



Independent statutory auditor's opinion for the General Meeting and the Supervisory Board of Echo Investment S.A.

We have audited the enclosed financial statements of Echo Investment S.A. (later referred to as the "Company"), with its registered office in Kielce, Al. Solidarności 36, comprising the statement of financial position as at 31 December 2011, with total assets, liabilities and equity of PLN 1,591,953 thousand, the profit and loss account for the period from 1 January to 31 December 2011 with a net profit of PLN 16,517 thousand, the statement of changes in equity, the cash flow statement for this financial year as well as notes on the adopted accounting principles and explanations.

The Company's Management Board is responsible for preparing the financial statements and the management report in line with the applicable laws, and for correctness of the accounting books. The Company's Management Board and Members of the Supervisory Board are obliged to ensure that the financial statements and the management report comply with the requirements of the Accounting Act of 29 September 1994 ("Accounting Act", J.L. of 2009, No. 152, item 1223, as amended).

Our task was to audit the enclosed financial statements and to produce an opinion on the statements' compliance, in all material aspects, with the applicable accounting principles (policy) and to verify whether they present, in all material aspects, a true and fair view of the company's economic and financial situation, and the financial result, and to verify the correctness of the accounting books, based on which the statements were prepared.

We have conducted the audit according to:

- a. regulations of chapter 7 of the Accounting Act,
- b. Polish Auditing Standards (KSFR) issued by the National Council of Statutory Auditors (KRBR).

The audit has been planned and conducted in such a way so as to obtain reasonable certainty that the financial statements do not contain any material errors and omissions. The audit covered a verification of a sample of evidence confirming the amounts and information disclosed in the financial statements. The audit also covered an assessment of the accounting principles applied by the Company and material estimates made when preparing the financial statements as well as an overall assessment of the statements' presentation. The audit has given reasonable assurance to express an opinion.

In our opinion, the enclosed financial statements, in all material respects:

- a. present a true and fair view of the Company's economic and financial situation as at 31 December 2011 and the financial result for the financial year from 1 January to 31

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Independent statutory auditor's opinion for the General Meeting and the Supervisory Board of Echo Investment S.A.

December 2011, according to the International Financial Reporting Standards approved by the European Union;

- b. comply, in terms of form and content, with the laws binding for the Company and with its Statute;
- c. were prepared based on correctly maintained accounting books, according to the applicable accounting principles (policy).

The information contained in the Company's management report for the financial year from 1 January to 31 December 2011 takes account of the Ordinance 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 ("Ordinance", J.L. no. 33, item 259), and is consistent with the information contained in the audited financial statements.

Auditor on behalf of PricewaterhouseCoopers Sp. z o.o., a company registered in the list of entities authorised to audit financial statements under no. 144:

Piotr Wyszogrodzki

Key Statutory Auditor
Registration no. 90091

Warsaw, 27 April 2012

Echo Investment S.A.

**Report on the audit of the financial statements for the
financial year from 1 January to 31 December 2011**



Report on the audit of the financial statements for the financial year from 1 January to 31 December 2011

For the General Meeting and the Supervisory Board of Echo Investment S.A.

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Echo Investment S.A.

Report on the audit of the financial statements for the financial year from 1 January to 31 December 2011

I. General description of the Company

- a. The registered office of Echo Investment spółka akcyjna ("Company") is in Kielce, Al. Solidarności 36.
- b. The Company's memorandum of association was prepared as a notarial deed in the Civil Law Notary's Office of notary Jacek Frelich in Kielce on 30 June 1994 and registered in Repertory A, No. 4162/94. On 10 April 2001, the District Court in Kielce, 10th Economic Department of the National Court Register, entered the Company into the Register of Entrepreneurs under no. KRS 0000007025.
- c. For the purpose of tax settlement, the Company was assigned the tax identification number NIP 657-023-09-12, and for statistical purposes the Company was assigned the statistical number REGON 290463755.
- d. As at 31 December 2011, the Company's share capital, amounted to PLN 21,000 thousand and was divided into 420,000,000 shares with a nominal value of PLN 0.05 each, and equity amounted to PLN 588,091 thousand.
- e. As at 31 December 2011, the Company's shareholders included:

Shareholder	Number of shares held	Nominal value of shares held (PLN)	Type of shares held	% of votes
Michał Sołowow	185,286,775	9,264,339	ordinary	44.1
ING OFE	54,488,467	2,724,423	ordinary	13.0
Aviva OFE Aviva BZ WBK	36,683,460	1,834,173	ordinary	8.7
PZU Złota Jesień OFE	21,419,085	1,070,954	ordinary	54
Other shareholders	122,122,213	6,106,111	ordinary	29.1
	420,000,000	21,000,000		100.0

