

Separate annual report of Echo Investment S.A. for 2011





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LETTER TO SHAREHOLDERS, PARTNERS AND CUSTOMERS

Dear Ladies and Gentlemen

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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 Belchatów 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, as expected by our Shareholders.

Yours faithfully

Piotr Gromniak

President of the Management Board



II. SEPARATE FINANCIAL STATEMENTS OF ECHO INVESTMENT S.A. FOR 2011

STATEMENT OF FINANCIAL POSITION (PLN '000)

	NOTE	31.12.2011	31.12.2010
ASSETS			
1. Non-current assets			
1.1. Intangible assets	1	1,419	1,227
1.2. Property, plant and equipment.	2	14,664	17,341
1.3. Investment property	3	3,655	11,631
1.4. Investments in subsidiaries and jointly-controlled entities	3	909,152	769,746
1.5. investments in associates	3	-	-
1.6. Borrowings granted	3	-	8
1.7. Other financial assets	3	3,431	13,785
8. Other receivables	3	14,038	12,079
	_	946,359	825,817
2. Current assets			
2.1. Inventories	4	313,863	327,002
2.2. Receivables due to current portion of income tax	5	-	335
2.3. Other tax receivables	5	2,685	-
2.4. Trade and other receivables	5	97,731	94,675
2.5. Borrowings granted	6	144,929	144,538
2.6. Cash and cash equivalents	6	86,386	65,827
	_	645,594	632,377
Total assets		1,591,953	1,458,194

STATEMENT OF FINANCIAL POSITION, CONTINUED (PLN '000)

	NOTE	31.12.2011	31.12.2010
EQUITY AND LIABILITIES			
1. Equity			
1.1. Share capital	7	21,000	21,000
1.2. Supplementary capital	8	550,574	511,901
1.3. Net profit / (loss)		16,517	38,672
		588,091	571,573
2. Provisions			
2.1. Provisions for liabilities – short-term	11	4,273	6,700
2.2. Deferred income tax provision – long-term	9	7,778	12,007
		12,051	18,707
3. Long-term liabilities			
3.1. Loans, borrowings and bonds	10	654,374	484,907
3.2. Advance payments received	10	16,288	14,242
		670,662	499,149
4. Short-term liabilities	11		
4.1. Loans, borrowings and bonds		232,691	285,043
4.2. Liabilities due to current portion of income tax		3,369	-
4.3. Other tax liabilities		14,033	7,450
4.4. Trade liabilities		42,391	57,654
4.5. Advance payments received		20,628	9,869
4.6. Other liabilities		8,037	8,749
		321,149	368,765
Total equity and liabilities		1,591,953	1,458,194

PROFIT AND LOSS ACCOUNT (PLN '000)

	NOTE	01.01.2011- 31.12.2011	01.01.2010- 31.12.2010
Revenue	13	418,418	371,571
Prime cost of sale	14	(315,890)	(287,755)
Gross profit / (loss) on sales		102,528	83,816
Profit / (loss) on investment property		1,961	34
Selling costs		(24,023)	(21,276)
General administrative expenses		(33,703)	(26,819)
Other operating revenue	15	49,756	53,585
Other operating costs	15	(23,385)	(2,515)
Profit before tax and excluding financial revenue /costs		73,134	86,825
Financial revenue	16	1,118	2,109
Financial costs	17	(58,430)	(46,555)
Gross profit/(loss)		15,822	42,379
Income tax	18	695	(3,707)
Net profit / (loss)	19	16,517	38,672
Net profit / (loss)		16,517	38,672
Average weighted ordinary shares		420,000,000	420,000,000
Earnings / (loss) per ordinary share (in PLN)		0,04	0.09
Average weighted diluted ordinary shares		420,000,000	420,000,000
Diluted earnings per ordinary share (in PLN)		0,04	0,09

STATEMENT OF COMPREHENSIVE INCOME (PLN '000)

	01.01.2011-	01.01.2010-
	31.12.2011	31.12.2010
Net profit / (loss)	16,517	38,672
Other comprehensive income:		
Other net comprehensive income	-	-
Comprehensive income	16,517	38,672



CASH FLOW STATEMENT (PLN '000)

	01.01.2011- 31.12.2011	01.01.2010- 31.12.2010
Cash flows from operating activities – indirect method		
I. Net profit	16,517	38,672
II. Adjustments		
1. Amortisation and depreciation	3,837	3,356
2. Foreign exchange (gains) losses	-	-
3. Interest and profit sharing (dividend)	16,536	687
Current income tax recognised in profit and loss account	3,683	-
5. Income tax paid	21	1,860
Profit / (loss) on investing activities	26,345	(13)
7. Movements in provisions	(6,145)	(2,680)
8. Movement in inventories	13,139	35,599
9. Movements in receivables	(7,835)	32,229
Movements in short-term liabilities, except for loans and borrowings	3,332	(17,948)
	52,913	53,090
Net operating cash flows	69,430	91,762
Cash flows from investing activities		
I. Proceeds		
1. Disposal of intangible assets and property, plant and equipment	3,300	505
2. Disposal of investments in real property and intangible assets	9,936	-
3. From financial assets, including:	132,477	206,926
a) in related parties	132,419	206,926
- disposal of financial assets	-	-
- dividends and profit sharing	34,831	31,622
- repayment of borrowings granted	86,905	162,766
- interest	10,683	12,538
- other proceeds from financial assets	-	-
b) in other entities	58	-
- disposal of financial assets	58	-
4. Other investment proceeds	-	227
	145,713	207,658
II. Expenditures		
1. Purchase of intangible assets and property, plant and equipment	(3,196)	(10,701)
2. Investments in real property and intangible assets	(3,130)	(10,701)
3. For financial assets, including:	(249,527)	(361,147)
a) in related parties	(249,527)	(361,147)
- purchase of financial assets	(158,733)	(108,436)
- borrowings granted	(158,733) (90,794)	(252,711)
4. Other capital expenditures	(90,794) 158	(202,111)
	(252,565)	(371,848)
Net each flow from investing activities		,
Net cash flow from investing activities	(106,852)	(164,190)



ANNUAL CASH FLOW STATEMENT (PLN '000), CONTINUED

	01.01.2011- 31.12.2011	01.01.2010- 31.12.2010
Cash flows from financing activities		
I. Proceeds		
 Net proceeds from issue of shares (interests) and other equity instruments and capital contributions 	-	-
2. Loans and borrowings	15,625	1,330
3. Issue of debt securities	364,566	150,000
	380,191	151,330
II. Expenditures		
1. Purchase of equity shares (interests)	-	-
2. Dividends and other payments to equity holders	-	-
3. Expenditure due to distribution of profit, other than payments to owners	- (51,922)	- (26, 462)
 Repayment of loans and borrowings Redemption of debt securities 	(220,000)	(26,162)
6. Due to other financial liabilities	(0,000)	-
7. Payment of liabilities under finance lease agreements	-	-
 8. Interest 9. Other financial expenditures 	(50,288)	(40,791)
	(322,210)	(66,953)
Net cash flow from financing activities	57,981	84,377
		44.8.5
Total net cash flows Movement in the balance of cash, including:	20,559 20,559	11,949 11,949
- movement in cash due to foreign exchange differences	20,339	
Cash at the beginning of the period	65,827	53,878
Cash at the end of the period, including:	86,386	65,827
- restricted cash	6,400	7,600

STATEMENT OF CHANGES IN EQUITY (PLN '000)

	SHARE	SUPPLEMENTAR	PROFIT	PROFIT (LOSS)	TOTAL
	CAPITAL	Y CAPITAL	(LOSS)	IN THE	EQUITY
			BROUGHT	CURRENT	
			FORWARD	YEAR	
As at 1 January 2011	21,000	511,901	38,672		571,574
Changes in the period:					
Allocation of result from previous	-	38,672	(38,672)	-	-
years					
Net profit (loss) for the period	-	-	-	16,517	16,517
Total changes	-	38,672	(38,672)	16,517	16,517
As at 31 December 2011	21,000	550,573	-	16,517	588,091
As at 1 January 2010	21,000	477,859	34,042		532,901
Changes in the period:					
Allocation of result from previous	-	34,042	(34,042)	-	-
years					
Net profit (loss) for the period	-	-	-	38,672	38,672
Total changes	-	34,042	(34,042)	38,672	38,672
As at 31 December 2010	21,000	511,901	-	38,672	571,574



INTRODUCTION

GENERAL INFORMATION

Echo Investment S.A.'s core activity consists 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. (later referred to as "Echo" or the "Company"), with registered office in Kielce at al. Solidarności 36, 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 2011 and 31 December 2010, 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 2011 and 31 December 2010, 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 – members.

INFORMATION ON THE FINANCIAL STATEMENT

The statements of the Echo Investment S.A. present financial data for the 12-month period ending on 31 December 2011 and comparative data for the 12-month period ending on 31 December 2010.

The reporting currency in the financial statements and the functional currency of Echo Investment S.A. is Polish złoty ("PLN"). Unless indicated otherwise, all financial data in the Company's financial statements has been presented in thousand PLN.

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. To fully understand the financial situation and business results of the Company as the parent company of the Echo Investment group, these financial statements should be read together with the annual consolidated financial statements for the financial year ending on 31 December 2011. These consolidated financial statements are available on the Company's website www.echo.com.pl . The statements have been drawn up according to the going concern principle as there are no circumstances indicating a threat to further activity.

The Company's Management Board used its best knowledge in the application of the standards and interpretations, as well as measurement methods and principles for the various items of the separate financial statements.

In 2011, the Company applied the following amendments to the standards and interpretations:

When preparing these statements, the Company used new standards, amendments to standards and interpretations released by the IFRS Interpretations Committee, which apply to the Company'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.

Amendments to IAS 24, "Related party transactions"

The amendments to IAS 24, "Related party transactions", 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. No additional related parties of the Company have been identified.

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 "Improvements to IFRS 2010", which include 7 standards. The improvements include changes in the presentation, recognition and measurement as well as terminological and editorial changes.

Amendments to IFRS 1 "First-time adoption 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, 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.

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.

After 1 January 2012, the Company will apply the following standards and interpretations, which are not yet applicable:

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". The standard is effective for annual periods beginning on or after 1 July 2012. The application of these regulations will not significantly affect the Company's financial results. As at the day of preparing of these financial statements, IAS 1 was not yet approved by the European Union.

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. The Company will apply the amendments to IAS 12 as of 1 January 2012. The application of these regulations will not significantly affect the Company's financial results. As at the day of preparing of these financial statements, the amendments to IAS 12 were not yet approved by the European Union.

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. The standard is effective for annual periods beginning on or after 1 January 2013. The application of these regulations will not significantly affect the Company's financial results. As at the day of preparing of these financial statements, IAS 19 was not yet approved by the European Union.

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. The standard is effective for annual periods beginning on or after 1 January 2013. The application of these regulations will not significantly affect the Company's financial results. As at the day of preparing of these financial statements, IAS 27 was not yet approved by the European Union.

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. The standard is effective for annual periods beginning on or after 1 January 2013. The application of these regulations will not significantly affect the Company's financial results. As at the day of preparing of these financial statements, IAS 28 was not yet approved by the European Union.

Amendments to IAS 32 "Financial instruments"

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. The standard is effective for annual periods beginning on or after 1 January 2014. The application of these regulations will not significantly affect the Company's financial results. As at the day of preparing of these financial statements, IAS 32 was not yet approved by the European Union.

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. The standard is effective for annual periods beginning on or after 1 July 2011. The application of these regulations will not significantly affect the Company's financial results. As at the day of preparing of these financial statements, IFRS 1 was not yet approved by the European Union.

Amendments to IFRS 7, "Transfer of financial assets"

The amendments to IFRS 7, "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 allowing the user to learn 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 Company will apply the amendments to IFRS 7 as of 1 July 2011. The application of these regulations will not affect the Company's financial results. As at the day of preparing of these financial statements, the amendments to IAS 7 were not yet approved by the European Union.

Amendments to IFRS "regarding disclosures - compensation of financial 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. The Company will apply the amendments to IFRS 7 as of 1 January 2013. The application of these regulations will not affect the Company's financial results. As at the day of preparing of these financial statements, the amendments to IAS 7 were not yet approved by the European Union.

IFRS 9 "Financial instruments: classification and measurement"

IFRS 9 was published by the International Accounting Standards Board on 12 November 2009 and supersedes these parts of IAS 39 which relate to the classification and measurement of financial assets. In October 2010, IFRS 9 was supplemented with the classification and measurement of financial liabilities. The new standard is effective for annual



periods beginning on or after 1 January 2015. The standard introduces a single model with only two categories of financial assets: measured at fair value and measured at amortised cost. The classification is conducted at initial recognition and depends on the entity's model for managing financial instruments and the characteristics of contractual cash flows from these instruments. 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. The Company will apply IFRS 9 as of 1January 2015. The application of these regulations will not affect the Company's financial results. As at the day of preparing of these financial statements, IFRS 9 was not yet approved by the European Union.

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. The standards are effective for annual period beginning on 1 January 2013. The application of these regulations will not affect the Company's financial results. As at the day of preparing of these financial statements, IFRS 10 was not yet approved by the European Union.

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. The new standard is effective for annual periods beginning on or after 1 January 2013. The application of these regulations will not affect the Company's financial results. As at the day of preparing of these financial statements, IFRS 11 was not yet approved by the European Union.

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 managed under an agreement. The standards are effective for annual periods beginning on or after 1 January 2013. The application of these regulations will not affect the Company's financial results. As at the day of preparing of these financial statements, IFRS 12 was not yet approved by the European Union.

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. The standard is effective for annual periods beginning on or after 1 January 2013. The application of these regulations will not affect the Company's financial results. As at the day of preparing of these financial statements, IFRS 13 was not yet approved by the European Union.

IFRIC 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. Stripping costs in the production phase of a surface mine. The standard is effective for annual periods beginning on or after 1 January 2013. As at the day of preparing of these financial statements, IFRIC 20 was not yet approved by the European Union.

The Company has not conducted an early adoption of any standard, interpretation or amendment which was published but is not yet effective.



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.

Property, plant and equipment

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

The Company's tangible assets include:

- property (not leased and not intended for trading) used by the Company,
- machinery and equipment,
- means of transport,
- other complete and usable items with an expected useful life of more than one year.

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 Company 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 10 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 Company 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 (or a cash-generating item to which an asset is related) 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 Company 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 Company 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 day, investment properties are disclosed at 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 Company'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 Company 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 Company'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 Company 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 Company is a lessee) or as revenue (if the Company 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 subsidiaries, jointly controlled entities and associates

Interests and shares in subsidiaries, jointly controlled entities and associates are presented at the purchase price adjusted for subsequent impairment losses. An impairment test is conducted when there are indications that the carrying value of an investment will not be recovered. The Company analyses the value of net assets of companies in which it holds interests because the main asset of these entities is investment property measured at fair value, while the main liability are special purpose loans and, consequently, the net value of assets reflects the fair value of the held interests. In the event of impairment, an impairment loss is recognised in the profit and loss account under other operating costs. The impairment loss is recognised in the carrying value exceeds the recoverable value. If the loss is reversed, its value is recognised under other operating revenue.

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, or as goods related to residential activity, if the land is intended for sale. Finished products include mainly residential and commercial premises



sold under final agreements. The costs of land purchase are disclosed as consumption of materials and energy in the income statement by types, given the specific nature of the Company's business.

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 from 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 Company 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 Company 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.

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 Company 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 cost determined with the effective interest rate method.

Revaluation allowances for borrowings granted are created at the end of every quarter, if there is objective evidence that the Company will not receive all amounts due under the original terms of the granted borrowings.

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 the income statement.

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

Revaluation allowances for financial assets are created at the end of every quarter, if there is objective evidence that the Company will not receive all amounts due under the original terms of the assets.

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 using the effective interest rate method, 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 Company 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.

In principle, long-term trade receivables are measured according to the amortised cost, using the effective interest rate method. However, when the difference between the amortised cost value and the payable amount has no material effect on the Company's financial results, such receivables are recognised in the balance sheet at the payable amount.

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

Cash and cash equivalents

Cash in bank and cash in hand, short-term deposits held to maturity and other financial assets that fulfil the definition of a cash equivalent 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 Company uses derivatives to mitigate the FX or interest rate risk.

The Company 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.

Profit or loss on derivatives is recognised in financial revenue or costs respectively, while in the cash flow statement, it is recognised as cash flow from operating activity, if the purchase leads to the recognition of an asset in the Company's balance sheet.

Financial guarantee agreements

Financial guarantees are recognised as financial instruments. These agreements are initially recognised 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.

In addition, financial guarantee agreements are disclosed in off-balance sheet liabilities and receivables.

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 or in other comprehensive income; in this case, income tax is disclosed in equity and other comprehensive income respectively.

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, except for temporary differences which arise at the time of initial recognition of an asset or liability, and do not affect the accounting or tax result.

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.



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

Deferred income tax assets due to tax loss are created, if the settlement of the loss in the following years is probable.

Deferred income tax is estimated on every balance sheet date by recognising differences in the profit and loss account, other comprehensive income or equity, depending where the temporary difference from which the deferred tax is subtracted was 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.

The issue costs of shares decrease the Company's supplementary capital down to the amount of the share premium.

Provisions

Provisions are established when the Company 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 company's management according to its best knowledge which must be incurred to settle a current liability as at the balance sheet date.

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 initially recognised at the fair value less costs of transaction and subsequently measured with the method "amortised cost of a liability", according to IAS 39. 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, using the effective interest rate method. When the difference between the amortised cost value and the value in the amount payable does not significantly affect the Company'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. Trade liabilities include security deposits.

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 Company is recognised according to IAS 18 and IFRIC 15 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 implementation of investments is calculated based on the amounts of costs incurred, plus a margin. All accrued revenue is due revenue.

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 legal, consulting, IT, financial, marketing, security and other sales services is recognised in the period in which such services were 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 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.



Distribution of profit from limited partnerships

The financial results of limited partnerships are recognised on a regular basis, proportionately to the interests held in the companies. The due profits are presented in other receivables from related entities. The effects of recognising positive financial results of these companies are presented in the profit and loss account in other operating revenue.

Financial costs

The financial costs related to the current period are recognised in the profit and loss account, except for costs capitalised according to the solution presented in IAS 23. The Company 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 the amount of costs 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).

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.

Segment reporting

The Company does not recognise information on segments according to IFRS 8, paragraph 4. This information is included in the consolidated financial statements of the Echo Investment capital group, which will be published simultaneously with the Company's separate financial statements.

MATERIAL ESTIMATES OF THE COMPANY'S MANAGEMENT BOARD

To prepare the financial statements, the Company'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 Board's estimates materially affect the financial statements:

Investment property

Investment properties include properties owned and rented out by the company along with land directly related to the properties. Investment properties are initially recognised at purchase price/manufacturing cost.

Properties built by the Company are recognised as investment property once they are commissioned to use.

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.

The differences on the measurement of investment properties are recognised in the profit and loss account under revaluation of property.

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

The result on the sale of investment properties is disclosed under a separate item of the profit and loss account.

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. According to the Management Board, a change of these assumptions would not materially affect the value of the inventory allowance as at the balance sheet day because the adopted assumptions and information on the value of the allowance were largely based on the concluded sales 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.



Impairment of interests in subsidiaries, jointly controlled entities and associates

An impairment test is conducted when there are indications that the carrying value of an investment will not be recovered. The assessment of the impairment of holdings in subsidiaries, jointly-controlled and affiliated companies is based on an analysis of the fair value of assets and liabilities held by the companies and the expected prospective cash flows from the operations of such companies. In the course of the assessment, the Company also evaluates the duration and extent to which the current value of the shares is lower than its purchase price and a company's perspectives and plans for its investment developments. All material impairments of the fair value of assets in subsidiaries have been regarded to be long-term by the Management Board and have resulted in impairment losses on holdings in subsidiaries. In particular, for material subsidiaries which, as at 31.12.11, did not run any material operating activity, the value of the allowances made corresponds to the total difference between the net value of the subsidiary's assets and the purchase price of the shares.

Deferred income tax

The Company's Management Board is obliged to assess the probability of the realisation of deferred income tax assets. 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 and provisions 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 and provisions, which in turn may affect the Company's financial standing and performance.

FINANCIAL RISK MANAGEMENT

Price risk

The price risk is not material. The Company does not trade in securities on any active market. The Company may conclude transactions on derivatives to hedge against the FX risk related to the forecast cash flows.

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

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

The exposure to changing interest rates on loans received, borrowings granted and debt securities is presented in notes 21E, 21B and 21C.

FX risk

The exposure to changes of foreign exchange rates for the held cash is presented in note 21E. As at the balance sheet date and during the financial year, the Company did not hold any other material foreign currency cash. Therefore, the risk has been estimated as not material and no analysis has been performed of the exposure of other balance sheet items to changing foreign exchange rates.

Credit risk

The credit risk occurs in cash, borrowings granted, derivatives, deposits in banks and financial institutions as well as, in relation to the Company's customers and tenants, in the form of unsettled amounts due. The Company 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 Company's customers outside the Echo Investment Group. In relation to related entities, the credit risk, in the opinion of the Management Board, is minimised through regular monitoring of operating activities and the assessment of investment projects of these companies. For cash and deposits in financial institutions and in banks, the Company uses the services of renowned companies.

Liquidity risk

The liquidity risk occurs when the Company is unable to settle its financial liabilities in due time. The Company manages the liquidity risk by maintaining an adequate amount of supplementary 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.

In the opinion of the Management Board, 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 Company may use sufficient funds from the loan facilities granted by banks.

The analyses of the Company'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, debt securities, trade receivables and trade liabilities.



CAPITAL MANAGEMENT

The Company's objective in terms of capital management is to protect the Company'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 Company 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.

The Company monitors the capital using 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 (IN PLN '000)

	NOTE	31.12.2011	31.12.2010
Total loans	10B, 11 D	887,065	769,950
Cash and cash equivalents	6C	-86,386	-65,827
Net debt		800,679	704,123
Total equity		588,091	571,573
Total capital		1,388,770	1,275,696
Debt ratio		57,65%	55,20%

The value of debt ratios, as at 31 December 2011 and 31 December 2010 respectively, was consistent with the Company's objectives.

ADDITIONAL EXPLANATIONS

Material agreements concluded with related entities and performed during the period

In connection with the Echo Investment S.A. Group's strategy involving the construction of all shopping centres, office buildings and apartments by different subsidiaries and Echo Investment S.A.'s contribution – to its special purpose vehicles – of properties where shopping centres and office buildings are constructed, a large portion of Echo Investment S.A.'s transactions is executed with related entities. The largest 2011 transactions with related companies were executed based on the following agreements:

- General contractor agreement concluded on 30 July 2008 with Oxygen Projekt Echo 95 Spółka z ograniczoną odpowiedzialnością SKA, as the investor. Under this agreement, Echo Investment S.A. (Contractor) commits itself to a comprehensive construction of an office building on a property located in Szczecin at ul. Malczewskiego. The value of the transaction for 2011 is PLN 8,914 thousand.
- General contractor agreement concluded on 16 April 2008 with Echo Park Postępu Sp. z o.o., having is
 registered office in Kielce, as the investor. Under this agreement, Echo Investment S.A. (Contractor) commits
 itself to a comprehensive construction of a complex of office buildings on a property located in Warsaw at ul.
 Postępu 21 until the office complex is handed over to the Investor and its users. The value of the transaction for
 2011 is PLN 8,224 thousand.
 - General contractor
- agreement concluded on 29 August 2008 with Echo Galeria Kielce Sp. z o.o., as the investor. Under this agreement, Echo Galeria Kielce Sp. z o.o. commissioned Echo Investment S.A. with the expansion of the existing shopping centre in Kielce at al. Solidarności. The value of the transaction for 2011 is PLN 161,744 thousand.
- General contractor agreement concluded on 8 September 2010 with Echo – Przy Słowiańskim Wzgórzu Spółka z ograniczoną odpowiedzialnością Sp.K., as the investor. Under this agreement, Echo Investment S.A. (Contractor) commits itself to a comprehensive construction of a residential building on a property located in Wrocław at ul. Jedności Narodowej. The value of the transaction for 2011 is PLN 27,174 thousand.
- General contractor agreement concluded on 17 June 2010 with Echo Kasztanowa Aleja Spółka z ograniczoną odpowiedzialnością Sp.K., as the investor. Under this agreement, Echo Investment S.A. (Contractor) commits itself to a comprehensive construction of a residential building on a property located in Poznań at ul. Wojskowa. The value of the transaction for 2011 is PLN 19,811 thousand.
- General contractor agreement concluded on 1 June 2010 with Echo Klimt House Spółka z ograniczoną odpowiedzialnością Sp.K., as the investor. Under this agreement, Echo Investment S.A. (Contractor) commits itself to a comprehensive construction of a residential building on a property located in Warsaw at ul. Kazimierzowska 46/48. The value of the transaction for 2011 is PLN 9,503 thousand.
- General contractor agreement concluded on 30 July 2008 with Echo Aurus Spółka z ograniczoną odpowiedzialnością, as the investor. Under this agreement, Echo Investment S.A. (Contractor) commits itself to



a comprehensive construction of a residential building on a property located in Łódź at ul. Piłsudskiego. The value of the transaction for 2011 is PLN 45,556 thousand.

- Agreement for the transfer of ownership of 14 July 2011 concluded with Grupa Echo Spółka z ograniczoną odpowiedzialnością 1 S.K.A., as the buyer. Under this agreement, Echo Investment S.A. (Seller) transferred the ownership title to a property located in Wrocław at ul. Borowska and ul. Swobodna. The sale price for the ownership title to the property is PLN 12,984 thousand.
- Agreement for the sale of share in the perpetual usufruct of land of 23 December 2011 concluded with Projekt 7 -Grupa Echo Spółka z ograniczoną odpowiedzialnością S.K.A., as the buyer. Under this agreement, Echo Investment S.A. (Seller) transferred the share in a property located in Warsaw at ul. Konstruktorska. The sale price is PLN 20,687 thousand.

