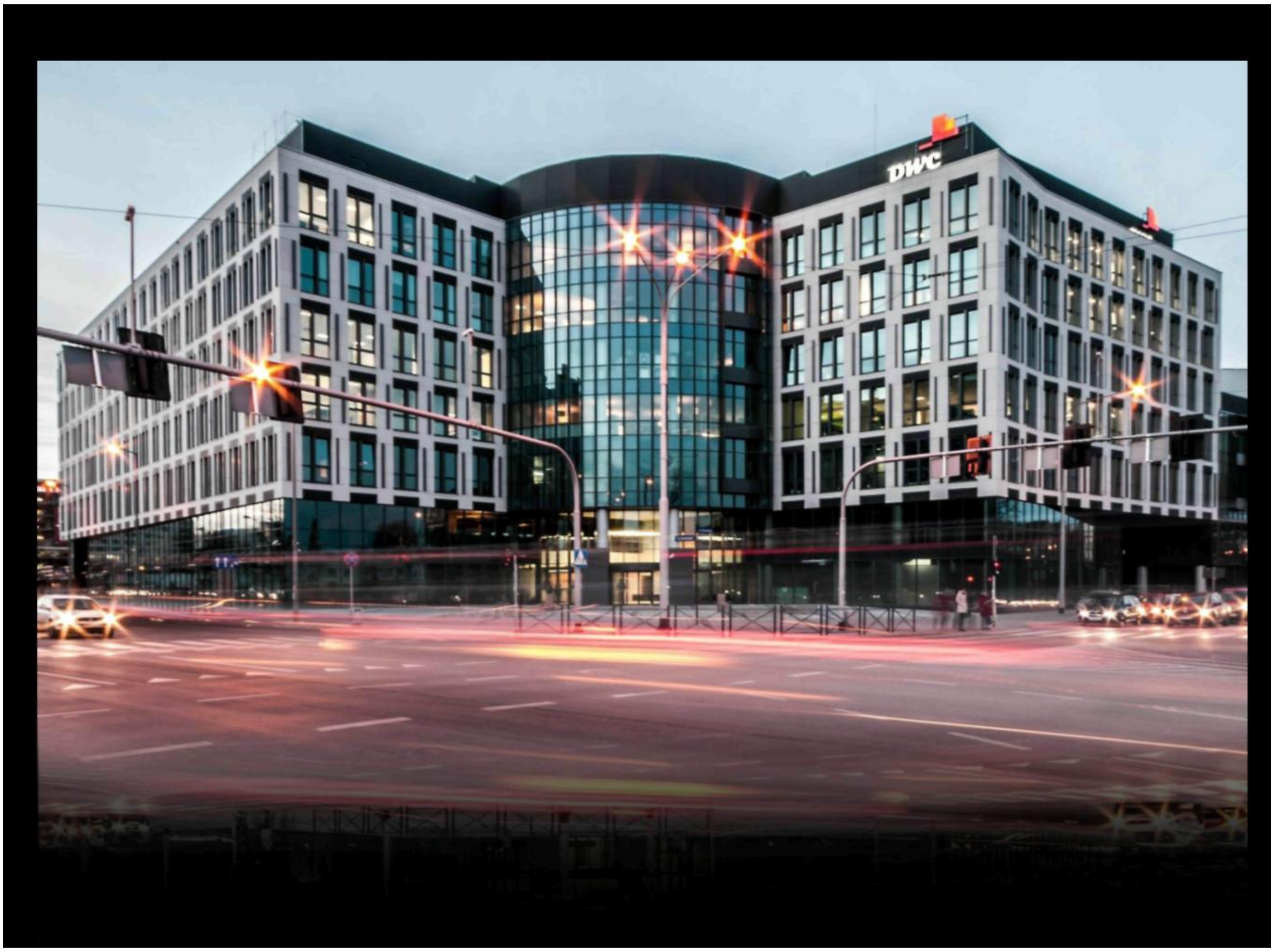

CONSOLIDATED ANNUAL REPORT OF THE ECHO INVESTMENT CAPITAL GROUP FOR 2012

CONTENTS

I. LETTER TO SHAREHOLDERS, PARTNERS AND CUSTOMERS

Dear Sirs and Madams

First, on behalf of the Management Board, I would like to express my gratitude for all who contributed to an excellent year at Echo Investment. It is especially important since our organisation has been very successful in implementing its projects in a tough market environment.

In 2012, Echo Investment achieved very good consolidated financial results, of which the following merit particular attention: best-in-history revenue, amounting to nearly PLN 583 million, and net profit, amounting to PLN 374 million.

At the end of December 2012, total value of the company's assets amounted to nearly PLN 5.45 billion and equity amounted to PLN 2.43 billion, which means a year-on-year increase by PLN 335 million. In late 2012, the company held PLN 336 million worth of cash. All of the company's segments contributed to the outstanding operating results; we generated the highest growth (more than 500%) on the sale of apartments.

The 2012 results indicate 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, expand existing ones and look for purchase opportunities.

In 2012, we strengthened our market position by completing several important developments, such as Galeria Olimp in Bełchatów, Galeria Veneda in Łomża and Outlet Park Szczecin. We have also completed a number of residential and office developments, including the Wrocław district Przy Słowiańskim Wzgórzu, the apartment complex Dom Pod Słowikiem in Krakow as well as stage I of the office building Aquarius Business House, which is our 100th project.

For 2013, 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 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 of office developments and the quality of the offered space.

2013 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.

Yours sincerely

Piotr Gromniak

President of the Management Board

II. CONSOLIDATED FINANCIAL STATEMENTS OF THE ECHO INVESTMENT CAPITAL GROUP FOR 2012

CONSOLIDATED ANNUAL STATEMENT OF FINANCIAL POSITION (PLN '000)

	NOTE	31.12.2012	31.12.2011 RESTATED
ASSETS			
1. Non-current assets			
1.1. Intangible assets	2	1 186	1 428
1.2. Property, plant and equipment	3	55 875	55 866
1.3. Investment property	4	2 882 760	2 893 756
1.4. Investment property under construction	5	1 177 050	1 047 624
1.5. Long-term financial assets	6	44 970	106 026
1.6. Derivative financial instruments	11	626	-
1.7. Deferred tax assets	7	11 243	24 364
		4 173 710	**4 129 064**
2. Non-current assets held for sale	8	**250 059**	**-**
3. Current assets			
3.1. Inventory	9	463 120	500 938
3.2. Income tax receivables		1 519	1 345
3.3. Other tax receivables		47 852	82 925
3.4. Trade and other receivables	10	77 666	73 824
3.5. Short-term financial assets	6	61 915	-
3.6. Derivative financial instruments	11	1 508	-
3.7. Restricted cash	12	40 181	57 174
3.8. Cash and cash equivalents	12	335 643	504 211
		1 029 404	**1 220 417**
Total assets held for sale and current assets		**1 279 463**	**1 220 417**
TOTAL ASSETS		**5 453 173**	**5 349 481**

	NOTE	31.12.2012	31.12.2011 RESTATED
EQUITY AND LIABILITIES			
1. Equity			
1.1. Equity attributable to shareholders of the parent		2 431 620	2 095 577
1.1.1. Share capital	13	21 000	21 000
1.1.2. Supplementary capital	13	2 065 321	1 857 464
1.1.3. Equity shares purchased		(28 647)	-
1.1.4. Accumulated profit (loss)		374 115	207 857
1.1.5. Foreign exchange differences on translation of foreign operations		(169)	9 256
1.2. Equity of non-controlling shareholders		23	(59)
		2 431 643	**2 095 518**
2. Provisions			
2.1. Long-term provisions	14	1 501	9 068
2.2. Short-term provisions	14	6 263	4 318
2.3. Deferred income tax long-term provision	7	24 444	231 122
		32 208	**244 508**
3. Long-term liabilities			
3.1. Loans and borrowings	15	2 146 281	2 241 553
3.2. Derivative financial instruments	11	13 043	13 169
3.3. Security deposits and advances received		49 732	40 413
3.4. Lease liabilities (perpetual usufruct of land)	16	76 672	76 688
		2 285 728	**2 371 823**
4. Short-term liabilities			
4.1. Loans and borrowings	15	550 114	31 7 499
4.2. Derivative financial instruments	11	66	20 670
4.3. Income tax liabilities		2 292	3 481
4.4. Other tax liabilities		5 711	16 434
4.5. Trade liabilities	17	103 421	192 528
4.6. Other liabilities	17	16 189	10 004
4.7. Security deposits and advances received		25 801	77 016
		703 594	**637 632**
TOTAL EQUITY AND LIABILITIES		**5 453 173**	**5 349 481**

	31.12.2012	31.12.2011 RESTATED
Book value (in thousands of PLN)	2 431 620	2 095 577
Number of shares (in thousands)	412 691	420 000
Book value per share	5,89	4,99
Diluted number of shares	412 691	420 000
Diluted book value per share	5,89	4,99

CONSOLIDATED ANNUAL PROFIT AND LOSS ACCOUNT (PLN '000)

	NOTE	01.01.2012-31.12.2012	01.01.2011-31.12.2011 RESTATED
Revenue	18	582 765	406 935
Prime cost of sale	19	(277 297)	(161 082)
Gross profit (loss) on sales		**305 468**	**245 853**
Profit (loss) on investment property	20	(60 836)	349 706
Selling costs		(28 733)	(26 358)
General administrative expenses		(54 755)	(52 380)
Other operating revenue	21	40 558	36 660
Other operating expenses	22	(12 251)	(14 116)
Operating profit		**189 451**	**539 365**
Financial revenues	23	273	1 819
Financial expenses	24	(146 993)	(147 602)
Profit (loss) on FX derivatives	25	18 065	(18 522)
Foreign exchange profit (loss)	26	123 102	(175 349)
Gross profit (loss)		**183 898**	**199 711**
Income tax	27	190 227	8 121
- current portion		(3 330)	(7 519)
- deferred portion		1 93 557	15 640
Net profit (loss), including:		**374 125**	**207 832**
Profit (loss) attributable to shareholders of the parent company		374 115	207 857
Minority profits (losses)		10	(25)
Profit (loss) attributable to shareholders of the parent company		374 115	207 857
Average weighted number of ordinary shares (in thousands)		412 691	420 000
Earnings (loss) per ordinary share (in PLN)		0,91	0,49
Average weighted diluted number of ordinary shares (in thousands)		412 691	420 000
Earnings (loss) per ordinary share (in PLN)		0,91	0,49

CONSOLIDATED ANNUAL STATEMENT OF COMPREHENSIVE INCOME (PLN '000)

	NOTE	01.01.2012-31.12.2012	01.01.2011-31.12.2011 RESTATED
Net profit		374 125	207 832
Other comprehensive income:			
- foreign exchange gains/losses on translation of foreign operations		(9 425)	12 145
Other net comprehensive income		**(9 425)**	**12 145**
Comprehensive income for 12 months, including:		**364 700**	**219 977**
Comprehensive income attributable to shareholders of the parent company		364 690	220 002
Minority comprehensive income		10	(25)

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

FOR THE PERIOD FROM 1 JANUARY 2012 TO 31 DECEMBER 2012	SHARE CAPITAL	SUPPLEMENTARY CAPITAL	EQUITY SHARES PURCHASED	ACCUMULATED PROFIT FOR THE CURRENT YEAR	FOREIGN EXCHANGE GAINS/LOSSES ON TRANSLATION	EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY	EQUITY OF NON-CONTROLLING SHAREHOLDERS	TOTAL EQUITY
Balance at the beginning of the period RESTATED	21 000	1 857 464	-	207 857	9 256	**2 095 577**	(59)	**2 095 518**
Allocation of result from previous years	-	207 857	-	(207 857)	-	**-**	-	**-**
Purchase of equity shares	-	-	(28 647)	-	-	**(28 647)**	-	**(28 647)**
Sale of interests in subsidiaries	-	-	-	-	-	**-**	72	**72**
Other comprehensive income	-	-	-	-	(9 425)	**(9 425)**	-	**(9 425)**
Net profit (loss) for the period	-	-	-	374 115	-	**374 115**	10	**374 125**
Total comprehensive income	-	-	-	374 115	(9 425)	**364 690**	10	**364 700**
Balance at the end of the period	**21 000**	**2 065 321**	**(28 647)**	**374 115**	**(169)**	**2 431 620**	**23**	**2 431 643**
FOR THE PERIOD FROM 1 JANUARY 2011 TO 31 DECEMBER 2011								
Balance at the beginning of the period	21 000	1 709 726	-	147 738	(2 889)	**1 875 575**	(8)	**1 875 567**
Allocation of result from previous years	-	147 738	-	(147 738)	-	**-**	-	**-**
Purchase of interests in subsidiaries	-	-	-	-	-	**-**	43	**43**
Other comprehensive income	-	-	-	-	12 145	**12 145**	-	**12 145**
Net profit (loss) for the period RESTATED	-	-	-	207 857	-	**207 857**	(94)	**207 763**
Total comprehensive income RESTATED	-	-	-	207 857	12 145	**220 002**	(94)	**219 908**
Balance at the end of the period RESTATED	**21 000**	**1 857 464**	**-**	**207 857**	**9 256**	**2 095 577**	**(59)**	**2 095 518**

CONSOLIDATED CASH FLOW STATEMENT (PLN '000)

	01.01.2012-31.12.2012	01.01.2011-31.12.2011
A. Operating cash flow – indirect method		
I. Gross profit (loss)	**183 898**	**199 711**
II. Total adjustments		
1. Depreciation of PP&E	5 661	7 873
2. Foreign exchange (gains) losses	(123 102)	175 349
3. Interest and profit sharing (dividends)	124 924	125 214
4. (Profit) loss on revaluation of assets and liabilities	28 704	(342 431)
5. (Profit) loss on settlement of financial instruments	4 673	8 715
	40 860	**(25 280)**
III. Movements in working capital:		
1. Movement in provisions	(5 623)	1 821
2. Movement in inventory	42 064	(23 805)
3. Movement in receivables	31 562	(43 600)
4. Movement in short-term liabilities, excluding loans and borrowings	(75 948)	63 167
	(7 945)	**(2 417)**
IV. Net operating cash (I+II+III)	**216 813**	**172 014**
1. Income tax paid	(4 694)	(8 451)
V. Net operating cash flows	**212 119**	**163 563**
B. Cash flow from investing activities		
I. Proceeds		
1. Sale of intangible assets and property, plant and equipment	331	1 515
2. Sale of real property investments	-	591 602
3. On financial assets	27 095	21 401
4 . Other investment proceeds	-	-
	27 426	**614 518**
II. Expenditures		
1. Purchase of intangible assets and PP&E	(5 759)	(40 503)
2. Real property investments	(488 916)	(625 483)
3. On financial assets	(429)	(105 903)
4. Other capital expenditures	-	-
	(495 104)	**(771 889)**
III. Net cash flow from investing activities (I-II)	**(467 678)**	**(157 371)**

CONSOLIDATED CASH FLOW STATEMENT (PLN '000), CONTINUED

	NOTE	01.01.2012-31.12.2012	01.01.2011-31.12.2011
C. Cash flow from financing activities			
I. Proceeds		395 202	348 380
1. Net proceeds from issue of shares (interests) and other equity instruments and capital contributions			
2. Loans and borrowings			
3. Issue of debt securities		395 000	365 000
4. Other financial proceeds		-	-
		790 202	**713 380**
II. Expenditures			
1. Purchase of equity shares (interests)		(28 647)	-
2. Dividends and other payments to equity holders		-	-
3. Profit share expenses, other than payments to equity holders		-	-
4. Repayment of loans and borrowings		(126 676)	(184 276)
5. Redemption of debt securities		(395 000)	(220 000)
6. Due to FX derivatives		(4 673)	(8 715)
7. Payment of liabilities under finance lease agreements		(15)	(6)
8. Interest		(155 769)	(136 623)
9. Other financial expenditures		-	-
		(710 780)	**(549 620)**
III. Net cash flow from financing activities (I-II)		**79 422**	**163 760**
D. Total net cash flow (A.III+/-B.III+/-C.III)		(176 137)	169 952
E. Balance sheet movement in cash, including:		(185 561)	182 096
- movement in cash due to foreign exchange gains/losses		(9 424)	12 144
F. Cash at the beginning of the period		561 385	379 289
G. Cash at the end of the period (F+/- D), including:		**375 824**	**561 385**
- restricted cash		40 181	57 174

INTRODUCTION

GENERAL INFORMATION

Echo Investment S.A. Capital Group's (later referred to as the "Group") core activity consists in the construction and renting out or sale of space in commercial, shopping and entertainment, office, hotel and residential buildings as well as trade in real property. The Group's parent company is Echo Investment S.A. (later referred to as "Echo" or "Company"), with its registered office in Kielce, al. Solidarności 36.

The Company's shares are quoted at the Warsaw Stock Exchange on the regulated market – WIG – property development companies.

The Company was established for an indefinite period of time.

INFORMATION ON THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated statements of the Echo Investment S.A. Capital Group include consolidated financial data for the 12-month period ended on 31 December 2012 and comparative data for the 12-month period ended on 31 December 2011. Unless indicated otherwise, all financial data in the Group's consolidated financial statements has been presented in thousands of PLN.

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

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

INFORMATION ON ACCOUNTING STANDARDS AND INTERPRETATIONS OF IFRIC EFFECTIVE FROM 2012

When preparing these statements, the Group used new standards, amendments to standards and interpretations released by the IFRS Interpretations Committee, which apply to the Group's reporting period starting on 1 January 2012. The introduced amendments have not had any material effect on the presentation of data and measurement in the financial statements.

INFORMATION ON ACCOUNTING STANDARDS AND IFRIC INTERPRETATIONS TO BE INTRODUCED

By the day of preparing these financial statements, the International Accounting Standards Board and the International Financial Reporting Interpretations Committee issued new and amended standards and interpretations which were not yet effective and were not adopted earlier by the Group. Except for the standards described below, they will not affect the consolidated financial statements in the period when they are adopted for the first time.

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

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

Amendments to IAS 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 (in the European Union, mandatory adoption as of 1 January 2014). 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 Group plans to apply the amendments to IAS 28 as of 01 January 2014. The application of these regulations will not significantly affect the Group's financial results.

Amendments to IAS 32 "Financial Instruments: Presentation" – Offsetting Financial Assets and Financial Liabilities

The amendments to IAS 32 “Financial instruments: presentation”, regarding the offsetting 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 Group plans to apply the amendments to IAS 32 as of 1 January 2014. The application of these regulations will not significantly affect the Group’s financial results.

IFRS 9 “Financial Instruments”

IFRS 9 “Financial Instruments” was published by the International Accounting Standards Board on 12 November 2009 and is effective for annual periods beginning on or after 1 January 2015. The standard introduces a single model with only two categories of classification: amortised cost and fair value. The approach of IFRS 9 is based on a business model use by an entity to manage assets, and on default characteristics of financial assets. IFRS 9 also requires that a single method is used for estimating the impairment of assets. Most of the requirements of IAS 39 regarding classification and measurement of financial liabilities were transferred unchanged to IFRS 9. The key change is that entities are required to present, in other comprehensive income, the effects of changes of their credit risk due to financial liabilities designated for measurement at fair value through the financial profit or loss.

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

The Group plans to apply IFRS 9 as of 1 January 2015.

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 (in the European Union, mandatory adoption as of 1 January 2014). 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 Group plans to apply IFRS 10 as of 1 January 2014.

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 (in the European Union, effective for annual period beginning on or after 1 January 2014). 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 Group plans to apply IFRS 11 as of 1 January 2014. The application of these regulations will not affect the Group’s financial results but merely influence the form of the statements.

IFRS 12 “Disclosure of interests in other entities”

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

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

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

MAIN ACCOUNTING PRINCIPLES

Property, plant and equipment

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

The Group’s tangible assets include:
- property (not leased and not intended for trading) used by the Group,

- machinery and equipment,
- means of transport,
- other.

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

Land held by the Group is not depreciated and other PP&E is depreciated using straight-line method over their estimated useful life, which is verified on a quarterly basis. The estimated useful lives of assets are:

- for buildings and structures – 22 to 67 years,
- for machines and equipment – 2 to 5 years,
- for means of transport – 1.5 to 15 years,
- for other equipment – 5 years.

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

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

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

Investment property

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

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

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

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

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 profit and loss account for the period to which they pertain.

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

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

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

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

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

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

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

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

Lease

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

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

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

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

Non-current assets held for sale

Non-current assets (or groups held for sale) are classified as 'held for sale', if their carrying value is recovered mainly by way of a highly probable sale transaction. They are measured at the lower of the following two amounts: the carrying value and the fair value less costs of sale.

Inventory

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

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

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

Financial instruments

The Group categorises its financial assets and liabilities as follows:

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

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

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

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

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

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

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

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

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

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

Derivative instruments

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

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

The Group does not apply hedge accounting.

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

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

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

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

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

Financial liabilities (including trade liabilities)

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

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

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

Trade receivables

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

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

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

Financial guarantee agreements

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

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

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

Financial assets available for sale

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

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

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

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

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

Cash and cash equivalents

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

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

Income tax

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

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

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

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

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

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

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

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

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

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

Equity

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

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

Provisions

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

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

Provisions for retirement benefits

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

Operating revenues

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

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

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

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

Prime cost of sale

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

Financial expenses

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

Consolidation

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

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

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

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

As at 31 December 2012, the Echo Investment Capital Group comprises 93 fully consolidated subsidiaries and one jointly controlled entity consolidated with the proportionate method. Basic information about the financial data of jointly controlled entities is presented in note 29.

Segment reporting

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

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

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

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

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

Financial data of segments is disclosed in notes 28A – 28E to the financial statements.