As at 31 December 2010, the Company's shareholders included:

Shareholder	Number of shares held	Nominal value of shares held (PLN)	Type of shares held	% of votes
Michał Sołowow	169,916,580	8,495,829	ordinary	40.5
ING OFE	37,528,063	1,876,404	ordinary	8.9
Aviva OFE Aviva BZ WBK	36,683,460	1,834,173	ordinary	8.7
PZU Złota Jesień OFE	21,419,085	1,070,954	ordinary	5.1
Other shareholders	154,452,812	7,722,640	ordinary	36.8
	420,000,000	21,000,000		100.0

- f. In the audited period, the Company's core business consisted in the construction and lease of space in commercial, shopping and entertainment, office, hotel and residential buildings as well as trade in real property.

Echo Investment S.A.

Report on the audit of the financial statements for the financial year from 1 January to 31 December 2011

I. General description of the Company (continued)

g. In the financial year, the members of the Company's Management Board were:

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

h. The Company's related parties are entities comprising the Echo Investment S.A. Capital Group as well as other entities controlled directly or indirectly by Mr. Michał Sołowow, who is the Company's main shareholder.

Subsidiaries, jointly controlled entities and associates are presented in note 3H in Notes and explanations to the statements.

i. The Company issued securities admitted to the stock exchange list of the Warsaw Stock Exchange. Using the option to choose the accounting principles stipulated by the Act, as of 2005, the Company has prepared financial statements according to the International Financial Reporting Standards (IFRS) approved by the European Union.

By way of Resolution no. 1 of 23 December 2004, the General Meeting made a decision on the preparation of the Company's financial statements according to these standards.

j. The Company, as the parent company of the Capital Group, also prepared consolidated financial statements, dated 27 April 2012, as per the IFRS approved by the European Union. To understand the Company's financial situation and business results as the parent company, the separate financial statements should be read together with the consolidated financial statements.

II. Information on the audit

- a. The audit of the financial statements for the financial year from 1 January to 31 December 2011 has been conducted by PricewaterhouseCoopers Sp. z o.o., with its registered office in Warsaw, Al. Armii Ludowej 14, entered into the list of entities authorised to audit financial statements under no. 144. On behalf of the authorised entity, the audit was supervised by Piotr Wyszogrodzki (reg. no. 90091), the key statutory auditor.
- b. PricewaterhouseCoopers Sp. z o.o. was selected as the Company's statutory auditor by way of Resolution no. 6/V/2011 of the Supervisory Board of 24 May 2011, pursuant to paragraph 13, section 1 of the Company's Statute.
- c. PricewaterhouseCoopers Sp. z o.o. and the key statutory auditor conducting the audit are independent from the audited entity, as stipulated by article 56, section 2-4 of the Act of 7 May 2009 on statutory auditors and their professional association, entities authorised to audit financial statements and on public supervision (J.L. No. 77, item 649, as amended).
- d. The audit was conducted based on the agreement concluded on 20 July 2011 in the period:
 - initial audit 21 November to 2 December 2011
 - final audit 19 March to 27 April 2012

III. Description of the company's results and financial situation

The financial statements do not account for inflation. The overall indicator of changes in the prices of consumption goods and services (December to December) in the audited year was 4.6% (2010: 3.1%).

The following comments are based on information obtained in the course of auditing the financial statements.

- Total sales revenue amounted to PLN 418,418 thousand, which means a 12.6% increase compared to the previous year. The Company's core business in the current financial year has been the provision of property development services. In this business activity, the Company recorded an increase by PLN 89,826 thousand compared to the previous financial period, i.e. by 45.1%. The increase was mainly due to the completion of important investments which were started in previous years.
- The largest item in operating costs were third party services, which amounted to PLN 314,316 thousand in the audited financial period, and accounted for 87.0% of operating costs. Compared to year earlier, these costs increased by 37.9%.
- At the end of the financial year, the Company's balance sheet total amounted to PLN 1,591,953 thousand and increased by PLN 133,759 thousand, i.e. by 9.2%. In assets, the increase was mainly due to the increase in investments in subsidiaries and jointly controlled entities by PLN 139,406 thousand. In equity and liabilities, long-term liabilities due to loans, borrowings and bonds increased by PLN 169,467 thousand.
- Net sales margin and equity ratio deteriorated slightly, while gross sales margin, debtor days and the Company's solvency improved.