Transactions with related entities detailed in the financial statements involve subsidiaries.

Material post-balance sheet events:

On 5 January 2012, the Company's Management Board received a notification from a member of the Supervisory Board saying that Barcocapital Investment Limited, with its registered office at Agiou Pavlou 15, Ledra House, Agios Andreas, 1105 Nicosia, Republic of Cyprus, registered in the Department for the Registration of Companies and the Receiver of the Republic of Cyprus (Register of Companies) under no. HE 145969, a subsidiary of Mr Michał Sołowow, purchased 500,000 shares in the Issuer's company. The share purchase transaction was concluded on a regulated market in a continuous trading system on 5 January 2012. The average purchase price was PLN 3.29 per share and the total volume was 500,000 shares.

On 18 January 2012, the Management Board of Echo Investment S.A., acting pursuant to resolution 3 of the Company's Extraordinary General Meeting of 19 December 2008, passed a resolution on the adoption of an equity shares redemption programme of Echo Investment S.A.

On 23 February 2012, the Management Board of Echo Investment S.A. received information from Dom Inwestycyjny BRE Banku, the entity acting as an intermediary in the call to subscribe, saying that, in response to the call to subscribe for the sale of the shares of Echo Investment S.A., from 8 to 21 February 2012, the investors submitted subscriptions for a total of 7,309,418 (seven million, three hundred and nine thousand, four hundred and eighteen) of the Company's shares.

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, a subsidiary of Echo Investment S.A., 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. The concluded transactions will be settled on 24 February 2012.

On 1 March 2012, the Company's Management Board received a notice from a subsidiary, Park Postępu-Projekt Echo-93 Spółka z ograniczoną odpowiedzialnością spółka komandytowo – akcyjna, regarding the purchase of Echo Investment S.A.'s shares as result of the call to subscribe for the sale of Echo Investment S.A.'s shares. Park Postępu – Projekt Echo – 93 Spółka z ograniczoną odpowiedzialnością Spółka komandytowo – akcyjna, with its registered office in Kielce, holds 7,309,418 ordinary bearer shares of Echo Investment S.A., which represent 1.74% of the share capital of Echo Investment S.A. and are vested with 7,309,418 votes, accounting for 1.74% of the overall number of votes at the General Meeting of Echo Investment S.A. Before the transaction, Park Postępu – Projekt Echo – 93 Spółka z ograniczoną odpowiedzialnością Spółka komandytowo – akcyjna, with its registered office in Kielce, did not hold any shares of Echo Investment S.A.

Information on remunerations of the Management Board

In 2011, managerial staff of Echo Investment S.A. received the following remuneration in Echo Investment S.A.:

- Piotr Gromniak received remuneration in Echo Investment S.A. totalling PLN 793 thousand;
- Artur Langner received remuneration in Echo Investment S.A. totalling PLN 753 thousand.

In 2011, 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. totalling PLN 84 thousand;
- Andrzej Majcher received remuneration in Echo Investment S.A. totalling PLN 60 thousand;
- Mariusz Waniołka received remuneration in Echo Investment S.A. totalling PLN 60 thousand;
- Robert Oskard received remuneration in Echo Investment S.A. totalling PLN 36 thousand;
- Karol Żbikowski received remuneration in Echo Investment S.A. totalling PLN 36 thousand;
- Tomasz Kalwat received remuneration in Echo Investment S.A. totalling PLN 36 thousand.

In 2010, managerial staff of Echo Investment S.A. received the following remuneration in Echo Investment S.A.:

- Piotr Gromniak received remuneration in Echo Investment S.A. totalling PLN 818 thousand;
- Artur Langner received remuneration in Echo Investment S.A. totalling PLN 774 thousand.

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. totalling PLN 84 thousand;



- Andrzej Majcher received remuneration in Echo Investment S.A. totalling PLN 60 thousand;
- Mariusz Waniołka received remuneration in Echo Investment S.A. totalling PLN 45 thousand;
- Robert Oskard received remuneration in Echo Investment S.A. totalling PLN 36 thousand;
- Karol Żbikowski received remuneration in Echo Investment S.A. totalling PLN 36 thousand;
- Tomasz Kalwat received remuneration in Echo Investment S.A. totalling PLN 36 thousand.



EXPLANATORY NOTES

EXPLANATORY NOTES TO THE STATEMENT OF FINANCIAL POSITION

NOTE 1A

INTANGIBLE ASSETS (in PLN '000)	31.12.2011	31.12.2010
a) purchased permits, patents, licences and similar assets, including:	1,419	1,219
- software	1,339	1,041
b) other intangible assets	-	8
Total intangible assets	1,419	1,227

The Company did not create impairment losses for intangible assets in the periods covered by the financial statements. As at 31.12.2011, the Company does not have any contractual obligations.

NOTE 1B

MOVEMENT IN INTANGIBLE ASSETS (BY TYPE)

For the period 01.01.2011 – 31.12.2011	A) PURCHASED PERMITS, PATENTS, LICENCES AND SIMILAR ASSETS, INCLUDING:	SOFTWARE	B) OTHER INTANGIBLE ASSETS	TOTAL INTANGIBLE ASSETS
a) gross value of intangible assets at the	4,914	4,247	8	4,922
beginning of the period				
increases (due to)	835	719	-	835
- purchase	835	719		835
decreases (due to)	(516)	-	(8)	(524)
- liquidation	(516)	-	(8)	(524)
gross value of intangible assets at the end of the period	5,233	4,966	-	5,233
b) accumulated amortisation at the beginning of the period	(3,695)	(3,206)	-	(3,695)
amortisation for the period (due to)	(119)	(421)	-	(119)
- planned	(448)	(363)	-	(448)
- liguidation	329	(58)	-	329
accumulated amortisation at the end of the period	(3,814)	(3,627)	-	(3,814)
c) net value of intangible assets at the end of the period	1,419	1,339	-	1,419

All intangible assets held by the company have been purchased.

The applied amortisation methods and the adopted useful lives or the applied amortisation rates for:

 the purchased permits, patents, licenses and similar assets – straight line method, 50%, amortisation posted as general administrative expenses,

- other intangible assets - not commissioned to use, not amortised as at 31 December 2011.

MOVEMENT IN INTANGIBLE ASSETS (BY TYPES) (IN PLN '000), CONTINUED

For the period 01.01.10 – 31.12.10	A) PURCHASED PERMITS, PATENTS, LICENCES AND SIMILAR ASSETS, INCLUDING:	SOFTWARE	B) OTHER INTANGIBLE ASSETS	TOTAL INTANGIBLE ASSETS	
a) gross value of intangible assets at the beginning of the period	4,136	3,740	8	4,144	
increases (due to)	778	507	-	778	
- purchase	778	507		778	
decreases (due to)	-	-	-	-	
gross value of intangible assets at the end of the period	4,914	4,247	8	4,922	
b) accumulated amortisation at the beginning of the period	(3,093)	(2,845)	-	(3,093)	
amortisation for the period (due to)	(602)	(361)	-	(602)	
- planned	(602)	(361)	-	(602)	
accumulated amortisation at the end of the period	(3,695)	(3,206)	-	(3,695)	
c) net value of intangible assets at the end of the period	1,219	1,041	8	1,227	

NOTE 2A

PROPERTY, PLANT AND EQUIPMENT (IN PLN '000)	31.12.2011	31.12.2010
a) tangible assets, including:	14,664	17,341
- land	56	95
 buildings, premises, civil and maritime engineering structures 	2,824	3,388
- plant and machinery	367	684
- means of transport	10,708	12,165
- other PP&E	709	1,009
Total property, plant and equipment	14,664	17,341

The Company did not create impairment losses for PP&E in the periods covered by the financial statements.

The company has no securities established on PP&E.

NOTE 2B

MOVEMENTS IN PP&E (BY TYPES) (IN PLN '000)

)				
FOR THE PERIOD 01.01.2011 - 31.12.2011	OWN LAND	BUILDINGS AND	PLANT AND MACHINERY	MEANS OF TRANSPORT	OTHER PP&E	TOTAL PP&E
		STRUCTURE				
		S				
a) gross value of PP&E at the	100	3,646	5,382	22,125	3,534	34,787
beginning of the period						
increases (due to)	-	3	696	1,872	103	2,674
- purchase	-	3	696	1,872	103	2,674
decreases (due to)	(39)	(520)	(1,426)	(4,373)	(437)	(6,795)
- sale	(39)	(520)	(196)	(4,373)	(10)	(5,138)
 inventory taking 	-	-	(1,230)	-	(427)	(1,657)
gross PP&E at the end of the	61	3,129	4,652	19,624	3,200	30,666
period					,	
b) accumulated depreciation						
(depreciation) at the beginning	(5)	(258)	(4,698)	(9,960)	(2,525)	(17,446)
of the period	(-)	()	(1,000)	(-,)	(_,,,	(,,
amortisation for the period	-	(47)	413	1,044	34	1,444
(due to)		()		.,•	•	.,
- depreciation	(1)	(80)	(884)	(1,921)	(503)	(3,389)
- sale	(1)	(29)	(196)	(3,059)	(10)	(3,295)
- inventory taking	(.)	(4)	(1,101)	94	(527)	(1,538)
accumulated depreciation at	(5)	(305)	(4,285)	(8,916)	(2,491)	(16,002)
the end of the period	(3)	(505)	(4,203)	(0,910)	(2,431)	(10,002)
the end of the period						
a) wat DD0 E at the and at the	50	0.004	0.07	40 700	700	44.004
c) net PP&E at the end of the period	56	2,824	367	10,708	709	14,664

Contractual liabilities incurred in connection with the purchase of property, plant and equipment amount to: PLN 409 thousand

FOR THE PERIOD 01.01.10 - 31.120.2010	OWN LAND	BUILDINGS AND STRUCTURE S	PLANT AND MACHINERY	MEANS OF TRANSPORT	OTHER PP&E	TOTAL PP&E
a) gross value of PP&E at the beginning of the period	100	3,886	4,680	14,276	2,966	25,908
increases (due to)	-	74	728	9,110	598	10,510
- purchase		74	728	9,110	598	10,510
decreases (due to)	-	(314)	(26)	(1,261)	(30)	(1,631)
- sale	-	((22)	(1,261)	(2)	(1,285)
- liquidation		(314)	(4)	(, ,	(28)	(346)
gross PP&E at the end of the period	100		5,382	22,125	3,534	34,787
b) accumulated depreciation (depreciation) at the beginning of the period	(4)	(463)	(4,410)	(8,722)	(2,209)	(15,808)
amortisation for the period (due to)	(1)	205	(288)	(1,238)	(316)	(1,638)
- depreciation	(1)	(88)	(308)	(2,011)	(346)	(2,754)
- sale	(-)	()	(19)	(773)	(2)	(794)
- liquidation	-	(293)	(1)	((28)	(322)
accumulated depreciation at the end of the period	(5)	(258)	(4,698)	(9,960)	(2,525)	(17,446)
c) net PP&E at the end of the period	95	3,388	684	12,165	1,009	17,341

NOTE 3A

MOVEMENT IN INVESTMENT PROPERTY (IN PLN '000)	31.12.2011	31.12.2010
a) value of property investments at the beginning of the period	11,631	11,612
increases (due to)	91	19
- revaluation of property	91	19
decreases (due to)	(8,067)	-
- sale	(8,067)	-
Value of property investments at the end of the period	3,655	11,631

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 Company held investment property located in Poland. Since the lease agreements contain rents denominated in EUR (and USD), the measurements have been prepared in these currencies and converted to PLN according to the exchange rate of the leading bank maintaining the Company's accounts, applicable as at the balance sheet date.

The company has no securities established on investment properties. As at 31.12.2011, the Company does not have any contractual obligations.

NOTE 3B

AMOUNTS DISCLOSED IN THE STATEMENT OF COMPREHENSIVE INCOME (PLN '000)	31.12.2011	31.12.2010
 a) revenue from investment property rents b) direct operating expenses (including repair and maintenance costs) on investment property generating rent revenue in the period 	851 160	1,292 58
 c) direct operating expenses (including repair and maintenance costs) on investment property not generating rent revenue in the period 	-	-

NOTE 3C

INTERESTS OR SHARES (PLN '000)	31.12.2011	31.12.2010
a) Investments in subsidiaries and jointly controlled entities	-	
- in subsidiaries	906,522	766,798
- in jointly controlled entities	1,500	1,818
- investment certificates	1,130	1,130
	909,152	769,746
b) Other financial assets		
- advances on interests	3,431	13,785
	3,431	13,785
Total interests or shares	912,583	783,531

The company holds interests in the financial result of associates, equivalent to the overall number of votes at the general meeting.

NOTE 3D

MOVEMENT IN INTERESTS AND SHARES (PLN '000)	31.12.2011	31.12.2010
a) balance at the beginning of the period, including:	783,531	611,277
- shares and interests	783,531	611,277
b) increases (due to)	162,413	172,962
- purchase of interests	58,369	17,758
- increase in capital	100,613	140,259
- advances on the purchase of interests	3,431	13,785
- investment certificates	-	1,130
 reversal of revaluation allowance for assets 	-	30
c) decreases (due to)	(33,361)	(708)
- sale of interests	(189)	(558)
- liquidation of companies	-	(150)
- revaluation allowance for assets	(19,387)	
 settlement of advances on the purchase of interests 	(13,785)	
d) balance at the end of the period, including:	912,583	783,531
- shares and interests	912,583	783,531

In 2011, the Company increased capital in the subsidiary:

- El Projekt Cypr 1 Limited, through a cash contribution in the amount of PLN 15,699 thousand. In exchange for the contribution, the company acquired interests with a total value of PLN 15,699 thousand.
- Zakład Ogrodniczy Naramowice Sp.z o. o., by way of a cash contribution of PLN 5,999 thousand. In exchange for the contribution, the company acquired interests with a total value of PLN 5,999 thousand.
- Echo Investment Facility Management Grupa Echo Sp. z o.o. Sp.K., by way of a cash contribution of PLN 10 thousand. In exchange for the contribution, the company acquired interests with a total value of PLN 10 thousand.
- Echo Galeria Lublin Sp. z o.o., by way of a cash contribution of PLN 999 thousand. In exchange for the contribution, the company acquired interests with a total value of PLN 999 thousand.
- Projekt Echo 67" Sp. z o.o., by way of a cash contribution of PLN 10 thousand. In exchange for the contribution, the company acquired interests with a total value of PLN 10 thousand.
- Projekt Echo 100 Sp. z o.o., by way of a cash contribution of PLN 50 thousand. In exchange for the contribution, the company acquired interests with a total value of PLN 50 thousand.
- Echo Arena Sp. z o.o. Sp.K., by way of a cash contribution of PLN 39,889 thousand. In exchange for the contribution, the company acquired interests with a total value of PLN 39,889 thousand.
- Echo Investment Projekt 1 S.R.L., by way of a cash contribution of PLN 37,944 thousand. In exchange for the contribution, the company acquired interests with a total value of PLN 37,944 thousand.

In addition, during the financial year, the Company transferred the interests in the companies: Astra Park Sp. z o.o., Malta Office Park -Projekt Echo - 96 Sp. z o.o. S.K.A. and Zakład Ogrodniczy Naramowice Sp. z o.o., with a total value, according to the purchase price, of PLN 122,260 thousand, to a subsidiary Barconsel Holdings Limited by way of a contribution in-kind. The value of the contribution in-kind reflecting the book value of the company's net assets amounted to PLN 27,205 thousand. This transaction did not change the total value of the Company's interests in subsidiaries but resulted only in a change in the interest holding structure in subsidiaries.

In addition, in 2011, the Company acquired interests in:

- Projekt Echo 96 Sp. z o.o., with a value of PLN 114 thousand
- CP Investment Sp. z o.o., with a value of PLN 58 thousand
- Projekt CS Sp. z o.o., with a value of PLN 121 thousand
- Olympus Prime Sp. z o.o., with a value of PLN 82 thousand
- Echo SPV 12 Sp. z o.o., with a value of PLN 2 thousand
- Echo SPV 7 Sp. z o.o., with a value of PLN 12 thousand
- Projekt Echo 94 Sp. z o.o. Sp. K., with a value of PLN 10 thousand
- Astra Park Sp. z o.o., with a value of PLN 67,500 thousand
- Projekt Echo 99 Sp. z o.o., with a value of PLN 95 thousand

In addition, in 2011, the Company sold interests in:

- Ultra Marina Sp. z o.o., for a price of PLN 1 thousand
- CP Investment Sp. z o.o., for a price of PLN 15 thousand
- Projekt Echo 99 Sp. z o.o., for a price of PLN 24 thousand
- Echo Galaxy Sp. z o.o. S.K.A., for a price of PLN 1 thousand
- Projekt Echo 57 Sp. z o.o., for a price of PLN 1 thousand
- Projekt Echo 94 Sp. z o.o., for a price of PLN 50 thousand
- Projekt Echo 94 Sp. z o.o. Sp. K., for a price of PLN 10 thousand

As at 31 December 2011, the value of the impairment loss on interests is PLN 67,502 thousand.

On 28 July 2011, the subsidiary Echo - Aurus Sp. z o.o., with its registered office in Kielce merged with the subsidiaries:



- Echo SPV 12 Sp. z o.o., with its registered office in Kielce,
- MDP Sp. z o.o., with its registered office in Kielce,
- Echo Property Poznań 1 Sp. z o.o., with its registered office in Kielce,
- Echo Kielce 1 Sp. z o.o., with its registered office in Kielce,
- Projekt Naramowice Sp. z o.o., with its registered office in Kielce,
- Princess Boryszewska Sp. z o.o., with its registered office in Kielce (later referred to as "Acquired Companies").

The business combination did not result in changes in the Company's financial data but merely affected the holding structure of interests presented in note 3H.

In the second half of the year, the Company paid an advance on the share capital increase in:

- Princess Investment Sp. z o.o., in the amount of PLN 2,400 thousand,
- Echo Investment Project Management SRL, in the amount of PLN 1,030 thousand,
- Ultra Marina Sp. z o.o., in the amount of PLN 1 thousand.

NOTE 3E

LONG-TERM BORROWINGS GRANTED (PLN '000)	31.12.2011	31.	12.2010
- in subsidiaries		-	-
- in other entities		-	8
Total long-term borrowings granted		-	8

NOTE 3F

Pledges on interests

A registered pledge was established on the interests of Wan - 11 Sp. z o.o., with a value of PLN 1,500 thousand, as a collateral for the loan granted to the subsidiary Wan - 11 Sp. z o.o. by Eurohypo Aktiengesellschaft Europaische Hypothekenbank Der Deutschen Bank in the amount of EUR 48,000 thousand.

A registered pledge was established on the interests of Echo - Pasaż Grunwaldzki Sp. z o.o., with a value of PLN 51 thousand, as a collateral for the loan granted to the subsidiary Echo Pasaż Grunwaldzki - Magellan West Sp. z o.o. S.K.A. by Eurohypo AG in the amount of EUR 150 million.

A registered pledge was established on the shares of Malta Office Park - Projekt Echo - 96 Spółka z ograniczoną odpowiedzialnością S.K.A., with a value of PLN 1 thousand, as a collateral for the loan granted to the subsidiary Malta Office Park - Projekt Echo - 96 Spółka z ograniczoną odpowiedzialnością S.K.A. by Westdeutsche Immobilien Bank in the amount of EUR 47,678 thousand.

A registered pledge was established on the interests of Projekt Echo - 96 Sp. z o.o., with a value of PLN 26 thousand, as a collateral for the loan granted to the subsidiary Malta Office Park - Projekt Echo - 96 Spółka z ograniczoną odpowiedzialnością S.K.A. by Westdeutsche Immobilien Bank in the amount of EUR 47,678 thousand.

A registered pledge was established on the shares of Oxygen - Projekt Echo - 95 Spółka z ograniczoną odpowiedzialnością S.K.A., with a value of PLN 1 thousand, as a collateral for the loan granted to the subsidiary Oxygen - Projekt Echo - 95 Spółka z ograniczoną odpowiedzialnością S.K.A. by Nordea Bank Polska S.A. in the amount of EUR 25,500 thousand.

A registered pledge was established on the contributions of Echo - Kasztanowa Aleja Sp. z o.o. Sp.K., with a value of PLN 21,656 thousand, as a collateral for the loan granted to the subsidiary Echo - Kasztanowa Aleja Sp. z o.o. Sp.K by Bank Polska Kasa Opieki S.A. in the amount of PLN 71,597 thousand.

A registered pledge was established on the interests of Echo - Kasztanowa Aleja Sp. z o.o., with a value of PLN 50 thousand, as a collateral for the loan granted to the subsidiary Echo - Kasztanowa Aleja Sp. z o.o. Sp.K by Bank Polska Kasa Opieki S.A. in the amount of PLN 71,597 thousand.



Pledges on interests

A registered pledge was established on the interests of Echo - Przy Słowianskim Wzgórzu Sp.z o. o., with a value of PLN 50 thousand, as a collateral for the loan granted to the subsidiary Echo - Przy Słowianskim Wzgórzu Spółka z ograniczoną odpowiedzialnoscią Sp. k. by Raiffeisen Bank Polska S.A. in the amount of PLN 75,000 thousand.

A registered pledge was established on the shares of PPR - Projekt Echo - 77 Spółka z ograniczoną odpowiedzialnością S.K.A., with a value of PLN 1 thousand, as a collateral for the loan granted to the subsidiary PPR - Projekt Echo - 77 Spółka z ograniczoną odpowiedzialnością S.K.A. by Bank Polska Kasa Opieki S.A. in the amount of EUR 72,600 thousand.

A registered pledge was established on the interests of Projekt Echo - 77 Sp. z o.o., with a value of PLN 50 thousand, as a collateral for the loan granted to the subsidiary PPR - Projekt Echo - 77 Spółka z ograniczoną odpowiedzialnością S.K.A. by Bank Polska Kasa Opieki S.A. in the amount of EUR 72,600 thousand.

A registered pledge was established on the shares of Babka Tower - Projekt Echo - 93 Spółka z ograniczoną odpowiedzialnością S.K.A., with a value of PLN 1 thousand, as a collateral for the loan granted to the subsidiary Babka Tower -Projekt Echo - 93 Spółka z ograniczona odpowiedzialnością S.K.A. by Bank Polska Kasa Opieki S.A. in the amount of EUR 11,250 thousand.

A registered pledge was established on the interests of Projekt Echo - 93 Sp. z o.o., with a value of PLN 51 thousand, as a collateral for the loan granted to the subsidiary Babka Tower - Projekt Echo - 93 Spółka z ograniczoną odpowiedzialnością S.K.A. by Bank Polska Kasa Opieki S.A. in the amount of EUR 11,250 thousand.

A registered pledge was established on the shares of Galeria Sudecka - Projekt Echo - 43 Spółka z ograniczoną odpowiedzialnością S.K.A., with a value of PLN 50 thousand, as a collateral for the loan granted to the subsidiary Galeria Sudecka - Projekt Echo - 43 Spółka z ograniczoną odpowiedzialnością S.K.A. by Bank Polska Kasa Opieki S.A. in the amount of EUR 36,000 thousand.

A registered pledge was established on the interests of Projekt Echo - 43 Sp. z o.o., with a value of PLN 5 thousand, as a collateral for the loan granted to the subsidiary Galeria Sudecka - Projekt Echo - 43 Spółka z ograniczoną odpowiedzialnością S.K.A. by Bank Polska Kasa Opieki S.A. in the amount of EUR 36,000 thousand.