ESTIMATES BY THE GROUP COMPANIES' MANAGEMENT BOARDS

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

Investment property

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

Since most rent agreements concluded by the Group are denominated in EUR, the valuations of investment properties have been prepared in EUR and converted to PLN according to the average exchange rate of the NBP as at the balance sheet day. According to the Group's measurements, the total value of investment properties and investment properties held for sale, as at 31 December 2012, was EUR 766,308 thousand (EUR 655,170 thousand as at 31 December 2011). The yields used to estimate fair value as at 31 December 2012 ranged from 7.24% to 9.95%. (and from 7.25% to 9.95%, as at 31 December 2011). The yields have been estimated by independent valuers (with certified professional qualifications) individually for every material investment property, taking into consideration the property's location and type. Prospective net operating income has been estimated independently for every investment property based on rent agreements existing as at the balance sheet day, the contracted revenue and expected maintenance costs of real property. Details are presented in notes 4A and 4B.

At the end of the reporting period, the projects under construction Galeria Amber in Kalisz and Galeria Veneda in Łomża were measured at the fair value using the income method. The project in Łomża is expected to be completed in 3 months and the project in Kalisz in 15 months. Other projects under construction were characterised by execution risk levels which – according to the Management Board – did not allow for a credible estimate of the properties' fair value. The value of properties under construction measured with the income method was PLN 194,233 thousand (as at 31 December 2011: 31,887), and the value of other properties was PLN 982,817 thousand (as at 31 December 2011: PLN 1,010,443 thousand).

Financial instruments measured at fair value

The fair value of financial instruments (level 2 in the hierarchy of fair value) not traded on an active market is determined using measurement techniques. The company uses its own judgement when selecting the measurement method and makes assumptions based on market conditions on each balance sheet day. In particular, the concluded forward contracts and option contracts are measured based on measurements provided by the banks (note 11A and 11B), which use data such as current and historic exchange rates, and interest rates on deposits (WIBOR, EURIBOR).

Deferred income tax

The management boards of the Group companies are 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.

In 2012, the management boards of the Group companies changed their expectations and decided not to sell the interests of Barconsel Holdings Ltd. Echo – Aurus Sp. z o.o. and Echo - SPV 7 Sp. z o.o. in the foreseeable future. Therefore, pursuant to IAS 12 item 39, the provision for deferred income tax on tax and accounting differences related the said interest in the above-mentioned subsidiaries in the amount of PLN 164,123 thousand was released.

Inventory

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

FINANCIAL RISK MANAGEMENT

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

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

Based on various scenarios, the Group manages its risk of changes in cash flows as a result of interest rate variations, using interest rate swaps which convert the interest rate for selected loans or loan tranches from variable to fixed. The economic effect of these swaps is the conversion of debt instruments with a variable interest rate into debt instruments with a fixed interest rate. Based on arrangements regarding interest rate swaps, the Group and other parties undertake to swap, at specified intervals (typically every month), the difference between the fixed and variable interest rates determined based on a specified base amount. The Company uses these financial instruments only to hedge against risk and does not use them for speculation; however, no hedge accounting is used. As at 31 December 2012, 54.8% of liabilities due to loans and debt securities had fixed interest rates (swaps), and the remaining portion had variable rates.

Based on the conducted simulations, it was ascertained that the influence of a 1 p.p. change of interest rates on the net profit would be a corresponding maximum increase or decrease:

- for the purchased bonds: by PLN 863 thousand (in 2011: PLN 859 thousand)
- for cash and deposits: by PLN 3,049 thousand (in 2011: PLN 4,547 thousand)

- for loans received and bonds issued: by PLN 9,870 thousand (in 2011: PLN 11,608 thousand)

FX risk

Foreign exchange risk is related to investment loans in foreign currencies (mostly in euro) in the Group and to lease agreements in which the rents depend on the PLN/EUR exchange rates. This risk occurs in the following types of financial operations:

- conversion of the received loans (loan tranches) and funds from the sale of commercial developments from EUR to PLN:

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

- repayment of loan instalments
- receipt of amounts due to rents for the lease of property.

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

In 2012, to hedge against the FX risk, the Group established a hedge on the future FX market by opening positions in derivatives, hedging the EUR/PLN exchange rate. As a result of opening these positions, a portion of the Group’s cash flow in 2013 (EUR 21.1 million) and in 2014 (EUR 5.4 million) is hedged. The transactions concluded under agreements with banks were not of a speculative nature and were concluded as part of the hedge policy (however, the Group did not treat them as hedge accounting, as stipulated by IAS 39) in order to secure prospective cash flows from the conversion of loan tranches in EUR and funds from the sale of commercial developments.

The Group runs a consistent policy for managing the FX risk and constantly monitors the risk areas, using the available strategies and mechanisms, to minimise any negative effects of market volatility and to secure the cash flow. The Group keeps financial surplus mainly in PLN, while funds kept in banks in other currencies are used mainly for current transactions. At the end of 2012, 94% of the Group's cash was denominated in PLN, while 5% were denominated in EUR and 1% was denominated in other currencies. The influence of variations of foreign exchange rates on the value of cash held is insignificant.

Based on the conducted simulations, it was ascertained that the influence of a 1 p.p. change of the EUR/PLN exchange rate on the net profit would be a corresponding maximum increase or decrease:

- for investment properties: by PLN 25,089 thousand (in 2011: PLN 23,434 thousand)
- for forwards: by PLN 831 thousand (in 2011: PLN 1,968 thousand)
- for loans received in EUR: by PLN 13,410 thousand (in 2011: PLN 13,226 thousand).

Credit risk

The credit risk occurs in relation to cash, financial derivatives which are financial assets, the purchased bonds and deposits in banks and financial institutions as well as, in relation to the Group’s customers and tenants, in the form of unsettled amounts due (insolvency risk). The Group has procedures in place to protect the credit worthiness of its customers and tenants; security deposits and guarantees are also used for tenants. There is no significant concentration of risk in relation to any of the Group’s customers. The Group uses services provided by renowned financial institutions and banks; it keeps its cash mainly in PKO BP SA. (rating “A” according to Standard and Poor’s) and Pekao S.A. (rating “BBB+” according to Standard and Poor’s). The bonds were purchased from companies with whom the Group cooperates, and it constantly monitors their financial standing. Note 10C presents the time structure of overdue receivables.

Liquidity risk

The liquidity risk occurs when the Group is unable to settle its financial liabilities in due time. The Group manages the liquidity risk by maintaining an adequate amount of reserve capital, using bank services and reserve loan facilities, and by constantly monitoring the forecast and actual cash flows. As at 31 December 2012, of PLN 230 million available under loan facilities and PLN 35 million available under a guaranteed bonds programme, the Group held an unused amount of PLN 117.6 million. Given the dynamic nature of its business, the Company ensures flexible funding through the availability of cash and by diversifying the sources of funding.

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

Analysis of the Group’s undiscounted financial liabilities which will be settled at specific maturities, based on the period remaining until the contractual maturity as at the balance sheet date (31 December 2012):

(PLN ‘000)	LOANS	BONDS	FORWARD	TRADE AND OTHER LIABILITIES	LEASE (PERPETUAL USUFRUCT OF LAND)
Up to 1 year	301 424	322 528	66	119 579	8 298
Between 1 and 3 years	504 773	444 896	-	31	16 595
Between 3 and 5 years	287 298	146 283	-	-	16 595
Between 5 and 10 years	1 150 115	-	-	-	41 488
Over 10 years	-	-	-	-	607 673
Total	2 243 610	913 707	66	119 610	690 649

The analysis includes the estimated future interest payments.

EQUITY RISK MANAGEMENT

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

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

DEBT RATIOS AS AT 31 DECEMBER 2011 AND 31 DECEMBER 2012:

	31.12.2012	31.12.2011
Total loans (note 15)	2 696 395	2 559 052
Cash (note 12)	-375 824	-561 385
Net debt	2 320 571	1 997 667
Total equity	2 430 734	2 095 577
Total capital (equity and loans/borrowings)	4 751 305	4 093 244
Debt ratio	48,84%	48,80%

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

RESTATEMENT OF FINANCIAL STATEMENTS/ADJUSTMENT OF FUNDAMENTAL ERROR

The Company's Management Board has changed its approach to creating deferred income tax on the differences between the tax value and the carrying value of assets and liabilities held by general partnerships limited by shares. Since, according to the applicable tax laws, general partnerships limited by shares are not payers of the corporate income tax and their partners are exempted from the income tax, the Group has abandoned the creation of the deferred income tax on the differences between the tax value and the carrying value of assets and liabilities held by general partnerships limited by shares.

Therefore, the Group has decided to adjust a fundamental error and restate the comparative 2011 financial statements in consideration of the said decision with regard to the differences between the tax value and the carrying value of assets and liabilities held by general partnerships limited by shares at the end of 2011.

In addition, the Group decided to split the item "Cash and cash equivalents" into two items: "Restricted cash" and "Cash and cash equivalents".

The said changes did not have any material influence on the 2010 statements and, therefore, the consolidated statement of financial position as at 1 January 2011 was not presented.

The following items have been changed:

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – ASSETS (PLN '000)

		AS AT 31.12.2011 FORMERLY	AS AT 31.12.2011 CURRENTLY
1.	Non-current assets	4 146 901	4 129 064
1.7	Deferred income tax assets	42 201	24 364
3.7	Restricted cash	(none)	57 174
3.8	Cash and cash equivalents	561 385	504 211
	TOTAL ASSETS	**5 367 318**	**5 349 481**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – EQUITY AND LIABILITIES (PLN '000)

		AS AT 31.12.2011	AS AT 31.12.2011
1.	Equity	2 064 154	2 095 518
1.1	Equity attributable to shareholders of the parent	2 064 213	2 095 577
1.1.4	Accumulated profit (loss)	176 493	207 857
2.	Provisions	293 709	244 508
2.3	Long-term deferred income tax provision	280 323	231 122
	TOTAL EQUITY AND LIABILITIES	**5 367 318**	**5 349 481**

CONSOLIDATED PROFIT AND LOSS ACCOUNT (PLN '000)

	01.01.2011 - 31.12.2011 FORMERLY	01.01.2011 - 31.12.2011 CURRENTLY
Income tax	(23 243)	8 121
Net profit (loss), including:	**176 468**	**207 832**
Profit (loss) attributable to non-controlling interest	(25)	(25)
Profit (loss) attributable to shareholders of the parent company	176 493	207 857
Basic/diluted earnings (loss) per ordinary share (in PLN)	0,42	0,49

INFORMATION ON MATERIAL POST-BALANCE SHEET EVENTS

On 11 January 2013, Aquarius Business House - Grupa Echo Spółka z ograniczoną odpowiedzialnością SKA, with its registered office in Kielce (a company of the Echo Investment S.A. Group), and Alior Bank S.A., with its registered office in Warsaw, signed an addendum to the loan agreement, thus increasing the loan amount from PLN 93,368 thousand to PLN 134,036 thousand; the loan is intended for financing and refinancing the costs of implementing the first and the second stage of the office and services complex Aquarius Business House in Wrocław. The addendum also amended the loan repayment date to be 30 June 2014.

On 31 January 2013, under the Bond Issue Programme entered into with BRE Bank S.A., with its registered office in Warsaw, Echo Investment S.A. issued coupon bonds in a total amount of PLN 200 million. The bonds were issued for the period ending on 28 April 2017. 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. The obtained funds will be used to repay bonds maturing in 2013.

On 19 March 2013, Echo Investment S.A. announced the following information:

- about the conclusion of a preliminary agreement for the sale of the perpetual usufruct title to real property and the ownership title to buildings located on the real property, including movable property comprising Centrum Handlowe ECHO in Tarnów, between Galeria Tarnów - Projekt ECHO- 43 Spółka z ograniczoną odpowiedzialnością Spółka komandytowo-akcyjna, with its registered office in Kielce (Echo Investment S.A. Group), and CONNIE INVESTMENTS Spółka z ograniczoną odpowiedzialnością Spółka komandytowa, with its registered office in Warsaw (London & Cambridge Properties Ltd Group, with its registered office in London);
- about the conclusion of a preliminary agreement for the sale of the perpetual usufruct title to real property and the ownership title to buildings located on the real property, including movable property comprising Centrum Handlowe ECHO in Radom, between PPR - Projekt Echo - 77 Spółka z ograniczoną odpowiedzialnością Spółka komandytowo-akcyjna (Echo Investment S.A. Group), and SYNCERUS INVESTMENTS Spółka z ograniczoną odpowiedzialnością Spółka komandytowa, with its registered office in Warsaw (London & Cambridge Properties Ltd Group, with its registered office in London);
- about the conclusion of a preliminary agreement for the sale of the perpetual usufruct title to real property and the ownership title to buildings located on the real property, including movable property comprising Centrum Handlowe ECHO in Piotrków Trybunalski, between PPR - Projekt Echo - 77 Spółka z ograniczoną odpowiedzialnością Spółka komandytowo-akcyjna (Echo Investment S.A. Group), and XANTIRA INVESTMENTS Spółka z ograniczoną odpowiedzialnością Spółka komandytowa, with its registered office in Warsaw (London & Cambridge Properties Ltd Group, with its registered office in London).

The signing of the final agreements for the sale of the Shopping Centres depends on the satisfaction or waiver of the conditions specified in the agreements by the Buyers according to the stipulated dates, with the final date being 31 December 2013. According to the provisions of the sale agreements, the Buyers reserved the right to transfer the rights and obligations under the said agreements to BRE Leasing Sp. z o.o., with its registered office in Warsaw, which shall act as the buyer when the contractual rights and obligations are transferred.

The total value of the agreements has been estimated at EUR 67,093 thousand, and the final sale prices for the said real properties will be verified by the Parties on the day when the final sale agreements are concluded, according to the verification mechanisms contained in the preliminary sale agreements.

On 21 March 2013, the Supervisory Board of Echo Investment S.A. passed a resolution on appointing Mr Waldemar Lesiak as the Vice-President of the Company's Management Board for the joint term of office of the present Management Board. As the Vice-President of the Management Board of Echo Investment S.A., Mr Waldemar Lesiak will be responsible for the acquisition and sale of completed commercial developments in Poland and abroad.

TRANSACTIONS WITH RELATED PARTIES

At the end of 2012, as a result of transactions with related parties, the Echo Investment S.A. Capital Group held bonds with a fair value of PLN 61,915 thousand of a jointly controlled entity via a major investor, trade receivables from jointly controlled entities in the amount of PLN 1,495 thousand and generated revenue on jointly controlled entities in the amount of PLN 15,524 thousand.

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

EXPLANATORY NOTES

EXPLANATORY NOTES TO THE BALANCE SHEET

NOTE 1

OFF-BALANCE SHEET ITEMS (PLN '000)	31.12.2012	31.12.2011
1. Contingent liabilities		
1.1 Due to related parties:	-	-
1.2 Due to other entities:		
a) guarantees and sureties granted	10 058	-
Total contingent liabilities	- - **10 058**	**-**

Contingent liabilities are presented at nominal value. 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.

As at 31 December 2012, the Group held investment liabilities due to the concluded contracts for prospective implementation of commenced and planned construction projects in the amount of PLN 200,595 thousand (PLN 410,564 thousand as at 31 December 2011). It is estimated that these liabilities will be funded from the available cash as part of current funding or special purpose borrowed funds or as part of existing and new sale agreements.

NOTE 2

MOVEMENTS IN INTANGIBLE ASSETS (BY TYPES) (PLN '000) FOR THE PERIOD 01.01.2012 - 31.12.2012	PURCHASED PERMITS, PATENTS, LICENSES AND SIMILAR ASSETS	OTHER INTANGIBLE ASSETS	TOTAL INTANGIBLE ASSETS
a) gross value of intangible assets at the beginning of the period	**5 246**	**2**	**5 248**
b) movement (due to)			
- purchase	322	-	322
c) gross value of intangible assets at the end of the period	**5 568**	**2**	**5 570**
d) accumulated amortisation at the beginning of the period	3 818	2	3 820
e) amortisation for the period (due to)			
- amortisation	564	-	564
f) accumulated amortisation (depreciation) at the end of the period	**4 382**	**2**	**4 384**
g) net intangible assets at the end of the period	**1 186**	**-**	**1 186**

NOTE 2, CONTINUED

FOR THE PERIOD 01.01.2011 - 31.12.2011	PURCHASED PERMITS, PATENTS, LICENSES AND SIMILAR ASSETS	OTHER INTANGIBLE ASSETS	TOTAL INTANGIBLE ASSETS
a) gross value of intangible assets at the beginning of the period	**4 926**	**17**	**4 943**
b) movement (due to)			
- purchase	845	-	845
- liquidation	(525)	(15)	-
c) gross value of intangible assets at the end of the period	**5 246**	**2**	**5 248**
d) accumulated amortisation at the beginning of the period	3 707	9	3 716
e) amortisation for the period (due to)			-
- depreciation	449	-	449
- sale	(329)	-	(329)
- liquidation	(9)	(7)	(16)
f) accumulated amortisation (depreciation) at the end of the period	**3 818**	**2**	**3 820**
g) net intangible assets at the end of the period	**1 428**	**-**	**1 428**

The estimated useful lives of assets are:

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

- for other items – 2 years.

NOTE 3

MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT (BY TYPES) (PLN '000)						
FOR THE PERIOD 01.01.2012 - 31.12.2012	OWN LAND	BUILDINGS AND STRUCTURES	PLANT AND MACHINERY	MEANS OF TRANSPORT	OTHER	TOTAL PP&E
a) gross value of PP&E at the beginning of the period	**14 139**	**35 425**	**7 847**	**20 753**	**4 491**	**82 655**
b) increases due to:						
- purchase	-	267	1 524	2 470	635	4 896
- reclassification from other activity	-	302	-	-	-	302
c) decreases due to:						
- sale	-	-	(274)	(1 753)	-	(2 027)
- liquidation	-	-	(946)	-	-	(946)
d) gross value of PP&E at the end of the period	**14 139**	**35 994**	**8 151**	**21 470**	**5 126**	**84 880**
e) accumulated depreciation at the beginning of the period	69	1 383	6 128	10 045	2 875	20 500
f) depreciation for the period (due to)						
- depreciation	40	1 090	965	2 412	644	5 151
- liquidation	-	-	(946)	(94)	-	(1 040)
- sales adjustment	-	-	(273)	(1 622)	-	(1 895)
g) accumulated depreciation at the end of the period	**109**	**2 473**	**5 874**	**10 741**	**3 519**	**22 716**
h) impairment losses	6 289	-	-	-	-	6 289
i) net PP&E at the end of the period	**7 741**	**33 521**	**2 277**	**10 729**	**1 607**	**55 875**

NOTE 3, CONTINUED

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

NOTE 4A

MOVEMENT IN INVESTMENT PROPERTY (BY TYPES) (PLN '000)	31.12.2012	31.12.2011
Balance at the beginning of the period	2 893 756	2 808 083
a) increases (due to)		
- capital expenditures incurred	13 077	310 490
- reclassification from investment property under construction	312 019	6 762
- revaluation of property	156 123	344 427
	481 219	**661 679**
b) decreases (due to)		
- sale	-	473 364
- revaluation of property	238 941	67 503
- reclassification to investment property under construction	1 229	29 658
- reclassification to inventory	1 985	-
- decrease of lease payments for perpetual usufruct	1	5 481
- reclassification to non-current assets held for sale	250 059	-
	492 215	**576 006**
Property at the end of the period	**2 882 760**	**2 893 756**
- including value of perpetual usufruct of land	**30 913**	**30 915**

As at 31 December 2012, under the "Investment property" item, the Group classified 15 investment properties located in cities across Poland. Since most lease agreements contain rents denominated in EUR, the measurements have been prepared in these currencies and converted to PLN according to the exchange rate of the NBP as at the balance sheet date. As at 31 December 2012, the value of properties according to the measurement was EUR 705,142 thousand (31 December 2011: EUR 655,170 thousand – 15 properties).

In 2012, the Group commissioned to use the office building Aquarius Business House in Wrocław (stage I) and the shopping centres Galeria Olimpia in Bełchatów and Outlet Park in Szczecin (stage I).

Investment properties worth PLN 2,830,486 thousand are encumbered with capped mortgages up to EUR 712,737 thousand and PLN 179,933 to the benefit of the banks funding individual projects (as at 31 December 2011, the mortgages were established in the amount of up to EUR 653,358 thousand and PLN 30,000).

The company measures property at the fair value at the end of every calendar quarter. NOTE 4B

INVESTMENT PROPERTY – EFFECT ON THE RESULT (PLN '000)	01.01.2012 - 31.12.2012	01.01.2011 - 31.12.2011
a) revenue from investment property rents	366 901	333 015
b) direct operating expenses (including repair and maintenance costs) on investment property generating rent revenue in the period	124 026	115 428
c) direct operating expenses (including repair and maintenance costs) on investment property not generating rent revenue in the period	92	-

NOTE 5

CHANGE IN THE BALANCE OF PROPERTY UNDER CONSTRUCTION (BY TYPES) (PLN '000)

CHANGE IN THE BALANCE OF INVESTMENT PROPERTY UNDER CONSTRUCTION (BY TYPES) (PLN '000)	31.12.2012	31.12.2011
Balance at the beginning of the period	1 047 624	689 039
a) increases (due to)		
- capital expenditures incurred	427 827	351 283
- measurement of investment property under construction	21 983	-
- exchange rate differences	-	14 785
- measurement of lease payments for perpetual usufruct	7 105	28 434
- reclassification from inventory	-	7 631
- reclassification from investment property	1 229	29 658
	458 144	**431 791**
b) decreases (due to)		
- reclassification to investment property	312 019	6 762
- measurement of investment property under construction	-	63 809
- decrease of lease payments for perpetual usufruct	14	4
- liquidation	-	131
- exchange rate differences	16 685	2 500
	328 718	**73 206**
Property at the end of the period	**1 177 050**	**1 047 624**

Investment properties under construction worth PLN 271,845 thousand are encumbered with capped mortgages up to EUR 119,025 thousand and PLN 84,100 thousand (as at 31 December 2011, the mortgages were established in the amount of up to EUR 21,525 thousand and PLN 33,500 thousand).

