (the Agreement).

On the terms and conditions specified in the Agreement, the Lender grants to the Borrower an investment loan in an amount not exceeding the lowest of the amounts below:

EUR 18 million (eighteen million euro) or 75% of net capital expenditures, provided that, as at the day of entering into the agreement and at the average exchange rate of the National Bank of Poland, EUR 18 million is equivalent to PLN 82.36 million. After the project is completed, the loan may be increased to 75% of the project market value determined on the basis of a market valuation drawn up by an appraiser.

An interest is charged p.a. on the amount of the loan utilised at a floating interest rate equivalent to EURIBOR 3M plus the bank's margin.

The Borrower will use the funds raised under the agreement to develop an Outlet Park shopping centre in Szczecin. The loan has been granted for the period between 14 September 2011 and 14 September 2028 with the stipulation that the construction period of this shopping centre will not be longer than 24 months.

Collaterals for the repayment of all amounts due to the Lender include:

- sola blank bill of exchange issued by the Borrower together with the blank promissory note agreement,
- joint mortgage up to EUR 31.5 million established on the Borrower's right of perpetual usufruct to the property situated in Szczecin,
- a transfer of amounts due from the investment's insurance policy during the implementation period,
- a transfer of amounts due from the property insurance policy after completing the project,
- a transfer of amounts due from lease agreements and guarantees securing the lease agreements.

Agreement for the sale of Park Postępu office project

On 21 September 2011 the Issuer's subsidiary, the company under the business name Park Postępu – Projekt Echo – 93 Spółka z ograniczoną odpowiedzialnością Spółka komandytowo-akcyjna, with its registered office in Kielce (Seller), and the company under the business name IMMOPOLAND Spółka z ograniczoną odpowiedzialnością, with its registered office in Warsaw (Buyer), concluded an agreement for the sale of the right of perpetual usufruct to the land plots situated in Warsaw in ul. Postępu 21 and the title of ownership to the four office buildings developed on those plots together with the accompanying infrastructure (Office Project).

The selling price of the Office Project stands at EUR 101,865,368 (one hundred and one million, eight hundred and sixty-five thousand, three hundred and sixty-eight euro) augmented by VAT due and payable, which as at the date of entering into the said agreement, according to the average exchange rate of the National Bank of Poland, is equivalent to PLN 447,443,629 (four hundred and forty-seven million, four hundred and forty-three thousand, six hundred and twenty-nine złoty) net.

The book value of the assets sold in the consolidated financial statements of the Issuer's Capital Group measured in accordance with the IAS standards amounts to PLN 336,659,597 (three hundred and thirty-six million, six hundred and fifty-nine thousand, five hundred and ninety-seven złoty).

There are no relations between the Issuer or the persons managing or supervising the Issuer and the Buyer or the persons managing the Buyer.

The Issuer's Management Board reports that the current events observed on global financial markets may to a significant degree negatively affect the situation on the Polish property market, including in the particular the area of availability as well as terms and conditions of financing for developing projects. Estimating the risk above as highly probable, the Issuer will earmark the funds raised from the sale of the Park Postępu Office Project for securing sources of financing of projects prepared for implementation.

Bank loan repayment

On 21 September 2011, in relation to the transaction of sale by the Issuer's subsidiary, the company under the business name Park Postępu – Projekt Echo – 93 Spółka z ograniczoną odpowiedzialnością SKA, with its registered office in Kielce, to the company under the business name IMMOPOLAND Sp. z o.o., with its registered office in Warsaw, the Issuer repaid the bank loan related to the Park Postępu Office Project of EUR 49.59 million to bank Eurohypo AG with its registered office in Eschborn (Germany), on which the Issuer reported in current report No. 24/2009 dated 12 June 2009. As at the date of preparing this report, the Issuer is not encumbered with any loan related to the Park Postępu Office Project.

Shopping Centre General Contractor Agreement

On 27 September 2011, Veneda – Projekt Echo – 97 Spółka z ograniczoną odpowiedzialnością spółka komandytowo – akcyjna, with its registered office in 25-323 Kielce, al. Solidarności 36, entered into the Register of Entrepreneurs kept by the 10th Economic Department of the National Court Register of the District Court in Kielce under KRS number 0000396369 (a subsidiary of the Issuer) and Instal Białystok S.A., with its registered office in 15-084 Białystok, ul. Orzeszkowej 32, entered into the Register of Entrepreneurs kept by the 12th Economic Department of the National Court Register of the District Court in Białystok under KRS number 0000035195 (Contractor) entered into the General Contractor Agreement for the Shopping Centre Galeria Veneda in Łomża in ul. Sikorskiego and ul. Zawadzka.

Pursuant to this agreement, the Contractor will carry out construction works comprising general development of the shopping centre along with surrounding areas, the external infrastructure, the road infrastructure, underground infrastructure, car parks and land development.

The Contractor' lump-sum remuneration for the performance of the subject of the agreement amounts to: PLN 69,635,000 (in words: sixty-nine million, six hundred and thirty-five thousand złoty) net.

The completion date for the subject of the Agreement is 26.11.12.

The agreement contains provisions allowing Echo to calculate contractual penalties in the event of non-performance or ill-performance of the Agreement. The total value of the penalties may not exceed 10% of the remuneration for the performance of the subject of the Agreement.

Agreement for the sale of a shopping centre in Pabianice

On 27 October 2011, the Issuer's subsidiary operating under the business name PPR – Projekt Echo – 77 spółka z ograniczoną odpowiedzialnością Spółka komandytowo-akcyjna, with its registered office in Kielce (Seller), and the company under the business name PH 3 spółka z ograniczoną odpowiedzialnością Spółka komandytowo-akcyjna, with its registered office in Warsaw (Buyer), entered into an agreement for the sale of the right of perpetual usufruct to the plots of land situated in Pabianice in ul. Zamkowa 31 and the title of ownership to the buildings and other structures developed on those plots (Pabianice shopping centre).

The total selling price of the Pabianice shopping centre stands at EUR 23,848,300 plus the applicable VAT, which as at the date of signing the agreement, according to the average exchange rate of the National Bank of Poland, was equivalent to PLN 104,589,200 net.

The book value of the assets sold in the consolidated financial statements of the Issuer's Capital Group in conformity with the IAS stands at PLN 80,114 thousand.

In addition, having regard to the above-mentioned sale transaction, the Issuer repaid some of the investment loan related to the shopping centre in Pabianice in the amount of EUR 530,000, which as at the date of signing the agreement, according to the average exchange rate of the National Bank of Poland, was equivalent to PLN 2,322 thousand.

The balance of the loan remaining for repayment as at 27.10.2011 is EUR 20,700 thousand, which is equivalent to PLN 90,782 thousand. The said loan agreement was entered into on 23 January 2004 (current report no. 3/2004) and it provided financing for 3 shopping centres: in Radom, in Piotrków and in Pabianice.

There are no relations between the Issuer or the persons managing or supervising the Issuer and the Buyer or the persons managing the Buyer.

Assets sold under sale agreement have been considered to be material based on the Issuer's equity criterion.

The Issuer will earmark the funds raised from the sale of the Pabianice shopping centre for securing the sources of financing for projects ready for implementation. As a result, the Issuer's Management Board maintains its position expressed in current report dated 22 September 2011 (current report no. 44/2011).

Object General Contractor Agreement

On 13 December 2011, the Issuer received a general contractor agreement for a residential complex Osiedle Jarzębinowe in Łódź, ul. Okopowa (Stage I), signed on 12 December 2011 with Eiffage Budownictwo Mitex S.A., with its registered office in Warsaw 02-676, ul. Postępu 5A, entered into the Register of Entrepreneurs, District Court for the Capital City of Warsaw in Warsaw, under number KRS 0000044233 (later referred to as the Contractor).

The Contractor' lump-sum remuneration for the performance of the subject of the agreement amounts to: PLN 19,200,000.00 (in words: nineteen million and two hundred thousand złoty) net.

Completion date for the subject of the agreement: 29 March 2013

In the 1st stage of the investment, the Issuer shall construct 120 apartments with an area of 32 to 87 sq. m.

Loan agreement

On 15 December 2011, the Issuer's subsidiary Veneda – Projekt Echo – 97 Spółka z ograniczoną odpowiedzialnością, with its registered office in Kielce at Al. Solidarności 36, 25-323 Kielce, entered into the register of entrepreneurs maintained by the District Court in Kielce, 10th Economic Department of the National Court Register, under number KRS 0000396369 (later referred to as the Borrower or the Company), signed a loan agreement (later referred to as the Agreement) with RAIFFEISEN BANK POLSKA S.A., with its registered office in Warsaw at ul. Piękna 20, 00-549 Warsaw, entered into the register of entrepreneurs maintained by the District Court for the capital city of Warsaw in Warsaw, 12th Economic Department of the National Court Register, under number KRS 0000014540 (later referred to as the Lender or the Bank).

According to the terms of the Agreement, the Bank – at the Borrower's request – shall provide the Borrower with the following:

1/ cash constituting a construction and investment loan of up to EUR 14,350,000 (fourteen million, three hundred and fifty thousand euro);

2/ cash constituting a VAT loan of up to PLN 5,000,000 (five million złoty).

At the Borrower's request submitted after the completion of the shopping centre, the Bank may agree that the amount of the investment loan is increased to refinance the project expenditures incurred by the Borrower.

The Borrower shall use the loans only for the following purposes:

1/ Construction loan – to fund project costs and refinance project expenditures incurred by the Borrower;

2/ VAT Loan – to fund or refinance VAT;

3/ Investment loan – to repay the construction loan.

The loans bear interest: for the Investment Loan and Construction Loan – EURIBOR for 3-month deposits, for VAT Loan – WIBOR for 3-month deposits, plus the bank's margin.

The Borrower will use the funds raised under the agreement to develop the shopping centre Galeria Veneda in Łomża, ul. Sikorskiego and ul. Zawadzka.

The loan repayment deadlines are as follows:

(a) for the Investment Loan: 30 September 2019,

(b) for the Construction Loan: by 15 December 2013,

(c) for the VAT Loan: 30 September 2013.

To secure the repayment of the amounts due to the Bank, the following securities will be established for the Bank's benefit:

- mortgage, comprising the following:
  - priority mortgage of up to EUR 21,525,000 (twenty-one million, five hundred and twenty-five thousand euro),
  - priority mortgage of up to EUR 7,500,000 (seven million and five hundred thousand złoty),
- registered pledge and financial pledge on shares in the Borrower's share capital;
- registered pledge and financial pledge on interests in the General Partner's share capital;
- registered pledge and financial pledge on the Borrower's Bank Accounts;
- authorisation for the Bank to use the Borrower's Bank Accounts;
- Borrower's statement of Submission to Enforcement.

Object General Contractor Agreement

On 23 December 2011, Projekt Echo – 39 Sp. z o.o. with its registered office in: 25-323 Kielce, al. Solidarności 36, entered into the Register of Entrepreneurs kept by the 10th Economic Department of the National Court Register of the District Court in Kielce under KRS number 0000196339 (a subsidiary of the Issuer, later referred to as the Company) signed a General Contractor Agreement for the object Shopping Centre Galeria Amber in Kalisz, ul. Górnośląska, with Eiffage Budownictwo Mitex S.A., with its registered office in Warsaw 02-676, ul. Postępu 5A, entered into the Register of Entrepreneurs kept by the 13th Economic Department of the National Court Register, District Court for the Capital City of Warsaw in Warsaw, under number KRS 0000044233 (later referred to as the Contractor).

The Contractor' lump-sum remuneration for the performance of the subject of the agreement amounts to: PLN 162,350,000,00 (in words: one hundred and sixty-two million, three hundred and fifty thousand złoty) net.

The term for the completion of the subject of the agreement was specified in the agreement to be 19 months, calculated from the request to start all works.

The agreement contains provisions allowing the Company to calculate contractual penalties in the event of non-performance or ill-performance of the Agreement. The total value of the penalties may not exceed 10% of the remuneration for the performance of the subject of the agreement.

The Company has the right to withdraw from the Agreement by 31 March 2012.

Loan agreement

On 29 December 2011, Galeria Olimpia - Projekt Echo - 98 Spółka z ograniczoną odpowiedzialnością Spółka komandytowo-akcyjna, with its registered office in Kielce in Al. Solidarności 36, 25-323 Kielce, entered into the register of entrepreneurs of the National Court Register, maintained by the District Court in Kielce, 10th Economic Department, under KRS no.: 0000396402 (later referred to as: the Borrower or the Company), the Issuer's subsidiary, signed a loan agreement (later referred to as the Agreement) with Nordea Bank Polska Spółka Akcyjna, with its registered office in Gdynia, ul. Kielecka 2, 81-303 Gdynia, entered into the register of entrepreneurs of the National Court Register, maintained by the District Court Gdańsk-Północ in Gdańsk, 8th Economic Department of the National Court Register, under KRS no. 0000021828 (later referred to as the Lender or the Bank).

According to the terms of the Agreement, the Bank – at the Borrower's request – shall provide the Borrower with the following:

1/ cash constituting a construction and investment loan of up to EUR 15,372,421 (fifteen million, three hundred and seventy-two thousand, four hundred and twenty-one euro);

2/ cash constituting a VAT loan of up to PLN 6,587,100 (six million, five hundred and eighty-seven thousand and one hundred złoty).

The Borrower shall use the loans only for the following purposes:

1/ Construction loan – to fund project costs and refinance project expenditures incurred by the Borrower;

2/ VAT Loan – to fund or refinance VAT;

3/ Investment Loan – the used tranche of the construction loan will be converted to an investment loan.

The loans bear interest: for the Investment Loan and Construction Loan – according to 1-month or 3-month EURIBOR, for VAT Loan – according to 1-month or 3-month WIBOR, plus the bank's margin.

The Borrower will use the funds raised under the agreement to develop the shopping centre "OLIMPIA" in Bełchatów, ul. Kolejowa and ul. Armii Krajowej.

The loan repayment deadlines are as follows:

1/ for the Investment Loan: by 30 June 2018,

2/ for the VAT Loan: 6 months after the investment's completion, by 30 June 2013.

The repayment of the Borrower's liabilities under the Loan due to the Bank is secured by the following:

1/ priority joint mortgage established for the Bank's benefit by the Borrower on the Real Property, up to 150% of the Maximum Amount of the Investment Loan;

2/ priority joint mortgage established for the Bank's benefit by the Borrower on the Real Property, up to 150% of the Maximum Amount of the VAT Loan;

3/ priority registered pledge (including a financial pledge until the registered pledge is entered into the register) established on all of the Borrower's shares, up to 150% of the Maximum Amount of the Investment Loan;

4/ priority registered pledge (including a financial pledge until the registered pledge is entered into the register) established on all of the Borrower's shares, up to 150% of the Maximum Amount of the VAT Loan;

5/ priority registered pledge (including a financial pledge until the registered pledge is entered into the register) established on all of the General Partner's interests, up to 150% of the Maximum Amount of the Investment Loan;

6/ priority registered pledge (including a financial pledge until the registered pledge is entered into the register) established on all of the General Partner's interests, up to 150% of the Maximum Amount of the VAT Loan.

5.2. Agreements between shareholders

The Issuer was not aware of any agreements concluded in 2011 between the shareholders which would be important for its business.

5.3. Insurance agreements of the Capital Group

OBJECT INSURED	INSURER	SUM INSURED (PLN '000)
property insurance policies – objects	TU Compensa S.A., Chartis S.A. ,Generali TU S.A., TU Allianz Polska S.A.	1,961,373
property insurance policies – equipment	TU Compensa S.A., Chartis S.A. ,Generali TU S.A., TU Allianz Polska S.A	17,707
civil liability policies	TU Compensa S.A., PZU S.A..,STU Ergo Hestia S.A., Generali TU S.A.	57,826
construction and assembly risk policies	Tu Compensa S.A., Generali TU S.A., PTU S.A.	500,025
loss of profit policies	Generali TU S.A, TU Compensa S.A.	209,110
other policies	PZU S.A.	5,487
TOTAL:		**2,751,528**

5.4. Partnership or cooperation agreements

In 2011, the Capital Group did not conclude any material partnership or cooperation agreements.