NOTE 3G

LONG-TERM BORROWINGS GRANTED (CURRENCY STRUCTURE) (PLN '000)	31.12.2011	31. 12.2010
a) in the Polish currency (PLN)		8
b) in foreign currencies (by currency and after translation into PLN)	-	-
Total long-term borrowings granted	-	8

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 3H

INTERESTS OR SHARES IN SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES AS AT 31 DECEMBER 2011

NO BUSINESS NAME AND LEGAL FORM	REGISTER ED OFFICE	BUSINESS ACTIVITY	TYPE OF RELATION	VALUE OF SHARES/I NTEREST S ACCORDI NG TO THE PURCHAS E PRICE	REVALUATION ADJUSTMENTS OPENING BALANCE	REVALUATION ADJUSTMENTS - MOVEMENT	REVALUATION ADJUSTMENTS - CLOSING BALANCE	CARRYING VALUE OF INTERESTS/ SHARES	PERCENTAGE SHARE CAPITAL HELD	SHARE IN OVERALL NUMBER OF VOTES AT THE GENERAL MEETING	ANOTHER BASIS FOR CONTROL
1 PHS - Projekt CS Sp. z	Szczecin	lease and property	subsidiary	0	0		0	0	0.0040%	100.00%	none
o.o. S.K.A.	OZCZECIII	management	Subsidialy	0	0		0	0	0.004070	100.0078	none
2 Projekt Echo - 93 Sp. z o.o.	Kielce	lease and property management	subsidiary	51	0		0	51	99.00%	99.00%	none
3 Echo Aurus Sp. z o.o.	Kielce	lease and property management	subsidiary	127,378	-4,282	4,282	0	127,378	97.90%	97.90%	none
4 Princess Investment Sp. z o.o.	Kielce	construction works involving erection of buildings	subsidiary	2,663	-2,575	-88	-2,663	0	100.00%	100.00%	none
5 Bełchatów - Grupa Echo Sp. z o.o. S.K.A.	Kielce	lease and property management	subsidiary	0	0		0	0	0.0059%	100.00%	none
6 PPR - Projekt Echo - 77 Sp. z o.o. S.K.A.	Kielce	lease and property management	subsidiary	0	0		0	0	0.0002%	100.00%	none
7 Echo - SPV 7 Sp. z o.o.	Kielce	lease and property management	subsidiary	148,616	0		0	148,616	99.99%	99.99%	none
8 Echo - Centrum Przemyśl - Projekt Echo 93 Sp. z o.o. S.K.A.	Kielce	lease and property management	subsidiary	0	0		0	0	0.0013%	100.00%	none
9 Grupa Echo Sp. z o.o.	Kielce	business consulting and management	subsidiary	52	0		0	52	100.00%	100.00%	none
10 Veneda - Projekt Echo -97 Sp. z o.o. S.K.A.	Kielce	lease and property management	subsidiary	0	0		0	0	0.0074%	100.00%	none
11 Echo - Galeria Kielce Sp. z o.o.	Kielce	lease and property management	subsidiary	16	0		0	16	0.0219%	0.0219%	none
12 Echo Investment ACC - Grupa Echo Sp. z o.o. Sp.K.	Kielce	accounting and book keeping activity	subsidiary	51	0		0	51	99.00%	99.00%	none



BUSINESS NAME AND LEGAL FORM	REGISTE RED OFFICE	BUSINESS ACTIVITY	TYPE OF RELATION	VALUE OF SHARES/IN TERESTS ACCORDIN G TO THE PURCHASE PRICE	REVALUATION ADJUSTMENTS OPENING BALANCE	REVALUATION ADJUSTMENTS - MOVEMENT	REVALUATION ADJUSTMENTS - CLOSING BALANCE	CARRYING VALUE OF INTERESTS/ SHARES	PERCENTAGE SHARE CAPITAL HELD	SHARE IN ANOT OVERALL BASIS NUMBER OF CONT VOTES AT THE GENERAL MEETING	S FOR
13 Babka Tower - Projekt Echo - 93 Sp. z o.o. S.K.A.	Kielce	lease and property management	subsidiary	0	0		0	0	0.0083%	100.00% none	
14 Malta Office Park -Projekt Echo - 96 Sp. z o.o. S.K.A.	Kielce	lease and property management	subsidiary	1	0		0	1	0.0067%	100.00% none	
15 Projekt Echo -30 Sp. z o.o.	Kielce	property development involving erection of buildings	subsidiary	51	0		0	51	99.00%	99.00% none	
16 Echo - Arena Sp. z o.o.	Kielce	property development involving erection of buildings	subsidiary	1,008	0		0	1,008	99.95%	99.95% none	
17 "Echo - Galaxy" Sp. z o.o.	Kielce	property development involving erection of buildings	subsidiary	51	0		0	51	99.00%	99.00% none	
18 Echo - Pasaż Grunwaldzki Sp. z o.o.	Kielce	lease and property management	subsidiary	51	0		0	51	99.00%	99.00% none	
19 Projekt Echo -39 Sp. z o.o.	Kielce	lease and property management	subsidiary	51	-49		-49	2	99.00%	99.00% none	
20 Zakład Ogrodniczy Naramowice Sp. z o.o.	Poznań	crop growing and animal production	subsidiary	24	0		0	24	0.0005%	0.0005% none	
21 Echo Investment Property Management- Grupa Echo Sp. z o.o. Sp. K.	Kielce	property management	subsidiary	50	0		0	50	99.00%	99.00% none	
22 Projekt S Sp. z o.o.	Kielce	property trade agency	subsidiary	20,419	-20,419		-20,419	0	95.00%	95.00% none	
23 Echo - Arena Sp. z o.o. Sp. K.	Kielce	lease and property management	subsidiary	39,901	-12		-12	39,889	99.95%	99.95% none	
24 Echo - Kasztanowa Aleja Sp. z o.o.	Kielce	lease and property management	subsidiary	51	-15		-15	36	99.00%	99.00% none	

BUSINESS NAME AND LEGAL FORM	REGISTERE D OFFICE	BUSINESS ACTIVITY	TYPE OF RELATION	VALUE OF SHARES/IN TERESTS ACCORDIN G TO THE PURCHASE PRICE	REVALUATION ADJUSTMENTS OPENING BALANCE			CARRYING VALUE OF INTERESTS/ SHARES	PERCENTAGE SHARE CAPITAL HELD	SHARE IN OVERALL NUMBER OF VOTES AT THE GENERAL MEETING	ANOTHER BASIS FOR CONTROL
25 Echo - Klimt House Sp. z o.o.	Kielce	lease and property management	subsidiary	51	-15		-15	36	99.00%	99.00%	none
26 Projekt Echo -43 Sp. z o.o.	Kielce	lease and property management	subsidiary	51	-10		-10	41	99.00%	99.00%	none
27 Echo - Przy Słowiańskim Wzgórzu Sp. z o.o.	Kielce	lease and property management	subsidiary	51	-14		-14	37	99.00%	99.00%	none
28 Echo Investment Ingatlanhasznosito Hungary KFT	Budapest	lease and property management	subsidiary	89,130	-2,374	-37,719	-40,093	49,037	100.00%	100.00%	none
29 Echo -Kasztanowa Aleja Sp. z o.o. Sp.K.	Kielce	lease and property management	subsidiary	15,901	-11	11	0	15,901	99.90%	99.90%	none
30 Echo - Klimt House Sp. z o.o. Sp. K.	Kielce	lease and property management	subsidiary	501	-369	369	0	501	99.90%	99.90%	none
31 Echo - Przy Słowiańskim Wzgórzu Sp. z o.o. Sp.K.	Kielce	lease and property management	subsidiary	22,675	-756	756	0	22,675	99.99%	99.99%	none
32 Echo Projekt Management Ingatlanhasznosito KFT	Budapest	property management	subsidiary	2,126	-923	842	-81	2,045	100.00%	100.00%	none
33 47 - Grupa Echo Sp. z o.o. S.K.A.	Kielce	lease and property management	subsidiary	0	0		0	0	0.0009%	100.00%	none
34 Echo Investment Project 1 S.R.L.	Bucharest	lease and property management	subsidiary	61,941	-12,276	10,967	-1,309	60,632	100.00%	100.00%	none
35 53 – Grupa Echo Sp. z o.o. S.K.A.	Kielce	lease and property management	subsidiary	50	0		0	50	0.0504%	0.0504%	none
36 Galeria Olimpia - Projekt Echo - 98 Sp. z o.o. S.K.A.	Kielce	lease and property management	subsidiary	1	0		0	1	0.0031%	100.00%	none
37 Galeria Sudecka - Projekt Echo - 43 Sp. z o.o. S.K.A.	Jelenia Góra	lease and property management	subsidiary	50	0		0	50	0.0673%	100.00%	none
38 Projekt Echo -58 Sp. z o.o.	Kielce	lease and property management	subsidiary	1	0		0	1	0.0022%	0.0022%	none
39 Galaxy - Grupa Echo Sp. z o.o. S.K.A.	Szczecin	lease and property management	subsidiary	50	0		0	50	0.0128%	100.00%	none

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NO. BUSINESS NAME AND LEGAL FORM	REGISTER ED OFFICE	BUSINESS ACTIVITY	TYPE OF RELATION	VALUE OF SHARES/I NTEREST S ACCORDI NG TO THE PURCHAS E PRICE	REVALUATION ADJUSTMENTS OPENING BALANCE	REVALUATION ADJUSTMENT S - MOVEMENT	REVALUATION ADJUSTMENTS - CLOSING BALANCE	CARRYING VALUE OF INTERESTS/ SHARES	PERCENTAGE SHARE CAPITAL HELD	SHARE IN ANOTHEI OVERALL BASIS FO NUMBER OF CONTRO VOTES AT THE GENERAL MEETING	DR
40 Galeria Tarnów - Projekt Echo - 43 Sp. z o.o. S.K.A.	Kielce	lease and property management	subsidiary	50	0		0	50	0.0647%	100.00% none	
41 Echo Pasaż Grunwaldzki - Magellan West Sp. z o.o. S.K.A.	Kielce	lease and property management	subsidiary	49	0		0	49	0.0127%	100.00% none	
42 AVATAR - Projekt Echo - 93 Sp. z o.o. S.K.A.	Kielce	lease and property management	subsidiary	0	0		0	0	0.0004%	100.00% none	
43 Projekt Naramowice Poznań Sp. z o.o.	Kielce	construction works involving erection of buildings	subsidiary	53	0		0	53	0.0319%	0.0319% none	
44 Oxygen - Projekt Echo -95 Sp. z o.o. S.K.A.	Kielce	lease and property management	subsidiary	0	0		0	0	0.0005%	100.00% none	
45 Park Postępu - Projekt Echo - 93 Sp. z o.o. S.K.A.	Kielce	lease and property management	subsidiary	0	0		0	0	0.0001%	100.00% none	
46 Projekt Echo -67 Sp. z o.o.	Kielce	lease and property management	subsidiary	94	0		0	94	99.90%	99.90% none	
47 Projekt Echo -69 Sp. z o.o.	Kielce	other monetary intermediation	subsidiary	115	0		0	115	99.99%	99.99% none	
48 Projekt Echo -70 Sp. z o.o.	Kielce	lease and property management	subsidiary	5,047	-7		-7	5,040	99.90%	99.90% none	
49 Projekt Echo -77 Sp. z o.o.	Kielce	lease and property management	subsidiary	50	-14		-14	36	99.90%	99.90% none	
50 Echo - Metropolis Sp. z o.o.	Kielce	lease and property management	subsidiary	0	0		0	0	0.0001%	0.0001% none	
51 Echo Investment Ukraina LLC	Kiev	property management	subsidiary	666	-319		-319	347	100.00%	100.00% none	
52 Ultra Marina Sp. z o.o.	Kielce	property development involving erection of buildings	subsidiary	5	0		0	5	0.0800%	0.0800% none	
53 Echo Investment Projekt Management SRL	Bucharest	property management	subsidiary	2,448	-2,448		-2,448	0	99.99%	99.99% none	

NO. BUSINESS NAME AND LEGAL FORM	REGISTER ED OFFICE	BUSINESS ACTIVITY	TYPE OF RELATION		REVALUATION ADJUSTMENTS OPENING BALANCE			CARRYING VALUE OF INTERESTS/ SHARES	PERCENTAGE SHARE CAPITAL HELD	SHARE IN OVERALL NUMBER OF VOTES AT THE GENERAL MEETING	ANOTHER BASIS FOR CONTROL
54 El Projekt Cyp - 1 Limited	Cyprus	activity of head offices and holding companies	subsidiary	56,028	0		0	56,028	99.99%	99.99%	none
55 Barconsel Holdings Limited	Cyprus	activity of head offices and holding companies	subsidiary	374,747	-1,193	1,193	0	374,747	25.30%	25.30%	none
56 Projekt Echo - 95 Sp. z o.o.	Kielce	buying and selling real property on own account	subsidiary	26	0		0	26	99.80%	99.80%	none
57 Projekt Echo - 96 Sp. z o.o.	Kielce	buying and selling real property on own account	subsidiary	26	0		0	26	99.80%	99,80%	none
58 Projekt Echo - 97 Sp. z o.o.	Kielce	buying and selling real property on own account	subsidiary	26	0		0	26	99.80%	99.80%	none
59 Projekt Echo - 98 Sp. z o.o.	Kielce	buying and selling real property on own account	subsidiary	26	0		0	26	99.80%	99.80%	none
60 Projekt Echo - 99 Sp. z o.o.	Kielce	buying and selling real property on own account	subsidiary	97	0		0	97	99.80%	99.80%	none
61 Grupa Echo Sp. z. o. o. 1 S.K.A.	Kielce	lease and property management	subsidiary	2	0		0	2	0.0040%	0.0040%	none
62 Projekt Echo - 94 Sp. z o.o. Sp.K.	Kielce	buying and selling real property on own account	subsidiary	10	0		0	10	99.0000%	99.0000%	none
63 Echo Investment Facility Management-Grupa Echo Sp. z o.o. Sp.K.	Kielce	lease and property management	subsidiary	11	0		0	11	99.00%	99.00%	none
64 Projekt CS Sp. z o.o.	Kielce	other monetary intermediation	subsidiary	122	0		0	122	99.00%	99.00%	none
65 Pamiątkowo Sp. z o.o.	Pamiątkowo	other monetary intermediation	subsidiary	83	0		0	83	99.00%	99.00%	none
66 Projekt 3 - Grupa Echo Sp. z o.o. S.K.A.	Kielce	lease and property management	subsidiary	0	0		0	0	0.0040%	100.00%	none
67 Projekt 4 - Grupa Echo Sp. z o.o. S.K.A.	Kielce	lease and property management	subsidiary	0	0		0	0	0.0040%	100.00%	none

NO. BUSINESS NAME AND LEGAL FORM	REGISTERE D OFFICE	BUSINESS ACTIVITY	TYPE OF RELATION	VALUE OF SHARES/INTEREST S ACCORDING TO THE PURCHASE PRICE	REVALUATION ADJUSTMENT S OPENING BALANCE	REVALUATION ADJUSTMENT S MOVEMENT	REVALUATION ADJUSTMENT S CLOSING BALANCE	CARRYING VALUE OF INTERESTS/SHARE S	PERCENTAG E SHARE CAPITAL HELD	SHARE IN OVERALL NUMBER OF VOTES AT THE	ANOTHER BASIS FOR CONTROL
					5/12/11/02					GENERAL MEETING	
68 Projekt 5 - Grupa Echo Sp. z o.o. S.K.A.	Kielce	lease and property management	subsidiary	0	0		0	0	0.0040%	100.00%	none
69 Projekt 6 - Grupa Echo Sp. z o.o. S.K.A.	Kielce	lease and property management	subsidiary	1	0		0	1	0.0040%	100.00%	none
70 Projekt 7 - Grupa Echo Sp. z o.o. S.K.A.	Kielce	lease and property management	subsidiary	1	0		0	1	0.0040%	100.00%	
71 Echo - Galeria Lublin Sp. z o.o.	Lublin	lease and property management	subsidiary	1,006	0		0	1,006	99.90%	99.90%	
72 Projekt Echo - 67 Sp. zo. o. Sp. K.	Kielce	buying and selling real property on own account	subsidiary	11	0		0	11	99.00%	99.00%	none
73 Projekt Echo - 100 Sp. z o.o.	Kielce	buying and selling real property on own account	subsidiary	51	0		0	51	99.90%	99.90%	none
74 Astra Park Sp. zo.o.	Kielce	lease and property management	subsidiary	74	0		0	74	0.1083%	0.1083%	none
75 SPV-1 Sp. z o.o.	Kielce	lease and property management	subsidiary	1	0		0	1	0.9000%	0.9000%	none
				973,990	-48,081	-19,387	-67,468	906,522			
SHARES/INTERESTS IN JOIN											
1 Wan 11 Sp. z o.o.	Warsaw	lease and property management	jointly controlled entity	1 500	0		0	1,500	50.00%	50.00%	none
				1,500	0	0	0	1,500			
SHARES/INTERESTS IN ASS	OCIATES										
1 SPC S.A	Warsaw	management of other entities	associate	34	-	-		0	34.00%	34.00%	none
				34			• •	0			
TOTAL INTERESTS OR SHAP	RES IN SUBOR	RDINATES		975,524	-48,115	-19,387	-67,502	908,022			

In the table, the Company has presented the revaluation allowance created during the financial year for the Company's interests and shares in subsidiaries, jointly controlled entities and associates.

Where no revaluation allowances have been created, the Company believes that, as at the balance sheet date, there were no indications that the allowances had to be adjusted.



The change in the value of revaluation adjustments of interests was disclosed in the result, as at 31 December 2011, under revaluation of investments, in other operating revenue/costs.

The costs include the created impairment loss in the amount of PLN - 19,387 thousand.

The Company controls the mentioned subsidiaries through a direct capital share or through interests/shares held by other subsidiaries of the Company.

INTERESTS OR SHARES IN SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES AS AT 31 DECEMBER 2010

NO.	BUSINESS NAME AND LEGAL FORM	REGISTE RED OFFICE	BUSINESS ACTIVITY	TYPE OF RELATION	VALUE OF SHARES/I NTEREST S ACCORDI NG TO THE PURCHAS E PRICE	REVALUATION ADJUSTMENTS OPENING BALANCE	REVALUATION ADJUSTMENTS - MOVEMENT	REVALUATION ADJUSTMENTS - CLOSING BALANCE	CARRYING VALUE OF INTERESTS/ SHARES	PERCENTAGE SHARE CAPITAL HELD	SHARE IN OVERALL NUMBER OF VOTES AT THE GENERAL MEETING	ANOTHER BASIS FOR CONTROL
SHAP	RES/INTERESTS IN SUBSI	-		-								
1	PHS - Projekt CS Sp. z o.o. S.K.A.	Szczecin	sales activity	subsidiary	0	0		0	0	0.00%	0.00%	none
2	M.D.P. Sp. z o.o.	Kielce	construction	subsidiary	22,492	-5,759	4,048	-1,711	20,781	99.99%	99.99%	none
3	Projekt Echo - 93 Sp. z o.o.	Kielce	property development	subsidiary	51	0		0	51	99.00%	99.00%	none
4	Echo Aurus Sp. z o.o.	Kielce	construction	subsidiary	51	-51		-51	0	99.00%	99.00%	none
5	Princess Investment Sp. z o.o.	Kielce	property development	subsidiary	2,663	-2,575		-2,575	88	100.00%	100.00%	none
6	Bełchatów - Grupa Echo Sp. z o.o. S.K.A.	Kielce	construction and real property services	subsidiary	0	0		0	0	0.01%	0.01%	none
7	PPR - Projekt Echo - 77 Sp. z o.o. S.K.A.	Kielce	construction and real property services	subsidiary	0	0		0	0	0.00%	0.00%	none
8	Echo - SPV 7 Sp. z o.o.	Kielce	construction and real property services	subsidiary	148,603	0		0	148,603	99.98%	99.98%	none
9	Echo - Centrum Przemyśl - Projekt Echo 93 Sp. z o.o. S.K.A.	Kielce	construction and real property services	subsidiary	0	0		0	0	0.01%	0.01%	none
10	Echo - SPV 12 Sp. z o.o.	Kielce	construction and real property services	subsidiary	85,180	-5,545	5,545	0	85,180	100.00%	100.00%	none
11	Grupa Echo Sp. z o.o.	Kielce	construction and real property services	subsidiary	52	0		0	52	100.00%	100.00%	none
12	Echo - Property Poznań 1 Sp. z o.o.	Kielce	construction and real property services	subsidiary	11,283	-2,797	278	-2,519	8,764	99.99%	99.99%	none



NO.	BUSINESS NAME AND	REGISTER ED OFFICE	BUSINESS ACTIVITY	TYPE OF RELATION	VALUE OF SHARES/IN TERESTS ACCORDIN G TO THE PURCHASE PRICE	REVALUATION ADJUSTMENTS OPENING BALANCE	REVALUATION ADJUSTMENT S - MOVEMENT	REVALUATION ADJUSTMENTS - CLOSING BALANCE	CARRYING VALUE OF INTERESTS/ SHARES	PERCENTAGE SHARE CAPITAL HELD	SHARE IN OVERALL NUMBER OF VOTES AT THE GENERAL MEETING	ANOTHER BASIS FOR CONTROL
13	Veneda - Projekt Echo -97	Kielce	construction and real	subsidiary	0	0		0	0	99.99%	99.99%	none
	Sp. z o.o. S.K.A.		property services									
14	Echo - Kielce 1 Sp. z o.o.	Kielce	construction and real property services	subsidiary	8,368	0		0	8,368	99.99%	99.99%	
15	Echo - Galeria Kielce Sp. z o.o.	Kielce	construction and real property services	subsidiary	16	0		0	16	0.02%	0.02%	none
16	Echo Investment ACC -	Kielce	accounting and book	subsidiary	51	0		0	51	99.99%	99.99%	2020
16	Grupa Echo Sp. z o.o. Sp.K.		keeping activity	,	-				-			
17	Babka Tower - Projekt Echo - 93 Sp. z o.o. S.K.A.	Kielce	construction and real property services	subsidiary	0	0		0	0	0.01%	0.01%	none
18	Malta Office Park -Projekt	Kielce	construction and real	subsidiary	7,508	0	-1,193	-1,193	6,315	99.98%	99.98%	none
10	Echo - 96 Sp. z o.o. S.K.A.	Ricico	property services	Subsidiary	7,000	0	1,100	1,100	0,010	55.5070	00.0070	none
19	Projekt Echo -30 Sp. z o.o.	Kielce	construction and real property services	subsidiary	51	0		0	51	99.00%	99.00%	none
20	Echo - Arena Sp. z o.o.	Kielce	construction and real property services	subsidiary	1,008	0		0	1,008	99.95%	99.95%	none
21	Echo - Galaxy Sp. z o.o.	Kielce	construction and real property services	subsidiary	51	0		0	51	99.00%	99.00%	none
22	Echo - Pasaż Grunwaldzki Sp. z o.o.	Kielce	construction and real property services	subsidiary	51	0		0	51	99.99%	99.99%	none
24	Projekt Echo -39 Sp. z o.o.	Kielce	construction and real property services	subsidiary	51	-49		-49	2	99.00%	99.00%	none
25	Zakład Ogrodniczy	Poznań	orcharding	subsidiary	40,676	0		0	40,676	100.00%	100.00%	none
-	Naramowice Sp. z o.o.		J	· · · · ,	-,,	-		-	-,			-
26	Echo Investment Property Management-Grupa Echo Sp. z o.o. Sp. K.	Kielce	property management	subsidiary	50	0		0	50	99.00%	99.00%	none
27	Projekt S Sp. z o.o.	Kielce	construction and real property services	subsidiary	20,419	-20,419		-20,419	0	63.00%	63.00%	none
29	Echo - Arena Sp.z o. o. Sp.K.	Kielce	construction and real property services	subsidiary	12	-12		-12	0	99.09%	99.09%	none

NO.	BUSINESS NAME AND LEGAL FORM	REGISTE RED OFFICE	BUSINESS ACTIVITY	TYPE OF RELATION	VALUE OF SHARES/IN TERESTS ACCORDIN G TO THE PURCHASE PRICE	REVALUATION ADJUSTMENTS OPENING BALANCE	REVALUATION ADJUSTMENTS - MOVEMENT	REVALUATION ADJUSTMENTS - CLOSING BALANCE	CARRYING VALUE OF INTERESTS/ SHARES	PERCENTAGE SHARE CAPITAL HELD	SHARE IN OVERALL NUMBER OF VOTES AT THE GENERAL MEETING	ANOTHER BASIS FOR CONTROL
30	Wan 11 Sp. z o.o.	Warsaw	construction and real property services	jointly controlled entity	1,500	0		0	1,500	50.00%	50.00%	none
31	Echo -Kasztanowa Aleja Sp. z o.o.	Kielce	construction and real property services	subsidiary	51	-15		-15	36	99.00%	99.00%	none
32	Echo - Klimt House Sp. z o.o.	Kielce	construction and real property services	subsidiary	51	-15		-15	36	99.00%	99.00%	none
33	Projekt Echo -43 Sp. z o.o.	Kielce	construction and real property services	subsidiary	51	-10		-10	41	99.00%	99.00%	none
34	Echo - Przy Słowiańskim Wzgórzu Sp. z o.o.	Kielce	construction and real property services	subsidiary	51	-14		-14	37	99.90%	99.90%	none
36	Echo Investment Hungary KFT	Budapest	construction and real property services	subsidiary	89,130	0	-2,374	-2,374	86,756	100.00%	100.00%	none
37	Echo -Kasztanowa Aleja Sp. z o.o. Sp.K.	Kielce	construction and real property services	subsidiary	15,901	-11		-11	15,890	99.90%	99.90%	none
38	Echo - Klimt House Sp. z o.o. Sp.K.	Kielce	construction and real property services	subsidiary	501	-11	-358	-369	132	99.90%	99.90%	none
39	Echo - Przy Słowiańskim Wzgórzu Sp. z o.o. Sp.K.	Kielce	construction and real property services	subsidiary	22,675	-11	-745	-756	21,919	99.00%	99.00%	none
40	Echo Projekt Management KFT	Budapest	construction and real property services	subsidiary	2,126	-1,243	320	-923	1,203	100.00%	100.00%	none
41	47 - Grupa Echo Sp. z o.o. S.K.A.	Kielce	construction and real property services	subsidiary	0	0		0	0	99.90%	99.90%	none
42	Echo Investment Project 1 S.R.L.	Bucharest	construction and real property services	subsidiary	23,997	-2,197	-10,079	-12,276	11,721	100.00%	100.00%	none
43	53 – Grupa Echo Sp. z o.o. S.K.A.	Kielce	construction and real property services	subsidiary	50	0		0	50	0.05%	0.05%	none
44	Projekt Echo -54 Sp. z o.o.	Kielce	construction and real property services	subsidiary	0	0		0	0	99.90%	99.90%	none
45	Galeria Olimpia - Projekt Echo - 98 Sp. z o.o. S.K.A.	Kielce	construction and real property services	subsidiary	0	0		0	0	99.90%	99.90%	none
46	Galeria Sudecka - Projekt Echo - 43 Sp. z o.o. S.K.A.	Kielce	construction and real property services	subsidiary	50	0		0	50	0.07%	0.07%	none