NOTE 6

FINANCIAL ASSETS (PLN '000)	31.12.2012	31.12.2011
a) bonds	106 649	106 018
b) long-term security deposits	58	7
c) long-term borrowings granted	13	-
d) interests and advances on interests	165	1
Balance at the end of the period, including:	**106 885**	**106 026**
- long-term	44 970	106 026
- short-term	61 915	-

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

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 7A

MOVEMENT IN DEFERRED INCOME TAX ASSETS (+) and PROVISIONS (-) (PLN ‘000)	31.12.2012	31.12.2011 RESTATED
1. Deferred income tax at the beginning of the period:		
- measurement of financial instruments	(13 326)	(12 755)
- measurement of investment properties	(218 689)	(199 778)
- interests in subsidiaries, jointly controlled entities and associates*	(6 879)	(8 021)
- tax loss	6 716	17 935
- liabilities due to loans and borrowings (measurement, FX differences, etc.)	11 382	3 677
- other	14 038	(23 456)
	(206 758)	**(222 398)**
2. Movement in the period		
- measurement of financial instruments	(809)	(571)
- measurement of investment properties	215 271	(18 911)
- interests in subsidiaries, jointly controlled entities and associates*	20 079	1 142
- tax loss	(5 923)	(11 219)
- liabilities due to loans and borrowings (measurement, FX differences, etc.)	(15 887)	7 705
- other	(19 174)	37 494
	193 557	**15 640**
3. Total deferred income tax at the end of the period:		
- measurement of financial instruments	(14 135)	(13 326)
- measurement of investment properties	(3 418)	(218 689)
- interests in subsidiaries, jointly controlled entities and associates*	13 200	(6 879)
- tax loss	793	6 716
- liabilities due to loans and borrowings (measurement, FX differences, etc.)	(4 505)	11 382
- other	(5 136)	14 038
	(13 201)	**(206 758)**
- including:		
Deferred income tax assets	**11 243**	**24 364**
- movement in the course of the year	**(13 121)**	**6 892**
Deferred income tax provision	**24 444**	**231 122**
- movement in the course of the year	**(206 678)**	**(8 748)**

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

The Group estimates that it will use tax losses in the following years: 2013: PLN 281 thousand; 2014: PLN 280 thousand; 2015: PLN 232 thousand

The Group did not recognise deferred income tax assets in the amount of PLN 1,657 thousand due to tax losses (by 2010: PLN 9,978 thousand) because it is uncertain whether these losses will be settled in the years to come.

The right to reduce the income tax (due to tax losses in previous years) expires in 2012 (PLN 213 thousand), 2013 (PLN 517 thousand), 2014 (PLN 570 thousand) and 2015 (PLN 570 thousand).

NOTE 7B

DEFERRED INCOME TAX ASSETS (+) AND PROVISIONS (-) (PLN '000)	31.12.2012	31.12.2011 RESTATED
a) assets to be settled within 12 months	1 392	3 051
b) provision to be settled within 12 months	(3 854)	(6 845)
c) assets to be settled after 12 months	9 851	21 313
d) provision to be settled after 12 months	(20 590)	(224 277)
	(13 201)	**(206 758)**

NOTE 8

NON-CURRENT ASSETS HELD FOR SALE

Assets held for sale comprise three investment properties: Centrum handlowe ECHO in Tarnów, Centrum handlowe ECHO in Piotrków Trybunalski and Centrum handlowe ECHO in Radom, with a total value of PLN 250,059 thousand. These properties are encumbered with capped mortgages of up to EUR 77,760 thousand. Along with the ownership title to the said properties, the prospective buyer will become the beneficiary of security deposits received from tenants, which amount to PLN 466 thousand as at 31 December 2012.

NOTE 9A

INVENTORY (PLN '000)	31.12.2012	31.12.2011
a) materials	187	180
b) semi-finished products and work-in-progress	347 716	398 538
c) finished products	112 164	100 145
d) goods	3 053	2 075
Total inventory	**463 120**	**500 938**

The land property in Wrocław recognised in inventory is encumbered with a capped mortgage in the total amount of up to PLN 75,000 thousand, securing a bank loan (as at 31 December 2011, mortgages were established in the amount of up to PLN 146,597 thousand).

“Finished products” include finished residential apartments for sale.

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

NOTE 9B

INVENTORY – EFFECT ON THE RESULT (PLN '000)	01.01.2012 - 31.12.2012	01.01.2011 - 31.12.2011
a) value of inventory recognised as cost in the period	116 543	29 904
b) allowances for inventory recognised as cost in the period	29 770	10 393
c) reversed write-downs on inventory recognised as revenue in the period	9 946	4 273

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

The movement in the revaluation allowance for inventory in 2012 amounted to PLN 19,824 thousand (in 2011: PLN 6,120 thousand) and is included in the income statement under “Prime cost of sale”.

NOTE 10A

SHORT-TERM RECEIVABLES (PLN '000)	31.12.2012	31.12.2011
a) trade receivables with a maturity of:		
- up to 12 months	36 242	39 765
- over 12 months	-	183
b) bank deposits	544	161
Total financial assets	**36 786**	**40 109**
c) other receivables	5 474	6 296
d) prepayments	35 406	27 419
Total non-financial assets	**40 880**	**33 715**
Total net short-term receivables	**77 666**	**73 824**
- revaluation allowances for receivables	6 505	5 715
Total gross short-term receivables	**84 171**	**79 539**

Trade receivables result from the lease of office space and residential apartments. There is no significant concentration of trade receivables in the Echo Investment Group. The Company constantly monitors its tenants' financial situation and solvency. Payments are secured with security deposits or guarantees. At the end of 2012 and 2011, security deposits securing receivables amounted to PLN 52,613 thousand and PLN 40,058 thousand respectively.

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

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

The Group has securities established on receivables in the form of the assignment of amounts due under lease agreements to the banks lending funds for particular investments. The security is established for receivables in the amount of PLN 17,002 thousand (at the end of 2011: PLN 14,346 thousand).

NOTE 10B

MOVEMENT IN REVALUATION ALLOWANCES FOR SHORT-TERM RECEIVABLES (PLN '000)	31.12.2012	31.12.2011
Balance at the beginning of the period	**5 715**	**4 008**
a) increases (due to)		
- creation of an allowance	6 326	4 095
	6 326	**4 095**
b) decreases (due to)		
- release of a provision	5 021	1 855
- cancellation of enforcement proceedings	515	533
	5 536	**2 388**
Revaluation allowances for short-term receivables at the end of the period	**6 505**	**5 715**

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

NOTE 10C

OVERDUE (GROSS) TRADE RECEIVABLES – DIVISION INTO RECEIVABLES UNPAID IN THE PERIOD (PLN ‘000)	31.12.2012	31.12.2011
a) up to 1 month	9 989	10 748
b) between 1 month and 3 months	5 128	4 143
c) between 3 months and 6 months	1 852	19 318
d) between 6 months and 1 year	1 709	2 144
e) over 1 year	3 897	2 032
Total overdue (gross) trade receivables	**22 575**	**38 385**
f) revaluation allowances for overdue trade receivables	(6 505)	(5 715)
Total overdue (net) trade receivables	**16 070**	**32 670**

NOTE 11A

FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH THE PROFIT AND LOSS ACCOUNT (PLN '000)	31.12.2012	31.12.2011
a) FX forwards	2 134	-
Total investment in derivatives	**2 134**	**-**
with maturities:		
- up to 1 year	1 508	-
- 1 to 3 years	626	-

NOTE 11B

FINANCIAL LIABILITIES MEASURED AT FAIR VALUE THROUGH THE PROFIT AND LOSS ACCOUNT (PLN '000)	31.12.2012	31.12.2011
a) Interest Rate Swap	13 043	13 169
b) FX forwards	66	20 670
Total investment in derivatives	**13 109**	**33 839**
with maturities:		
- up to 1 year	66	20 670
- 1 to 3 years	-	-
- 3 to 5 years	13 043	13 169

As at 31 December 2012, the total nominal value of unsettled FX forwards amounted to EUR 26.5 million. These contracts involve the sale (EUR 25.8 million) and purchase (EUR 0.7 million) of EUR in between 2013 and 2014, and are intended to hedge a portion of the Group’s forecast cash flows against FX risk.

NOTE 12

CASH – FINANCIAL ASSETS (PLN ‘000)	31.12.2012	31.12.2011
a) cash in hand and cash in bank	375 824	561 385
Total cash and cash equivalents	**375 824**	**561 385**
Including restricted cash:		
- on escrow accounts	14 352	44 318
- securing the repayment of interest and principal instalments	20 044	-
- securing the payment of renovation costs	-	186
- securing the return of security deposits	307	-
- proceeds from residential customers released by the bank in the course of the progress of investment	5 478	12 670
	40 181	**57 174**

The Group deposits its cash surplus with renowned Polish banks (mainly PKO BP SA and Pekao SA).

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

NOTE 13A

SHARE CAPITAL

Echo Investment S.A. issued 420 million shares with a nominal value of PLN 0.05. All shares have been fully paid up.
As part of the purchase of equity shares, as at 31 December 2012, the Group holds 7,309,418 shares (the Group did not hold any equity shares as at 31 December 2011).

NOTE 13B

SUPPLEMENTARY CAPITAL (PLN '000)	31.12.2012	31.12.2011 RESTATED
a) share premium	100 943	100 943
b) created from generated profit	1 964 378	1 756 521
Total supplementary capital	**2 065 321**	**1 857 464**

Echo Investment S. A.'s 2011 net profit in 2010, amounting to PLN 16,517 thousand, was earmarked for a contribution to the supplementary capital, pursuant to the resolution of the Ordinary GSM of 6 June 2012.

NOTE 14

MOVEMENT IN PROVISIONS BY TYPE (PLN '000)	31.12.2012	31.12.2011
a) at the beginning of the period		
- provision for expected penalties and losses	6 349	5 701
- provision for expected costs of guarantee repairs, etc.	5 364	5 364
- provision for court cases	1 673	500
	13 386	**11 565**
b) increases (due to)		
- provision for expected penalties and losses	-	4 966
- provision for expected costs of guarantee repairs, etc.	-	-
- provision for court cases	-	1 173
	-	**6 139**
c) use of provisions (due to)		
- provision for expected penalties and losses	2 849	4 318
- provision for expected costs of guarantee repairs, etc.	1 100	-
- provision for court cases	1 673	-
	5 622	**4 318**
d) at the end of the period		
- provision for expected penalties and losses	3 500	6 349
- provision for expected costs of guarantee repairs, etc.	4 264	5 364
- provision for court cases	-	1 673
	7 764	**13 386**

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

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

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

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

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

NOTE 15

LOANS AND BORROWINGS (BY TYPE) (PLN '000)	31.12.2012	31.12.2011
a) loans	1 843 131	1 704 761
b) debt securities	853 264	854 291
Total loans, borrowings and bonds	**2 696 395**	**2 559 052**
- long-term portion	2 146 281	2 241 553
- short-term portion	550 114	31 7 499

Under "loans", the Group presents its special purpose loans and overdraft facilities.

Loan agreements are secured by mortgages established on real properties, assignments of outstanding amounts due to the concluded agreements and registered pledges on the interests of subsidiaries. The interest rate on the loans is based on EURIBOR plus the bank's margin. The Group applies interest rate hedges in the form of IRS instruments.

Loan facilities are secured by sola blank bills of exchange, statements on submission to enforcement proceedings and authorisations to use bank accounts. The interest rate on the loans is based on WIBOR plus the bank's margin.

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

Under "debt securities", the Group presents the issued bonds; In 2012, the Group issued bonds with a nominal value of PLN 395 million and redeemed bonds with a nominal value of PLN 395 million.

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

NOTE 16

LEASE (PERPETUAL USUFRUCT OF LAND) WITH REMAINING TERM OF REPAYMENT FROM THE BALANCE SHEET DATE (PLN '000)	31.12.2012	31.12.2011
a) up to 12 months	16	15
b) over 1 year to 3 years	36	34
c) 3 to 5 years	42	39
d) over 5 years	76 578	76 600
Total lease (perpetual usufruct of land)	**76 672**	**76 688**

NOTE 17

TRADE AND OTHER LIABILITIES (PLN '000)	31.12.2012	31.12.2011
a) trade liabilities, payable:		
- up to 12 months	103 390	190 493
- over 12 months	31	2 035
	103 421	**192 528**
b) other liabilities:		
- security deposits and deposits received	2 802	150
- liabilities due to remunerations	79	55
- enterprise social benefits funds	158	160
- accruals	6 546	8 528
- other liabilities	6 604	1 111
Total trade and other liabilities	**119 610**	**202 532**

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

EXPLANATORY NOTES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

NOTE 18A

NET SALES REVENUE, DUE TO: (PLN '000)	01.01.2012 -31.12.2012	01.01.2011 - 31.12.2011
a) lease of space in shopping centres, and in shopping and entertainment centres	300 662	289 277
b) sale and lease of residential space	177 253	29 435
c) construction and lease of space in office and hotel objects	93 956	78 040
d) trade in real property	-	1 935
e) other revenue	10 894	8 248
Total net sales revenue	**582 765**	**406 935**

The Group generated 99.95% of its revenue on domestic sales and 0.05% on foreign sales (in 2011: 99.99% of revenue on domestic sales and 0.01% on foreign sales).

NOTE 18B

PROSPECTIVE REVENUE FROM RENT IN THE PERIOD FOLLOWING THE BALANCE SHEET DATE (PLN '000)	01.01.2012 - 31.12.2012	01.01.2011 - 31.12.2011
a) up to 12 months	282 130	247 234
b) over 1 year to 5 years	842 630	657 787
c) 5 to 10 years	691 107	382 045
Total prospective revenue	**1 815 867**	**1 287 066**

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

NOTE 19A

COSTS BY TYPE (PLN '000)	01.01.2012 - 31.12.2012	01.01.2011 - 31.12.2011
a) amortisation/depreciation	(5 661)	(7 873)
b) consumption of materials and energy	(52 241)	(66 858)
c) third party services	(217 878)	(360 228)
d) taxes and charges	(28 901)	(28 658)
e) remunerations	(33 892)	(31 068)
f) social security and other benefits	(5 390)	(4 853)
g) other costs by type	(16 347)	(18 686)
h) value of goods and materials sold	(447)	(445)
Total costs by type	**(360 757)**	**(518 669)**
Movements in inventories, products, and prepayments and accruals	37 494	(28 568)
Own work capitalised	(37 466)	(250 281)
Selling costs	(28 733)	(26 358)
General administrative expenses	(54 755)	(52 380)
Manufacturing cost of products sold	**(277 297)**	**(161 082)**

NOTE 19B

PRIME COST OF SALE DUE TO: (PLN '000)	01.01.2012 -31.12.2012	01.01.2011 - 31.12.2011
a) lease of space in shopping centres, and in shopping and entertainment centres	(90 213)	(86 055)
b) sale and lease of residential space	(139 894)	(25 326)
c) construction and lease of space in office and hotel objects	(40 526)	(40 259)
d) trade in real property	-	(3 734)
e) other	(6 664)	(5 708)
Total prime cost of sale	**(277 297)**	**(161 082)**

NOTE 20

NET PROFIT (LOSS) ON INVESTMENT PROPERTY (PLN '000)	01.01.2012 -31.12.2012	01.01.2011 - 31.12.2011
Revenue from the sale of property	-	609 955
Property selling costs	-	(473 364)
Revaluation of property	(60 836)	213 115
Net profit (loss) on investment property	**(60 836)**	**349 706**

NOTE 21

OTHER OPERATING REVENUE (PLN '000)	01.01.2012 -31.12.2012	01.01.2011 - 31.12.2011
- profit from sale of non-financial non-current assets	1 417	1 585
- revaluation of receivables	1 336	-
- release of provisions and allowances	5 623	4 085
- interest on operating activities (deposits, etc.)	26 857	20 168
- contractual penalties	1 612	1 192
- subsidies	563	592
- compensations	1 677	575
- other	1 473	8 463
Total other operating revenue	**40 558**	**36 660**

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

NOTE 22

OTHER OPERATING EXPENSES (PLN '000)	01.01.2012 -31.12.2012	01.01.2011 - 31.12.2011
- loss on sale of non-financial non-current assets	(1 354)	(99)
- revaluation of PP&E	(409)	-
- revaluation of receivables	(2 710)	(2 162)
- created provisions	-	(4 355)
- contractual penalties	(265)	(1 369)
- donations	(130)	(1 143)
- bad debt write-off	(5)	(354)
- extraordinary damage and losses	(456)	(367)
- revaluation of goodwill of subsidiaries	-	(647)
- transfer of assets	(4 836)	-
- acquisition costs of subsidiaries	(805)	-
- other	(1 281)	(3 620)
Total other operating expenses	**(12 251)**	**(14 116)**

NOTE 23

FINANCIAL REVENUE (PLN '000)	01.01.2012 -31.12.2012	01.01.2011 - 31.12.2011
- revenue from interest on investing activities (borrowings, etc.)	126	1 144
- profit on sale of investments	20	617
- revenue from revaluation of other financial instruments (IRS)	126	-
- other financial revenue	1	58
Total financial revenue	**273**	**1 819**

NOTE 24

FINANCIAL COSTS (PLN '000)	01.01.2012 -31.12.2012	01.01.2011 - 31.12.2011
- costs due to interest	(152 015)	(141 376)
- measurement of loans and bonds	9 166	5 342
- financial commissions	(3 146)	(2 654)
- loss on sale of investments	(111)	(1 459)
- costs of revaluation of other financial instruments (IRS)	-	(5 150)
- costs of revaluation of other financial instruments (interest rate swap)	(350)	-
- other financial costs	(537)	(2 305)
Total financial costs	**(146 993)**	**(147 602)**

In 2012 and 2011, capitalised borrowing costs amounted to PLN 4,246 thousand and PLN 2,540 thousand respectively. In 2012 and 2011, the capitalisation rate amounted to 6.24% and 4.33% respectively.

NOTE 25

PROFIT (LOSS) ON FX DERIVATIVES (PLN '000)	01.01.2012 -31.12.2012	01.01.2011 - 31.12.2011
- profit/loss on settlement of forwards	(4 673)	(7 900)
- revenue/costs due to revaluation of forwards	22 738	(18 486)
- revenue/costs due to revaluation of FX options	-	7 864
Total profit (loss) on FX derivatives	**18 065**	**(18 522)**

NOTE 26

FOREIGN EXCHANGE GAIN (LOSS) (PLN '000)	01.01.2012 - 31.12.2012	01.01.2011 - 31.12.2011
- realised foreign exchange gains	856	-
- unrealised foreign exchange gains	122 246	-
- realised foreign exchange losses	-	(6 327)
- unrealised foreign exchange losses	-	(169 022)
Total foreign exchange gain (loss)	**123 102**	**(175 349)**

NOTE 27

CURRENT INCOME TAX (PLN '000)	01.01.2012 - 31.12.2012	01.01.2011 - 31.12.2011 RESTATED
1. Gross profit	183 898	199 711
2. Tax calculated according to national rates	34 941	37 969
3. Differences:		
Tax effect of non-taxable income	(51 258)	(8 057)
Tax effect of non-deductible costs	45 122	11 851
Release of deferred tax provision for differences between the tax value and the carrying value of interests in connection with the change of material estimates of the Management Board	(164 123)	-
Result of partnerships for the period	(20 359)	(34 603)
Use of tax losses not recognised earlier	(813)	(420)
Tax losses due to which deferred income tax was not recognised	2 483	9 978
Consolidation adjustments due to which deferred income tax was not recognised	2 365	6 525
Release of provision for deferred tax in connection with restatement of companies	(38 585)	(31 364)
	(225 168)	**(46 090)**
Charges on the financial result due to income tax	**(190 227)**	**(8 121)**

SEGMENT REPORTING

NOTE 28A

ASSIGNMENT OF ASSETS TO SEGMENTS (PLN '000)	31.12.2012	31.12.2011 RESTATED
- shopping centres	3 216 230	3 203 159
- office buildings	1 392 999	1 179 903
- residential space	443 486	508 152
- non-assigned assets	400 458	458 267
Total assets	**5 453 173**	**5 349 481**

NOTE 28B

ASSIGNMENT OF LIABILITIES TO SEGMENTS (PLN '000)	31.12.2012	31.12.2011 RESTATED
- shopping centres	1 438 543	1 450 188
- office buildings	504 048	464 645
- residential space	44 555	120 137
- non-assigned liabilities	1 034 384	1 218 993
Total liabilities	**3 021 530**	**3 253 963**

The non-assigned assets and liabilities only include data not allocated to the Group's operating segments.

The measurement of segment assets and liabilities is the same as the measurement of the Group's assets and liabilities.
All items of the Group's assets, liabilities and provisions have been split into segments.

NOTE 28C

ASSIGNMENT OF OPERATING REVENUE TO SEGMENTS (PLN '000)	01.01.2012 -31.12.2012	01.01.2011 - 31.12.2011
- shopping centres	300 662	289 277
- office buildings and hotels	93 956	78 040
- residential space	177 253	29 435
- other	10 894	10 183
Total operating revenue	**582 765**	**406 935**

In 2012 and 2011, there were no transactions between segments.

NOTE 28D

ASSIGNMENT OF OPERATING EXPENSES TO SEGMENTS	01.01.2012 - 31.12.2012	01.01.2011 - 31.12.2011
- shopping centres	(90 213)	(86 055)
- office buildings	(40 526)	(40 259)
- residential space	(139 894)	(25 326)
- other	(6 664)	(9 442)
Total operating expenses	**(277 297)**	**(161 082)**

NOTE 28E

ASSIGNMENT OF GROSS SALES RESULT TO SEGMENTS	01.01.2011-31.12.2011	01.01.2010-31.12.2010
- shopping centres	210 449	203 222
- office buildings and hotels	53 430	37 781
- residential space	37 359	4 109
- other	4 230	741
Total gross sales result	**305 468**	**245 853**

The share of foreign revenue and costs is not material.