6. DESCRIPTION OF THE ORGANISATION OF THE ISSUER'S CAPITAL GROUP, INDICATION OF CONSOLIDATED ENTITIES, DESCRIPTION OF CHANGES IN THE ORGANISATION OF THE ISSUER'S CAPITAL GROUP AND REASONS FOR SUCH CHANGES, INFORMATION OR ORGANISATIONAL OR CAPITAL RELATIONS OF THE ISSUER WITH OTHER ENTITIES AND INDICATION OF ITS MAIN DOMESTIC AND FOREIGN INVESTMENTS (SECURITIES, FINANCIAL INSTRUMENTS AND REAL PROPERTY), INCLUDING EQUITY INVESTMENTS OF RELATED PARTIES OUTSIDE THE ISSUER'S GROUP AND DESCRIPTION OF THE RELATED PARTY FUNDING METHODS

The most important entity in the Capital Group structure is Echo Investment S.A., which is the owner of other entities in the group and supervises, co-implements and raises funds for the implementation of construction projects carried out by the Group. Companies which form the Group have been established or purchased in order to perform certain investment tasks and do not conduct any business activities other than those which follow from the process of implementing a particular project and which are related to providing lease services regarding assets linked to completed projects or other services.

As at 31 December 2011, the Capital Group comprises 79 fully consolidated subsidiaries and one jointly controlled entity consolidated with the proportionate method.

SUBSIDIARIES:

NAME OF COMPANY	REGISTERED OFFICE	% SHARE OF THE CAPITAL	PARENT COMPANY
47 – Grupa Echo Sp. z o.o. S.K.A.	Kielce	100%	XXXIV FIZ Forum
53 – Grupa Echo Sp. z o.o. S.K.A.	Kielce	100%	XXXIV FIZ Forum
Astra Park Sp. z o.o.	Kielce	100%	XXXIV FIZ Forum
Avatar - Projekt Echo - 93 Sp. z o.o. S.K.A.	Kielce	100%	XXIX FIZ Forum

NAME OF COMPANY	REGISTERED OFFICE	% SHARE OF THE CAPITAL	PARENT COMPANY
Babka Tower - Projekt Echo - 93 Sp. z o.o. S.K.A.	Kielce	100%	XXIX FIZ Forum
Barconsel Holdings Ltd	Nicosia	100%	Echo - SPV 7
Bełchatów - Grupa Echo Sp. z o.o. S.K.A.	Kielce	100%	XXIX FIZ Forum
Budivelnuy Soyuz Monolit LLC	Kiev	100%	Yevrobudgarant LLC
Echo – Arena Sp. z o.o.	Kielce	100%	Echo Investment S.A.
Echo – Arena Sp. z o.o. Sp. kom.	Kielce	100%	Echo Investment S.A.
Echo – Aurus Sp. z o.o.	Kielce	100%	Echo Investment S.A.
Echo - Centrum Przemyśl - Projekt Echo - 93 Sp. z o.o. S.K.A.	Kielce	100%	XXIX FIZ Forum
Echo - Galaxy Sp. z o.o.	Kielce	100%	Echo Investment S.A.
Echo - Galaxy Sp. z o.o. S.K.A.	Szczecin	100%	XXIX FIZ Forum
Echo - Galeria Kielce Sp. z o.o.	Kielce	100%	XXIX FIZ Forum / XXXIV FIZ Forum
Echo – Galeria Lublin Sp. z o.o.	Lublin	100%	Echo Investment S.A.
Echo - Kasztanowa Aleja Sp. z o.o.	Kielce	100%	Echo Investment S.A.
Echo - Kasztanowa Aleja Sp. z o.o. Sp. kom.	Kielce	100%	Echo Investment S.A.
Echo - Klimt House Sp. z o.o.	Kielce	100%	Echo Investment S.A.
Echo - Klimt House Sp. z o.o. Sp. z kom.	Kielce	100%	Echo Investment S.A.
Echo – Metropolis Sp. z o.o.	Kielce	100%	XXXIV FIZ Forum
Echo – Pasaż Grunwaldzki Sp. z o.o.	Kielce	100%	Echo Investment S.A.
Echo – Project Management Ingatlanhasznosito Kft.	Budapest	100%	Echo Investment S.A.
Echo – Przy Słowiańskim Wzgórzu Sp. z o.o.	Kielce	100%	Echo Investment S.A.
Echo – Przy Słowiańskim Wzgórzu Sp. z o.o. Sp. kom.	Kielce	100%	Echo Investment S.A.
Echo - SPV 7 Sp.z o.o.	Kielce	100%	Echo Investment S.A.
Echo Investment ACC - Grupa Echo Sp. z o.o. Sp. kom.	Kielce	100%	Echo Investment S.A.
Echo Investment Facility Management - Grupa Echo Sp. z o.o. Sp. kom.	Kielce	100%	Echo Investment S.A.
Echo Investment Hungary Ingatlanhasznosito 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 Property Management - Grupa Echo Sp. z o.o. Sp. kom.	Kielce	100%	Echo Investment S.A.
Echo Investment Ukraine LLC	Kiev	100%	Echo Investment S.A.
EI - Project Cyp - 1 Ltd	Nicosia	100%	Echo Investment S.A.
Galeria Olimpia - Projekt Echo - 98 Sp. z o.o. S.K.A.	Kielce	100%	XXXIV FIZ Forum
Galeria Sudecka - Projekt Echo - 43 Sp. z o.o. S.K.A.	Jelenia Góra	100%	XXIX FIZ Forum
Galeria Tarnów - Projekt Echo - 43 Sp. z o.o. S.K.A.	Kielce	100%	XXIX FIZ Forum
Grupa Echo Sp. z o.o.	Kielce	100%	Echo Investment S.A.
Grupa Echo Sp. z o.o. - 1 S.K.A.	Kielce	100%	XXIX FIZ Forum
Malta Office Park - Projekt Echo - 96 Sp. z o.o. S.K.A.	Kielce	100%	XXXIV FIZ Forum

NAME OF COMPANY	REGISTERED OFFICE	% SHARE OF THE CAPITAL	PARENT COMPANY
Oxygen - Projekt Echo - 95 Sp. z o.o. S.K.A.	Kielce	100%	XXIX FIZ Forum
Pamiątkowo Sp. z o.o.	Kielce	100%	Echo Investment S.A.
Park Postępu - Projekt Echo - 93 Sp. z o.o. S.K.A.	Kielce	100%	XXIX FIZ Forum
Pasaż Grunwaldzki – Magellan West Sp. z o.o. S.K.A.	Kielce	99,95%	XXIX FIZ Forum
PHS - Projekt CS Sp. z o.o. S.K.A.	Szczecin	100%	XXIX FIZ Forum
Pod Klonami Sp. z o.o.	Kielce	100%	Projekt Naramowice Poznań Sp. z o.o.
PPR - Projekt Echo - 77 Sp. z o.o. S.K.A.	Kielce	100%	XXIX FIZ Forum
Princess Investment Sp. z o.o.	Kielce	100%	Echo Investment S.A.
Projekt CS Sp. z o.o.	Szczecin	100%	Echo Investment S.A.
Projekt Echo - 30 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
Projekt Echo - 39 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
Projekt Echo - 43 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
Projekt Echo - 58 Sp. z o.o.	Kielce	100%	XXIX FIZ Forum / XXXIV FIZ Forum
Projekt Echo - 59 Sp. z o.o.	Kielce	100%	Echo - Aurus Sp. z o.o.
Projekt Echo - 67 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
Projekt Echo - 67 Sp. z o.o. Sp. kom.	Kielce	100%	Echo Investment S.A.
Projekt Echo - 69 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
Projekt Echo - 70 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
Projekt Echo - 77 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
Projekt Echo - 93 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
Projekt Echo - 94 Sp. z o.o. Sp. kom.	Kielce	100%	Echo Investment S.A.
Projekt Echo - 95 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
Projekt Echo - 96 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
Projekt Echo - 97 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
Projekt Echo - 98 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
Projekt Echo - 99 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
Projekt Echo - 100 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
Projekt Naramowice Poznań Sp. z o.o.	Kielce	100%	XXXIV FIZ Forum
Projekt S Sp. z o.o.	Kielce	95%	Echo Investment S.A.
Projekt 3 - Grupa Echo Sp. z o.o. S.K.A.	Kielce	100%	XXXIV FIZ Forum
Projekt 4 - Grupa Echo Sp. z o.o. S.K.A.	Kielce	100%	XXXIV FIZ Forum
Projekt 5 - Grupa Echo Sp. z o.o. S.K.A.	Kielce	100%	XXXIV FIZ Forum
Projekt 6 - Grupa Echo Sp. z o.o. S.K.A.	Kielce	100%	XXIX FIZ Forum
Projekt 7 - Grupa Echo Sp. z o.o. S.K.A.	Kielce	100%	XXIX FIZ Forum
SPV - 1 Sp. z o.o.	Kielce	100%	XXIX FIZ Forum
Ultra Marina Sp. z o.o.	Kielce	100%	XXIX FIZ Forum / XXXIV FIZ Forum

NAME OF COMPANY	REGISTERED OFFICE	% SHARE OF THE CAPITAL	PARENT COMPANY
Veneda - Projekt Echo -97 Sp. z o.o. S.K.A.	Kielce	100%	XXXIV FIZ Forum
Yevrobudgarant LLC	Kiev	100%	EI – Project Cyp - 1 Ltd
Zakłady Ogrodnicze Naramowice Sp. z o.o.	Poznań	100%	XXXIV FIZ Forum

The jointly controlled entity is Wan 11 Spółka z o.o., with its registered office in Warsaw.

All certificates issued by XXIX FIZ Forum are held by companies from the Echo Investment Capital Group.

6.1. Description of changes in the organisation of the Issuer's Capital Group and reasons for the changes

I. The composition of the Echo Investment S.A. Capital Group increased by 18 companies:

- On 14 February this year, the District Court in Kielce registered a new company, Grupa Echo spółka z ograniczoną odpowiedzialnością 1 SKA, with its registered office in Kielce. The company's share capital is PLN 50 thousand.
- On 29 March this year, the District Court in Kielce registered a new company, Grupa Echo spółka z ograniczoną odpowiedzialnością 2 SKA, with its registered office in Kielce. The company's share capital is PLN 50 thousand.
- On 29 March this year, the District Court in Kielce registered a new company, Echo - Facility Management – Grupa Echo spółka z ograniczoną odpowiedzialnością, Sp. k. with its registered office in Kielce.
- On 13 June this year, the District Court Lublin - Wschód in Lublin, with registered office in Świdnik, registered a new company Echo – Galeria Lublin" Sp. z o.o., with registered office in Lublin. The company's share capital is PLN 1 million.
- On 27 July 2011, the District Court in Kielce registered a new company, Projekt 5 - Grupa Echo spółka z ograniczoną odpowiedzialnością S. K. A., with its registered office in Kielce. The company's share capital is PLN 50 thousand.
- On 1 August 2011, the District Court in Kielce registered a new company, Projekt Echo 67 spółka z ograniczoną odpowiedzialnością spółka komandytowa, with its registered office in Kielce.
- On 29 August 2011, the District Court in Kielce registered a new company, Projekt 3 - Grupa Echo spółka z ograniczoną odpowiedzialnością S. K. A., with its registered office in Kielce. The company's share capital is PLN 50 thousand.
- On 6 September 2011, the District Court in Kielce registered a new company, Projekt 4 - Grupa Echo spółka z ograniczoną odpowiedzialnością S. K. A., with its registered office in Kielce. The company's share capital is PLN 50 thousand.
- On 16 September 2011, the District Court in Kielce registered a new company, Projekt 6 - Grupa Echo spółka z ograniczoną odpowiedzialnością S. K. A., with its registered office in Kielce. The company's share capital is PLN 50 thousand.
- On 30 September 2011, the District Court in Kielce registered a new company, Projekt 7 - Grupa Echo spółka z ograniczoną odpowiedzialnością S. K. A., with its registered office in Kielce. The company's share capital is PLN 50 thousand.
- On 24 November 20.11, the District Court in Kielce registered a new company, Projekt Echo – 100 spółka z ograniczoną odpowiedzialnością, with its registered office in Kielce. The company's share capital is PLN 50 thousand.
- On 27 and 31 January 2011, 100% interests were purchased in Olympus Prime Sp. z o.o., with its registered office in Kielce. The total purchase price was PLN 83,300. The company's share capital is PLN 5 thousand.
- On 27 and 31 January 2011, 100% interests were purchased in Projekt CS Sp. z o.o., with its registered office in Kielce. The total purchase price was PLN 121,745. The company's share capital is PLN 5 thousand.
- On 27 and 31 January 2011, 100% interests were purchased in CP Investment Sp. z o.o., with its registered office in Kielce. The total purchase price was PLN 58,352. The company's share capital is PLN 5 thousand.
- On 24 and 25 May 2011, 100% interests were purchased in Projekt Echo – 59 Sp. z o.o., with its registered office in Kielce. The total purchase price was PLN 80,246.28. The company's share capital is PLN 50 thousand.
- On 10 and 13 June 2011, 100% interests were purchased in Projekt Echo – 69 Sp. z o.o., with its registered office in Kielce. The total purchase price was PLN 114,000. The company's share capital is PLN 50 thousand.
- On 14 July 2011, 100% interests were purchased in Projekt Echo - 99 Sp. z o.o. with its registered office in Kielce. The total purchase price was PLN 95,637. The company's share capital is PLN 25 thousand.
- On 9 September 2011, 100% interests were purchased in Astra Park Sp. z o.o., with its registered office in Kielce. The total purchase price was PLN 67,500,000. The company's share capital is PLN 36,940,050.

II. The composition of the Echo Investment S.A. Capital Group decreased by 10 companies:

- On 13 January 2011, 100% interests of Projekt Echo – 57 Sp. z o.o., with its registered office in Kielce, were sold. The sale price was PLN 1.0 thousand. The share capital amounted to PLN 50 thousand.
- On 24 March 2011, 100% interests of Projekt Echo – 99 Sp. z o.o., with its registered office in Kielce, were sold. The sale price was PLN 24.5 thousand. The share capital amounted to PLN 25 thousand.
- On 13 and 18 May 2011, 100 % interests in Grupa Echo spółka z ograniczoną odpowiedzialnością 2 SKA, with its registered office in Kielce, were sold. The total sale price was EUR 12,758.38. The share capital amounted to PLN 50 thousand.
- On 26 May 2011, 100% interests in CP Investment Sp. z o.o., with its registered office in Kielce, were sold. The total sale price was EUR 15,045. The share capital amounted to PLN 5 thousand.
- Echo - Kielce 1 sp. z o. o., Echo – SPV 12 sp. z o. o., MDP sp. z o. o., Echo – Property Poznań 1 sp. z o. o., Projekt Naramowice sp. z o. o., Princess Boryszewska sp. z o. o. – taken over by Echo – Aurus sp. z o. o. on 28 July 2011.

III. Changes in the structure of share capital of other companies comprising the Issuer's Capital Group

On 3 January 2011, Echo – SPV 7 Sp. z o.o., with its registered office in Kielce (Seller), and Barconsel Holdings Limited, with its registered office in Nicosia (Cyprus) (Buyer), concluded an agreement for the transfer of ownership of:

- 7,651,001 interests in the share capital of Echo – Galaxy Szczecin Sp. z o.o., with its registered office in Szczecin, with a total nominal value of PLN 382,550,050, accounting for 99.9869% of the share capital. As at the day of signing the agreement, the contract value of EUR 121,848,495, at the average exchange rate of the National Bank of Poland, is equivalent to PLN 482,788,106.89.
- 7,731,000 interests in the share capital of Projekt Echo - 62 Sp. z o.o., with its registered office in Kielce, with a total nominal value of PLN 386,550,000, accounting for 99.9871% of the share capital. As at the day of signing the agreement, the contract value of EUR 93,899,505, at the average exchange rate of the National Bank of Poland, is equivalent to PLN 372,048,618.71.