NO.	BUSINESS NAME AND LEGAL FORM	REGISTER ED OFFICE	BUSINESS ACTIVITY	TYPE OF RELATION	VALUE OF SHARES/IN TERESTS ACCORDIN G TO THE PURCHASE PRICE	REVALUATION ADJUSTMENTS OPENING BALANCE	REVALUATION ADJUSTMENT S - MOVEMENT	REVALUATION ADJUSTMENTS - CLOSING BALANCE	CARRYING VALUE OF INTERESTS/ SHARES	PERCENTAGE SHARE CAPITAL HELD	SHARE IN OVERALL NUMBER OF VOTES AT THE GENERAL MEETING	ANOTHER BASIS FOR CONTROL
47	Projekt Echo -57 Sp. z o.o.	Kielce	construction and real property services	subsidiary	50	-11		- 11	39	99.90%	99.90%	none
48	Projekt Echo -58 Sp. z o.o.	Kielce	construction and real property services	subsidiary	0	0		0	0	99.99%	99.99%	none
49	Galaxy - Grupa Echo Sp. z o.o. S.K.A.	Kielce	construction and real property services	subsidiary	50	0		0	50	0.01%	0.01%	none
50	Galeria Tarnów - Projekt Echo - 43 Sp. z o.o. S.K.A.	Kielce	construction and real property services	subsidiary	50	0		0	50	0.07%	0.07%	none
51	Echo Pasaż Grunwaldzki - Magellan West Sp. z o.o. S.K.A.	Kielce	construction and real property services	subsidiary	49	0		0	49	0.01%	0.01%	none
52	Avatar - Projekt Echo -93 Sp. z o.o. Sp.K.	Kielce	construction and real property services	subsidiary	0	0		0	0	0.39%	0.39%	none
53	Projekt Naramowice Poznań Sp. z o.o.	Kielce	construction and real property services	subsidiary	53	0		0	53	0.03%	0.03%	none
54	Oxygen - Projekt Echo -95 Sp. z o.o. S.K.A.	Kielce	construction and real property services	subsidiary	0	0		0	0	0.00%	0.00%	none
55	Park Postępu - Projekt Echo - 93 Sp. z o.o. S.K.A.	Kielce	construction and real property services	subsidiary	0	0		0	0	0.00%	0.00%	none
56	Projekt Echo -67 Sp. z o.o.	Kielce	construction and real property services	subsidiary	94	0		0	94	99.90%	99.90%	none
57	Projekt Echo -70 Sp. z o.o.	Kielce	construction and real property services	subsidiary	5,047	-7		-7	5,040	51.00%	51.00%	none
58	Projekt Echo -77 Sp. z o.o.	Kielce	construction and real property services	subsidiary	50	-14		- 14	36	99.90%	99.90%	none
59	Echo - Metropolis Sp. z o.o.	Kielce	construction and real property services	subsidiary	0	0		0	0	0.00%	0.00%	none
60	Princess Boryszewska Sp. z o. o.	Kielce	construction and real property services	subsidiary	2	0		0	2	99.94%	99.94%	none
61	Echo Investment Ukraina	Kiev	construction and real property services	subsidiary	666	-132	-187	-319	347	99.99%	99.99%	none
62	Ultra Marina Sp. z o.o.	Kielce	construction and real property services	subsidiary	10	0		0	10	100.00%	100.00%	none

NO	. BUSINESS NAME AND LEGAL FORM	REGISTER ED OFFICE	BUSINESS ACTIVITY	TYPE OF RELATION	VALUE OF SHARES/IN TERESTS ACCORDIN G TO THE PURCHASE PRICE	REVALUATION ADJUSTMENTS – OPENING BALANCE		REVALUATION ADJUSTMENTS – CLOSING BALANCE	CARRYING VALUE OF INTERESTS/ SHARES	PERCENTAGE SHARE CAPITAL HELD	SHARE IN OVERALL NUMBER OF VOTES AT THE GENERAL MEETING	ANOTHER BASIS FOR CONTROL
63	Echo Investment Projekt Management SRL	Bucharest	construction and real property services	subsidiary	2,448	-147	-2,301	-2,448	0	99.99%	99.99%	none
64	El Projekt Cyp - 1 Limited	Cyprus	construction and real property services	subsidiary	40,329	0		0	40.329	99.95%	99.95%	none
65	Barconsel Holdings Limited	Cyprus	construction and real property services	subsidiary	262,794	-7,076	7,076	0	262,794	53.00%	53.00%	none
66	Projekt Echo - 95 Sp. z o.o.	Kielce	construction and real property services	subsidiary	26	0		0	26	99.80%	99.80%	none
67	Projekt Echo - 96 Sp. z o.o.	Kielce	construction and real property services	subsidiary	26	0		0	26	99.80%	99.80%	none
68	Projekt Echo - 97 Sp. z o.o.	Kielce	construction and real property services	subsidiary	26	0		0	26	99.80%	99.80%	none
69	Projekt Echo - 98 Sp. z o.o.	Kielce	construction and real property services	subsidiary	26	0		0	26	99.80%	99.80%	none
70	Projekt Echo - 99 Sp. z o.o.	Kielce	construction and real property services	subsidiary	26	0		0	26	99.80%	99.80%	none
71	Projekt Echo - 94 Sp. z o.o.	Kielce	construction and real property services	subsidiary	50	0		0	50	99.90%	99.90%	none
72	Grupa Echo Sp. z o.o.1 S.A.K.	Kielce	construction and real property services	subsidiary	2	0		0	2	99.95%	99.95%	none
73		Kielce	construction and real property services	subsidiary	2	0		0	2	99.95%	99.95%	none
74	Projekt Echo - 94 Sp. z o.o. Sp. K.	Kielce	construction and real property services	subsidiary	10	0		0	10	99.00%	99.00%	none
75	SPV-1 Sp. z o.o.	Kielce	construction and real property services	subsidiary	1	-1		-1	0	99.90%	99.90%	none
			1 1 9 9 9 9 9 9		816,708	-48,122	30	-48,092	768,616			
SH	ARES/INTERESTS IN ASSOC	IATES										
1	SPC S.A	Warsaw	management of other entities	associate	34	-34	0	-34	0	34.00%	34.00%	none
					34	-34	0	-34	0			
TO	TAL INTERESTS OR SHARES	S IN SUBORD	INATES		816,742	-48,156	30	-48,126	768,616			

OTHER RECEIVABLES (PLN '000)	31.12.2011	31. 12.2010
a) other receivables	14,038	12,079
- advances received	14,038	12,079
Total other receivables	14,038	12,079

NOTE 4A

INVENTORIES (PLN '000)	31.12.2011	31. 12.2010
a) semi-finished products and work-in-progress	301,786	305,050
b) finished products	10,216	13,902
c) goods	1,861	8,050
d) advances on deliveries	-	-
Total inventories	313,863	327,002

Inventory is measured up to the net realisable sales value. This value is obtained from 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 revenue are presented in the income statement under cost of sales.

"Finished products" include finished residential apartments for sale. "Semi-finished products and products in progress" mainly include the Company's property and expenditures on housing developments in the course of planning and execution. The "Goods" item includes land.

NOTE 4B

INVENTORIES – INFLUENCE ON THE RESULT (PLN '000)	31.12.2011	31.12.2010
Allowances for inventory recognised as cost in the period	10,393	1,388
Reversed write-downs on inventory recognised as revenue in the period	4,273	8,396

Inventory allowances and their reversals apply to residential developments where there is a time delay between the sale of residential apartments and the sale of the apartments' garages, and are intended to reflect the actual sales margin in the period.

The value of inventory recognised as cost in the period is presented in the income statement under "Prime cost of sale".

The movement in the revaluation allowance for inventory, as at 31 December 2011, amounted to PLN 6,120 thousand (as at 31 December 2010: PLN 7,008 thousand).

SHORT-TERM RECEIVABLES (PLN '000)	31.12.2011	31. 12.2010
a) from related parties	87,425	86,831
- trade receivables with a maturity of:	87,425	86,831
- up to 12 months	87,425	86,831
b) revaluation allowances for receivables from related parties	-	-
c) receivables from other entities	12,991	8,179
- trade receivables with a maturity of:	3,107	1,936
- up to 12 months	2,924	1,753
- over 12 months	183	183
- relative to taxes, subsidies, customs duties, social and health insurance and other	2,685	335
benefits		
- advances on deliveries	1,282	3,093
- other	5,917	2,815
d) revaluation allowances for receivables from other entities	(1,475)	(1,558)
Total net short-term receivables	100,416	95,010
total revaluation allowances for receivables	(1,475)	(1,558)
Total gross short-term receivables	101,891	96,568

The maximum value of credit risk related to trade receivables is equivalent to their carrying value.

Receivables from related companies are not secured. As at 31 December 2011, no receivables from related parties were written off.

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 result from the lease of office space and residential apartments, and from the implementation of investments. The Company constantly monitors its tenants' financial situation and solvency. The payments are secured with security deposits. As at 31 December 2011, the value of security deposits amounts to PLN 231 thousand and, as at 31 December 2010, it amounted to PLN 296 thousand.

NOTE 5B

MOVEMENT IN SHORT-TERM RECEIVABLES REVALUATION ALLOWANCES (PLN '000)	31.12.2011	31.12.2010
Balance at the beginning of the period	1,558	3,223
a) increases (due to)	21	-
- creation of an allowance	21	
b) decreases (due to)	(104)	(1,665)
- repayment	(6)	(1,259)
- release	(98)	(406)
Revaluation allowances for short-term receivables at the end of the period	1,475	1,558

The revaluation allowance for receivables has been disclosed under "other operating revenue" in the Company's profit and loss account.

Based on experience and expectations regarding future cash flows, the Company creates a revaluation allowance for receivables:

for receivables overdue more than one year, for a full value of receivables,

- for receivables overdue more than half a year but not longer than one year, in the amount of 50% of receivables.

NOTE 5C

GROSS SHORT-TERM RECEIVABLES (CURRENCY STRUCTURE) (PLN '000)	31.12.2011	31.12.2010
a) in the Polish currency (PLN)	101,322	96,158
b) in foreign currencies (by currency and after translation into PLN)	569	410
- unit/currency EUR	128	77
- PLN '000	569	306
- unit/currency USD	-	35
- PLN '000	-	104
Total short-term receivables	101,891	96,568

NOTE 5D

(GROSS) TRADE RECEIVABLES WITH REPAYMENT TERM AFTER THE BALANCE SHEET DATE (PLN '000)	31.12.2011	31. 12.2010
a) up to 1 month	49,876	24,412
b) between 1 month and 3 months	39,034	62,917
c) between 3 months and 6 months	-	-
d) between 6 months and 1 year	-	183
e) over 1 year	948	183
f) overdue receivables	2,049	2,530
Total (gross) trade receivables	91,907	90,225
g) revaluation allowances for trade receivables	(1,375)	(1,458)
Total (net) trade receivables	90,532	88,767

NOTE 5E

OVERDUE (GROSS) TRADE RECEIVABLES – DIVISION INTO RECEIVABLES UNPAID IN THE PERIOD (PLN '000)	31.12.2011	31.12.2010
a) up to 1 month	380	863
b) between 1 month and 3 months	62	38
c) between 3 months and 6 months	73	109
d) between 6 months and 1 year	319	124
e) over 1 year	1,215	1,396
Total overdue (gross) trade receivables	2,049	2,530
f) revaluation allowances for overdue trade receivables	(1,375)	(1,458)
Total overdue (net) trade receivables	674	1,072

NOTE 5F

(GROSS) TRADE RECEIVABLES (PLN '000)	31.12.2011	31. 12.2010
a) unimpaired current receivables	89,858	87,695
b) unimpaired overdue receivables	674	1,072
c) impaired overdue receivables	1,375	1,458
Total (gross) trade receivables	91,907	90,225

DISPUTED AND OVERDUE RECEIVABLES (PLN '000)	31.12.2011	31.12.2010
Disputed receivables	-	-
- other	-	-
- not included in revaluation allowance	-	-
Overdue receivables	2,049	2,530
- trade receivable	2,049	2,530
- not included in revaluation allowance	674	1,072

NOTE 6A

SHORT-TERM BORROWINGS GRANTED (PLN '000)	31.12.2011	31.12.2010
a) in subsidiaries		
- borrowings granted	142,400	138,453
- interest	2,526	5,875
b) in other entities	144,926	144,328
- borrowings granted		
- interest	3	210
Total short-term borrowings granted	3,144,929	210,144,538

Note 6A contains short-term borrowings plus interest.

NOTE 6B

SHORT-TERM BORROWINGS GRANTED (CURRENCY STRUCTURE) (PLN '000)	31.12.2011	31.12.2010
a) in the Polish currency (PLN)	144,929	144,538
b) in foreign currencies (by currency and after translation into PLN)	-	-
Total short-term borrowings granted	144,929	144,538

Note 6B contains short-term borrowings plus interest.

BASIC DATA ON MAJOR SHORT-TERM BORROWINGS, WITHOUT INTEREST, AS AT 31 DECEMBER 2011

COUNTERPARTY	AMOUNT (PLN '000)	INTEREST RATE	REPAYMENT DATE
Projekt Echo - 70 Sp. z o.o.	30,000	Wibor 3M + margin	31 December 2012
Echo - Galeria Kielce Sp. z o.o.	83,400	Wibor 3M + margin	31 December 2012
Echo Investment Hungary Ingatlanhasznosito Kft	18,585	Wibor 3M + margin	31 December 2012
Projekt S Sp. z o.o.	960	Wibor 3M + margin	31 December 2012
Echo Investment Project 1 SRL	250	Wibor 3M + margin	31 December 2012
Barconsel Holding Limited	586	Wibor 3M + margin	31 December 2012
EI Project CYP - 1 LIMITED	10,000	Wibor 3M + margin	30 September 2012
other – non-related parties	3	Wibor 6M + margin	31 December 2012
Total:	143,784		

The maximum value of lending risk related to the borrowings is equivalent to their carrying value.

The granted borrowings are not secured.

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

The borrowings were granted to related entities with a good financial standing.



BASIC DATA ON MAJOR SHORT-TERM BORROWINGS, WITHOUT INTEREST, AS AT 31 DECEMBER 2010

Counterparty	AMOUNT (PLN '000)	INTEREST RATE	REPAYMENT DATE
Princess Investment Sp. z o.o.	227	Wibor 3M + margin	31 December 2011
Projekt Echo -58 Sp. z o.o.	400	Wibor 3M + margin	30 June 2011
Echo - Galeria Kielce Sp. z o.o.	83,400	Wibor 3M + margin	31 December 2011
Echo Investment Hungary Ingatlanhasznosito Kft	17,125	Wibor 3M + margin	31 December 2011
Projekt S Sp. z o.o.	960	Wibor 3M + margin	31 December 2011
Projekt Naramowice Poznań Sp. z o.o.	24,000	Wibor 3M + margin	31 December 2011
Oxygen - Projekt Echo - 95 Sp. z o.o. S.K.A.	8,300	Wibor 3M + margin	30 June 2011
Projekt Echo -53 Sp. z o.o.	4,800	Wibor 3M + margin	31 December 2011
Echo – Project – Management	180	Wibor 3M + margin	31 December 2011
Ingatlanhasznosito Kft.		-	
Barconsel Holding Limited	86	Wibor 3M + margin	31 December 2011
Echo Investment Project Management SRL	200	Wibor 3M + margin	31 December 2011
other	217	Wibor 6M + margin	-
Total:	139,895		

NOTE 6C

31.12.2011	31.12.2010
86,386	65,827
-	-
86,386	65,827
6,400	7,600
	86,386 - 86,386

As at 31.12.2011, the Company held cash in renowned banks, mainly in PKO S.A. and PKO BP.

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

NOTE 6D

CASH AND CASH EQUIVALENTS (CURRENCY STRUCTURE) (PLN '000)	31.12.2011	31.12.2010
a) in the Polish currency (PLN)	85,144	65,316
b) in foreign currencies (by currency and after translation into PLN)	1,242	511
- unit/currency EUR	28	109
- PLN '000	122	431
- unit/currency USD	325	12
- PLN '000	1,117	35
- unit/currency HUF	211	3,151
- PLN '000	3	45
Total cash and cash equivalents	86,386	65,827

NOTE 7

SHARE CAPITAL (STRUCTURE)

SERIES OF SHARE S	TYPE OF SHARES	TYPE OF SHARE PREFERENC E	TYPE OF LIMITATI ON OF RIGHTS TO SHARES	NUMBER OF SHARES	VALUE OF SERIES/ISSU E ACCORDING TO NOMINAL VALUE (PLN '000)	TYPE OF CONTRIBUTIO N TO EQUITY	REGISTRATIO N DATE	RIGHT TO DIVIDEND (AS OF)
A	bearer	ordinary	none	1,600,000	80	contribution in- kind	1994-06-30	1995-01-01
В	bearer	ordinary	none	38,400,000	1,920	cash	1994-06-30	1995-01-01
С	bearer	ordinary		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 nu	mber of share	es		420,000,000				
	are capital		_		21,000			

Nominal value per share = PLN 0.05

SHAREHOLDERS OF ECHO INVESTMENT S.A. HOLDING MORE THAN 5% OF THE SHARE CAPITAL AS AT 31 DECEMBER 2011

SHAREHOLDERS	NUMBER OF	% OF SHARE	% OF VOTES AT
	VOTES/SHARES	CAPITAL	THE GSM
Michał Sołowow – directly and indirectly	185,286,775	44%	44%
ING OFE	54,488,467	13%	13%
Aviva OFE Aviva BZ WBK*	36,683,460	9%	9%
PZU Złota Jesień OFE*	21,419,085	5%	5%
Other Shareholders	122,122,213	29%	29%
Total	420,000,000	100%	100%

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

NOTE 8

SUPPLEMENTARY CAPITAL (PLN '000)	31.12.2011	31.12.2010
a) share premium	100,943	100,943
b) statutory	80	80
c) created according to the statute/articles, above the statutorily required (minimum)	449,529	410,856
value		
d) other (by type)	22	22
Total supplementary capital	550,574	511,901

NOTE 9

MOVEMENT IN DEFERRED INCOME TAX ASSETS/PROVISION (PLN '000) 1. Deferred income tax assets/provision at the beginning of the period	31.12.2011 (12,007)	31.12.2010 (8,300)
financial instruments	-	-
investment property	465	469
receivables and liabilities due to borrowings	(884)	(1,122)
liabilities due to loans and bonds	(347)	(958)
tax loss	4,170	-
inventories	225	(1,596)
interests and shares	(5,415)	(3,219)
limited partnership income tax	(5,386)	3,437
other	(4,835)	(5,311)
2. Increases	7,389	7,316
financial instruments	-	-
investment property	653	-
receivables and liabilities due to borrowings	666	238
liabilities due to loans and bonds	373	611
tax loss	-	4,170
inventories	1,742	1,821
interests and shares	3,681	-
limited partnership income tax	-	-
other	274	476
3. Decreases	(3,160)	(11,023)
financial instruments	-	-
investment property	-	(4)
receivables and liabilities due to borrowings	-	-
liabilities due to loans and bonds	-	-
tax loss	(2,301)	-
inventories	-	-
interests and shares	-	(2,196)
limited partnership income tax	(859)	(8,823)
other	-	-
4. Deferred income tax assets/provision at the end of the period	(7,778)	(12,007)
financial instruments	-	-
investment property	1,118	465
receivables and liabilities due to borrowings	(218)	(884)
liabilities due to loans and bonds	26	(347)
tax loss	1,869	4,170
inventories	1,967	225
interests and shares	(1,734)	(5,415)
limited partnership income tax	(6,245)	(5,386)
other	(4,561)	(4,835)

The Company does not hold any items where deferred tax has not been recognised.

LONG-TERM LIABILITIES (WITHOUT INCOME TAX PROVISION) (PLN '000)	31.12.2011	31.12.2010
a) due to subsidiaries	-	-
b) due to other entities		
- advances received *	16,288	14,242
- due to issue of debt securities	654,374	484,907
	670,662	499,149
Total long-term liabilities	670,662	499,149

Under an agreement signed with BRE Bank S.A., the Company issued coupon bonds on 11 February 2011 in the amount of PLN 145,000 million, and on 31 March 2011 in the amount of PLN 150,000 million.

* In the financial statements prepared as at 31.12.2010, the item "long-term liabilities – advances received" was presented under "short-term liabilities – advances received".

NOTE 10B

LONG-TERM LIABILITIES (WITHOUT INCOME TAX PROVISION) WITH REMAINING MATURITIES FROM THE BALANCE SHEET DATE (PLN '000)	31.12.2011	31.12.2010
a) over 1 year to 3 years	518,318	204,703
b) over 3 years to 5 years	138,556	282,340
c) over 5 years	13,788	12,106
Total long-term liabilities	670,662	499,149

Interest rates applied for discounting the expected cash flows: 7.14% in 2011 and 6.01% in 2010 The Company has presented its long-term liabilities at nominal value in note 10E.

NOTE 10C

LONG-TERM LIABILITIES (WITHOUT INCOME TAX PROVISION) (CURRENCY STRUCTURE) (PLN '000)	31.12.2011	31.12.2010
a) in the Polish currency (PLN)	670,662	499,149
b) in foreign currencies (by currency and after translation into PLN)	-	-
Total long-term liabilities	670,662	499,149

Financial liabilities due to financial debt instruments are measured with the amortised cost of a liability item, according to IAS 39. The fair value of long-term liabilities does not differ materially from their carrying value.

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



NOTE 10D

LOAN FACILITIES AS AT 31 DECEMBER 2011

20/01/00/2		0. 52025						
BUSINESS NAME AND LEGAL FORM	REGISTERE D OFFICE	LOAN/BOR AMOUNT AC TO THE AGE PLN '000	CORDING	OUTSTA AMOUNT LOAN/BOR PLN '000 (OF THE	INTEREST RATE TERMS	REPAYMEN T DATE	COLLATERAL
PeKaO S.A.	Warsaw	30,000	PLN	-	PLN	Wibor 1M + margin	2012-06-30	authorisation to a bank account, statement on submission to enforcement proceedings up to PLN 36 million, sola blank bill of exchange
PeKaO S.A.	Warsaw	65,540	PLN	32,774	PLN	Wibor 1M + margin	2012-06-30	authorisation to a bank account, statement on submission to enforcement proceedings up to PLN 79 million, sola blank bill of exchange
PKO BP S.A.	Warsaw	40,000	PLN	-	PLN	Wibor 1M + margin	2012-08-19	authorisation to a bank
PKO BP S.A.	Warsaw	40,000	PLN	-	PLN	Wibor 1M + margin	2012-08-19	account, statement on submission to enforcement proceedings up to PLN 160 million, sola blank bill of exchange
Alior Bank S.A.	Warsaw	20,000	PLN	-	PLN	Wibor 1M + margin	2012-02-24	authorisation to a bank account, statement on submission to enforcement proceedings up to PLN 40 million, sola blank bill of exchange up to PLN 22 million
Total		1,95,540		32,774				

The loan value corresponds to non-discounted cash flows.

LOAN FACILITIES AS AT 31 DECEMBER 2010

BUSINESS NAME AND LEGAL FORM	REGISTERE D OFFICE	AMOUNT	DRROWING ACCORDING GREEMENT CURRENCY	OUTSTA AMOUNT LOAN/BOR PLN '000 C	OF THE ROWING	INTEREST RATE TERMS	REPAYMEN T DATE	COLLATERAL
PeKaO S.A.	Warsaw	30,000	PLN	-	PLN	Wibor 1M + margin	2011-06-30	authorisation to a bank account, statement on submission to enforcement proceedings up to PLN 36 million, sola blank bill of exchange
PeKaO S.A.	Warsaw	100,000	PLN	69 916	PLN	Wibor 1M + margin	2011-06-30	authorisation to a bank account, statement on submission to enforcement proceedings up to PLN 120 million, sola blank bill of exchange
PKO BP S.A.	Warsaw	40,000	PLN	-	PLN	Wibor 3M + margin	2012-08-19	authorisation to a bank
PKO BP S.A.	Warsaw	40,000	PLN	-	PLN	Wibor 3M + margin	2012-08-19	account, statement on submission to enforcement proceedings up to PLN 160 million, sola blank bill of exchange
Total		210,000		69,916				<u> </u>

NOTE 10E

LONG-TERM AND SHORT-TERM LIABILITIES DUE TO DEBT FINANCIAL INSTRUMENTS ISSUED

DEBT FINANCIAL INSTRUMENTS BY TYPE	PAR VALUE	INTEREST RATE TERMS	MATURITY	GUARANTEES/COLLATERAL S	QUOTATION MARKET
bonds (BRE Bank S.A.)	35,000	Wibor 1M + margin	2012-01-25	none	none
bonds (BRE Bank S.A.)	115,000	Wibor 6M + margin	2012-05-18	none	none
bonds (BRE Bank S.A.)	150,000	Wibor 6M + margin	2013-03-29	none	none
bonds (BRE Bank S.A.)	100,000	Wibor 6M + margin	2013-05-25	none	none
bonds (BRE Bank S.A.)	300,000	Wibor 6M + margin	2014-06-30	none	none
bonds (BRE Bank S.A.)	145,000	Wibor 6M + margin	2016-02-11	none	none
Total	845,000				

The bond value corresponds to non-discounted cash flows, without interest.