The financial statements were prepared on a going concern basis.

Echo Investment S.A.

Report on the audit of the financial statements for the financial year from 1 January to 31 December 2011

IV. Description of selected items from the financial statements

STATEMENT OF FINANCIAL POSITION as at 31 December 2011

	Comment	31.12.2011	31.12.2010	Movement	Movement	31.12.2011	31.12.2010
		PLN '000	PLN '000	PLN '000	(%)	Structure (%)	Structure (%)
ASSETS							
Non-current assets							
Intangible assets		1,415	1,227	192	15.6	0.1	0.1
Property, plant and equipment		14,664	17,341	(2,677)	(15.4)	0.9	1.2
Investment property		3,655	11,631	(7,976)	(68.6)	0.2	0.8
Investments in subsidiaries and jointly-controlled entities		909,152	769,746	139,406	18.1	57.1	52.8
Borrowings granted	1	-	8	(8)	(100.0)	-	-
Other financial assets		3,431	13,785	(10,354)	(75.1)	0.2	0.9
Other receivables		14,038	12,079	1,959	16.2	0.9	0.8
		946,359	825,817	120,542	14.6	59.4	56.6
Current assets							
Inventories		313,863	327,002	(13,139)	4.0	19.7	22.4
Receivables due to current portion of income tax		-	335	(335)	(100.0)	-	-
Other tax receivables		2,685	-	2,685	100	0.2	-
Trade and other receivables		97,731	94,675	3,056	3.2	6.1	6.5
Borrowings granted		144,929	144,538	391	0.3	9.2	10.0
Cash and cash equivalents	2	86,386	65,827	20,559	31.2	5.4	4.5
		645,594	632,377	13,217	2.1	40.6	43.4
Total assets		1,591,953	1,458,194	133,759	9.2	100.0	100.0

Echo Investment S.A.

Report on the audit of the financial statements for the financial year from 1 January to 31 December 2011

IV. Description of selected items from the financial statements (continued)

STATEMENT OF FINANCIAL POSITION as at 31 December 2011 (continued)

	Comment	31.12.2011 PLN '000	31.12.2010 PLN '000	Movement PLN '000	Movement (%)	31.12.2011 Structure (%)	31.12.2010 Structure (%)
EQUITY AND LIABILITIES							
Equity							
Share capital	4	21,000	21,000	-	-	1.3	1.4
Supplementary capital		550,574	511,901	38,673	7.6	34.6	35.1
Net profit	4	16,517	38,672	(22,155)	(57.3)	1	2.7
		588,091	571,573	16,518	2.9	36.9	39.2
Provisions							
Provisions for liabilities – short-term	4	4,273	6,700	(2,427)	(36.2)	0.3	0.5
Deferred income tax provision – long-term		7,778	12,007	(4,229)	(35.2)	0.5	0.8
		12,051	18,707	(6,656)	(35.6)	0.8	1.3
Long-term liabilities							
Loans, borrowings and bonds	4	654,374	484,907	169,467	34.9	41.1	33.2
Advance payments received		16,288	14,242	2,046	14.4	1.0	1.0
		670,662	499,149	171,513	34.4	42.1	34.2
Short-term liabilities							
Loans, borrowings and bonds	4	232,691	285,043	(52,352)	(18.4)	14.6	19.5
Liabilities due to current portion of income tax		3,369	-	3,369	-	0.2	-
Other tax liabilities		14,033	7,450	6,583	88.4	0.9	0.5
Trade liabilities		42,391	57,654	(15,263)	(26.5)	2.7	4.0
Advance payments received		20,628	9,869	10,759	109.0	1.3	0.7
Other liabilities		8,037	8,749	(712)	(8.1)	0.5	0.6
		321,149	368,765	(47,616)	(12.9)	20.2	25.3
Total equity and liabilities		1,591,953	1,458,194	133,759	9.2	100.0	100.0

Echo Investment S.A.