The interests constitute a contribution in kind to cover 12,000 newly-issued share capital interests of Barconsel Holdings Limited with a nominal value of EUR 1 each. As at the day of signing the agreements, the purchase price of the newly-issued interests of EUR 215,748,000, at the average exchange rate of the National Bank of Poland, is equivalent to PLN 854,836,725.60. The newly-issued interests constitute 52.1739% of the share capital after the registration of the Purchaser's share capital increase and represent 12,000 votes at the general meeting. The newly-issued interests will be acquired by Echo - SPV 7 Sp. z o.o.

On 24 January 2011, the Issuer's subsidiary, Barconsel Holdings Limited with its registered office in Nicosia (Barconsel, the Purchaser) subscribed for investment certificates issued by FORUM XXXIV Fundusz Inwestycyjny Zamknięty, with its registered office in Kraków (Issuer FIZ I) and FORUM XXIX Fundusz Inwestycyjny Zamknięty, with its registered office in Kraków (Issuer FIZ II).

Under this subscription, Barconsel acquired 26,079 B-series investment certificates of XXXIV Fundusz Inwestycyjny Zamknięty (FIZ I). The total issue price of the certificates was PLN 651,975,000. Barconsel paid for the afore-said certificates by making a contribution in kind to FIZ in the form of interests in the share capital of the following subsidiaries:

- 3,825,012 interests in the share capital of Echo - Galaxy Szczecin Sp. z o.o., with its registered office in Szczecin (Company I), with a face value of PLN 50 each and total face value of PLN 191,250,600, which constitutes 49.99% of the share capital of Company I. The book value of the interests, as recognised in Barconsel's accounting books, is EUR 60,916,467.74, which, as at the day of signing the agreements, at the average exchange rate of the National Bank of Poland, was equivalent to PLN 236,142,687.19.
- 3,825,012 interests in the share capital of Projekt Echo - 62 Sp. z o.o., with its registered office in Kielce (Company II), with a face value of PLN 50 each and total face value of PLN 193,250,600, which constitutes 49.99% of the share capital of Company II. The fixed value of the interests, as recognised in Barconsel's accounting books, is EUR 46,943,825.33 which, as at the day of signing the agreements, at the average exchange rate of the National Bank of Poland, was equivalent to PLN 181,977,738.89.
- 200,495 interests in the share capital of Projekt Echo - 58 Sp. z o.o., with its registered office in Kielce (Company III), with a face value of PLN 50 each and total face value of PLN 10,024,750, which constitutes 49.99% of the share capital of Company III.

The fixed value of the interests, as recognised in Barconsel's accounting books, is EUR 2,527,854.50 which, as at the day of signing the agreements, at the average exchange rate of the National Bank of Poland, was equivalent to PLN 9,799,227.97.

- 624 interests in the share capital of Ultra Marina Sp. z o.o., with its registered office in Kielce (Company IV), with a face value of PLN 1,000 each and total face value of PLN 624,000, which constitutes 49.92% of the share capital of Company IV. The fixed value of the interests, as recognised in Barconsel's accounting books, is EUR 23,047 which, as at the day of signing the agreements, at the average exchange rate of the National Bank of Poland, was equivalent to PLN 89,341.70.
- 13,691 interests in the share capital of Echo - Galeria Kielce Sp. z o.o. with its registered office in Kielce (Company V), with a face value of PLN 500 each and total face value of PLN 6,845,500, which constitutes 49.98% of the share capital of Company V. The fixed value of the interests, as recognised in Barconsel's accounting books, is EUR 9,215,904 which, as at the day of signing the agreements, at the average exchange rate of the National Bank of Poland, was equivalent to PLN 35,725,451.86.
- 999,990 interests in the share capital of Projekt Echo - 47 Sp. z o.o. with its registered office in Kielce (Company VI), with a face value of PLN 50 each and total face value of PLN 49,999,500, which constitutes 99.99% of the share capital of Company VI. The fixed value of the interests, as recognised in Barconsel's accounting books, is EUR 12,349,343 which, as at the day of signing the agreements, at the average exchange rate of the National Bank of Poland, was equivalent to PLN 47,872,228.14.
- 950,466 interests in the share capital of Projekt Echo - 53 Sp. z o.o., with its registered office in Kielce (Company VII), with a face value of PLN 50 each and total face value of PLN 47,523,300, which constitutes 47.98% of the share capital of Company VII. The fixed value of the interests, as recognised in Barconsel's accounting books, is EUR 12,537,775 which, as at the day of signing the agreements, at the average exchange rate of the National Bank of Poland, was equivalent to PLN 48,602,684.79.
- 326,400 interests in the share capital of Projekt Echo - 55 Sp. z o.o., with its registered office in Kielce (Company VIII), with a face value of PLN 50 each and total face value of PLN 16,320,000, which constitutes 99.99% of the share capital of Company VIII. The fixed value of the interests, as recognised in Barconsel's accounting books, is EUR 4,111,136 which, as at the day of signing the agreements, at the average exchange rate of the National Bank of Poland, was equivalent to PLN 15,936,818.70.
- 796,760 interests in the share capital of Echo - Metropolis Sp. z o.o. with its registered office in Kielce (Company IX), with a face value of PLN 50 each and total face value of PLN 39,838,000, which constitutes 39.64% of the share capital of Company IX. The fixed value of the interests, as recognised in Barconsel's accounting books, is EUR 10,013,283 which, as at the day of signing the agreements, at the average exchange rate of the National Bank of Poland, was equivalent to PLN 38,816,491.55.
- 13,560 interests in the share capital of Echo – Veneda Sp. z o.o. with its registered office in Kielce (Company X), with a face value of PLN 500 each and total face value of PLN 6,780,000, which constitutes 99.98% of the share capital of Company X. The fixed value of the interests, as recognised in Barconsel's accounting books, is EUR 1,605,933 which, as at the day of signing the agreements, at the average exchange rate of the National Bank of Poland, was equivalent to PLN 6,225,399.27.
- 14,998 interests in the share capital of Malta Office Park Sp. z o.o. with its registered office in Kielce (Company XI), with a face value of PLN 500 each and total face value of PLN 7,499,000, which constitutes 99.98% of the share capital of Company XI. The fixed value of the interests, as recognised in Barconsel's accounting books, is EUR 117,548 which, as at the day of signing the agreements, at the average exchange rate of the National Bank of Poland, was equivalent to PLN 455,674.82.

As part of the subscription for investment certificates issued by the Issuer FIZ II, Barconsel acquired 11,502 D-series investment certificates of FORUM XXIX Fundusz Inwestycyjny Zamknięty (FIZ II). The total issue price of the certificates was PLN 480,783,600. Barconsel paid for the afore-said certificates by making a contribution in kind to FIZ in the form of interests in the share capital of the following subsidiaries:

- 3,825,989 interests in the share capital of Echo – Galaxy Szczecin Sp. z o.o. with its registered office in Szczecin (Company XII), with a face value of PLN 50 each and total face value of PLN 191,299,450, which constitutes 49.99% of the share capital of Company XII. The fixed value of the interests, as recognised in Barconsel's accounting books, is EUR 60,932,027.26 which, as at the day of signing the agreements, at the average exchange rate of the National Bank of Poland, was equivalent to PLN 236,203,003.67.
- 3,825,988 interests in the share capital of Projekt Echo - 62 Sp. z o.o. with its registered office in Kielce (Company XIII), with a face value of PLN 50 each and total face value of PLN 191,299,400, which constitutes 49.48% of the share capital of Company XIII. The fixed value of the interests, as recognised in Barconsel's accounting books, is EUR 46,469,845.99 which, as at the day of signing the agreements, at the average exchange rate of the National Bank of Poland, was equivalent to PLN 180,140,357.98.
- 200,495 interests in the share capital of Projekt Echo - 58 Sp. z o.o. with its registered office in Kielce (Company XIV), with a face value of PLN 50 each and total face value of PLN 10,024,750, which constitutes 49.99% of the share capital of Company XIV. The fixed value of the interests, as recognised in Barconsel's accounting books, is EUR 2,527,854.5 which, as at the day of signing the agreements, at the average exchange rate of the National Bank of Poland, was equivalent to PLN 9,799,227.97.
- 624 interests in the share capital of Ultra Marina Sp. z o.o. with its registered office in Kielce (Company XV), with a face value of PLN 1,000 each and total face value of PLN 624,000, which constitutes 49.92% of the share capital of Company XV. The fixed value of the interests, as recognised in Barconsel's accounting books, is EUR 23,047 which, as at the day of signing the agreements, at the average exchange rate of the National Bank of Poland, was equivalent to PLN 89,341.70.
- 13,691 interests in the share capital of Echo – Galeria Kielce Sp. z o.o. with its registered office in Kielce (Company XVI), with face value of PLN 500 each and total face value of PLN 6,845,500, which constitutes 49.98% of the share capital of Company XVI. The fixed value of the interests, as recognised in Barconsel's accounting books, is EUR 9,215,904 which, as at the day of signing the agreements, at the average exchange rate of the National Bank of Poland, was equivalent to PLN 35,725,451.86.
- 990 interests in the share capital of SPV – 1 Sp. z o.o. with its registered office in Kielce (Company XVII), with face value of PLN 50 each and total face value of PLN 49,500, which constitutes 99.00% of the share capital of Company XVII. The fixed value of the interests, as recognised in Barconsel's accounting books, is EUR 50,896 which, as at the day of signing the agreements, at the average exchange rate of the National Bank of Poland, was equivalent to PLN 197,298.34.

The purchased certificates of FIZ I and FIZ II shall be treated a long-term capital deposit. The transfer of those assets form part of restructuring in the Echo Investment Capital Group, which will optimise the management of project portfolio in the Echo Investment Capital Group in terms of costs and taxes as well as allow for acquisition and implementation of new projects. It was the intention of the Company's Management Board that the closed-end investment fund would be an attractive form of acquiring new external investors interested in financing existing and new projects.

On 18 October 2011, Echo Investment S.A., with its registered office in Kielce (Seller), and Barconsel Holdings Limited, with its registered office in Nicosia (Cyprus) (Buyer), concluded an agreement for the transfer of ownership of:

- 189,900 interests in the share capital of Zakład Ogrodniczy Naramowice Sp. z o.o., with its registered office in Pamiątkowo, with a total nominal value of PLN 18,990,000, accounting for 99.95% of the share capital. The value of the agreement was PLN 1,146,996.
- 738,000 interests in the share capital of Astra Park Sp. z o.o., with its registered office in Kielce, with a total nominal value of PLN 36,900,000, accounting for 99.89% of the share capital. The value of the agreement was PLN 25,977,600.

On 18 October 2011, Echo Aurus Sp. z o.o., with its registered office in Kielce (Seller), and Barconsel Holdings Limited, with its registered office in Nicosia (Cyprus) (Buyer), concluded an agreement for the transfer of ownership of:

- 3,138,580 interests in the share capital of Projekt Naramowice Poznań Sp. z o.o., with its registered office in Kielce, with a total nominal value of PLN 156,929,000, accounting for 99.97% of the share capital. The value of the agreement was PLN 151,405,099.20.

The agreements for the transfer of holdings in the three above-mentioned Companies were concluded to perform the Resolution of the shareholders of the company Barconsel Holdings Limited with its registered office in Nicosia to raise the share capital by way of issuing 2,250 shares having the face value of EUR 1 and paying for it with a non-cash contribution in the form of shares of the above-mentioned Companies, of which Echo Investment S.A. purchased 342 interests and Echo - Aurus Sp. z o.o. purchased 1,908 interests. The total price of purchasing the newly issued interests is EUR 40,470,993.85, which is equivalent to PLN 176,044,776.10.

Following the share capital increase, interests in Barconsel Holdings Limited are held by:

- Echo Investment S.A. – 6,169 interests representing 24% of the share capital and vested with 24% of votes at the shareholders' meeting;
- Echo - SPV 7 Sp. z o.o. – 13,080 interests representing 52% of the share capital and vested with 52% of votes at the shareholders' meeting;
- Echo - Aurus Sp. z o.o. – 6,001 interests representing 24% of the share capital and vested with 24% of votes at the shareholders' meeting;

On 25 October 2011, the Issuer's subsidiary, Barconsel Holdings Limited, with its registered office in Nicosia (Barconsel, the Purchaser), subscribed for investment certificates issued by FORUM XXXIV Fundusz Inwestycyjny Zamknięty, with its registered office in Kraków. Under this subscription, Barconsel acquired 11,764 series C investment certificates of FORUM XXXIV Fundusz Inwestycyjny Zamknięty (FIZ I). The total issue price of the certificates was PLN 296,241,048. Barconsel paid for the afore-said certificates by making a contribution in kind to FIZ in the form of interests in the share capital of the following subsidiaries:

- 1,213,238 interests in the share capital of Echo - Metropolis Sp. z o.o., with its registered office in Kielce, with a face value of PLN 50 each and total face value of PLN 60,661,900, which constitutes 60.36% of the share capital. The fixed value of the interests, as recognised in Barconsel's accounting books, is EUR 15,241,575 which, as at the day of signing the agreements, at the average exchange rate of the National Bank of Poland, was equivalent to PLN 66,738,284.
- 738,000 interests in the share capital of Astra Park Sp. z o.o., with its registered office in Kielce, with a face value of PLN 50 each and total face value of PLN 36,900,000, which constitutes 99.89% of the share capital. The fixed value of the interests, as recognised in Barconsel's accounting books, is EUR 5,888,876 which, as at the day of signing the agreements, at the average exchange rate of the National Bank of Poland, was equivalent to PLN 25,785,623.
- 189,900 interests in the share capital of Zakład Ogrodniczy Naramowice Sp. z o.o., with its registered office in Pamiątkowo, with a face value of PLN 100 each and total face value of PLN 18,990,000, which constitutes 99.95% of the share capital. The fixed value of the interests, as recognised in Barconsel's accounting books, is EUR 260,013 which, as at the day of signing the agreements, at the average exchange rate of the National Bank of Poland, was equivalent to PLN 1,138,520.
- 1,029,279 interests in the share capital of Projekt Echo - 53 Sp. z o.o., with its registered office in Kielce, with a face value of PLN 50 each and total face value of PLN 51,463,950, which constitutes 51.96% of the share capital. The fixed value of the interests, as recognised in Barconsel's accounting books, is EUR 13,204,445 which, as at the day of signing the agreements, at the average exchange rate of the National Bank of Poland, was equivalent to PLN 57,818,303.
- 3,138,580 interests in the share capital of Projekt Naramowice Poznań Sp. z o.o., with its registered office in Kielce, with a face value of PLN 50 each and total face value of PLN 156,929,000, which constitutes 99.97% of the share capital. The fixed value of the interests, as recognised in Barconsel's accounting books, is EUR 34,322,104 which, as at the day of signing the agreements, at the average exchange rate of the National Bank of Poland, was equivalent to PLN 150,286,197.

Barconsel intends to treat the purchased certificates acquired as a long-term capital investment. The transfer of those assets form part of restructuring in the Echo Investment Capital Group, which will optimise the management of project portfolio in the Echo Investment Capital Group in terms of costs and taxes as well as allow for acquisition and implementation of new projects. It was the intention of the Company's Management Board that the closed-end investment fund would be an attractive form of acquiring new external investors interested in financing existing and new projects.