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

NOTE 29

BASIC DATA OF JOINTLY CONTROLLED ENTITIES (BY GROUP SHARE)	01.01.2012 - 31.12.2012	01.01.2011 - 31.12.2011
- non-current assets	92 819	100 404
- current assets	4 548	3 322
- liabilities	63 847	70 618
- operating revenue	10 282	9 872
- operating expenses	2 701	2 731

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

Date: 23 April 2013

Piotr Gromniak

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

Artur Langner

Waldemar Lesiak

President of the Management Board

Vice-President of the Management Board

Vice-President of the Management Board

Signature of the individual entrusted with bookkeeping:

Tomasz Sułek

Chief Accountant

MANAGEMENT REPORT OF THE ECHO INVESTMENT CAPITAL GROUP FOR 2012

III. MANAGEMENT REPORT OF THE ECHO INVESTMENT CAPITAL GROUP FOR 2012

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

Echo Investment S.A. manages the whole investment process of a given project, starting from the purchase of property, through obtaining administrative permits, financing, implementation, supervision to putting the facility into service. It performs the activities on its own behalf or, more often, by providing services to a special-purpose subsidiary. Implementing construction projects through subsidiaries significantly facilitates the management of the processes and ensures transparency of the Group's structure. These entities mainly rent out commercial space (shopping and entertainment centres, offices), construct and sell apartments and provide property management services. The Company also provides services as a general contractor to foreign investors.

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

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

The Capital Group operates in Poland, Hungary, Romania and Ukraine.

1. DISCUSSION OF BASIC ECONOMIC AND FINANCIAL FIGURES DISCLOSED IN THE FINANCIAL STATEMENTS OF THE ECHO INVESTMENT CAPITAL GROUP FOR 2012

CONSOLIDATED BALANCE SHEET

At the end of 2012, the Capital Group's balance sheet total amounted to **PLN 5,453,173 thousand**, which means a **1.9%** increase in value compared to the balance at the end of 2011.

Assets

At the end of 2012, the assets structure was as follows:

- Non-current assets make up 76.5% of total assets, of which the main item is investment property, 69.1% of non-current assets, investment property under construction makes up 28.2% of non-current assets;
- Non-current assets held for sale account for 4.6%;
- Current assets represent 18.88% of total assets, of which inventories account for 45.0% of total current assets, receivables make up 12.3% of current assets and cash accounts for 36.5% of total current assets.

Equity and liabilities

- As at 31 December 2012, Echo Investment S.A.'s (parent company) share capital amounted to PLN 21.0 million and was divided into 420,000,000 series A, B, C, D, E and F ordinary bearer shares with a nominal value of PLN 0.05 each;
- As at 31 December 2012, consolidated equity attributable to the shareholders of the parent company amounted to PLN 2,431,620 thousand, which means a 16.0% increase compared to the end of December 2011;
- Consolidated net book value per share is PLN 5.89;
- Liabilities accounted for 56.1% of the balance sheet total, and had a closing balance of PLN 2,989,322 thousand.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

- In 2012, consolidated net sales revenue amounted to PLN 582,765 thousand;
- Consolidated operating profit at the end of December 2012 amounted to PLN 189,451 thousand;
- Consolidated gross profit amounted to PLN 183,898 thousand;
- Consolidated net profit attributable to the shareholders of the parent company amounted to PLN 374,115 thousand, which is a 80.0% increase compared to the 2011 profit;
- Consolidated net profit per share for 12 months of 2012 was PLN 0.91.

CONSOLIDATED CASH FLOW STATEMENT

- At the beginning of the reporting period, cash amounted to PLN 561,385 thousand;
- In 2012, the Capital Group recorded a positive cash flow from operating activities, amounting to PLN 212,119 thousand;
- At the end of December 2011, the Capital Group recorded a positive cash flow from investing activities, amounting to PLN 467,678 thousand;
- The Group recorded a positive cash flow from financing activities, in the amount of PLN 79,422 thousand;
- Between 1 January and 31 December 2012, the balance of cash decreased by PLN 185,561 thousand, while the decrease in cash due to foreign exchange differences was PLN 9,424 thousand;
- At the end of December 2012, cash amounted to PLN 375,824 thousand.

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

Material risks and threats to the Company's business:

- The **risk of competition** is related to the company's operation on the domestic real property market. Since 2009, this has been a tough market for the lease of commercial and office space and the sale of apartments. Recently, the real property market has been dictated by the customer and the high number of foreign investors, whose competitive edge is expressed in greater capital resources, has increased the risk of competition. With regard to potentially new entities, the risk is limited by high barriers to entry (high capital-intensiveness). In the present market situation, the Group's advantage lies in its long-time experience in the implementation of projects and market awareness, leading to projects in locations that are attractive to customers. Thanks to high quality of the offer and established customer trust, tenants from present shopping centres decide to lease space in newly commissioned objects. With a suitable mix of the tenants, constant marketing and social campaigns, the Group's centres are some of the mostly visited centres in their respective regions.

- **Interest rate risk.** The Group's business is largely based on loans, on which interest is calculated based on interest rates. For loans and bonds in PLN, the applicable rate is WIBOR and for loans in EUR, the applicable rate is EURIBOR or LIBOR EUR. The interest rate risk is limited by hedging instruments (fixed rates, IRS) available on the market.

- **Foreign exchange risk.** 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 related to the Group's tenants** is the risk that the tenants may lose their liquidity or that outstanding amounts may become unrecoverable. 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 renowned retail chains (Tesco, Real, Carrefour, NOMI, brand clothing outlets, cinemas, etc.) and areas in office facilities are rented out to the largest companies (Polkomtel, Tieto Poland, Medicover, Tebodin, Roche Polska, IKEA Shared Services). Lease agreements are secured with guarantees or security deposits. The Group only accepts guarantees provided by renowned banks and insurance companies, thus reducing the risk that a financial institution may not disburse the funds. The Debt Collection Department constantly monitors payments from tenants, allowing for a swift response to delayed payments. The effectiveness of the applied procedures for minimising this risk is confirmed by nearly 100% recoverability of outstanding amounts in the Group.

- The **risk related to external contractors** is the risk related to the quality of work performed and the risk that the contractors may lose their liquidity. The Company, as the investor of a development, commissions external entities. Punctuality and quality of execution are largely the responsibility of these contractors. To a large extent, this factor is eliminated by securities provided for in the agreements for the construction of engineering objects, constant supervision over the construction process by inspectors or specialised external companies present on the construction sites and by Project Managers. When selecting a supplier, in addition to analysing the offer of construction works, the prospective contractor's financial situation and technical capabilities are examined.

- 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 Group'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. This risk is reduced by constant proceeds from the property portfolio and the funding of projects using special purpose loans.

- 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 may cause the demand to increase. This risk is limited by working with tenants who target their offer at various groups, including groups whose consumption expenditures are not strongly affected by a change of the macroeconomic situation. Apartments offered by the Group are mainly targeted at affluent consumers, whose spending decisions are less effected by the macroeconomic situation.

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

3.1. Business segments

As at 31 December 2012, the Capital Group held projects already commissioned to use as well as projects in the course of implementation or preparation.

PORTFOLIO OF PROPERTIES IN USE

As at 31 December 2012, the Capital Group held 5 shopping centres, 5 shopping and entertainment centres and 6 office developments for lease.

REAL PROPERTY PORTFOLIO AS AT 31 DECEMBER 2012

CITY	LOCATION	NAME	GLA [SQ. M]
Jelenia Góra	Al. Jana Pawła II	Galeria Echo	19 000
Piotrków Trybunalski	ul. Sikorskiego	Galeria Echo	17 400
Przemyśl	ul. 29 Listopada	Galeria Echo	5 500
Radom	ul. Żółkiewskiego	Galeria Echo	19 500
Tarnów	ul. Błonie	Galeria Echo	20 200
SHOPPING CENTRES	**TOTAL**		**81 600**
Bełchatów	ul. Kolejowa	Galeria Olimpia	21 400
Kielce	ul. Świętokrzyska	Galeria Echo	70 500
Szczecin	Al. Wyzwolenia	Galaxy	41 200
Szczecin	al. Struga	Outlet Park	16 600
Wrocław	Plac Grunwaldzki	Pasaż Grunwaldzki	48 200
SHOPPING AND ENTERTAINMENT CENTRES	**TOTAL**		**197 900**
Kielce	al. Solidarności	Astra Park (*)	11 200
Poznań	ul. Baraniaka	Malta Office Park	28 400
Szczecin	ul. Malczewskiego	Oxygen	14 100
Warsaw	Al. Jana Pawła II	Babka Tower	6 200
Warsaw	ul. Postępu	Polkomtel office building (*)	10 200
Wrocław	ul. Swobodna	Aquarius (stage I)	15 700
OFFICE DEVELOPMENTS	**TOTAL**		**85 800**
DEVELOPMENTS FOR LEASE	**TOTAL**		**365 300**

*The Astra Park project does not include area occupied by the Group. The area attributable to the Capital Group comprises 50% of the Polkomtel office building development (Warsaw, ul. Postępu).

Tenants in shopping centres and shopping and entertainment centres include domestic and international retail chains and local businesses. The main tenants of commercial space include:

- hypermarkets: Real, Tesco,
- specialist retail chains: Empik, Nomi, RTV Euro AGD, Saturn,
- fashion chains: C&A, H&M, Zara, Reserved
- culture and entertainment retail chains: Helios, Multikino,
- health and beauty retail chains: Douglas, Rossmann.

Office space is leased to renowned companies and local businesses. The main tenants of office space include: Grand Thornton Frąckowiak, Roche Polska Sp. z o.o., Ikea Shared Services Sp. z o.o., McKinsey Emea Shared Services, Coloplast Shared Services Sp. z o.o., Nordea Bank Polska S.A., Tieto Polska S.A., Polkomtel S.A., Pramerica Życie TUiR S.A., Raiffeisen Bank Polska S.A., Sygnity S.A., Medicover Sp. z o.o., Altkom Investments Sp. z o.o., Mentor Graphics Polska Sp. z o.o., Kennametal Polska Sp. z o.o., Tebodin SAP-Projekt Sp. z o.o., Samsung Electronics Polska Sp. z o.o., Bank Ochrony Środowiska, Lux Med. Sp. z o.o., Pwc Polska Sp. z o.o., The Bank of New York Mellon.

PROJECTS IN THE COURSE OF IMPLEMENTATION AND PREPARATION

The Management Board closely monitors the situation on the real property market and decides to implement specific projects based on the assessment of the present market situation. All project implementation deadlines are flexible and reasonably adjusted to the actual situation.

PROJECTS IN THE COURSE OF IMPLEMENTATION AND PREPARATION IN THE SEGMENT OF SHOPPING CENTRES AND SHOPPING AND ENTERTAINMENT CENTRES

PROJECT	GLA [SQ. M]	COMMENCEMENT	COMPLETION
Łomża Veneda,	14 900	H2 2011	H1 2013
Kalisz Amber,	34 300	H1 2012	H1 2014
Jelenia Góra Sudecka (expansion)	12 300	H2 2013	H1 2015
Szczecin Galaxy (expansion)	17 200	H1 2014	H2 2015
Poznań Metropolis	75 300	H1 2014	H1 2016
Szczecin Outlet Park (stage II)	8 300	H1 2014	H2 2014
Koszalin Nova	27 200	H2 2014	H2 2015
Katowice, ul. Kościuszki	50 000	H1 2015	H1 2017
Słupsk, ul. Grottgera **			
PROJECTS IN POLAND	**239 500**		
Brasov Korona (Romania)	30 500	H1 2014	H2 2015
Budapest Mundo (Hungary)*	42 700		
FOREIGN PROJECTS	**73 200**		
TOTAL PROJECTS	**312 700**		

* Due to the unstable economic situation in this country, it is uncertain whether the project will be commenced within the next three years.
** Any projects for which no dates are specified are in the design phase.

PROJECTS IN THE COURSE OF IMPLEMENTATION AND PREPARATION IN THE SEGMENT OF OFFICE AND HOTEL SPACE

PROJECT	GLA [SQ. M]	COMMENCEMENT	COMPLETION
Warsaw Park Rozwoju (stage I)	17 800	H2 2012	H1 2014
Warsaw Park Rozwoju (stage II)	16 100	H1 2014	H2 2015
Warsaw Jana Pawła II	52 900	H2 2013	H2 2016
Warsaw Beethovena (stages I)	18 100	H2 2013	H1 2015
Warsaw Beethovena (stages II - III)	36 700	H1 2015	H1 2018
Warsaw Taśmowa (stages I - IV)	60 800	H1 2014	H2 2018
Krakow Opolska (stage I)	19 200	H2 2013	H1 2015
Krakow Opolska (stages II - III)	38 400	H2 2014	H1 2018
Wrocław Aquarius Business House (stage II)	9 300	H1 2012	H2 2013
Wrocław Lotnicza	16 300	H1 2013	H2 2014
Wrocław Plac Grunwaldzki (stages I-II)	20 600	H1 2014	H1 2017
Gdańsk Tryton	22 800	H2 2013	H1 2015
Katowice A4 Business Park (stage I)	9 000	H2 2012	H1 2014
Katowice A4 Business Park (stage II)	9 300	H2 2013	H1 2015
Katowice A4 Business Park (stage III)	11 900	H1 2015	H2 2016
Łódź Novotel	7 300	H2 2011	H1 2013
Łódź Aurus (stages I – II)	19 200	H1 2014	H2 2016
PROJECTS IN POLAND	**385 700**		
Kiev Dehtiarivska (stage I)	17 500	H2 2013	H1 2015
Kiev Dehtiarivska (stages II-VI)	87 900	H2 2014	H1 2020
FOREIGN PROJECTS	**105 400**		
TOTAL PROJECTS	**491 100**		

PROJECTS IN THE COURSE OF IMPLEMENTATION AND PREPARATION IN THE RESIDENTIAL SEGMENT

PROJECT	USABLE AND RESIDENTIAL AREA/PLOT AREA [SQ. M]	COMMENCEMENT	COMPLETION
Dyminy, Osiedle Południowe (stage III)	43 400	H2 2013	H2 2014
Poznań, Sołacz	13 700	H1 2014	H2 2014
Warsaw, Rezydencje Leśne (project in the course of sale)	52 900	H2 2010	H2 2012
SALE OF PLOTS [PLOT AREA]	**110 000**		
Kielce, Zielone Tarasy	2 100	H2 2013	H1 2015
Krakow, Korzeniowskiego	3 000	H2 2012	H1 2014
Krakow, Bronowicka	3 000	H2 2013	H1 2015
Krakow, Tyniecka / Czarodziejska	5 600	H2 2013	H1 2015
Łódź, Osiedle Jarzębinowe (stage I)	6 900	H2 2011	H1 2013
Łódź, Osiedle Jarzębinowe (stages II-IV)	39 900	H1 2014	H2 2021
Łódź, Wodna (stages I – II)	13 700	H1 2014	H1 2017
Poznań, Kasztanowa Aleja (stage II)	8 600	H2 2012	H2 2014
Poznań, Naramowice, Pod Klonami II, row houses	4 500	H1 2012	H2 2013
Poznań, Naramowice, Jaśminowy Zakątek (stage I)	6 000	H1 2013	H2 2014
Poznań, Naramowice, Jaśminowy Zakątek (stages II-IV)	13 500	H2 2014	H2 2018
Poznań, Sowińskiego (stages I-III)	19 800	H1 2014	H1 2019
Warsaw, Nowy Mokotów (stage I)	11 600	H2 2012	H2 2014
Warsaw, Nowy Mokotów (stages II-IV)	30 500	H1 2015	H1 2022
Warsaw, Princess, Puławska	4 900	H2 2013	H1 2015
Wrocław, Grota Roweckiego (stages I – III)	18 300	H2 2013	H1 2019
SALE OF APARTMENTS [USABLE AND RESIDENTIAL AREA]	**191 900**		
Lublin, ul. Poligonowa (**)	1 130 000		
Poznań Naramowice (**)	330 000		
INVESTMENT LAND [PLOT AREA]	**1 460 000**		

** Any projects for which no dates are specified are in the design phase.

3.2. Revenue structure

STRUCTURE OF THE GROUP'S NET SALES REVENUE (IN MILLIONS OF PLN) BETWEEN 2011 AND 2012:

ITEM	01.01.2012-31.12.2012	% SHARE	01.01.2011-31.12.2011	% SHARE
Shopping centres segment	300,7	51,6%	289,3	71,1%
Housing segment	177,2	30,4%	29,4	7,2%
Offices and hotels segment	94,0	16,1%	78,0	19,2%
Trade in real property	-	-	2,0	0,5%
Other revenue	10,9	1,9%	8,2	2,0%
TOTAL NET REVENUE FROM SALE OF PRODUCTS	**582,8**		**406,9**	

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

SALES MARKETS

In 2012, all projects implemented by the Capital Group were located in the Polish market only.

Changes in sources of supply

In terms of purchase of services by entities from the Capital Group, the main share, measured by the share of purchases in total sales revenue, was attributable to entities with whom the Capital Group works together as part of specific property developments. In 2012, turnover with four counterparties exceeded 10% of the Capital Group's revenue. None of the listed companies has capital relations with the Group.

MAJOR SUPPLIERS OF THE CAPITAL GROUP IN 2012:

COUNTERPARTY	TURNOVER (IN MILLIONS OF PLN)	% SHARE OF NET SALES REVENUE
Eiffage Budownictwo MITEX S.A.	166,2	28,5%
Polimex – Mostostal S.A.	126,8	21,8%
Instal Białystok S.A.	76,5	13,1%
Agencja Rozwoju Przemysłu S.A.	73,9	12,7%

Changes among customers

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

MAJOR CUSTOMERS OF THE CAPITAL GROUP IN 2012:

COUNTERPARTY	TURNOVER (IN MILLIONS OF PLN)	% SHARE OF NET SALES REVENUE
Carrefour Polska SP. Z O.O.	44,0	7,6%

5. INFORMATION ON AGREEMENTS THAT ARE SIGNIFICANT FOR THE CAPITAL GROUP'S BUSINESS, INCLUDING AGREEMENTS BETWEEN SHAREHOLDERS AS WELL AS INSURANCE, PARTNERSHIP OR COOPERATION AGREEMENTS CONCLUDED IN 2012 AND KNOWN TO THE COMPANIES OF THE CAPITAL GROUP

5.1. Agreements significant for the Capital Group's business

Conclusion of material lease agreements

On 15 March 2012, the Issuer's subsidiaries and real,- Spółka z ograniczoną odpowiedzialnością i Spółka komandytowa, with its registered office in Warsaw (02-183), at Al. Krakowska 61, entered into the register of entrepreneurs of the National Court Register by the District Court for the capital city of Warsaw, 13th Economic Department of the National Court Register, under KRS no. 0000011498 (Tenant), signed 10-year agreements for the lease of commercial space in shopping centres owned by the subsidiaries listed below.

The said lease agreements were concluded by the following subsidiaries of the Issuer:

1/ Galeria Sudecka - Projekt Echo - 43 Spółka z ograniczoną odpowiedzialnością Spółka komandytowo-akcyjna, with its registered office in Jelenia Góra (58-506), at Al. Jana Pawła II 51, entered into the register of entrepreneurs maintained by the District Court for Wrocław - Fabryczna in Wrocław, 9th Economic Department of the National Court Register, under KRS no. 0000380072 – applies to commercial space in the Shopping Centre in Jelenia Góra, ul. Jana Pawła II 51;

2/ PPR - Projekt Echo - 77 Spółka z ograniczoną odpowiedzialnością Spółka komandytowo-akcyjna, with its registered office in Kielce (25-323), at Al. 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. 0000361525 – applies to commercial space in the Shopping Centres in Radom, ul. Żółkiewskiego 4, and in Piotrków Trybunalski, ul. Sikorskiego 13/17;

3/ Galeria Tarnów - Projekt Echo - 43 Spółka z ograniczoną odpowiedzialnością Spółka komandytowo-akcyjna, with its registered office in Kielce (25-323), at Al. 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. 0000385055 – applies to commercial space in the Shopping Centre in Tarnów, ul. Błonie 2.

The total value resulting from the four 10-year lease agreements signed by the said subsidiaries of the Issuer is EUR 38.15 million, which, on the day when the Warsaw Stock Exchange was informed (Current Report no. 10/2012), amounted to PLN 158.04 million according to the average exchange rate of the National Bank of Poland.

The agreement with the highest value is the agreement for the lease of space in the Shopping Centre in Radom, amounting to EUR 11.17 million, which, on the day when the Warsaw Stock Exchange was informed (Current Report no. 10/2012), amounted to PLN 46.27 million according to the average exchange rate of the National Bank of Poland.

The commercial space will be handed over to the Tenant on 30 January 2013.

The agreements provide for standard market contractual penalties for this type of agreements. The liability of the Tenant and the landlord companies due to contractual penalties is limited to EUR 3 million, which, on the day when the Warsaw Stock Exchange was informed (Current Report no. 10/2012), amounted to PLN 12.43 million according to the average exchange rate of the National Bank of Poland. The payment of contractual penalties does not preclude the parties' right to claim compensation under generally applicable terms and conditions.

Loan agreement for the financing of stage I of Aquarius Business House (Alior Bank)

On 6 June 2012, GRUPA ECHO SPÓŁKA Z OGRANICZONĄ ODPOWIEDZIALNOŚCIĄ 1 SPÓŁKA KOMANDYTOWO-AKCYJNA, with its registered office in Kielce, 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 of the National Court register, under KRS no. 0000378348 (later referred to as the Borrower, Company), a subsidiary of the Issuer, and ALIOR BANK SPÓŁKA AKCYJNA, with its registered office in Warsaw, at Al. Jerozolimskie 94, 00-807 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 KRS no. 305178 (later referred to as the Lender, Bank), signed a loan agreement (later referred to as the Agreement).

According to the terms of the Agreement, the Bank grants to the Borrower a construction loan in the amount of PLN 93,368,427 thousand for financing and refinancing the costs of the project involving the execution of the first stage of the office and services facility Aquarius Business House in Wrocław.

The loan bears interest amounting to 1-month WIBOR plus the bank’s margin.

The loan repayment date was set to be 30 September 2013.