NOTE 11A

TRADE LIABILITIES, TAXES, ADVANCES RECEIVED AND OTHER LIABILITIES (WITHOUT PROVISIONS) (PLN '000)	31.12.2011	31.12.2010
a) due to subsidiaries		
- trade, with maturity:	537	631
- up to 12 months	537	631
- over 12 months	-	-
	537	631
b) due to other entities		
- trade, with maturity:	41,854	57,023
- up to 12 months	39,820	53,505
- over 12 months	2,034	3,518
- advances received	20,628	9,869
- due to taxes, customs duties, insurance and other benefits	17,402	7,450
- other liabilities	8,037	8,749
- due to remunerations	[′] 1	4
- other (due to)	8,036	8,745
- securing deposits received	231	305
- insurance	-	17
- other	7,805	8,423
	87,921	83,091
Total trade and other liabilities	88,458	83,722

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

NOTE 11B

TRADE LIABILITIES, TAXES, ADVANCES RECEIVED AND OTHER LIABILITIES (WITHOUT PROVISIONS) (PLN '000)	31.12.2011	31.12.2010
a) in the Polish currency (PLN)	88,303	83,082
b) in foreign currencies (by currency and after translation into PLN)	155	640
- unit/currency EUR	-	2
- PLN '000	-	8
- unit/currency HUF	-	36,250
- PLN '000	-	515
- unit/currency USD	45	39
- PLN '000	155	117
Total trade and other liabilities	88,458	83,722



NOTE 11C

SHORT-TERM LOANS, BORROWINGS AND BONDS (PLN '000)	31.12.2011	31. 12.2010
a) due to subsidiaries	-	-
b) due to other entities		
- loans and borrowings	32,774	69,916
- due to issue of debt securities	199,917	215,127
	232,691	285,043
Total loans, borrowings and bonds	232,691	285,043

Under an agreement signed with BRE Bank S.A., the Company issued discount bonds on 18 November 2011 and on 21 December 2011 in the amount of PLN 35,000 million.

According to the best knowledge and information available to the Company, 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.

NOTE 11D

SHORT-TERM LOANS, BORROWINGS AND BONDS (CURRENCY STRUCTURE) (PLN '000)	31.12.2011	31.12.2010
a) in the Polish currency (PLN)	232,691	285,043
b) in foreign currencies (by currency and after translation into PLN)	-	-
Total loans, borrowings and bonds	232,691	285,043

NOTE 11E

MOVEMENT IN SHORT-TERM PROVISIONS (DUE TO) (PLN '000)	31.12.2011	31.12.2010
a) at the beginning of the period	-	
- provisions for penalties	5,600	9,830
- guarantee repairs	1,100	1,100
- court proceedings	-	-
	6,700	10,930
b) increases (due to)		
- provisions for penalties	616	170
- court proceedings	1,173	-
	1,789	170
c) use (due to)		
- provisions for penalties	(4,216)	-
	(4,216)	-
d) release (due to)		
- provisions for penalties	-	(4,400)
	-	(4,400)
e) at the end of the period		
- provisions for penalties	2,000	5,600
- guarantee repairs	1,100	1,100
- court proceedings	1,173	-
	4,273	6,700

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 amount of provisions was estimated to the best of the Company's knowledge and based on past experience.

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 amount of provisions was 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.

NOTE 12A

CONTINGENT LIABILITIES DUE TO RELATED PARTIES (DUE TO) (PLN '000)	31.12.2011	31.12.2010
a) guarantees and sureties granted, including:	534,333	480,018
- due to subsidiaries	534,333	480,018
Total contingent liabilities due to related parties	534,333	480,018

NOTE 12B

OFF-BALANCE SHEET ITEMS (PLN '000)	31.12.2011	31.12.2010
1. Contingent receivables	-	-
2. Contingent liabilities		
2.1. For related parties (due to)	534,333	480,018
 guarantees and sureties granted 	534,333	480,018
2.2. For other entities (due to)	4,269	-
 guarantees and sureties granted 	4,269	-
	538,602	480,018
3. Other (due to)		
 court cases against Echo Investment 	146	65
	146	65
Total	538,748	480,083

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

1. Surety of 6 October 2009 for the obligations of Echo – Galeria Kielce Sp. z o.o. under a loan agreement concluded with Bank Eurohypo AG with its registered office in Eschborn (Germany). The surety was granted up to the amount of PLN 441,680 thousand.

2. Surety of 27 September 2010 for the obligations of Oxygen – Projekt Echo – 95 Sp. z o.o. S.K.A. under a loan agreement concluded with Bank Nordea Bank Polski S.A.. The surety was granted up to the amount of PLN 64,485 thousand.

3. Guarantee of 27 September 2010 granted to Nordea Bank Polski S.A. as a security to cover for insufficient funds or exceeding the costs of constructing an office building in Szczecin. The guarantee shall remain in force until the investment is completed but for a period not exceeding 31 December 2013. The guarantee was granted up to the amount of PLN 17,768 thousand.

4. Bank performance bond issued on 14 October 2011 by Bank PKO BP S.A. to Immopoland Sp. z o.o., securing proper performance of the lease agreement of 20.09.2011 concluded between Park Postępu - Projekt Echo 93 Sp. z o.o. S.K.A. and Echo Investment Property Management - Grupa Echo Sp. z o.o. S.K. The guarantee amounts to PLN 142 thousand.

5. Guarantee of 22 June 2009 granted to Westdeutsche ImmobilienBank AG as a security to cover for exceeding the execution costs of stage II of Malta Office Park in Poznań. The guarantee shall remain in force until all obligations in the amount of PLN 7,300 thousand under a loan agreement concluded between Malta Office Park - Projekt Echo - 96 Sp. z o.o. S.K.A. and the bank Westdeustche ImmobilienBank AG (Germany) are repaid.

6. On 6 May 2011, the Bank PKO BP S.A. granted a bank guarantee to Fortis Bank Polska S.A. as a security to cover for nonperformance 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.

7. Bank performance bond issued on 7 July 2011 by PKO BP S.A. to ORBIS S.A., securing claims due to non-performance or ill-performance of the agreement of 04.09.2008, as amended. The guarantee amounts to PLN 4,073 thousand.

8. Bank guarantee of payment, issued on 26 July 2011 by Bank PKO BP S.A. to PGE Dystrybucja S.A. in connection with agreements no. 12164/102010, 12146/102010, 12168/102010 and 12152/10210 of 8 March 2011 for the connection of Centrum Handlowe Galeria Olimpia to the distribution zone, concluded between PGE Dystrybucja S.A. and Galeria Olimpia – Projekt Echo – 98 Sp. z o.o. S.K.A. The guarantee amounts to PLN 2,000 thousand.

9. Bank guarantee of payment, issued on 26 July 2011 by Bank PKO BP S.A. to PGE Dystrybucja S.A. in connection with agreement no. 1091/2/RP2/2009 of 12 May 2011 for the connection of Centrum Handlowe Galeria Veneda to the distribution zone, concluded between PGE Dystrybucja S.A. and Veneda – Projekt Echo – 97 Sp. z o.o. S.K.A. The guarantee amounts to PLN 434 thousand.

10. Bank guarantee of payment, issued on 26 July 2011 by Bank PKO BP S.A. to PGE Dystrybucja S.A. in connection with agreement no. 1091/1/RP1/2009 of 12 May 2011 for the connection of Centrum Handlowe Galeria Veneda to the distribution zone, concluded between PGE Dystrybucja S.A. and Veneda – Projekt Echo – 97 Sp. z o.o. S.K.A. The guarantee amounts to PLN 324 thousand.

11. Bank performance bond issued on 24 August 2011 by Bank PKO BP S.A. to Park Postępu - Projekt Echo 93 Sp. z o.o. S.K.A., securing proper performance of the lease agreement of 28.08.2009, as amended, concluded between Echo Investment



S.A. and Park Postępu - Projekt Echo 93 Sp. z o.o. S.K.A. The guarantee amounts to PLN 196 thousand.

In the Company's opinion, the fair value of the sureties and guarantees is near zero because the probability that they will be used is low.

EXPLANATORY NOTES TO THE PROFIT AND LOSS ACCOUNT

NOTE 13A

OPERATING REVENUE (STRUCTURE BY THE TYPES OF ACTIVITY) (PLN '000)	N 01.01.2011-31.12.2011 01.01.2	2010-31.12.2010
A. Sale of residential and commercial area	4,338	63,306
- including: from related parties	_	-
B. Property development services	288,969	199,143
- including: from related parties	281,566	199,143
from subsidiaries	281,566	199,143
from jointly controlled entities	-	
C. Trade in real property	41,309	47,152
- including: from related parties	35,458	47,152
D. Lease services	7,027	7,886
 including: from related parties 	1,271	1,029
from subsidiaries	1,271	1,029
from the parent company	-	-
E. Legal, accounting, consulting and IT services	39,898	31,002
 including: from related parties 	39,337	25,292
from subsidiaries	39,337	25,292
from jointly controlled entities	-	-
F. Financial, marketing, securing services and other revenue	36,877	23,082
- including: from related parties	35,993	16,002
from subsidiaries	35,987	15,892
from key personnel	6	110
Total operating revenue	418,418	371,571
- including: from related parties	393,625	288,618
from subsidiaries	393,619	288,508
from the parent company	-	-
from key personnel	6	110

The minimum contracted lease revenue for 2012 is PLN 3,400 thousand.

The Company has not concluded any transactions with related entities under terms other than market terms.

NOTE 13B

OPERATING REVENUE (TERRITORIAL STRUCTURE) (PLN '000)	01.01.2011-31.12.2011	01.01.2010-31.12.2010
a) domestic	415,770	368,681
- including: from related parties	390,977	285,728
b) abroad	2,648	2,890
- including: from related parties	2,648	2,890
Total net sales of products	418,418	371,571
- including: from related parties	393,625	288,618

NOTE 14

OPERATING COSTS BY TYPE (PLN '000)	01.01.2011-31.12.2011 01.01.2	2010-31.12.2010
a) amortisation/depreciation	3,837	3,356
b) consumption of materials and energy	4,059	71,339
c) third party services	314,316	227,990
d) taxes and charges	6,136	4,306
e) remunerations	24,399	20,762
f) social security and other benefits	3,639	2,783
g) other costs by type (due to)	4,847	1,746
- business trips	546	382
- other	4,301	1,364
Total costs by type	361,233	332,282
Movement in inventories and products	12,383	3,568
Own work capitalised (negative value)	-	-
Selling costs (negative value)	(24,023)	(21,276)
General administrative expenses (negative value)	(33,703)	(26,819)
Manufacturing cost of products sold	315,890	287,755

In 2011, the costs of property development services amounted to PLN 258,877 thousand.

nor

OTHER OPERATING REVENUE (PLN '000)	01.01.2011-31.12.2011	01.01.2010-31.12.2010
a) released provisions (due to)	3,698	2,034
- receivables	98	2,034
- other	3,600	-
b) other, including:	6,911	6,907
- contractual penalties	404	205
- revenue from sale of non-financial non-current assets	1,469	
- other	5,038	6,702
c) interest on borrowings	7,334	11,285
- from related parties, including:	7,334	11,285
- from subsidiaries	7,334	11,285
- from other entities	-	
d) other interest	4,685	1,737
- from other entities	4,685	1,737
Total other operating revenue	22,628	21,963

NOTE 15B

01.01.2011-31.12.2011	01.01.2010-31.12.2010
27,128	31,622
27,128	31,622
27,128	31,622
	27,128 27,128

NOTE 15C

OTHER OPERATING COSTS (PLN '000)	01.01.2011-31.12.2011	01.01.2010-31.12.2010
a) created provisions (due to)	1,173	170
- for expected costs	1,173	170
- receivables	-	-
b) other, including:	2,825	2,345
- donations	843	335
- contractual penalties	1,293	617
- other	689	1,393
c) revaluation of investments	19,387	
- interests	19,387	
Total other operating costs	23,385	2,515

FINANCIAL REVENUE FROM INTEREST (PLN '000)	01.01.2011-31.12.2011 01.01	.2010-31.12.2010
a) other interest		
- from other entities	286	227
	286	227
Total financial revenue from interest	286	227
NOTE 16C		
OTHER FINANCIAL REVENUE (PLN '000)	01.01.2011-31.12.2011 01.01	.2010-31.12.2010
a) foreign exchange gains	787	-
b) revaluation of investments	-	1 882
c) other	45	
Total other financial revenue	832	1,882
NOTE 17A		
FINANCIAL COSTS OF INTEREST (PLN '000)	01.01.2011-31.12.2011 01.01	.2010-31.12.2010
a) on loans		
- due to other entities	54,585	40,713
	54,585	40,713
b) other interest		

b) other interest	54,565	40,713
- due to other entities	78	2
	78	2
c) revaluation of loans and borrowings	2,119	3,215
	2,119	3,215
Total financial costs of interest	56,782	43,930

Capitalised borrowings costs amounted to PLN 2,540 thousand as at 31 December 2011 and PLN 1,368 thousand as at 31 December 2010.

NOTE 17B

OTHER FINANCIAL COSTS (PLN '000)	01.01.2011-31.12.2011 01.01.20	010-31.12.2010
a) foreign exchange losses:	9	241
- realised	-	231
- unrealised	9	10
b) loss on sale of:	44	-
- interests	44	-
c) other, including:	1,595	2,433
- commissions	1,595	1,589
- other	-	844
d) capitalised financial costs	-	(49)
Total other financial costs	1,648	2,625

INCOME TAX – EFFECTIVE TAX RATE (PLN '000)	01.01.2011-31.12.2011	01.01.2010-31.12.2010
Gross profit (loss)	15,822	42,379
Income tax according to the national rates, 19%	(3,006)	(8,052)
Dividends received	5,154	6,008
Release of provision for receivables	703	1,223
Other non-deductible costs	(2,156)	(2,886)
Charges on the financial result due to income tax	695	(3,707)

NOTE 18B

DEFERRED INCOME TAX, TERM OF SETTLEMNT (PLN '000)	01.01.2011-31.12.2011	01.01.2010-31.12.2010
Deferred income tax liabilities	-	
 to be settled within 12 months 	712	2 210
- to be settled after 12 months	7,066	9,797
Total	7,778	12,007

NOTE 19

Distribution of profit Echo Investment S. A.'s 2010 net profit, amounting to PLN 38,672 thousand, was earmarked for a contribution to the Company's supplementary capital, pursuant to the resolution of 2 June 2011. Echo Investment S. A.'s 2010 financial statements were approved by way of the resolution of the Ordinary GSM of 2 June 2011. It is proposed to earmark Echo Investment S. A.'s 2011 profit for the supplementary capital.

EXPLANATORY NOTES TO THE CASH FLOW STATEMENT

NOTE 20

CASH INCLUDED IN THE CASH FLOW STATEMENT (PLN '000)	31.12.2011	31.12.2010
	31.12.2011	31.12.2010
As at the beginning of the period, including:	65,827	53,878
- cash in hand and cash in bank	65,827	53,878
As at the end of the period	86,386	65,827
- cash in hand and cash in bank	86,386	65,827
ADDITIONAL EXPLANATIONS TO THE STRUCTURE OF THE CASH	FLOW STATEMENT	
The Company discloses interest on the borrowings granted in investing activities.		

NOTE 21A

FX RISK - EXPOSURE TO FX VARIATIONS

ITEM BY CURRENCY	AS AT 31.12.2011, IN FOREIGN CURRENCY ('000)	BALANCE SHEET MEASUREMENT AS AT 31.12.2011 (PLN '000)	ESTIMATED CHANGE IN FX RATE (IN %)	EFFECTS OF CHANGES IN FX RATES IN INDIVIDUAL ITEMS (PLN '000)
Cash				
EUR	28	124	+/1 %	1
USD	325	1,111	+/1 %	11
HUF	211	3	+/1 %	0
Total effect on the gr	ross result for the period			12
Income tax				2
Total effect on the ne	et result for the period			10

To conduct an analysis of exposure to FX variations as at 31.12.2011, it has been assumed that FX rates may vary in the range of -/+1% (based on historic data and the available knowledge). If, as at 31.12.2011, the FX rate of the Company's main currencies, i.e. EUR, USD and HUF, had been higher or lower by 1%, the Company's net result would have been higher or lower by PLN 10 thousand respectively, as a result of FX gains or losses on the translation of cash on bank accounts.

FX RISK - EXPOSURE TO FX VARIATIONS

ITEM BY CURRENCY	AS AT 31.12.10, IN FOREIGN CURRENCY ('000)	BALANCE SHEET MEASUREMENT AS AT 31.12.10 (PLN '000)	ESTIMATED CHANGE IN FX RATE (IN %)	EFFECTS OF CHANGES IN FX RATES IN INDIVIDUAL ITEMS (PLN '000)
Cash				
EUR	109	432	+/1%	4
USD	12	36	+/1%	0
HUF	3,151	45	+/1%	0
Total effect on the g	ross result for the period			5
Income tax				5
Total effect on the n	et result for the period			0

NOTE 21B

INTEREST RATE RISK OF BORROWINGS GRANTED (PLN '000)

ITEM	VALUE CALCULATED F (PLN '000	
	31.12.2011	31.12.2010
Balance of borrowings granted	144,929	144,546
Financial revenue from interest on borrowings granted	7,334	11,285
Estimated change of interest rates	+/- 1 pp	+/- 1 pp
Financial revenue from interest on borrowings granted	1,449	1,445
taking account of changes of interest rates		
TOTAL effect on the gross result for the period	1,449	1,445
Income tax	275	275
TOTAL effect on the net result for the period	1,174	1 ,70

The Company granted borrowings in PLN, where the interest rate is variable and depends on WIBOR + margin. If, as at 31.12.2011, interest rates had been higher or lower than the applicable rate by 1 percentage point, the Company's net result would have been higher or lower by PLN 1,174 thousand respectively, as a result of higher or lower interest on the borrowings granted in PLN.

NOTE 21C

INTEREST RATE RISK OF LIABILITIES DUE TO ISSUE OF DEBT SECURITIES (PLN '000)

ITEM	VALUE CALCULATED (PLN '00)	
	31.12.2011	31.12.2010
Balance of liabilities due to issue of debt securities	854 291	714 276
Financial costs of interest on the issue of debt securities	52 093	35 419
Estimated change of interest rates	+/- 1 pp	+/- 1 pp
Financial costs of interest on the issue of debt securities	8,543	7,143
taking account of changes of interest rates		
TOTAL effect on the gross result for the period	8,543	7,143
Income tax	1,623	1,357
TOTAL effect on the net result for the period	6,920	5,786

NOTE 21D

INTEREST RATE RISK OF CASH

ITEM	VALUE CALCUL ANALYSIS (P	-
	31.12.2011	31.12.2010
Balance of cash	86,386	65,827
Other operating revenue from interest	4,586	1,580
Estimated change of interest rates	+/- 1 pp	+/- 1 pp
Other operating revenue from interest, taking account of changes of interest rates	864	658
TOTAL effect on the gross result for the period	864	658
Income tax	164	125
TOTAL effect on the net result for the period	700	533

NOTE 21E

INTEREST RATE RISK OF LOAN LIABILITIES

ITEM	VALUE CALCULATED F (PLN '000	
	31.12.2011	´31.12.2010
Balance of loan liabilities	32,774	69,916
Financial costs of interest on loans	4,218	5,432
Estimated change of interest rates	+/- 1 p.p.	+/- 1 p.p.
Financial costs of interest on loans, taking account of changes of interest rates	328	699
TOTAL effect on the gross result for the period	328	699
Income tax	62	133
TOTAL effect on the net result for the period	266	566

NOTE 21F

ANALYSIS OF EXPOSURE TO IMPAIRMENT OF INTERESTS, SHARES AND FUNDS

ITEM	VALUE CALCULATED (PLN '00	
	31.12.2011	31.12.2010
Interests, shares and funds held	909 152	769 746
Financial revenues/expenses from the measurement of interests, shares and funds	-19 376	11 558
Estimated percentage change in the value of interests, shares and funds	+/- 1 pp	+/- 1 pp
Estimated financial revenues/expenses from a potential change in the value of interests, shares and funds	9,092	7,697
TOTAL effect on the gross result for the period	9,092	7,697
Income tax	1,727	1,463
TOTAL effect on the net result for the period	7,364	6,235

When calculating the impairment of interests, shares and funds held in subsidiaries, associates and jointly controlled entities, the Company refers to the net value of the these companies' assets and takes into consideration the cash flow generated by investment properties held by these companies.

NOTE 22

INFORMATION ON FINANCIAL INSTRUMENTS

NO.	INSTRUMENT TYPE	NOTE	CARRYING VALUE AS AT 31.12.2011 (PLN '000)	CARRYING VALUE AS AT 31.12.2010 (PLN '000)
1.	Borrowings and receivables			
	- long-term borrowings	3E	-	8
	- short-term borrowings	6	144,929	144,538
	- trade receivables	5	90,532	88,767
	- other receivables		14,038	12,079
2. Finan	Cash and cash equivalents cial liabilities	6C	86,386	65,827
1.	Other financial liabilities			
	 liabilities due to issue of debt securities 	10, 11	854,291	714,276
	- trade liabilities	11	42,391	57,654
	 loans and borrowings 	11	32,774	84,158

The Company's main financial instruments include:

- Borrowings granted are measured at amortised purchase price determined with the effective interest rate method.

- Financial liabilities, i.e. liabilities due to the issue of debt securities, bank loans and other liabilities (borrowings and trade liabilities).

Financial liabilities are measured with "the amortised cost of a liability item", according to IAS 39.

Date: 27 April 2012

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

Piotr Gromniak

President of the Management Board

Signature of the individual entrusted with bookkeeping:

Tomasz Sułek

Chief Accountant

Artur Langner

Vice-President of the Management Board



Management Report of Echo Investment S.A. for 2011.





III. MANAGEMENT REPORT OF ECHO INVESTMENT S.A. FOR 2011

Echo Investment S.A. has operated on the real property market since 1996. As the parent company of the Capital Group, it manages the whole investment process for the developments: purchasing property, obtaining administrative permits, funding, supervising implementation and commissioning to use. It performs the activities on its own behalf or, more often, by providing services as a general contractor to a special purpose subsidiary. The Company also provides general contractor services to foreign investors. In addition, the Company provides a wide range of services to subsidiaries (office keeping, legal and financial services).

The Company runs its business in the territory of Poland and Central and Eastern European countries.

Echo Investment S.A.'s shares have been listed on the Warsaw Stock Exchange since March 1996.

1. DISCUSSION OF BASIC ECONOMIC AND FINANCIAL FIGURES DISCLOSED IN THE ANNUAL FINANCIAL STATEMENTS OF ECHO INVESTMENT S.A.

BALANCE SHEET

As at the end of 2011, the balance sheet total amounted to PLN 1,592 million, which means a 9% increase in value compared to the balance as at the end of the same period in 2010.

Assets

As at the end of December 2011, the assets structure was as follows:

- Non-current assets comprise 59% of assets, and the main item are investments in subsidiaries and jointly controlled entities, 96% of non-current assets,
- Current assets account for 41% of assets, while inventories make up 49% of total current assets, borrowings granted make up 22% of total current assets, trade and other receivables account for 15% of current assets, and cash and cash equivalents make up 13% of total current assets.

Equity and liabilities

- As at 31 December 2011, Echo Investment S.A.'s share capital amounted to PLN 21 million and was divided into 420,000,000 ordinary series A, B, C, D, E and F bearer shares with a nominal value of PLN 0.05 each,
- As at 31 December 2011, equity amounted to PLN 588 million, which means a 3% increase compared to the end of December 2010,
- Long-term and short-term liabilities accounted for 62% of the balance sheet total, and amounted to PLN 992 million.

PROFIT AND LOSS ACCOUNT

- At the end of December 2011, net sales revenue amounted to PLN 418 million, which means a 13% increase compared to the same period a year earlier;
- At the end of 2011, operating profit amounted to PLN 73 million and was lower by 16% than the profit generated in the previous financial year;
- Gross profit amounted to PLN 16 million and was lower than in 2010 by 63%;
- Net profit amounted to PLN 17 million, which means a 57% decrease compared to 2010;
- Net profit per share amounted to PLN 0.04.

CASH FLOW STATEMENT

- At the beginning of the reporting period, cash amounted to PLN 66 million;
- In 2011, the Company recorded a positive cash flow from operating activities, amounting to (+) PLN 69 million; the main items were the following:
 - profit from investing activities (+) PLN 26 million,
 - movements in inventories (+) PLN 13 million,
- In 2011, the Company recorded a negative cash flow from investing activities, amounting to (-) PLN 107 million, mainly as a result of:
 - purchase of financial assets (-) PLN 159 million,
- At the end of December 2011, the Company recorded a cash flow from financing activities amounting to (+) PLN 58 million, mainly as a result of:
 - issue and redemption of debt securities in the net amount of (+) PLN 145 million,
- Between 1 January and 31 December 2011, the balance of cash increased by PLN 20 million;
- At the end of December 2011, cash amounted to PLN 86 million.



2. DESCRIPTION OF MATERIAL RISKS AND THREATS AND INDICATION OF THE ISSUER'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 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 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. PROCEEDINGS PENDING BEFORE COURT, COMPETENT ARBITRATION AUTHORITY OR PUBLIC ADMINISTRATION AUTHORITY, INCLUDING ANY INFORMATION ON A PROCEDURE, OR TWO OR MORE PROCEEDINGS CONCERNING ECHO INVESTMENT S.A.'S OR ITS SUBSIDIARY'S LIABILITIES OR CLAIMS WHOSE VALUE EQUALS AT LEAST 10% OF THE COMPANY'S EQUITY

Between 1 January and 31 December 2011, there were no proceedings pending before court, a competent arbitration authority or a public administration authority concerning liabilities or claims of Echo Investment S.A. or its subsidiary whose value equals at least 10% of the Company's equity.

4. INFORMATION ON BASIC PRODUCTS WITH SPECIFICATION OF THEIR VALUE AND VOLUME AND SHARE OF INDIVIDUAL PRODUCT GROUPS IN ECHO INVESTMENT S.A. AS WELL AS THE RELATED CHANGES IN THE FINANCIAL YEAR

4.1. Business segments

In 2011, Echo Investment S.A. and companies of the 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.