Report on the audit of the financial statements for the financial year from 1 January to 31 December 2011

IV. Description of selected items from the financial statements (continued)

PROFIT AND LOSS ACCOUNT

For the financial year from 1 January to 31 December 2011

	Comment	2011 PLN '000	2010 PLN '000	Movement PLN '000	Movement (%)	2011 Structure (%)	2010 Structure (%)
Revenue	5	418,418	371,571	46,847	12.6	100.0	100.0
Prime cost of sale	5	(315,890)	(287,755)	(28,135)	9.8	(75.5)	(77.4)
Gross profit on sales		102,528	83,816	18,712	22.3	24.5	22.6
Profit on investment property		1,961	34	1,927	12.360.0	0.5	-
Selling costs		(24,023)	(21,276)	(2,747)	12.9	(5.7)	(5.7)
General administrative expenses		(33,703)	(26,819)	(6,884)	25.7	(8.1)	(7.2)
Other operating revenue		49,756	53,585	(3,829)	(7.1)	11.9	14.4
Other operating costs		(23,385)	(2,515)	(20,870)	829.8	(5.6)	(0.7)
Profit before tax and excluding financial revenue /costs		73,134	86,825	(13,691)	15.8	17.5	23.4
Financial revenue	6	1,118	2,109	(991)	47.0	0.3	0.6
Financial costs	6	(58,430)	(46,555)	(11,875)	25.5	(14.0)	(12.5)
Gross profit		15,822	42,379	(26,557)	(62.7)	3.8	11.5
Income tax		695	(3,707)	4,402	(118.7)	0.1	(1.0)
Net profit		16,517	38,672	(22,155)	(57.3)	3.9	10.5
Other comprehensive income		-	-	-	-	-	-
Comprehensive income		16,517	38,672	(22,155)	(57.3)	3.9	10.5

Echo Investment S.A.

Report on the audit of the financial statements for the financial year from 1 January to 31 December 2011

IV. Description of selected items from the financial statements (continued)

Selected ratios describing the Company's economic and financial position and financial results

The Company's business, financial result for the financial year as well as the economic and financial position as at the balance sheet date, in comparison to previous periods, are described by the following ratios:

	2011	2010	2009
Activity ratios			
- debtor days	64 days	85 days	119 days
- inventory days	365 days	430 days	533 days
Profitability ratios			
- net sales margin	17%	19%	8%
- gross sales margin	11%	10%	7%
- overall return on equity	12%	13%	6%
Debt ratios			
- indebtedness ratio	62%	60%	58%
- creditor days	47 days	49 days	64 days
	31.12.2011	31.12.2010	31.12.2009
Liquidity ratios			
- current ratio	2,0	1,7	2,8
- quick ratio	1,0	0,8	1,3

IV. Description of selected items from the financial statements (continued)

Balance sheet as at 31 December 2011

1. Investments in subsidiaries and jointly-controlled entities

The value of investments in subsidiaries and jointly controlled entities at the end of the audited period amounted to PLN 909,152 thousand, which is an increase by PLN 139,406 thousand, i.e. by 18.1%, in comparison to the previous period. This increase mainly involved the purchase of interests and the increase in the capital of subsidiaries, totalling PLN 162,413 thousand. At the same time, the balance of interests and shares in the course of the year decreased by PLN 33,361 thousand, mainly as a result of the creation of a revaluation allowance for assets in the amount of PLN 19,375 thousand and the settlement of advance payments on the purchase of interests in the amount of PLN 13,785 thousand.

2. Equity

In the audited year, the amount of the share capital remained unchanged.

3. Net profit/loss

The net profit for the audited year amounted to PLN 16,517 thousand. According to information included in the financial statements, the Management Board will suggest to the General Meeting to allocate the profit to the Company's supplementary capital.

Pursuant to the Resolution of the General Meeting of 2 June 2011, profit for the previous year, amounting to PLN 38,672 thousand, was fully allocated to the Company's supplementary capital.

IV. Description of selected items from the financial statements (continued)

4. Loans, borrowings and bonds

As at 31 December 2011, the balance of loans, borrowings and bonds totalled PLN 887,065 thousand, including liabilities due to the issued debt securities (bonds) as well as loans and borrowings. As at the balance sheet date, the balance of loans, borrowings and bonds, compared to the end of 2010, increased by PLN 117,115 thousand, i.e. by 15.2%, mainly as a result of the issue of new series of bonds.

The long-term portion of the balance includes the liability due to the issue of bonds in the amount of PLN 654,374 thousand, which increased by PLN 169,467 thousand, i.e. by 34.9%, compared to a year earlier.

The short-term portion of the balance, amounting to PLN 232,691 thousand, includes the liability due to the issue of debt securities in the amount of PLN 199,917 thousand as well as loans and borrowings in the amount of PLN 32,774 thousand. Short-term liabilities due to loans, borrowings and bonds decreased compared to the previous year by PLN 52,352 thousand, i.e. by 18.4%, mainly as a result of the decrease in loans and borrowings by PLN 37,142 thousand.