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

1. priority mortgage on the Property up to 150% of the Loan amount;
2. registered pledge and priority financial pledge on all shares in the Borrower's company up to 150% of the Loan amount and the Shareholders' statement on submission to enforcement proceedings regarding the shares held, pursuant to the banking law;
3. registered pledge and financial pledge on the Borrower's Accounts, authorisation to use and blockade of the Borrower's Accounts;
4. transfer to secure outstanding amounts under insurance agreements;
5. transfer to secure outstanding amounts under Lease Agreements and transfer of securities for Lease Agreements;
6. transfer to secure outstanding amounts under Agreements with Contractors and transfer of securities for such agreements;
7. Borrower's statement on submission to enforcement proceedings pursuant to the banking law.

Overdraft facility agreement (BZ WBK)

On 12 June 2012, the Issuer and Bank Zachodni WBK Spółka Akcyjna, with its registered office in Wrocław, address: Rynek 9/11, 50-950 Wrocław, entered into the Register of Entrepreneurs of the National Court Register under KRS no. 0000008723 by the District Court for Wrocław - Fabryczna in Wrocław, 6th Economic Department of the National Court Register (later referred to as the Bank), signed an overdraft facility agreement (later referred to as the Agreement).

According to the terms of the Agreement, the Bank grants a loan to the Company up to the amount of 50,000,000.00 PLN (in words: fifty million zloty and zero grosz) for financing its current operations.

The contractual loan repayment date was set to be 8 June 2013.

Addendum to overdraft facility agreement (PeKaO)

On 29 June 2012, the Issuer and Bank Polska Kasa Opieki S.A., with its registered office in Warsaw, signed an addendum to the overdraft facility agreement, which the Company announced in current report no. 34/2011 of 30 June 2011.

The Addendum increased the loan amount from PLN 30 million to PLN 50 million and extended the loan period to 30 June 2013.

Loan agreement for the construction of Galeria Amber in Kalisz (PeKaO)

On 27 July 2012, PROJEKT ECHO - 39 SP. Z O.O., with its registered office in Kielce, at Al. Solidarności 36, 25-323 Kielce, entered into the register of entrepreneurs maintained by the District Court in Kielce, 10th Economic Department of the National Court Register, under KRS no.: 0000196339 (later referred to as: Borrower, Company) – the Issuer's subsidiary, and BANK POLSKA KASA OPIEKI S.A., with its registered office in Warsaw, at ul. Grzybowska 53/57, PO Box 1008, 00-950 Warsaw, entered into the Register of Entrepreneurs of the National Court Register by the District Court for the Capital City of Warsaw, 13th Economic Department of the National Court Register, under KRS no. 14843 (hereinafter referred to as: Lender, Bank), signed a loan agreement (hereinafter referred to as: Agreement).

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 47 million (forty-seven million euro);

2/ cash constituting a VAT loan of up to PLN 7 million (seven million zloty).

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

1. Construction loan – for financing or refinancing project expenditures;
2. Investment loan – for refinancing debt as part of the construction loan through a Conversion (repayment of debt under the construction loan by using cash made available under the investment loan);
3. VAT loan – for financing or refinancing VAT in connection with implementing the project.

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 WIBOR, plus the bank's margin.

The Borrower will use the funds raised under the agreement to build Galeria Amber in Kalisz at the junction of ul. Górnośląska and Trasa Bursztynowa.

The loan repayment deadlines are as follows:

1. for the Investment Loan – on the fifth anniversary of the Conversion day or on 31 December 2019, whichever is earlier;
2. for the VAT Loan – 6 months from the date of the usage permit or 31 December 2014, whichever is earlier.

To secure the repayment of the Loan and of the amounts due to the Bank, the Borrower shall establish the following securities or shall cause them to be established:

1. priority mortgage to secure Loans in the amount of up to 200% of loan exposure,
2. Borrower's declaration on the submission to enforcement proceedings,
3. Issuer's declaration on the submission to enforcement proceedings,
4. Declaration of every shareholder of the Borrower who is a partner on the conclusion date of the Agreement on the submission to enforcement proceedings,
5. Authorisation to the Borrower's bank accounts,
6. Subordination Agreement which prioritises payments due to the Lender under the Loan Agreement over other payments,
7. Pledge Agreements – registered and financial pledges on the rights to the Borrower's accounts, General Partner's cash debt, registered and financial pledges on the Borrower's interests and shares.

Addendum to overdraft facility agreement (PKO BP)

On 21 August 2012, the Issuer received an addendum signed by way of correspondence and dated 17 August 2012 to the loan agreement for a multi-purpose facility of 21 August 2006 with the bank Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna, with its registered office in Warsaw (hereinafter referred to as: Bank, PKO BP). See current reports: no. 49/2006 of 22 August 2006 and no. 29/2009 of 1 September 2009.

Pursuant to the addendum, the amount of the multi-purpose facility was increased from PLN 80 million to PLN 100 million and the loan period was extended to another three-year period, i.e. to 19 August 2015.

As part of the facility agreement, the Bank shall grant the following to the Borrower:

- overdraft in PLN up to 40% of the facility,
- working capital revolving loan in PLN up to 50% of the facility,
- bank guarantees up to 65% of the facility.

The interest on the funds has been determined according to a variable interest rate WIBOR 1M plus the Bank's margin. Securities for the repayment of the amounts due to the Bank in connection with the use of the facility:

1. Sola blank bill of exchange issued by the Borrower along with the Borrower's blank promissory note agreement,
2. Declaration on the submission to enforcement proceedings pursuant to article 97 of the Banking Law Act.
3. Clause for the withdrawal of cash from the Borrower's bank accounts maintained by PKO BP.

5.2. Agreements between shareholders

The Issuer was not aware of any agreements concluded in 2012 between the shareholders which would be important for its business.

5.3. Insurance agreements of the Capital Group

SUBJECT OF INSURANCE	INSURER	SUM INSURED (PLN '000)
property insurance policies – objects	TU Compensa S.A., Generali TU S.A	2 650 746
property insurance policies – equipment	TU Compensa S.A., Generali TU S.A.	15 493

civil liability policies	TU Compensa S.A., PZU SA., STU Ergo Hestia S.A., Generali TU SA, PZU SA	65 890
construction and assembly risk policies	Tu Compensa S.A., Generali TU S.A., PTU S.A., TU Allianz SA, Ergo Hestia	527 478
loss of profit policies	Generali TU S.A, TU Compensa S.A.	243 297
other policies	PZU S.A., Ergo Hestia TU SA, TU Compensa SA	4 017
TOTAL:		**3 506 921**

5.4. Partnership or cooperation agreement

In 2012, the Capital Group did not conclude any material partnership or cooperation agreements.

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

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

As at 31 December 2012, the Capital Group comprises 93 fully consolidated subsidiaries, one jointly controlled entity consolidated with the proportionate method and one associate consolidated with the equity method.

SUBSIDIARIES:

NO.	COMPANY	REGISTERED OFFICE	% SHARE OF THE CAPITAL	PARENT COMPANY
1	47 – Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	XXXIV FIZ Forum
2	53 – Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	XXXIV FIZ Forum
3	Astra Park - Projekt Echo - 69 Sp. z o.o. S.k.a.	Kielce	100%	XXXIV FIZ Forum
4	Aquarius Business House – Grupa Echo Sp. z o.o. S.k.a. (formerly: Grupa Echo Sp. z o.o. 1 S.k.a.)	Kielce	100%	XXIX FIZ Forum
5	Avatar - Projekt Echo – 93 Sp. z o.o. S.k.a.	Kielce	100%	XXIX FIZ Forum
6	A4 Business Park – Grupa Echo Sp. z o.o. S.k.a. (formerly: Projekt Echo - 30 Sp. z o.o.)	Kielce	100%	XXXIV FIZ Forum.
7	Babka Tower - Projekt Echo - 93 Sp. z o.o. S.k.a.	Kielce	100%	XXIX FIZ Forum
8	Barconsel Holdings Ltd	Nicosia	100%	Echo – SPV 7 Sp. z o.o.
9	Bełchatów – Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	XXIX FIZ Forum
10	Budivelnuy Soyuz Monolit LLC	Kiev	100%	Yevrobudgarant LLC
11	Echo – Arena Sp. z o.o.	Kielce	100%	Echo Investment S.A.
12	Echo – Aurus Sp. z o.o.	Kielce	100%	Echo Investment S.A.
13	Echo – Centrum Przemyśl - Projekt Echo – 93 Sp. z o.o. S.k.a.	Kielce	100%	XXIX FIZ Forum
14	Echo – Galaxy Sp. z o.o.	Kielce	100%	Echo Investment S.A.
15	Echo – Galaxy Sp. z o.o. S.k.a.	Szczecin	100%	XXIX FIZ Forum
16	Echo – Galeria Amber Sp. z o.o.	Kielce	100%	Echo Investment S.A.
17	Echo – Galeria Amber Sp. z o.o. S.k.a (formerly: Projekt Echo - 39 Sp. z o.o.)	Kielce	100%	XXXIV FIZ Forum.
18	Echo – Galeria Lublin Sp. z o.o.	Kielce	100%	Echo Investment S.A.
19	Echo – Kasztanowa Aleja Sp. z o.o.	Kielce	100%	Echo Investment S.A.
20	Echo – Kasztanowa Aleja Sp. z o.o. Sp. kom.	Kielce	100%	Echo Investment S.A.
21	Echo – Klimt House Sp. z o.o.	Kielce	100%	Echo Investment S.A.
22	Echo – Klimt House Sp. z o.o. Sp. z kom.	Kielce	100%	Echo Investment S.A.
23	Echo – Pod Klonami Sp. z o.o.	Kielce	100%	Projekt Naramowice – Grupa Echo Sp. z o.o. S.k.a.

NO.	COMPANY	REGISTERED OFFICE	% SHARE OF THE CAPITAL	PARENT COMPANY
24	Echo – Pod Klonami Sp. z o.o. Sp. kom.	Kielce	100%	Echo Investment S.A.
25	Echo – Project - Management Ingatlanhasznosito Kft.	Budapest	100%	Echo Investment S.A.
26	Echo – Przy Słowiańskim Wzgórzu Sp. z o.o.	Kielce	100%	Echo Investment S.A.
27	Echo – Przy Słowiańskim Wzgórzu Sp. z o.o. Sp. kom.	Kielce	100%	Echo Investment S.A.
28	Echo – SPV 7 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
29	Echo Galeria Kielce – Magellan West Sp. z o.o. S.k.a.	Kielce	99,95%	XXIX FIZ Forum / XXXIV FIZ Forum
30	Echo Investment ACC - Grupa Echo Sp. z o.o. Sp. kom.	Kielce	100%	Echo Investment S.A.
31	Echo Investment Facility Management - Grupa Echo Sp. z o.o. Sp. kom.	Kielce	100%	Echo Investment S.A.
32	Echo Investment Hungary Ingatlanhasznosito Kft.	Budapest	100%	Echo Investment S.A.
33	Echo Investment Project 1 S.R.L.	Brasov	100%	Echo Investment S.A.
34	Echo Investment Project Management S.R.L.	Brasov	100%	Echo Investment S.A.
35	Echo Investment Property Management – Grupa Echo Sp. z o.o. Sp. kom.	Kielce	100%	Echo Investment S.A.
36	Echo Investment Ukraine LLC	Kiev	100%	Echo Investment S.A.
37	Echo Pasaż Grunwaldzki – Magellan West Sp. z o.o. S.k.a.	Kielce	99,95%	XXIX FIZ Forum
38	Elmira Investments Sp. z o.o.	Kielce	100%	Echo Investment S.A.
39	Elmira Investments Sp. z o.o. S.k.a.	Warsaw	100%	Echo Investment S.A.
40	EI Project Cyp - 1 Ltd	Nicosia	100%	Echo Investment S.A.
41	Farrina Investments Sp. z o.o.	Warsaw	100%	Echo Investment S.A.
42	Galeria Olimpia – Projekt Echo – 98 Sp. z o.o. S.k.a.	Kielce	100%	XXXIV FIZ Forum
43	Galeria Sudecka - Projekt Echo – 43 Sp. z o.o. S.k.a.	Jelenia Góra	100%	XXIX FIZ Forum
44	Galeria Tarnów – Projekt Echo – 43 Sp. z o.o. S.k.a.	Kielce	100%	XXIX FIZ Forum
45	Grupa Echo Sp. z o.o.	Kielce	100%	Echo Investment S.A.
46	Intermedia Investment Sp. z o.o.	Kielce	100%	Echo Investment S.A.
47	Iris Capital Sp. z o.o.	Kielce	100%	Echo Investment S.A.
48	Malta Office Park - Projekt Echo - 96 Sp. z o.o. S.k.a.	Kielce	100%	XXXIV FIZ Forum
49	Mena Investments Sp. z o.o.	Kielce	100%	Echo Investment S.A.
50	Metropolis - Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	XXXIV FIZ Forum
51	Monolit Investment Sp. z o.o.	Kielce	100%	Echo Investment S.A.
52	Nikson Capital Sp. z o.o.	Kielce	100%	Echo Investment S.A.
53	Oxygen – Projekt Echo – 95 Sp. z o.o. S.k.a.	Kielce	100%	XXIX FIZ Forum
54	Pamiątkowo Sp. z o.o.	Pamiątkowo	100%	Echo Investment S.A.
55	Park Postępu - Projekt Echo - 93 Sp. z o.o. S.k.a.	Kielce	100%	XXIX FIZ Forum
56	PHS – Projekt CS Sp. z o.o. S.k.a.	Szczecin	100%	XXIX FIZ Forum
57	PPR - Projekt Echo – 77 Sp. z o.o. S.k.a.	Kielce	100%	XXIX FIZ Forum
58	Princess Investment Sp. z o.o.	Kielce	100%	Echo Investment S.A.
59	Projekt Beethovena – Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	XXIX FIZ Forum / XXXIV FIZ Forum

NO.	COMPANY	REGISTERED OFFICE	% SHARE OF THE CAPITAL	PARENT COMPANY
60	Projekt CS Sp. z o.o.	Szczecin	100%	Echo Investment S.A.
61	Projekt Echo - 33 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
62	Projekt Echo - 43 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
63	Projekt Echo - 67 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
64	Projekt Echo - 67 Sp. z o.o. Sp. kom.	Kielce	100%	Echo Investment S.A.
65	Projekt Echo - 69 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
66	Projekt Echo - 70 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
67	Projekt Echo - 77 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
68	Projekt Echo - 93 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
69	Projekt Echo - 95 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
70	Projekt Echo - 96 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
71	Projekt Echo - 97 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
72	Projekt Echo - 98 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
73	Projekt Echo - 99 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
74	Projekt Echo - 99 Sp. z o.o. Sp. kom	Kielce	100%	Echo Investment S.A.
75	Projekt Echo - 101 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
76	Projekt Echo - 102 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
77	Projekt Echo - 103 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
78	Projekt Naramowice – Grupa Echo Sp. z o.o. S.k.a. (formerly: Projekt Naramowice Poznań Sp. z o.o.)	Kielce	100%	XXXIV FIZ Forum
79	Projekt Saska Sp. z o.o. (formerly: Projekt S Sp. z o.o.)	Kielce	95%	Echo Investment S.A.
80	Projekt 3 – Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	XXXIV FIZ Forum
81	Projekt 4 – Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	XXXIV FIZ Forum
82	Projekt 5 – Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	XXXIV FIZ Forum
83	Projekt 6 – Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	XXIX FIZ Forum
84	Projekt 7 – Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	XXIX FIZ Forum
85	Projekt 8 – Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	XXXIV FIZ Forum
86	Projekt 9 – Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	XXXIV FIZ Forum
87	Projekt 10 – Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	XXXIV FIZ Forum
88	SPV 1 – Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	XXIX FIZ Forum
89	Ultra Marina Sp. z o.o.	Kielce	100%	XXIX FIZ Forum / XXXIV FIZ Forum
90	Vasco Investment Sp. z o.o.	Kielce	100%	Echo Investment S.A.
91	Veneda – Projekt Echo -97 Sp. z o.o. S.k.a.	Kielce	100%	XXXIV FIZ Forum
92	Yevrobudgarant LLC	Kiev	100%	EI Project Cyp - 1 Ltd
93	Zakład Ogrodniczy Naramowice – Pamiątkowo Sp. z o.o. S.k.a.	Pamiątkowo	100%	XXXIV FIZ Forum

The jointly controlled entity is Wan 11 Spółka z o.o., with its registered office in Warsaw. The associate EBR Global Services Spółka z o.o. has its registered office in Kielce.

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

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

I. The composition of the Echo Investment S.A. Capital Group increased by 17 companies:

- On 5 March 2012, 100% interests were purchased in Huxton Investments Sp. z o.o., with its registered office in Warsaw. The total purchase price was PLN 101,048.06. The company's share capital is PLN 5 thousand.
- On 5 March 2012, 100% interests were purchased in Mena Investments Sp. z o.o., with its registered office in Warsaw. The total purchase price was PLN 105,081.00. The company's share capital is PLN 5 thousand.
- On 5 March 2012, 100% interests were purchased in Vasco Investment Sp. z o.o., with its registered office in Kielce. The total purchase price was PLN 89,569.00. The company's share capital is PLN 5 thousand.
- On 17 July 2012, the District Court in Kielce registered a new company: Projekt Echo – 99 Sp. z o.o. S.k., with its registered office in Kielce. The company's share capital is PLN 10 thousand.
- On 25 July 2012, 100% interests were purchased in Intermedia Investment Sp. z o.o., with its registered office in Kielce. The total purchase price was PLN 289,592.60. The company's share capital is PLN 5 thousand.
- On 25 July 2012, 100% interests were purchased in Iris Capital Sp. z o.o., with its registered office in Kielce. The total purchase price was PLN 121,531.10. The company's share capital is PLN 5 thousand.
- On 5 September 2012, 100% interests were purchased in Monolit Investment Sp. z o.o., with its registered office in Kielce. The total purchase price was PLN 197,311.00. The company's share capital is PLN 5 thousand.
- On 5 September 2012, 100% interests were purchased in Nikson Capital Sp. z o.o., with its registered office in Kielce. The total purchase price was PLN 96,993.60. The company's share capital is PLN 5 thousand.
- On 2 October 2012, 100% interests were purchased in Elmira Investments Sp. z o.o., with its registered office in Warsaw. The total purchase price was PLN 15,255.00. The company's share capital is PLN 5 thousand.
- On 2 October 2012, 100% interests were purchased in Elmira Investments Sp. z o.o. S.k.a., with its registered office in Warsaw. The total purchase price was PLN 60,254.00. The company's share capital is PLN 50 thousand.
- On 2 October 2012, 100% interests were purchased in Farinna Investments Sp. z o.o., with its registered office in Warsaw. The total purchase price was PLN 15,255.00. The company's share capital is PLN 5 thousand.
- On 14 November 2012, the District Court in Kielce registered a new company: Projekt 8 – Grupa Echo Sp. z o.o. S.k.a., with its registered office in Kielce. The company's share capital is PLN 50 thousand.
- On 14 November 2012, the District Court in Kielce registered a new company: Projekt 10 – Grupa Echo Sp. z o.o. S.k.a., with its registered office in Kielce. The company's share capital is PLN 50 thousand.
- On 15 November 2012, the District Court in Kielce registered a new company: Projekt 9 – Grupa Echo Sp. z o.o. S.k.a., with its registered office in Kielce. The company's share capital is PLN 50 thousand.
- On 27 November 2012, the District Court in Kielce registered a new company: Projekt Echo – 101 Sp. z o.o., with its registered office in Kielce. The company's share capital is PLN 50 thousand.
- On 27 November 2012, the District Court in Kielce registered a new company: Projekt Echo – 102 Sp. z o.o., with its registered office in Kielce. The company's share capital is PLN 50 thousand.
- On 27 November 2012, the District Court in Kielce registered a new company: Projekt Echo – 103 Sp. z o.o., with its registered office in Kielce. The company's share capital is PLN 50 thousand.

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

- On 20 January 2012, 750 interests in Projekt Echo - 100 Sp. z o.o., with its registered office in Kielce, were sold. The total sale price was PLN 40,000. The company's share capital is PLN 50 thousand. The sold interests account for 75% of the company's share capital. In connection with the said transaction, Projekt Echo – 100 Sp. z o.o. became an associate (formerly a fully consolidated subsidiary) and it will be consolidated with the equity method.
- Increase of the share capital of Projekt Echo – 30 Sp. z o.o. by XXXIV FIZ Forum (registration date: 19 January 2012).
- Increase of the share capital of Projekt Echo – 39 Sp. z o.o. by XXXIV FIZ Forum (registration date: 13 February 2012).
- Increase of the share capital of Princess Investment Sp. z o.o. by Echo Investment S.A. and Grupa Echo Sp. z o.o. (registration date: 5 March 2012).
- Increase of the share capital of Echo Investment Project Management S.R.L. by Echo Investment S.A. (registration date: 21 March 2012).
- Increase of the share capital of Ultra Marina Sp. z o.o. by XXXIV FIZ Forum, XXIX FIZ Forum and Echo Investment S.A. (registration date: 27 March 2012).
- Transformation of Zakłady Ogrodnicze Naramowice Sp. z o.o. into Zakład Ogrodniczy Naramowice – Pamiątkowo Spółka z ograniczoną odpowiedzialnością S.K.A. (registration date: 23 February 2012).
- Transformation of Echo – Galeria Kielce Sp. z o.o. into Galeria Kielce – Projekt Echo – 93 Spółka z ograniczoną odpowiedzialnością S.K.A. (registration date: 15 March 2012),
- Transformation of Projekt Echo - 58 Sp. z o.o. into Projekt Beethovena – Grupa Echo Spółka z ograniczoną odpowiedzialnością S.K.A. (registration date: 29 March 2012).
- Transformation of Astra Park Sp. z o.o. into Astra Park – Projekt Echo – 69 Spółka z ograniczoną odpowiedzialnością – S.K.A.

(registration date: 15 May 2012).