In its property portfolio, the Capital Group has 8 shopping and entertainment centres.

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

Moreover, the Capital Group 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 Neptun hotel) shall 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 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 Frackowiak, McKinsey, Lux Med, Medicover, Polkomtel, Mentor Graphics, Nordea Bank, Polsoft, Pramerica, Roche, Tieto Poland, Tebodin SAP-Projekt and others.

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.

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 investment 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 Maka 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 apartment area will be 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.

4.2. Revenue structure

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

ITEM	01.01.2011 -	% SHARE	01.01.2010 -	% SHARE
	31.12.2011	/0 SHARL	31.12.2010	/0 SHARE
		4		/ – – – – – – – – – –
Sale of residential and commercial area	4.3	1.0%	63.3	17.0%
Investment development services	289.0	69.1%	199.1	53.6%
Trade in real property	41.3	9.9%	47.2	12.7%
Lease services	7.0	1.7%	7.9	2.1%
Legal, accounting and consulting services	39.9	9.5%	31.0	8.3%
Other revenue	36.9	8.8%	23.1	6.2%
Total net sales of products	418.4	100%	371.6	100%

5. INFORMATION ON SALES MARKETS, GROUPED INTO DOMESTIC AND FOREIGN MARKETS, INFORMATION ON SOURCES OF SUPPLY OF MANUFACTURING MATERIALS, GOODS AND SERVICES, 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 ISSUER

Sales markets

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

Changes in sources of supply



In terms of Echo Investment S.A.'s purchase of services, the main share, measured by the share of purchases in total sales revenue, was attributable to entities with whom the Company works together as part of specific property developments. In 2011, turnover with a single counterparty exceeded 10% of the Company's revenue. There are no capital relations between Echo Investment S.A. and that company.

MAJOR SUPPLIERS OF THE COMPANY IN 2011:

COUNTERPARTY	TURNOVER (IN MILLIONS OF PLN)	% SHARE OF REVENUE
Eiffage Budownictwo MITEX S.A.	202.39	48.4%

Changes among customers

The customers of Echo Investment S.A. include entities to whom property development services are provided.

In 2011, turnover with a single counterparty, an entity from the Capital Group, exceeded 10% of the Company's net sales revenue. The capital relations are described in section 7.1 of this Management Report.

MAJOR CUSTOMERS OF THE COMPANY IN 2011:

COUNTERPARTY	TURNOVER (IN MILLIONS OF PLN)	% SHARE OF NET SALES REVENUE
Echo - Galeria Kielce Sp. z o.o.	226.39	54.1%

6. INFORMATION ON THE CONCLUDED AGREEMENTS THAT ARE SIGNIFICANT FOR THE ISSUER'S BUSINESS, INCLUDING AGREEMENTS CONCLUDED BETWEEN SHAREHOLDERS AS WELL AS INSURANCE, PARTNERSHIP OR COOPERATION AGREEMENTS OF WHICH THE ISSUER IS AWARE

6.1. Information on significant agreements for the Issuer'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

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, on 11 February 2011, the Company issued coupon bonds with 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

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 Belchatów. 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 Belchatów. The transaction's value exceeds PLN 44 million net.

Establishment of a mortgage

The District Court in Jelenia Góra, 6th 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 Belchatów 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 illperformance 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 SA (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 8 March 2002.

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 March 2003.



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 thirtyeight 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 once the conditions are fulfilled but not later than by 30 September 2011. If the conditions are not fulfilled by the above date, the agreement shall be terminated. 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 links 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 November 2012.

The agreement contains provisions allowing Echo to calculate contractual penalties in the event of non-performance or illperformance 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 the 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 AI. 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:
 - (a) priority mortgage of up to EUR 21,525,000 (twenty-one million, five hundred and twenty-five thousand euro),
 (b) 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 komandytowoakcyjna, 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 Ioan 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.

6.2. Agreements between shareholders

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

6.3. Insurance agreements

OBJECT INSURED	INSURER	SUM INSURED (PLN '000)
property insurance policies - objects	TU Compensa S.A., Allianz	19,105
property insurance policies - equipment	TU Compensa S.A., Generali TU S.A.	8,425
civil liability policies	STU Ergo Hestia S.A., PZU S.A., WARTA TUIR, Compensa	5,110
construction and assembly risk policies	TU Compensa S.A., Generali S.A.	191,547
TOTAL SUM INSURED		224,187

6.4. Partnership or cooperation agreements

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

7. INFORMATION ON ORGANISATIONAL OR CAPITAL RELATIONS BETWEEN ECHO INVESTMENT S.A. AND OTHER ENTITIES; INDICATION OF ITS MAJOR DOMESTIC AND FOREIGN INVESTMENTS (SECURITIES, FINANCIAL INSTRUMENTS AND REAL PROPERTY), INCLUDING CAPITAL INVESTMENTS OUTSIDE THE CAPITAL GROUP AND DESCRIPTION OF FINANCING METHODS

7.1. Information on organisational or capital relations of Echo Investment S.A.

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

SUBSIDIARIES:			
NAME OF COMPANY	REGISTERED	% SHARE OF THE	PARENT COMPANY
	OFFICE	CAPITAL	
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. (formerly: Projekt Echo -	Kielce	100%	XXXIV FIZ Forum
53 Sp. z o.o.)			
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
Babka Tower - Projekt Echo - 93 Sp. z o.o. S.K.A.	Kielce	100%	XXIX FIZ Forum
(formerly: Athina Park - Projekt Echo - 93 Sp. z o.o. S.K.A.)			
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.

NAME OF COMPANY	REGISTERED OFFICE	% SHARE OF THE CAPITAL	PARENT COMPANY
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.	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 Chor - Galeria Kielce Sp. z o.o. Kielce 100% XXIX FIZ Forum / XXIV Echo - Galeria Kielce Sp. z o.o. Lublin 100% Echo Investment S.A. 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. z o.o. Kielce 100% Echo Investment S.A. Echo - Klimt House Sp. z o.o. Sp. z o.o. Kielce 100% Echo Investment S.A. Echo - Metropolis Sp. z o.o. Kielce 100% Echo Investment S.A. Echo - Prazy Slowiańskim Wzgórzu Sp. z o.o. Kielce 100% Echo Investment S.A. Echo - Przy Slowiańskim Wzgórzu Sp. z o.o. Sp. kom. Kielce 100% Echo Investment S.A. Echo - Przy Slowiańskim Wzgórzu Sp. z o.o. Sp. kom. Kielce 100% Echo Investment S.A. Echo - Nestment Facility Management - Grupa Echo Sp. z 0.0. Kielce <t< th=""><th>S.K.A.</th><th></th><th></th><th></th></t<>	S.K.A.			
(formerly: Galax) - Grupa Echo Sp. z o.o. Kielce 100% XXIX FIZ Forum / XXXIV 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. Kielce 100% Echo Investment S.A. Echo - Kimi House Sp. z o.o. Kielce 100% Echo Investment S.A. Echo - Kimi House Sp. z o.o. Kielce 100% Echo Investment S.A. Echo - Kimi House Sp. z o.o. Kielce 100% Echo Investment S.A. Echo - Metropolis Sp. z o.o. Kielce 100% Echo Investment S.A. Echo - Przy Stowiańskim Wzgórzu Sp. z o.o. Kielce 100% Echo Investment S.A. Echo - Przy Stowiańskim Wzgórzu Sp. z o.o. Sp. kom. 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 ACC - Grupa Echo Sp. z o.o. Sp. kom. 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 Project Management S.R.L.<		Kielce	100%	Echo Investment S.A.
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PHS - Projekt CS Sp. z o.o. S.K.A. Szczecin 100% XXIX FIZ Forum	Pasaż Grunwaldzki - Magellan West Sp. z o.o. S.K.A. (formerly: Pasaż Grunwaldzki - Grupa Echo Sp. z o.o.	Kielce	99.95%	XXIX FIZ Forum
	PHS - Projekt CS Sp. z o.o. S.K.A.	Szczecin	100%	XXIX FIZ Forum

NAME OF COMPANY	REGISTERED OFFICE	% SHARE OF THE CAPITAL	PARENT COMPANY
Pod Klonami Sp. z o.o. (formerly: Projekt Echo - 94 Sp. z	Kielce	100%	Projekt Naramowice
0.0.)			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
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.

7.2. 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 Capital Group's equity.

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 Investycyjny 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 Investycyjny 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.

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, no material transactions were concluded between Echo Investment S.A. and its subsidiaries, and related parties on terms other than market terms.

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

9.1. Loan agreements

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

BANK	TYPE OF LIABILITY	LOAN CURRENC Y	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. Debt instrument agreements

In addition to own funds, borrowings and loans, the current operations of Echo Investment S.A. 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.



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9.3. Borrowing agreements

As at 31 December 2011, Echo Investment S.A. did not hold any borrowings raised.

10. INFORMATION ON BORROWINGS GRANTED IN A GIVEN FINANCIAL YEAR

I. BORROWINGS GRANTED TO LEGAL PERSONS

ENTITY	REMAINING BORROWING AMOUNT TO BE REPAID (PLN '000), AS AT 31.12.2011	INTEREST RATE	REPAYMENT DEADLINE
Echo - Galeria Kielce Sp. z o.o.	83,400	Wibor 3M+margin	31.12.2012
Projekt Echo - 70 Sp. z o.o.	30,000	Wibor 3M+margin	31.12.2012
Echo Investment Hungary KFT	18,585	Wibor 3M+margin	31.12.2012
Projekt S Sp. z o.o.	960	Wibor 3M+margin	31.12.2012
Barconsel Holdings Limited	586	Wibor 3M+margin	31.12.2012
Echo Investment Project 1 SRL	250	Wibor 3M+margin	31.12.2012
EI - Project – CYP – 1 LIMITED	10,000	Wibor 3M+margin	30.09.2012
Total	143,781	, , , , , , , , , , , , , , , , , , ,	

II. BORROWINGS GRANTED TO NATURAL PERSONS

ENTITY	REMAINING BORROWING AMOUNT TO BE REPAID (PLN '000), AS AT 31.12.2011	INTEREST RATE	REPAYMENT DEADLINE
Person 1 Total	3 3	Wibor 6M + margin	31.12.2012

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

11.1. Surety agreements

I. Sureties issued as at 31 December 2011

SURETY TO	VALUE ('000)	VALIDITY PERIOD	DESCRIPTION
EUROHYPO AG	441,680 PLN		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
		not exceeding 31 March 2012	Eschborn (Germany) The surety was concluded in euro.
NORDEA BANK POLSKA S.A.	64,485 PLN	project is completed but for a	Surety for the obligations of Oxygen – Projekt Echo – 95 Sp. z o.o. S.K.A. under a loan agreement concluded on 27 September 2010 with 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. Valid guarantee agreements as at 31 December 2011

GUARANTOR	VALUE ('000)	VALIDITY PERIOD	DESCRIPTION
Echo Investment S.A.	7,300 PLN	until the repayment of liabilities 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.	17,768 PLN	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
PKO BP S.A.	200 PLN	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.	4,073 PLN	until 24.03.13	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.	500 PLN	until 29.02.12	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.	500 PLN	until 29.02.12	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.	500 PLN	until 29.02.12	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.	500 PLN	until 29.02.12	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.	324 PLN	until 29.08.12	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.	434 PLN	until 29.08.12	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.	196 PLN	until 31.08.12	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.	142 PLN	until 14.10.12	Security for non-performance of obligations towards ImmoPoland Sp. z o.o. under the lease agreement dated 20.09.11. 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 nonperformance 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 August 2011 Bank PKO BP S.A. extended 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 18 August 2009. The guarantee amount stands at EUR 44,355.08 (which as of 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 by the Company is as follows:

- under lease agreements: PLN 5.29 million and EUR 11.36 million
 - under contractor agreements: PLN 61.09 million and EUR 29.43 thousand.

12. FOR THE ISSUE OF SECURITIES IN THE REPORTING PERIOD – DESCRIPTION OF HOW ECHO INVESTMENT S.A. USES FUNDS RAISED FROM THE ISSUE

In 2011, Echo Investment S.A. did not issue any securities (shares).

Issue of bonds: For information on the use of funds from the issue of bonds, see section 9.2 of the report.

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

Echo Investment S.A. did not publish any forecasts of financial results for 2011.

14. ASSESSMENT AND EXPLANATION OF THE MANAGEMENT OF FINANCIAL RESOURCES, 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 Company'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 Company has obtained special purpose funding for developments in all three segments (shopping centres, office buildings and residential buildings). The signed loan agreements have improved the Company's financial situation.

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

Operating profit margin (operating profit/sales revenue): The increase of the margin compared to the same period a year earlier is caused by a lower operating profit and a higher net sales revenue. The result on the core operating activity has not changed. The ratio decreased as a result of a provision for interests in subsidiaries, which was posted in other operating costs, causing the ratio to decrease.

Balance sheet net profit margin (net profit/net sales revenue): The decrease of the margin compared to the same period a year earlier has been caused by a lower net profit in relation to the increase of sales revenue compared to the same period a year earlier.

Return on assets, ROA (net profit/total assets): The ratio decreased in comparison to the same period a year earlier due to a decrease in net profit and a higher value of assets.

Return on equity, ROE (net profit, equity): The ratio decreased in comparison to the same period a year earlier due to a lower net profit accompanied by an increase in equity.

PROFITABILITY RATIOS

PROFITABILITY RATIOS	31.12.2011	31.12.2010
Operating profit margin	17.5%	14.9%
Net balance sheet profit margin	3.9%	10.4%
Return on assets (ROA)	1.0%	2.7%
Return on equity (ROE)	2.8%	6.8%

TURNOVER RATIOS

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 include the acquired ownership 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.

Inventory days (inventory*360/net sales revenue): The ratio decreased compared to the previous year due to a decrease in the value of inventory accompanied by an increase in sales revenue. It means that the Company handles well the sale of its own products and is able to find buyers for them, as reflected in decreased inventory. It also means an increase of the Company's revenue.

Short-term debtor days (short-term receivables*360/net sales revenue): The ratio decreased due to the growth rate of receivables being slower than the growth rate of net sales revenue compared to the previous year. It means that the Company has no problems in collecting payments from its counterparties.

Short-term trade creditor days (short-term trade receivables*360/sales revenue): The ratio decreased due to a decrease in short-term liabilities in relation to an increase in sales revenue compared to the same period a year earlier. The decrease of this ratio indicates that the Company is capable of settling its liabilities.

TURNOVER RATIOS

TURNOVER RATIOS	31.12.2011	31.12.2010
Inventory days	270	317
Short-term debtor days	211	232
Short-term trade creditor days	36	56

LIQUIDITY RATIOS

Current ratio (current assets/short-term liabilities): The ratio increased due to a slower growth rate of liabilities in relation to the growth rate of current assets compared to the same period a year earlier. This ratio is maintained at safe, even ideal, levels (1.2 to 2.0), which indicates that the Company is in a good financial situation. The faster increase of assets in relation to liabilities testifies to a skilled use of financial leverage.

Quick ratio ((current assets - inventories) / short-term liabilities): Similarly to the current ratio, this ratio increased due to a decrease in liabilities accompanied by a simultaneous increase in current assets less inventories compared to the same period a year earlier.

Cash ratio (cash/short-term liabilities): The ratio increased because liabilities increased faster than cash. Ideal levels of this ratio are maintained thanks to the Company's liquidity policy.

LIQUIDITY RATIOS

LIQUIDITY RATIOS	31.12.2011	31.12.2010
Current ratio	2.01	1.65
Quick ratio	1.03	0.80
Cash ratio	0.27	0.17

DEBT RATIOS:

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

Equity to non-current assets ratio (equity/non-current assets): The ratio decreased because equity increased slower than non-current assets (increase of interest in subsidiaries).

Overall indebtedness ratio (total liabilities/total assets): The ratio increased because total assets increased slower than total liabilities. The 1% increase shows that the Company's indebtedness is at safe and constant levels in relation to assets.

Debt to equity ratio (total liabilities/equity): The ratio increased because equity increased slower than liabilities compared to the previous year. However, this level is still safe and, combined with high and ideal liquidity ratios, the increase in liabilities (financial liabilities) is a result of a greater effectiveness of the company and the use of financial leverage.

The comparison of debt and liquidity ratios indicates a good financial situation of the Company, and it shows that there is no risk the Company could loose its liquidity.

DEBT RATIOS

DEBT RATIOS

31.12.2011 31.12.2010

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Equity to assets ratio	36.9%	39.2%
Equity to non-current assets ratio	62.1%	69.2%
Overall indebtedness ratio	62.3%	59.5%
Debt to equity ratio	168.7%	151.8%

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 Company 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 PROFIT/LOSS FOR THE FINANCIAL YEAR AND SPECIFICATION OF IMPACT OF SUCH UNUSUAL FACTORS OR EVENTS ON THE GENERATED PROFIT/LOSS

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)
- 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),
- sales of a retail development Alma in Warsaw,
- license agreement for a trademark right and transfer of copyrights,
- agreement involving implementation of projects:
 - General Contractor Agreements,
 - Project Management Agreements,
 - Investment Preparation Agreements,
 - agreements for the contribution or sale of land to a subsidiary to implement a project,
- agreements with subsidiaries:
 - master agreements,
 - for the lease of computer hardware,
 - for agency services in the sale of apartments,
 - for agency services in the sale of developments,
 - for agency services in the lease of commercial areas,
 - for financial agency services,
 - for payment services,
 - for using a trade mark,
 - for establishing collaterals,
 - for marketing services,
- cost of sales and general and administrative expenses,
- measurement of liabilities due to bonds and borrowings at amortised cost,
- revaluation of inventories,
- payment of dividends and distribution of profit,
- interest on bank deposits and borrowings granted,
- discounts and interest on loans and bonds.

Unusual events affecting the Company's financial result in 2011:

- none.

As at 31 December 2011, the Company did not have any open positions hedging against FX variations.



17. DESCRIPTION OF EXTERNAL AND INTERNAL FACTORS MATERIAL FOR THE DEVELOPMENT OF THE ISSUER'S BUSINESS AND DESCRIPTION OF DEVELOPMENT PERSPECTIVES FOR THE ISSUER'S BUSINESS, AT LEAST UNTIL THE END OF THE FINANCIAL YEAR

17.1. Description of external and Internal factors significant for the development of Echo Investment S.A.

The most important external factors affecting the Company'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 growth perspectives for Echo Investment S.A.

In 2011, the Company, in its own name and using its special purpose vehicles (as the Group), is active on the 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 Echo Investment S.A. 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 ISSUER'S MERGER BY ACQUISITION

In 2011 and as at 31 December 2011, 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	1,200,000	PLN 0.05	PLN 60,000	0.29%
– Chairman of the Supervisory Board Andrzej Majcher	98,800	PLN 0.05	PLN 4,940	0.02%
 Vice-Chairman of the Supervisory Board Mariusz Waniołka 	no shares	PLN 0.05	-	-
- Vice-Chairman of the Supervisory Board Robert Oskard	no shares	PLN 0.05	-	-
 Member of the Supervisory Board Karol Żbikowski 	no shares	PLN 0.05	_	-
 Member of the Supervisory Board 	no shares	1 214 0.00		
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:

MANAGERIAL 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 AND BONDHOLDERS

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 statement 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.

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

Piotr Gromniak

President of the Management Board

Vice-President of the Management Board

Artur Langner

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 separate 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 Echo Investment S.A. and its financial result. The management report of Echo Investment S.A. presents a true view of development, accomplishments and situation of Echo Investment S.A., 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 financial statements for 2011, was selected in accordance with the laws. This entity and the statutory auditors conducting the audit fulfilled the conditions required to express an unbiased and independent opinion on the audited annual financial statements, pursuant to the applicable laws and professional standards.

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

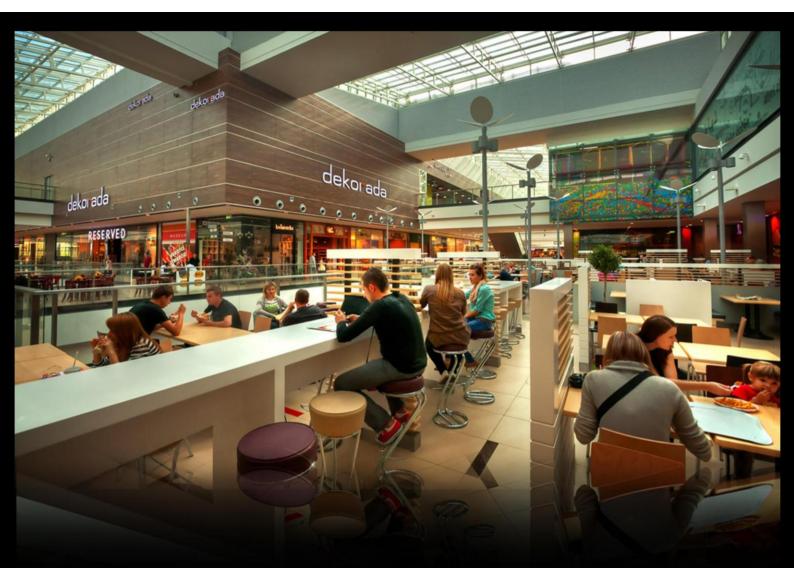
Piotr Gromniak

Artur Langner

President of the Management Board

Vice-President of the Management Board

Kielce, 27 April 2012



Statement of the Management Board of Echo Investment S.A. on the application of Corporate Governance Rules in 2011





V. STATEMENT OF THE MANAGEMENT BOARD OF ECHO INVESTMENT S.A ON THE APPLICATION OF CORPORATE GOVERNANCE RULES IN 2011

1. INDICATION OF A SET OF CORPORATE GOVERNANCE RULES WHICH THE ISSUER IS REQUIRED TO FOLLOW, AND WHERE THESE RULES ARE PUBLICLY AVAILABLE, OR A SET OF CORPORATE GOVERNANCE RULES WHICH THE ISSUER MAY ADOPT VOLUNTARILY, AND WHERE THESE RULES ARE PUBLICLY AVAILABLE, OR ALL RELEVANT INFORMATION ABOUT THE APPLICATION BY THE ISSUER OF CORPORATE GOVERNANCE PRACTICES WHICH GO BEYOND THOSE REQUIRED BY DOMESTIC LAWS, AND INFORMATION ON THE APPLICATION BY THE ISSUER OF CORPORATE GOVERNANCE PRACTICES

Echo Investment S.A. (Issuer) is obliged to observe the rules of corporate governance specified in the document "Code of Best Practice for WSE Listed Companies" adopted by way of Resolution No. 17/1249/2010 of Warsaw Stock Exchange on 19 May 2010. On 31 August 2011 and 19 October 2011, WSE amended the "Code of Best Practice for WSE Listed Companies". The text of the abovementioned rules is available on the website of Warsaw Stock Exchange: www.corp-gov.gpw.pl.

The website <u>www.corp-gov.gpw.pl</u> is the official website of Warsaw Stock Exchange devoted to corporate governance rules applicable to companies listed on the Main Market of WSE and on the NewConnect market.

At the same time, the Issuer explains that it does not apply corporate governance practices other than those mentioned before, going beyond the requirements specified by the national law.

2. INFORMATION ON THE EXTENT TO WHICH THE ISSUER DIVERGED FROM THE RULES OF CORPORATE GOVERNANCE, SPECIFICATION OF SUCH PROVISIONS AND EXPLANATION FOR NOT APPLYING THEM

The Management Board of Echo Investment S.A. (Company) announces that the Company does not apply the following corporate governance rules, as included in the document "Code of Best Practice for WSE Listed Companies", adopted by way of Resolution No. 17/1249/2010 of the Board of Warsaw Stock Exchange on 19 May 2010.

Part I "Recommendations for Best Practice for Listed Companies"

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

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

This principle is not and will not be applied in the nearest future. The Company does not provide on-line transmissions of general meetings over the Internet as the Company's Statute and the Rules and Regulations of the General Shareholders' Meeting provide for personal participation in the general meeting or representation through an attorney, and do not impose any restrictions in this matter. Resolutions adopted by a general meeting are promptly disclosed in the form of current reports and published on the Company's website.

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

This principle is not and will not be applied. Pursuant to the corporate documents of the Company, the level of remuneration, awards and bonuses for members of the Management Board is defined by the Supervisory Board and the remuneration of the Supervisory Board members is subject to a decision of the General Shareholders' Meeting and is adopted by way of a resolution.



Rule 9: "The WSE recommends to public companies and their shareholders that they ensure a balanced proportion of women and men in management and supervisory functions in companies, thus reinforcing the creativity and innovation of the companies' economic business."

This principle is not and will not be applied. Bodies authorised to appoint candidates for members of supervisory and management bodies care for the best interest of the Company and its shareholders and consider proper qualifications of candidates, satisfying the Company's requirements related with its operations. This process does not discriminate women.

Rule 12: "A company should enable its shareholders to participate in a General Meeting using electronic communication means through:

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

This principle is not and will not be applied. Pursuant to the provisions of the Commercial Companies Code, participation in a General Meeting using electronic means of communication must be allowed by the statute. The Statute of Echo Investment S.A. does not allow for such manner of conducting a general meeting.

Part II "Best Practice for Management Boards of Listed Companies"

Rule 1 "A company should operate a corporate website and publish on it:

section 7: shareholders' questions on issues on the agenda submitted before and during a General Meeting together with answers to those questions".

This principle is not and will not be applied. The Company does not take minutes of the General Meeting, including all statements and questions. The Chairman of the General Shareholders' Meeting decides on including individual issues in the minutes, taking into account the law, importance of a given issue and reasonable demands of the shareholders. According to the regulations of the Code of Commercial Companies, the participants of the General Meeting have the right to make statements in writing that are enclosed to the minutes. The Company acknowledges that such principles are sufficient to ensure the transparency of general meetings.