IV. Description of selected items from the financial statements (continued)

Statement of comprehensive income for the financial year ending on 31 December 2011

5. Revenues from sales and operating costs

Total sales revenue amounted to PLN 418,418 thousand, which means a 12.6% increase compared to the previous year. The Company's core business in the current financial year has been the provision of property development services. In this business activity, the Company recorded an increase by PLN 89,826 thousand compared to the previous financial period, i.e. by 45.1%. The increase was mainly due to the completion of important investments which were started in previous years.

In the audited year, the prime cost of sale amounted to PLN 315,890 thousand and increased in comparison to the previous year by PLN 28,135 thousand, i.e. by 9.8%.

The largest item in operating costs were third party services, which amounted to PLN 314,316 thousand in the audited financial period, and accounted for 87.0% of operating costs. Compared to year earlier, these costs increased by 37.9%.

6. Financial revenues and costs

Financial revenue and costs in the audited year amounted to PLN 1,118 thousand and PLN 58,430 thousand respectively (PLN 2,109 thousand and PLN 46,555 thousand respectively in the previous period).

The main item in financial costs in the audited period were the costs of interest, amounting to PLN 56,782 thousand (PLN 43,930 thousand in the previous period).

V. Findings of the independent statutory auditor

- a. In the course of the audit, the Company's Management Board provided the required information, explanations and statements, and submitted a statement saying that all data had been included in the accounting books and all contingent liabilities had been disclosed, and provided information about material events which occurred after the balance sheet date, by the day the statements were submitted.
- b. The scope of the audit was not limited.
- c. The Company has valid documentation in place describing the accounting principles (policy), which is approved by the Management Board. The accounting principles adopted by the Company were modified to suit its needs and ensured the accounting identification of all events that are material for assessing the Company's economic and financial situation, and its financial result, with due observance of the prudence principle. The application of the principles from the previous period was continued in the audited period.
- d. At the end of the previous financial year, the closing balance was, in all material aspects, correctly recorded in the accounting books as the opening balance of the current period.
- e. The inventory taking of assets, equity and liabilities was conducted and settled according to the Accounting Act, and the results of the inventory taking were recorded in the accounting books of the audited year.
- f. The Company's financial statements for the financial year from 1 January to 31 December 2010 were approved by way of Resolution no. 4 of the General Meeting of 2 June 2011, submitted to the National Court Register in Kielce on 22 June 2011 and published in the Official Gazette Monitor Polski B, no. 2067, on 2 November 2011.
- g. The financial statements for the previous year were audited by PricewaterhouseCoopers Sp. z o.o. The statutory auditor produced an unqualified opinion.
- h. We have assessed whether the accounting system functions correctly. In particular, we have examined the following:
 - correctness of documentation of business transactions,
 - reliability, accuracy and verifiability of the accounting books, including books maintained using computer technology,
 - methods for securing access to data and the computer system for processing the data,
 - protection of accounting documentation, accounting books and financial statements.

Combined with the audit of reliability of individual items of the financial statements, the assessment provides a basis for expressing a generalised opinion

Echo Investment S.A.

**Report on the audit of the financial statements for the financial year from 1
January to 31 December 2011**

on the statements. It was not the intention of our audit to express a comprehensive opinion on the operation of the said system.

- i. The notes present in full all material information required by the International Financial Reporting Standards approved by the European Union.

Echo Investment S.A.

Report on the audit of the financial statements for the financial year from 1 January to 31 December 2011

V. Findings of the independent statutory auditor (continued)

- j. The information contained in the Company's management report for the financial year from 1 January to 31 December 2011 takes account of the Ordinance 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, as amended), and is consistent with the information contained in the audited financial statements.

VI. Conclusion and final remarks

This report was prepared in connection with the audit of the financial statements of Echo Investment S.A., with its registered office in Kielce, Al. Solidarności 36. On 27 April 2012, the financial statements were signed by the Company's Management Board and by the person entrusted with bookkeeping.

The report should be read together with the unqualified opinion of the independent statutory auditor for the General Meeting and the Supervisory Board of Echo Investment S.A. of 27 April 2012, regarding the aforementioned financial statements. The opinion on the financial statements expresses an overall conclusion of the audit. This conclusion is not a sum of the results from the audit of individual items of the statements or specific issues, but assumes that suitable importance (materiality) has been attached to the findings, taking account of the effect of the findings on a true a fair presentation of the financial statements.

Auditor on behalf of PricewaterhouseCoopers Sp. z o.o., a company registered in the list of entities authorised to audit financial statements under no. 144:

Piotr Wyszogrodzki

Key Statutory Auditor
Registration no. 90091

Warsaw, 27 April 2012