- Transformation of SPV – 1 Sp. z o.o. into SPV 1 – Grupa Echo Spółka z ograniczoną odpowiedzialnością S.K.A. (registration date: 6 June 2012).
- Transformation of Echo – Metropolis Sp. z o.o. into Metropolis - Grupa Echo Spółka z ograniczona odpowiedzialnością – S.K.A. (registration date: 27 June 2012).
- Transformation of Projekt Echo - 39 Sp. z o.o. into Echo – Galeria Amber Sp. z o.o. S.k.a (registration date: 1 October 2012).
- Transformation of Projekt Naramowice Poznań Sp. z o.o. into Projekt Naramowice – Grupa Echo Sp. z o.o. S.k.a. (registration date: 16 October 2012).
- Transformation of Projekt Echo - 30 Sp. z o.o. into A4 Business Park – Grupa Echo Sp. z o.o. S.k.a. (registration date: 31 December 2012).
- Change of the business name of Projekt Echo - 94 Spółka z ograniczoną odpowiedzialnością Sp. kom. to Echo – Pod Klonami Spółka z ograniczoną odpowiedzialnością Sp. kom. (resolution date: 22 March 2012).
- Change of the business name of Huxton Investments Sp. z o.o. to Echo – Galeria Amber Sp. z o.o. (registration date: 18 May 2012).
- Change of the business name of Projekt Echo - 100 Sp. z o.o . to EBR Global Services Sp. z o.o. (registration date: 29 June 2012).
- Change of the business name of Echo – Pasaż Grunwaldzki Sp. z o.o. to Projekt Echo – 33 Sp. z o.o. (date of registration in the National Court Register: 17 July 2012).
- Change of the business name of Galeria Kielce - Projekt Echo - 93 Sp. z o.o. S.K.A. to Echo Galeria Kielce – Magellan West Sp. z o.o. S.K.A.(date of registration in the National Court Register: 20 September 2012).
- Change of the business name of Grupa Echo Sp. z o.o. 1 S.k.a. to Aquarius Business House – Grupa Echo Sp. z o.o. S.k.a. and increase of the share capital by XXIX FIZ Forum (date of registration in the National Court Register: 5 October 2012).
- Change of the business name of Projekt S Sp. z o.o. to Projekt Saska Sp. z o.o. (date of registration in the National Court Register: 29 October 2012).
- Merger (registration date: 12 November 2012). As of the merger date, the subsidiary Echo – SPV 7 Sp. z o.o., with its registered office in Kielce (“Acquiring Company”), merged with the following subsidiaries of Echo Investment S.A.: Projekt Echo – 59 Sp. z o.o., with its registered office in Kielce, and Echo Arena Sp. z o.o. Sp. kom., with its registered office in Kielce (later referred to as the "Acquired Companies"). The merger involved a transfer of all assets of the Acquired Companies to the Acquiring Company and a simultaneous increase in the Acquiring Company’s share capital by creation of shares awarded to existing shareholders of the Acquired Companies in exchange for their shares in the Acquired Companies.

6.2. Main domestic and foreign investments

Real property

On 15 October 2012, the Issuer's subsidiary Projekt 4 – Grupa Echo Spółka z ograniczoną odpowiedzialnością Spółka komandytowo – akcyjna, 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.: 0000392867, and Agencja Rozwoju Przemysłu Spółka Akcyjna, with its registered office in Warsaw, ul. Wołoska 7, entered into the register of entrepreneurs maintained by the District Court for the Capital City of Warsaw, 13th Economic Department of the National Court Register, under KRS no.: 0000037957, signed agreements for the purchase of real property in Warsaw with an area of 30,804 sq. m, located at ul. Taśmowa 10/12.

The value of the agreement for the purchase of real property is PLN 60 million.

The Issuer plans to develop a complex of 4 office buildings with an area of approx. 60 thousand sq. m on the purchased property.

Financial instruments

Equity shares redemption programme of ECHO INVESTMENT S.A.

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

Acting pursuant to resolution no. 3 of Echo Investment S.A.’s Extraordinary General Meeting of 19 December 2008, the Management Board of Echo Investment S.A. adopted Echo Investment S.A.'s Equity Shares Redemption Programme (later referred to as the “Programme”).

The Programme involves the repurchase of shares of Echo Investment S.A. (later also referred to as the “Company”) listed on the basic market of the Warsaw Stock Exchange (later referred to as “WSE”).

The purpose of the Programme is the Group's repurchase of equity shares for resale or cancellation according to the terms and procedure specified in resolution no. 3 of Echo Investment S.A.'s Extraordinary General Meeting of 19 December 2008.

In the opinion of Echo Investment S.A.‘s Management Board, the repurchase of equity shares is justified in consideration of the following:

- safe financial situation of the Company and its Capital Group, including vast resources of cash,
- safe parameters and ratios defining the Company’s and its Capital Group’s indebtedness and debt service ability, taking account of funds earmarked for the purchase of equity shares,
- potentially slower growth of Poland’s real property market compared to the previous two years and a higher risk of starting new projects and project funding risk due to the debt crisis in some of the countries of the euro zone and capital requirements of leading European banks,
- repurchase as an alternative to dividend payment.

DETAILED INFORMATION ABOUT THE PROGRAMME

1. The Equity Shares Redemption Programme is planned to start on 19 January 2012.
2. The Programme shall be implemented in line with the applicable Polish and EU laws as well as the principles laid down in resolution no. 3 of Echo Investment S.A.'s Extraordinary General Meeting of 19 December 2008.
3. The total number of shares purchased for cancellation shall not be greater than 210,000,000.
4. The total number of shares purchased for resale shall not be greater than 84,000,000, taking account of other equity shares that were not sold by the Company.
5. The amount of funds earmarked for the purchase of the Company's share for cancellation and resale shall be within the limits laid down in the provisions of resolution no. 3 of Echo Investment S.A.'s Extraordinary General Meeting of 19 December 2008.
6. The Programme shall end on 19 December 2013 at the latest.
7. Bearing in mind the Company's interest and after consulting the Supervisory Board, the Management Board may:
   (a) end the purchase of shares earlier than 19 December 2013 or before the funds intended for the purchase run out;
   (b) abandon the purchase of shares entirely or partially.

   If a decision is made to end the Programme earlier than 19 December 2013, the Management Board shall make a suitable announcement to the public.
8. The price for which the Company is to purchase its equity shares may not be higher than the price during the last independent trading session and the highest present independent offer in transactions concluded during WSE trading sessions.
9. In one day, the Company may not purchase more than 25% of the average daily volume of shares at WSE, while the value of the average daily volume shall be based on the average daily volume over a 20-day period preceding the day of purchase.
10. In the event of an exceptionally low liquidity of the shares, the Company may exceed the 25% limit specified in item 9 by not more than 50% after notifying the Polish Financial Supervision Authority, WSE and announcing such intention to the public.
11. The Company's shares may be purchased based on a tender offer.
12. The Company's shares shall be purchased via a subsidiary or a brokerage house, which will purchase the Company's shares on their own account by way of transactions concluded at WSE and in observance of the terms of the Programme, in particular with regard to quantity and price limitations.
13. The shares purchased by a subsidiary or a brokerage house as part of implementing this Programme shall be then purchased by the Company (when purchasing from a subsidiary or a brokerage house) or a subsidiary (when purchasing from a brokerage house for resale to the Company) in block transactions. Block transactions referred to in the previous sentence shall not be subject to quantity and price limitations on the purchased shares referred to before.
14. The Company's Management Board shall announce to the public:
   (a) for every day of the programme's implementation – number of shares purchased on a given day under the Programme and their average purchase price, unless no equity shares were purchased under the Programme on a given day;
   (b) after the Programme is completed – collective and detailed report on the Programme's implementation.
15. The Company's Management Board is authorised to amend the Programme's provisions, while information on amendments to the Programme shall be announced to the public before such amendments come into effect.

After the Programme is completed, the Company's Management Board shall decide whether to cancel the purchased equity shares or to resell them. If it is decided that the equity shares are to be cancelled, the Management Board shall promptly, but not later than within 3 months from that date, convene the Company's General Meeting to pass resolutions on cancelling the shares and decreasing the Company's share capital.

Announcement of invitation to subscribe for the sale of the Issuer's shares

On 19 January 2012, the Management Board of Echo Investment S.A. decided to announce, via the subsidiary Park Postępu - Projekt Echo - 93 Spółka z ograniczoną odpowiedzialnością spółka komandytowo – akcyjna, with its registered office in Kielce ("Caller"), a call pursuant to article 72, section 1 of the Act of 29 July 2005 on public offering, terms of introducing financial instruments into organised trading and public companies, to subscribe for the sale of the Company's shares, aimed at the purchase for redemption and/or resale of the Company's 42,000,420 (forty-two million, four hundred and twenty) equity shares with a nominal value of PLN 0.05 (five grosz) each, for a price PLN 3.90 (three zloty and ninety grosz) per share, according to the terms specified in the Invitation attached to this report.

The Management Board decided that the period for accepting subscriptions shall start on 8 February 2012 and end on 21 February 2012. The remuneration for the purchase of the Company's equity shares under the Invitation shall be paid from the Inviting Party's own funds.

The Management Board announces that today, via the Investment House of BRE Bank S.A., according to the requirements of the Act of 29 July 2005 on public offering, terms of introducing financial instruments to organised trading and on public companies and the Ordinance of the Minister of Finance of 19 October 2005 on specimen calls to subscribe for the sale or exchange of shares of a public company, details of announcements and terms of share purchasing under such calls, it submitted the content of the call to subscribe for the Company's shares ("Call") to the Polish Financial Supervision Authority, to the Warsaw Stock Exchange and to Polska Agencja Prasowa S.A. in Warsaw.

In the opinion of the Company's Management Board, the purchase of equity shares as part of the Invitation is justified in consideration of the following:

- safe financial situation of the Company and its Capital Group, including vast resources of cash,
- safe parameters and ratios defining the Company's and its Capital Group's indebtedness and debt service ability, taking account of funds earmarked for the purchase of equity shares,
- potentially slower growth of Poland's real property market compared to the previous two years and a higher risk of starting new projects and project funding risk due to the debt crisis in some of the countries of the euro zone and capital requirements of leading European banks,
- as an alternative for the payment of dividend to the Company's shareholders.

Information about the purchase of the Issuer's shares as a result of call to subscribe for the sale of equity 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 (Company, Caller), 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 were settled on 27 February 2012.

The said purchase of the Issuer's shares by the Company as a result of the call was based on:

- Resolution 3 of the Extraordinary General Meeting of Echo Investment S.A. of 19 December 2008, authorising the Issuer's Management Board to purchase equity shares for redemption or for resale between 20 December 2008 and 19 December 2013.
- Resolution on the adoption of the equity share redemption programme of Echo Investment S.A. on 18 January 2012 (Current Report no. 3/2012).
- Resolution of the General Meeting of the general partnership limited by shares of 18 January 2012.

The Caller shall not exercise the rights under the shares purchased as a result of the call, except for the rights to sell the shares or to perform actions intended to retain the Caller's rights.

The nominal value of each of the Issuer's shares is PLN 0.05 and the total nominal value of the purchased shares is PLN 365,470.9.

The purchased shares account for 1.74% of the Issuer's share capital and are vested with 7,309,418 votes, representing 1.74% of the overall number of votes at the General Meeting of Echo Investment S.A.

In total, the Company holds 7,309,418 ordinary bearer shares of Echo Investment S.A., which account for 1.74% of the Issuer's share capital and are vested with 7,309,418 votes, representing 1.74% of the overall number of votes at the General Meeting of Echo Investment S.A.

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

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

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

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

In 2012, the following projects were implemented:

- commercial projects: Galeria Olimpia in Bełchatów, Outlet Park in Szczecin, Galeria Veneda in Łomża and Galeria Amber in Kalisz,
- office projects: Aquarius Business Park in Wrocław, A4 Business Park in Katowice and Park Rozwoju in Warsaw,
- hotel projects: Novotel in Łódź,
- residential projects: in Krakow – Dom pod Słowikiem and Kvartet, in Poznań – Pod Klonami and Kasztanowa Aleja, in Wrocław – Przy Słowiańskim Wzgórzu, in Warsaw – Rezydencje Leśne and Nowy Mokotów, in Kielce – Osiedle Południowe.

In 2012, the Group also focused on continuing the preparation of other investments for implementation. This allowed the Group to quickly and smoothly start investment projects, and it has projects to be launched in 2013.

The Company continues to optimise property development processes in individual investments. The Management Board closely monitors developments on the real estate market and decides to implement specific projects on an individual basis, based on current analyses. To minimise the risk of unfavourable market changes, large projects are implemented in several stages.

In 2012, the Group focused on commercialising projects, which resulted in high lease ratios of the commercial developments in Łomża, Kalisz and Bełchatów, and of office developments: Aquarius Business Park in Wrocław and Park Rozwoju in Warsaw. The commercial developments commissioned to use in Szczecin and Bełchatów in 2012 proved to be a success.

In 2013 and in the following years, the Company plans to launch further investments in response to the recovery on the housing market. The number and implementation of these investments in individual years will depend on supply and demand-related factors, such as purchasing power, availability of loans, remunerations and housing prices on the market.

The Company's Management Board plans to expand its business on Central and Eastern European markets. The construction of a multi-purpose shopping, services and office centre in Budapest, and a shopping and entertainment centre in the Romanian city of Brasov is currently prepared, and actions are being taken to construct an office park in Ukraine.

In 2012, the Company monitored the market to obtain more investment land, and it purchased a plot for an investment development in Warsaw at ul. Taśmowa and plots in Poznań at ul. Sowińskiego for a housing development. The Company still intends to watch the market to find prime locations for property development projects. The Company's Management Board does not preclude the purchase of completed projects in attractive locations to increase their profitability.

The main direction for the Group's development involves office projects in Warsaw, Krakow, Wrocław, Poznań, Trójmiasto and Katowice. There, a growing interest in office space on part of BPO companies can be observed. Office buildings erected by the Company are characterised by top quality, attractive architectural design, excellent functionality and innovative technical solutions (BREEAM certifications).

Land for shopping centres is acquired in large and middle-sized cities. From the Company's perspective, the market of shopping centres is entering a mature phase and, therefore, the Management Board does not expect this market to develop as dynamically as the office segment.

The Company is looking for land for housing developments in Warsaw, Krakow, Poznań and Wrocław. The implemented projects will be of a mid and high standard because they can generate a higher margin than the low cost housing segment.

A large land reserve allowing for the implementation of projects in all segments provides the Group with very good growth perspectives, and the partially completed preparation works will allow for the launch of further developments in the coming years. By 2017, the Group plans to launch 24 office developments (GLA of 430 thousand sq. m), 11 shopping centres (GLA of 308 thousand sq. m) and 22 housing developments (2,200 apartments) on the land held.

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 2012, neither Echo Investment SA nor its subsidiaries entered into agreements with related parties under terms other than market terms.

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

9.1. Loan agreements of the parent company

COMPANY'S LIABILITIES DUE TO LOANS RAISED, AS AT 31 DECEMBER 2012

BANK	TYPE OF LIABILITY	LOAN CURRENCY	LOAN AMOUNT AS PER THE AGREEMENT (PLN '000)	LOAN USED AS AT 31.12.2012 (PLN '000)	TYPE OF INTEREST RATE	REPAYMENT DEADLINE
PKO BP S.A.	Overdraft facility	PLN	10 000 40 000	28 635	1M WIBOR + margin	29.03.2013 19.08.2013
PKO BP S.A.	Working capital facility	PLN	50 000	0	1M WIBOR + margin	19.08.2015
PeKaO S.A.	Overdraft facility	PLN	50 000	12 869	1M WIBOR + margin	30.06.2013
ALIOR BANK S.A.	Overdraft facility	PLN	30 000	24 558	1M WIBOR + margin	30.01.2013
BZ WBK S.A.	Overdraft facility	PLN	50 000	46 369	1M WIBOR + margin	08.06.2013
TOTAL			**230 000**	**112 431**		

9.2. Loan agreements of subsidiaries

The Capital Group's liabilities due to loans raised, as at 31 December 2012, are presented in the table below:

BORROWER	BANK	TYPE OF LIABILITY	LOAN CURRENCY	LOAN AMOUNT AS PER THE AGREEMENT ('000)	LOAN USED* AS AT 31.12.2012 ('000)	TYPE OF INTEREST RATE	REPAYMENT DEADLINE
Babka Tower - Projekt Echo - 93 Spółka z ograniczoną odpowiedzialnością SKA	EUROHYPO AG	Long-term loan	EUR	13 840	6 410	1M EURIBOR, IRS	2014-09-30
Malta Office Park - Projekt Echo - 96 Spółka z ograniczoną odpowiedzialnością SKA	Westdeutsche ImmobilienBank AG	Long-term loan	EUR	38 945	37 664	3M EURIBOR, IRS	2014-08-20
Wan 11 Sp. z o.o.	EUROHYPO AG	Long-term loan	EUR	32 100**	24 474	1M EURIBOR, IRS	2016-01-29
Echo Galeria Kielce - Magellan West Spółka z ograniczoną odpowiedzialnością SKA (formerly: Galeria Kielce - Projekt Echo - 93 Spółka z ograniczoną odpowiedzialnością SKA)	EUROHYPO AG	Long-term loan	EUR	100 000	67 475	3M EURIBOR, IRS	2020-02-22
PPR Projekt - Echo 77 Sp. z o.o. SKA	Pekao S.A.	Long-term loan	EUR	36 300	17 835	1M EURIBOR, IRS	2014-02-15
Echo – Galaxy Spółka z ograniczoną odpowiedzialnością SKA	EUROHYPO AG	Long-term loan	EUR	100 000	83 930	1M/3M EURIBOR, IRS	2022-09-30
Oxygen - Projekt Echo – 95 spółka z ograniczoną odpowiedzialnością SKA	Nordea Bank Polska SA	Long-term loan	EUR	17 000	14 691	3M EURIBOR, IRS	2017-03-27
Echo Pasaż Grunwaldzki - Magellan West spółka z ograniczoną odpowiedzialnością SKA	EUROHYPO AG	Long-term loan	EUR	115 500	106 932	1M/3M EURIBOR, IRS, fixed rate	2022-09-30
Galeria Olimpia - Projekt Echo - 98 Spółka z ograniczoną odpowiedzialnością SKA	Nordea Bank Polska SA	Long-term loan	EUR	15 372	12 169	1M/3M EURIBOR, IRS	2018-06-30
				6 587	0	1M/3M WIBOR	2013-06-30
Veneda - Projekt Echo - 97 Spółka z ograniczoną odpowiedzialnością SKA	Raiffeisen Bank Polska S.A.	Long-term loan	EUR	14 350	6 448	3M EURIBOR, IRS	2019-09-30
			PLN	5 000	0	3M WIBOR	2013-09-30
Projekt 5 - Grupa Echo spółka z ograniczoną odpowiedzialnością SKA	PKO BP SA	Long-term loan	EUR	21 903	10 700	3M EURIBOR	2028-09-14
Echo – Przy Słowiańskim Wzgórzu Spółka z ograniczoną odpowiedzialnością Sp. k.	Raiffeisen Bank Polska S.A.	Long-term loan	PLN	50 000	17 914	3M WIBOR	2014-05-30
Astra Park Spółka z ograniczoną odpowiedzialnością	EUROHYPO AG	Long-term loan	EUR	24 000	20 917	1M EURIBOR, IRS	2017-12-31
Aquarius Business House Grupa Echo Spółka z ograniczoną odpowiedzialnością SKA (formerly: Grupa Echo Spółka z ograniczoną odpowiedzialnością 1 SKA)	Alior Bank S.A.	Long-term loan	PLN	93 368	57 088	1M WIBOR	2013-09-30
Galeria Sudecka - Projekt Echo - 43 Spółka z ograniczoną odpowiedzialnością SKA	Pekao S.A.	Long-term loan	EUR	18 000	14 354	3M EURIBOR, IRS	2015-12-31
Echo - Galeria Amber Spółka z ograniczoną odpowiedzialnością – SKA (formerly: Projekt Echo 39 Sp. z o.o.)	Pekao S.A.	Long-term loan	EUR PLN	47 000 7 000	0 0	1M/3M EURIBOR, IRS 1M WIBOR	2019-12-31

* Loan used according to nominal value

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

Changes regarding loan agreements in 2012:

On 31 January 2012, Echo - Kasztanowa Aleja Spółka z ograniczoną odpowiedzialnością Sp. k., with its registered office in Kielce, the Issuer's subsidiary, performed the final repayment of the investment loan to Bank Polska Kasa Opieki SA, with its registered office in Warsaw, according to the provisions of the loan agreement.

On 16 February 2012, Echo – Pod Klonami Spółka z ograniczoną odpowiedzialnością Sp. K. (formerly: Projekt Echo – 94 Spółka z ograniczoną odpowiedzialnością Sp. k.), with its registered office in Kielce, the Issuer's subsidiary, and Bank Polska Kasa Opieki S.A., with its registered office in Warsaw, signed a loan agreement.

On 14 March 2012, Echo – Klimt House Spółka z ograniczoną odpowiedzialnością Sp. k., with its registered office in Kielce, the Issuer's subsidiary, performed the final repayment of the investment loan to Powszechna Kasa Oszczędności Bank Polski S.A., with its registered office in Warsaw, according to the provisions of the loan agreement.

On 6 June 2012, Aquarius Business House Grupa Echo Spółka z ograniczoną odpowiedzialnością SKA (formerly: Grupa Echo Spółka z ograniczoną odpowiedzialnością 1 SKA), with its registered office in Kielce, the Issuer's subsidiary, and Alior Bank S.A., with its registered office in Warsaw, signed a loan agreement.

On 8 June 2012, Echo Investment S.A., with its registered office in Kielce, and Bank Zachodni WBK S.A., with its registered office in Wrocław, signed an overdraft facility agreement.

On 30 June 2012, Echo - Centrum Przemyśl Projekt Echo-93 Sp. z o.o. SKA, with its registered office in Kielce, the Issuer's subsidiary, performed the final repayment of the investment loan to ING Bank Śląski S.A., with its registered office in Katowice, according to the provisions of the loan agreement.