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

The Management Board of the Company has not applied this rule because it has not received such statements from members of the Supervisory Board.

Rule 3: "Before a company executes a significant agreement with a related entity, its Management Board shall request the approval of the transaction/agreement by the Supervisory Board. This condition does not apply to typical transactions made on market terms within the operating business by the company with a subsidiary where the company holds a majority stake. For the purpose of this document, related entity shall be understood within the meaning of the Regulation of the Minister of Finance issued pursuant to Article 60, section 2 of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and on Public Companies (J.L. No. 184, item 1539, as amended)".

This principle is not and will not be applied. In the opinion of the Company's Management Board, the provisions included in the existing legal regulations, the Statute and the regulations of the Company's Supervisory Board regarding transactions/agreements concluded with its related parties are sufficient. In addition, the powers of the Supervisory Board include continuous supervision of the Company's operations, also as regards decisions on all material contracts concluded by the Company, assuming specific criteria for the value of contracts, as indicated in the Company's Statute.

Part III "Best practice for Supervisory Board Members"

Rule 1: "In addition to its responsibilities laid down in legal provisions, the Supervisory Board should:

section 1: "once a year prepare and present to the Ordinary General Meeting a brief assessment of the company's standing including an evaluation of the internal control system and the significant risk management system".

This rule is not and will not be applied in the part regarding the evaluation of systems. Evaluation of the internal control system and the significant risk management system is not within the responsibilities of the Supervisory Board. Therefore, the Supervisory Board will not present an evaluation of these systems to the general meeting.

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

This rule is not and will not be applied by the Supervisory Board of Echo Investment S.A.. The above rule is unnecessary due to the obligation of Members of the Supervisory Board to withdraw from participation in the Board's decisions in the case of a conflict of interest. The correct and sufficient criterion under the existing law is the criterion of the purpose and effect that a Member of the Supervisory Board pursues and achieves through their actions. This criterion includes acting for the benefit of the



Company and its shareholders, and accountability for potential actions to the detriment of the Company or its shareholders.

Rule 6: "At least two Members of the Supervisory Board should meet the criteria of being independent from the company and entities with significant connections with the company. The independence criteria should be applied under Annex II to the Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board. Irrespective of the provisions of point (b) of the said Annex, a person who is an employee of the company or an associated company cannot be deemed to meet the independence criteria described in the Annex. In addition, a relationship with a shareholder precluding the independence of a Member of the Supervisory Board as understood in this rule is an actual and significant relationship with any shareholder who has the right to exercise at least 5% of all votes at the General Meeting".

This rule is not and will not be applied by the Supervisory Board of Echo Investment S.A.. According to the existing legal regulations, Members of the Supervisory Board are appointed independently by the General Shareholders' Meeting of the Company. Therefore, there is no reason to limit the freedom of choice of members of the Company's Supervisory Board. In addition, the "independence" criterion is not appropriate for laying down positions and criteria for Supervisory Board members to follow when making decisions as part of their mandate. Due to the very fact of the appointment and the shareholders' power to dismiss, as well as the position of the Board's member that consists in representing the shareholders, this criterion is illusory and vague. In the Company's opinion, independence of the members of the Company's authorities consists in the possibility and necessity to act lawfully and in the interests of the Company. Such a meaning of independence is respected by the Company.

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

In 2011, this rule was not applied. An Audit Committee operates as part of the Supervisory Board; its business is specified by the Rules and Regulations of the Audit Committee, which defines the Committee's tasks and operation.

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

This principle is not and will not be applied. The regulations included in the existing laws, in combination with the Statute and the Rules and Regulations of the Company's Supervisory Board, regarding transactions/agreements concluded with a related entity, are sufficient. The responsibilities of the Supervisory Board include continuous supervision over the Company's operations, also as regards decisions on all material contracts concluded by the Company, assuming specific criteria for the value of contracts, as indicated in the Company's Statute.

Part IV "Best practices of Shareholders"

Rule 1: "Presence of representatives of the media should be allowed at General Meetings".

This principle is not and will not be applied. General meetings of shareholders are attended by authorised persons and persons providing services to the General Meeting. The Company does not find it necessary to introduce additional obligations for the shareholders as regards enabling participation in general meetings for the media representatives under special conditions. The existing legal regulations sufficiently regulate the implementation of information obligations imposed on public companies as regards the openness and transparency of issues discussed at the General Meeting. The Company replies immediately to questions from media representatives related to the General Meeting.

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

This principle is not and will not be applied. The current nominal of one share of Echo Investment S.A. is PLN 0.05 (five grosz). Adoption of this principle may result in inability to split the nominal value of Echo Investment S.A.'s shares, which is in conflict with the applicable laws.

3. 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

I. DESCRIPTION OF MAIN CHARACTERISTICS OF INTERNAL CONTROL SYSTEMS AND OF RISK MANAGEMENT SYSTEMS USED IN THE ISSUER'S BUSINESS

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 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.

II. DETAILED 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

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 Budgeting 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 Budgeting 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 a 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.

III. 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 costs and general administrative and sale expenses is the responsibility of 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 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.

IV. 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 organisation largely eliminates most risks to which the Group is exposed.

4. SHAREHOLDERS HOLDING, DIRECTLY OR INDIRECTLY, SUBSTANTIAL STAKES OF SHARES OF ECHO INVESTMENT S.A., NUMBER OF SHARES HELD BY SUCH ENTITIES, THEIR PERCENTAGE SHARE IN THE SHARE CAPITAL, NUMBER OF VOTES VESTED WITH THE SHARES AND THEIR PERCENTAGE SHARE IN TOTAL VOTES AT THE GENERAL MEETING

SHAREHOLDER	Number of shares	% OF SHARE CAPITAL OF ECHO INVESTMENT S.A.	NUMBER OF VOTES AT THE GSM OF ECHO INVESTMENT S.A.	% OF TOTAL VOTES AT THE GSM of ECHO INVESTMENT S.A.
Michał Sołowow, including:	185,786,775	44.23%	185,786,775	44.23%
- directly:	2,343,431	0.56%	2,343,431	0.56%
- indirectly, including:	183,443,344	43.68%	183,443,344	43.68%
Barcocapital Investment Limited	63,980,497	15.23%	63,980,497	15.23%
Calgeron Investment Limited	17,884,050	4.26%	17,884,050	4.26%
FTF Galleon S.A.	101,578,797	24.19%	101,578,797	24.19%
ING OFE	54,488,467	12.97%	54,488,467	12.97%
AVIVA OFE AVIVA BZ WBK	36,683,460	8.73%	36,683,460	8.73%
PZU Złota Jesień OFE	21,419,085	5.1%	21,419,085	5.1%

Data as at the day of preparing the report.

Information received by Echo Investment in 2011 on the ownership of substantial stakes of shares

On 22 August 2011, the Issuer received information from ING Powszechne Towarzystwo Emerytalne S.A., which – pursuant to art. 69 of the Act of 29 July 2005 on public offering and the terms for introducing financial instruments into an organised trading



system, and on public companies (J. L. of 2009, No. 185, item 1439) – announced that as a result of the purchase of the Issuer's shares under transactions at the WSE, settled on 17 August 2011, ING Otwarty Fundusz Emerytalny (ING OFE) came into the ownership of the Issuer's shares representing more than 10% of votes at the Company's GSM.

Before the purchase, INF OFE held 41,962,495 (forty-one million, nine hundred and sixty-two thousand, four hundred and ninety-five) shares in the Company, representing 9.99% of the Company's share capital, and was entitled to 41,962,495 (forty-one million, nine hundred and sixty-two thousand, four hundred and ninety-five) votes at the Company's GSM, which makes up 9.99% of the overall number of votes. As at 22 August 2011, OFE ING's securities account includes 43,987,495 (forty-three million, nine hundred and eighty-seven, four hundred and ninety-five) of the Company's shares, representing 10.47% of the Company's share capital. These shares are vested with 43,987,495 (forty-three million, nine hundred and eighty-seven, four hundred and ninety-five) votes at the Company's GSM, representing 10.47% of the overall number of votes.

With reference to the notification dated 22 August 2011 on exceeding 10% of votes at the general shareholders meeting of the Issuer as a result of acquiring Issuer's shares in transactions on the WSE (current report no. 39 dated 22 August 2011), the Issuer was further notified that ING Otwarty Fundusz Emerytalny (ING OFE) did not rule out increasing or decreasing its holding within forthcoming 12 months depending on the market situation and the Company's operations. The purpose of acquiring the Company's shares is to invest funds within the investment activity of ING OFE.

On 27 September 2011, the Issuer received two notifications:

Notification No. 1

Acting pursuant to Article 69, section (2) of the Act dated 29 July 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading and Public Companies (Dziennik Ustaw [Journal of Laws] no. 185 item 1439), I notify that as a result of a block transaction carried out during the session on 26 September 2011, Barcocapital Investment Limited with its registered office in Agiou Pavlou 15, Ledra House, Agios Andreas, 1105 Nicosia, the Republic of Cyprus, registered in the Department for the Registration of Companies and the Official Receiver of the Republic of Cyprus (Companies Register) under no. HE 145969, a subsidiary of Mr Michał Sołowow, disposed of 38,870,000 (thirty-eight million, eight hundred and seventy thousand) shares and became holder of Echo Investment S.A. (Company) shares representing less than 25% of votes at the general shareholders' meeting of the Company.

As at the date of preparing this notification, Barcocapital Investment Limited holds 103,041,680 (one hundred and three million, forty-one thousand, six hundred and eighty) shares of the Company representing 24.53% of the share capital and it is entitled to 103,041,680 (one hundred and three million, forty-one thousand, six hundred and eighty) votes at the general shareholders' meeting of the Company, which represents 24.53% of the total number of votes.

Prior to the transaction, Barcocapital Investment Limited held 141,911,680 (one hundred and forty-one million, nine hundred and eleven thousand, six hundred and eighty) shares of the Company representing 33.79% of the share capital and was entitled to 141,911,680 (one hundred and forty-one million, nine hundred and eleven thousand, six hundred and eighty) votes at the general shareholders' meeting, which represented 33.79% of the total number of votes.

Notification No. 2

Acting pursuant to Article 69, section (1) of the Act dated 29 July 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading and Public Companies (Dziennik Ustaw [Journal of Laws] no. 185 item 1439), I notify that as a result of a block transaction carried out during the session on 26 September 2011, FTF Galleon S.A., with its registered office in Luxembourg, at Charles de Gaulle 2-8, L-1635 Luxembourg, registered in the Commercial Companies Register in Luxembourg under no. B 154340, a subsidiary of Mr Michał Sołowow, purchased 38,870,000 (thirty-eight million, eight hundred and seventy thousand) shares and came into the ownership of Echo Investment S.A.'s (Company) shares representing more than 10% of votes at the Company's general shareholders' meeting.

As at the date of preparing this notification, Galleon S.A. holds 50,313,192 (fifty million, three hundred and thirteen thousand, one hundred and ninety-two) shares of the Company representing 11.98% of the share capital and it is entitled to 50,313,192 (fifty million, three hundred and thirteen thousand, one hundred and ninety-two) votes at the general shareholders' meeting of the Company, which represents 11.98% of the total number of votes.

Prior to the transaction, FTF Galleon S.A. held 11,443,192 (eleven million, four hundred and forty-three thousand, one hundred and ninety-two) shares of the Company representing 2.72% of the share capital and was entitled to 11,443,192 (eleven million, four hundred and forty-three thousand, one hundred and ninety-two) votes at the general shareholders' meeting, which represented 2.72% of the total number of votes.

FTF Galleon S.A. does not rule out increasing its holding of the shares in the forthcoming 12 months, depending on the market situation and the Company's operations.

On 27 September 2011 the Issuer received a notification from a Supervisory Board Member saying that on 26 September 2011, Barcocapital Investment Limited, with its registered office in Agiou Pavlou 15, Ledra House, Agios Andreas, 1105, Nicosia, Republic of Cyprus, entered into the Department for the Registration of Companies and the Official Receiver of the Republic of Cyprus (Companies Register) under no. HE 145969, disposed of 38,870,000 shares of Echo Investment S.A. to FTF Galleon S.A., with its registered office in Luxembourg, Charles de Gaulle 2-8, L-1635 Luxembourg, registered in the Commercial Companies Register in Luxembourg under number B 154340.



The above-mentioned entities carried out the share purchase/sale transaction on the regulated market by way of a session block transaction on 26 September 2011. The average transaction price per Issuer's share amounted to PLN 3.676.

Both companies are subsidiaries of Mr Michał Sołowow. As a result of the said transaction, Barcocapital Investment Limited decreased its holding of votes at the Issuer's general meeting below 25% of votes, while FTF Galleon S.A. increased its holding of votes at the Issuer's general meeting to more than 10% of votes.

The announcing person requested that their personal data be kept confidential pursuant to § 3.2 of the Ordinance of the Minister of Finance of 25 November 2005 regarding communicating and releasing information on certain transactions on financial instruments and principles of collecting and managing the list of persons having access to certain confidential information.

On 17 November 2011, the Issuer received information from ING Powszechne Towarzystwo Emerytalne S.A., which – pursuant to article 69 of the Act of 29 July 2005 on public offering and the terms for introducing financial instruments into an organised trading system, and on public companies (J. L. of 2009, No. 185, item 1439) – announced that as a result of the purchase of the Issuer's shares under transactions at the WSE, settled on 14 November 2011, ING Otwarty Fundusz Emerytalny (later referred to as the Fund), increased its holding of shares by at least 2%.

Before the purchase of the shares, the Fund held 48,121,638 (forty-eight million, one hundred and twenty-one thousand, six hundred and thirty-eight) shares in the Company, representing 11.46% of the Company's share capital, and was entitled to 48,121,638 (forty-eight million, one hundred and twenty-one thousand, six hundred and thirty-eight) votes at the Company's GSM, which makes up 11.46% of the overall number of votes.

As at 17 November 2011, the Fund's securities account includes 54,488,467 (fifty-four million, four hundred and eighty-eight thousand, four hundred and sixty-seven) of the Company's shares, representing 12.97% of the Company's share capital. These shares are vested with 54,488,467 (fifty-four million, four hundred and eighty-eight thousand, four hundred and sixty-seven) votes at the Company's GSM, representing 12.97% of the overall number of votes.

The Fund does not rule out increasing or decreasing its holding of the shares in the forthcoming 12 months, depending on the market situation and the Company's operations. The purpose of acquiring the Company's shares is to invest funds as part of the Fund's investment activity.

On 18 November 2011, the Issuer received two notifications regarding the increase in the holding of the Company's shares:

NOTIFICATION NO. 1 – from Mr Michał Sołowow

"Acting pursuant to art. 69, section 2, item 2 of the Act of 29 July 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and on Public Companies (Journal of Laws no. 185, item 1439), I notify that, as a result of the purchase of shares between 15 and 18 November 2011 by my subsidiary, FTF Galleon S.A. with its registered office in Luxembourg, Charles de Gaulle 2-8, L-1635 Luxembourg, registered in the Commercial Companies Register in Luxembourg under number B 154340, I increased my holding of Echo Investment S.A.'s (Company) shares by at least 1% of the overall number of votes at the Company's general shareholders' meeting.

As at the day of preparing this notification, I hold a total of, directly and indirectly, 183,151,128 shares of Echo Investment S.A., which represent 43.61% of the share capital and are vested with 183,151,128 votes at Echo Investment S.A.'s general shareholders' meeting, accounting for 43.61% of the overall number of votes at Echo Investment S.A.'s general shareholders' meeting.

My detailed holding of shares of Echo Investment S.A., as at the day of preparing this notification, is presented in the table below:

	NUMBER OF SHARES	% OF SHARE CAPITAL	NUMBER OF VOTES AT THE	% OF TOTAL VOTES AT THE
			GSM	GSM
Total, directly and indirectly:	183,151,128	43.61%	183,151,128	43.61%
- directly:	2,343,431	0.56%	2,343,431	0.56%
 indirectly, including: 	180,807,697	43.05%	180,807,697	43.05%
Barcocapital Investment Limited	103,041,680	24.53%	103,041,680	24.53%
Calgeron Investment Limited	17,884,050	4.26%	17,884,050	4.26%
FTF Galleon S.A.	59,881,967	14.26%	59,881,967	14.26%

Before the above-mentioned transactions, I held a total of – directly and indirectly – 173,582,353 shares of the Company, which represented 41.33% of the share capital, and I was entitled to 173.582.353 votes at the Company's general shareholders' meeting, accounting for 41.33% of the overall number of votes at the Company's general shareholders' meeting.

There are no persons referred to in article 87, section 1, item 3, letter c of the Act of 29 July 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and on Public Companies (J.L. No. 184, item 1539)."

NOTIFICATION NO. 2 - from FTF Galleon S.A., a subsidiary of Mr Michał Sołowow

"Acting pursuant to art. (69) of the Act of 29 July 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and on Public Companies (J.L. no. 185, item 1439), I notify that, as a result of the purchase of shares of Echo Investment S.A. (later referred to as the Company) in the course of transactions at the Warsaw Stock Exchange between 15 and 18 November 2011, FTF Galleon S.A., with its registered office in Luxembourg, Charles de Gaulle 2-8, L-1635 Luxembourg, registered in the Commercial Companies Register in Luxembourg under number B 154340, a subsidiary of Mr Michał Sołowow, increased its holding of the Company's shares by at least 2%.

As at the day of preparing this notification, Galleon S.A. holds 59,881,967 (fifty-nine million, eight hundred and eighty-one thousand, nine hundred and sixty-seven) shares of the Company, representing 14.26% of the share capital, and is entitled to 59,881,967 (fifty-nine million, eight hundred and eighty-one thousand, nine hundred and sixty-seven) votes at the Company's general shareholders' meeting, accounting for 14.26% of the overall number of votes.

Before the transaction, Galleon S.A. held 50,313,192 (fifty million, three hundred and thirteen thousand, one hundred and ninety-two) shares of the Company, representing 11.98% of the share capital, and it was entitled to 50,313,192 (fifty million, three hundred and thirteen thousand, one hundred and ninety-two) votes at the general shareholders' meeting of the Company, which represents 11.98% of the overall number of votes.

There are no subsidiaries of the notifying shareholder who hold the company's shares.

There are no persons referred to in article 87, section 1, item 3, letter c of the Act of 29 July 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and on Public Companies (J.L. No. 184, item 1539)".

On 18 November 2011, the Issuer received a notification in which a Member of the Issuer's Supervisory Board announced that, between 15 and 18 November 2011, FTF Galleon S.A., with its registered office in Luxembourg, at Charles de Gaulle 2-8, L-1635 Luxembourg, entered in the Commercial Companies Register in Luxembourg under no. B 154340, a subsidiary of Mr Michał Sołowow, purchased a total of 9,568,775 shares of Echo Investment S.A.

The share purchase transactions were concluded on a regulated market in a continuous trading system and as part of block transactions on the following dates: 2011-11-15; 2011-11-16; 2011-11-17; 2011-11-18. The average purchase price was PLN 3.363 per share and the total volume was 9,568,775 shares.

The notifying entity requested that their personal data be kept confidential pursuant to § 3.2 of the Ordinance of the Minister of Finance of 25 November 2005 regarding communicating and releasing information on certain transactions on financial instruments and principles of collecting and managing the list of persons having access to certain confidential information.

On 29 November 2011, the Issuer received notifications from a member of the Issuer's Supervisory Board, saying that:

- 1/ 0n 23 November 2011, FTF Galleon S.A., with its registered office in Luxembourg, at Charles de Gaulle 2-8, L-1635 Luxembourg, entered in the Commercial Companies Register in Luxembourg under no. B 154340, a subsidiary of Mr Michał Sołowow, purchased 196,830 shares of Echo Investment S.A.
- 2/ On 24 November 2011, Barcocapital Investment Limited, with its registered office at Agiou Pavlou 15, Ledra House, Agios Andreas, 1105 Nicosia, Republic of Cyprus, registered in the Department for the Registration of Companies and the Receiver of the Republic of Cyprus (Companies Register) under no. HE 145969, a subsidiary of Mr Michał Sołowow, purchased 1,001,757 shares of Echo Investment S.A.

The share purchase transaction was concluded on a regulated market in a continuous trading system on: 2011-11-23; 2011-11-24. The average purchase price was PLN 3.34 per share and the total volume was 1,198,587 shares.

The notifying entity requested that their personal data be kept confidential pursuant to § 3.2 of the Ordinance of the Minister of Finance of 15 November 2005 regarding communicating and releasing information on certain transactions on financial instruments and principles of collecting and managing the list of persons having access to certain confidential information.

On 5 December 2011, the Issuer received two notifications:

Notification No. 1: regarding the sale, as a result of a block transaction during the trading session on 30 November 2011, by Barcocapital Investment Limited, with its registered office at Agiou Pavlou 15, Ledra House, Agios Andreas, 1105 Nicosia, Republic of Cyprus, registered in the Department for the Registration of Companies and the Receiver of the Republic of Cyprus (Companies Register) under no. HE 145969, a subsidiary of Mr Michał Sołowow, of 41,500,000 (forty-one million and five hundred thousand) shares, and regarding the decrease in the number of votes below 15% of the votes at the Issuer's general shareholders' meeting.

Notification No. 2: regarding the purchase, as a result of a block transaction during the trading session on 30 November 2011, by FTF Galleon S.A., with its registered office in Luxembourg, at Charles de Gaulle 2-8, L-1635 Luxembourg, registered in the Commercial Companies Register in Luxembourg under no. B 154340, a subsidiary of Mr Michał Sołowow, of 41,500,000 (forty-one million and five hundred thousand) shares, and the increase of the number of votes above 20% of overall votes at the



Issuer's general shareholders' meeting.

Notification No. 1

"Acting pursuant to article 69, section (2) of the Act of 29 July 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and on Public Companies (J.L. no. 185, item 1439), I notify that as a result of a block transaction carried out during the session on 30 November 2011, Barcocapital Investment Limited, with its registered office in Agiou Pavlou 15, Ledra House, Agios Andreas, 1105 Nicosia, Republic of Cyprus, registered in the Department for the Registration of Companies and the Official Receiver of the Republic of Cyprus (Companies Register) under no. HE 145969, a subsidiary of Mr Michał Sołowow, sold 41,500,000 (forty-one million and five hundred thousand) shares and, as a result, holds Echo Investment S.A.'s (Company) shares representing less than 15% of votes at the general shareholders' meeting of the Company.

As at the date of preparing this notification, Barcocapital Investment Limited holds 62,543,437 (sixty-two million, five hundred and forty-three thousand, four hundred and thirty-seven) shares of the Company, representing 14.89% of the share capital, and it is entitled to 62,543,437 (sixty-two million, five hundred and forty-three thousand, four hundred and thirty-seven) votes at the general shareholders' meeting of the Company, which accounts for 14.89% of the overall number of votes.

Before the transaction, Barcocapital Investment Limited held 104,043,543 (one hundred and four million, forty-three thousand, five hundred and forty-three) shares of the Company, representing 24.77% of the share capital, and was entitled to 104,043,543 (one hundred and four million, forty-three thousand, five hundred and forty-three) votes at the Company's general shareholders' meeting, which accounted for 24.77% of the overall number of votes.

There are no subsidiaries of the notifying shareholder who hold the company's shares.

There are no persons referred to in article 87, section 1, item 3, letter c of the Act of 29 July 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and on Public Companies (J.L. No. 184, item 1539)."

Notification No. 2

"Acting pursuant to article 69, 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 (J.L. no. 185, item 1439), I announce that, as a result of a block transaction during the trading session on 30 November 2011, FTF Galleon S.A., with its registered office in Luxembourg, at Charles de Gaulle 2-8, L-1635 Luxembourg, registered in the Commercial Companies Register in Luxembourg under no. B 154340, a subsidiary of Mr Michał Sołowow, purchased 41,500,000 (forty-one million and five hundred thousand) shares and became the owner of shares in Echo Investment S.A. (Company) that represent more than 20% of votes at the Company's general shareholders' meeting.

As at the day of preparing this notification, Galleon S.A. holds 101,578,797 (one hundred and one million, five hundred and seventy-eight thousand, seven hundred and ninety- seven) shares of the Company, representing 24.19% of the share capital, and is entitled to 101,578,797 (one hundred and one million, five hundred and seventy-eight thousand, seven hundred and ninety- seven) votes at the Company's general shareholders' meeting, representing 24.19% of the overall number of votes.

Before the transaction, FTF Galleon S.A. held 60,078,797 (sixty million, seventy-eight thousand, seven hundred and ninetyseven) shares in the Company, representing 14.3% of the Company's share capital, and was entitled to 60,078,797 (sixty million, seventy-eight thousand, seven hundred and ninety-seven) votes at the Company's general shareholders' meeting, accounting for 14.3% of the overall number of votes.

There are no subsidiaries of the notifying shareholder who hold the company's shares.

There are no persons referred to in article 87, section 1, item 3, letter c of the Act of 29 July 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and on Public Companies (J.L. No. 184, item 1539)".

The above-mentioned entities carried out the share purchase/sale transaction on the regulated market by way of a session block transaction on 30 November 2011. The average transaction price per Issuer's share amounted to PLN 3.3.

Both companies are subsidiaries of Mr Michał Sołowow. As a result of the said transaction, Barcocapital Investment Limited decreased its holding of votes at the Issuer's general meeting below 15% of votes, while FTF Galleon S.A. increased its holding of votes at the Issuer's general meeting to more than 20% of votes.

The notifying entity requested that their personal data be kept confidential pursuant to § 3.2 of the Ordinance of the Minister of Finance of 15 November 2005 regarding communicating and releasing information on certain transactions on financial instruments and principles of collecting and managing the list of persons having access to certain confidential information.