IV. Other changes in companies comprising the Issuer's Capital Group:

- Echo – Galeria Sudecka Sp. z o.o. was transformed into Galeria Sudecka – Projekt Echo – 43 spółka z ograniczoną odpowiedzialnością SKA,
- Malta Office Park Sp. z o.o. was transformed into Malta Office Park – Projekt Echo 96 Spółka z ograniczoną odpowiedzialnością SKA,
- Echo – Park Postępu Sp. z o.o. was transformed into Park Postępu – Projekt Echo – 93 Spółka z ograniczoną odpowiedzialnością SKA,
- Echo – Galeria Tarnów Sp. z o.o. was transformed into Galeria Tarnów – Projekt Echo – 43 spółka z ograniczoną odpowiedzialnością SKA,
- Echo – Bełchatów Sp. z o.o. was transformed into Bełchatów – Grupa Echo spółka z ograniczoną odpowiedzialnością SKA,
- Echo – Galaxy Sp. z o.o. was transformed into Galaxy – Grupa Echo spółka z ograniczoną odpowiedzialnością SKA,

- Centrum Handlowe PHS Sp. z o.o. was transformed into PHS – Grupa Echo spółka z ograniczoną odpowiedzialnością SKA,
- Projekt Echo – 62 Sp. z o.o. was transformed into Pasaż Grunwaldzki – Grupa Echo spółka z ograniczoną odpowiedzialnością SKA.,
- Echo - Oxygen sp. z o. o. was transformed into Oxygen – Projekt Echo - 95 spółka z ograniczoną odpowiedzialnością S.K.A.,
- Projekt Echo - 47” sp. z o. o. was transformed into 47 – Grupa Echo spółka z ograniczoną odpowiedzialnością S.K.A.,
- Projekt Echo – 55 sp. z o. o. was transformed into Galeria Olimpia – Projekt Echo – 98 spółka z ograniczoną odpowiedzialnością S.K.A.,
- Echo - Veneda sp. z o. o. was transformed into Veneda – Projekt Echo - 97 spółka z ograniczoną odpowiedzialnością S.K.A.,
- Projekt Echo - 53” sp. z o. o. was transformed into 53 – Grupa Echo spółka z ograniczoną odpowiedzialnością S.K.A.,
- change of the business name (due to change of the general partner) of PHS – Grupa Echo spółka z ograniczoną odpowiedzialnością S. K. A. to PHS – Projekt CS spółka z ograniczoną odpowiedzialnością S. K. A.,
- change of the business name (due to change of the general partner) of Galaxy – Grupa Echo spółka z ograniczoną odpowiedzialnością S. K. A. to Echo – Galaxy Spółka z ograniczoną odpowiedzialnością S. K. A.,
- change of the business name (due to change of the general partner) of Pasaż Grunwaldzki – Grupa Echo Spółka z ograniczoną odpowiedzialnością S. K. A. to Pasaż Grunwaldzki – Magellan West Spółka z ograniczoną odpowiedzialnością S. K. A.; the new general partner from outside the Echo Investment S.A. Group will have a 0.05% share in profit,
- change of the business name of ACC - Grupa Echo Spółka z ograniczoną odpowiedzialnością Sp. k. to Echo Investment ACC - Grupa Echo Spółka z ograniczoną odpowiedzialnością Sp. k.,
- change of the business name of Echo Facility Management - Grupa Echo Spółka z ograniczoną odpowiedzialnością Sp. k. to Echo Investment Facility Management - Grupa Echo Spółka z ograniczoną odpowiedzialnością Sp. k.,
- change of the business name of Est·On – Grupa Echo Spółka z ograniczoną odpowiedzialnością Sp. k. to Echo Investment Property Management – Grupa Echo Spółka z ograniczoną odpowiedzialnością Sp. k.,
- change of the business name of Athina Park - Projekt Echo – 93 Spółka z ograniczoną odpowiedzialnością Sp. k. to Babka Tower - Projekt Echo – 93 Spółka z ograniczoną odpowiedzialnością Sp. k.,
- change of the business name of Olympus Prime Sp. z o.o. to Pamiątkowo Sp. z o.o.,
- change of the business name of Projekt Echo - 94 Sp. z o.o . to Pod Klonami Sp. z o.o.

6.2. Main domestic and foreign investments

REAL PROPERTY

On 22 March 2011:

- a subsidiary of the Issuer, AVATAR-PROJEKT ECHO-93 Spółka z ograniczoną odpowiedzialnością Spółka Komandytowo-Akcyjna, with its registered office in Kielce (Subsidiary 1, Purchaser 1), and ORBIS Spółka Akcyjna, with its registered office in Warsaw (the Seller), entered into a property sales agreement (Agreement 1),
- a subsidiary of the Issuer, ECHO-GALAXY SZCZECIN Spółka z ograniczoną odpowiedzialnością, with its registered office in Szczecin (Subsidiary 2, Purchaser 2), and ORBIS Spółka Akcyjna, with its registered office in Warsaw (the Seller), entered into a property sales agreement (Agreement 2), and
- a subsidiary of the Issuer, ECHO-GALAXY SZCZECIN Spółka z ograniczoną odpowiedzialnością, with its registered office in Szczecin (Subsidiary 2, Purchaser 2), and ORBIS Spółka Akcyjna, with its registered office in Warsaw (the Seller), entered into a contingent property sales agreement (Agreement 3).

The subject of Agreement 1 was the purchase by Subsidiary 1 of the right of the perpetual usufruct of a developed land property located in Aleja Marszałka Ferdinanda Focha 1 in Kraków together with the ownership title to the building which constitutes a separate ownership unit (Property 1).

The subject of Agreement 2 was the purchase by Subsidiary 2 of the right of the perpetual usufruct of a developed land property located in Jana Matejki Street 18 in Szczecin together with the ownership of the building which constitutes a separate ownership unit (Property 2).

The subject of Agreement 3 was the purchase by Subsidiary 2 of the right of the perpetual usufruct of an undeveloped land property located in ul. Jana Matejki in Szczecin (Property 3). The agreement which transfers the right of perpetual usufruct will be entered into on the condition that the Mayor of the City of Szczecin does not exercise his pre-emptive right under article 109 section 1 item 2 of the Property Management Act of 21 August 1997.

The total property purchase price pursuant to the aforementioned signed agreements is PLN 59.5 million net.

The payment of purchase prices for both properties shall be made in two instalments: the first instalment - 80% of the purchase price was paid on the day of signing the agreements, i.e. 22 March 2011, the second instalment - 20% of the purchase price shall be paid on the day of releasing the properties, i.e. on 15 July 2011.

The purchase of assets shall be financed from the equity of Issuer’s subsidiaries.

Before the aforementioned agreements were signed, the purchased assets were used for hotel business. As agreed with city authorities, Property1 will be used to construct mixed-function facilities. Property 2 and Property 3 will be used to expand Centrum Galaxy, owned by the Issuer, the new part will be used for recreational, restaurant, service and exhibition purposes.

The agreements stipulate a ban on the purchased property for a period of 10 years, secured with a contractual penalty of PLN 5 million to the benefit of the Seller. Due to contractual penalties, there is no possibility of claiming compensation exceeding the established amount of penalties.

The agreements stipulate that properties which will not be used for hotel activity are to be released on 15 July 2011.

On 21 December 2011, Projekt Echo-70 Spółka z ograniczoną odpowiedzialnością, with its registered office in Kielce (address: 25-323 Kielce Aleja Solidarności 36), entered into the register of entrepreneurs maintained by the District Court in Kielce, 10th Economic Department of the National Court Register under KRS no.: 0000271630, the Issuer's subsidiary (later referred to as: Buyer) signed an agreement for the sale of the perpetual usufruct title to a real property located in Warsaw at ul. Grzybowska, corner of Jana Pawła II 22, with an area of 3,260.00 m2 (three thousand, two hundred and sixty square metres), with a hotel building erected on it, forming a separate property (later referred to as Real Property), with Ravenna Warszawa Spółka z ograniczoną odpowiedzialnością, with its registered office in Warsaw (address: 00-546 Warszawa, ul. Ks. I. Skorupki 5), entered into the register of entrepreneurs maintained by the District Court for the capital city of Warsaw in Warsaw, 12th Economic Department of the National Court Register, under KRS no.: 0000106498 (later referred to as the Seller).

The selling price for the Real Property is EUR 31,000,000.00 (thirty-one million euro) net, i.e. PLN 137,714,400.00 (one hundred and thirty-seven million, seven hundred and fourteen thousand and four hundred złoty) as at the day of signing the agreement, according to the average rate of the National Bank of Poland (NBP).

The Real Property will be handed over to the Buyer by 31 January 2012.

The purchase of assets will be financed from the equity of the Issuer's Capital Group.

On the purchased area, Echo Investment S.A. plans to construct a modern office building, 155 m high, with an office area of approx. 50,000 sq. m and a multi-level below-grade car park. At present, the architectural concept is being developed by the architectural design studio APA Kuryłowicz & Associates.

FINANCIAL INSTRUMENTS

On 24 January 2011, the subsidiary Barconsel Holdings Limited, with its registered office in Nicosia (Barconsel, the Purchaser) subscribed for investment certificates issued by FORUM XXXIV Fundusz Inwestycyjny Zamknięty, with its registered office in Kraków (Issuer FIZ I), and FORUM XXIX Fundusz Inwestycyjny Zamknięty, with its registered office in Kraków (Issuer FIZ II).

Under this subscription, Barconsel acquired 26,079 B-series investment certificates of XXXIV Fundusz Inwestycyjny Zamknięty (FIZ I). The total issue price of the certificates was PLN 651,975,000. Barconsel paid for the afore-said certificates by making a contribution in kind to FIZ in the form of interests in the share capital of the following subsidiaries:

- 3,825,012 interests in the share capital of Echo - Galaxy Szczecin Sp. z o.o., with its registered office in Szczecin (Company I), with a face value of PLN 50 each and total face value of PLN 191,250,600, which constitutes 49.99% of the share capital of Company I. The book value of the interests, as recognised in Barconsel's accounting books, is EUR 60,916,467.74, which, as at the day of signing the agreements, at the average exchange rate of the National Bank of Poland, was equivalent to PLN 236,142,687.19.
- 3,825,012 interests in the share capital of Projekt Echo - 62 Sp. z o.o., with its registered office in Kielce (Company II), with a face value of PLN 50 each and total face value of PLN 193,250,600, which constitutes 49.99% of the share capital of Company II. The fixed value of the interests, as recognised in Barconsel's accounting books, is EUR 46,943,825.33 which, as at the day of signing the agreements, at the average exchange rate of the National Bank of Poland, was equivalent to PLN 181,977,738.89.
- 200,495 interests in the share capital of Projekt Echo - 58 Sp. z o.o., with its registered office in Kielce (Company III), with a face value of PLN 50 each and total face value of PLN 10,024,750, which constitutes 49.99% of the share capital of Company III. The fixed value of the interests, as recognised in Barconsel's accounting books, is EUR 2,527,854.50 which, as at the day of signing the agreements, at the average exchange rate of the National Bank of Poland, was equivalent to PLN 9,799,227.97.
- 624 interests in the share capital of Ultra Marina Sp. z o.o., with its registered office in Kielce (Company IV), with a face value of PLN 1,000 each and total face value of PLN 624,000, which constitutes 49.92% of the share capital of Company IV. The fixed value of the interests, as recognised in Barconsel's accounting books, is EUR 23,047 which, as at the day of signing the agreements, at the average exchange rate of the National Bank of Poland, was equivalent to PLN 89,341.70.
- 13,691 interests in the share capital of Echo - Galeria Kielce Sp. z o.o. with its registered office in Kielce (Company V), with a face value of PLN 500 each and total face value of PLN 6,845,500, which constitutes 49.98% of the share capital of Company V. The fixed value of the interests, as recognised in Barconsel's accounting books, is EUR 9,215,904 which, as at the day of signing the agreements, at the average exchange rate of the National Bank of Poland, was equivalent to PLN 35,725,451.86.
- 999,990 interests in the share capital of Projekt Echo - 47 Sp. z o.o. with its registered office in Kielce (Company VI), with a face value of PLN 50 each and total face value of PLN 49,999,500, which constitutes 99.99% of the share capital of Company VI. The fixed value of the interests, as recognised in Barconsel's accounting books, is EUR 12,349,343 which, as at the day of signing the agreements, at the average exchange rate of the National Bank of Poland, was equivalent to PLN 47,872,228.14.
- 950,466 interests in the share capital of Projekt Echo - 53 Sp. z o.o., with its registered office in Kielce (Company VII), with a face value of PLN 50 each and total face value of PLN 47,523,300, which constitutes 47.98% of the share capital of Company VII. The fixed value of the interests, as recognised in Barconsel's accounting books, is EUR 12,537,775 which, as at the day of signing the agreements, at the average exchange rate of the National Bank of Poland, was equivalent to PLN 48,602,684.79.
- 326,400 interests in the share capital of Projekt Echo - 55 Sp. z o.o., with its registered office in Kielce (Company VIII), with a face value of PLN 50 each and total face value of PLN 16,320,000, which constitutes 99.99% of the share capital of Company VIII. The fixed value of the interests, as recognised in Barconsel's accounting books, is EUR 4,111,136 which, as at the day of signing the agreements, at the average exchange rate of the National Bank of Poland, was equivalent to PLN 15,936,818.70.
- 796,760 interests in the share capital of Echo - Metropolis Sp. z o.o. with its registered office in Kielce (Company IX), with a face value of PLN 50 each and total face value of PLN 39,838,000, which constitutes 39.64% of the share capital of Company IX. The fixed value of the interests, as recognised in Barconsel's accounting books, is EUR 10,013,283 which, as at the day of signing the agreements, at the average exchange rate of the National Bank of Poland, was equivalent to PLN 38,816,491.55.
- 13,560 interests in the share capital of Echo – Veneda Sp. z o.o. with its registered office in Kielce (Company X), with a face value of PLN 500 each and total face value of PLN 6,780,000, which constitutes 99.98% of the share capital of Company X. The fixed value of the interests, as recognised in Barconsel's accounting books, is EUR 1,605,933 which, as at the day of signing the agreements, at the

average exchange rate of the National Bank of Poland, was equivalent to PLN 6,225,399.27.

- 14,998 interests in the share capital of Malta Office Park Sp. z o.o. with its registered office in Kielce (Company XI), with a face value of PLN 500 each and total face value of PLN 7,499,000, which constitutes 99.98% of the share capital of Company XI. The fixed value of the interests, as recognised in Barconsel's accounting books, is EUR 117,548 which, as at the day of signing the agreements, at the average exchange rate of the National Bank of Poland, was equivalent to PLN 455,674.82.

As part of the subscription for investment certificates issued by the Issuer FIZ II, Barconsel acquired 11,502 D-series investment certificates of FORUM XXIX Fundusz Inwestycyjny Zamknięty (FIZ II). The total issue price of the certificates was PLN 480,783,600. Barconsel paid for the afore-said certificates by making a contribution in kind to FIZ in the form of interests in the share capital of the following subsidiaries:

- 3,825,989 interests in the share capital of Echo – Galaxy Szczecin Sp. z o.o. with its registered office in Szczecin (Company XII), with a face value of PLN 50 each and total face value of PLN 191,299,450, which constitutes 49.99% of the share capital of Company XII. The fixed value of the interests, as recognised in Barconsel's accounting books, is EUR 60,932,027.26 which, as at the day of signing the agreements, at the average exchange rate of the National Bank of Poland, was equivalent to PLN 236,203,003.67.
- 3,825,988 interests in the share capital of Projekt Echo - 62 Sp. z o.o. with its registered office in Kielce (Company XIII), with a face value of PLN 50 each and total face value of PLN 191,299,400, which constitutes 49.48% of the share capital of Company XIII. The fixed value of the interests, as recognised in Barconsel's accounting books, is EUR 46,469,845.99 which, as at the day of signing the agreements, at the average exchange rate of the National Bank of Poland, was equivalent to PLN 180,140,357.98.
- 200,495 interests in the share capital of Projekt Echo - 58 Sp. z o.o. with its registered office in Kielce (Company XIV), with a face value of PLN 50 each and total face value of PLN 10,024,750, which constitutes 49.99% of the share capital of Company XIV. The fixed value of the interests, as recognised in Barconsel's accounting books, is EUR 2,527,854.5 which, as at the day of signing the agreements, at the average exchange rate of the National Bank of Poland, was equivalent to PLN 9,799,227.97.
- 624 interests in the share capital of Ultra Marina Sp. z o.o. with its registered office in Kielce (Company XV), with a face value of PLN 1,000 each and total face value of PLN 624,000, which constitutes 49.92% of the share capital of Company XV. The fixed value of the interests, as recognised in Barconsel's accounting books, is EUR 23,047 which, as at the day of signing the agreements, at the average exchange rate of the National Bank of Poland, was equivalent to PLN 89,341.70.
- 13,691 interests in the share capital of Echo – Galeria Kielce Sp. z o.o. with its registered office in Kielce (Company XVI), with a face value of PLN 500 each and total face value of PLN 6,845,500, which constitutes 49.98% of the share capital of Company XVI. The fixed value of the interests, as recognised in Barconsel's accounting books, is EUR 9,215,904 which, as at the day of signing the agreements, at the average exchange rate of the National Bank of Poland, was equivalent to PLN 35,725,451.86.
- 990 interests in the share capital of SPV – 1 Sp. z o.o. with its registered office in Kielce (Company XVII), with a face value of PLN 50 each and total face value of PLN 49,500, which constitutes 99.00% of the share capital of Company XVII. The fixed value of the interests, as recognised in Barconsel's accounting books, is EUR 50,896 which, as at the day of signing the agreements, at the average exchange rate of the National Bank of Poland, was equivalent to PLN 197,298.34.