On 27 July 2012, Echo - Galeria Amber Spółka z ograniczoną odpowiedzialnością – SKA (formerly: Projekt Echo 39 Sp. z o.o.), with its registered office in Kielce, the Issuer's subsidiary, and Bank Polska Kasa Opieki S.A., with its registered office in Warsaw, signed a loan agreement.

On 31 August 2012, Echo – Pod Klonami Spółka z ograniczoną odpowiedzialnością Sp. K. (formerly: Projekt Echo – 94 Spółka z ograniczoną odpowiedzialnością Sp. k.), with its registered office in Kielce, the Issuer's subsidiary, repaid the investment loan to Bank Polska Kasa Opieki S.A., with its registered office in Warsaw, according to the provisions of the loan agreement.

9.3. Borrowing agreements

The Capital Group did not raise any borrowings in 2012.

9.4. Debt instrument agreements

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

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

COMPANY'S LIABILITIES DUE TO BONDS ISSUED, AS AT 31 DECEMBER 2012

BANK	INSTRUMENT TYPE	AMOUNT USED (PLN '000)	MATURITY	INTEREST RATE TERMS
BRE Bank S.A.	Bonds	35 000	09.01.2013	WIBOR 3M + 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	115 000	18.05.2015	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.

On 31 January 2013, the Company issued coupon bonds in the total amount of PLN 200 million, recording an oversubscription of more than 30%. The funds obtained from the issue of the said bonds were earmarked for the service of the previously issued bonds maturing in 2013. The remaining bonds maturing in 2013 (50 million) will be repurchased using own funds.

The Bonds Issue Programme allows for the issue of bonds with a total maximum nominal value of PLN 1 billion.

10. INFORMATION ON BORROWINGS GRANTED IN A GIVEN FINANCIAL YEAR

The Capital Group's receivables due to borrowings granted, as at 31 December 2012, are presented in the table below:

ENTITY	BORROWING AMOUNT TO BE REPAID (PLN '000)
Legal persons	529
Natural persons	14

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

11.1. Surety agreements

I. The following table presents sureties granted as at 31 December 2012:

SURETY TO	Value ('000)	VALIDITY PERIOD	DESCRIPTION
METALPLAST - STOLARKA SP. Z O.O.	6 000	Valid until the payment of the whole liability under the agreement for the construction of the facade of the office facility Aquarius Business House in Wrocław (stage I) of 31.01.2012	The surety is related to the payment of the liability of Aquarius Business House - Grupa Echo Spółka z ograniczoną odpowiedzialnością spółka komandytowo-akcyjna (formerly: Grupa Echo Spółka z ograniczoną odpowiedzialnością 1 SKA) under the agreement for the construction of the facade of the office facility Aquarius Business House in Wrocław (stage I), concluded on 31.01.2012 with Metalplast - Stolarka Sp. z o.o.
TESCO (POLSKA) SP. Z O.O.	15 000	until 30.06.2015	Surety for the liabilities of Galeria Olimpia-Projekt Echo-98 Spółka z ograniczoną odpowiedzialnością SKA and Veneda-Projekt Echo-97 Spółka z ograniczoną odpowiedzialnością SKA due to the reimbursement to Tesco (Polska) Sp. z o.o. up to the value of expenditures actually made by Tesco (Polska) Sp. z o.o. for the future subject of lease under the lease agreements concluded on 28.10.2010
MERCOR S.A.	342	UNTIL 31.08.2013	Surety for the liabilities of Dostar Sp. z o.o. under agreement no. 2357/Gd/Hd/2012 concluded on 07.11.2012

II. Amendments to agreements of surety issued by Echo Investment S.A. in 2012:

On 31 January 2012, a surety was granted by Park Postępu – Projekt Echo – 93 spółka z ograniczoną odpowiedzialnością spółka komandytowo-akcyjna (the Issuer's subsidiary) for the payment of a liability under the agreement for the construction of the facade of the office facility Aquarius Business House in Wrocław (stage I), concluded on 31 January 2012 with Metalplast - Stolarka Sp. z o.o. The value of the surety is PLN 6,000,000. The surety is valid until the payment of the whole liability under the agreement for the construction of the facade of the office facility Aquarius Business House in Wrocław (stage I) concluded on 31.01.2012

On 30 March 2012, the surety in the amount of EUR 100,000,000 granted by Echo Investment SA for the liabilities of Echo Galeria Kielce - Magellan West Spółka z ograniczoną odpowiedzialnością SKA (formerly: Galeria Kielce - Projekt Echo - 93 Spółka z ograniczoną odpowiedzialnością SKA) under the loan agreement concluded on 6 October 2009 with Bank Eurohypo AG, with its registered office in Eschborn (Germany), expired.

On 31 May 2012, the surety in the amount of EUR 14,600,000 granted by Echo Investment SA for the liabilities of Oxygen - Projekt Echo – 95 spółka z ograniczoną odpowiedzialnością spółka komandytowo-akcyjna (formerly: Echo – Oxygen Sp. z o.o.) under the loan agreement concluded on 27 September 2010 with Nordea Bank Polska S.A., expired.

On 9 July 2012, a surety was granted by Echo Investment SA for the liabilities of Galeria Olimpia-Projekt Echo-98 Spółka z ograniczoną odpowiedzialnością SKA and Veneda-Projekt Echo-97 Spółka z ograniczoną odpowiedzialnością SKA due to the reimbursement to Tesco (Polska) Sp. z o.o. up to the value of expenditures actually made by Tesco (Polska) Sp. z o.o. for the future subject of lease under the lease agreements concluded on 28.10.2010. The value of the surety is PLN 15,000,000. The surety was granted for the period ending on 30 June 20015.

On 28 December 2012, an agreement of surety granted by Echo-Galaxy spółka z ograniczoną odpowiedzialnością S.K.A. (a subsidiary of the Issuer) for the repayment of the liability under agreement no. 2357/Gd/Hd/2012 concluded on 28 December 2012 with Mercor S.A. was concluded. The value of the surety is PLN 342,000.00. The surety is valid until 31 August 2013.

III. As at 31 December 2012, the value of valid sureties received by Echo Investment S.A. is as follows:

- due to the concluded lease agreements: PLN 2.88 million, EUR 3.16 million, USD 33.95 thousand
- due to implementation of projects: PLN 0.

11.2. Guarantee agreements

I. The following table presents guarantee agreements as at 31 December 2012:

GUARANTOR	VALUE ('000)	VALIDITY PERIOD	DESCRIPTION
PKO BP SA	4 073	until 24.03.2013	Security for non-performance or ill-performance of all obligations towards Orbis SA under the conditional General Contractor Agreement dated 4 September 2008
PKO BP SA	215	until 31.10.2013	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.
Echo Investment SA	18 411	shall remain in force until the Conversion Date but for a period not exceeding 30 June 2018	Security to Nordea Bank Polska SA to cover for a deficit of funds or the exceeding of the costs of constructing Centrum Handlowe Olimpia in Bełchatów
PKO BP SA	678	until 28.02.2013	Security for the non-performance of obligations to Eurovia Polska SA under agreement no. 7114/01/2012 of 7 August 2012
Echo Investment S.A.	9 716	until the handover date of the subject of lease, not exceeding 30.06.2015	Security of liabilities due to BNY MELLON (Poland) Sp. z o.o. under the lease agreement of 19 November 2012. The guarantee was issued in euro.
Echo Investment S.A.	39 073	shall remain in force until the Conversion Date but for a period not exceeding 31 December 2014	Security for exceeding the development costs of the shopping and entertainment centre Amber in Kalisz, liabilities due to debt service and for the coverage of absent funds for the benefit of Bank Polska Kasa Opieki S.A.

II. Amendments to agreements of guarantee issued by Echo Investment S.A. in 2012:

On 9 January 2012, Bank PKO BP SA granted a bank guarantee to Ravenna Warszawa Sp. z o.o. as a security for the non-fulfilment of payment obligations under the agreement for the purchase of perpetual usufruct title to real property concluded on 21 December 2011 by Projekt Echo-70 Sp. z o.o. (Issuer's subsidiary). The guarantee amounts to EUR 4,000,000. The guarantee was valid until 31 October 2012.

On 23 January 2012, Bank PKO BP SA granted a bank guarantee to Master Serwis Opon Sp. z o.o. as a security for the payment of possible claims to the Beneficiary due to the termination of the leasehold agreement by Ultra Marina Sp. z o.o. (the Issuer's subsidiary). The guarantee amounts to PLN 1,300,000. The guarantee was valid until 31 December 2012.

On 26 January 2012, Echo Investment SA granted a guarantee to Nordea Bank Polska SA as a security to cover for a deficiency or the exceeding of execution costs of Centrum Handlowe Olimpia in Bełchatów by Galeria Olimpia - Projekt Echo - 98 Spółka z ograniczoną odpowiedzialnością spółka komandytowo – akcyjna (the Issuer's subsidiary). The guarantee amounts to PLN 18,410,850. The guarantee is valid until the Conversion Date but for a period not exceeding 30 June 2018.

On 21 February 2012, the guarantee in the amount of PLN 7,300,000, granted by Echo Investment SA to Westdeutsche ImmobilienBank AG as a security to cover for exceeding the execution costs of stage II of Malta Office Park in Poznań, expired.

On 29 February 2012, the guarantee in the amount of PLN 500,000, granted by PKO BP SA to PGE Dystrybucja SA as a security for the non-performance of obligations under agreement no. 12164/102010 of 8 March 2011 for connection to the distribution network, expired.

On 29 February 2012, the guarantee in the amount of PLN 500,000, granted by PKO BP SA to PGE Dystrybucja SA as a security for the non-performance of obligations under agreement no. 12146/102010 of 8 March 2011 for connection to the distribution network, expired.

On 29 February 2012, the guarantee in the amount of PLN 500,000, granted by PKO BP SA to PGE Dystrybucja SA as a security for the non-performance of obligations under agreement no. 12168/102010 of 8 March 2011 for connection to the distribution network, expired.

On 29 February 2012, the guarantee in the amount of PLN 500,000, granted by PKO BP SA to PGE Dystrybucja SA as a security for the non-performance of obligations under agreement no. 12152/102010 of 8 March 2011 for connection to the distribution network, expired.

On 31 May 2012, the guarantee in the amount of PLN 17,767,586.20, granted by Echo Investment SA to Nordea Bank Polska S.A. as a security to cover for exceeding the execution costs of the office facility Oxigen in Szczecin, expired.

On 6 June 2012, Bank PKO BP SA granted a bank guarantee to Szczecin Municipal Gmina as a security for the non-fulfilment of obligations under the Understanding of 22 May 2012 by Projekt 5 – Grupa Echo spółka z ograniczoną odpowiedzialnością S.K.A. (the Issuer's subsidiary). The guarantee amounts to PLN 18,450.00. The guarantee expired on 30 November 2012.

On 6 June 2012, Bank PKO BP SA granted a bank guarantee to Szczecin Municipal Gmina as a security for the non-fulfilment of obligations under understanding no. CRU/12/ of 22 May 2012 by Projekt 5 – Grupa Echo spółka z ograniczoną odpowiedzialnością S.K.A. (Issuer's subsidiary). The guarantee amounts to PLN 18,450.00. The guarantee expired on 30 November 2012.

On 14 September 2012, Bank PKO BP SA granted a bank guarantee to Eurovia Polska SA as a security for the non-fulfilment of obligations under agreement no. 7114/01/2012 of 7 August 2012 by Projekt 5 – Grupa Echo spółka z ograniczoną odpowiedzialnością S.K.A. (Issuer's subsidiary). The guarantee amounts to PLN 678,025.12. The Guarantee is valid until 28 February 2013.

On 29 August 2012, the guarantee in the amount of PLN 323,620.00, granted by PKO BP SA to PGE Dystrybucja SA as a security for the non-performance of obligations under agreement no. 1091/1/RP2/2009 of 12 May 2011, expired.

On 29 August 2012, the guarantee in the amount of PLN 433,620.00, granted by PKO BP SA to PGE Dystrybucja SA as a security for the non-performance of obligations under agreement no. 1091/2/RP2/2009 of 12 May 2011, expired.

On 31 August 2012, the guarantee in the amount of EUR 44,355.08, granted by PKO BP SA to ImmoPoland Sp. z o.o. as a security for the non-performance of obligations under the lease agreement of 28 August 2009, expired.

On 21 September 2012, the guarantee in the amount of EUR 6,000,000.00, granted by PKO BP SA to Ravenna Warszawa Sp. z o.o. as a security for the non-performance of payment obligations under the agreement for the purchase of the right of perpetual usufruct of property concluded on 21 December 2011, expired.

On 19 October 2012, Bank PKO BP SA granted a bank guarantee to Immopoland Sp. z o.o. as a security for proper performance of the Lease Agreement of 28 August 2009 by Echo Investment SA. The guarantee amounts to EUR 52,627.00. The Guarantee is valid until 31 October 2013.

On 19 November 2012, Echo Investment S.A. granted a corporate guarantee to BNY MELLON (POLAND) Sp. z o.o. as a security for liabilities under the agreement for the lease of space in Aquarius Business House stage II in Wrocław, concluded on 19 November 2012 by Aquarius Business House – Grupa Echo spółka z ograniczoną odpowiedzialnością S.K.A. The guarantee amounts to EUR 2,376,535.24. The guarantee is valid until the subject of lease is handed over but for a period not exceeding 30 June 2015.

On 27 November 2012, Echo Investment S.A. granted a guarantee to Bank Polska Kasa Opieki S.A. as a security for exceeding the development costs of the shopping and entertainment centre Amber in Kalisz, for liabilities due to debt service and for the coverage of absent funds by Echo-Galeria Amber Spółka z ograniczoną odpowiedzialnością S.K.A. The guarantee is a sum of PLN 29,670,00.00 and EUR 300,000.00. The guarantee is valid until the Conversion Date but for a period not exceeding 31 December 2014.

On 31 December 2012, the guarantee in the amount of EUR 1,300,000.00, granted by PKO BP SA to Master Serwis Opon Sp. z o.o. as a security for the payment of possible claims to the Beneficiary due to the termination of the Leasehold Agreement by Ultra Marina Sp. z o.o., expired.

On 30 November 2012, the guarantee in the amount of PLN 18,450.00, granted by PKO BP SA to Szczecin Municipal Gmina as a security for the non-fulfilment of obligations under understanding no. CRU/12/ of 22 May 2012 by Projekt 5 – Grupa Echo spółka z ograniczoną odpowiedzialnością S.K.A., expired.

On 14 October 2012, the guarantee in the amount of EUR 32,100.00, granted by PKO BP SA to Immopoland Sp. z o.o. as a security for correct performance of the lease agreement of 20 September 2011 by Echo Investment Property Management – Grupa Echo Spółka z ograniczoną odpowiedzialnością spółka komandytowa, expired.

III. As at 31 December 2012, the value of guarantees received is as follows:

- under lease agreements concluded: PLN 5.14 million; EUR 12.88 million,
- under project execution agreements: PLN 71.60 million; USD 71.36 thousand and EUR 124.21 thousand

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

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, the Company issued coupon bonds in the total amount of PLN 115 million.

The nominal value and the issue price of one bond is PLN 100 thousand. The bonds were issued for a 3-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.

The value of the incurred liabilities on the last day of the quarter preceding the day when purchase was offered, i.e. 31 March 2012, was PLN 949 million.

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.

As at 31 March 2012, the issued bonds account for 19.2% of the equity of Echo Investment S.A.

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

Cash from the issue of bonds will be used in investment processes on the real property market according to the development strategy of the Echo Investment S.A. Capital Group.

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

Neither the Capital Group nor the parent company Echo Investment S.A. published any forecasts of financial results for 2012.

14. ASSESSMENT OF THE MANAGEMENT OF THE CAPITAL GROUP'S 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 2012, the management of the Capital Group's financial resources, in connection with acquiring new land for developments and the ongoing development activity (construction of commercial objects and apartments), focused mainly on obtaining funding for the projects and maintaining safe levels of liquidity and the planned funding structure. In the opinion of the Management Board, the Company's economic and financial situation at the end of December 2012 testifies to a strong financial standing, which is confirmed by the following ratios.

PROFITABILITY RATIOS

1. **Operating profit margin** (operating profit/revenue): The decrease of the margin compared to the same period a year earlier is caused by a lower operating profit and a higher sales revenue. This is mainly due to the decrease of the exchange rate in 2012 compared to 2011 and the sale of real property in 2011, leading to an increase in operating profit in that period. After eliminating foreign exchange gains/losses from the fair value and the result on the sale of projects, the 2012 results are slightly lower than the 2011 results and are due to a higher share of revenue from the sale of apartments in 2012. This means that the profitability of the Company's core business is stable.
2. **Net balance sheet profit margin** (net profit/revenue): The increase of this margin is due a higher net result and sales revenue. The increase in revenue results from a higher number of final agreements signed in 2012, affecting the net result, which was also influenced by the release of income tax provisions (a detailed description of the event affecting the result can be found in section 16 of the report).
3. **Return on assets – ROA** (net profit/total assets): This ratio increased because net result increased faster than assets. The reasons for the increase in net result are described in the item before.
4. **Return on equity – ROE** (net profit/equity): This ratio increased because net result increased faster than equity. It shows that the Capital Group continues to increase its value and return on equity.

PROFITABILITY RATIOS OF THE CAPITAL GROUP

PROFITABILITY RATIOS	31.12.2012	31.12.2011
Operating profit margin	32,51%	132,54%
Net balance sheet profit margin	64,20%	51,08%
Return on assets (ROA)	6,86%	3,89%
Return on equity (ROE)	15,39%	9,92%

TURNOVER RATIOS

The Group's turnover ratios depend on the specific nature of its business, which is characterised by a long cycle of implementing projects compared to other industries. Since the Group's inventories include the acquired ownership titles, perpetual usufruct titles, construction expenditures and costs of developments for sale, it must be stressed that this cycle will always be longer compared to other industries, such as the FMCG industry.

1. **Inventory days** (inventory*360/revenue): The ratio decreased compared to the previous year due to an increase in sales revenue accompanied by a decrease in the value of assets. An increase of this ratio indicates the completion of some of the housing developments. Once developments are commissioned to use, final agreements are signed, revenue is posted and the sold apartments are cancelled from inventory, leading to a shorter inventory days ratio. This effect is due to the industry's specific nature.
2. **Short-term debtor days** (short-term receivables*360/revenue): The ratio decreased due to a decrease in receivables and an increase in net sales revenue. This is the effect of the reversal of the temporary increase of this ratio in 2011, when tax receivables increased (expectation of VAT return). In 2012, tax was returned, leading to a natural decrease.
3. **Short-term trade creditor days** (short-term trade liabilities*360/revenue): The ratio decreased due to a decrease in short-term liabilities accompanied by an increase in sales revenue compared to the same period a year earlier.

THE TABLE BELOW SHOWS THE LEVELS OF INDIVIDUAL RATIOS

TURNOVER RATIOS	31.12.2012	31.12.2011
Inventory days	286	443
Short-term debtor days	78	140
Short-term trade creditor days	65	173

LIQUIDITY RATIOS

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

2. **Quick ratio** ((current assets - inventory)/short-term liabilities): The decrease of this ratio results from the decrease in current assets, excluding inventory, accompanied by an increase in liabilities. The ratio is within the ideal range, i.e. 0.6 to 1.0, which means that the Group manages its free funds effectively.

3. **Cash ratio** (cash/short-term liabilities): The decrease of this ratio results from the increase in liabilities accompanied by a decrease in cash. This notwithstanding, the ratio remains at a good level and the Group's funds are on a high level. In addition, the Group holds free loan limits which can be disbursed at any time, improving the Group's liquidity.

The ideal levels of the Group's ratios testify to its good standing and the absence of the loss of liquidity risk.

THE TABLE BELOW SHOWS THE LEVELS OF INDIVIDUAL RATIOS

LIQUIDITY RATIOS	31.12.2012	31.12.2011
Current ratio	1,46	1,91
Quick ratio	0,80	1,13
Cash ratio	0,53	0,88

DEBT RATIOS:

1. **Equity to assets ratio** (equity/total assets): The ratio increased because equity increased faster (due to a faster increase of the net result) than assets.

2. **Equity to non-current assets ratio** (equity/non-current assets): The ratio increased because equity increased faster (due to a faster increase of the net result) than non-current assets.

3. **Overall indebtedness ratio** (total liabilities/total assets): The decrease of the ratio results from an increase in total assets, with liabilities remaining practically unchanged. The increase in assets results from the commissioning of new investments, where – in addition to the increase in their value on the incurred expenditures – there was an increase in value from the measurement.

4. **Debt to equity ratio** (total liabilities/equity): The decrease of the ratio results from an increase in equity (due to an increase in net profit, whose reasons are described in section 16), with liabilities remaining almost unchanged.

DEBT RATIOS OF THE CAPITAL GROUP

DEBT RATIOS	31.12.2012	31.12.2011
Equity to assets ratio	44,59%	39,17%
Equity to non-current assets ratio	58,26%	50,75%
Overall indebtedness ratio	54,82%	56,26%
Debt to equity ratio	122,93%	143,61%

With a good combination of liquidity and debt ratios, borrowing funds for investment property is a part of the Company’s strategy. Debt is at safe levels and covenants under loan agreements are fulfilled. The comparison of these two groups of ratios proves the Group's financial security.