Separate annual report of Echo Investment S.A. for 2011

On 5 December 2011 the Issuer received a notification from a Supervisory Board Member saying that, on 30 November 2011, Barcocapital Investment Limited, with its registered office in Agiou Pavlou 15, Ledra House, Agios Andreas, 1105, Nicosia, Republic of Cyprus, entered into the Department for the Registration of Companies and the Official Receiver of the Republic of Cyprus (Companies Register) under no. HE 145969, sold 41,500,000 shares of Echo Investment S.A. to FTF Galleon S.A., with its registered office in Luxembourg, Charles de Gaulle 2-8, L-1635 Luxembourg, registered in the Commercial Register in Luxembourg under number B 154340.



On 16 December 2011, the Issuer received a notification from a member of the Supervisory Board saying that Barcocapital Investment Limited, with its registered office at Agiou Pavlou 15, Ledra House, Agios Andreas, 1105 Nicosia, Republic of Cyprus, registered in the Department for the Registration of Companies and the Receiver of the Republic of Cyprus (Companies Register) under no. HE 145969, a subsidiary of Mr Michał Sołowow, purchased a total of 750,108 shares in the Issuer's company.

The share purchase transaction was concluded on a regulated market in a continuous trading system on: 2011-12-09; 2011-12-13; 2011-12-14;.

The average purchase price was PLN 3.35 per share and the total volume was 750,108 shares.

The notifying entity requested that their personal data be kept confidential pursuant to § 3.2 of the Ordinance of the Minister of Finance of 25 November 2005 regarding communicating and releasing information on certain transactions on financial instruments and principles of collecting and managing the list of persons having access to certain confidential information.

On 30 December 2011, the Issuer received a notification from a member of the Supervisory Board saying that Barcocapital Investment Limited, with its registered office at Agiou Pavlou 15, Ledra House, Agios Andreas, 1105 Nicosia, Republic of Cyprus, registered in the Department for the Registration of Companies and the Receiver of the Republic of Cyprus (Companies Register) under no. HE 145969, a subsidiary of Mr Michał Sołowow, purchased 186,952 shares in the Issuer's company.

The share purchase transaction was concluded on a regulated market in a continuous trading system on 22 December 2011. The average purchase price was PLN 3.17 per share and the total volume was 186,952 shares.

The notifying entity requested that their personal data be kept confidential pursuant to § 3.2 of the Ordinance of the Minister of Finance of 15 November 2005 regarding communicating and releasing information on certain transactions on financial instruments and principles of collecting and managing the list of persons having access to certain confidential information.

Information on the ownership of shares received by the Issuer after the balance sheet date and by the date of publishing this report

On 5 January 2012, the Issuer received a notification from a member of the Supervisory Board saying that Barcocapital Investment Limited, with its registered office at Agiou Pavlou 15, Ledra House, Agios Andreas, 1105 Nicosia, Republic of Cyprus, registered in the Department for the Registration of Companies and the Receiver of the Republic of Cyprus (Companies Register) under no. HE 145969, a subsidiary of Mr Michał Sołowow, purchased 500,000 shares in the Issuer's company.

The share purchase transaction was concluded on a regulated market in a continuous trading system on 5 January 2012.

The average purchase price was PLN 3.29 per share and the total volume was 500,000 shares.

The notifying entity requested that their personal data be kept confidential pursuant to § 3.2 of the Ordinance of the Minister of Finance of 15 November 2005 regarding communicating and releasing information on certain transactions on financial instruments and principles of collecting and managing the list of persons having access to certain confidential information.

On 1 March 2012, the Issuer received a notice from a subsidiary, Park Postępu-Projekt Echo-93 Spółka z ograniczoną odpowiedzialnością spółka komandytowo – akcyjna, regarding the purchase of the Issuer's shares as result of the call to subscribe for the sale of Echo Investment S.A.'s shares.

Notification:

"Acting pursuant to article 77, section 7 of the Act of 29 July 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and on Public Companies (J.L. of 2005, No. 184, item 1539, as amended), Park Postępu – Projekt Echo – 93 Spółka z ograniczoną odpowiedzialnością Spółka komandytowo – akcyjna, with its registered office in Kielce, announces that, as part of the call to subscribe for the sale of Echo Investment S.A.'s shares, as a result of the settlement of a purchase transaction on 27 February 2012, it came into the ownership of 7,309,418 ordinary bearer shares of Echo Investment S.A.

As at the day of preparing this notification, Park Postępu – Projekt Echo – 93 Spółka z ograniczoną odpowiedzialnością Spółka komandytowo – akcyjna, with its registered office in Kielce, held 7,309,418 ordinary bearer shares of Echo Investment S.A., which represent 1.74% of the share capital of Echo Investment S.A. and are vested with 7,309,418 votes, accounting for 1.74% of the overall number of votes at the General Meeting of Echo Investment S.A.

Before the transaction, Park Postępu – Projekt Echo – 93 Spółka z ograniczoną odpowiedzialnością Spółka komandytowo – akcyjna, with its registered office in Kielce, did not hold any shares of Echo Investment S.A.

There are no subsidiaries of the notifying shareholder who hold the company's shares.

There are no persons referred to in article 87, section 1, item 3, letter c of the Act of 29 July 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and on Public Companies (J.L. No. 184, item 1539, as amended)."



5. IDENTIFICATION OF HOLDERS OF ALL SECURITIES WITH SPECIAL CONTROL RIGHTS AND DESCRIPTION OF SUCH RIGHTS

Securities issued by Echo Investment S.A. do not grant any special control powers to their holders.

6. ALL LIMITATIONS REGARDING THE RIGHT TO VOTE, SUCH AS RESTRICTED RIGHT TO VOTE BY HOLDERS OF A GIVEN SHARE AND NUMBER OF VOTES, TEMPORARY RESTRICTIONS ON THE RIGHT TO VOTE OR PROVISIONS UNDER WHICH, IN COOPERATION WITH THE COMPANY, CAPITAL RIGHTS LINKED TO SECURITIES ARE SEPARATED FROM THE HOLDING OF SECURITIES

Echo Investment S.A. does not have any information on restrictions on the right to vote by holders of the Issuer's securities.

7. IDENTIFICATION OF ALL RESTRICTIONS ON THE TRANSFER OF OWNERSHIP OF THE ISSUER'S SECURITIES

Echo Investment S.A. does not have any information on restrictions on the transfer of ownership of the Issuer's securities.

8. DESCRIPTION OF PRINCIPLES REGULATING THE APPOINTMENT AND DISMISSAL OF MANAGERIAL STAFF AND THEIR RIGHTS, IN PARTICULAR, THE RIGHT TO DECIDE ON THE ISSUE OR REDEMPTION OF SHARES

8.1. Rules for appointing and dismissing managers

In the Company, these rules are regulated by the Commercial Companies Code, Rules and Regulations of the Management Board and Echo Investment S.A.'s Statute.

The Management Board or its particular Members are appointed, dismissed and suspended by the Supervisory Board, which also appoints the President and the Vice-President of the Management Board.

The term of office of the first Management Board is two years, the term of office of subsequent Management Boards is three years, and Management Board members are appointed for a joint term of office, which does not preclude the right to dismiss a member of the Management Board earlier. Mandates of Members of the Management Board expire on the day of the GSM's approval of the financial statements for the last year of the Management Board's term of office. The Management Board or its individual Members may be dismissed by the Supervisory Board before the expiry of their term of office, especially following a justified written motion of shareholders who represent at least 1/3 of the share capital, or if the Management Board's fulfilment of duties for the last closed financial year is not acknowledged by the Ordinary General Shareholders' Meeting.

8.2. Powers of managers

Powers of managers are regulated by the Statute of Echo Investment S.A. and by the Commercial Companies Code.

The managers represent the Company before officials, institutions, third parties, courts as well as public authorities. Declarations of intent on behalf of the Company must be made jointly by two members of the Management Board or one member of the Management Board acting jointly with a proxy. Liabilities exceeding 20% of the Company's equity may be incurred by persons who make declarations of intent on behalf of the Company, following a written consent of the Supervisory Board. The Management Board runs all current affairs of the Company which are not reserved for the General Shareholders' Meeting and the Supervisory Board.

Decisions on the issue and redemption of shares are governed by the regulations of the Commercial Companies Code.

9. DESCRIPTION OF RULES FOR AMENDING THE ISSUER'S STATUTE OR ARTICLES OF ASSOCIATION

The rules for amending the Company's Statute or Articles of Association are governed by the Commercial Companies Code.

Amendments to the Statute require a resolution of the General Shareholders' Meeting of Echo Investment S.A. and an entry into the National Court Register (KRS). The Management Board reports the amendment to the Statute to the respective register court within three months of the date of the resolution of the General Meeting.

Together with the entry of an amendment to the Statute, the amendment to the Company's corporate data reported to the register court is entered into the National Court Register.

The General Shareholders' Meeting authorises the Supervisory Board of Echo Investment S.A. to specify a complete text of the amended Statute or to introduce other editorial amendments, as specified by the resolution of the Meeting.



10. OPERATION OF THE GENERAL SHAREHOLDERS' MEETING, ITS MAIN RIGHTS AND THE DESCRIPTION OF SHAREHOLDERS' RIGHTS AND HOW THESE RIGHTS ARE EXERCISED, IN PARTICULAR RULES AND REGULATIONS OF THE GENERAL SHAREHOLDERS' MEETING

The rules of operation of the Company's General Shareholders' Meeting, its rights and the rights of shareholders and the procedure by which these rights are exercised are governed by the Company's Statute and the Commercial Companies Code. The Company's Statute is available at the Company's website <u>www.echo.com.pl</u> in the tab Statute and Rules and Regulations.

The schedule of works related to organisation of the Company's General Meetings, including preparation of materials presented at the General Meeting, is planned in such a way so as to fulfil obligations towards shareholders and enable them to exercise their rights.

11. COMPOSITION OF THE ISSUER'S MANAGEMENT, SUPERVISORY OR ADMINISTRATIVE AUTHORITIES AND OF THEIR COMMITTEES, CHANGES IN THEIR COMPOSITION DURING THE LAST FINANCIAL YEAR AND DESCRIPTION OF THEIR ACTIVITY

COMPANY'S MANAGEMENT BOARD - COMPOSITION IN 2011

The composition of the Company's Management Board did not change in FY 2011.

On 2 June 2011, Echo Investment S.A.'s Supervisory Board, acting pursuant to article 368 § 4 of the Commercial Companies Code and §13 section 1 letter a) of the Company's Statute – in connection with the approval by the Company's GSM of the financial statements for 2010, i.e. the final year of the Management Board's 3rd term of office and the year of expiry of its members' mandate – appointed Echo Investment S.A.'s Management Board for the 4th joint, 3-year term of office:

The Supervisory Board appointed:

- Piotr Gromniak a Member of the Company's Management Board for the 4th term of office and entrusted him with the function of the President of the Management Board,
- Artur Langner a Member of the Company's Management Board for the 4th term of office and entrusted him with the function of the Vice-President of the Management Board.

As at 31 December 2011 and the day of submitting this report, the composition of the Management Board was as follows:

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

COMPANY'S MANAGEMENT BOARD - RULES OF OPERATION IN 2011

The Management Board of Echo Investment S.A. operates based on the Commercial Companies Code Act (J.L. of 2000, No. 94, item 1037, as amended), the Company's Statute, the Rules and Regulations of the Management Board of Echo Investment S.A. approved by way of Resolution of the Company's Supervisory Board of 14 May 2005, and according to the adopted "Code of Best Practice for WSE Listed Companies".

The Management Board may consist of one or more persons. The Management Board or its Members are appointed, dismissed and suspended by the Supervisory Board, which also appoints the President and the Vice-President of the Management Board.

The term of office of the first Management Board is two years, the term of office of subsequent Management Boards is three years, and Management Board members are appointed for a joint term of office, which does not preclude the right to dismiss a member of the Management Board earlier. Mandates of Members of the Management Board expire on the day of the GSM's approval of the financial statements for the last year of the Management Board's term of office. Management Board Members may be re-appointed. The Management Board or individual members may be dismissed before the expiry of the term of office by the Supervisory Board, in particular at a written request of shareholders representing at least 1/3 of the Company's share capital, or if the General Shareholders' Meeting fails to acknowledge the fulfilment of obligations by the Management Board in the closed business year.

Only those individuals who are not the Company's shareholders may be appointed to the Management Board.

The Management Board represents the Company before officials, institutions, third parties, courts as well as public authorities. An appointed Proxy may act on behalf of the Company to the same effect. Declarations of intent on behalf of the Company must be made jointly by two members of the Management Board or one member of the Management Board acting jointly with an appointed proxy. Management Board Members may only fulfil their duties in person.

The operation of the Management Board is described in detail in the Work Regulations of the Management Board, which is adopted by the Management Board and approved by the Supervisory Board. In the event of a tied vote when adopting resolutions by the Management Board, the President of the Management Board shall have the casting vote.

The Management Board runs all current affairs of the Company, subject to restrictions specified by the Commercial Companies Code and this Statute. The purchase and sale of real property, perpetual usufruct title or a share in real property or a share in perpetual usufruct title by the Company lies within the responsibilities of the Management Board, subject to § 13, section 1, letters d) and e) of the Statute. When exercising the rights of the General Meeting in subsidiaries, the Company's Management Board is obliged to obtain a prior consent from the Company's Supervisory Board, even if the incurred liability or the exercise of a right by a subsidiary exceeds the limits specified in § 13, section 1, letters d) and e) of the Statute, under which a consent from



the Supervisory Board is required for the Company to incur liabilities exceeding 20% of its equity.

When deciding on the Company's issues, the Management Board is particularly obliged to act within the limits of reasonable economic risks, following an in-depth analysis and consideration of all available information, studies and opinions which, in the opinion of the Management Board, should be taken into consideration in the Company's interest.

In addition, the Management Board submits motions regarding issues to be discussed by the General Meeting to the Company's Supervisory Board for approval. Information on the produced opinions is announced to the public by the Company immediately after such information is received from the Company's Supervisory Board.

When contacting the media, members of the Management Board may only provide generally available information about the Company. All statements for the media regarding financial forecasts and the strategy of the Company or of the Management Board may only be made by the President or the Vice-President of the Management Board. With regard to other issues, all members of the Management Board or other authorised persons are allowed to contact the media.

The Management Board meets at least once a month, and the meetings are presided over by the President of the Management Board and, in his/her absence, by the Vice-President of the Management Board and, in the absence of the President and the Vice-President of the Management Board, the meetings are presided over by the longest-serving Management Board member of Echo Investment S.A. The meetings of the Management Board are held at the Company's office, unless all members of the Management Board agree to hold a meeting in a different location. A meeting of the Management Board may be held, if all members of the Management Board have been informed about the meeting, and at least two members of the Management Board are present.

The meetings of the Management Board are convened by the President of the Management Board or by any other member of the Management Board who sees fit to do so.

Every member of the Management Board must be informed about the date and agenda of the meeting at least 2 days prior to the planned meeting. The notification may be delivered by phone, through the Office of the Company's Management Board, by e-mail, by fax or in writing.

The meetings of the Management Board may be held even when they have not been formally convened, if all members of the Management Board are present and no present member objects to the meeting being held or to specific items on the agenda.

The Management Board may pass its resolutions in writing or using means of telecommunication, subject that, in such a case, the Management Board is presided over by the member requesting the adoption of a given resolution. This procedure is not allowed when at least one member of the Company's Management Board objects.

The Management Board makes decisions by way of resolutions. Resolutions of the Management Board are adopted by an absolute majority of votes. In the event of a tied vote when adopting resolutions by the Management Board, the President of the Management Board shall have the casting vote and, in the absence of the President of the Management Board, the Vice-President of the Management Board shall have the casting vote. In the absence of the President and the Vice-President of the Management Board, the longest-serving member of the Company's Management Board shall have the casting vote.

When required, minutes are taken from the meetings of the Management Board. Resolutions of the Management Board are recorded in the minutes in such a way so that they form attachments to the minutes, or are included in the text of the minutes. In addition, the minutes must include the date and place of the meeting of the Management Board, names of the present Management Board members and the number of votes cast on individual resolutions. The minutes must be signed by all Management Board members attending the meeting. Any dissenting opinions of the attendees must be enclosed to the minutes. The minutes are kept at the Office of the Company's Management Board.

In 2011, the Company's Management Board, when defining strategic objectives and current tasks, considered the best interest of the Company, its shareholders, partners, customers, employees and creditors, and observed the law.

To ensure transparency and effectiveness of the management system, the Management Board followed the rule of professional conduct within the limits of reasonable economic risk, taking account of the wide range of the available information, analyses and opinions.

The remunerations of the Management Board Members were defined by the Supervisory Board, based on the responsibilities and skills of individual Management Board Members, and took account for the Company's financial results, and a reasonable relation was maintained to remunerations of Management Boards in similar companies on Polish real property market.

COMPANY'S SUPERVISORY BOARD - COMPOSITION IN 2011

The composition of the Company's Supervisory Board did not change in FY 2011.

The composition of Echo Investment S.A.'s Supervisory Board, as at 31 December 2011 and on the day of submitting this report, was as follows:

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

Company's Supervisory Board - rules of operation in 2011

The Supervisory Board of Echo Investment S.A. operates based on the Commercial Companies Code Act (J.L. of 2000, No. 94, item 1037, as amended), the Company's Statute, the Rules and Regulations of the Supervisory Board of Echo Investment S.A. of 26 June 2003, and according to the adopted "Code of Best Practice for WSE Listed Companies".

The Supervisory Board is composed of at least 5 (five) members who are appointed (and dismissed) by the General Meeting for a period of three years; members of the Supervisory Board are appointed for a joint term of office, which does not preclude an earlier dismissal of every member of the Supervisory Board. Supervisory Board Members may be re-appointed. A resolution of the General Meeting each time specifies the number and the members of the Supervisory Board. If the General Meeting does not specify the function of a given member of the Supervisory Board when appoint such a member, the Supervisory Board appoints the Chairman of the Supervisory Board from among its members and the Vice-Chairman in a secret ballot. Members of the Supervisory Board fulfil their duties only in person.

Members of the Supervisory Board delegated to constant and individual supervision may not, without the Company's consent, be involved in competitive business or participate in a competitive company as a partner in a civil law partnership, a partnership or as a member in a body of a capital company, or participate in another competitive legal person as a member of its bodies. This prohibition also includes participation in a competitive capital company in which a Supervisory Board member holds at least 10% of interests or shares, or has the right to appoint at least one management board member.

Members of the Supervisory Board may be dismissed at any time by the General Shareholders' Meeting.

A Supervisory Board member may resign his/her post before the expiry of the term of office for which he/she was appointed by submitting a statement to that effect to the Chairman of the Supervisory Board. If the Chairman of the Supervisory Board resigns his/her post, the statement to that effect is submitted to the Vice-Chairman. A Member of the Supervisory Board should not resign during the term of office, if such a resignation could prevent the Supervisory Board from operating, and especially if it could prevent the adoption of an important resolution.

The mandate of a Supervisory Board member expires, at the latest, on the day of the General Meeting which approves the Company's financial statements for the last full financial year in which the Supervisory Board member held his/her post (final year of the member's term of office). The mandate also expires upon death or dismissal of a Supervisory Board member. If, as a result of expiry of mandates of Supervisory Board members, the Supervisory Board is unable to pass legally binding resolutions, and the Chairman of the Supervisory Board, or, in the absence of the Chairman, the Vice-Chairman, requests the Company's Management Board to promptly convene an Extraordinary General Meeting and to include the appointment of Supervisory Board members in the agenda of the General Meeting.

A member of the Supervisory Board should be primarily concerned about the Company's interest.

When contacting the media, members of the Supervisory Board may only provide generally available information about the Company. Any statements for the media regarding the Company or the Supervisory Board may only be made by the Chairman of the Supervisory Board and, in his/her absence, by the Vice-Chairman of the Supervisory Board.

The responsibilities of the Supervisory Board include supervision over the Company's business and other actions, as stipulated by the Commercial Companies Code and other acts. The Supervisory Board adopts resolutions or gives opinions on issues within its scope of responsibilities, according to the Company's Statute and under the procedure stipulated by the provisions of the Statute or other laws.

In particular, the Supervisory Board is authorised to:

- examine the Company's financial statements for the last financial year,
- examine the Company's Management Report and suggestions of the Management Board regarding the distribution of profit and the coverage of loss,
- submit a written report on the above actions to the General Meeting,
- express opinions on motions submitted by the Management Board directed to the General Meeting, and express opinion and pass resolutions on other issues submitted by the Company's Management Board,
- appoint, dismiss and suspend the Company's Management Board or its individual members,
- appoint a statutory auditor to audit the Company's financial statements with whom the Management Board concludes an agreement,
- approve the Management Board's conclusion of the agreement with a sub-issuer referred to in article 433 § 3 of the Commercial Companies Code,
- approve the contracting of liabilities and disposing of the rights to the extent within the current business of the Company – if their value exceeds 20 % of the Company's equity. If it is dubious whether a given issue has been included in the current business of the Company, the Supervisory Board is entitled to make a relevant interpretation in this respect, at the request of the Management Board. The interpretation shall be binding for the Management Board; Issues related to trade in real property are within the scope of the Company's current business.
- approve the contracting of liabilities and disposing of the rights that go beyond the current business of the Company if their value exceeds 10% of the Company's equity.
- The meetings of the Supervisory Board are held as necessary but at least three times per financial year. The meetings of the Supervisory Board are convened by the Chairman or the Vice-Chairman and are held in the Company's office or in a location indicated by the Chairman or the Vice-Chairman. The meetings of the Supervisory Board are convened upon the initiative of the Chairman of the Board or at a written request of the Management Board or a member of the Supervisory Board.



The meetings of the Supervisory Board convened at the request of the Management Board or a member of the Supervisory Board must be held within two weeks from the date of submitting the request.

The meetings are presided over by the Chairman and, in his/her absence, by the Vice-Chairman of the Supervisory Board. If neither the Chairman nor the Vice-Chairman of the Supervisory Board is present at the meeting, the meeting is presided over by the Board member appointed by the present attendees. The Chairman or the Vice-Chairman of the Supervisory Board notifies the remaining Members about the meetings and invites them by phone, by fax or in writing in due advance so that the invitation reaches the members 7 (seven) days before the planned date of the meeting at the latest. In emergencies, this period may be shorter.

The Supervisory Board may hold a meeting without being formally convened, if all of its members are present, and no member objects to the meeting being held and to including specific items in the agenda. The meetings of the Supervisory Board may be attended by other persons invited by the Chairman of the Supervisory Board, including Members of the Management Board, but they do not have the right to vote.

The members of the Supervisory Board make decisions related to the exercise of supervisory and control rights by way of resolutions. All Members of the Supervisory Board must be invited to the meeting and at least 50% of the Members must be present at the meeting or otherwise the resolutions of the Supervisory Board are null and void. The Supervisory Board may pass resolutions in writing or using telecommunication, subject that resolutions passed in such a way may not involve the appointment of the Chairman and the Vice-Chairman of the Supervisory Board, the appointment of a Member of the Management Board as well as the dismissal and suspension of these individuals. In such a case, for the resolutions to be valid, the Supervisory Board members must be notified in advance about the draft resolutions.

Resolutions of the Supervisory Board are adopted by an absolute majority of votes. In case of a tied vote when adopting resolutions by the Supervisory Board, the Chairman of the Supervisory Board shall have the casting vote.

The meetings of the Supervisory Board are minuted. Resolutions of the Supervisory Board are recorded in the minutes in such a way so that they form attachments to the minutes, or are included in the text of the minutes. In addition, the minutes must include the date and place of the meeting of the Supervisory Board, names of the present Supervisory Board members and the number of votes cast on individual resolutions. The minutes must be signed by all Supervisory Board members attending the meeting. Any dissenting opinions of the attendees must be enclosed to the minutes. The minutes are kept at the Office of the Company's Management Board.

To fulfil their duties, the Supervisory Board has the right to control the full scale of the Company's operations, in particular:

- request the Management Board to provide documents and other materials on the Company's operations,
- verify the Company's files and documentation,
- demand explanations and reports from the Management Board and from the employees,
- revise the status of the company's assets.

The Supervisory Board has the right to submit motions to the General Meeting regarding all issues within its scope of tasks and responsibilities. The Supervisory Board fulfils its duties by acting jointly; it may, however, delegate individual members to independent and specific supervisory functions by way of a resolution. The Supervisory Board may appoint committees for specific matters.

The secretarial services to the Supervisory Board are provided by the office of Company's the Management Board. The secretarial services include: preparing invitations to the meetings of the Supervisory Board and sending them to the members of the Supervisory Board according to these rules and regulations, organising the premises where the meeting of the Supervisory Board is to be held, preparing minutes from the meeting, providing services during the meeting and archiving the Supervisory Board's documentation.

On 17 December 2009, the Supervisory Board of Echo Investment S.A., acting pursuant to article 86 of the Act on Statutory Auditors and their Professional Association, Entities Authorised to Audit Financial Statements and Public Supervision of 7 May 2009 (later referred to as the "Act on Statutory Auditors") appointed an Audit Committee composed of three members.

In FY 2011, the Audit Committee was composed of:

- Mariusz Waniołka Chairman of the Audit Committee,
- Karol Żbikowski Member of the Audit Committee,
- Robert Oskard Member of the Audit Committee.

Mr Mariusz Waniołka, a member of the Audit Committee, fulfils the conditions of independence from the Company and entities with significant relations with the Company, and has qualifications in the area of financial auditing or accounting, as stipulated by article 56, section 3 of the Act on Statutory Auditors.

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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