The purchased certificates of FIZ I and FIZ II shall be treated a long-term capital deposit.

The transfer of those assets form part of restructuring in the Echo Investment Capital Group, which will optimise the management of project portfolio in the Echo Investment Capital Group in terms of costs and taxes as well as allow for acquisition and implementation of new projects. It was the intention of the Company's Management Board that the closed-end investment fund would be an attractive form of acquiring new external investors interested in financing existing and new projects.

On 30 September 2011, the Issuer's subsidiary under the business name Park Postępu – Projekt Echo – 93 Spółka z ograniczoną odpowiedzialnością spółka komandytowo-akcyjna, with its registered office in Kielce, entered into the Register of Entrepreneurs under KRS number 0000381482 kept by the District Court in Kielce, Economic Department of the National Court Register, acquired bonds issued as part of a private placement by Barlinek S.A. (later referred to as: Company) with its registered office in Kielce for PLN 60 million.

The total face value of the bonds acquired is PLN 60 million. These are bearer non-secured bonds paying an interest at a floating interest rate based on WIBOR 3M plus market margin. The redemption date for all the bonds falls on 31 December 2013 at the latest.

The company Barlinek S.A. is a subsidiary of Mr. Michał Sołowow, a major shareholder of the Issuer.

The purchase of assets shall be financed from the equity of the Issuer's subsidiary.

The following agreements for the transfer of holdings were concluded on 25 October 2011:

1/ Pursuant to the agreement for the transfer of interests in Echo – Metropolis spółka z ograniczoną odpowiedzialnością, with its registered office in Kielce, a subsidiary of the Issuer (Company), Barconsel Holdings Limited, with its registered office in Nicosia (Cyprus), a subsidiary of the Issuer (Seller), on 25 October 2011, sold to Forum XXXIV Fundusz Inwestycyjny Zamknięty, with its registered office in Kraków (Buyer, Fund) 1,213,238 (one million, two hundred and thirteen thousand, two hundred and thirty-eight) interests of the Company having the face value of PLN 50 (fifty) each and having the total face value of PLN 60,661,900 (sixty million, six hundred and sixty-one thousand, nine hundred).

The book value of these interests in the accounting books of Barconsel Holdings Limited stood at EUR 15,241,575, which, as at the date of drawing up this report, was equivalent to PLN 66,738,284.

In addition to the Seller, the Company's interests are held by: the Buyer (so far 796,760 interests), Echo Investment S.A. (1 interest) and Grupa Echo Sp. z o.o. (1 interest), a subsidiary of the Issuer.

2/ Pursuant to the agreement for the transfer of interests in Astra Park spółka z o.o., with its registered office in Kielce, a subsidiary of the Issuer (Company), Barconsel Holdings Limited, with its registered office in Nicosia (Cyprus), a subsidiary of the Issuer (Seller), on 25 October 2011, sold to Forum XXXIV Fundusz Inwestycyjny Zamknięty, with its registered office in Kraków (Buyer, Fund), 738,000 (seven hundred and thirty-eight thousand) interests of the Company having the face value of PLN 50 (fifty) each and the total face value of PLN 36,900,000.

The book value of these interests in the accounting books of Barconsel Holdings Limited stood at EUR 5,888,876, which, as at the date of drawing up this report, was equivalent to PLN 25,785,623.

In addition to the Seller, the Company's interests are held by: Projekt Echo - 69 Sp. z o.o. (1 interest) and Echo Investment S.A. (800 interests).

3/ Pursuant to the agreement for the transfer of interests in Zakład Ogrodniczy Naramowice spółka z ograniczoną odpowiedzialnością, with its registered office in Pamiątkowo, a subsidiary of the Issuer (Company), Barconsel Holdings Limited, with its registered office in Nicosia (Cyprus), a subsidiary of the Issuer (Seller), on 25 October 2011, sold to Forum XXXIV Fundusz Inwestycyjny Zamknięty, with its registered office in Kraków (Buyer, Fund), 189,900 (one hundred and eighty-nine thousand, nine hundred) interests of the Company, with the face value of PLN 100 (one hundred) each and the total face value of PLN 18,990,000.

The book value of these interests in the accounting books of Barconsel Holdings Limited stood at EUR 260,013, which, as at the date of drawing up this report, was equivalent to PLN 1,138,520.

In addition to the Seller, the Company's interests are held by: Echo Investment S.A. (99 interests) and Olympus Prime Sp. z o.o. (1 interest), a subsidiary of the Issuer.

4/ Pursuant to the agreement for the transfer of interests in Projekt Echo – 53 spółka z ograniczoną odpowiedzialnością, with its registered office in Kielce, a subsidiary of the Issuer (Company), Barconsel Holdings Limited, with its registered office in Nicosia (Cyprus), a subsidiary of the Issuer (Seller), on 25 October 2011, sold to Forum XXXIV Fundusz Inwestycyjny Zamknięty, with its registered office in Kraków (Buyer, Fund), 1,029,279 (one million, twenty-nine thousand, two hundred and seventy-nine) interests of the Company, having the face value of PLN 50 (fifty) each and the total face value of PLN 51,463,950.

The book value of these interests in the accounting books of Barconsel Holdings Limited stood at EUR 13,204,445, which, as at the date of drawing up this report, was equivalent to PLN 57,818,303.

In addition to the Seller, the Company's interests are held by: the Buyer (so far 950.466 interests), Echo Investment S.A. (999 interests) and Grupa Echo Sp. z o.o. (1 interest).

5/ Pursuant to the agreement for the transfer of interests in Projekt Naramowice Poznań spółka z ograniczoną odpowiedzialnością, with its registered office in Kielce, a subsidiary of the Issuer (Company), Barconsel Holdings Limited, with its registered office in Nicosia (Cyprus), a subsidiary of the Issuer (Seller), on 25 October 2011, sold to Forum XXXIV Fundusz Inwestycyjny Zamknięty, with its registered office in Kraków (Buyer, Fund), 3,138,580 (three million, one hundred and thirty-eight thousand, five hundred and eighty) interests of the Company, having the face value of PLN 50 (fifty) each and the total face value of PLN 156,929,000.

The book value of these interests in the accounting books of Barconsel Holdings Limited stood at EUR 34,322,104, which, as at the date of drawing up this report, was equivalent to PLN 150,286,197.

In addition to the Seller, the Company's interests are held by: Echo Investment S.A. (1,000 interests) and Grupa Echo Sp. z o.o. (20 interests)

The agreements for the transfer of interests in the above-mentioned subsidiaries result from the exercise of the declaration on subscription for the Fund's investment certificates of the third issue issued by FORUM XXXIV Fundusz Inwestycyjny Zamknięty, with its registered office in Kraków, and paying for them with an in-kind contribution in the form of interests in the above-mentioned companies.

All in all, within the subscription for the investment certificates issued by Forum XXXIV Fundusz Inwestycyjny Zamknięty, the subsidiary Barconsel Holdings Limited subscribed for 11,764 investment certificates.

The total issue price of the certificates subscribed for was PLN 296,241,048.

Barconsel Holdings Limited intends to treat the investment certificates acquired as a long-term capital investment.

The transfer of those assets forms a part of restructuring in the Echo Investment Capital Group, which will optimise the management of project portfolio in the Issuer's Capital Group in terms of costs and taxes as well as allow for acquisition and implementation of new projects.

7. DESCRIPTION OF THE DEVELOPMENT DIRECTIONS POLICY OF THE ISSUER'S CAPITAL GROUP

The strategic objective of the Capital Group is a long-term stable growth of goodwill and satisfaction of the shareholders. This is objective is possible to achieve by developing a dynamic, simple and modern organisation, ensuring high-margin investments in the commercial, office, housing and hotel segments, as well as through effective management of the project portfolio.

The Capital Group's mission is "The customer is our priority". The Capital Group remembers that its customers are more than just corporations, retail chains or hotel operators; most importantly, they are people: apartment owners, customers of shopping centres, office staff and hotel guests.

The Company wants to get as close as possible to its customers, learn what they really need and deliver it. We also want to help our customers identify their needs and propose solutions to change their daily life for the better. Through all our activities, we want to say to the customer: Your comfort is our standard.

In 2011, many projects were under construction, such as the expanded Galeria Echo in Kielce, stage III of the office building Malta Office Park in Poznań, the office building Aquarius in Wrocław, Osiedle Południowe in Dyminy near Kielce, Klimt House in Warsaw, Kasztanowa Aleja and Pod Klonami in Poznań, Dom pod Słowikiem in Kraków and Przy Słowiańskim Wzgórzu in Wrocław. In 2011, the Group also focused on continuing the preparation of other investments for implementation. This allowed the Group to quickly and smoothly start investment projects, and it has projects to be launched in 2012.

The Company continues to optimise property development processes in individual investments. It closely monitors developments on the real estate market and decides to implement specific projects on an individual basis, based on current analyses. To minimise the risk of unfavourable market developments, the current practice of implementing investments in stages may be continued.

In 2011, the Group focused on commercialising projects, which resulted in high lease ratios of the commercial developments in Łomża and Bełchatów, and of an office development in Wrocław. Galeria Echo in Kielce, which was commissioned to use in 2011, proved to be a success. In connection with further implementation of leasable projects in the coming years, the commercialisation process will be continued for the newly launched developments.

In 2012 and in the following years, not only will the Company continue the residential projects already launched, but also, in response to the identified recovery in the housing market, it intends to start new investments. The number and implementation of these investments in individual years will depend on supply and demand-related factors, such as purchasing power, availability of loans, remunerations and housing prices on the market. To continue the funding of housing projects launched in 2010 using special purpose loans, in 2011, the Group Companies signed further agreements for housing investments in Warsaw and Wrocław.

Hotel construction depends largely on the situation in the tourism industry and the willingness of hotel chains to engage in new investments. Echo Investment S.A.'s presence in this segment is focused on the Polish market, where the Company works together with international hotel operators.

The Company's Management Board plans to expand its business on Central and Eastern European markets. The construction of a multi-purpose shopping, services and office centre in Budapest, and a shopping and entertainment centre in the Romanian city of Brasov is currently prepared, and actions are being taken to construct an office park in Ukraine. Soon these three foreign markets and the related projects will be the Group's theatre of operations. The Company does not actively look for more land on foreign markets.

In 2011, the Company monitored the market to acquire land for investments, resulting in an increase of the land reserve by further acquisitions. The Company still intends to watch the market to find prime locations for property development projects. Where the Group will look for new land for investments will depend on individual market segments. For housing developments, the Group will look in large cities, with emphasis on Warsaw. Housing developments will mainly involve high to middle standard buildings located near or in the city centre, with a high number of apartments, or luxury developments with a smaller number of apartments for sale. For office space, the development directions will also include large cities, such as Warsaw, Kraków, Wrocław and Poznań, where business grows fast and there is still a need for such projects. Office buildings erected by the Company will be characterised by top quality, attractive architectural design, excellent functionality and innovative technical solutions (BREEAM certifications). Land for shopping centres is acquired in large and middle-sized cities. In the former, the focus will be around large shopping and entertainment centres and, in the latter, the size and type of the object will depend on the specific nature and needs of the local market. A large land reserve allowing for the implementation of projects in all of the Company's market segments provides the Group with very good growth perspectives, and the partially completed preparation works will allow for the launch of further developments in the coming years, ensuring a fast and stable growth for the Company. By 2017, the Group plans to start 20 office developments, 15 shopping centres and 24 housing developments on the owned land (including 2 involving the sale of plots with house designs), with a leasable area of 782 thousand sq. m and an area for sale of 225 thousand sq. m (including 57 thousand sq. m of plots with single-family house designs).

8. INFORMATION ON MATERIAL TRANSACTIONS CONCLUDED BY THE ISSUER OR ITS SUBSIDIARY WITH RELATED PARTIES ON TERMS OTHER THAN MARKET TERMS; AMOUNTS AND INFORMATION EXPLAINING THE NATURE OF THESE TRANSACTIONS

In 2011, neither Echo Investment S.A. nor its subsidiaries entered into agreements with related parties under terms other than market terms.

9. INFORMATION ON LOAN AND BORROWING AGREEMENTS CONCLUDED AND TERMINATED IN A GIVEN FINANCIAL YEAR

In 2011, neither Echo Investment S.A. nor its subsidiaries entered into agreements with related parties under terms other than market terms.

9.1. Loan agreements of the parent company

COMPANY'S LIABILITIES DUE TO LOANS RAISED, AS AT 31 DECEMBER 2011

BANK	TYPE OF LIABILITY	LOAN CURRENCY	LOAN AMOUNT AS PER THE AGREEMENT (PLN '000)	LOAN USED AS AT 31.12.2011 (PLN '000)	TYPE OF INTEREST RATE	REPAYMENT DEADLINE
PeKaO S.A.	Non-renewable working capital facility	PLN	65,540	32,774	1M WIBOR + margin	30.06.2012
PeKaO S.A.	Overdraft facility	PLN	30,000	---	1M WIBOR + margin	30,06,2012
PeKaO S.A.	Overdraft facility	PLN	40,000	---	1M WIBOR + margin	19.08.2012

PKO BP S.A.	Working capital facility	PLN	40,000	---	1M WIBOR + margin	19.08.2013
ALIOR BANK S.A..	Working capital facility	PLN	20,000	---	1M WIBOR + margin	24.02.2012
TOTAL			**195,540**	**32,774**		

9.2. Loan agreements of subsidiaries

The Capital Group’s liabilities due to loans raised, as at 31 December 2011, are presented in the table below:

BORROWER	BANK	TYPE OF LIABILITY	LOAN CURRENCY	LOAN AMOUNT AS PER THE AGREEMENT ('000)	LOAN USED AS AT 31.12.2011 ('000)	TYPE OF INTEREST RATE	REPAYMENT DEADLINE
Babka Tower - Projekt Echo - 93 Spółka z ograniczoną odpowiedzialnością SKA (formerly: Athina Park - Projekt Echo 93 Sp. z o.o. S.K.A.)	EUROHYPO AG	Long-term loan	EUR	13,840	6,860	1M EURIBOR , IRS	2014-09-30
Malta Office Park - Projekt Echo - 96 Spółka z ograniczoną odpowiedzialnością SKA (formerly: Malta Office Park Sp. z o.o.)	Westdeutsche ImmobilienBank AG	Long-term loan	EUR	31,785	20,629	3M EURIBOR, IRS	2014-08-20
Wan 11 Sp. z o.o.	EUROHYPO AG	Long-term loan	EUR	32,100**	25,527	1M EURIBOR , IRS	2016-01-29
Galeria Kielce - Projekt Echo - 93 Spółka z ograniczoną odpowiedzialnością SKA (formerly: Echo - Galeria Kielce Sp. z o.o.)	EUROHYPO AG	Long-term loan	EUR	100,000	64,508	3M EURIBOR, IRS	2020-02-22
PPR Projekt - Echo 77 Sp. z o.o. SKA ***	Pekao S.A.	Long-term loan	EUR	36,300	20,142	1M EURIBOR , IRS	2014-02-15
Echo - Centrum Przemyśl Projekt Echo-93 Sp. z o.o. SKA	ING Bank Śląski S.A.	Long-term loan	EUR	4,230	310	1M EURIBOR	2012-06-30
Echo - Galaxy Spółka z ograniczoną odpowiedzialnością SKA (formerly: Echo -Galaxy Szczecin Sp. z o.o.)	EUROHYPO AG	Long-term loan	EUR	100,000	87,230	1M/3M EURIBOR, IRS	2022-09-30
Oxygen - Projekt Echo - 95 spółka z ograniczoną odpowiedzialnością SKA (formerly: Echo-Oxygen Sp. z o.o.)	Nordea Bank Polska S.A.	Long-term loan	EUR	17,000	14,600	1M/3M EURIBOR, IRS	2017-03-27
Echo Pasaż Grunwaldzki - Magellan West spółka z ograniczoną odpowiedzialnością SKA (formerly: Projekt Echo 62 Sp. z o.o.)	EUROHYPO AG	Long-term loan	EUR	115,500	109,389	1M/3M EURIBOR, IRS, fixed rate	2022-09-30
Galeria Olimpia - Projekt Echo - 98 Spółka z ograniczoną odpowiedzialnością SKA	Nordea Bank Polska S.A.	Long-term loan	EUR	15,372,6,587	0,0	1M/3M EURIBOR, IRS 1M/3M WIBOR	2018-06-30 2013-06-30
Veneda - Projekt Echo - 97 Spółka z ograniczoną odpowiedzialnością SKA	Raiffeisen Bank Polska S.A.	Long-term loan	EUR PLN	14,350,5,000	143,0	3M EURIBOR, IRS 3M WIBOR	2019-09-30 2013-09-30
Projekt 5 - Grupa Echo spółka z ograniczoną odpowiedzialnością SKA	PKO BP S.A.	Long-term loan	EUR	21,903	0	3M EURIBOR	2028-09-14
Echo – Przy Słowiańskim Wzgórzu Spółka z ograniczoną odpowiedzialnością Sp. k.	Raiffeisen Bank Polska S.A.	Long-term loan	PLN	50,000	18,755	3M WIBOR	2014-05-30
Astra Park Spółka z ograniczoną odpowiedzialnością	EUROHYPO AG	Long-term loan	EUR	24,000	21,586	1M EURIBOR , IRS	2017-12-31
Echo – Klimt House Spółka z ograniczoną odpowiedzialnością Sp. k.	PKO BP S.A.	Long-term loan	PLN	35,663	17,900	3M WIBOR	2012-03-31
Galeria Sudecka - Projekt Echo - 43 Spółka z ograniczoną odpowiedzialnością SKA	Pekao S.A.	Long-term loan	EUR	18,000	14,790	3M EURIBOR, IRS	2015-12-31
Echo - Kasztanowa Aleja Spółka z ograniczoną odpowiedzialnością Sp. k.	Pekao S.A.	Long-term loan	PLN	35,798	2,453	1M WIBOR	2013-07-31

* Loan used according to nominal value

** 100% indebtedness under loan agreement; Echo Group owns 50% of the project;

*** A portion of the loan amounting to EUR 530 thousand was repaid on 27 October 2011.

Modifications of loans agreements in 2011:

On 31 January 2011, Echo - Klimt House Spółka z ograniczoną odpowiedzialnością Sp. k., with its registered office in Kielce, the Issuer's subsidiary, and Powszechna Kasa Oszczędności Bank Polski S.A., with its registered office in Warsaw, signed an investment loan agreement.

On 20 April 2011, Galeria Sudecka – Projekt Echo – 43 Spółka z ograniczoną odpowiedzialnością S.K.A., with its registered office in Kielce, the Issuer's subsidiary, and Bank Polska Kasa Opieki S.A., with its registered office in Warsaw, signed a loan agreement.

On 9 June 2011, Echo-Przy Słowiańskim Wzgórzu Spółka z ograniczoną odpowiedzialnością Sp.k., with its registered office in Kielce, the Issuer's subsidiary, and Raiffeisen Bank Polska S.A., with its registered office in Warsaw, signed an investment loan agreement.

On 14 September 2011, Projekt 5 – Grupa Echo Spółka z ograniczoną odpowiedzialnością S.K.A., with its registered office in Kielce, the Issuer's subsidiary, and Powszechna Kasa Oszczędności Bank Polski S.A., with its registered office in Warsaw, signed an investment loan agreement.

On 21 September 2011, in connection with the sale of the office complex Park Postępu in Warsaw by the Issuer's subsidiary Park Postępu – Projekt Echo – 93 Spółka z ograniczoną odpowiedzialnością S.K.A., with its registered office in Kielce, the bank loan in the amount of EUR 49.59 million was repaid to Eurohypo AG, with its registered office in Eschborn (Germany).

On 27 October 2011, in connection with the sale of Centrum Handlowe Echo in Pabianice by the Issuer's subsidiary PPR - Projekt Echo 77 Spółka z ograniczoną odpowiedzialnością S.K.A., with its registered office in Kielce, a portion of the loan in the amount of EUR 530 thousand was repaid to the Bank Polska Kasa Opieki S.A., with its registered office in Warsaw.

On 15 December 2011, Veneda - Projekt Echo - 97 Spółka z ograniczoną odpowiedzialnością S.K.A., with its registered office in Kielce, the Issuer's subsidiary, and RAIFFEISEN BANK POLSKA S.A., with its registered office in Warsaw, signed an investment loan agreement.

On 29 December 2011, Galeria Olimpia - Projekt Echo - 98 Spółka z ograniczoną odpowiedzialnością S.K.A., with its registered office in Kielce, the Issuer's subsidiary, and Nordea Bank Polska Spółka Akcyjna, with its registered office in Gdynia, signed an investment loan agreement.

9.3. Borrowing agreements

The Capital Group did not raise any borrowings in 2011.

9.4. Debt instrument agreements

In addition to own funds, borrowings and loans, current activities of the Capital Group are also funded through the issue of debt financial instruments. At present, the Company operates an active programme for the issue of long-term and short-term debt instruments (bonds).

As part of the agreement on the Bond Issue Programme concluded with BRE Bank S.A. in 2004, the Company issued bonds, which, as at the day of preparing the financial statements, represent liabilities presented in the table below.

COMPANY'S LIABILITIES DUE TO BONDS ISSUED, AS AT 31 DECEMBER 2011

BANK	INSTRUMENT TYPE	AMOUNT USED (PLN '000)	MATURITY	INTEREST RATE TERMS
BRE Bank S.A.	Bonds	35,000	25.01.2012	WIBOR 1M + margin
BRE Bank S.A.	Bonds	115,000	18.05.2012	WIBOR 6M + margin
BRE Bank S.A.	Bonds	150,000	29.03.2013	WIBOR 6M + margin
BRE Bank S.A.	Bonds	100,000	25.05.2013	WIBOR 6M + margin
BRE Bank S.A.	Bonds	300,000	30.06.2014	WIBOR 6M + margin
BRE Bank S.A.	Bonds	145,000	11.02.2016	WIBOR 6M + margin

Pursuant to the Sale Guarantee Agreement and the Agreement to Establish the Guarantee Rate (binding until 31.08.2012), concluded as part of the Issue Programme with BRE Bank S.A., the bank undertakes to purchase bonds issued by the Company which were not acquired by other investors, up to PLN 35 million.

As at 31 December 2011, the Bond Issue Programme allows for the issue of bonds with a total maximum nominal value of PLN 1 billion.

10. INFORMATION ON BORROWINGS GRANTED IN A GIVEN FINANCIAL YEAR

The Capital Group's receivables due to borrowings granted, as at 31 December 2011, are presented in the table below:

ENTITY	BORROWING AMOUNT TO BE REPAID (PLN '000)	REPAYMENT DEADLINE
Vousoka Ltd.	149	31.12.2012
Natural persons	12	-

11. INFORMATION ON SURETIES AND GUARANTEES ISSUED AND RECEIVED IN A GIVEN FINANCIAL YEAR

11.1. Surety agreements

I. The following table presents sureties granted as at 31 December 2011

SURETY TO	VALUE ('000)	VALIDITY PERIOD	DESCRIPTION
EUROHYPO AG	PLN 441,680	shall remain in force until the Loan Conversion Date but for a period not exceeding 31 March 2012	Surety for the obligations of Echo – Galeria Kielce Sp. z o.o. under the loan agreement of 6 October 2009 with Bank Eurohypo AG, with its registered office in Eschborn (Germany) The surety was concluded in euro.
NORDEA BANK POLSKA S.A.	PLN 64,485	shall remain in force until the project is completed but for a period not exceeding 31 December 2013	Surety for the obligations of Echo-Oxygen Sp. z o.o. under the loan agreement of 27 September 2010 with Bank Nordea Bank Polska S.A. The surety was concluded in euro.

II. Amendments to agreements of surety issued by Echo Investment S.A. in 2011:

In 2011, no surety agreements were amended.

III. As at 31 December 2011, the value of valid sureties received by Echo Investment S.A. is as follows:

- due to the concluded lease agreements: PLN 1.91 million, EUR 2.24 million, USD 33.95 thousand
- due to implementation of projects: PLN 0.

11.2. Guarantee agreements

I. The following table presents guarantee agreements as at 31 December 2011:

GUARANTOR	VALUE ('000)	VALIDITY PERIOD	DESCRIPTION
Echo Investment S.A.	PLN 7,300	until the repayment of obligations under the loan agreement of 22 June 2009	Security on exceeded costs of the execution of stage II of Malta Office Park
Echo Investment S.A.	PLN 17,768	shall remain in force until the investment is completed but for a period not exceeding 31 December 2013	Security on insufficient funds or exceeded costs of constructing the office building Oxygen in Szczecin

GUARANTOR	VALUE ('000)	VALIDITY PERIOD	DESCRIPTION
PKO BP S.A.	PLN 200	until 15.04.2012	Security for non-performance or ill-performance of all obligations towards Fortis Bank Polska S.A. under a finishing works agreement of 15 December 2010
PKO BP S.A.	PLN 4,073	until 24.03.2013	Security for non-performance or ill-performance of all obligations towards Orbis S.A. under the conditional General Contractor Agreement dated 4 September 2008
PKO BP S.A.	PLN 500	until 29.02.2012	Security for non-performance of obligations towards PGE Dystrybucja S.A. under agreement no. 12164/102010 for connection to the distribution network dated 8 March 2011
PKO BP S.A.	PLN 500	until 29.02.2012	Security for non-performance of obligations towards PGE Dystrybucja S.A. under agreement no. 12146/102010 for connection to the distribution network dated 8 March 2011
PKO BP S.A.	PLN 500	until 29.02.2012	Security for non-performance of obligations towards PGE Dystrybucja S.A. under agreement no. 12168/102010 for connection to the distribution network dated 8 March 2011
PKO BP S.A.	PLN 500	until 29.02.2012	Security for non-performance of obligations towards PGE Dystrybucja S.A. under agreement no. 12152/102010 for connection to the distribution network dated 8 March 2011
PKO BP S.A.	PLN 324	until 29.08.2012	Security for non-performance of obligations towards PGE Dystrybucja S.A. under agreement no. 1091/1/RP2/2009 for connection to the distribution network dated 12 May 2011
PKO BP S.A.	PLN 434	until 29.08.2012	Security for non-performance of obligations towards PGE Dystrybucja S.A. under agreement no. 1091/2/RP2/2009 for connection to the distribution network dated 12 May 2011
PKO BP S.A.	PLN 196	until 31.08.2012	Security for non-performance of obligations towards ImmoPoland Sp. z o.o. under the lease agreement dated 28 August 2009. The guarantee was issued in euro.
PKO BP S.A.	PLN 142	until 14.10.2012	Security for non-performance of obligations towards ImmoPoland Sp. z o.o. under the lease agreement dated 20 September 2011. The guarantee was issued in euro.

II. Amendments to agreements of guarantee issued by Echo Investment S.A. in 2011:

On 31 December 2011, the bank guarantee in the amount of PLN 1,100,000, issued by Bank PKO BP S.A. to Master Serwis Opon Sp. z o.o. as a security of the repayment of amounts ordered by a court, expired.

On 6 May 2011, Bank PKO BP S.A. granted a bank guarantee to Fortis Bank Polska S.A. as a security to cover for non-performance or ill-performance by AVATAR – Projekt Echo – 93 Spółka z ograniczoną odpowiedzialnością S.K.A. (subsidiary) of its obligations under the Agreement for finishing works of 15 December 2010. The guarantee amounts to PLN 200 thousand. The guarantee is valid until 15 April 2012.

On 7 July 2011, Bank PKO BP S.A. issued a bank guarantee to Orbis S.A. as security for non-performance or ill-performance by Echo Investment S.A. of obligations under the conditional General Contractor Agreement of 4 September 2008. The guarantee amount stands at PLN 4,073,376.00. The Guarantee shall remain in force until 24 March 2013.

On 26 July 2011, Bank PKO BP S.A. issued a bank guarantee to PGE Dystrybucja S.A. as security for non-performance by Galeria Olimpia – Projekt Echo – 98 Spółka z ograniczoną odpowiedzialnością spółka komandytowo - akcyjna (subsidiary) of obligations under agreement no. 12164/102010 for connection to the distribution network dated 8 March 2011. The guarantee amount stands at PLN 500,000.00. The Guarantee shall remain in force until 29 February 2012.

On 26 July 2011, Bank PKO BP S.A. issued a bank guarantee to PGE Dystrybucja S.A. as security for non-performance by Galeria Olimpia – Projekt Echo – 98 Spółka z ograniczoną odpowiedzialnością spółka komandytowo - akcyjna (subsidiary) of obligations under agreement no. 12146/102010 for connection to the distribution network dated 8 March 2011. The guarantee amount stands at PLN 500,000.00. The Guarantee shall remain in force until 29 February 2012.

On 26 July 2011, Bank PKO BP S.A. issued a bank guarantee to PGE Dystrybucja S.A. as security for non-performance by Galeria Olimpia – Projekt Echo – 98 Spółka z ograniczoną odpowiedzialnością spółka komandytowo - akcyjna (subsidiary) of obligations under agreement no. 12168/102010 for connection to the distribution network dated 8 March 2011. The guarantee amount stands at PLN 500,000.00. The Guarantee shall remain in force until 29 February 2012.

On 26 July 2011, Bank PKO BP S.A. issued a bank guarantee to PGE Dystrybucja S.A. as security for non-performance by Galeria Olimpia – Projekt Echo – 98 Spółka z ograniczoną odpowiedzialnością spółka komandytowo - akcyjna (subsidiary) of obligations under agreement no. 12152/102010 for connection to the distribution network dated 8 March 2011. The guarantee amount stands at PLN 500,000.00. The Guarantee shall remain in force until 29 February 2012.

On 26 July 2011, Bank PKO BP S.A. issued a bank guarantee to PGE Dystrybucja S.A. as security for non-performance by Veneda – Projekt Echo – 97 Spółka z ograniczoną odpowiedzialnością spółka komandytowo - akcyjna (subsidiary) of obligations under agreement no. 1091/1/RP2/2009 for connection to the distribution network dated 12 May 2011. The guarantee amount stands at PLN 323,620.00. The Guarantee shall remain in force until 29 August 2012.

On 26 July 2011, Bank PKO BP S.A. issued a bank guarantee to PGE Dystrybucja S.A. as security for non-performance by Veneda – Projekt Echo – 97 Spółka z ograniczoną odpowiedzialnością spółka komandytowo - akcyjna (subsidiary) of obligations under agreement no. 1091/2/RP2/2009 for connection to the distribution network dated 12 May 2011. The guarantee amount stands at PLN 433,620.00. The Guarantee shall remain in force until 29 August 2012.

On 24.08.11, Bank PKO BP S.A. issued a bank guarantee to ImmoPoland Sp. z o.o. as security for non-performance by Echo Investment S.A. of obligations under the lease agreement dated 28.08.09. The guarantee amount stands at EUR 44,355.08 (which, as at the date of issuing the guarantee, according to the average exchange rate of the National Bank of Poland, was equivalent to PLN 184,521.57). The Guarantee shall remain in force until 31 August 2012.