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

The Capital Group is fully capable of funding the current investment projects. It uses its own funds, bank loans and funds from the issue of bonds. Developments for lease (shopping centres, shopping and entertainment centres and offices) are usually financed through funds obtained (special purpose loans) by special purpose vehicles established to carry out the developments. In 2012, 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 2012 FINANCIAL RESULTS AND SPECIFICATION OF IMPACT OF SUCH UNUSUAL FACTORS OR EVENTS ON THE GENERATED RESULT

1. Factors affecting the Company’s financial result in 2012:
   - posting of revenues from the concluded final agreements for the sale of residential properties:
     - in Krakow, (Dom Pod Słowikiem at ul. Krasickiego)
     - in Poznań (Kasztanowa Aleja at ul. Wojskowa, Pod Klonami at ul. Rubież, Naramowice Rynek)
     - in Warsaw (Klimt House at ul. Kazimierzowska, Zeusa district in Bemowo)
     - in Wrocław (Przy Słowiańskim Wzgórzu, at ul. Jedności Narodowej)

- posting of revenues from the concluded final agreements for the sale of plots with house designs:
  - in Bilcza near Kielce (Osiedle Bilcza II)
  - in Dyminy near Kielce (Osiedle Południowe)
- posting of revenues from the concluded final agreements for the sale of plots in:
  - in Masłów near Kielce
- regular revenue obtained from the lease of space in offices and shopping centres
- sale of building expenditures related to the development of Novotel hotel in Łódź
- quarterly revaluation of the fair value of property owned by the Group, including:
  - changes in foreign exchange rates (EUR & USD)
  - change of capitalisation rates (yield)
  - indexation of rents
  - changing levels of net operating revenue
  - revaluation of the fair value of properties under construction, after commissioning and commercialisation (Malta Office Park III in Poznań, Outlet Park in Szczecin, Galeria Olimpia in Bełchatów, Galeria Veneda in Łomża, Aquarius I in Wrocław and Galeria Amber in Kalisz)
  - provision for the value of land property in Słupsk, ul. Grottgera
- cost of sales and general and administrative expenses
- measurement of liabilities due to bonds and borrowings at amortised cost
- measurement of loans and cash due to changing foreign exchange rates
- measurement and settlement of FX hedging financial instruments
- revaluation of inventory
- interest on deposits, bonds purchased and borrowings granted
- discounts and interest on loans, bonds and borrowings.

2. Unusual events affecting the Company's financial result in 2012:
   - The management boards of companies which hold interests in Barconsel Holdings Ltd and Echo - SPV 7 Sp. z o.o. decided not to sell the interests in the foreseeable future. Therefore, pursuant to IAS 12 item 39, the provision for deferred income tax on tax and accounting differences related the said interest in the above-mentioned subsidiaries in the amount of PLN 164,123 thousand was released. This was a one-off event.

3. Open FX hedges:

Exchange rate hedging transactions are concluded as part of the hedging policy in order to ensure future cash flow levels on translating tranches of loans in EUR and one-off material operating revenue (e.g. from the sale of investment projects).

The average-weighted strike for the remaining open transactions is PLN 4.2587 EUR/PLN.

MATURITIES OF OPEN HEDGING POSITIONS AS AT 31 DECEMBER 2012:

FINANCIAL INSTRUMENT		CARRYING VALUE AS AT 31.12.2012 (IN MILLIONS OF PLN)	NOMINAL VALUE (IN MILLIONS OF EUR)	Q1 2013 NOMINAL VALUE (IN MILLIONS OF EUR)	Q2 2013 NOMINAL VALUE (IN MILLIONS OF EUR)	Q3 2013 NOMINAL VALUE (IN MILLIONS OF EUR)	Q4 2013 NOMINAL VALUE (IN MILLIONS OF EUR)	H1 2014 NOMINAL VALUE (IN MILLIONS OF EUR)	H2 2014 NOMINAL VALUE (IN MILLIONS OF EUR)
Forward	EUR/PLN	2,1	25,18	8,20	1,88	9,0	0,7	4,0	1,4

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

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

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

Positive factors:
- ever increasing investment activity of Polish and foreign businesses (BPO sector in particular) and the resulting demand for services provided by the Group companies,
- In Poland and Ukraine, the ratio of office space per 1,000 residents and the ratio of shopping centres in Romania and Hungary are 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 "Mieszkanie dla Młodych".

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,
- 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,
- property development act,
- uncertainty as to the key assumptions of fiscal and monetary policy in Poland (draft amendments to tax laws).

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,
- 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,
- partnership in the area of loans, investment of surplus and transactions on FX derivatives (forwards) and interest rates (IRS) with banks with a stable financial situation,
- successful partnership with stable and renowned partners described in sections 2 and 3 of the report,
- organisational structure with identified departments corresponding to business segments (departments for shopping centres, offices and hotels, and apartments) responsible for generating profit (revenue and costs) in their segment and for running whole projects, i.e. from purchasing plots of land to lease or sale,
- stable legal status (no court proceedings threatening the Company),
- experienced staff, including BREEAM certification specialists,
- large area of land held and intended for investments.

Negative factors:

- specific nature of business involving dependence on complicated and time-consuming administrative procedures (among other things, obtaining building or usage permits, waiting for modification of a local zoning plan, etc.)
- high demand for current funds, in particular in connection with a high number of ongoing projects.

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

The Group's activity on the real property market in 2012 is presented in the tables below:

PROJECTS COMMISSIONED TO USE IN 2012

SEGMENT	CITY	STREET	PROJECT NAME
offices	Wrocław	Swobodna	Aquarius (stage I)
shopping centres	Bełchatów	Kolejowa	Galeria Olimpia
shopping centres	Szczecin	Struga	Outlet Park
apartments	Krakow	Krasickiego	Dom pod Słowikiem
apartments	Poznań	Naramowice	Pod Klonami (stage I)
apartments	Wrocław	Jedności Narodowej	Przy Słowiańskim Wzgórzu
apartments	Warsaw	Wóycickiego	Rezydencje Leśne
apartments	Kielce	Dyminy	Osiedle Południowe (stage II)

PROJECTS COMMENCED IN 2012

SEGMENT	CITY	STREET	PROJECT NAME
offices	Katowice	Francuska	A4 (stage I)
offices	Warsaw	Konstruktorska	Park Rozwoju (stage I)
offices	Wrocław	Swobodna	Aquarius (stage II)
shopping centres	Kalisz	Górnośląska	Galeria Amber
apartments	Krakow	Korzeniowskiego	Kvartet
apartments	Poznań	Naramowice	Pod Klonami (stage II)
apartments	Poznań	Wojskowa	Kasztanowa Aleja (stage II)
apartments	Warsaw	Konstruktorska	Nowy Mokotów (stage I)

In 2013, the Company plans to launch and commission further projects presented in the table below. The Company will start the construction of 168.4 thousand sq. m of leasable area and 412 apartments. Thus, in 2013 the Group intends to commission 1 office project, 1 hotel project, 1 shopping centre and 2 residential projects. In total, the leasable area to be commissioned to use in 2013 is 31.5 thousand sq. m and 156 apartments.

PROJECTS TO BE IMPLEMENTED IN 2013

SEGMENT	CITY	STREET	PROJECT NAME
offices	Gdańsk	Jana z Kolna	Tryton
offices	Katowice	Francuska	A4 (stage I)
offices	Kiev	Dehitarivska	stage I of the project
offices	Krakow	Opolska	stage I of the project
offices	Warsaw	Beethovena	stage I of the project
offices	Warsaw	Jana Pawła II	
offices	Wrocław	Lotnicza	West Gate
shopping centres	Jelenia Góra	Jana Pawła II	Galeria Sudecka
apartments	Kielce	Dyminy near Kielce	Osiedle Południowe (stage III)
apartments	Krakow	Czarodziejska	
apartments	Krakow	Bronowicka	
apartments	Poznań	Sielawy	Jaśminowy Zakątek (stage I)
apartments	Warsaw	Puławska	
apartments	Wrocław	Grota Roweckiego	stage I of the project
apartments	Kielce	Solidarności	Zielone Tarasy

PROJECTS TO BE COMMISSIONED IN 2013

SEGMENT	CITY	STREET	PROJECT NAME
offices	Wrocław	Swobodna	Aquarius (stage II)
hotels	Łódź	Piłsudskiego	Novotel
shopping centres	Łomża	Zawadzka	Galeria Veneda
apartments	Łódź	Okopowa	Osiedle Jarzębinowe (stage I)
apartments	Poznań	Naramowice	Pod Klonami (stage II)

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

In 2012, there were no material changes in the basic management principles of the issuer's business and its Capital Group.

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

In 2012 and as at 31 December 2012, 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 2012, 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 878 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 829 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 24 thousand for holding functions in the bodies of subsidiaries, jointly controlled entities and associates.

20.2. Remuneration of supervisory staff

In 2012, 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

The shareholding structure of Echo Investment S.A. by supervisory staff as at 31 December 2012 is presented in the table below:

SUPERVISORY STAFF	AS AT 31.12.2012 (NUMBER)	NOMINAL VALUE PER SHARE	TOTAL NOMINAL VALUE	% OF SHARE CAPITAL
Wojciech Ciesielski - Chairman of the Supervisory Board	1.200.000	PLN 0.05	PLN 60,000	0,29%
Andrzej Majcher - Vice-Chairman of the Supervisory Board	98.800	PLN 0.05	PLN 4,940	0,02%
Mariusz Waniołka - Vice-Chairman of the Supervisory Board	no shares	PLN 0.05	-	-
Robert Oskard - Member of the Supervisory Board	no shares	PLN 0.05	-	-
Karol Żbikowski - Member of the Supervisory Board	no shares	PLN 0.05	-	-
Tomasz Kalwat - Member of the Supervisory Board	no shares	PLN 0.05	-	-

21.2. Shareholding structure of Echo Investment S.A. by managerial staff

The shareholding structure of Echo Investment S.A. by managerial staff as at 31 December 2012 is presented in the table below:

MANAGERIAL STAFF	AS AT 31.12.2012 (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	-	-

The shareholding structure of Echo Investment S.A. by managerial staff as at the day of publishing the report is presented in the table below:

MANAGERIAL STAFF	AS AT 24.04.2013 (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	-	-
Waldemar Lesiak – Vice-President of the Management Board	no shares	PLN 0.05	-	-

22. INFORMATION ON AGREEMENTS KNOWN TO THE ISSUER (INCLUDING AGREEMENTS CONCLUDED AFTER THE BALANCE SHEET DATE), POTENTIALLY RESULTING IN CHANGES IN THE PROPORTION OF SHARES HELD BY EXISTING SHAREHOLDERS

The Company is not aware of any agreements potentially resulting in changes in the proportion of shares held by existing shareholders.

In addition, the Company announces that it plans to redeem 7,309,418 shares purchased under the call to subscribe for the sale of equity shares (see section 6.2 of this report), accounting for 1.74% of the overall number of votes.

Therefore, the share of major shareholders in the Company's capital and votes, following the redemption of the said shares, will be as follows:

Present share of major shareholders in the capital and votes of Echo Investment S.A.:

SHAREHOLDER	NUMBER OF SHARES	% OF SHARE CAPITAL OF ECHO INVESTMENT SA	NUMBER OF VOTES AT THE GSM OF ECHO INVESTMENT SA	% OF TOTAL VOTES AT THE GSM OF ECHO INVESTMENT SA
MICHAŁ SOŁOWOW, indirectly through subsidiaries, including:	189 361 930	45,09%	189 361 930	45,09%
Barcocapital Investment Limited	171 477 880	40,83%	171 477 880	40,83%
Calgeron Investment Limited	17 884 050	4,26%	17 884 050	4,26%
ING OFE	44 569 720	10,61%	44 569 720	10,61%
AVIVA OFE AVIVA BZ WBK	42 958 079	10,23%	42 958 079	10,23%
PZU Złota Jesień OFE	22 011 702	5,24%	22 011 702	5,24%

Major shareholders' share in the capital and votes of Echo Investment S.A. following the redemption of shares purchased under the call to subscribe:

SHAREHOLDER	NUMBER OF SHARES	% OF SHARE CAPITAL OF ECHO INVESTMENT SA	NUMBER OF VOTES AT THE GSM OF ECHO INVESTMENT SA	% OF TOTAL VOTES AT THE GSM OF ECHO INVESTMENT SA
MICHAŁ SOŁOWOW, indirectly through subsidiaries, including:	189 361 930	45,88%	189 361 930	45,88%
Barcocapital Investment Limited	171 477 880	41,55%	171 477 880	41,55%
Calgeron Investment Limited	17 884 050	4,33%	17 884 050	4,33%
ING OFE	44 569 720	10,80%	44 569 720	10,80%
AVIVA OFE AVIVA BZ WBK	42 958 079	10,41%	42 958 079	10,41%
PZU Złota Jesień OFE	22 011 702	5,33%	22 011 702	5,33%

23. INFORMATION ON THE MONITORING SYSTEM FOR EMPLOYEE SHARE SCHEMES

The Company does not operate an employee share scheme.

24. INFORMATION ON AGREEMENT WITH AN ENTITY AUTHORISED TO AUDIT FINANCIAL STATEMENTS FOR THE AUDIT OR REVIEW OF FINANCIAL STATEMENTS OR CONSOLIDATED FINANCIAL STATEMENTS

On 24 May 2011, the Company's Supervisory Board, acting pursuant to § 13, section 1, letter b) of the Company's Statute, according to the applicable regulations and professional standards, appointed an entity authorised to audit financial statements. The entity authorised to audit the Company's financial statements is PricewaterhouseCoopers Sp. z o.o., with its registered office in Warsaw, ul. Armii Ludowej 14, entered in the list of entities authorised to audit financial statements, maintained by the National Council of Statutory Auditors, under no. 144 (Statutory Auditor); an agreement was concluded with that entity for the audit and review of Echo Investment's financial statements between 2011 and 2013.

The remuneration of the entity authorised to audit financial statements of the Issuer and of the Echo Investment Capital Group, paid or due for the financial year, amounts to:

- for the audit of separate and consolidated annual statements for 2012: PLN 100,000; the remuneration paid for the audit of similar statements for 2011 amounts to PLN 110,000.
- due to other auditing services, including remuneration due to the review of the separate and consolidated financial statements for 2012: PLN 125,000 thousand, and remuneration paid for the review of the separate and consolidated financial statements for 2011: PLN 125,000.
- due to tax consulting services, including remuneration paid in 2012: PLN 0, and in 2011: PLN 0, net.
- due to other services, including remuneration paid or due for 2012: PLN 140,000, and in 2011: PLN 140,000.

25. DESCRIPTION OF MAIN CHARACTERISTICS OF INTERNAL CONTROL SYSTEMS AND OF RISK MANAGEMENT SYSTEMS USED IN THE ISSUER'S BUSINESS IN RELATION TO THE PROCESS OF PREPARING FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

25.1. Description of main characteristics of internal control systems and of risk management systems used in the company

The Company's Management Board is responsible for the internal control system and its effectiveness in the process of preparing financial statements and periodic reports published according to the Regulation of the Minister of Finance of 19 February 2009 on current and periodic information to be submitted by issuers of securities and conditions for considering as equivalent information required under the law of a non-member state (J.L. No. 33, item 259).

The effectiveness and correct operation of the internal control system and of the risk management system is ensured by:

- defined and transparent organisational structure,
- skills, know-how and experience of people involved in the internal control process,
- supervision by the management over the system and regular evaluation of the Company's business,
- verification of financial statements by an independent statutory auditor.

Mutual connections and interdependence of internal control elements in several areas, such as:

- operating activity,
- financial activity,
- reporting process (including the preparation of financial statements),
- analysis of costs and expenditures related to projects, costs and general administrative expenses and sale, and costs and expenditures related to the use of leasable area,
- risk management,

ensure an effective internal control system and support the management of the whole Group.

To make this process more optimal and effective, the Company has introduced a certain degree of automation in the internal control process:

- decision limits (approval of costs, expenditures, payments, selection of counterparties, posting of costs),
- supervision over employee quotas, independent of people assigning quotas,
- configuration of accounts (enabling manual postings on automatic accounts, transparent and easy process of transferring information for reporting),
- automation of payments (generating a payment plan from the accounting system for electronic banking systems),
- eKOD system (electronic Document Circulation Sheet) facilitating the circulation of cost invoices, approval of expenditures and costs and initial posting.

25.2. Detailed characteristics of the issuer's business as regards systems of internal control and risk management applicable to the process of preparation of financial statements and consolidated financial statements.

Main characteristics of the internal control and of the risk management system in relation to the process of preparing separate and consolidated financial statements:

- transparent organisational structure,
- qualified staff,
- direct supervision by the management,
- expert verification of statements.

The people responsible for preparing financial statements, as part of the Company's financial and management reporting, are a highly qualified team of specialists of the Finance Branch, which is managed directly by the Finance Director and, indirectly, by the Company's Management Board. In the Finance Branch, this process involves mainly staff from the Accounting Division, assisted by employees from the Budgeting and Analysis Division and Funding Division, and the whole process is supervised by mid-level management staff of the Finance Branch.

Economic events in the course of the year are recorded by the Records Team of the Accounting Division. As part of internal control, the correctness of economic records is monitored by the Reporting Team from the Accounting Division, who have certificates of the Minister of Finance to provide services involving the keeping of accounting books (so called independent accountants). After completing all pre-defined processes of closing the books, the Team prepares financial statements. The process of monitoring the correctness of posting costs also involves employees from the Budgeting and Forecasts Team.

Measurements recognised in the statements are prepared and submitted to the Reporting Division by the employees of the Budget and Forecasts Team This Team has knowledge in the area of financial accounting (some of the staff are independent accountants), management accounting and financial analyses (some of the staff are adequately trained in audit and internal control). They also monitor the correct posting of these measurements.

The whole process of preparing statements is supervised by managers from the Accounting Division and the Budget and Forecasts Team. The reconciliation of settlements with banks is the responsibility of the Payments and Insurance Team. Thanks to a broad internal control system, which involves staff from individual teams, and supervision by managers from the Finance Branch, any errors are adjusted on an ongoing basis in the Company's accounting books according to the adopted accounting policy.

Before being given to an independent auditor, the prepared financial statements are checked by the Company's Chief Accountant. According to the applicable laws, the Group reviews or audits its financial statements using an renowned and highly qualified independent statutory auditor. During the audit by an independent statutory auditor, employees from the Divisions of the Finance Branch participating in the process of preparing the statements provide explanations.

25.3. Description of other use of internal control system and of risk management system in the Company, taking account of significance of the financial and accounting system

The controlling process in the Company, whose basic and key element is the internal control, is based on a system of budgets. On an annual basis, the Company updates short-term, mid-term and long-term plans, and prepares very detailed budgets for the following year with regard to:

- construction projects,
- utility projects,

- expenditures, general administrative and sales expenses.

Based on the budgets, financial forecasts and cash flow forecasts, which are necessary in the risk management process, are updated. The budgeting process is based on the Company's existing formalised rules and is closely supervised by the Finance Director. The process involves the Company's mid-level and senior management staff responsible for specific budget areas. Responsibility for the preparation and presentation rests with the Finance Branch and, with regard to costs of operation, the employees of the Property Management Division. They are also responsible for monitoring the incurred expenditures and reporting on the performance of budgets. The budget of construction projects is the responsibility of the Analysis and Project Controlling Team and Project Managers, the budget of utility projects is the responsibility of financial analysts from the Management Division, and the budget of costs and general administrative and sale expenses is the responsibility of the Budgeting and Forecasts Team. The Budgeting and Forecasts Team is also responsible for preparing financial and cash flow forecasts and for verifying them. The budget prepared for the following year on an annual basis is approved by the Company's Management Board.

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

- for the process of preparing financial statements,
- periodic reports,
- management reporting system.

The whole reporting system uses the Company's financial and management accounting based on the accounting policy adopted in the Company (International Financial Reporting Standards). Thanks to this, management reporting is not detached from the prepared financial statements and takes account of the format and the level of detail of data presented in these statements. The process of preparing financial statements is described in the section before. The periodic and management reporting process is a continuation of the budgeting process described before. Once the accounting books have been closed, reports are prepared on the performance of budgets and forecasts. In relation to closed reporting periods, the Group's financial results are analysed in detail and compared to the budget assumptions and forecasts made in the month preceding the analysed reporting period.

The key element in this process is the monitoring of the deviation of actual performance from the plan, and explaining the reasons for such a deviation. Monitoring deviations and learning their reasons helps optimise the Group's operations and minimise potential risks. Initially, monthly performance reports are analysed in detail by mid-level and senior management staff from individual organisational units of the Accounting Division and the Budgeting and Forecasts Team. Given the specific nature of the industry, the analyses are multi-faceted: not only individual groups of costs are analysed but also specific investment projects, segments or result items are reviewed separately. Based on these reports, the Company's Management Board analyses current financial results and compares them with the adopted budgets in the course of the year.

25.4. Risk management in the Company

Effective internal control (along with the existing reporting system) is the basic step in identifying risks and managing changes. In addition to the reporting system, effective risk management also involves a risk analysis. Therefore, the Company's key measure aimed at reducing its risk exposure is the correct assessment of prospective investments (Analysis and Project Controlling Team) and the monitoring of current investments (Project Managers). To this end, investment models and decision-making procedures are employed, whose observance is closely monitored by the Company's Finance Director and the Management Board. In addition, all requests and potential changes in the budgets of investment projects are entered by the Budgeting and Forecasts Team into result forecast models and a cash flow forecast so that an issue can be examined globally, and to eliminate risks related to projects, liquidity, foreign exchange rates, etc. Global management and risk monitoring as well as internal control in all areas that are important for the organisation largely eliminates most risks to which the Group is exposed.

Signatures of the Management Board of Echo Investment SA

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

Kielce, 23 April 2013

IV. STATEMENT OF THE MANAGEMENT BOARD

The Management Board of Echo Investment S.A. declares that, to the best of its knowledge, the annual consolidated financial statements for 2012 and comparative data have been presented in compliance with the applicable accounting principles, and that they reflect in a true, reliable and transparent manner the economic and financial situation of the Echo Investment S.A. Capital Group and its financial result. The annual management report of the Echo Investment S.A. Capital Group presents a true view of development, accomplishments and situation of the Echo Investment S.A. Capital Group, including a description of fundamental risks and threats.

The Management Board of Echo Investment S.A. declares that the entity authorised to audit financial statements, auditing the annual consolidated financial statements for 2012, was selected in accordance with the laws. This entity and auditors conducting the reviews met the conditions required to prepare an unbiased and independent report on the audited annual consolidated financial statement, pursuant to relevant provisions of the national law.

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

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

Kielce, 23 April 2013

ECHO investment

Al. Solidarności 36
25-323 Kielce
www.echo.com.pl