On 14 October 2011, Bank PKO BP S.A. issued a bank guarantee to ImmoPoland Sp. z o.o. as security for non-performance by Echo Investment S.A. of obligations under the lease agreement dated 20 September 2011. The guarantee amount stands at EUR 32,100.00 (which, as at the date of issuing the guarantee, according to the average exchange rate of the National Bank of Poland, was equivalent to PLN 137,789.25). The Guarantee shall remain in force until 14 October 2012.

III. As at 31 December 2011, the value of guarantees received is as follows:

- under rent agreements concluded: PLN 4.33 million; EUR 10.62 million,
- under project execution agreements: PLN 54.40 million; USD 71.36 thousand and EUR 17.64 thousand

12. FOR THE ISSUE OF SECURITIES IN THE REPORTING PERIOD – DESCRIPTION OF HOW THE ISSUER USED FUNDS RAISED FROM THE ISSUE BY THE TIME WHEN THE MANAGEMENT REPORT WAS PREPARED

In 2011, the parent company Echo Investment S.A. did not raise funds as a result of issuing shares. For information on the use of funds from the issue of bonds, see section 9.4 of the Report.

13. EXPLANATION OF DIFFERENCES BETWEEN THE FINANCIAL RESULTS PRESENTED IN THE ANNUAL REPORT AND FORECAST FINANCIAL RESULTS PUBLISHED EARLIER FOR A GIVEN YEAR

Neither the Capital Group nor the parent company Echo Investment S.A. published any forecasts of financial results for 2011.

14. ASSESSMENT OF THE MANAGEMENT OF FINANCIAL RESOURCES OF THE CAPITAL GROUP, WITH PARTICULAR EMPHASIS ON THE ABILITY TO SETTLE THE RAISED OBLIGATIONS, AND IDENTIFICATION OF POTENTIAL THREATS AND MEASURES WHICH THE ISSUER HAS TAKEN OR INTENDS TO TAKE TO COUNTERACT SUCH THREATS

In 2011, the management of the Capital Group's financial resources, in connection with acquiring new land for developments and the ongoing development activity (construction of commercial objects and apartments), focused mainly on obtaining funding for the projects and maintaining safe levels of liquidity and the planned funding structure. In this year, the Group has started to obtain special purpose funding for housing developments, which improves its financial standing even more.

In the opinion of the Management Board, the Company's economic and financial situation at the end of December 2011 testifies to a strong financial standing, which is confirmed by the following ratios.

PROFITABILITY RATIOS

1. **Operating profit margin** (operating profit/sales revenue): The margin increased compared to the same period a year earlier due to the increase in operating profit (in 2011, foreign exchange rates increased, while they decreased in 2010, resulting in increased measurement at fair value and a higher margin); when foreign exchange differences are neglected, the 2011 ratios are similar to 2010 levels. This means that the profitability of the Company's core business is stable.
2. **Net balance sheet profit margin** (net profit/net sales revenue): This margin increased due to a higher net result (mainly an increase in foreign exchange rates and sale of projects).
3. **Return on assets – ROA** (net profit/total assets): This ratio has not changed since the last year.
4. **Return on equity – ROE** (net profit/equity): This ratio increased because net result increased faster than equity. It shows that the Capital Group continues to increase its value and return on equity.

PROFITABILITY RATIOS OF THE CAPITAL GROUP

PROFITABILITY RATIOS	31.12.2011	31.12.2010
Operating profit margin	132.54%	39.60%
Net balance sheet profit margin	43.37%	34.60%
Return on assets (ROA)	3.29%	3.30%
Return on equity (ROE)	8.55%	7.90%

TURNOVER RATIOS

Before analysing changes of these ratios, a few of their characteristics must be discussed, irrespective of the period to which they relate. Turnover depends on the specific nature of the business, which is characterised by a relatively long cycle of implementing projects compared to other industries. Since inventories in the Capital Group and in the company include the acquired ownership titles, perpetual usufruct titles, construction expenditures and costs of developments for sale, it must be stressed that this cycle will always be longer compared to other industries, such as the FMCG industry.

1. **Inventory days** (inventory*360/net sales revenue): The ratio increased compared to the previous year due to an increase in the value of inventory accompanied by a decrease in sales revenue. The increase of this ratio indicates that new housing developments were started. These works cause an increase in inventory until the development is commissioned to use and the settlement period is naturally reflected in increased inventory days. When a development is commissioned to use and the process of signing final agreements and posting profit starts, this ratio is naturally decreased. This effect is due to the industry's specific nature.
2. **Short-term debtor days** (short-term receivables*360/net sales revenue): The ratio increased due to an increase in receivables and a decrease in sales revenue. The increase of this ratio is temporary and results from the increase in tax receivables (we are expecting a VAT return).
3. **Short-term trade creditor days** (short-term trade receivables*360/sales revenue): The ratio increased due to an increase in short-term liabilities and a decrease in sales revenue compared to the same period a year earlier. The increase of this ratio indicates that the Company has increased the volume of the implemented investments to grow and makes skilful use of trade loans. Using borrowed funds for financing, in combination with safe levels of liquidity and debt ratios, indicates effective management by using the financial leverage to improve profitability.

THE TABLE BELOW SHOWS THE LEVELS OF INDIVIDUAL RATIOS

TURNOVER RATIOS	31.12.2011	31.12.2010
Inventory days	443	351
Short-term debtor days	140	111
Short-term trade creditor days	170	55

LIQUIDITY RATIOS

1. **Current ratio (current assets/short-term liabilities)**: The ratio increased because liabilities increased slower than current assets compared to the same period a year earlier. This ratio is still maintained within an ideal range (1.2 to 2.0), which means that the Group has no liquidity problems an that it continues to manage free funds effectively so as not to maintain an unnecessarily high level of free funds, while ensuring the payment of liabilities.

2. **Quick ratio ((current assets - inventories)/short-term liabilities)**: The ratio increased because liabilities increased slower than current assets, excluding inventories. The ratio is slightly higher than the ideal level, i.e. 0.6 to 1.0, which means that the Group manages its free funds effectively.

3. **Cash ratio (cash/short-term liabilities)**: The ratio increased because liabilities increased faster than cash. The high level of this ratio indicates that the Company has no liquidity problems in the long term, mid term or very short term.

The high levels of liquidity ratios (indicating excess liquidity) result from funds obtained from the sale of projects, and the funds will be invested in present and prospective projects.

THE TABLE BELOW SHOWS THE LEVELS OF INDIVIDUAL RATIOS

LIQUIDITY RATIOS	31.12.2011	31.12.2010
Current ratio	1.91	1.87
Quick ratio	1.13	0.94
Cash ratio	0.88	0.74

DEBT RATIOS:

1. **Equity to assets ratio** (equity/total assets): The ratio decreased because assets increased faster than equity.

2. **Equity to non-current assets ratio** (equity/non-current assets): The ratio decreased because equity increased slower than non-current assets.

3. **Overall indebtedness ratio** (total liabilities/total assets): The increase of this ratio results from the disbursed investment loans for current and completed property developments which were measured in previous periods (loan for Galeria Sudecka, subsequent tranches of the loan for Galeria Echo in Kielce).

4. **Debt to equity ratio** (total liabilities/equity): The ratio increased because equity increased slower than liabilities. This has been described before. With these good levels of liquidity ratios, borrowing funds for investment property is a part of the Company's strategy.

Debt is at safe levels and covenants under loan agreements are fulfilled.

DEBT RATIOS OF THE CAPITAL GROUP

/DEBT RATIOS	31.12.2011	31.12.2010
Equity to assets ratio	38.46%	41.80%
Equity to non-current assets ratio	49.78%	53.00%
Overall indebtedness ratio	56.07%	52.60%
Debt to equity ratio	145.80%	126.00%

15. FEASIBILITY OF INVESTMENT PLANS, INCLUDING CAPITAL EXPENDITURES, COMPARED TO THE FUNDS HELD AND TAKING ACCOUNT OF POSSIBLE CHANGES IN THE FUNDING STRUCTURE OF SUCH OPERATIONS

The Capital Group is fully capable of funding the current investment projects. It uses its own funds, bank loans and funds from the issue of bonds. Developments for lease (shopping centres, shopping and entertainment centres and offices) are usually financed through funds obtained (special purpose loans) by special purpose vehicles established to carry out the developments. In 2011, there are large residential developments in the group of developments funded using special purpose loans. According to the Company's policy, they are funded in subsidiaries established for this purpose.

New properties for prospective developments are acquired using the Group's own funds or general purpose loans (overdraft facilities, working capital facilities and bonds) raised by the Company.

16. ASSESSMENT OF UNUSUAL FACTORS AND EVENTS INFLUENCING THE 2010 FINANCIAL RESULTS AND SPECIFICATION OF IMPACT OF SUCH UNUSUAL FACTORS OR EVENTS ON THE GENERATED RESULT

1. Factors affecting the Company's financial result in 2011:
   - - posting of revenues from the concluded final agreements for the sale of residential properties:
     - in Warsaw (Bemowo district, ul. Inflancka, ul. Kazimierzowska – Klimt House)
     - in Poznań (ul. Wojskowa - Kasztanowa Aleja, Naramowice Rynek),
   - - posting of revenues from the concluded final agreements for the sale of plots with house designs:
     - in Bilcza near Kielce
     - in Dyminy near Kielce (Osiedle Południowe),
   - regular revenue obtained from the rent of area in offices and shopping centres;
   - accounting and property management services,
   - quarterly revaluation of the fair value of property owned by the Group, including:
     - changes in foreign exchange rates (EUR & USD),
     - change of capitalisation rates (yield),
     - indexation of rents,
     - changing levels of net operating revenue,
     - revaluation of the fair value of property under construction, and revaluation following commissioning to use (Oxygen in Szczecin, Malta Office Park in Poznań, Galeria Echo in Kielce, Outlet Park in Szczecin),
   - sale of projects:
     - shopping centre in Bełchatów,
     - shopping centre in Pabianice,
     - retail development Alma in Warsaw,
     - office building Park Postępu in Warsaw,
     - land in Rzeszów,
     - land for the construction of a hotel in Łódź,
   - cost of sales and general and administrative expenses,
   - measurement of liabilities due to bonds and borrowings at amortised cost,

- measurement of loans and cash due to changing foreign exchange rates,
- measurement and settlement of hedging financial instruments to foreign currencies,
- revaluation of inventories,
- interest on deposits, bonds purchased and borrowings granted,
- discounts and interest on loans, bonds and borrowings.

2. Unusual events affecting the Company's financial result in 2011:
   - - none.

3. Open FX hedges:

Pursuant to agreements with banks, the Capital Group performs transactions to hedge foreign exchange rates. Such transactions are conducted as part of the hedging policy in order to ensure future cash flow levels on translating tranches of loans in EUR and operating revenue.

As at 31 December 2011, due to open foreign exchange market positions, the Echo Investment Capital Group was hedged for a portion of the cash flow in 2012: in the amount of EUR 57.0 million.

Balance sheet measurement of open positions in FX derivatives (forwards) as at 31 December 2011: PLN -21 million.

The average-weighted strike for the remaining open transactions is PLN 4.1057 EUR/PLN.

MATURITIES OF OPEN HEDGES (AS AT 31 DECEMBER 2011):

FINANCIAL INSTRUMENT	CURRENCY	CARRYING VALUE	NOMINAL VALUE (EUR '000,000)	NOMINAL VALUE IN H1 2012
Forward	EUR/PLN	-21	57.0	57.0

17. DESCRIPTION OF EXTERNAL AND INTERNAL FACTORS MATERIAL FOR THE DEVELOPMENT OF THE CAPITAL GROUP AND DESCRIPTION OF DEVELOPMENT PERSPECTIVES FOR THE CAPITAL GROUP'S BUSINESS, AT LEAST UNTIL THE END OF THE FINANCIAL YEAR, TAKING ACCOUNT OF ELEMENTS OF THE MARKET STRATEGY

17.1. Internal and external factors significant for the Capital Group's growth

The most important external factors affecting the Group's development include:

Positive factors:
- ever increasing investment activity of Polish and foreign business and the resulting demand for services provided by the Group companies,
- In Poland, Romania, Hungary and Ukraine, the ratio of office and shopping centre area per 1,000 residents is lower than in Western Europe,
- deficit of residential areas,
- continued economic growth in Poland,
- good condition of the Polish financial sector,
- actions by the Government to promote economic growth, such as the scheme "Rodzina na swoim".

Negative factors:
- unclear legal status of many properties due to the absence of precise land development plans in cities and gminas,
- time-consuming court and administrative procedures with regard to clarifying legal status and acquiring rights to property,
- entry of large international investment and property development companies to the market,
- laws significantly obstructing the construction of large-area objects (Hungary),
- protests by local retail organisations, reducing the possibility to invest in the construction of shopping centres,
- slower economic growth and deterioration of the economic situation in Poland and in countries where the Group operates,
- variation of foreign exchange rates (EUR and USD),
- variation of interest rates,
- increase of VAT rates,
- decrease of the buying power of consumers amidst fear of a worsening economic situation in the country,
- the new property development act,
- uncertainty as to the key assumptions of fiscal and monetary policy in Poland.

Major internal factors important for the Company's development:

Positive factors:
- clearly defined development strategy,
- stable shareholding structure of the Company with a defined and consistent ownership policy,
- defined product group,
- strong position of the Group on the property development market and high credibility confirmed by the presence of Echo Investment S.A. on the Stock Exchange and the obtained Property Developer Certificate,
- active partnership with major banks,

- good cooperation with stable and renowned partners,
- organisational structure taking account of profit centres responsible for specific activity segments,
- stable legal status (no court proceedings threatening the Company),
- experienced staff,
- large area of land held and intended for investments.

Negative factors:

- specific nature of business involving high dependence on complicated and time-consuming legal procedures,
- high demand for current funds, in particular in connection with a high number of ongoing projects.

17.2. Business development perspectives of the Capital Group, at least until the end of 2012, taking account of elements of the marketing strategy

In 2011, the Group was active on the real property market.

Developments commissioned to use:

- 1 office development: stage III of Malta Office Park in Poznań,
- 1 shopping and entertainment centre: Galeria Echo in Kielce,
- 4 housing developments: Klimt House in Warsaw, stage I of Kasztanowa Aleja and Osiedle Pod Klonami in Poznań, and stage I of Osiedle Południowe in Dyminy near Kielce.

Developments started:

- 1 office development: Aquarius in Wrocław,
- 1 hotel development: Novotel in Łódź,
- 3 shopping centres: Galeria Olimpia in Bełchatów, Galeria Veneda in Łomża and Outlet Park in Szczecin,
- 2 housing developments: stage II of Osiedle Południowe in Dyminy near Kielce and stage I of Osiedle Jarzębinowe in Łódź.

4 housing developments were continued:

- Dom Pod Słowikiem in Kraków,
- Przy Słowiańskim Wzgórzu in Wrocław,
- Rezydencje Leśne in Warsaw,
- Further stages of multi-family developments in Osiedle Pod Klonami in Poznań.

In 2012, the Company will continue the initiated projects and, in response to a recovery in the market, it plans to start new investments.

In 2012, the Group plans to start the following developments:

- 5 office developments,
- 3 shopping centres,
- 9 housing developments.

In total, the Group will start the construction of 145 thousand sq. m of leasable area and 54 thousand sq. m of area for sale.

In 2012, the Group plans to commission to use:

- 1 office development,
- 2 shopping and entertainment centres,
- - 5 housing developments.

In total, the leasable area to be commissioned to use in 2012 is 52.3 thousand sq. m and the area of apartments for sale is 25.5 thousand sq. m.

In 2011, the Group continued to monitor the market to acquire more land for investments. As a result, it increased its land reserve by buying more land. In the years to come, the Company plans to actively look for good locations for property development.

18. CHANGES IN BASIC MANAGEMENT PRINCIPLES OF THE ISSUER'S BUSINESS AND ITS CAPITAL GROUP

In 2011, there were no material changes in the basic management principles of the issuer's business and its Capital Group.

19. AGREEMENTS CONCLUDED BETWEEN THE ISSUER AND MANAGERS, PROVIDING FOR A COMPENSATION, IF SUCH PERSONS RESIGN OR ARE DISMISSED FROM THEIR POSITION WITHOUT A VALID REASON, OR IF THEY ARE RECALLED OR DISMISSED AS A RESULT OF THE COMPANY'S MERGER BY ACQUISITION

In 2011 and as at 31 December 2010, there were no agreements between the Company and its managerial staff providing for such compensation.

20. REMUNERATIONS, BONUSES OR BENEFITS, INCENTIVE OR BONUS SCHEMES BASED ON THE ISSUER'S CAPITAL, INCLUDING SCHEMES BASED ON CONVERTIBLE BONDS WITH PRE-EMPTIVE RIGHT, SUBSCRIPTION WARRANTS (IN CASH, IN KIND OR IN ANY OTHER FORM), PAID, DUE OR POTENTIALLY PAYABLE, SEPARATELY FOR EVERY MANAGER AND SUPERVISOR OF THE ISSUER, IRRESPECTIVE OF WHETHER SUCH PAYMENTS WERE RECOGNISED IN COSTS OR RESULTED FROM THE DISTRIBUTION OF PROFIT, AND REMUNERATIONS AND BONUSES RECEIVED FROM HOLDING FUNCTIONS IN CORPORATE BODIES OF SUBORDINATE ENTITIES

20.1. Remuneration of managerial staff

In 2011, Managers of Echo Investment S.A. received remuneration in Echo Investment S.A. and for exercising functions in the bodies of subsidiaries, jointly controlled entities and associates:

- Piotr Gromniak received remuneration in Echo Investment S.A. in a total amount of PLN 793 thousand; he did not receive remuneration for exercising functions in the bodies of subsidiaries, jointly controlled entities and associates;
- Artur Langner received remuneration in Echo Investment S.A. in a total amount of PLN 753 thousand; he did not receive remuneration for exercising functions in the bodies of subsidiaries, jointly controlled entities and associates.

Other managers of subsidiaries, jointly controlled entities and associates of Echo Investment S.A. (except for the persons specified before) received a total of PLN 204 thousand for holding functions in the bodies of subsidiaries, jointly controlled entities and associates.

20.2. Remuneration of supervisory staff

In 2010, supervisory staff of Echo Investment S.A. received the following remuneration in Echo Investment S.A. for holding supervisory functions in the Company:

- Wojciech Ciesielski received remuneration in Echo Investment S.A. in a total amount of PLN 84 thousand; he did not receive remuneration for exercising functions in the bodies of subsidiaries, jointly controlled entities and associates;
- Andrzej Majcher received remuneration in Echo Investment S.A. in a total amount of PLN 60 thousand; he did not receive remuneration for exercising functions in the bodies of subsidiaries, jointly controlled entities and associates;
- Mariusz Waniołka received remuneration in Echo Investment S.A. in a total amount of PLN 60 thousand; he did not receive remuneration for exercising functions in the bodies of subsidiaries, jointly controlled entities and associates;
- Robert Oskard received remuneration in Echo Investment S.A. in a total amount of PLN 36 thousand; he did not receive remuneration for exercising functions in the bodies of subsidiaries, jointly controlled entities and associates;
- Karol Żbikowski received remuneration in Echo Investment S.A. in a total amount of PLN 36 thousand; he did not receive remuneration for exercising functions in the bodies of subsidiaries, jointly controlled entities and associates;
- Tomasz Kalwat received remuneration in Echo Investment S.A. in a total amount of PLN 36 thousand; he did not receive remuneration for exercising functions in the bodies of subsidiaries, jointly controlled entities and associates.

Other supervisors of subsidiaries, jointly controlled entities and associates of Echo Investment S.A. (except for the persons specified before) did not receive remuneration for holding functions in the bodies of subsidiaries, jointly controlled entities and associates.

21. TOTAL NUMBER AND NOMINAL VALUE OF ALL SHARES OF THE ISSUER AS WELL AS SHARES AND INTERESTS IN THE ISSUER'S RELATED PARTIES HELD BY MANAGERIAL AND SUPERVISORY STAFF

21.1. Shareholding structure of Echo Investment S.A. by supervisory staff

As at 31 December 2011, the shareholding structure of Echo Investment S.A. by supervisory staff is presented in the table below:

SUPERVISORY STAFF	AS AT 31.12.2011 (NUMBER)	NOMINAL VALUE PER SHARE	TOTAL NOMINAL VALUE	% OF SHARE CAPITAL
Wojciech Ciesielski – Chairman of the Supervisory Board	1,200,000	PLN 0.05	PLN 60.000	0.29%
Andrzej Majcher - Vice-Chairman of the Supervisory Board	98,800	PLN 0.05	PLN 4.940	0.02%
Mariusz Waniołka - Vice-Chairman of the Supervisory Board	no shares	PLN 0.05	-	-
Robert Oskard – Member of the Supervisory Board	no shares	PLN 0.05	-	-
Karol Żbikowski – Member of the Supervisory Board	no shares	PLN 0.05	-	-
Tomasz Kalwat – Member of the Supervisory Board	no shares	PLN 0.05	-	-

21.2. Shareholding structure of Echo Investment S.A. by managerial staff

As at 31 December 2011, the shareholding structure of Echo Investment S.A. by managerial staff is presented in the table below:

SUPERVISORY STAFF	AS AT 31.12.2011 (NUMBER)	NOMINAL VALUE PER SHARE	TOTAL NOMINAL VALUE	% OF SHARE CAPITAL
Piotr Gromniak - President of the Management Board	no shares	PLN 0.05	-	-
Artur Langner - Vice-President of the Management Board	no shares	PLN 0.05	-	-

22. INFORMATION ON AGREEMENTS KNOWN TO THE ISSUER (INCLUDING AGREEMENTS CONCLUDED AFTER THE BALANCE SHEET DATE), POTENTIALLY RESULTING IN CHANGES IN THE PROPORTION OF SHARES HELD BY EXISTING SHAREHOLDERS

The Company is not aware of any agreements potentially resulting in changes in the proportion of shares held by existing shareholders.

23. INFORMATION ON THE MONITORING SYSTEM FOR EMPLOYEE SHARE SCHEMES

The Company does not operate an employee share scheme.

24. INFORMATION ON AGREEMENT WITH AN ENTITY AUTHORISED TO AUDIT FINANCIAL STATEMENTS FOR THE AUDIT OR REVIEW OF FINANCIAL STATEMENTS OR CONSOLIDATED FINANCIAL STATEMENTS

On 24 May 2011, the Company's Supervisory Board, acting pursuant to § 13, section 1, letter b) of the Company's Statute, according to the applicable regulations and professional standards, appointed an entity authorised to audit financial statements. The entity authorised to audit the Company's financial statements is PricewaterhouseCoopers Sp. z o.o., with its registered office in Warsaw, ul. Armii Ludowej 14, entered in the list of entities authorised to audit financial statements, maintained by the National Council of Statutory Auditors, under no. 144 (Statutory Auditor); an agreement was concluded with that entity for the audit and review of Echo Investment's financial statements between 2011 and 2013.

The remuneration of the entity authorised to audit financial statements of the Issuer and of the Echo Investment Capital Group, paid or due for the financial year, amounts to:

- for the audit of separate and consolidated annual statements for 2011: PLN 100,000; the remuneration paid for the audit of similar statements for 2010 amounts to PLN 120,000.
- due to other auditing services, including remuneration due to the review of the separate and consolidated financial statements for 2011: PLN 125,000 thousand, and remuneration paid for the review of the separate and consolidated financial statements for 2010: PLN 105,000.
- due to tax consulting services, including remuneration paid in 2011: PLN 0, and in 2010: PLN 0, net.
- due to other services, including remuneration paid or due for 2011: PLN 140,000, and in 2010: PLN 140,000.

25. DESCRIPTION OF MAIN CHARACTERISTICS OF INTERNAL CONTROL SYSTEMS AND OF RISK MANAGEMENT SYSTEMS USED IN THE ISSUER'S BUSINESS IN RELATION TO THE PROCESS OF PREPARING FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

25.1. Description of main characteristics of internal control systems and of risk management systems used in the company

The Company's Management Board is responsible for the internal control system and its effectiveness in the process of preparing financial statements and periodic reports published according to the Regulation of the Minister of Finance of 19 February 2009 on current and periodic information to be submitted by issuers of securities and conditions for considering as equivalent information required under the law of a non-member state (J.L. No. 33, item 259).

The effectiveness and correct operation of the internal control system and of the risk management system is ensured by:

- defined and transparent organisational structure,
- skills, know-how and experience of people involved in the internal control process,
- supervision by the management over the system and regular evaluation of the Company's business,
- verification of financial statements by an independent statutory auditor.

Mutual connections and interdependence of internal control elements in several areas, such as:

- operating activity,
- financial activity,
- reporting process (including the preparation of financial statements),
- analysis of costs and expenditures related to projects, costs and general administrative expenses and sale, and costs and expenditures related to the use of leasable area,
- risk management,

ensure an effective internal control system and support the management of the whole Group.

To make this process more optimal and effective, the Company has introduced a certain degree of automation in the internal control process:

- decision limits (approval of costs, expenditures, payments, selection of counterparties, posting of costs),
- supervision over employee quotas, independent of people assigning quotas,
- configuration of accounts (enabling manual postings on automatic accounts, transparent and easy process of transferring information for reporting),
- automation of payments (generating a payment plan from the accounting system for electronic banking systems),
- eKOD system (electronic Document Circulation Sheet) facilitating the circulation of cost invoices, approval of expenditures and costs and initial posting.

25.2. Detailed characteristics of the issuer's business as regards systems of internal control and risk management applicable to the process of preparation of financial statements and consolidated financial statements.

Main characteristics of the internal control and of the risk management system in relation to the process of preparing separate and consolidated financial statements:

- transparent organisational structure,
- qualified staff,
- direct supervision by the management,
- expert verification of statements.

The people responsible for preparing financial statements, as part of the Company's financial and management reporting, are a highly qualified team of specialists of the Finance Branch, which is managed directly by the Finance Director and, indirectly, by the Company's Management Board. In the Finance Branch, this process involves mainly staff from the Accounting Division, assisted by employees from the Budgeting and Analysis Division and Funding Division, and the whole process is supervised by mid-level management staff of the Finance Branch.

Economic events in the course of the year are recorded by the Records Team of the Accounting Division. As part of internal control, the correctness of economic records is monitored by the Reporting Team from the Accounting Division, who have certificates of the Minister of Finance to provide services involving the keeping of accounting books (so called independent accountants). After completing all pre-defined processes of closing the books, the Team prepares financial statements. The process of monitoring the correctness of posting costs also involves employees from the Budgeting and Forecasts Team.

Measurements recognised in the statements are prepared and submitted to the Reporting Division by the employees of the Budget and Forecasts Team This Team has knowledge in the area of financial accounting (some of the staff are independent accountants), management accounting and financial analyses. They also monitor the correct posting of these measurements.

The whole process of preparing statements is supervised by managers from the Accounting Division and the Budget and Forecasts Team. The reconciliation of settlements with banks is the responsibility of the Payments and Insurance Team. Thanks to a broad internal control system, which involves staff from individual teams, and supervision by managers from the Finance Branch, any errors are adjusted on an ongoing basis in the Company's accounting books according to the adopted accounting policy.

Before being given to an independent auditor, the prepared financial statements are checked by the Company's Chief Accountant. According to the applicable laws, the Group reviews or audits its financial statements using an renowned and highly qualified independent statutory auditor. During the audit by an independent statutory auditor, employees from the Divisions of the Finance Branch participating in the process of preparing the statements provide explanations.

25.3. Description of other use of internal control system and of risk management system in the Company, taking account of significance of the financial and accounting system

The controlling process in the Company, whose basic and key element is the internal control, is based on a system of budgets. On an annual basis, the Company updates short-term, mid-term and long-term plans, and prepares very detailed budgets for the following year with regard to:

- construction projects,
- utility projects,
- expenditures, general administrative and sales expenses.

Based on the budgets, financial forecasts and cash flow forecasts, which are necessary in the risk management process, are updated. The budgeting process is based on the Company's existing formalised rules and is closely supervised by the Finance Director. The process involves the Company's mid-level and senior management staff responsible for specific budget areas. Responsibility for the preparation and presentation rests with the Finance Branch and, with regard to costs of operation, the employees of the Property Management Division. They are also responsible for monitoring the incurred expenditures and reporting on the performance of budgets. The budget of construction projects is the responsibility of the Analysis and Project Controlling Team and Project Managers, the budget of utility projects is the responsibility of financial analysts from the Management Division, and the budget of costs and general administrative and sale expenses is the responsibility of the Budgeting and Forecasts Team. The Budgeting and Forecasts Team is also responsible for preparing financial and cash flow forecasts and for verifying them. The budget prepared for the following year on an annual basis is approved by the Company's Management Board.

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

- for the process of preparing financial statements,
- periodic reports,
- management reporting system.

The whole reporting system uses the Company's financial and management accounting based on the accounting policy adopted in the Company (International Financial Reporting Standards). Thanks to this, management reporting is not detached from the prepared financial statements and takes account of the format and the level of detail of data presented in these statements. The process of preparing financial statements is described in the section before. The periodic and management reporting process is a continuation of the budgeting process described before. Once the accounting books have been closed, reports are prepared on the performance of budgets and forecasts. In relation to closed reporting periods, the Group's financial results are analysed in detail and compared to the budget assumptions and forecasts made in the month preceding the analysed reporting period.

The key element in this process is the monitoring of the deviation of actual performance from the plan, and explaining the reasons for such a deviation. Monitoring deviations and learning their reasons helps optimise the Group's operations and minimise potential risks. Initially, monthly performance reports are analysed in detail by mid-level and senior management staff from individual organisational units of the Accounting Division and the Budgeting and Forecasts Team. Given the specific nature of the industry, the analyses are multi-faceted: not only individual groups of costs are analysed but also specific investment projects, segments or result items are reviewed separately. Based on these reports, the Company's Management Board analyses current financial results and compares them with the adopted budgets in the course of the year.

25.4. Risk management in the Company

Effective internal control (along with the existing reporting system) is the basic step in identifying risks and managing changes. In addition to the reporting system, effective risk management also involves a risk analysis. Therefore, the Company's key measure aimed at reducing its risk exposure is the correct assessment of prospective investments and the monitoring of current investments. To this end, investment models and decision-making procedures are employed, whose observance is closely monitored by the Analysis and Project Controlling Team, the Company's Finance Director and the Management Board. In addition, all requests and potential changes in the budgets of investment projects are transferred to result forecast models and a cash flow forecast so that an issue can be examined globally, and to eliminate risks related to projects, liquidity, foreign exchange rates, etc. Global management and risk monitoring as well as internal control in all areas that are important for the organisation largely eliminates most risks to which the Group is exposed.

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

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

Kielce, 27 April 2012

IV. STATEMENT OF THE MANAGEMENT BOARD

The Management Board of Echo Investment S.A. declares that, to the best of its knowledge, the annual consolidated financial statements for 2011 and comparative data have been presented in compliance with the applicable accounting principles, and that they reflect in a true, reliable and transparent manner the economic and financial situation of the Echo Investment S.A. Capital Group and its financial result. The annual management report of the Echo Investment S.A. Capital Group presents a true view of development, accomplishments and situation of the Echo Investment S.A. Capital Group, including a description of fundamental risks and threats.

The Management Board of Echo Investment S.A. declares that the entity authorised to audit financial statements, auditing the annual consolidated financial statements for 2011, was selected in accordance with the laws. This entity and auditors conducting the reviews met the conditions required to prepare an unbiased and independent report on the audited annual consolidated financial statement, pursuant to relevant provisions of the national law.

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

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

Kielce, 27 April 2012

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